



CITY OF MONTROSE, COLORADO
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

**CITY OF MONTROSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TABLE OF CONTENTS**

Management Discussion and Analysis	i
Independent Auditors' Report	2
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities	5
Fund Financial Statements	
<i>Governmental Funds Financial Statements</i>	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
<i>Proprietary Fund Financial Statements</i>	
Statement of Net Position.....	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flow.....	12
<i>Fiduciary Fund Financial Statements</i>	
Statement of Fiduciary Net Position.....	13
Statement of Changes in Fiduciary Net Position	14
Notes to the Financial Statements	15
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	32
Budgetary Comparison Schedule – Montrose Urban Renewal Fund.....	34
Budgetary Comparison Schedule – Public Safety Fund.....	35
Schedule of Employer Pension Contributions and Schedule of the City's Proportionate Share of Net Pension liability	36
Combining and Individual Fund Statements and Schedules	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	39

CITY OF MONTROSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TABLE OF CONTENTS

Governmental Budgetary Comparison Schedules

Special Revenue Funds:

Retail Sales Enhancement Fund	41
CDBG Passthrough Grant Fund	42
Downtown Improvement Fund	43
Downtown Opportunity Fund	44
Greater Montrose Loan Fund	45
Public/Education/Government Fund	46
Surplus & Deficiency Fund	47
Capital Improvement Fund	48
Conservation Trust Fund	49
Pavilion Improvement Fund	50
Special Benefits Fund	51
Tourism Promotion Fund	52

Debt Service Funds:

2017 Certificates of Participation Fund	53
---	----

Permanent Funds:

Demoret Trust Fund	54
Cemetery Perpetual Care Fund	55

Capital Projects Funds

Special Improvements Revolving Fund	56
Grand/Rio Grande Project Fund	57
Building Renovations Fund	58

Enterprise Funds Budgetary Comparison Schedules

Water Fund	59
Sewer Fund	60
Trash\Recycling Fund	61
Black Canyon Golf Course Fund	62

Internal Service Funds

Statement of Net Position	63
Statement of Revenues, Expenses and Changes in Net Position	64
Statement of Cash Flow Internal Service Funds	65

Budgetary Comparison Schedules:

Fleet Management Fund	66
Information Technology Fund	67
Employee Medical Benefit Fund	68
Facilities Fund	69

**CITY OF MONTROSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TABLE OF CONTENTS**

LOCAL HIGHWAY FINANCE REPORT	70
---	-----------

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	72
---	----

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	74
--	----

Schedule of Expenditures of Federal Awards.....	76
---	----

Notes to the Scheduled of Expenditures of Federal Awards.....	77
---	----

Schedule of Findings and Questioned Costs.....	79
--	----

Corrective Action Plan.....	82
-----------------------------	----

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, 2020. Readers are encouraged to consider the information presented here in conjunction with the financial statements, which can be found on pages 4-14 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2020 by \$154,000,183. Of this amount, \$38,919,077 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 businesses that conduct business within the City's boundaries. In 2019, the City Council approved a change to section 5-15 of the Municipal Code basing nexus on economic sales not physical presence. The Sales & Use tax revenue collected at 3% on tangible personal property in 2020 was \$19,573,874; which is an increase of 7.32% over 2019 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,735,218, an increase of \$5,640,967 over the prior year. Approximately 12.4% of this total amount, \$2,827,153 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 fund balance policy requires 6 months of reserves for the General Fund. At the end of 2020, unassigned fund balance for the general fund was \$12,642,158 which is approximately 9 months of operating expenditures.
- The City saw growth in sales tax collection despite the restrictions imposed by COVID.
- The federal funding received due to COVID with a short window for spending and not having final guidance until late in the year caused one of our early decisions to assist an existing business expansion to allow for childcare was disallowed under the final guidance.
- Resolution 2006-24 was approved by the City Council in August that recommended transferring 1/2% of the sales & use tax to the Capital Improvement Fund for street repairs and improvements throughout the City. In 2020, \$3,125,194 was transferred to the Capital Improvement Fund.
- The City's total long-term liabilities increased by \$14,223,294 during the current fiscal year. This is attributable to the amount borrowed for the new public safety complex.
- After a vote of the people in November of 2019 to increase sales and use taxes by .58%, the City issued \$15,980,000 of Certificate of Participation debt to build the new public safety facility.
- 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 2020, the City collected \$246,535 in water capacity fees and \$699,163 in sewer capacity fees which is a decrease 16.9% and an increase of 38.3% respectively over the previous year's collections.
- Water Fund capital projects included completion of Cerro Reservoir Improvements, Cerise Waterline, East Miami Waterline replacement, Valve replacements, Hydrant replacements, Sunset Mesa Tank Storage Construction,
- Sewer Fund capital projects for sewer collection included Woodgate sewer rehabilitation, CIP 3 Sewer Design; Sewer Lining, Manhole Rehabilitation & H2S lining. Upgrades to the Waste Water Treatment Plant included a River Temperature and Flow device on the Uncompahgre River.

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 include not only the City of Montrose itself (known as the primary government), but also the following blended component units: the Montrose Urban Renewal Authority.

See Note 1 in the Notes to the Financial Statements for more details regarding this entity and its relationship to the City.

The government-wide financial statements can be found on pages 4 and 5 of the audit 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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 21 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, public safety fund and capital improvement fund because they are considered to be major funds for the 2020 fiscal year. Data from the other 17 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 and internal service 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 10-12 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Montrose's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for each of the fiduciary funds is provided in the form of combining statements located within the supplementary information following the Notes to the Financial Statements.

The basic fiduciary fund financial statements can be found on pages 13-14 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 15-31 of the report.

Other information

In addition to the basic financial statements, which include the accompanying notes, this report also presents required supplementary information (RSI). Included in the RSI are the budget to actual reports for the general fund and reported major funds as well as information provided detailing Montrose's proportionate share and

schedule of contributions made to FPPA on behalf of the police. The required supplementary information can be found on pages 32-36 of this report.

Combining Statements and Schedules. The combining statements and schedules referred to earlier in connection with the nonmajor governmental funds, internal service funds, and fiduciary funds are presented following the required supplementary information. Following the combining statements, budget schedules for all nonmajor funds are presented individually. In addition, budget schedules for enterprise funds, and internal service funds are also presented following the schedules for nonmajor funds. Combining and individual fund statements and schedules can be found on pages 32-65 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 65.6% 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.

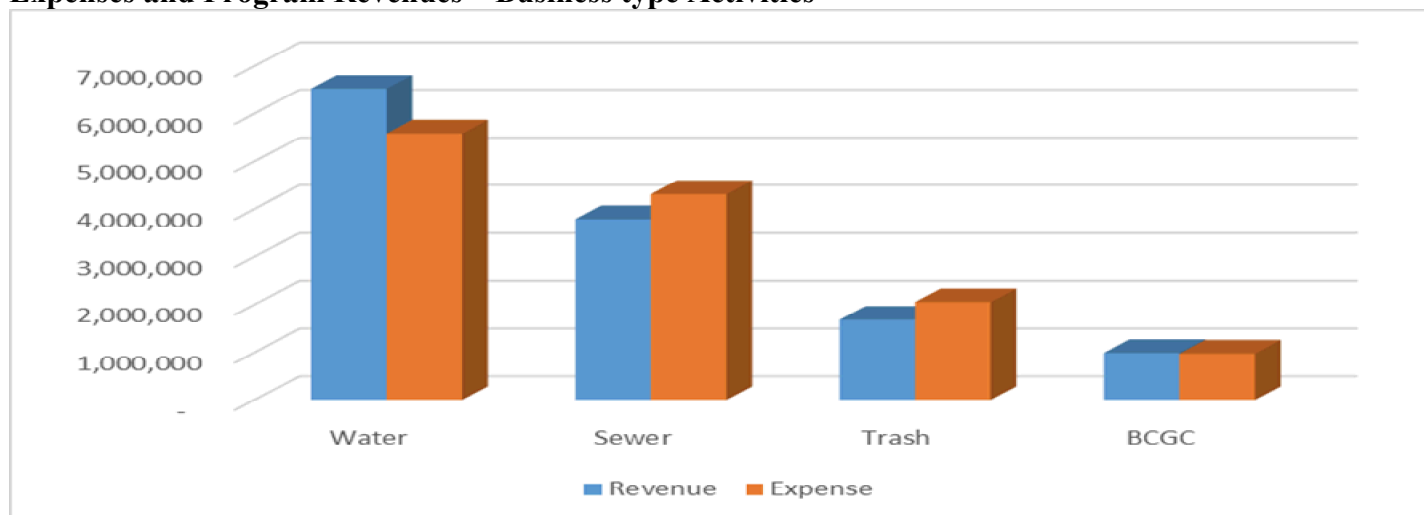
City of Montrose Statement of Net Position									
	Governmental activities		Business-type activities		Total		Amount of	% Change	
	2020	2019	2020	2019	2020	2019	Change		
Current assets	\$ 41,740,232	\$ 34,467,221	\$ 16,072,366	\$ 16,944,137	\$ 57,812,598	\$ 51,411,358	\$ 6,401,240	11.1%	
Noncurrent assets	80,014,491	65,679,371	56,055,491	55,862,994	136,069,982	121,542,365	14,527,617	10.7%	
Total assets	\$ 121,754,723	\$ 100,146,592	\$ 72,127,857	\$ 72,807,131	\$ 193,882,580	\$ 172,953,723	\$ 20,928,857	10.8%	
Deferred Inflows	\$ 688,511	\$ 1,930,202			\$ 688,511	\$ 1,930,202	\$ (1,241,691)	-180.3%	
Current liabilities	\$ 13,737,548	\$ 12,496,908	\$ 1,256,694	\$ 1,609,890	\$ 14,994,242	\$ 14,106,798	\$ 887,444	5.9%	
Noncurrent liabilities	24,072,188	9,464,132	1,074,954	1,459,716	25,147,142	10,923,848	14,223,294	56.6%	
Total liabilities	\$ 37,809,736	\$ 21,961,040	\$ 2,331,648	\$ 3,069,606	\$ 40,141,384	\$ 25,030,646	\$ 15,110,738	37.6%	
Deferred Inflows									
Pension	\$ 429,524	\$ 994,642			\$ 429,524		\$ 429,524		
Total Deferred inflows	\$ 429,524	\$ 994,642	\$ -	\$ -	\$ 429,524	\$ -	\$ 429,524		
Net Position:									
Net Investment in									
Capital Assets	\$ 55,241,950	\$ 44,178,419	\$ 54,602,495	\$ 51,522,618	\$ 109,844,445	\$ 95,701,037	\$ 14,143,408	12.9%	
Restricted	5,236,661	4,248,716	-	-	5,236,661	4,248,716	987,945	18.9%	
Unrestricted	23,725,363	30,693,977	15,193,714	18,214,907	38,919,077	48,908,884	(9,989,807)	-25.7%	
Total Net Position	\$ 84,203,974	\$ 79,121,112	\$ 69,796,209	\$ 69,737,525	\$ 154,000,183	\$ 148,858,637	\$ 5,141,546	3.3%	

At the end of the current fiscal year, the City's net position government-wide has increased over the net position reported in 2019. Under GASB 34 the audit shows the City's net position increased by \$5,141,544 during the current fiscal year. This increase is partially due to a decrease in pension liability and assets increased in 2020.

Governmental activities increased the City's net position by \$5,640,967 and business type activities increased the City's net position by \$58,684. These increases are primarily due to sales tax revenue and growth in our community.

	City of Montrose Changes in Net Position						Amount of Change
	Governmental activities		Business-type activities		Total		
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program revenues:							
Charges for services	\$ 1,392,198	\$ 1,751,835	\$ 11,372,930	\$ 10,673,962	\$ 12,765,128	\$ 12,425,797	\$ 339,331
Operating grants and contributions	2,811,455	2,178,831	-	-	2,811,455	2,178,831	632,624
Capital Grants and contributions	1,618,513	1,414,721	945,698	1,127,706	2,564,211	2,542,427	21,784
General revenues:							
Sales Tax	24,620,979	19,306,662	-	-	24,620,979	19,306,662	5,314,317
Franchise Fees	1,126,961	1,125,208	-	-	1,126,961	1,125,208	1,753
Cigarette Tax	56,669	52,938	-	-	56,669	52,938	3,731
Earnings on Investments	436,385	594,937	194,775	354,100	631,160	949,037	(317,877)
Miscellaneous	168,569	140,816	21,301	(82,261)	189,870	58,555	131,315
Administrative Charges	591,324	563,206	(591,324)	(563,206)	-	-	-
Other	2,200	900	-	-	2,200	900	1,300
Total revenues	\$ 32,825,253	\$ 27,130,054	\$ 11,943,380	\$ 11,510,301	\$ 44,768,633	\$ 38,640,355	\$ 6,128,278
Expenses:							
General government	\$ 4,702,659	\$ 5,190,224	\$ -	\$ -	\$ 4,702,659	\$ 5,190,224	\$ (487,565)
Community Development	1,687,249	1,810,295	-	-	1,687,249	1,810,295	(123,046)
Public Safety	6,664,416	7,174,513	-	-	6,664,416	7,174,513	(510,097)
Engineering & Inspection	302,282	288,889	-	-	302,282	288,889	13,393
Public Works	9,398,615	9,768,917	-	-	9,398,615	9,768,917	(370,302)
Parks & Cemetery	2,203,612	2,158,300	-	-	2,203,612	2,158,300	45,312
Administration	133,838	(357,792)	-	-	133,838	(357,792)	491,630
Contributed Capital Asset:	906,916	672,868	-	-	906,916	672,868	234,048
Interest	1,295,118	539,046	-	-	1,295,118	539,046	756,072
Water	-	-	5,344,164	4,986,060	5,344,164	4,986,060	358,104
Sewer	-	-	4,072,102	4,294,996	4,072,102	4,294,996	(222,894)
Sanitation	-	-	1,940,755	1,565,997	1,940,755	1,565,997	374,758
Black Canyon Golf Course	-	-	975,360	976,164	975,360	976,164	(804)
Total expenses	\$ 27,294,705	\$ 27,245,260	\$ 12,332,381	\$ 11,823,217	\$ 39,627,086	\$ 39,068,477	\$ 558,609
Increase in net assets before transfers	\$ 5,530,548	\$ (115,206)	\$ (389,001)	\$ (312,916)	\$ 5,141,547	\$ (428,122)	\$ 5,569,669
Transfers	(447,685)	(466,632)	447,685	466,632	-	-	-
Change in Net Position	\$ 5,082,863	\$ (581,838)	\$ 58,684	\$ 153,716	\$ 5,141,547	\$ (428,122)	\$ 5,569,669
Net Position - 1/1	\$ 79,121,111	\$ 79,757,398	\$ 69,737,525	\$ 69,583,809	\$ 148,858,636	\$ 149,341,207	\$ (482,571)
Prior Period restatement	-	(54,449)	-	-	-	(54,449)	54,449
Net Position, 1/1 (as restate	\$ 79,121,111	\$ 79,702,949	\$ 69,737,525	\$ 69,583,809	\$ 148,858,636	\$ 149,286,758	\$ (428,122)
Net Position - 12/31	\$ 84,203,974	\$ 79,121,111	\$ 69,796,209	\$ 69,737,525	\$ 154,000,183	\$ 148,858,636	\$ 5,141,547

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 \$22,735,218 an increase of \$5,640,967 over the prior year. Approximately 12.4% 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 (\$118,678) and permanent funds or other corpus (\$445,840) and interfund loans (\$6,350,789). *Restricted fund balance* is for emergencies per TABOR (\$730,000), economic development (\$118,191) pay debt service (\$109,585), beautification –Expendable (\$30,) parks and open space (\$1,307,724) and for public safety (2,108,637). *Committed fund balance* consists of economic development (\$539,552) and public education (\$66,735) and *Assigned:* capital project (\$6,770,446), competitive youth sports (\$10,059), parks improvements (\$166,675), and animal benefit (\$172,022).

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 \$12,642,158, while total fund balance reached \$15,491,381. 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 81.6% of the 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 \$11,702,394, the Sewer Fund amounted to \$3,867,072, the Trash and Recycling Fund amounted to \$643,412 and the Black Canyon Golf Course amounted to \$285,319.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$23,961,771. Actual expenditures totaled \$23,019,328 which is a decrease of \$723,079 from 2019 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, 2020, amounts to \$109,844,445. 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	
	2020	2019	2020	2019	2020	2019			
Land	\$ 12,967,290	\$ 12,202,760	\$ 1,682,525	\$ 1,682,525	\$ 14,649,815	\$ 13,885,285	764,530	6%	
Improvements other than buildings	\$ 5,537,939	\$ 5,537,939	\$ 10,697,972	\$ 9,113,457	\$ 16,235,911	\$ 14,651,396	1,584,515	11%	
Infrastructure	131,593,897	128,646,129	-	-	131,593,897	128,646,129	2,947,768	2%	
Buildings & System	31,435,449	14,894,050	83,007,845	81,578,007	114,443,294	96,472,057	17,971,237	19%	
Machinery & Equipment	21,894,476	20,810,222	3,007,906	2,748,267	24,902,382	23,558,489	1,343,893	6%	
Total Cost	\$ 203,429,051	\$ 182,091,100	\$ 98,396,248	\$ 95,122,256	\$ 301,825,299	\$ 277,213,356	\$ 24,611,943	9%	

Additional information on the City’s capital assets can be found in note 3 on pages 22-23 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$26,225,538 that is backed by the full faith and credit of the City.

City of Montrose Outstanding Debt						
General Obligation Bonds, Revenue Bonds, Capital Lease Payable and Notes Payable						
	Governmental		Business-type			
	Activities		Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ -	\$ -			\$ -	\$ -
Certificate of Participation	\$ 15,980,000				\$ 15,980,000	\$ -
Capital Lease Payable	\$ 8,792,541	\$ 9,241,687	\$ 97,997	\$ 99,716	\$ 8,890,538	\$ 9,341,403
Notes Payable	\$ -	\$ -	\$ 1,355,000	\$ 1,680,000	\$ 1,355,000	\$ 1,680,000
Total	\$ 24,772,541	\$ 9,241,687	\$ 1,452,997	\$ 1,779,716	\$ 26,225,538	\$ 11,021,403

The City's debt increased by \$15,204,135 during 2020 due primarily to the issuance of the Certificates of Participation

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 \$323,618,946 the current general obligation debt limitation for the City is \$16,180,947. 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 page 28 of this report.

Economic Factors and Next Year's Budgets and Rates

- According to the USDA website (<https://data.ers.usda.gov/>), the 2020 unemployment rate for Montrose County was 6.6%. Montrose County had a slightly lower unemployment rate than the state's average rate of 7.3%.
- Montrose County's median household income in 2020 was \$50,707 which is 65.8% of the State's median household income.
- 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 numbers increased 7.4% over 2019 and non-residential construction remains consistent with the previous two years.
- Rates for Water, Sewer and Trash and Recycling were not increased in 2020.

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.

INDEPENDENT AUDITOR'S REPORT

Montrose City Council
Montrose, Colorado

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, 2020, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-viii, and 32-35 and the Schedule of Employer Pension Contributions and Schedule of the City's Proportionate Share of Net Pension liability on page 36 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.

Report on Summarized Comparative Information

The financial statements of the City of Montrose for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; the Schedule of Federal Financial Assistance Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; and the Schedule of Federal Financial Assistance Reconciliation are fairly stated, in all material respects, in relation to the basic 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 October 31, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
October 31, 2021

The City of Montrose, Colorado
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Equivalents	\$ 25,904,580	\$ 11,383,423	\$ 37,288,003
Certificates of Deposit	3,476,678	1,817,973	5,294,651
Accounts Receivable, net	615,291	746,682	1,361,973
Due from other Funds	6,911,650	1,904,000	8,815,650
Franchise fee receivable	196,627	-	196,627
Due from other governments	1,323,724	-	1,323,724
Sales tax receivable	2,581,183	-	2,581,183
Special Assessment receivable	338,854	-	338,854
Interest receivable	-	6,380	6,380
Prepaid Expenses	340,500	641	341,141
Inventory of supplies	51,145	213,267	264,412
Total Current Assets	41,740,232	16,072,366	57,812,598
Noncurrent Assets			
Capital assets, not being depreciated	12,967,290	1,682,525	14,649,815
Capital assets, net	67,047,201	54,372,966	121,420,167
Total Noncurrent Assets	80,014,491	56,055,491	136,069,982
Total Assets	121,754,723	72,127,857	193,882,580
DEFERRED OUTFLOWS			
Deferred Outflows - Pensions	688,511	-	688,511
LIABILITIES			
Current Liabilities			
Accounts payable	1,761,457	472,862	2,234,319
Customer deposits and deposits in escrow	230,302	233,713	464,015
Accrued salaries and benefits	212,017	48,708	260,725
Unearned revenue	1,309,026	8,526	1,317,552
Due to other funds	8,815,649	-	8,815,649
Accrued compensated absences	516,426	107,303	623,729
Accrued interest payable	-	7,540	7,540
Claims payable	462,187	-	462,187
Long-term debt due in one year	430,484	378,042	808,526
Total Current Liabilities	13,737,548	1,256,694	14,994,242
Noncurrent Liabilities			
Revenue bonds - net of premium	-	1,025,000	1,025,000
Certificates of participation	15,980,000	-	15,980,000
Capital lease payable	8,362,057	49,954	8,412,011
Net pension liability (asset)	(269,869)	-	(269,869)
Total Noncurrent Liabilities	24,072,188	1,074,954	25,147,142
Total Liabilities	37,809,736	2,331,648	40,141,384
DEFERRED INFLOWS			
Deferred Inflows - Pension	429,524	-	429,524
Total Deferred Inflows	429,524	-	429,524
NET POSITION			
Net Investment in Capital Assets	55,241,950	54,602,495	109,844,445
Restricted	5,236,661	-	5,236,661
Unrestricted	23,725,363	15,193,714	38,919,077
Total Net Position	\$ 84,203,974	\$ 69,796,209	\$ 154,000,183

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 4,702,659	313,973	1,003,040	1,575,988	\$ (1,809,658)	\$ -	\$ (1,809,658)
Community development	1,687,249	162,213	55,620	-	(1,469,416)	-	(1,469,416)
Public safety	6,664,416	134,798	725,305	-	(5,804,313)	-	(5,804,313)
Engineering and inspection	302,282	674,140	-	-	371,858	-	371,858
Public works	9,398,615	23,319	694,486	-	(8,680,810)	-	(8,680,810)
Parks and cemetery	2,203,612	83,755	333,004	42,525	(1,744,328)	-	(1,744,328)
Insurance	133,838	-	-	-	(133,838)	-	(133,838)
Capital outlay	-	-	-	-	-	-	-
Contributed capital assets	906,916	-	-	-	(906,916)	-	(906,916)
Interest Expense	1,295,118	-	-	-	(1,295,118)	-	(1,295,118)
Total governmental activities	27,294,705	1,392,198	2,811,455	1,618,513	(21,472,539)	-	(21,472,539)
Business-type Activities							
Water	5,344,164	6,124,196	-	246,535	-	1,026,567	1,026,567
Sewer	4,072,102	3,042,369	-	699,163	-	(330,570)	(330,570)
Trash/Recycling	1,940,755	1,675,288	-	-	-	(265,467)	(265,467)
Black Canyon Golf Course	975,360	531,077	-	-	-	(444,283)	(444,283)
Total business-type activities	12,332,381	11,372,930	-	945,698	-	(13,753)	(13,753)
Total	\$ 39,627,086	\$ 12,765,128	\$ 2,811,455	\$ 2,564,211	(21,472,539)	(13,753)	(21,486,292)
General Revenues							
Taxes:							
Sales and use taxes					24,620,979	-	24,620,979
Franchise and occupational tax					1,126,961	-	1,126,961
Cigarette tax					56,669	-	56,669
Earnings on investments					436,385	194,775	631,160
Miscellaneous					168,569	21,301	189,870
Administrative charges					591,324	(591,324)	-
Contributions to permanent endowment					2,200	-	2,200
Total general revenues					27,003,087	(375,248)	26,627,839
Transfers					(447,685)	447,685	-
Total general revenues and transfers					26,555,402	72,437	26,627,839
Change in Net Position					5,082,863	58,684	5,141,547
Net Position, Beginning as restated					79,121,111	69,737,525	148,858,636
Net Position, Ending					\$ 84,203,974	\$ 69,796,209	\$ 154,000,183

The accompanying notes are an integral part of these financial statements

The City of Montrose, COLORADO

Balance Sheet

Governmental Funds

December 31, 2020

(With Comparative Totals for December 31, 2019)

	Montrose Urban					Totals	
	General	Renewal Authority	Public Safety	Capital Improvement	Nonmajor Funds	2020	2019
ASSETS							
Cash and Equivalents	\$ 9,909,770	\$ (601,936)	\$ 2,094,561	\$ 4,490,858	\$ 3,799,354	\$ 19,692,607	\$ 11,417,487
Certificates of Deposit	2,075,291	-	-	-	876,396	2,951,687	7,272,451
Accounts Receivable, net	262,705	-	478	-	235,835	499,018	324,560
Due from other Funds	1,396,962	-	-	5,514,688	-	6,911,650	6,592,280
Franchise fee receivable	196,627	-	-	-	-	196,627	205,338
Due from other governments	292,708	846,691	80,014	78,275	26,036	1,323,724	150,870
Sales tax receivable	2,104,891	-	384,466	-	91,826	2,581,183	2,036,117
Special Assessment receivable	-	-	-	-	338,854	338,854	441,790
Interest receivable	-	-	-	-	-	-	17,050
Prepaid Expenses	39,092	-	4,999	-	25,107	69,198	52,419
Inventory of supplies	14,491	-	-	-	34,989	49,480	36,443
Total Assets	<u>\$ 16,292,537</u>	<u>\$ 244,755</u>	<u>\$ 2,564,518</u>	<u>\$ 10,083,821</u>	<u>\$ 5,428,397</u>	<u>\$ 34,614,028</u>	<u>\$ 28,546,805</u>
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY							
LIABILITIES							
Accounts Payable	\$ 436,494	\$ 406,875	\$ 345,483	\$ 86,262	55,811	\$ 1,330,925	1,624,613
Customer deposits and deposits in escrow	237,064	-	-	-	(6,762)	230,302	394,413
Accrued salaries and benefits	82,430	-	105,199	-	5,279	192,908	462,265
Unearned revenue	45,168	837,236	-	-	426,622	1,309,026	542,983
Due to other Funds	-	8,815,649	-	-	-	8,815,649	8,428,280
Total Liabilities	<u>801,156</u>	<u>10,059,760</u>	<u>450,682</u>	<u>86,262</u>	<u>480,950</u>	<u>11,878,810</u>	<u>11,452,554</u>
FUND BALANCE							
Unspendable:							
Prepays and Inventory	53,583	-	4,999	-	60,096	118,678	88,862
Permanent funds or other corpus	-	-	-	-	445,840	445,840	443,501
Interfund advances	1,223,543	-	-	5,127,246	-	6,350,789	6,592,280
Restricted:							
For emergencies	1,240,950	-	-	-	-	1,240,950	730,000
For economic development	-	-	-	-	118,191	118,191	126,547
For debt service	-	-	-	-	109,585	109,585	109,596
For beautification - expendable	-	-	-	-	30,286	30,286	26,625
For capital projects	321,088	-	-	-	1,307,724	1,628,812	321,088
For public safety	-	-	2,108,837	-	-	2,108,837	-
For parks	-	-	-	-	-	-	303,323
Committed:							
For economic development	-	-	-	-	539,552	539,552	183,120
For community development	-	-	-	-	-	-	73,547
For capital projects	-	-	-	-	-	-	-
For public education	-	-	-	-	97,341	97,341	66,735
Assigned:							
For capital projects	-	-	-	4,870,313	1,900,133	6,770,446	4,006,094
For competitive youth sports	10,059	-	-	-	-	10,059	-
For parks/pavilion improvements	-	-	-	-	166,675	166,675	101,694
For animal shelter	-	-	-	-	172,024	172,024	207,286
For subsequent year's expenditures	-	-	-	-	-	-	547,344
Unassigned	12,642,158	(9,815,005)	-	-	-	2,827,153	3,166,609
Total Fund Balance	<u>15,491,381</u>	<u>(9,815,005)</u>	<u>2,113,836</u>	<u>9,997,559</u>	<u>4,947,447</u>	<u>22,735,218</u>	<u>17,094,251</u>
Total Liabilities, Deferred Inflow and Fund Balances	<u>\$ 16,292,537</u>	<u>\$ 244,755</u>	<u>\$ 2,564,518</u>	<u>\$ 10,083,821</u>	<u>\$ 5,428,397</u>	<u>\$ 34,614,028</u>	<u>\$ 28,546,805</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, COLORADO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2020

	2020
Total Fund Balances for the Governmental Funds	\$ 22,735,218
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	12,967,290
Capital assets being depreciated	67,047,201
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	
	6,168,629
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds	
FPPA Pension Liability	
Net deferred FPPA pension outflows	688,511
Net pension liability	269,869
Net deferred FPPA pension inflows	(429,524)
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.	
Certificates of participation	(15,980,000)
Capital leases and long term debt payable	(8,792,541)
Accrued interest	
Compensated absences	(470,679)
Total Net Position for Governmental Activities	<u>\$ 84,203,974</u>

The City of Montrose, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

						Totals	
	Montrose Urban						
	General	Renewal Authority	Public Safety Fund	Capital Improvement	Nonmajor Funds	2020	2019
REVENUES							
Taxes	\$ 20,959,825	\$ -	\$ 3,820,657	\$ -	\$ 1,042,009	\$ 25,822,491	\$ 20,587,868
Licenses and permits	792,099	-	-	-	-	792,099	552,062
Intergovernmental	1,856,675	108,262	231,130	1,380,037	904,577	4,480,681	3,103,537
Charges for services	74,309	-	60,729	-	47,850	182,888	309,711
Fines and forfeits	125,107	-	-	-	-	125,107	183,007
Special Assessments	-	-	-	-	110,083	110,083	159,733
Miscellaneous	75,571	-	83,163	-	124,140	282,874	704,939
Administrative reimbursement	591,324	-	-	-	-	591,324	563,206
Contributions to permanent endowment	-	-	-	-	2,200	2,200	900
Investment earnings	202,305	1,757	460	197,118	33,867	435,507	594,892
Total revenues	<u>24,677,215</u>	<u>110,019</u>	<u>4,196,139</u>	<u>1,577,155</u>	<u>2,264,726</u>	<u>32,825,254</u>	<u>26,759,855</u>
EXPENDITURES							
General Government	4,814,764	-	-	-	31,620	4,846,384	4,423,136
Community development	215,438	13,052	-	-	1,458,759	1,687,249	1,800,695
Public safety	-	-	9,490,961	-	-	9,490,961	7,432,764
Engineering and inspection	302,282	-	-	-	-	302,282	288,889
Public works	2,717,761	-	-	-	-	2,717,761	2,677,572
Parks, recreation and cemetery	1,695,371	-	-	-	-	1,695,371	1,777,123
Insurance	133,838	-	-	-	-	133,838	206,471
Capital Outlay	837,820	1,204,284	16,273,198	1,863,491	312,341	20,491,134	9,805,511
Debt service	-	387,369	-	-	964,254	1,351,623	960,519
Total expenditures	<u>10,717,274</u>	<u>1,604,705</u>	<u>25,764,159</u>	<u>1,863,491</u>	<u>2,766,974</u>	<u>42,716,603</u>	<u>29,372,680</u>
Revenues in excess of expenditures	<u>13,959,941</u>	<u>(1,494,686)</u>	<u>(21,568,020)</u>	<u>(286,336)</u>	<u>(502,248)</u>	<u>(9,891,349)</u>	<u>(2,612,825)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	0	-	15,980,000	-	-	15,980,000	-
Transfers in	739	-	8,022,472	3,125,194	1,237,321	12,385,726	3,711,120
Transfers out	(12,302,055)	-	(320,616)	-	(210,739)	(12,833,410)	(4,177,752)
Net other financing sources (uses)	<u>(12,301,316)</u>	<u>-</u>	<u>23,681,856</u>	<u>3,125,194</u>	<u>1,026,582</u>	<u>15,532,316</u>	<u>(466,632)</u>
Change in fund balance	<u>1,658,625</u>	<u>(1,494,686)</u>	<u>2,113,836</u>	<u>2,838,858</u>	<u>524,334</u>	<u>5,640,967</u>	<u>(3,079,457)</u>
FUND BALANCE, Beginning	13,832,756	(8,320,319)	-	7,158,701	4,423,113	17,094,251	20,228,157
Prior Period Restatement	-	-	-	-	-	-	(54,449)
FUND BALANCE, Beginning (As Restated)	<u>13,832,756</u>	<u>(8,320,319)</u>	<u>-</u>	<u>7,158,701</u>	<u>4,423,113</u>	<u>17,094,251</u>	<u>20,173,708</u>
FUND BALANCE, Ending	<u>\$ 15,491,381</u>	<u>\$ (9,815,005)</u>	<u>\$ 2,113,836</u>	<u>\$ 9,997,559</u>	<u>\$ 4,947,447</u>	<u>\$ 22,735,218</u>	<u>\$ 17,094,251</u>

The accompanying notes are an integral part of these financial statements

The 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, 2020

	2020
Net change in fund balances - governmental funds	\$ 5,640,967
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	22,235,844
Depreciation expense	(7,900,723)
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.	
	314,202
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 accrued interest payable	56,505
Change in accrued compensated absences	16,051
Change in deferred revenue	(40,229)
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.	
Pension (expense)/benefit	234,594
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	449,147
Proceeds from issuance of debt	-
Change in net position of governmental activities	<u>\$ 21,006,358</u>

The City of Montrose, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Enterprise Funds					Totals		
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Total Enterprise Funds	Internal Service Funds	2020	2019
ASSETS								
Current Assets								
Cash and Equivalents	\$ 9,002,747	\$ 1,698,755	\$ 581,587	\$ 100,334	\$ 11,383,423	\$ 6,211,973	\$ 17,595,396	\$ 13,182,213
Certificates of Deposit	654,955	1,163,018	-	-	1,817,973	524,991	2,342,964	6,676,981
Accounts Receivable, net	364,650	237,531	142,938	1,563	746,682	116,273	862,955	753,064
Due from other Funds	1,904,000	-	-	-	1,904,000	-	1,904,000	1,836,000
Interest receivable	-	6,380	-	-	6,380	-	6,380	10,750
Prepaid Expenses	508	133	-	-	641	271,302	271,943	248,888
Inventory of supplies	60,206	68,322	43,223	41,516	213,267	1,665	214,932	156,657
Total Current Assets	11,987,066	3,174,139	767,748	143,413	16,072,366	7,126,204	23,198,570	22,864,553
Noncurrent Assets								
Capital Assets, not being depreciated	526,338	936,752	-	219,435	1,682,525	-	1,682,525	1,682,525
Capital Assets, net	26,543,718	27,112,542	-	716,706	54,372,966	5,522,190	59,895,156	58,992,413
Total Assets	39,057,122	31,223,433	767,748	1,079,554	72,127,857	12,648,394	84,776,251	83,539,491
LIABILITIES								
Current Liabilities								
Accounts payable	321,601	52,878	85,186	13,197	472,862	430,532	903,394	982,550
Customer deposits and deposits in escrow	233,513	200	-	-	233,713	-	233,713	224,393
Accrued salaries and benefits	15,976	17,107	10,498	5,127	48,708	19,109	67,817	159,963
Unearned revenue	-	4,800	-	3,726	8,526	-	8,526	20,955
Accrued compensated absences	54,273	16,941	28,652	7,437	107,303	45,747	153,050	155,080
Accrued interest payable	4,147	3,393	-	-	7,540	-	7,540	7,540
Claims payable	-	-	-	-	-	462,187	462,187	335,340
Long-term debt due in one year	181,500	148,500	-	48,042	378,042	-	378,042	320,000
Total Current Liabilities	811,010	243,819	124,336	77,529	1,256,694	957,575	2,214,269	2,205,821
Noncurrent Liabilities								
Revenue bonds - net of premium	563,750	461,250	-	-	1,025,000	-	1,025,000	1,360,000
Capital lease payable	-	-	-	49,954	49,954	-	49,954	99,716
Total Liabilities	1,374,760	705,069	124,336	127,483	2,331,648	957,575	3,289,223	3,665,537
NET POSITION								
Net Investment in Capital Assets	25,979,968	26,651,292	-	666,752	53,298,012	5,522,190	58,820,202	58,895,222
Unrestricted	11,702,394	3,867,072	643,412	285,319	16,498,197	6,168,629	22,666,826	20,978,732
Total Net Position	\$ 37,682,362	\$ 30,518,364	\$ 643,412	\$ 952,071	\$ 69,796,209	\$ 11,690,819	\$ 81,487,028	\$ 79,873,954

The accompanying notes are an integral part of these financial statements

The City of Montrose, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Enterprise Funds						Totals	
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Total Enterprise Funds	Internal Service Funds	2020	2019
OPERATING REVENUES								
Water sales	\$ 6,028,378	\$ -	\$ -	\$ -	\$ 6,028,378	\$ -	\$ 6,028,378	\$ 5,444,732
Sewer charges	-	2,994,741	-	-	2,994,741	-	2,994,741	2,997,552
Tap fees unpledged	95,818	47,628	-	-	143,446	-	143,446	154,829
Sanitation charges	-	-	1,675,288	-	1,675,288	-	1,675,288	1,617,381
Golf charges	-	-	-	531,077	531,077	-	531,077	459,239
Interfund charges	-	-	-	-	-	7,000,592	7,000,592	6,344,670
Other charges	-	-	-	-	-	961,253	961,253	887,672
Total Operating Revenues	6,124,196	3,042,369	1,675,288	531,077	11,372,930	7,961,845	19,334,775	17,906,075
OPERATING EXPENSES								
Administration	258,298	220,648	112,378	-	591,324	98,763	690,087	627,678
Operations and maintenance	3,974,700	2,333,489	1,664,377	846,372	8,818,938	3,844,342	12,663,280	12,160,397
Medical claims	-	-	-	-	-	1,929,513	1,929,513	1,483,756
Insurance premiums	-	-	-	-	-	581,871	581,871	510,320
Depreciation	1,241,946	1,733,069	-	114,295	3,089,310	1,144,832	4,234,142	4,235,782
Capital Outlay	95,453	5,544	276,378	14,693	392,068	-	392,068	133,021
Total Operating Expenses	5,570,397	4,292,750	2,053,133	975,360	12,891,640	7,599,321	20,490,961	19,150,954
Net Operating Income	553,799	(1,250,381)	(377,845)	(444,283)	(1,518,710)	362,524	(1,156,186)	(1,244,879)
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental revenues	-	-	-	-	-	133,244	133,244	5,669
Capacity fees	246,535	699,163	-	-	945,698	-	945,698	802,076
Investment earnings	151,404	38,570	4,801	-	194,775	33,704	228,479	420,946
Gain (loss) on sale of assets	-	-	-	-	-	107,644	107,644	12,925
Other miscellaneous revenue	465	8,081	244	12,511	21,301	10,358	31,659	15,589
Interest expense	(16,632)	(13,608)	-	(1,825)	(32,065)	-	(32,065)	(39,451)
Net Nonoperating Revenues (Expenses)	381,772	732,206	5,045	10,686	1,129,709	284,950	1,414,659	1,217,754
Income Before Contributions and Transfers	935,571	(518,175)	(372,800)	(433,597)	(389,001)	647,474	258,473	(27,125)
Contributions and Transfers								
Dedicated and contributed capital assets	-	-	-	-	-	906,916	906,916	789,140
Transfers In	-	-	-	447,685	447,685	-	447,685	466,632
Transfers Out	-	-	-	-	-	-	-	-
Net Contributions and Transfers	-	-	-	447,685	447,685	906,916	1,354,601	1,255,772
Change in Net Position	935,571	(518,175)	(372,800)	14,088	58,684	1,554,390	1,613,074	1,228,647
NET POSITION, Beginning	36,746,791	31,036,539	1,016,212	937,983	69,737,525	10,136,429	79,873,954	78,645,307
NET POSITION, ENDING	\$ 37,682,362	\$ 30,518,364	\$ 643,412	\$ 952,071	\$ 69,796,209	\$ 11,690,819	\$ 81,487,028	\$ 79,873,954

The accompanying notes are an integral part of these financial statements

The City of Montrose, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Enterprise Funds						Totals	
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Total Enterprise Funds	Internal Service Funds	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 6,095,109	\$ 3,056,254	\$ 1,676,608	\$ 520,567	\$ 11,348,538	\$ 930,637	\$ 12,279,175	\$ 11,589,598
Receipts from interfund services provided	-	-	-	-	-	6,946,969	6,946,969	6,344,670
Payments to suppliers	(3,363,885)	(1,554,126)	(1,054,394)	(507,698)	(6,480,103)	(5,350,646)	(11,830,749)	(10,149,233)
Payments to employees	(667,397)	(709,397)	(438,386)	(221,346)	(2,036,526)	(792,767)	(2,829,293)	(2,457,842)
Payments for internal services used	(527,626)	(537,065)	(528,135)	(148,062)	(1,740,888)	(56,725)	(1,797,613)	(1,845,957)
Net cash provided (used) by operating activities	<u>1,536,201</u>	<u>255,666</u>	<u>(344,307)</u>	<u>(356,539)</u>	<u>1,091,021</u>	<u>1,677,468</u>	<u>2,768,489</u>	<u>3,481,236</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Other Revenues	465	8,081	244	12,510	21,300	133,246	154,546	15,589
Transfers in	-	-	-	447,685	447,685	10,358	458,043	466,632
Transfers out	-	-	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>465</u>	<u>8,081</u>	<u>244</u>	<u>460,195</u>	<u>468,985</u>	<u>143,604</u>	<u>612,589</u>	<u>482,221</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital contributions and tap fees	246,535	699,163	-	-	945,698	-	945,698	802,076
Capital grants	-	-	-	-	-	-	-	5,669
Proceeds from sale of assets	-	-	-	-	-	107,644	107,644	12,925
Acquisition and construction of capital assets	(2,129,244)	(1,099,751)	-	(22,518)	(3,251,513)	(948,161)	(4,199,674)	(4,342,484)
Principal paid on long-term debt	(178,750)	(146,250)	-	(32,013)	(357,013)	-	(357,013)	(351,676)
Interest paid on long-term debt	(16,632)	(13,608)	-	(1,825)	(32,065)	-	(32,065)	(40,886)
Net cash provided (used) by capital and related financing activities	<u>(2,078,091)</u>	<u>(560,446)</u>	<u>-</u>	<u>(56,356)</u>	<u>(2,694,893)</u>	<u>(840,517)</u>	<u>(3,535,410)</u>	<u>(3,914,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment in certificates of deposits	3,326,071	751,523	257,527	-	4,335,121	(1,105)	4,334,016	(5,906)
Interest on investments	151,404	38,570	4,801	-	194,775	33,704	228,479	425,779
Net cash provided (used) by investing activities	<u>3,477,475</u>	<u>790,093</u>	<u>262,328</u>	<u>-</u>	<u>4,529,896</u>	<u>32,599</u>	<u>4,562,495</u>	<u>419,873</u>
Net increase (decrease) in cash and cash equivalents	2,936,050	493,394	(81,735)	47,300	3,395,009	1,013,154	4,408,163	468,954
CASH AND CASH EQUIVALENTS, Beginning	<u>6,066,697</u>	<u>1,205,361</u>	<u>663,322</u>	<u>53,034</u>	<u>7,988,414</u>	<u>5,193,799</u>	<u>13,182,213</u>	<u>12,713,259</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 9,002,747</u>	<u>\$ 1,698,755</u>	<u>\$ 581,587</u>	<u>\$ 100,334</u>	<u>\$ 11,383,423</u>	<u>\$ 6,206,953</u>	<u>\$ 17,590,376</u>	<u>\$ 13,182,213</u>
Reconciliation of operating income to net cash provided by operating activities								
Operating income (loss)	\$ 553,799	\$ (1,250,381)	\$ (377,845)	\$ (444,283)	(1,518,710)	\$ 362,524	\$ (1,156,186)	\$ (1,244,879)
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	1,241,946	1,733,069	-	114,295	3,089,310	1,144,832	4,234,142	4,235,782
Changes in assets and liabilities								
(Increase) decrease in accounts receivable	(38,407)	13,886	1,320	1,920	(21,281)	(84,242)	(105,523)	151,263
(Increase) decrease in inventory of supplies	57,557	(45,456)	9,703	(706)	21,098	12,856	33,954	119,481
(Increase) decrease in prepaid expenses	(508)	331	-	16	(161)	(115,126)	(115,287)	66,187
Increase (decrease) in accounts payable	(194,778)	(169,656)	41,260	(1,653)	(324,827)	245,675	(79,152)	235,221
Increase (decrease) in customer deposits and deposits in escrow	9,320	-	-	-	9,320	-	9,320	(200)
Increase (decrease) in accrued salaries and benefits	(20,678)	(21,988)	(13,745)	(8,430)	(64,841)	(27,305)	(92,146)	43,338
Increase (decrease) in due to other funds	(68,000)	-	-	-	(68,000)	-	(68,000)	(68,000)
Increase (decrease) in deferred revenues	-	-	-	(12,429)	(12,429)	-	(12,429)	(54,870)
Increase (decrease) in accrued compensated absences	(4,050)	(4,139)	(5,000)	(5,269)	(18,458)	11,407	(7,051)	24,398
Increase (decrease) in claims payable	-	-	-	-	-	126,847	126,847	(26,485)
Net cash provided (used) by operating activities	<u>\$ 1,536,201</u>	<u>\$ 255,666</u>	<u>\$ (344,307)</u>	<u>\$ (356,539)</u>	<u>\$ 1,091,021</u>	<u>\$ 1,677,468</u>	<u>\$ 2,768,489</u>	<u>\$ 3,481,236</u>
SCHEDULE OF NON-CASH ACTIVITIES								
Donated capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,916	\$ 906,916	\$ 325,630

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado
Fiduciary Funds
Statement of Net Position
December 31, 2020

	Custodial Fund	
		Tax Passthrough Fund
ASSETS		
Restricted Cash and Cash equivalents	\$ 155,495	
Sales taxes receivable		216,734
Total Assets		372,229
LIABILITIES		
Sales taxes payable		372,229
Total Liabilities		372,229
Net Position		\$ -

The accompanying notes are an integral part of these financial statements

The City of Montrose, COLORADO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial Fund Tax Passthrough Fund
Additions	
Contributions:	
Taxes Collected for Other Governments	\$ 1,997,612
Total Additions	<u>1,997,612</u>
Deductions	
Taxes Distributed to Other Governments	\$ 1,997,612
Total Deductions	<u>1,997,612</u>
CHANGES IN NET POSITION	-
Net Position, beginning	-
Net position, ending	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Montrose applies the criteria set forth in GASB Statement No. 61 to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials’ accountability to their constituents, and the financial reporting entity follows the same accountability. 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, these statements also include the Montrose Urban renewal authority, a blended component unit.

Included within the reporting entity, in blended presentation:

Montrose Urban Renewal Authority (MURA) – The Authority was organized pursuant to Colorado Revised Statutes, Part I, Article 25, Title 31 to finance various improvement projects within the Authority’s boundaries. The Authority is fiscally dependent upon Montrose because the City Council approves the Authority’s budget, levies taxes, and must approve any debt issuances. MURA is presented as a major governmental fund and is a component unit of the City because the governing bodies are substantively the same. Also, there is either a financial benefit or burden relationship between MURA and the City of Montrose.

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 blended component unit: the Montrose Urban renewal authority. 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-

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

operating revenues and expenses.

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 non-major funds. The City does not have fiduciary fund types.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Montrose's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Public Safety Fund – In November of 2019, the voters approved a .58% sales and use tax to be collected and fund public safety. The fund issued certificates of participation in 2020 to fund capital improvements.

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 downtown Montrose

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

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 where the deed restricted it from becoming anything other than greenspace and the City owned the back nine already.

The City reports the following fund type:

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

Government-wide and Proprietary Fund and Fiduciary Financial Statements -The government wide, proprietary fund and fiduciary 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 exchange, include sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period for which

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 90 days of year end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual.

Fiduciary Funds - As required under GASB Statement No. 84 the City created one new fiduciary funds in 2020, the Tax Passthrough Fund. The tax passthrough fund records the activity related to sales tax collected by the City on behalf of other entities. The City then passes these tax payments along to these entities.

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

Although GASB Statement No. 34 eliminates the presentation of account groups, it does provide for the maintenance of the underlying records. The non-current governmental assets/liabilities are presented within the governmental column in the government-wide statement of net position.

All Governmental Accounting Standards Board (GASBs) pronouncements are followed in the government-wide, proprietary fund, and governmental fund financial statements.

During the course of operations the government has activity between funds. Balances at year-end are reported as interfund receivables/payables and transfers to/from funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Also, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

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 Water and Sewer Funds also recognize as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund 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.

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, 2020, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 – Since the DDA was dissolved in March of 2019, there are no mill levies certified for the city.

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, 2020 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.

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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deferred Inflows of Resources - Both government-wide and governmental funds report deferred inflows on their balance sheets. Deferred inflows arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows also arise when resources are received by Montrose before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when Montrose has a legal claim to the resources, the deferred inflow is removed from the balance sheet and revenue is recognized.

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.

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.

Pension: For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan (SWDB) administered by Fire and Police Pension Association of Colorado (FPPA), and additions to/deductions from these plans' fiduciary net pension have been determined on the same basis as they are reported by FPPA. FPPA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA. Employer contributions in FPPA's financial statements are recognized in the period in which the contributions are due. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. All employees who participate in the plans are funded through a governmental fund and therefore the net pension liability (asset) is recorded at the government-wide level only.

Limited comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Montrose's financial position. However, comparative data has not been presented in all statements since its inclusion would make the statements unduly complex and difficult to read. The partial

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

comparative data included in the basic financial statements is displayed in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Montrose's financial statements for the year ended December 31, 2019, from which the partial information is derived.

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.

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.

F. NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 2020, Montrose implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with Custodial Funds. Under this guidance, all fiduciary funds will now report a net position and a statement of changes in net position. Implementation of this guidance resulted in reclassification of several programs in governmental activities to fiduciary activities and the creation of additional funds to account for these programs.

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2020 and how they are displayed in the financial

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

statements is shown below:

Cash and Investments:	
Cash and Cash Equivalents	\$ 4,096,814
Investments in Local Government Investment Pools	33,191,189
	<u>\$ 37,288,003</u>
 Certificates of Deposits at Amortized Cost	 <u>\$ 5,294,651</u>

A. DEPOSITS

Custodial Credit Risk

The City and County of Montrose has deposits at the bank with a balance of \$8,466,823 in excess of FDIC coverage.

Guidance from the Colorado Division of Banking concludes that public deposits collateralized under the Colorado Public Deposit Protection Act (PDPA) and held in the name of the government have no custodial credit risk. Colorado state statutes govern Montrose's deposit of cash. The PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. State regulatory commissioners have indicated that all financial institutions holding deposits for Montrose are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

B. INVESTMENTS IN LOCAL GOVERNMENT INVESTMENT POOLS

Montrose's invests in local government investment pools as follows:

ColoTrust- Montrose has invested \$20,702,182 in Colorado Local Government Liquid Asset Trust Plus+ (ColoTrust). ColoTrust is valued using the NAV per share (or its equivalent) of the investments. ColoTrust does not have any unfunded commitments, redemption restrictions or redemption notice periods. ColoTrust has a rating of AAAM. Information related to ColoTrust can be found on their website, www.colotrust.com.

CSafe- Montrose has invested \$12,489,006 in the Colorado Surplus Asset Trust Fund (CSafe). CSafe is valued at amortized cost. The investments conform to its permitted investments and will meet Standard & Poor's investment guidelines to achieve a AAAM rating, the highest attainable rating for a Local Government Investment Pool. Information related to CSAFE can be found at their website, www.csafe.org.

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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020, were in a single financial institution, Colotrust.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets not being depreciated:				
Land	\$ 12,202,760	\$ 764,530	\$ -	\$ 12,967,290
Capital assets being depreciated:				
Land Improvements	5,537,939	-	-	5,537,939
Infrastructure - Road Network	128,646,129	2,947,768	-	131,593,897
Buildings	14,894,050	16,545,207	3,808	31,435,449
Equipment	6,480,938	123,261	181,833	6,422,366
Internal Service Vehicles	12,847,855	1,787,891	616,525	14,019,221
Internal Service Equipment	1,481,429	67,186	95,726	1,452,889
Total capital assets being depreciated	169,888,340	21,471,313	897,892	190,461,761
				-
Less: accumulated depreciation for:				
Land Improvements	1,547,336	294,570	-	1,841,906
Infrastructure - Road Network	88,765,652	5,727,774	-	94,493,426
Buildings	10,973,283	576,034	3,808	11,545,509
Equipment	5,608,118	160,388	181,833	5,586,673
Internal Service Vehicles	8,648,188	994,467	616,525	9,026,130
Internal Service Equipment	869,152	147,490	95,726	920,916
Total accumulated depreciation	116,411,729	7,900,723	897,892	123,414,560
Total capital assets being depreciated, net	53,476,611	13,570,590	-	67,047,201
Governmental activity capital assets, net	\$ 65,679,371	\$ 14,335,120	\$ -	\$ 80,014,491
Business-Type Activities:				
Capital assets not being depreciated:				
Land and Easements	\$ 1,682,525	\$ -	\$ -	\$ 1,682,525
Capital assets being depreciated:				
Reservoirs	9,023,300	1,584,515	-	10,607,815
Buildings	502,605	-	-	502,605
Land Improvements	90,157	-	-	90,157
Transmission, collection and distribution lines	66,418,867	1,429,838	-	67,848,705
Treatment Plant	14,656,535	-	-	14,656,535
Equipment	2,748,267	267,454	7,815	3,007,906
Total capital assets being depreciated	93,439,731	3,281,807	7,815	96,713,723
Less: accumulated depreciation for:				
Reservoirs	1,330,179	-	-	1,330,179
Buildings	160,316	-	-	160,316
Land Improvements	14,939	-	-	14,939
Transmission, collection and distribution lines	26,277,545	-	-	26,277,545
Treatment Plant	10,491,151	3,089,311	-	13,580,462
Equipment	985,131	-	7,815	977,316
Total accumulated depreciation	39,259,261	3,089,311	7,815	42,340,757
Total capital assets being depreciated, net	54,180,470	192,496	-	54,372,966
Business-type activity capital assets, net	\$ 55,862,995	\$ 192,496	\$ -	\$ 56,055,491

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

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

	Governmental Activities	Business-Type Activities
General government	\$ 596,736	\$ -
Public Safety	59,675	-
Public Works	6,736,071	-
Parks and cemetery	508,243	-
Water	-	1,241,946
Sewer	-	1,733,069
Black Canyon Golf Course	-	114,295
Total	\$ 7,900,725	\$ 3,089,310

NOTE 4 - EMPLOYEE RETIREMENT PLANS

A. ICMA

The City provides benefits for all of its full time employees except certified sworn police personnel 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 except certified sworn 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 \$6,272,126. Contributions of up to 8% for employees and amounted to \$455,024 for 2020.

B. Certified/Sworn Police Employees

STATEWIDE DEFINED BENEFIT PLAN

Summary of Significant Accounting Policies

Pensions. The Fire and Police Pension Association of Colorado (FPPA) administers a statewide multiple employer public employee retirement system providing defined benefit plan coverage for police officers and firefighters throughout the State of Colorado. The Affiliated Local Plans are plans for which FPPA has been asked to and has undertaken investment and recordkeeping responsibility, but are not plans for which FPPA has determined or set the benefits or funding policy. Volunteer Plans that have chosen to affiliate with FPPA for investment and administrative purposes are still governed by their local plan document or by the Colorado Statutes and local pension board; each has a separate actuarial valuation.

Net pension liability (asset) is the difference between the total pension liability and the fiduciary net position as of the measurement date. If the fiduciary net position exceeds the total pension liability as of the measurement date, there is a net pension asset. Deferred inflows of resources and deferred outflows of resources are the amounts that are required to be deferred and recognized in subsequent period. Deferred outflows of resources are reported on the Statement of Net Position or balance sheet below assets, while deferred inflows are reported below liabilities. These amounts refer to items that are not yet recognized in the net pension liability (asset) or pension expense and include:

- Changes in actuarial assumptions
- Differences between projected and actual investment earnings on pension plan investments
- Changes in proportion
- Employer contributions made subsequent to the measurement date through the fiscal yearend

Deferred outflows of resources and deferred inflows of resources will be recognized as follows:

- Differences in plan experience, changes in assumptions, and changes in proportion will be amortized over the

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

- remaining service lives of current and former employees, and retirees.
- The difference between expected and actual investment earnings will be amortized over a five year period.
- Contributions made subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the subsequent year.

General Information about the Pension Plan

The City began participation in the Plan during the year ended December 31, 2018.

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 that includes financial statements and required supplementary information for both the SWDB and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 303-770-3772 or on FPPA's website at <http://www.fppaco.org>.

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% of the average of the member's highest three years' base salary for each year of credited service up to ten year, plus 2.5% for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1st.

The amount of any cost of living adjustment (COLA) is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index. A member is eligible for an early retirement at age 50 after 30 years of service with at least five years of credited 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% interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

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 employer reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 22% of base salary for 2019. The members pay an additional 4% contribution. The re-entry group is scheduled to have their required member contribution rate increase 0.5% annually through 2022 for a total combined member and employer contribution rate of 24% in 2022. Total contributions to the SWDB Police Plan from the City were \$264,025 for the year ended December 31, 2020.

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

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

At December 31, 2020, the City reported an asset of \$269,869 for its proportionate share of the SWDB's net pension asset. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of January 1, 2019. The City's proportion of the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating employers and the State. At December 31, 2020, the City's proportion for the SWDB Police Plan was .47717%.

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

For the year ended December 31, 2020, the City recognized pension benefit of \$234,594. At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (913,286)	\$ 5,283
Changes in assumptions	(512,424)	-
Change in proportionate share	450,460	-
Contributions subsequent to the measurement date	286,739	
Difference between projected and actual earnings on pension plan investments	-	424,241
Total	\$ 688,511	\$429,524

The SWDB reported \$286,739 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, 2020.

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

Year Ended December 31,	Amounts recognized in pension expense
2021	134,432
2022	134,432
2023	134,432
2024	134,432
2025	134,432
Thereafter	343,552
Total	\$1,015,712

Actuarial assumptions. The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

	Total Pension Liability	Actuarial Determined Contributions
Actuarial valuation date	January 1, 2020	January 1, 2019
Actuarial method	Entry Age Normal	Entry Age Normal
Amortization method	N/A	Level % of Payroll, Open
Amortization period	N/A	30 years
Long-term investment rate of return*	7.00%	7.00%
Projected salary increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of living adjustments (COLA)	0.00%	0.00%
*Includes inflation at	2.50%	2.50%

The RP-2014 Mortality Table with Blue Collar Employees, projected with Scale BB, 55% 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-employment benefits for members under age 55. For post-employment members age 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-employment retirement members ages 55 through 64, a blend of the previous tables is used.

Changes in assumptions – There were no changes in assumptions or benefit terms.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	38%	7.00%
Equity long/short	8%	6.00%
Private markets	25%	9.20%
Fixed income	15%	5.20%
Absolute return	8%	5.50%
Managed futures	4%	5.00%
Cash	2%	2.52%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the 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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

Sensitivity of the District's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

1% Decrease	Single Discount Rate	1% Increase
6.0%	Assumption	8.0%
\$ 1,636,274	\$ (269,869)	\$ (1,850,762)

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

NOTE 5 - EMPLOYEE MEDICAL BENEFIT PLAN

The City adopted an employee medical benefit plan whereby the City self-insures the first \$75,000 per individual of covered medical claims, with a maximum annual City self-insurance liability of approximately \$2,065,846, exclusive of dental benefits, based on approximately 156 employees and dependents covered in 2020. 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, 2020 are as follows:

	Beginning Balance	Claims & Changes in Estimates	Claim Balance Payment	Ending Balance
2019	361,825	1,588,674	1,615,159	335,340
2020	335,340	2,265,378	2,138,531	462,187

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:

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

The purchase price per acre-foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water, which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre-foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the City pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial uses which we reset at \$4.00 per acre-foot subject to annual adjustment. In 2020, the rate for operations and maintenance was \$8.50 per acre-foot.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 7 -LONG-TERM LIABILITIES

A. CHANGES IN DEBT

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2020</u>
<i>Governmental Activities</i>				
Certificate of Deposit	\$ -	\$ 15,980,000	\$ -	\$ 15,980,000
Lease Liability	9,197,111	-	(404,570)	8,792,541
<i>Business-Type Activities</i>				
Notes Payable	1,680,000	-	(325,000)	1,355,000
Lease Liability	99,716	30,294	(32,013)	97,997
Total	<u>\$ 10,976,827</u>	<u>\$ 16,010,294</u>	<u>\$ (761,583)</u>	<u>\$ 26,225,538</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.

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

Revenue Bonds in the amount of \$6,045,000 were issued on March 15, 2004 for the purpose of refunding City's outstanding 1993 water and sewer revenue refunding bonds and financing \$4,000,000 in improvements to the City's water and sewer systems. In 2016, the remaining debt was refunded by a note with a principal balance of \$2,855,000 which resulted in a savings of \$295,000. This note is paid from the net revenue derived from the operation and use of the City's water and sewer enterprise system. Interest rate for this note is 1.8% payable semi-annually. The paying agent is UMB Bank.

D. CAPITAL LEASE AGREEMENTS

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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

E. CERTIFICATE OF PARTICIPATION

Through U.S Bank, Montrose uses Certificates of Participation (COP's) for the acquisition and construction of major public safety capital facilities and improvements. The debt is secured by the constructed facilities and improvements. Debt service payments are made from the rents collected by U.S Bank, based upon lease agreements between Montrose and U.S Bank. As of December 31, 2020, Montrose had \$15,980,000 of COP's outstanding for governmental activities.

F. SUMMARY OF ANNUAL REQUIREMENTS TO AMORTIZE OUTSTANDING BONDS, NOTES AND LEASE PRINCIPAL

The following tables display the debt service and lease payment requirements for the obligations described above, as of December 31:

	Governmental Activities		Business Type Activities	
	Certificate of Participation	Lease Liability	Notes Payable	Lease Liability
2021	\$ -	\$ 430,484	\$ 330,000	\$ 48,042
2022	330,000	442,441	340,000	49,955
2023	345,000	438,727	340,000	-
2024	360,000	450,741	345,000	-
2025	375,000	463,084	-	-
Thereafter	14,570,000	6,567,064	-	-
	<u>\$ 15,980,000</u>	<u>\$ 8,792,541</u>	<u>\$ 1,355,000</u>	<u>\$ 97,997</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds
Transfers In (Out) - net	(3,421,428)	2,201,816	695,357	466,632

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 Lease	Information Services Charges	Facility Lease Charges	Admin Charges	Health Benefits
General Fund	807,816	457,618	393,259	-	570,702
Public Safety Fund	624,822	669,388	154,235	-	829,460
Nonmajor Govt funds	-	113,700	34,427	-	28,137
Major Enterprise Funds	902,941	178,623	550,142	591,324	378,560
Internal Service Funds	19,287	15,887	87,299	-	159,049
Total	2,354,866	1,435,216	1,219,362	591,324	1,965,907

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020:

	Due From	Due To
General Fund	3,446,086.27	
Montrose Urban Renewal Authority		(10,726,086.27)
Capital Improvement Fund	5,376,000.00	
Water Fund	1,904,000.00	

During the course of operations the government has activity between funds. Balances at year-end are reported as interfund and transfers to/from funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Also, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

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 2020 was \$1.00 per thousand gallons, which results in a minimum annual purchase commitment of \$825,000, but the rate charged may be changed by action of the Authority. During 2020, the City purchased treatment of 1,531,508,000 gallons for \$1,531,508. At December 31, 2020, the City owed the Authority \$52,037 for 52,037,000 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

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including the raising of revenue, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.. The City believes it is in compliance with the requirements

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2020

of the Section. However, the City has made certain interpretations of the Section's language in order to determine it compliance. The emergency reserves required under the Section have been funded in the General Fund.

The Amendment requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At December 31, 2019, the amount required as emergency reserves in compliance with the amendment is \$4,240,000. This amount is disclosed as restricted net position on the Statement of Net Position and restricted fund balance on the Governmental Fund Balance Sheet.

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.

In early 2020, Montrose, like the rest of the Country, began to feel the effects of the COVID-19 pandemic. The pandemic pay have a negative impact on the US economy during 2020. Management is unreasonable to reasonably estimate the amount of scope of the impact that this could have on its financial position. No accruals or adjustments are reflected in the current financial statements to account for the potential impacts of the pandemic.

NOTE 13 - INTERGOVERNMENTAL AGREEMENTS

In 2017 the City and Montrose (City) Recreation District (MRD) determined there were cost savings to the tax payers in Montrose if certain City services were made available to MRD for a fee. This arrangement has continued with small amendments to the IGA annually. In 2020, the City provided MRD fleet, information services, facility and finance services for \$37,747.

NOTE 14 - RELATED PARTIES

In 2016, the City along with the Montrose Fire Protection District, The town of Mountain Village, The Town of Telluride, The Telluride Fire Protection District and the Town of Olathe created a new dispatch center, Western Colorado Regional Dispatch Center (WestCO), to provide emergency services. Article VII section 3 of the bylaws provides City services to WestCO without compensation. WestCo employees participate in the City self-insurance plan and reimburse the City for all costs paid on their behalf. WestCo paid \$327,650 related to the self-insurance plan.

The City of Montrose, Colorado

 Budgetary Comparison Schedule for the
General Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020				
	Original	Final		Variance	
	Budget	Budget	Actual	With Final	2019
				Budget	Actual
REVENUES					
Taxes	\$ 19,096,072	\$ 19,096,072	\$ 20,959,825	\$ 1,863,753	\$ 19,508,099
Licenses and permits	446,175	446,175	792,099	345,924	552,062
Intergovernmental	1,152,207	1,152,207	1,856,675	704,468	1,642,337
Charges for services	194,250	194,250	74,309	(119,941)	269,971
Fines and forfeits	171,800	171,800	125,107	(46,693)	183,007
Miscellaneous	137,530	137,530	75,571	(61,959)	217,781
Administrative reimbursement	563,206	563,206	591,324	28,118	563,206
Investment earnings	150,000	150,000	202,305	52,305	200,606
Total revenues	21,911,240	21,911,240	24,677,215	2,765,975	23,137,069
EXPENDITURES					
Current					
General Government					
City Council	154,366	154,366	160,686	(6,320)	156,266
Youth Council	4,450	4,450	3,382	1,068	2,664
Community Program Support	-	562,000	562,109	(109)	202,914
Economic Support	289,000	557,000	555,193	1,807	395,509
City Attorney	437,682	437,682	449,290	(11,608)	405,564
City Manager	293,714	293,714	300,015	(6,301)	287,920
Website/Communications	115,396	115,396	116,267	(871)	101,558
Human Resources	378,451	378,451	342,793	35,658	458,886
Montrose Pavilion	565,493	565,493	528,850	36,643	560,344
GIS	317,427	333,427	337,035	(3,608)	287,824
Finance	756,530	756,530	691,478	65,052	656,345
Municipal Court	244,970	244,970	235,688	9,282	222,575
Teen Court	7,050	7,050	1,800	5,250	4,672
Innovation and Citizen engagement	195,443	240,443	191,093	49,350	332,674
City Clerk	262,406	284,406	305,525	(21,119)	265,537
Clearing account	33,699	33,699	33,561	138	33,563
Total general government	4,056,077	4,969,077	4,814,765	154,312	4,374,815
Community Development					
Planning services	324,304	324,304	215,438	108,866	309,917
Total community development	324,304	324,304	215,438	108,866	309,917
Public Safety					
Police	-	-	-	-	4,620,183
Administration	-	-	-	-	1,775,073
7th Judicial Drug Task Force	-	-	-	-	253,054
Code Enforcement	-	-	-	-	112,167
Animal Control	-	-	-	-	559,075
Total public safety	-	-	-	-	7,319,552
Engineering and Inspection					
Building Services	311,469	311,469	302,282	9,187	288,889

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the
General Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
(Continued)					
Public Works					
Engineer	243,260	243,260	248,943	(5,683)	269,371
Administration	181,396	181,396	193,382	(11,986)	197,718
Street maintenance	2,198,421	2,198,421	2,134,139	64,282	1,924,075
Street cleaning	303,892	303,892	141,297	162,595	285,873
Green Waste removal	-	-	-	-	536
Total public works	<u>2,926,969</u>	<u>2,926,969</u>	<u>2,717,761</u>	<u>209,208</u>	<u>2,677,573</u>
Parks, recreation and cemetery					
Parks Maintenance	1,578,778	1,628,778	1,353,543	275,235	1,498,459
Tree Program	15,000	15,000	9,387	5,613	10,840
Sunset Mesa Maintenance	124,365	124,365	209,850	(85,485)	129,307
Cemetery	97,389	97,389	102,750	(5,361)	91,499
Competitive Youth Sports	65,448	65,448	19,838	45,610	46,891
Total parks and cemetery	<u>1,880,980</u>	<u>1,930,980</u>	<u>1,695,368</u>	<u>235,612</u>	<u>1,776,996</u>
Insurance	<u>-</u>	<u>-</u>	<u>133,838</u>	<u>(133,838)</u>	<u>206,471</u>
Capital Outlay					
General Government	16,438	776,438	779,033	(2,595)	297,692
Public Safety	-	-	-	-	302,200
Public Works	-	-	-	-	167,515
Parks and Recreation	<u>58,500</u>	<u>58,500</u>	<u>58,787</u>	<u>(287)</u>	<u>132,488</u>
Total capital outlay	<u>74,938</u>	<u>834,938</u>	<u>837,820</u>	<u>(2,882)</u>	<u>899,895</u>
Total expenditures	<u>9,574,737</u>	<u>11,297,737</u>	<u>10,717,272</u>	<u>580,465</u>	<u>17,854,108</u>
Revenues in excess of expenditures	<u>12,336,503</u>	<u>10,613,503</u>	<u>13,959,943</u>	<u>2,185,510</u>	<u>5,282,961</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	2,000	2,000	739	1,261	32,500
Transfers Out	<u>(12,302,055)</u>	<u>(12,302,055)</u>	<u>(12,302,055)</u>	<u>-</u>	<u>(4,045,252)</u>
Net other financing sources (uses)	<u>(12,300,055)</u>	<u>(12,300,055)</u>	<u>(12,301,316)</u>	<u>1,261</u>	<u>(4,012,752)</u>
Change in fund balance	36,448	(1,686,552)	1,658,627	2,186,771	1,270,209
FUND BALANCE, Beginning	<u>13,832,754</u>	<u>13,832,754</u>	<u>13,832,754</u>	<u>-</u>	<u>12,562,545</u>
FUND BALANCE, Ending	<u>\$ 13,869,202</u>	<u>\$ 12,146,202</u>	<u>\$ 15,491,381</u>	<u>\$ 2,186,771</u>	<u>\$ 13,832,754</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Montrose Urban Renewal Authority Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020				
		Original	Final		Variance	2019
		Budget	Budget	Actual	With Final	Actual
					Budget	
REVENUES						
	Intergovernmental	-	-	108,262	\$ 108,262	387
	Investment Earnings	-	-	1,757	1,757	22,500
	Total revenues	-	-	110,019	110,019	22,887
EXPENDITURES						
Current						
	Community Development					
	Special Benefit	-	-	13,052	13,052	149,853
	Capital Outlay					
	General Government	-	825,000	1,204,284	379,284	1,018,707
	Debt Service					
	Interest and fees	-	-	387,369	387,369	309,491
	Total expenditures	-	825,000	1,604,705	779,705	1,478,051
	Change in fund balance	-	(825,000)	(1,494,686)	(669,686)	(1,455,164)
	FUND BALANCE, Beginning	(8,320,319)	(8,320,319)	(8,320,319)	-	(6,865,155)
	FUND BALANCE, Ending	<u>\$ (8,320,319)</u>	<u>\$ (9,145,319)</u>	<u>\$ (9,815,005)</u>	<u>\$ (669,686)</u>	<u>\$ (8,320,319)</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Public Safety Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Taxes	\$ 3,453,198	3,820,657	367,459	
Intergovernmental	130,700	231,130	100,430	-
Charges for services	84,700	60,729	(23,971)	
Miscellaneous	-	83,163	83,163	
Investment earnings	-	460	460	-
Total revenues	<u>3,668,598</u>	<u>4,196,139</u>	<u>527,541</u>	<u>-</u>
EXPENDITURES				
Community development				
Public Safety	10,846,299	9,490,961	1,355,338	-
Capital Outlay	<u>141,728</u>	<u>16,273,198</u>	<u>(16,131,470)</u>	<u>-</u>
Total expenditures	<u>10,988,027</u>	<u>25,764,159</u>	<u>(14,776,132)</u>	<u>-</u>
Revenues in excess of expenditures	(7,319,429)	(21,568,020)	(14,248,591)	-
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	-	15,980,000	15,980,000	-
Transfers in	8,022,472	8,022,472	-	-
Transfers out	<u>-</u>	<u>(320,616)</u>	<u>(320,616)</u>	<u>-</u>
Net other financing sources (uses)	<u>8,022,472</u>	<u>23,681,856</u>	<u>15,659,384</u>	<u>-</u>
Change in fund balance	703,043	2,113,836	1,410,793	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 703,043</u>	<u>\$ 2,113,836</u>	<u>\$ 1,410,793</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado
Schedule of Employer Pension Contributions
For the Year Ended December 31, 2020

Year Ended December 31,	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2019	271,826	271,826	3,397,825	8.00%
2020	281,351	281,351	2,601,018	10.82%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

The City of Montrose, Colorado
Schedule of the City's Proportionate Share of Net Pension Liability
For the Year Ended December 31, 2020

Year Ended December 31,	Cumulative Proportion of Net Pension Liability/Asset	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2019	0.50725%	(641,298)	3,397,825	-18.87%	95.20%
2020	0.47717%	603,272	2,601,018	23.19%	101.90%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

The City of Montrose, Colorado
Balance Sheet
Nonmajor Governmental Funds
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Special Revenue Funds										
	Retail Sales Enhancement	CDBG Passthrough Grant	Downtown Opportunity Fund	Greater Montrose Loan	Downtown Improvement	Surplus & Deficiency	Conservation Trust	Pavilion Improvement	Public/Education/G overnment Fund	Special Benefits	Tourism Promotional
ASSETS											
Cash and Equivalents	\$ 270,288	\$ -	\$ (39,449)	\$ 77,659	\$ 64,273	\$ 13,811	\$ 406,066	\$ 16,288	\$ 84,620	\$ 330,408	\$ 126,480
Certificates of Deposit	-	-	-	-	-	50,967	-	-	-	-	50,480
Accounts Receivable, net	600	-	121,050	36,804	35,000	-	-	-	-	-	24,893
Franchise fee receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	13,315	-	-	-	-	-	-	-	12,721	-	-
Sales tax receivable	50,916	-	-	-	-	-	-	-	-	-	40,910
Special Assessment receivable	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Inventory of supplies	-	-	-	-	-	-	-	-	-	-	34,989
Prepaid Expenses	-	-	-	-	-	-	-	-	1,369	-	23,738
Total Assets	\$ 335,119	\$ -	\$ 81,601	\$ 114,463	\$ 99,273	\$ 64,778	\$ 406,066	\$ 16,288	\$ 98,710	\$ 330,408	\$ 301,490
LIABILITIES AND FUND EQUITY											
LIABILITIES											
Accounts payable	\$ 14,093	\$ -	\$ 7,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,759	\$ 18,958
Customer deposits and deposits in escrow	-	-	-	-	-	-	-	-	-	(6,762)	-
Accrued salaries and benefits	2,454	-	-	-	-	-	-	-	-	-	2,825
Unearned revenue	-	-	33,299	36,804	-	-	-	-	-	-	-
Total Liabilities	16,547	-	41,298	36,804	-	-	-	-	-	7,997	21,783
FUND BALANCE											
Nonspendable											
Prepays and inventory	-	-	-	-	-	-	-	-	1,369	-	58,727
Permanent fund or other corpus	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
For economic development	-	-	40,303	77,659	229	-	-	-	-	-	-
For debt service	-	-	-	-	-	-	-	-	-	-	-
For beautification - expendable	-	-	-	-	-	-	-	-	-	-	-
For parks	-	-	-	-	-	-	-	-	-	-	-
For public safety	-	-	-	-	-	-	-	-	-	-	-
For capital projects	-	-	-	-	99,044	64,778	406,066	-	-	-	-
Committed:											
For economic development	318,572	-	-	-	-	-	-	-	-	-	220,980
For community development	-	-	-	-	-	-	-	-	-	-	-
For public education	-	-	-	-	-	-	-	-	97,341	-	-
Assigned:											
For capital projects	-	-	-	-	-	-	-	-	-	-	-
For parks/pavilion improvements	-	-	-	-	-	-	-	16,288	-	150,387	-
For animal shelter	-	-	-	-	-	-	-	-	-	172,024	-
For next year's expenditures	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	318,572	-	40,303	77,659	99,273	64,778	406,066	16,288	98,710	322,411	279,707
Total Liabilities, Deferred Inflows and Fund Balances	\$ 335,119	\$ -	\$ 81,601	\$ 114,463	\$ 99,273	\$ 64,778	\$ 406,066	\$ 16,288	\$ 98,710	\$ 330,408	\$ 301,490

The accompanying notes are an integral part of these financial statements

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Permanent Funds			Capital Project Fund				
	2017							
	Certificates of	Demoret	Cemetery	Special	Grand/Rio	Building		
	Participation	Trust	Perpetual	Improvements	Grande Project	Renovation	2020	2019
			Care	Revolving				
ASSETS								
Cash and Equivalents	\$ 109,585	\$ 27,202	\$ 124,459	536,094	\$ 1,186,361	\$ 465,208	\$ 3,799,353	\$ 2,355,250
Certificates of Deposit	-	324,465	-	201,920	248,564	-	876,396	2,049,626
Accounts Receivable, net	-	-	-	17,488	-	-	235,835	78,425
Franchise fee receivable	-	-	-	-	-	-	-	3,962
Due from other governments	-	-	-	-	-	-	26,036	-
Sales tax receivable	-	-	-	-	-	-	91,826	80,154
Special Assessment receivable	-	-	-	338,853	-	-	338,853	441,790
Interest receivable	-	-	-	-	-	-	-	10,600
Inventory of supplies	-	-	-	-	-	-	34,989	34,039
Prepaid Expenses	-	-	-	-	-	-	25,107	29,676
Total Assets	<u>\$ 109,585</u>	<u>\$ 351,667</u>	<u>\$ 124,459</u>	<u>\$ 1,094,355</u>	<u>\$ 1,434,925</u>	<u>\$ 465,208</u>	<u>\$ 5,428,395</u>	<u>\$ 5,083,522</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,809	\$ 144,024
Customer deposits and deposits in escrow	-	-	-	-	-	-	(6,762)	-
Accrued salaries and benefits	-	-	-	-	-	-	5,279	14,947
Unearned revenue	-	-	-	356,519	-	-	426,622	501,438
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,519</u>	<u>-</u>	<u>-</u>	<u>480,948</u>	<u>660,409</u>
FUND BALANCE								
Nonspendable								
Prepays and inventory	-	-	-	-	-	-	60,096	63,715
Permanent fund or other corpus	-	321,381	124,459	-	-	-	445,840	443,501
Restricted:								
For economic development	-	-	-	-	-	-	118,191	126,547
For debt service	109,585	-	-	-	-	-	109,585	109,596
For beautification - expendable	-	30,286	-	-	-	-	30,286	26,625
For parks	-	-	-	-	-	-	-	303,323
For public safety	-	-	-	-	-	-	-	-
For capital projects	-	-	-	737,836	-	-	1,307,724	2,170,080
Committed:								
For economic development	-	-	-	-	-	-	539,552	183,120
For community development	-	-	-	-	-	-	-	73,547
For public education	-	-	-	-	-	-	97,341	66,735
Assigned:								
For capital projects	-	-	-	-	1,434,925	465,208	1,900,133	-
For parks/pavilion improvements	-	-	-	-	-	-	166,675	101,694
For animal shelter	-	-	-	-	-	-	172,024	207,286
For next year's expenditures	-	-	-	-	-	-	-	547,344
Total Fund Balance	<u>109,585</u>	<u>351,667</u>	<u>124,459</u>	<u>737,836</u>	<u>1,434,925</u>	<u>465,208</u>	<u>4,947,447</u>	<u>4,423,113</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 109,585</u>	<u>\$ 351,667</u>	<u>\$ 124,459</u>	<u>\$ 1,094,355</u>	<u>\$ 1,434,925</u>	<u>\$ 465,208</u>	<u>\$ 5,428,395</u>	<u>\$ 5,083,522</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Special Revenue Funds										
	Retail Sales Enhancement	CDBG Passthrough Grant	Downtown Opportunity Fund	Greater Montrose Loan	Downtown Improvement	Surplus & Deficiency	Conservation Trust	Pavilion Improvement	Public/Education/ Government Fund	Special Benefits	Tourism Promotional
REVENUES											
Taxes	\$ 466,671	\$ -	\$ -	\$ -	\$ 6,902	\$ -	\$ -	\$ -	\$ 12,648	\$ -	\$ 555,789
Intergovernmental	56,024	414,895	87,750	1,000	35,000	-	100,204	-	12,721	-	1,032
Charges for services	-	-	-	-	-	-	-	-	-	-	47,850
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	14,776	-	3,910	7,823	1,041	-	-	135	-	91,283	5,174
Contributions to permanent endowment	-	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	13	4,344	2,539	1	(2,073)	6	1,328
Total revenues	537,471	414,895	91,660	8,823	42,956	4,344	102,743	136	23,296	91,289	611,173
EXPENDITURES											
Current											
General government	-	-	-	-	-	-	-	-	17,914	-	-
Community development	395,249	239,895	73,435	28,050	64,085	-	-	-	-	31,212	626,834
Parks, recreation and cemetery	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	12,111	175,000	-	-	9,145	-	-	-	-	68,477	-
Debt service	15,780	-	-	-	-	-	-	-	-	-	-
Total expenditures	423,140	414,895	73,435	28,050	73,230	-	-	-	17,914	99,689	626,834
Revenues in excess of expenditures	114,331	-	18,225	(19,227)	(30,274)	4,344	102,743	136	5,382	(8,400)	(15,661)
OTHER FINANCING SOURCES (USES)											
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers in	88,857	-	-	-	-	-	-	-	-	-	-
Transfers out	(35,000)	-	-	(10,000)	-	(100,000)	-	-	-	-	(65,000)
Net other financing sources (uses)	53,857	-	-	(10,000)	-	(100,000)	-	-	-	-	(65,000)
Change in fund balance	168,188	-	18,225	(29,227)	(30,274)	(95,656)	102,743	136	5,382	(8,400)	(80,661)
FUND BALANCE (DEFICIT), Beginning	150,384	-	22,078	106,886	129,547	160,434	303,323	16,152	93,328	330,812	360,368
Prior Period Restatement	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, Beginning (As Restated)	150,384	-	22,078	106,886	129,547	160,434	303,323	16,152	93,328	330,811	360,368
FUND BALANCE, Ending	\$ 318,572	\$ -	\$ 40,303	\$ 77,659	\$ 99,273	\$ 64,778	\$ 406,066	\$ 16,288	\$ 98,710	\$ 322,411	\$ 279,707

The accompanying notes are an integral part of these financial statements

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Permanent Funds			Capital Project Funds			Total Nonmajor Funds	
	2017 Certificates of Participation	Demoret Trust	Cemetery Perpetual Care	Special Improvements Revolving	Grand/Rio Grande Project	Building Renovation	2020	2019
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,042,010	\$ 1,079,769
Intergovernmental	-	-	-	-	-	195,952	904,578	293,342
Charges for services	-	-	-	-	-	-	47,850	39,740
Special assessments	-	-	-	110,083	-	-	110,083	159,733
Miscellaneous	-	-	-	-	-	-	124,142	287,158
Contributions to permanent endowment	-	-	2,200	-	-	-	2,200	900
Investment earnings	-	3,661	878	4,304	16,291	2,575	33,867	93,522
Total revenues	-	3,661	3,078	114,387	16,291	198,527	2,264,730	1,954,164
EXPENDITURES								
Current								
General government	-	-	-	1,133	-	12,576	31,623	158,033
Community development	-	-	-	-	-	-	1,458,760	1,344,425
Parks, recreation and cemetery	-	-	-	-	-	-	-	127
Public safety	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	47,607	312,340	1,115,069
Debt service	948,474	-	-	-	-	-	964,254	651,028
Total expenditures	948,474	-	-	1,133	-	60,183	2,766,977	3,268,682
Revenues in excess of expenditures	(948,474)	3,661	3,078	113,254	16,291	138,344	(502,247)	(1,314,518)
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Transfers in	948,463	-	-	-	-	200,000	1,237,320	827,857
Transfers out	-	-	(739)	-	-	-	(210,739)	(132,500)
Net other financing sources (uses)	948,463	-	(739)	-	-	200,000	1,026,581	695,357
Change in fund balance	(11)	3,661	2,339	113,254	16,291	338,344	524,334	(619,161)
FUND BALANCE, Beginning	109,596	348,006	122,120	624,582	1,418,634	126,864	4,423,114	5,096,724
Prior Period Restatement	-	-	-	-	-	-	-	(54,449)
FUND BALANCE, Beginning (As Restated)	109,596	348,006	122,120	624,582	1,418,634	126,864	4,423,113	5,042,275
FUND BALANCE, Ending	\$ 109,585	\$ 351,667	\$ 124,459	\$ 737,836	\$ 1,434,925	\$ 465,208	\$ 4,947,447	\$ 4,423,114

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Retail Sales Enhancement Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020			
	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Taxes	\$ 363,257	\$ 466,671	\$ 103,414	\$ 363,754
Intergovernmental	7,500	56,024	48,524	27,481
Charges for services	-	-	-	25
Miscellaneous	10,000	14,776	4,776	25,430
Total revenues	380,757	537,471	156,714	416,690
EXPENDITURES				
Current				
Community Development				-
Retail Sales Enhancement	469,481	395,249	74,232	377,129
Capital outlay				-
Community development outlays	-	12,111	(12,111)	-
Debt service	-	15,780	(15,780)	-
Total expenditures	469,481	423,140	46,341	377,129
Revenues in excess of expenditures	(88,724)	114,331	110,373	39,561
OTHER FINANCING SOURCES (USES)				
Transfers in	78,857	88,857	10,000	-
Transfers out	(35,000)	(35,000)	-	(35,000)
Debt proceeds	-	-	-	-
Net other financing sources (uses)	(35,000)	53,857	-	(35,000)
Change in fund balance	(123,724)	168,188	110,373	4,561
FUND BALANCE, Beginning	66,305	150,384	84,079	161,603
FUND BALANCE, Ending	\$ 26,660	\$ 318,572	\$ 110,373	\$ 166,164

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

CDBG Passthrough Grant Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020			
	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Intergovernmental	\$ -	\$ 414,895	\$ 414,895	\$ 110,000
EXPENDITURES				
Current				
Community Development				
Special benefit	300,000	239,895	60,105	110,000
Capital Outlay				
Highways & streets outlays	300,000	175,000	125,000	-
Total expenditures	600,000	414,895	185,105	110,000
Revenues in excess of expenditures	(600,000)	-	229,790	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(30,000)
Net other financing sources (uses)	-	-	-	(30,000)
Change in fund balance	(600,000)	-	229,790	(30,000)
FUND BALANCE, Beginning	-	-	-	30,000
FUND BALANCE, Ending	\$ (600,000)	\$ -	\$ 229,790	\$ -

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Downtown Improvement Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020			
		Original	Final	Variance	2019
		Budget	Budget	With Final	Actual
				Budget	
			Actual		
REVENUES					
Taxes		\$ -	\$ -	\$ 6,902	\$ 104,432
Intergovernmental		-	-	35,000	26,731
Miscellaneous		-	-	1,041	139,044
Investment earnings		-	-	13	2,095
Total revenues		-	-	42,956	272,302
EXPENDITURES					
Current					
Community Development					
Downtown Development		-	62,000	64,085	79,861
Capital Outlay					
Community development outlays		-	28,000	9,145	276,708
Total expenditures		-	90,000	73,230	356,569
Change in fund balance		-	(90,000)	(30,274)	(84,267)
FUND BALANCE, Beginning		178,926	10,564	129,547	213,814
FUND BALANCE, Ending		\$ 178,926	\$ (79,436)	\$ 99,273	\$ 129,547

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Downtown Opportunity Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

2020				
	Original	Final	Variance	2019
	Budget	Budget	With Final	Actual
			Budget	
REVENUES				
Intergovernmental		-	87,750	-
Miscellaneous	<u>12,444</u>	<u>12,444</u>	<u>(8,534)</u>	<u>3,617</u>
Total revenue	<u>12,444</u>	<u>12,444</u>	<u>79,216</u>	<u>3,617</u>
EXPENDITURES				
Current				
Community Development				
Downtown development	<u>10,000</u>	<u>72,400</u>	<u>(1,035)</u>	<u>54,548</u>
Change in fund balance	<u>2,444</u>	<u>(59,956)</u>	<u>80,251</u>	<u>(50,931)</u>
FUND BALANCE, Beginning	<u>22,078</u>	<u>22,078</u>	<u>-</u>	<u>127,458</u>
Prior Period Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,449)</u>
FUND BALANCE, Beginning (As Restated)	<u>22,078</u>	<u>22,078</u>	<u>-</u>	<u>73,009</u>
FUND BALANCE, Ending	<u>\$ 24,522</u>	<u>\$ (37,878)</u>	<u>\$ 40,303</u>	<u>\$ 22,078</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Greater Montrose Loan

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020			
		Original	Final	Variance	2019
		Budget	Budget	With Final	Actual
				Budget	
REVENUES					
Miscellaneous		6,661	6,661	7,823	2,744
Intergovernmental		-	-	1,000	-
Investment earnings		-	-	-	1,826
Total revenues		<u>6,661</u>	<u>6,661</u>	<u>8,823</u>	<u>4,570</u>
EXPENDITURES					
Current					
Community development					
Planning services		<u>40,000</u>	<u>90,000</u>	<u>28,050</u>	<u>20,977</u>
Revenues in excess of expenditures		(33,339)	(83,339)	(19,227)	(16,407)
OTHER FINANCING SOURCES (USES)					
Transfers out		<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Change in fund balance		(33,339)	(93,339)	(29,227)	(16,407)
FUND BALANCE, Beginning		<u>106,886</u>	<u>106,886</u>	<u>106,886</u>	<u>123,293</u>
FUND BALANCE, Ending		<u>\$ 73,547</u>	<u>\$ 13,547</u>	<u>\$ 77,659</u>	<u>\$ 106,886</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Public/Education/Government Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Taxes		\$ 16,000	\$ 12,648	\$ (3,352)
Intergovernmental		-	12,721	12,721
Investment earnings		500	(2,073)	(2,573)
Total revenues		16,500	23,296	6,796
EXPENDITURES				
Current				
Community Development				
Special benefit		43,093	17,914	25,179
Change in fund balance		(26,593)	5,382	(18,383)
FUND BALANCE, Beginning		93,328	93,328	-
FUND BALANCE, Ending		\$ 66,735	\$ 98,710	\$ 31,975
				\$ 110,306

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Surplus & Deficiency Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Investment earnings	\$ 1,000	\$ 4,344	\$ 3,344	\$ 1,212
Revenues in excess of expenditures	1,000	4,344	3,344	1,212
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	-	-
Change in fund balance	(99,000)	(95,656)	3,344	1,212
FUND BALANCE, Beginning	160,434	160,434	-	159,222
FUND BALANCE, Ending	<u>\$ 161,434</u>	<u>\$ 64,778</u>	<u>\$ 3,344</u>	<u>\$ 160,434</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Capital Improvement Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020					
	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual	
REVENUES						
Intergovernmental	\$ 350,000	\$ 350,000	\$ 1,380,037	\$ 1,030,037	\$ 1,167,471	
Miscellaneous	-	-	-	-	200,000	
Investment earnings	35,000	35,000	197,118	162,118	278,264	
Total revenues	<u>385,000</u>	<u>385,000</u>	<u>1,577,155</u>	<u>1,192,155</u>	<u>1,645,735</u>	
EXPENDITURES						
Current						
Capital Outlay	<u>2,080,000</u>	<u>2,080,000</u>	<u>1,863,491</u>	<u>216,509</u>	<u>6,771,840</u>	
Revenues in excess of expenditures	(1,695,000)	(1,695,000)	(286,336)	975,646	(5,126,105)	
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>3,125,194</u>	<u>3,125,194</u>	<u>3,125,194</u>	-	<u>2,850,763</u>	
Change in fund balance	1,430,194	1,430,194	2,838,858	975,646	(2,275,342)	
FUND BALANCE, Beginning	<u>7,158,701</u>	<u>7,158,701</u>	<u>7,158,701</u>	-	<u>9,434,043</u>	
FUND BALANCE, Ending	<u>\$ 8,588,895</u>	<u>\$ 8,588,895</u>	<u>\$ 9,997,559</u>	<u>\$ 975,646</u>	<u>\$ 7,158,701</u>	

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Conservation Trust Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,204	\$ 204	\$ 111,130
Investment earnings	7,000	2,539	(4,461)	7,533
Total revenues	<u>107,000</u>	<u>102,743</u>	<u>(4,257)</u>	<u>118,663</u>
EXPENDITURES				
Current				
Parks, recreation and cemetery				
Parks maintenance	-	-	-	127
Capital Outlay				
Parks & recreation outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,949</u>
Total expenditures	-	-	-	53,076
Change in fund balance	107,000	102,743	(4,257)	65,587
FUND BALANCE, Beginning	<u>303,323</u>	<u>303,323</u>	-	<u>237,736</u>
FUND BALANCE, Ending	<u>\$ 410,323</u>	<u>\$ 406,066</u>	<u>\$ (4,257)</u>	<u>\$ 303,323</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Pavilion Improvement Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Investment earnings	\$ -	\$ 1	\$ 1	\$ -
Miscellaneous	-	134	134	302
Change in fund balance	-	135	135	302
FUND BALANCE, Beginning	16,152	16,152	-	15,850
FUND BALANCE, Ending	<u>\$ 16,152</u>	<u>\$ 16,287</u>	<u>\$ 135</u>	<u>\$ 16,152</u>

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

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Special Benefits Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Variance With Final Budget	2019 Actual
REVENUES				
Intergovernmental		\$ -	\$ -	\$ 15,000
Miscellaneous		53,000	91,283	107,368
Investment earnings		<u>\$ 2,000</u>	<u>\$ 6</u>	<u>\$ 4,054</u>
Total revenues		<u>55,000</u>	<u>91,289</u>	<u>126,422</u>
EXPENDITURES				
Community Development				
Special benefit		36,500	31,212	36,316
Capital Outlay		<u>63,500</u>	<u>68,477</u>	<u>111,170</u>
Total expenditures		<u>100,000</u>	<u>99,689</u>	<u>147,486</u>
Revenues in excess of expenditures		(45,000)	(8,400)	(21,064)
FUND BALANCE, Beginning		<u>330,811</u>	<u>330,811</u>	<u>351,875</u>
FUND BALANCE, Ending		<u>\$ 285,811</u>	<u>\$ 322,411</u>	<u>\$ 330,811</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Tourism Promotional Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Taxes		\$ 567,703	\$ 555,789	\$ (11,914)
Intergovernmental		-	1,032	1,032
Charges for services		36,000	47,850	11,850
Miscellaneous		9,500	5,174	(4,326)
Investment earnings		1,000	1,328	328
Total revenues		<u>614,203</u>	<u>611,173</u>	<u>(3,030)</u>
EXPENDITURES				
Current				
Community Development				
Tourism		792,648	626,834	165,814
Capital Outlay		-	-	-
Total expenditures		<u>792,648</u>	<u>626,834</u>	<u>165,814</u>
Revenues in excess of expenditures		(178,445)	(15,661)	(168,844)
OTHER FINANCING SOURCES (USES)				
Transfers out		<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Change in fund balance		(243,445)	(80,661)	(168,844)
FUND BALANCE, Beginning		<u>360,368</u>	<u>360,368</u>	<u>-</u>
FUND BALANCE, Ending		<u>\$ 116,923</u>	<u>\$ 279,707</u>	<u>\$ (168,844)</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

2017 Certificates of Participation Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
EXPENDITURES				
Current				
Debt service	\$ 948,474	\$ 948,474	\$ -	\$ 627,585
Total expenditures	948,474	948,474	-	627,585
Revenues in excess of expenditures	(948,474)	(948,474)	-	(627,585)
OTHER FINANCING SOURCES (USES)				
Transfers in	627,847	948,463	320,616	627,857
Change in fund balance	(320,627)	(11)	320,616	272
FUND BALANCE, Beginning	109,868	109,868	-	109,596
FUND BALANCE, Ending	<u>\$ (210,759)</u>	<u>\$ 109,857</u>	<u>\$ 320,616</u>	<u>\$ 109,868</u>

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

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Demoret Trust Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Investment earnings	\$	5,000	3,661	(1,339)
Change in fund balance		5,000	3,661	(1,339)
FUND BALANCE, Beginning		348,006	348,006	-
FUND BALANCE, Ending	\$	353,006	351,667	(1,339)

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Cemetery Perpetual Care Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Contributions to permanent endowment	\$	2,000	2,200	200
Investment earnings		<u>2,000</u>	<u>878</u>	<u>(1,122)</u>
Total revenues		4,000	3,078	(922)
OTHER FINANCING SOURCES (USES)				
Transfers out		<u>(2,000)</u>	<u>(739)</u>	<u>1,261</u>
Change in fund balance		2,000	2,339	339
FUND BALANCE, Beginning		<u>122,120</u>	<u>122,120</u>	<u>-</u>
FUND BALANCE, Ending	\$	<u><u>124,120</u></u>	<u><u>124,459</u></u>	<u><u>\$ 339</u></u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Special Improvements Revolving Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Special assessments		20,800	110,083	89,283
Investment earnings		10,000	4,304	(5,696)
	Total revenues	30,800	114,387	83,587
EXPENDITURES				
Current				
General Government				
Innovation and citizen engagement		1,400	1,133	267
Capital Outlays				
Public works outlays		-	-	-
	Total expenditures	1,400	1,133	267
	Change in fund balance	29,400	113,254	83,854
	FUND BALANCE, Beginning	624,582	624,582	-
	FUND BALANCE, Ending	\$ 653,982	\$ 737,836	\$ 83,854
				\$ 624,582

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Grand/Rio Grande Project Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020			
	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Investment earnings	\$ 2,000	\$ 16,291	\$ 14,291	\$ 39,551
Change in fund balance	2,000	16,291	14,291	39,551
FUND BALANCE, Beginning	1,418,634	1,418,634	-	1,379,083
FUND BALANCE, Ending	\$ 1,420,634	\$ 1,434,925	\$ 14,291	\$ 1,418,634

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Building Renovation Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Intergovernmental	\$ -	195,952	195,952	-
Investment earnings	2,500	2,575	75	6,012
Total revenues	2,500	198,527	196,027	6,012
EXPENDITURES				
Current				
Community development				
Special benefit	-	12,574	(12,574)	3,901
Capital Outlay	92,000	47,607	44,393	339,012
Total expenditures	92,000	60,181	31,819	342,913
Revenues in excess of expenditures	(89,500)	138,346	227,846	(336,901)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	200,000
Net other financing sources (uses)	200,000	200,000	-	200,000
Change in fund balance	110,500	338,346	227,846	(136,901)
FUND BALANCE, Beginning	126,864	126,864	-	263,765
FUND BALANCE, Ending	\$ 237,364	\$ 465,210	\$ 227,846	\$ 126,864

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Water Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

2020					
	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
OPERATING REVENUES					
Water sales	\$ 5,565,000	\$ 5,565,000	\$ 6,028,378	\$ 463,378	\$ 5,444,732
Tap fees unpledged	50,000	50,000	95,818	45,818	116,577
Capacity fees	150,000	150,000	246,535	96,535	296,640
Total revenues	<u>5,765,000</u>	<u>5,765,000</u>	<u>6,370,731</u>	<u>605,731</u>	<u>5,857,949</u>
OPERATING EXPENSES					
Enterprise administration	258,298	258,298	258,298	-	275,106
Operations and maintenance	3,985,441	3,985,441	3,974,700	10,741	3,775,847
Capital outlay	2,135,719	2,255,048	2,224,697	30,351	3,685,849
Total operating expenses	<u>6,379,458</u>	<u>6,498,787</u>	<u>6,457,695</u>	<u>41,092</u>	<u>7,736,802</u>
NONOPERATING REVENUES (EXPENSES)					
Principal	-	-	(178,750)	178,750	(176,000)
Interest expense	(16,632)	(16,632)	(16,632)	-	(19,010)
Gain (loss) on sale of assets	-	-	-	-	-
Other miscellaneous revenues	-	-	465	465	3,469
Investment earnings	150,000	150,000	151,404	1,404	297,598
Dedicated and contributed capital assets	-	-	-	-	325,630
Total nonoperating revenues (expenses)	<u>133,368</u>	<u>133,368</u>	<u>(43,513)</u>	<u>180,619</u>	<u>431,687</u>
Change in net position - budgetary basis	<u>\$ (614,458)</u>	<u>\$ (733,787)</u>	<u>(130,477)</u>	<u>\$ 646,823</u>	<u>(1,447,166)</u>
Reconciliation of budgetary to GAAP basis:					
Capitalized assets			2,129,244		3,660,253
Depreciation			(1,241,946)		(1,165,607)
Debt principal payments			178,750		176,000
Change in net position - GAAP basis			935,571		1,223,480
NET POSITION, Beginning			36,746,791		35,523,311
NET POSITION, Ending			<u>\$ 37,682,362</u>		<u>\$ 36,746,791</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Sewer Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
OPERATING REVENUE				
Sewer charges	\$ 2,916,000	\$ 2,994,741	\$ 78,741	\$ 2,997,552
Tap fees unpledged	40,000	47,628	7,628	38,252
Capacity fees	500,000	699,163	199,163	505,436
Total revenues	<u>3,456,000</u>	<u>3,741,532</u>	<u>285,532</u>	<u>3,541,240</u>
OPERATING EXPENSES				
Enterprise administration	220,648	220,648	-	174,300
Operations and maintenance	2,414,000	2,333,489	80,511	2,351,768
Capital outlay	1,737,500	1,105,295	632,205	305,054
Total expenses	<u>4,372,148</u>	<u>3,659,432</u>	<u>712,716</u>	<u>2,831,122</u>
NONOPERATING REVENUES (EXPENSES)				
Principal	(146,250)	(146,250)	-	(144,000)
Interest expense	(13,608)	(13,608)	-	(15,554)
Gain (loss) on sale of assets	-	-	-	(90,459)
Other charges	-	-	-	7
Other miscellaneous revenues	- 20,000	8,081	(11,919)	(1,207)
Investment earnings	25,000	38,570	13,570	45,373
Total nonoperating revenues (expenses)	<u>(114,858)</u>	<u>(113,207)</u>	<u>1,651</u>	<u>(205,840)</u>
Change in net position - budgetary basis	<u>\$ (1,031,006)</u>	<u>\$ (31,107)</u>	<u>\$ (425,533)</u>	<u>\$ 504,278</u>
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		1,099,751		219,180
Depreciation		(1,733,069)		(1,841,800)
Debt principal payments		146,250		144,000
Change in net position - GAAP basis		(518,175)		(974,342)
NET POSITION, Beginning		31,036,539		32,010,881
NET POSITION, Ending		<u>\$ 30,518,364</u>		<u>\$ 31,036,539</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Trash/Recycling Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
OPERATING REVENUES					
Sanitation Charges	\$ 1,601,100	\$ 1,601,100	\$ 1,675,288	\$ 74,188	\$ 1,617,381
Other charges	-	-	-	-	222
Investment earnings	5,000	5,000	4,801	(199)	11,129
Other miscellaneous revenue	6,250	6,250	244	(6,006)	6,036
Total revenues	<u>1,612,350</u>	<u>1,612,350</u>	<u>1,680,333</u>	<u>67,983</u>	<u>1,634,768</u>
OPERATING EXPENSES					
Enterprise administration	112,378	112,378	112,378	-	113,800
Operations and maintenance	1,593,074	1,593,074	1,664,377	(71,303)	1,565,997
Capital outlay	-	100,000	276,378	(176,378)	-
Total expenses	<u>1,705,452</u>	<u>1,805,452</u>	<u>2,053,133</u>	<u>(247,681)</u>	<u>1,679,797</u>
Change in net position - budgetary basis	<u>\$ (93,102)</u>	<u>\$ (193,102)</u>	<u>(372,800)</u>	<u>\$ (179,698)</u>	<u>(45,029)</u>
NET POSITION, Beginning			<u>1,016,212</u>		<u>1,061,241</u>
NET POSITION, Ending			<u>\$ 643,412</u>		<u>\$ 1,016,212</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Black Canyon Golf Course Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Golf Charges	\$	442,170	531,077	88,907
Other miscellaneous revenues		10,000	12,511	2,511
Gain (loss) on sale of assets		-	-	-
Transfers In		457,185	447,685	(9,500)
Total revenues		<u>909,355</u>	<u>991,273</u>	<u>81,918</u>
EXPENDITURES				
Operations and maintenance		855,216	846,372	8,844
Capital outlay		14,500	14,693	(193)
Principal		-	-	-
Interest expense		2,200	1,825	375
Total expenditures		<u>871,916</u>	<u>862,890</u>	<u>9,026</u>
Change in net position - budgetary basis	\$	<u>37,439</u>	128,383	<u>\$ 90,944</u>
Reconciliation of budgetary to GAAP basis:				
Capital outlay			-	45,970
Depreciation			(114,295)	(92,235)
Debt principal payments			-	30,862
Change in net position - GAAP basis			14,088	(50,393)
NET POSITION, Beginning			<u>937,983</u>	<u>988,376</u>
NET POSITION, Ending	\$		<u><u>952,071</u></u>	<u><u>\$ 937,983</u></u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Statement of Net Position

Internal Service Funds

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

					Total	
	Fleet Management Fund	Information Technologies	Employee Insurance	Facilities	2020	2019
ASSETS						
Current Assets						
Cash and Equivalents	\$ 1,747,366	\$ 732,463	\$ 3,569,130	\$ 163,014	\$ 6,211,973	\$ 5,193,799
Certificates of Deposit	524,991	-	-	-	524,991	523,886
Accounts Receivable, net	21,141	14,269	74,716	6,147	116,273	32,035
Inventory of supplies	669	996	-	-	1,665	14,520
Prepaid Expenses	-	268,978	-	2,324	271,302	156,176
Total Current Assets	2,294,167	1,016,706	3,643,846	171,485	7,126,204	5,920,416
Noncurrent Assets						
Capital Assets, net	4,993,090	489,296	-	39,804	5,522,190	4,811,944
Total Assets	7,287,257	1,506,002	3,643,846	211,289	12,648,394	10,732,360
LIABILITIES						
Current Liabilities						
Accounts payable	298,726	27,588	1,485	102,734	430,533	184,859
Accrued salaries and benefits	5,521	9,373	-	4,215	19,109	46,413
Accrued compensated absences	13,238	27,746	-	4,762	45,746	29,319
Claims payable	-	-	462,187	-	462,187	335,340
Total Liabilities	317,485	64,707	463,672	111,711	957,575	595,931
NET POSITION						
Invested in capital assets net of related debt	4,993,090	489,296	-	39,804	5,522,190	4,811,944
Unrestricted	1,976,682	951,999	3,180,174	59,774	6,168,629	5,324,485
Total Net Position	\$ 6,969,772	\$ 1,441,295	\$ 3,180,174	\$ 99,578	\$ 11,690,819	\$ 10,136,429

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

Internal Service Funds					Totals	
	Fleet Management Fund	Information Technologies	Employee Insurance	Facilities	2020	2019
OPERATING REVENUES						
Interfund charges	\$ 2,354,866	1,503,967	1,922,397	1,219,362	7,000,592	6,344,670
Other charges	12,624	61,844	886,785	-	961,253	887,443
Total Operating Revenues	2,367,490	1,565,811	2,809,182	1,219,362	7,961,845	7,232,113
OPERATING EXPENSES						
Enterprise administration	-	-	98,763	-	98,763	64,472
Operations and maintenance	1,105,093	1,454,226	32,304	1,252,720	3,844,343	3,602,318
Medical claims	-	-	1,929,513	-	1,929,513	1,483,756
Insurance premiums	-	-	581,871	-	581,871	510,320
Depreciation	994,467	147,490	-	2,875	1,144,832	1,136,140
Capital outlay	-	-	-	-	-	6,471
Total Operating Expenses	2,099,560	1,601,716	2,642,451	1,255,595	7,599,322	6,803,477
Net Operating Income	267,930	(35,905)	166,731	(36,233)	362,523	428,636
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	95,736	-	37,510	133,246	5,669
Investment earnings	8,413	7,085	17,781	425	33,704	66,846
Gain (loss) on sale of assets	107,049	595	-	-	107,644	103,384
Other miscellaneous revenue	5,096	-	5,262	-	10,358	7,391
Interest expense	-	-	-	-	-	(505)
Net Nonoperating Revenues (Expenses)	120,558	103,416	23,043	37,935	284,952	182,785
Income Before Contributions and Transfers	388,488	67,511	189,774	1,702	647,475	611,421
Contributions and Transfers						
Dedicated & contributed assets	906,916	-	-	-	906,916	463,510
Net Contributions and Transfers	906,916	-	-	-	906,916	463,510
Change in Net Position	1,295,404	67,511	189,774	1,702	1,554,391	1,074,931
NET POSITION, Beginning	5,674,369	1,373,784	2,990,400	97,876	10,136,429	9,061,498
NET POSITION, Ending	\$ 6,969,772	\$ 1,441,295	\$ 3,180,174	\$ 99,578	\$ 11,690,819	\$ 10,136,429

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Internal Service Funds				Totals	
	Fleet Management Fund	Information Technologies	Employee Insurance	Facilities	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts From customers and users	\$ 12,624	\$ 74,265	\$ 812,067	\$ 31,681	\$ 930,637	\$ 908,494
Receipts from interfund services provided	2,338,752	1,503,967	1,922,397	1,181,852	6,946,968	6,344,670
Payments to suppliers	(590,378)	(1,222,494)	(2,514,117)	(1,023,657)	(5,350,646)	(4,914,681)
Payments to employees	(234,229)	(391,261)	-	(167,277)	(792,767)	(519,579)
Payments for internal services used	(22,417)	(4,232)	-	(30,076)	(56,725)	(118,424)
Net cash provided (used) by operating activities	1,504,352	(39,755)	220,347	(7,477)	1,677,467	1,700,480
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental Receipts	-	95,736	-	37,510	133,246	5,669
Other Receipts	5,096	-	5,262	-	10,358	7,391
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	5,096	95,736	5,262	37,510	143,604	13,060
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of assets	107,049	595	-	-	107,644	103,384
Acquisition and construction of capital assets	(880,974)	(53,255)	-	(13,932)	(948,161)	(417,081)
Principal paid on long-term debt	-	-	-	-	-	(814)
Interest paid on long-term debt	-	-	-	-	-	(505)
Net cash provided (used) by capital and related financing activities	(773,925)	(52,660)	-	(13,932)	(840,517)	(315,016)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment in certificates of deposits	(1,105)	-	-	-	(1,105)	(4,953)
Interest on investments	8,413	7,085	17,781	425	33,704	66,846
Net cash provided (used) by investing activities	7,308	7,085	17,781	425	32,599	61,893
Net increase (decrease) in cash and cash equivalents	742,831	10,406	243,390	16,526	1,013,153	1,460,417
CASH AND CASH EQUIVALENTS, Beginning	1,004,535	717,036	3,325,740	146,488	5,193,799	3,733,382
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,747,366</u>	<u>\$ 727,442</u>	<u>\$ 3,569,130</u>	<u>\$ 163,014</u>	<u>\$ 6,206,952</u>	<u>\$ 5,193,799</u>
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 267,930	\$ (35,905)	\$ 166,731	\$ (36,233)	\$ 362,523	\$ 428,636
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	994,467	147,490	-	2,875	1,144,832	1,136,140
(Increase) decrease in accounts receivable	(16,114)	12,419	(74,717)	(5,830)	(84,242)	21,051
(Increase) decrease in inventory of supplies	12,306	550	-	-	12,856	7,184
(Increase) decrease in prepaid expenses	-	(113,834)	-	(1,292)	(115,126)	59,620
Increase (decrease) in accounts payable	246,451	(37,659)	1,486	35,397	245,675	61,323
Increase (decrease) in accrued salaries and benefits	(8,307)	(12,969)	-	(6,029)	(27,305)	10,918
Increase (decrease) in accrued compensated absences	7,619	153	-	3,635	11,407	2,093
Increase (decrease) in claims payable	-	-	126,847	-	126,847	(26,485)
Net cash provided (used) by operating activities	<u>\$ 1,504,352</u>	<u>\$ (39,755)</u>	<u>\$ 220,347</u>	<u>\$ (7,477)</u>	<u>\$ 1,677,467</u>	<u>\$ 1,700,480</u>
SUPPLEMENTAL INFORMATION						
Contributed Capital Assets	<u>\$ 906,916</u>					

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Fleet Management Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Original & Final Budget	Actual	Variance With Final Budget	2019 Actual
REVENUES				
Interfund charges	\$ 2,322,866	2,354,866	32,000	2,315,111
Other charges	9,500	12,624	3,124	18,524
Investment earnings	10,000	8,413	(1,587)	12,036
Gain (loss) on sale of assets	10,000	107,049	97,049	101,204
Other miscellaneous revenue	-	5,096	5,096	-
Dedicated & contributed capital assets	-	906,916	906,916	398,776
Total revenues	<u>2,352,366</u>	<u>3,394,964</u>	<u>1,042,598</u>	<u>2,845,651</u>
EXPENDITURES				
Operations and maintenance	1,093,277	1,105,094	(11,817)	1,103,611
Capital outlay	<u>1,327,129</u>	<u>880,974</u>	<u>446,155</u>	<u>669,756</u>
Total expenditures	<u>2,420,406</u>	<u>1,986,068</u>	<u>434,338</u>	<u>1,773,367</u>
Change in net position - budgetary basis	<u>\$ (68,040)</u>	1,408,896	<u>\$ 1,476,936</u>	1,072,284
Reconciliation of budgetary to GAAP basis:				
Capital outlay		880,974		672,132
Depreciation		<u>(994,467)</u>		<u>(990,248)</u>
Change in net position - GAAP basis		1,295,403		754,168
NET POSITION, Beginning		<u>5,674,369</u>		<u>4,920,201</u>
NET POSITION, Ending		<u>\$ 6,969,772</u>		<u>\$ 5,674,369</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the
Information Technologies Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020			
		Original & Final		Variance With Final	2019
		Budget	Actual	Budget	Actual
REVENUES					
Interfund charges	\$	1,478,744	1,503,967	25,223	961,598
Other charges		20,120	61,843	41,723	42,074
Intergovernmental revenues		14,000	95,734	81,734	5,669
Investment earnings		12,000	7,086	(4,914)	18,231
Other miscellaneous revenues		-	-	-	67,611
Gain (loss) on sale of assets		500	595	95	2,180
Total revenues		1,525,364	1,669,225	143,861	1,097,363
EXPENDITURES					
Operations and maintenance		1,412,091	1,454,226	(42,135)	1,186,020
Capital outlay		274,200	53,255	220,945	180,660
Principal		-	-	-	-
Interest expense		1,000	-	1,000	1,319
Total expenditures		1,687,291	1,507,481	179,810	1,367,999
Change in net position - budgetary basis	\$	(161,927)	161,744	\$ 323,671	(270,636)
Reconciliation of budgetary to GAAP basis:					
Capital outlay			53,255		179,713
Depreciation			(147,490)		(145,892)
Debt principal payments			-		814
Change in net position - GAAP basis			67,509		(236,001)
NET POSITION, Beginning			1,373,784		1,609,785
NET POSITION, Ending	\$		1,441,293		\$ 1,373,784

The City of Montrose, Colorado

Budgetary Comparison Schedule for the

Employee Insurance Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020		
		Original & Final Budget	Actual	Variance With Final Budget
				2019 Actual
REVENUES				
Interfund charges	\$	2,400,000	1,922,397	(477,603)
Other charges		-	886,785	886,785
Investment earnings		20,000	17,781	(2,219)
Other miscellaneous revenue		-	5,262	5,262
Total revenues		<u>2,420,000</u>	<u>2,832,225</u>	<u>412,225</u>
EXPENSES				
Enterprise administration		69,500	98,763	(29,263)
Operations and maintenance		40,000	32,304	7,696
Medical claims		2,024,500	1,929,513	94,987
Insurance premiums		<u>446,000</u>	<u>581,871</u>	<u>(135,871)</u>
Total expenses		<u>2,580,000</u>	<u>2,642,451</u>	<u>(62,451)</u>
Change in net position - budgetary basis	\$	<u>(160,000)</u>	189,774	\$ <u>349,774</u>
NET POSITION, Beginning			<u>2,990,400</u>	<u>2,426,137</u>
NET POSITION, Ending			<u>\$ 3,180,174</u>	<u>\$ 2,990,400</u>

The accompanying notes are an integral part of these financial statements

The City of Montrose, Colorado

Budgetary Comparison Schedule for the
Facilities Fund

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

		2020				
		Original & Final Budget	Actual	Variance With Final Budget	2019	
						Actual
REVENUES						
Interfund charges	\$	1,230,814	\$ 1,219,362	\$ (11,452)	\$	1,248,254
Other charges		-	-	-		1,429
Intergovernmental revenues		-	37,510	37,510		-
Investment earnings		-	425	425		913
Total revenues		<u>1,230,814</u>	<u>1,257,297</u>	<u>26,483</u>		<u>1,250,596</u>
EXPENDITURES						
Operations and maintenance		1,263,666	1,252,720	10,946		1,221,449
Capital outlay		-	-	-		7,900
Total expenditures		<u>1,263,666</u>	<u>1,252,720</u>	<u>10,946</u>		<u>1,229,349</u>
Change in net position - budgetary basis	\$	<u>(32,852)</u>	4,577	<u>\$ 37,429</u>		21,247
Reconciliation of budgetary to GAAP basis:						
Depreciation			(2,875)			-
Capital outlay			-			(28,746)
Change in net assets - GAAP basis			1,702			(7,499)
NET POSITION, Beginning			<u>97,876</u>			<u>105,375</u>
NET POSITION, Ending			<u>\$ 99,578</u>			<u>\$ 97,876</u>

The accompanying notes are an integral part of these financial statements

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Montrose	
		YEAR ENDING : Dec-20	
This Information From The Records Of (example - City of _ or County of _): City of Montrose		Prepared By: Shani Wittenberg Phone: 970-240-1462	
I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE			
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway- User Taxes
1. Total receipts available			
2. Minus amount used for collection expenses			
3. Minus amount used for nonhighway purposes			
4. Minus amount used for mass transit			
5. Remainder used for highway purposes			
II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,267,566
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,262,988
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	5,622,200	b. Snow and ice removal	130,875
3. Other local imposts (from page 2)	-	c. Other	
4. Miscellaneous local receipts (from page 2)	330,206	d. Total (a. through c.)	130,875
5. Transfers from toll facilities		4. General administration & miscellaneous	193,617
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	2,251,465
a. Bonds - Original Issues		6. Total (1 through 5)	6,106,509
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	223,105
7. Total (1 through 6)	5,952,407	b. Redemption	404,753
B. Private Contributions		c. Total (a. + b.)	627,857
C. Receipts from State government (from page 2)	781,960	2. Notes:	
D. Receipts from Federal Government (from page 2)	-	a. Interest	
E. Total receipts (A.7 + B + C + D)	6,734,367	b. Redemption	
		c. Total (a. + b.)	-
		3. Total (1.c + 2.c)	627,857
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	6,734,367
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)			
	Opening Debt	Amount Issued	Closing Debt
A. Bonds (Total)	-		-
1. Bonds (Refunding Portion)			
B. Notes (Total)	9,197,111.00	-	404,752.66
			8,792,358.34
V. LOCAL ROAD AND STREET FUND BALANCE			
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements
		6,734,367	6,734,367
			-
Notes and Comments:			

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): 12/31/2020	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	220,251
b. Other local imposts:		b. Traffic Fines & Penalties	109,955
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	0	i. Total (a. through h.)	330,206
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	694,486	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	87,474	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) Federal Earmark	-	f. Other Federal	
f. Total (a. through e.)	87,474	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	781,960	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		189,356	189,356
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		575,976	575,976
(3). System Preservation		0	0
(4). System Enhancement & Operation		502,234	502,234
(5). Total Construction (1) + (2) + (3) + (4)	0	1,078,210	1,078,210
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,267,566	1,267,566
			(Carry forward to page 1)
Notes and Comments:			

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
The City of Montrose
Montrose, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose (City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
October 31, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To The City Council
The City of Montrose
Montrose Colorado

Report on Compliance for each major federal program

We have audited The City of Montrose's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The City of Montrose's major federal programs for the year ended December 31, 2020. The City of Montrose's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance for each major federal program

In our opinion, The City of Montrose complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and

questioned costs as item 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The City of Montrose's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Montrose's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-02, that we consider to be a significant deficiency.

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

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

Respectfully,

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
OCTOBER 31, 2021

The City of Montrose
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
DEPARTMENT OF THE TREASURY			
Passed through Colorado Department of Local Affairs <i>Coronavirius Relief Fund</i>	21.019	\$ 87,750	\$ 1,100,420
DEPARTMENT OF THE INTERIOR			
Passed through the Colorado Department of Higher Education, History Colorado and the Colorado Historical Society			
<i>Historic Preservation Fund Grants-In-Aid</i>	15.904	-	25,000
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Colorado Department of Local Affairs			
<i>Community Development Block Grant Program</i>	14.228	244,895	244,895
ENVIRONMENTAL PROTECTION AGENCY			
<i>Brownfields Assessment and Cleanup Cooperative</i>	66.818	-	99,833
DEPARTMENT OF JUSTICE			
Passed through the Colorado Department of Public Safety			
<i>Victims of Crime Act</i>	16.575	-	34,320
 Total Expenditures of Federal Awards		 \$ 332,645	 \$ 1,504,468

See accompanying notes to schedule of expenditures of federal awards

The City of Montrose
Notes to Schedule of Expenditures of Federal Awards
December 31, 2020

1 BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of The City of Montrose under programs of the federal government for the year ending December 31, 2020. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3 NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The City of Montrose did not receive any federal non-cash assistance, insurance, loans, or loan guarantees. 4

INDIRECT COST RATE

The City of Montrose has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The City of Montrose
Schedule of Findings and Questioned Costs
December 31, 2020

Finding 2020-03:

Information on the Federal Program: CFDA 20.019—Coronavirus Relief Fund, United States Department of Treasury. *Pass-Through Entity:* Colorado Department of Local Affairs. *Compliance Requirements:* Allowable Cost *Type of Finding:* Known Questioned Cost Exceeding \$25,000 .

Criteria: Cost allowed for reimbursement under the Coronavirus Relief Fund must be qualify under section 601(d) of the Social Security Act outlined in Treasury's guidance.

Condition: For the year ended December 31, 2020, we identified one reimbursement using Coronavirus Relief Funding that did not meet the criteria referenced above.

Cause: At the time of the reimbursement, there was limited guidance on specifics as to how the funds could be used. While the City had a reasonable basis for their belief that the expense would qualify, it ultimately did not comply with the

Effect or Potential Effect: As a result, the City has an expenditure that is not allowable under the grant for the year ended December 31, 2020, by the amount of questioned costs below.

Questioned Costs: \$30,000.

Recommendation: The City program staff and management should ensure that costs incurred under grants are reviewed prior to submission for allowability under the most up to date federal guidance.

Responsible Official's Response and Corrective Action Planned: Management of City of Montrose concurs with the audit finding. At the time the City Council voted on this item, it was understood that expanding day care facilities was an appropriate use of Coronavirus relief funding. This expense was paid directly to the contractor who did the work to create a day care for one of our local gyms. Since the gym was closed due to the pandemic, they proposed to help with the number of day care providers in Montrose by remodeling to allow a place for pre-school aged children. The funding was intended to provide relief for working parents impacted by school closures, which we believed to be in compliance with guidance issued at the time the disbursement was approved.

Planned Implementation Date of Corrective Action: September 30, 2021.

Person Responsible for Corrective Action: Director of Finance.

The City of Montrose
Schedule of Findings and Questioned Costs
December 31, 2020

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified that are not considered
a material weakness?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

yes ☒ no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified that are not considered
a material weakness?

☒ yes ☐ none reported

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

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

☒ yes ☐ no

Identification of major program(s):

CFDA Numbers
21.019

Name of Federal Program or Cluster
Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?

☐ yes ☒ no

The City of Montrose
Schedule of Findings and Questioned Costs
December 31, 2020

Section II - Financial Statement Findings

Finding 2020-01:

Criteria: All governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium sized entities, the City has historically relied on its independent auditors to assist in identifying certain adjustments that are necessary for the financial statements to be in conformance with GAAP as part of its external financial reporting process. Adjustments were necessary in order to present certain accounts in accordance with GAAP. The material adjustments that were proposed by the auditor and corrected by management were as follows: (1) proper recording of pension related activity at the government wide level; (2) proper recording of capital assets in governmental activities

Cause: The City did not identify certain adjustments that were necessary for the financial statements to be presented in accordance with GAAP.

Effect or Potential Effect: As a result of this condition, the City's financial information was initially misstated by amounts that were deemed to be quantitatively material to most opinion units. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation: For the adjustments, we recommend an individual review year-end balances in the general ledger and agree or reconcile to supporting documentation and schedules and record adjustments as needed, to ensure everything is recorded properly and completely.

Responsible Official's Response: The Coronavirus caused significant difficulties for the City. As a result of the pandemic the 2019 audit was delayed and took a significant amount of the City's limited resources. Final 2019 numbers weren't available in a timely manner. As a result of these challenges, the City was not able to timely reconcile capital assets or pension activity during the year ended December 31, 2020. Both of these issues will be addressed early in the 2021 audit and all entries will be finished prior to the trial balance request from our new auditors.

The City of Montrose
Schedule of Findings and Questioned Costs
December 31, 2020

Section III - Federal Award Findings

Finding 2020-02:

Information on the Federal Program: CFDA 20.019—Coronavirus Relief Fund, United States Department of Treasury. *Pass-Through Entity:* Colorado Department of Local Affairs. *Compliance Requirements:* Allowable Cost *Type of Finding:* Significant Deficiency.

Criteria: Cost allowed for reimbursement under the Coronavirus Relief Fund must be qualify under section 601(d) of the Social Security Act outlined in Treasury's guidance.

Condition: For the year ended December 31, 2020, we identified a reimbursement using Coronavirus Relief Funding that was inadvertently included in the reimbursement request form twice.

Cause: The inclusion of the same expenditure twice in the reimbursement request form indicates a lack of monitoring and appropriate review of expenditures for reimbursement prior to submission.

Effect or Potential Effect: The resulting cost was corrected by Management under the guidance provided by the Department of Treasury's OIG FAQ #86 upon discovery, however there could be other similar errors that occurred given the control deficiency discussed above.

Recommendation: The City program staff and management should ensure that costs incurred under grants are reviewed prior to submission for duplicates, and errors/ommissions.

Responsible Official's Response and Corrective Action Planned: Management of City of Montrose concurs with the audit finding. Unfortunately, the quick turn around of spending these dollars and having multiple departments involved caused a receipt to be included from two different sources causing us to report it twice. In the future, tasking one person to thoroughly review the request for reimbursement will prevent this from happening.

Planned Implementation Date of Corrective Action: September 30, 2021.

Person Responsible for Corrective Action: Director of Finance.



CITY OF MONTROSE
PO Box 790, Montrose, CO 81402-0790



Shani Wittenberg, Finance Director
Direct Dial: 970.240.1462
E-mail: swittenberg@ci.montrose.co.us

CORRECTIVE ACTION PLAN

Finding 2020-001:

Planned Corrective Action:

The Coronavirus caused significant difficulties for the City. As a result of the pandemic the 2019 audit was delayed and took a significant amount of the City's limited resources. Final 2019 numbers weren't available in a timely manner. As a result of these challenges, the City was not able to timely reconcile capital assets or pension activity during the year ended December 31, 2020. Accounts will be reconciled shortly after year end going forward.

The Director of Finance, 970-240-1400, will oversee the planned corrective action. This will be implemented early in the 2021 audit, and all entries will be finished prior to the trial balance request from our new auditors.

Finding 2020-002:

Planned Corrective Action: Management of City of Montrose concurs with the audit finding. Unfortunately, the quick turnaround of spending these dollars and having multiple departments involved caused a receipt to be included from two different sources causing us to report it twice. In the future, tasking one person to thoroughly review the request for reimbursement will prevent this from happening.

The Director of Finance, 970-240-1400, will oversee the planned corrective action. This will be implemented immediately.

Finding 2020-002:

Planned Corrective Action: Management of City of Montrose concurs with the audit finding. At the time the City Council voted on this item, it was understood that expanding day care facilities was an appropriate use of Coronavirus relief funding. This expense was paid directly to the contractor who did the work to create a day care for one of our local gyms. Since the gym was closed due to the pandemic, they proposed to help with the number of day care providers in Montrose by remodeling to allow a place for pre-school aged children. The funding was intended to provide relief for working parents impacted by school closures, which we believed to be in compliance with guidance issued at the time the disbursement was approved. In the future, additional consultations will be made in quickly evolving areas to ensure compliance.

The Director of Finance, 970-240-1400, will oversee the planned corrective action. This will be implemented immediately.