



CITY OF MONTROSE, COLORADO
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

**CITY OF MONTROSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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INDEPENDENT AUDITOR'S REPORT

Montrose City Council
Montrose, Colorado

Report on the Financial Statements

Opinions

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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise The City of Montrose's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Montrose, as of December 31, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The City of Montrose and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Montrose's ability

to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Montrose's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Montrose's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 1-8 and 37-40 and the Schedule of Employer Pension Contributions and Schedule of the City's Proportionate Share of Net Pension liability on page 41 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Montrose’s basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the Local Highway Finance Report; are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the Local Highway Finance Report 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 December 26, 2023 on our consideration of The City of Montrose’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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Montrose’s internal control over financial reporting and compliance.

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
December 26, 2023

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, 2022.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2022, by \$167,722,986. Of this amount, \$36,560,405 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 2020, 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 2022 was \$26,070,038. This amount represents an increase of 10.8% over 2021 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,963,909, a decrease of \$624,958 over the prior year. Approximately 40% of this total amount, \$5,807,582 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 2022, unassigned fund balance for the general fund was \$19,198,093 which is approximately 9 months of operating expenditures.
- 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 2022, \$3,745,194 was transferred to the Capital Improvement Fund.
- 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. In 2022, \$330,000 of the principal was paid.
- The City's total long-term liabilities decreased by \$1,478,316 during the current fiscal year. This is due to annual payments made on long-term debt.
- 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 2022, the City collected \$439,601 in water capacity fees and \$1,432,175 in sewer capacity fees which is an increase of 13.87% and 49.48% respectively over the previous year's collections.
- Water Fund capital project investments totaled \$4,168,538 and included the following: Airport waterline, Completed Cerise waterline, Townsend waterline, Southeast transmission main design, Valve replacements, Hydrant replacements, Completion of the Sunset Mesa Tank Storage Construction, Birch Street bridge waterline.
- Sewer Fund capital project investment totaled \$757,273 and included the following: Townsend sewer line, Birch Street bridge sewer line, Sewer Lining, Manhole Rehabilitation & H2S lining. Upgrades to the Wastewater Treatment Plant included Perimeter fencing.

Overview of the Financial Statements

The management 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 like a private-sector business.

The *statement of net position* presents information on all 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 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 distribution, Sewer collection and treatment, Trash and Recycling, Black Canyon Golf Course, Fleet Management, Information Services, and Facilities management.

The government-wide financial statements can be found on pages 4 and 5 of the financial statements.

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 the funds of the City of Montrose can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Montrose maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Montrose urban renewal authority, and capital improvement fund because they are major funds for the 2022 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 9-14 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 distribution, Sewer collection and treatment, 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 15-17 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 20-36 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary comparisons. Required supplementary information can be found on page 37-41 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 42 - 69 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 74% of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Montrose Statement of Net Position

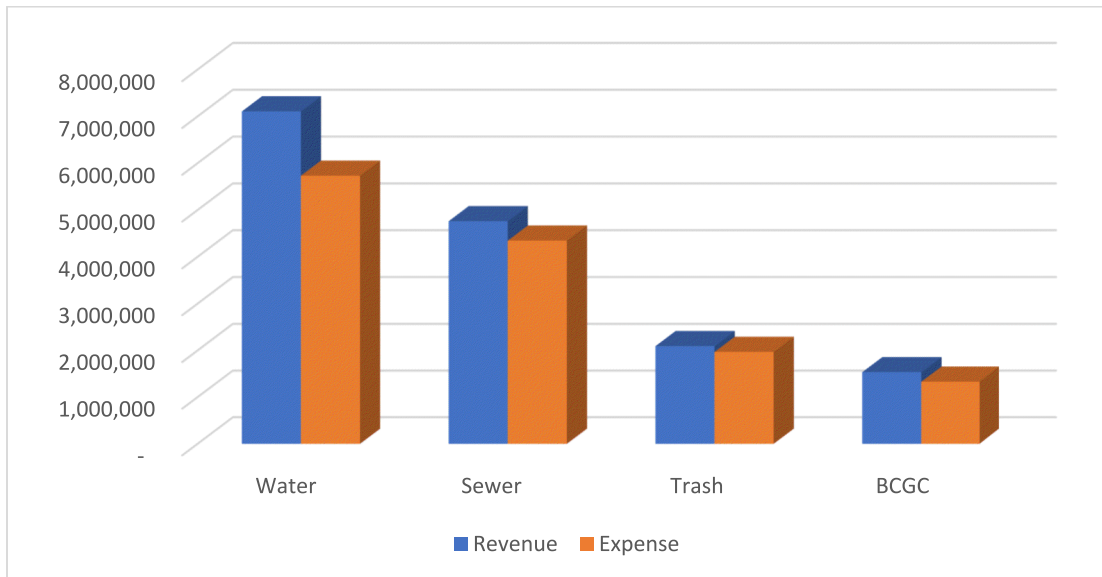
	Governmental activities		Business-type activities		Total		Amount of Change	% Change
	2022	2021	2022	2021	2022	2021		
Current assets	\$ 43,745,809	\$ 39,789,459	\$ 12,221,444	\$ 13,832,869	\$ 55,967,253	\$ 53,622,328	\$ 2,344,925	4.2%
Noncurrent assets	\$ 89,600,670	\$ 82,918,086	\$ 60,628,369	\$ 58,742,054	\$ 150,229,039	\$ 141,660,140	\$ 8,568,899	5.7%
Total assets	\$133,346,479	\$122,707,545	\$ 72,849,813	\$ 72,574,923	\$ 206,196,292	\$ 195,282,468	\$ 10,913,824	5.3%
Deferred Outflows	\$ 717,473	\$ 700,615			\$ 717,473	\$ 700,615	\$ 16,858	2.3%
Current liabilities	\$ 13,528,822	\$ 10,051,596	\$ 1,262,644	\$ 1,752,855	\$ 14,791,466	\$ 11,804,451	\$ 2,987,015	20.2%
Noncurrent liabilities	\$ 22,818,930	\$ 23,917,253	\$ 336,707	\$ 716,700	\$ 23,155,637	\$ 24,633,953	\$ (1,478,316)	-6.4%
Total liabilities	\$ 36,347,752	\$ 33,968,849	\$ 1,599,351	\$ 2,469,555	\$ 37,947,103	\$ 36,438,404	\$ 1,508,699	4.0%
Deferred Inflows								
Pension	\$ 1,243,676	\$ 998,938			\$ 1,243,676	\$ 998,938	\$ 244,738	
Total Deferred inflows	\$ 1,243,676	\$ 998,938	\$ -	\$ -	\$ 1,243,676	\$ 998,938	\$ 244,738	
Net Position:								
Net Investment in								
Capital Assets	\$ 64,202,296	\$ 57,589,604	\$ 59,951,662	\$ 57,652,184	\$ 124,153,958	\$ 115,241,788	\$ 8,912,170	7.2%
Restricted	\$ 7,008,623	\$ 6,375,533			\$ 7,008,623	\$ 6,375,533	\$ 633,090	9.0%
Unrestricted	\$ 25,261,605	\$ 24,475,237	\$ 11,298,800	\$ 12,453,184	\$ 36,560,405	\$ 36,928,421	\$ (368,016)	-1.0%
Total Net Position	\$ 96,472,524	\$ 88,440,374	\$ 71,250,462	\$ 70,105,368	\$ 167,722,986	\$ 158,545,742	\$ 9,177,244	5.5%

At the end of the current fiscal year, the City’s net position government-wide has increased over the net position reported in 2021. Under GASB 34 the audit shows the City’s net position increased by \$9,177,244 during the current fiscal year. This increase is partially due to investments in capital and debt payments to reduce liability.

Governmental activities increased the City’s net position by \$8,032,148 and business type activities increased the City’s net position by \$1,145,094.

	City of Montrose Changes in Net Position						Amount of Change
	Governmental activities		Business-type activities		Total		
	2022	2021	2022	2021	2022	2021	
Revenues:							
Program revenues:							
Charges for services	\$ 1,628,430	\$ 1,553,303	\$ 12,750,538	\$ 11,838,414	\$ 14,378,968	\$ 13,391,717	\$ 987,251
Operating grants and contributions	3,160,642	2,648,738	-	-	3,160,642	2,648,738	511,904
Capital Grants and contributions	44,943	249,566	1,871,778	1,344,164	1,916,721	1,593,730	322,991
General revenues:							
Sales Tax	32,688,012	29,509,775	-	-	32,688,012	29,509,775	3,178,237
Franchise Fees	1,175,478	1,055,085	-	-	1,175,478	1,055,085	120,393
Cigarette Tax	46,715	67,985	-	-	46,715	67,985	(21,270)
Earnings on Investments	738,061	42,888	190,030	14,127	928,091	57,015	871,076
Miscellaneous	332,237	59,743	(5,681)	14,441	326,556	74,184	252,372
Gain on disposal of assets	1,600	255,427	-	-	1,600	255,427	(253,827)
Administrative Charges	581,373	561,822	(581,373)	(561,822)	-	-	-
Other	4,135	200	-	-	4,135	200	3,935
Total revenues	40,401,626	36,004,532	14,225,292	12,649,324	54,626,918	48,653,856	5,973,062
Expenses:							
General government	5,322,410	6,083,857	-	-	5,322,410	6,083,857	(761,447)
Community Development	2,096,086	3,259,127	-	-	2,096,086	3,259,127	(1,163,041)
Public Safety	9,596,725	9,281,876	-	-	9,596,725	9,281,876	314,849
Engineering & Inspection	360,513	315,954	-	-	360,513	315,954	44,559
Public Works	9,003,619	8,862,647	-	-	9,003,619	8,862,647	140,972
Parks & Cemetery	2,058,358	2,046,361	-	-	2,058,358	2,046,361	11,997
Administration	156,584	143,681	-	-	156,584	143,681	12,903
Contributed Capital Assets	1,575,246	-	-	-	1,575,246	-	1,575,246
Interest	1,881,925	1,209,914	-	-	1,881,925	1,209,914	672,011
Water	-	-	5,996,559	5,647,150	5,996,559	5,647,150	349,409
Sewer	-	-	4,260,594	4,208,855	4,260,594	4,208,855	51,739
Sanitation	-	-	1,841,858	1,712,239	1,841,858	1,712,239	129,619
Black Canyon Golf Course	-	-	1,299,199	1,336,637	1,299,199	1,336,637	(37,438)
Total expenses	32,051,466	31,203,417	13,398,210	12,904,881	45,449,676	44,108,298	1,341,378
Increase in net assets before transfers	8,350,160	4,801,115	827,082	(255,557)	9,177,242	4,545,558	4,631,684
Transfers	(318,012)	(564,716)	318,012	564,716	-	-	-
Change in Net Position	8,032,148	4,236,399	1,145,094	309,159	9,177,242	4,545,558	4,631,684
Net Position - 1/1	88,440,373	84,203,974	70,105,368	69,796,209	158,545,741	154,000,183	4,545,558
Net Position - 12/31	\$ 96,472,521	\$ 88,440,373	\$ 71,250,462	\$ 70,105,368	\$ 167,722,983	\$ 158,545,741	\$ 9,177,242

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. 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 \$23,963,909 a decrease of \$624,960 over the prior year. Approximately 24.2.0% of the governmental fund balance constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the 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* of \$6,895,923 is made up of prepaid expenses, interfund advances and inventory (\$6,350,789) and permanent funds or other corpus (\$451,336) and interfund loans (\$6,350,789). *Restricted fund balance* is for emergencies per TABOR (\$1,340,000), economic development (\$169,157) pays debt service (\$660,219), beautification –Expendable (\$8,447) parks and open space (\$986,314) and for public safety (3,844,486). *Committed fund balance* consists of economic development (\$947,623) and public education (\$25,903) and *Assigned:* capital project (\$2,876,078), parks improvements (\$230,153), and animal benefit (\$172,024).

The general fund is the chief operating fund of the City of Montrose. at the end of the current fiscal year, the unassigned fund balance of the general fund was \$19,198,093, while total fund balance reached \$22,094,863. 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. Due to sales and use tax increasing month over month compared to 2021, the unassigned fund balance is more than adequate to meet the City's reserve policy of six months of operating expenditures or 86.9% 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.

The Unrestricted net position of the Water Fund at the end of the year amounted to \$6,897,107, the Sewer Fund amounted to \$4,369,246, the Trash and Recycling Fund amounted to \$789,720 and the Black Canyon Golf Course amounted to \$585,252. Changes from year to year are mostly based on capital project completion.

General Fund Budgetary Highlights

The Final Budget for the General Fund including transfers was \$31,938,988. Actual expenditures totaled \$29,011,752 which is an increase of \$4,098,539 from 2021 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. The city prioritizes these projects and budgets accordingly.

Capital Asset and Debt Administration

Capital Assets. The City’s gross investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$315,141,132. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, bridges and water distribution, sewer collection and wastewater treatment plant infrastructure.

City of Montrose Capital Assets								
(does not include internal service funds or depreciation)								
	Governmental		Business-type		Total		Amount of	%
	Activities		Activities				Change	Change
	2022	2021	2022	2021	2022	2021		
Land	\$ 14,621,571	\$ 14,313,933	\$ 1,682,525	\$ 1,682,525	\$ 16,304,096	\$ 15,996,458	307,638	2%
Improvements other than buildings	\$ 10,945,935	\$ 8,205,396	\$ 14,433,127	\$ 14,174,680	\$ 25,379,062	\$ 22,380,076	2,998,986	13%
Infrastructure	\$ 147,461,838	\$ 140,588,566			\$ 147,461,838	\$ 140,588,566	6,873,272	5%
Buildings & System	\$ 26,300,905	\$ 23,489,927	\$ 89,746,843	\$ 85,241,813	\$ 116,047,748	\$ 108,731,740	7,316,008	7%
Machinery & Equipment	\$ 6,569,755	\$ 6,162,586	\$ 3,378,633	\$ 2,996,118	\$ 9,948,388	\$ 9,158,704	789,684	9%
Total Gross Investment	\$ 205,900,004	\$ 192,760,408	\$ 109,241,128	\$ 104,095,136	\$ 315,141,132	\$ 296,855,544	\$ 18,285,588	6%
Less								
Accum Depreciation	\$ (125,901,457)	\$ (119,611,180)	\$ (53,632,360)	\$ (52,393,004)	\$ (179,533,817)	\$ (172,004,183)	(7,529,633)	4%
Net Capital Investment	\$ 79,998,547	\$ 73,149,229	\$ 55,608,768	\$ 51,702,132	\$ 135,607,315	\$ 124,851,361	\$ 10,755,955	9%

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

Long-term debt. At the end of the current fiscal year, the city had a total debt outstanding of \$23,602,657 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		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ -	\$ -			\$ -	\$ -
Certificate of Participation	\$ 15,650,000	\$ 15,980,000			\$ 15,650,000	\$ 15,980,000
Capital Lease Payable	\$ 7,952,657	\$ 8,379,694	\$ -	\$ 64,870	\$ 7,952,657	\$ 8,444,564
Notes Payable	\$ -	\$ -	\$ 676,707	\$ 1,025,000	\$ 676,707	\$ 1,025,000
Total	\$ 23,602,657	\$ 24,359,694	\$ 676,707	\$ 1,089,870	\$ 24,279,364	\$ 25,449,564

The City’s debt decreased by \$1,170,200 during 2022.

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 \$327,807,603 the current general obligation debt limitation for the city is \$16,390,380. 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 of this report.

Economic Factors and Next Year’s Budgets and Rates

- According to the USDA website (<https://data.ers.usda.gov/>), the 2022 unemployment rate for Montrose County was 3.4%. Montrose County had a slightly higher unemployment rate than the state’s average rate of 3.0%.
- Montrose County’s median household income in 2022 was \$56,686 which is 68.9% 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
- Single family residential building permits numbers increased 45.1% over 2021 and non-residential construction remains consistent with the previous two years.
- Rates for Water and Sewer were increased by 5% plus .15 per thousand gallons of water usage and the rates for Trash and Recycling were increased 10% in 2022.

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.

The City of Montrose, Colorado
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 34,991,737	\$ 7,154,466	\$ 42,146,203
Certificates of deposit	6,321,753	1,806,520	8,128,273
Accounts receivable, net	530,011	857,421	1,387,432
Due from other funds	(1,972,000)	1,972,000	-
Franchise fee receivable	183,567	-	183,567
Due from other governments	99,876	-	99,876
Sales tax receivable	3,078,281	-	3,078,281
Special assessment receivable	243,163	-	243,163
Interest receivable	-	6,380	6,380
Prepaid expenses	202,582	11,707	214,289
Inventory of supplies	66,839	412,950	479,789
Total Current Assets	<u>43,745,809</u>	<u>12,221,444</u>	<u>55,967,253</u>
Noncurrent Assets			
Capital assets, not being depreciated	14,621,571	1,682,525	16,304,096
Capital assets, net	73,183,382	58,945,844	132,129,226
Net pension asset	1,795,717	-	1,795,717
Total Noncurrent Assets	<u>89,600,670</u>	<u>60,628,369</u>	<u>150,229,039</u>
Total Assets	<u>133,346,479</u>	<u>72,849,813</u>	<u>206,196,292</u>
DEFERRED OUTFLOWS			
Deferred Outflows - Pensions	<u>717,473</u>	<u>-</u>	<u>717,473</u>
LIABILITIES			
Current Liabilities			
Cash overdraft	4,147,540	-	4,147,540
Accounts payable	2,112,063	582,370	2,694,433
Customer deposits and deposits in escrow	931,264	125,274	1,056,538
Accrued salaries and benefits	258,271	53,136	311,407
Unearned revenue	4,171,248	20,763	4,192,011
Accrued compensated absences	525,399	126,023	651,422
Accrued interest payable	-	15,078	15,078
Claims payable	599,310	-	599,310
Current portion of long term debt	783,727	340,000	1,123,727
Total Current Liabilities	<u>13,528,822</u>	<u>1,262,644</u>	<u>14,791,466</u>
Noncurrent Liabilities			
Revenue bonds - net of premium	-	336,707	336,707
Certificates of participation, net of current portion	22,818,930	-	22,818,930
Total Noncurrent Liabilities	<u>22,818,930</u>	<u>336,707</u>	<u>23,155,637</u>
Total Liabilities	<u>36,347,752</u>	<u>1,599,351</u>	<u>37,947,103</u>
DEFERRED INFLOWS			
Deferred Inflows - Pension	<u>1,243,676</u>	<u>-</u>	<u>1,243,676</u>
Total Deferred Inflows	<u>1,243,676</u>	<u>-</u>	<u>1,243,676</u>
NET POSITION			
Net Investment in Capital Assets	64,202,296	59,951,662	124,153,958
Restricted	7,008,623	-	7,008,623
Unrestricted	25,261,605	11,298,800	36,560,405
Total Net Position	<u>\$ 96,472,524</u>	<u>\$ 71,250,462</u>	<u>\$ 167,722,986</u>

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, 2022

	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	\$ 5,322,410	343,289	1,719,024	16,593	\$ (3,243,504)	\$ -	\$ (3,243,504)
Community development	2,096,086	99,540	30,037	-	(1,966,509)	-	(1,966,509)
Public safety	9,596,725	122,204	411,003	-	(9,063,518)	-	(9,063,518)
Engineering and inspection	360,513	706,563	-	-	346,050	-	346,050
Public works	9,003,619	-	792,296	-	(8,211,323)	-	(8,211,323)
Parks and cemetery	2,058,358	356,834	208,282	28,350	(1,464,892)	-	(1,464,892)
Insurance	156,584	-	-	-	(156,584)	-	(156,584)
Capital outlay	1,575,246	-	-	-	(1,575,246)	-	(1,575,246)
Interest Expense	1,881,925	-	-	-	(1,881,925)	-	(1,881,925)
Total governmental activities	<u>32,051,466</u>	<u>1,628,430</u>	<u>3,160,642</u>	<u>44,943</u>	<u>(27,217,451)</u>	<u>-</u>	<u>(27,217,451)</u>
Business-type Activities							
Water	5,996,559	6,508,915	-	439,603	-	951,959	951,959
Sewer	4,260,594	3,296,824	-	1,432,175	-	468,405	468,405
Trash/Recycling	1,841,858	2,072,352	-	-	-	230,494	230,494
Black Canyon Golf Course	1,299,199	872,447	-	-	-	(426,752)	(426,752)
Total business-type activities	<u>13,398,210</u>	<u>12,750,538</u>	<u>-</u>	<u>1,871,778</u>	<u>-</u>	<u>1,224,106</u>	<u>1,224,106</u>
Total	<u>\$ 45,449,676</u>	<u>\$ 14,378,968</u>	<u>\$ 3,160,642</u>	<u>\$ 1,916,721</u>	<u>(27,217,451)</u>	<u>1,224,106</u>	<u>(25,993,345)</u>
General Revenues							
Taxes:							
Sales and use taxes					32,688,012	-	32,688,012
Franchise and occupational tax					1,175,478	-	1,175,478
Cigarette tax					46,715	-	46,715
Earnings on investments					738,061	190,030	928,091
Miscellaneous					332,237	(5,681)	326,556
Gain on disposal of assets					1,600	-	1,600
Administrative charges					581,373	(581,373)	-
Contributions to permanent endowment					4,135	-	4,135
Total general revenues					<u>35,567,611</u>	<u>(397,024)</u>	<u>35,170,587</u>
Transfers					<u>(318,012)</u>	<u>318,012</u>	<u>-</u>
Total general revenues and transfers					<u>35,249,599</u>	<u>(79,012)</u>	<u>35,170,587</u>
Change in Net Position					<u>8,032,148</u>	<u>1,145,094</u>	<u>9,177,242</u>
Net Position, Beginning					88,440,376	70,105,368	158,545,744
Net Position, Ending					<u>\$ 96,472,524</u>	<u>\$ 71,250,462</u>	<u>\$ 167,722,986</u>

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

The City of Montrose, COLORADO

Balance Sheet

Governmental Funds

December 31, 2022

(With Comparative Totals for December 31, 2021)

	Montrose Urban					Totals	
	General	Renewal		Capital Improvement	Nonmajor Funds	2022	2021
		Authority	Public Safety				
ASSETS							
Cash and equivalents	\$ 18,473,289	-	\$ 3,479,868	\$ 2,003,863	\$ 3,554,887	\$ 27,511,907	\$ 26,934,881
Certificates of deposit	4,576,660	-	-	-	1,215,716	5,792,376	4,038,887
Accounts receivable, net	191,034	-	75,703	16	51,252	318,005	325,290
Due from other funds	1,524,331	-	-	5,706,688	-	7,231,019	6,911,650
Franchise fee receivable	183,567	-	-	-	-	183,567	208,412
Due from other governments	81,520	89	18,267	-	-	99,876	159,816
Sales tax receivable	2,491,700	4,078	464,399	-	118,104	3,078,281	2,753,306
Special assessment receivable	-	-	-	-	243,163	243,163	292,796
Prepaid expenses	6,776	-	5,239	-	20,420	32,435	34,745
Inventory of supplies	5,363	-	-	-	56,000	61,363	65,505
Total Assets	\$ 27,534,240	\$ 4,167	\$ 4,043,476	\$ 7,710,567	\$ 5,259,542	\$ 44,551,992	\$ 41,725,288
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY							
LIABILITIES							
Accounts Payable	\$ 542,932	\$ 44,119	\$ 72,100	\$ 1,165,585	72,699	\$ 1,897,435	1,659,886
Overdraft accounts	-	4,147,540	-	-	-	4,147,540	3,221,047
Customer deposits and deposits in escrow	898,396	-	-	-	32,868	931,264	310,177
Accrued salaries and benefits	99,765	-	121,651	-	16,161	237,577	379,875
Unearned revenue	3,898,284	-	-	-	272,964	4,171,248	2,749,786
Due to other Funds	-	9,203,019	-	-	-	9,203,019	8,815,650
Total Liabilities	5,439,377	13,394,678	193,751	1,165,585	394,692	20,588,083	17,136,421
FUND BALANCE							
Unspendable:							
Prepays and Inventory	12,139	-	5,239	-	76,420	93,798	100,250
Permanent funds or other corpus	-	-	-	-	451,336	451,336	445,102
Interfund advances	1,223,543	-	-	5,127,246	-	6,350,789	6,350,789
Restricted:							
For emergencies	1,340,000	-	-	-	-	1,340,000	1,340,000
For economic development	-	-	-	-	169,157	169,157	148,438
For debt service	-	-	-	-	660,219	660,219	346,315
For beautification	-	-	-	-	8,447	8,447	7,846
For capital projects	321,088	-	-	-	665,226	986,314	1,002,228
For public safety	-	-	3,844,486	-	-	3,844,486	4,714,445
For parks	-	-	-	-	-	-	-
Committed:							
For economic development	-	-	-	-	947,623	947,623	544,980
For public education	-	-	-	-	25,903	25,903	99,722
Assigned:							
For capital projects	-	-	-	1,417,736	1,458,342	2,876,078	5,487,776
For parks/pavilion improvements	-	-	-	-	230,153	230,153	137,968
For animal shelter	-	-	-	-	172,024	172,024	172,024
Unassigned	19,198,093	(13,390,511)	-	-	-	5,807,582	3,690,984
Total Fund Balance	22,094,863	(13,390,511)	3,849,725	6,544,982	4,864,850	23,963,909	24,588,867
Total Liabilities, Deferred Inflow and Fund Balances	\$ 27,534,240	\$ 4,167	\$ 4,043,476	\$ 7,710,567	\$ 5,259,542	\$ 44,551,992	\$ 41,725,288

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, 2022

	<u>2022</u>
Total Fund Balances for the Governmental Funds	\$ 23,963,909
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	14,621,570
Capital assets being depreciated	65,376,975
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	
	15,320,065
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	
Net deferred FPPA pension outflows	717,473
Net pension asset	1,795,717
Net deferred FPPA pension inflows	(1,243,676)
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	(15,650,000)
Capital leases and long term debt payable	(7,952,657)
Compensated absences	(476,852)
Total Net Position for Governmental Activities	<u>\$ 96,472,524</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
Governmental Funds
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Montrose Urban					Totals	
	General	Renewal Authority	Public Safety Fund	Capital Improvement	Nonmajor Funds	2022	2021
REVENUES							
Taxes	\$ 27,360,886	\$ 38,669	\$ 5,120,140	\$ -	\$ 1,390,510	\$ 33,910,205	\$ 30,708,975
Licenses and permits	743,394	-	-	-	-	743,394	774,934
Intergovernmental	2,257,469	271,141	89,075	16,593	158,574	2,792,852	2,778,992
Charges for services	501,318	-	230,776	-	14,191	746,285	317,065
Fines and forfeits	83,509	-	-	-	-	83,509	139,437
Special Assessments	-	-	-	-	55,242	55,242	74,543
Contributions and donations	254,546	-	-	-	158,336	412,882	290,507
Miscellaneous	204,319	-	61,451	-	66,314	332,084	59,979
Administrative reimbursement	581,377	-	-	-	-	581,377	561,585
Contributions to permanent endowment	-	-	-	-	4,135	4,135	200
Investment earnings	393,336	-	47,022	250,602	47,101	738,061	42,888
Total revenues	<u>32,380,154</u>	<u>309,810</u>	<u>5,548,464</u>	<u>267,195</u>	<u>1,894,403</u>	<u>40,400,026</u>	<u>35,749,105</u>
EXPENDITURES							
General Government	5,481,385	-	-	-	91,172	5,572,557	4,543,135
Community development	363,881	895,542	-	-	1,263,700	2,523,123	3,671,974
Public safety	-	-	10,085,382	-	-	10,085,382	9,315,612
Engineering and inspection	360,513	-	-	-	-	360,513	315,954
Public works	3,370,741	-	-	-	-	3,370,741	3,196,145
Parks, recreation and cemetery	1,797,602	-	-	-	-	1,797,602	1,779,313
Insurance	156,584	-	-	-	-	156,584	143,681
Capital Outlay	4,482,652	319,774	3,430,398	6,645,653	145,740	15,024,217	9,410,439
Debt service	-	387,369	-	-	1,494,556	1,881,925	1,209,914
Total expenditures	<u>16,013,358</u>	<u>1,602,685</u>	<u>13,515,780</u>	<u>6,645,653</u>	<u>2,995,168</u>	<u>40,772,644</u>	<u>33,586,167</u>
Revenues in excess of expenditures	<u>16,366,796</u>	<u>(1,292,875)</u>	<u>(7,967,316)</u>	<u>(6,378,458)</u>	<u>(1,100,765)</u>	<u>(372,618)</u>	<u>2,162,938</u>
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	1,600	-	-	-	-	1,600	255,427
Debt proceeds	-	-	-	-	-	-	-
Transfers in	23,800	-	8,172,261	4,210,402	1,957,006	14,363,469	13,140,992
Transfers out	(12,998,391)	-	(1,076,153)	-	(542,867)	(14,617,411)	(13,705,708)
Net other financing sources (uses)	<u>(12,972,991)</u>	<u>-</u>	<u>7,096,108</u>	<u>4,210,402</u>	<u>1,414,139</u>	<u>(252,342)</u>	<u>(309,289)</u>
Change in fund balance	<u>3,393,805</u>	<u>(1,292,875)</u>	<u>(871,208)</u>	<u>(2,168,056)</u>	<u>313,374</u>	<u>(624,960)</u>	<u>1,853,649</u>
FUND BALANCE, Beginning	<u>18,701,058</u>	<u>(12,097,636)</u>	<u>4,720,933</u>	<u>8,713,038</u>	<u>4,551,476</u>	<u>24,588,869</u>	<u>22,735,218</u>
FUND BALANCE, Ending	<u>\$ 22,094,863</u>	<u>\$ (13,390,511)</u>	<u>\$ 3,849,725</u>	<u>\$ 6,544,982</u>	<u>\$ 4,864,850</u>	<u>\$ 23,963,909</u>	<u>\$ 24,588,867</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, 2022

	<u>2022</u>
Net change in fund balances - governmental funds	\$ (624,960)
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	13,203,204
Depreciation expense	(6,353,893)
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.	
	507,754
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 compensated absences	(56,043)
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	599,049
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 debt and certificates of participation	757,037
Change in net position of governmental activities	<u>\$ 8,032,148</u>

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

The City of Montrose, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Enterprise Funds				Total		Totals	
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Enterprise Funds	Internal Service Funds	2022	2021
ASSETS								
Current Assets								
Cash and equivalents	\$ 3,962,500	\$ 2,244,693	\$ 593,543	\$ 353,730	\$ 7,154,466	\$ 7,479,830	\$ 14,634,296	\$ 14,908,020
Certificates of deposit	632,988	1,173,532	-	-	1,806,520	529,377	2,335,897	2,355,377
Accounts receivable, net	389,566	281,673	184,619	1,563	857,421	212,006	1,069,427	1,135,863
Due from other funds	1,972,000	-	-	-	1,972,000	-	1,972,000	1,904,000
Interest receivable	-	6,380	-	-	6,380	-	6,380	6,380
Prepaid expenses	11,707	-	-	-	11,707	170,147	181,854	172,234
Inventory of supplies	30,708	173,189	119,937	89,116	412,950	5,476	418,426	230,816
Total Current Assets	6,999,469	3,879,467	898,099	444,409	12,221,444	8,396,836	20,618,280	20,712,690
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	32,324,746	25,870,030	-	751,068	58,945,844	7,806,407	66,752,251	65,859,594
Total Assets	39,850,553	30,686,249	898,099	1,414,912	72,849,813	16,203,243	89,053,056	88,254,809
LIABILITIES								
Current Liabilities								
Accounts payable	237,650	237,986	66,622	40,112	582,370	214,627	796,997	1,263,793
Customer deposits and deposits in escrow	125,074	200	-	-	125,274	-	125,274	130,297
Accrued salaries and benefits	16,089	17,219	11,658	8,170	53,136	20,694	73,830	103,774
Unearned revenue	-	4,800	-	15,963	20,763	-	20,763	16,151
Accrued compensated absences	60,094	21,483	30,099	14,347	126,023	48,547	174,570	141,051
Accrued interest payable	8,293	6,785	-	-	15,078	-	15,078	-
Claims payable	-	-	-	-	-	599,310	599,310	592,194
Current portion long term debt	181,500	158,500	-	0	340,000	-	340,000	373,170
Total Current Liabilities	628,700	446,973	108,379	78,592	1,262,644	883,178	2,145,822	2,620,430
Noncurrent Liabilities								
Revenue bonds - net of premium	186,957	149,750	-	-	336,707	-	336,707	685,000
Lease payable	-	-	-	-	-	-	-	31,700
Total Liabilities	815,657	596,723	108,379	78,592	1,599,351	883,178	2,482,529	3,337,130
NET POSITION								
Net Investment in Capital Assets	32,137,789	25,720,280	-	751,068	58,609,137	7,806,407	66,415,544	65,142,894
Unrestricted	6,897,107	4,369,246	789,720	585,252	12,641,325	7,513,658	20,154,983	19,774,785
Total Net Position	\$ 39,034,896	\$ 30,089,526	\$ 789,720	\$ 1,336,320	\$ 71,250,462	\$ 15,320,065	\$ 86,570,527	\$ 84,917,679

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, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Enterprise Funds						Totals	
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Total Enterprise Funds	Internal Service Funds	2022	2021
OPERATING REVENUES								
Water sales	\$ 6,382,302	\$ -	\$ -	\$ -	\$ 6,382,302	\$ -	\$ 6,382,302	\$ 5,914,437
Sewer charges	-	3,242,487	-	-	3,242,487	-	3,242,487	3,039,646
Tap fees unpledged	126,613	54,337	-	-	180,950	-	180,950	194,746
Sanitation charges	-	-	2,072,352	-	2,072,352	-	2,072,352	1,842,948
Golf charges	-	-	-	872,447	872,447	-	872,447	844,343
Interfund charges	-	-	-	-	-	9,000,879	9,000,879	8,372,314
Other charges	-	-	-	-	-	306,494	306,494	452,208
Total Operating Revenues	<u>6,508,915</u>	<u>3,296,824</u>	<u>2,072,352</u>	<u>872,447</u>	<u>12,750,538</u>	<u>9,307,373</u>	<u>22,057,911</u>	<u>20,660,642</u>
OPERATING EXPENSES								
Administration	284,482	171,524	125,367	275,041	856,414	3,391,562	4,247,976	3,816,203
Operations and maintenance	4,501,187	2,333,284	1,841,858	946,222	9,622,551	1,377,580	11,000,131	10,691,255
Medical claims	-	-	-	-	-	2,092,778	2,092,778	2,824,759
Insurance premiums	-	-	-	-	-	575,856	575,856	531,737
Depreciation	1,414,258	1,767,463	-	77,936	3,259,657	1,393,205	4,652,862	4,300,627
Capital Outlay	81,114	159,847	-	-	240,961	177,499	418,460	421,520
Total Operating Expenses	<u>6,281,041</u>	<u>4,432,118</u>	<u>1,967,225</u>	<u>1,299,199</u>	<u>13,979,583</u>	<u>9,008,480</u>	<u>22,988,063</u>	<u>22,586,101</u>
Net Operating Income	<u>227,874</u>	<u>(1,135,294)</u>	<u>105,127</u>	<u>(426,752)</u>	<u>(1,229,045)</u>	<u>298,893</u>	<u>(930,152)</u>	<u>(1,925,459)</u>
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental revenues	-	-	-	-	-	14,806	14,806	17,806
Capacity fees	439,603	1,432,175	-	-	1,871,778	-	1,871,778	1,344,164
Investment earnings	152,701	28,492	7,978	861	190,032	89,542	279,574	21,259
Gain (loss) on sale of assets	-	-	-	-	-	102,714	102,714	203,743
Other miscellaneous revenue	1,164	44	9,033	2,906	13,147	12,435	25,582	57,691
Interest expense	(10,148)	(8,303)	-	(375)	(18,826)	-	(18,826)	(23,035)
Net Nonoperating Revenues (Expenses)	<u>583,320</u>	<u>1,452,408</u>	<u>17,011</u>	<u>3,392</u>	<u>2,056,131</u>	<u>219,497</u>	<u>2,275,628</u>	<u>1,621,628</u>
Income Before Contributions and Transfers	<u>811,194</u>	<u>317,114</u>	<u>122,138</u>	<u>(423,360)</u>	<u>827,086</u>	<u>518,390</u>	<u>1,345,476</u>	<u>(303,831)</u>
Contributions and Transfers								
Dedicated and contributed capital assets	-	-	-	-	-	53,432	53,432	3,169,768
Transfers In	3,410	3,568	2,334	658,700	668,012	3,900	671,912	639,716
Transfers Out	-	(350,000)	-	-	(350,000)	(67,971)	(417,971)	(75,000)
Net Contributions and Transfers	<u>3,410</u>	<u>(346,432)</u>	<u>2,334</u>	<u>658,700</u>	<u>318,012</u>	<u>(10,639)</u>	<u>307,373</u>	<u>3,734,484</u>
Change in Net Position	814,604	(29,318)	124,472	235,340	1,145,098	507,751	1,652,849	3,430,653
NET POSITION, Beginning	<u>38,220,292</u>	<u>30,118,844</u>	<u>665,248</u>	<u>1,100,980</u>	<u>70,105,364</u>	<u>14,812,314</u>	<u>84,917,678</u>	<u>81,487,026</u>
NET POSITION, ENDING	<u>\$ 39,034,896</u>	<u>\$ 30,089,526</u>	<u>\$ 789,720</u>	<u>\$ 1,336,320</u>	<u>\$ 71,250,462</u>	<u>\$ 15,320,065</u>	<u>\$ 86,570,527</u>	<u>\$ 84,917,679</u>

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, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Enterprise Funds					Totals	
	Water	Sewer	Trash and Recycling	Black Canyon Golf Course	Total Enterprise Funds	Internal Service Funds	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 6,611,018	\$ 3,261,305	\$ 2,045,399	\$ 877,059	\$ 12,794,781	\$ 3,863,798	\$ 16,658,579
Receipts from interfund services provided	-	-	-	-	-	5,465,356	5,465,356
Payments to suppliers	(4,168,282)	(1,362,923)	(938,530)	(798,383)	(7,268,118)	(7,336,742)	(13,604,860)
Payments to employees	(664,117)	(729,546)	(476,893)	(247,040)	(2,117,596)	(230,618)	(2,348,214)
Payments for internal services used	(634,026)	(628,231)	(631,950)	(169,448)	(2,063,655)	(40,704)	(2,104,359)
Net cash provided (used) by operating activities	1,144,593	540,605	(1,974)	(337,812)	1,345,412	1,721,090	3,066,502
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Other Revenues	1,164	44	9,033	2,905	13,146	27,240	40,386
Transfers in	3,410	3,568	2,334	658,700	668,012	3,900	671,912
Transfers out	-	(350,000)	-	-	(350,000)	(67,971)	(417,971)
Net cash provided (used) by noncapital financing activities	4,574	(346,388)	11,367	661,605	331,158	(36,831)	294,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions and tap fees	439,603	1,432,175	-	-	1,871,778	53,432	1,925,210
Capital grants	-	-	-	-	-	-	45
Proceeds from sale of assets	-	-	-	-	-	102,714	203,743
Acquisition and construction of capital assets	(4,074,132)	(969,207)	-	(102,633)	(5,145,972)	(399,547)	(5,545,519)
Principal paid on long-term debt	(195,293)	(146,215)	-	(64,871)	(406,379)	-	(363,126)
Interest paid on long-term debt	(1,855)	(8,303)	-	(375)	(10,533)	-	(26,428)
Net cash provided (used) by capital and related financing activities	(3,831,677)	308,450	-	(167,879)	(3,691,106)	(243,401)	(3,934,507)
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment in certificates of deposits	21,848	(2,104)	-	-	19,744	(264)	19,480
Interest on investments	152,701	28,494	7,978	861	190,034	89,542	279,576
Net cash provided (used) by investing activities	174,549	26,390	7,978	861	209,778	89,278	299,056
Net increase (decrease) in cash and cash equivalents	(2,507,961)	529,057	17,371	156,775	(1,804,758)	1,530,136	(274,622)
CASH AND CASH EQUIVALENTS, Beginning	6,470,461	1,715,636	576,172	196,955	8,959,224	5,948,796	14,908,020
CASH AND CASH EQUIVALENTS, Ending	\$ 3,962,500	\$ 2,244,693	\$ 593,543	\$ 353,730	\$ 7,154,466	\$ 7,478,932	\$ 14,633,398
Reconciliation of operating income to net cash provided by operating activities	\$ 227,874	\$ (1,135,294)	\$ 105,127	\$ (426,752)	\$ (1,229,045)	\$ 298,893	\$ (930,152)
Operating income (loss)	1,414,258	1,767,463	-	77,936	3,259,657	1,393,205	4,652,862
Adjustments to reconcile operating income to net cash provided by operating activities	(Increase) decrease in accounts receivable	(35,519)	(26,983)	-	44,654	21,780	66,434
	(Increase) decrease in inventory of supplies	(1,521)	(95,631)	(68,987)	(16,417)	(5,006)	(187,616)
	(Increase) decrease in prepaid expenses	(11,707)	-	100	4,425	(2,438)	99,705
	(Increase) decrease in accounts payable	(513,543)	27,084	(5,077)	11,891	(480,245)	(467,691)
	(Increase) decrease in customer deposits and deposits in escrow	(5,023)	-	-	(5,023)	-	(103,416)
	(Increase) decrease in accrued salaries and benefits	(26,856)	(821)	(3,321)	128	(30,870)	930
	(Increase) decrease in due to other funds	(68,000)	-	-	(68,000)	930	(68,000)
	(Increase) decrease in deferred revenues	-	-	-	4,613	-	4,613
	(Increase) decrease in accrued compensated absences	21,985	13,323	(2,263)	6,364	(5,890)	33,519
	(Increase) decrease in claims payable	-	-	-	7,116	-	130,007
Net cash provided (used) by operating activities	\$ 1,144,593	\$ 540,605	\$ (1,974)	\$ (337,812)	\$ 1,345,412	\$ 1,721,090	\$ 3,066,502
SCHEDULE OF NON-CASH ACTIVITIES							
Donated capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,169,768	\$ 3,169,768

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

The City of Montrose, Colorado
Fiduciary Funds
Statement of Net Position
December 31, 2022

	Custodial Fund
	Tax Passthrough Fund
	<u> </u>
ASSETS	
Restricted Cash and Cash equivalents	\$ 252,217
Sales taxes receivable	<u>240,206</u>
Total Assets	<u>492,423</u>
LIABILITIES	
Sales taxes payable	<u>469,651</u>
Total Liabilities	<u>469,651</u>
Net Position	<u><u>\$ 22,772</u></u>

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, 2022

	Custodial Fund Tax Passthrough Fund
Additions	
Contributions:	
Taxes Collected for Other Governments	\$ 2,671,284
Total Additions	<u>2,671,284</u>
Deductions	
Taxes Distributed to Other Governments	\$ 2,648,512
Total Deductions	<u>2,648,512</u>
CHANGES IN NET POSITION	22,772
Net Position, beginning	-
Net position, ending	<u><u>\$ 22,772</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, 2022

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-operating revenues and expenses.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 six months after year-end, with the exception of sales taxes, which must be within 90 days. 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, 2022, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash equivalents or short-term investments. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average monthly balance of each participating fund.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, 2022 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.

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

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 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, 2022, from which the partial information is derived.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

Recent Accounting Pronouncements

Effective January 1, 2022 the City implemented *GASB 87 – Leases*. The City determined the new standard did not have a material impact on its financials, and as such no adjustments were posted as a result of the adoption.

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 Tourism Fund, which may be a violation of Colorado statutes.

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2022 and how they are displayed in the financial statements is shown below:

Cash and Investments:	
Cash and Cash Equivalents	\$ 9,349,237
Investments in Local Government Investment Pools	33,066,068
Cash Overdraft	(4,417,540)
	\$ 37,997,765
Certificates of Deposits at Amortized Cost	\$ 8,128,273

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

A. DEPOSITS

Custodial Credit Risk

The City and County of Montrose has deposits at the bank with a balance of \$11,712,739 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 \$21,427,165 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 \$11,638,903 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.

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 46% of the City's total investments for the year ended December 31, 2022, were in a single financial institution, Colotrust.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Balance <u>1/1/2022</u>	Increases	Decreases	Balance <u>12/31/2022</u>
Capital assets not being depreciated:				
Land	\$ 14,313,939	\$ 307,632	\$ -	\$ 14,621,571
Capital assets being depreciated:				
Infrastructure - Road Network	140,588,566	6,936,888	63,616	147,461,838
Land Improvements	8,205,396	2,740,539	-	10,945,935
Buildings	23,489,927	2,810,978	-	26,300,905
Equipment	6,162,585	407,170	-	6,569,755
Internal Service Vehicles	12,937,370	399,546	1,020,315	12,316,601
Internal Service Equipment	4,313,447	-	-	4,313,447
Total capital assets being depreciated	<u>195,697,291</u>	<u>13,295,121</u>	<u>1,083,931</u>	<u>207,908,481</u>
Less: accumulated depreciation for:				
Land Improvements	2,053,666	184,310	-	2,237,976
Infrastructure - Road Network	100,122,372	5,596,429	-	105,718,801
Buildings	11,984,855	395,385	-	12,380,240
Equipment	5,450,286	177,769	63,616	5,564,439
Internal Service Vehicles	7,397,882	1,231,169	1,020,315	7,608,736
Internal Service Equipment	1,052,871	162,036	-	1,214,907
Total accumulated depreciation	<u>128,061,932</u>	<u>7,747,098</u>	<u>1,083,931</u>	<u>134,725,099</u>
Total capital assets being depreciated, net	<u>67,635,359</u>	<u>5,548,023</u>	<u>-</u>	<u>73,183,382</u>
Governmental activity capital assets, net	<u>\$ 81,949,298</u>	<u>\$ 5,855,655</u>	<u>\$ -</u>	<u>\$ 87,804,953</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land and Easements	\$ 1,682,525	-	-	\$ 1,682,525
Capital assets being depreciated:				
Reservoirs	14,174,680	258,447	-	14,433,127
Buildings	502,605	-	-	502,605
Land Improvements	205,268	-	-	205,268
Transmission, collection and distribution lines	69,742,875	4,468,776	-	74,211,651
Treatment Plant	14,791,085	36,234	-	14,827,319
Equipment	2,996,119	382,514	-	3,378,633
Total capital assets being depreciated	<u>102,412,632</u>	<u>5,145,971</u>	<u>-</u>	<u>107,558,603</u>
Less: accumulated depreciation for:				
Transmission, collection and distribution lines	29,191,552	1,767,462	-	30,959,014
Treatment Plant	15,697,578	1,414,258	-	17,111,836
Equipment	463,973	77,936	-	541,909
Total accumulated depreciation	<u>45,353,103</u>	<u>3,259,656</u>	<u>-</u>	<u>48,612,759</u>
Total capital assets being depreciated, net	<u>57,059,529</u>	<u>1,886,315</u>	<u>-</u>	<u>58,945,844</u>
Business-type activity capital assets, net	<u>\$ 58,742,054</u>	<u>\$ 1,886,315</u>	<u>\$ -</u>	<u>\$ 60,628,369</u>

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

	Governmental Activities	Business-Type Activities
General government	\$ 349,867	\$ -
Public Safety	110,392	-
Public Works	5,632,878	-
Parks and cemetery	206,756	-
Water	-	1,414,258
Sewer	-	1,767,463
Black Canyon Golf Course	-	77,936
Total	<u>\$6,353,893</u>	<u>\$ 3,259,657</u>

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 \$5,822,738. Contributions of up to 8% for employees amounted to \$455,819 for 2022.

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 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.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 12 percent of base salary for a total contribution rate of 24 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 24% of base salary for 2022. Total contributions to the SWDB Police Plan from the City were \$305,649 for the year ended December 31, 2022.

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

At December 31, 2022, the City reported an asset of \$1,795,717 for its proportionate share of the SWDB's net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of January 1, 2021. 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, 2022, the City's proportion for the SWDB Police Plan was 0.331354%.

For the year ended December 31, 2022, the City recognized pension benefit of \$599,049. At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

	Deferred outflows of resources	Deferred inflows of resources
Beginning Deferral amounts as of Prior measurement date, December 31, 2020	\$ 427,489	\$ (998,938)
Difference between actual and expected experience	(307,419)	(38,028)
Changes in assumptions	(155,958)	-
Net difference between actual and projected earnings on pension plan investments	-	(206,710)
Changes in proportion and differences between city contributions and proportionate share of contributions	401,321	-
City contributions subsequent to the measurement date	78,914	-
Total	\$ 444,347	\$ (1,243,676)

The SWDB reported \$717,473 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, 2022.

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 reported as deferred outflows and deferred inflows of resources recognized in pension expense
2022	\$ (91,067)
2023	(91,067)
2024	(91,067)
2025	(91,067)
2026	(91,067)
Thereafter	(42,643)
Total	\$ (497,978)

Actuarial assumptions. The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2022	January 1, 2021
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, net*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes inflation at	2.5%	2.5%

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre- retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015. At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting,

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are 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 (assumed at 2.5 percent). 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income - Rates	10%	4.01%
Fixed Income - Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
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.

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:

Single Discount Rate		
1% Decrease	Assumption	1% Increase
6.00%	7.00%	8.00%
\$ (247,641)	\$ (1,793,717)	\$ (3,078,212)

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

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 \$2,259,114, exclusive of dental benefits, based on approximately 163 employees and dependents covered in 2022. 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, 2022 are as follows:

	Beginning Balance	Claims & Changes in Estimates	Claim Balance Payment	Ending Balance
2020	335,340	2,265,378	2,138,531	462,187
2021	462,187	2,559,813	3,022,000	592,194

NOTE 6 - COMMITMENTS

Raw Water Purchase

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

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

The purchase price per acre-foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water, which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre-foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the City pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial uses which we reset at \$4.00 per acre-foot subject to annual adjustment. In 2022, the rate for operations and maintenance was \$8.50 per acre-foot.

NOTE 7 - LONG-TERM LIABILITIES

A. CHANGES IN DEBT

Long-term liability activity for the year ended December 31, 2022 was as follows:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2022</u>
<i>Governmental Activities</i>				
Certificate of Participation-2020	\$ 15,980,000	\$ -	\$ (330,000)	\$ 15,650,000
Certificate of Participation-2017	8,379,694	-	(427,037)	7,952,657
<i>Business-Type Activities</i>				
Revenue Bond	1,025,000	-	(348,293)	676,707
Lease Liability	64,870	-	(64,870)	-
Total	\$ 25,449,564	\$ -	\$ (1,170,200)	\$ 24,279,364

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

B. 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.

C. CERTIFICATE OF PARTICIPATION

During 2017, the City entered into an agreement for City and Montrose Urban Renewal Authority infrastructure improvements totaling \$10,000,000. The City Hall portion of the agreement 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 agreement 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. The City Hall and the Pavilion buildings are used as collateral.

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 UMB Bank. As of December 31, 2022, Montrose had \$15,305,000 of COP's outstanding for governmental activities.

D. SUMMARY OF ANNUAL REQUIREMENTS TO AMORTIZE OUTSTANDING BONDS AND NOTES PRINCIPAL:

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Certificate of Participation – 2020	Certificate of Participation – 2017	Revenue Bond	
2023	\$ 345,000	\$ 438,727	\$	340,000
2024	360,000	450,741		336,707
2025	375,000	463,084		-
2026	390,000	475,766		-
2027	405,000	488,795		-
Thereafter	13,775,000	5,635,544		-
	<u>\$ 15,650,000</u>	<u>\$ 7,952,657</u>	<u>\$</u>	<u>676,707</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	Capital		Public Safety Fund	Non Major	
	General Fund	Improvement Fund		Fund	Enterprise Fund
Transfers In (Out)-Net	(12,393,214)	3,745,194	7,096,108	1,815,276	(263,365)

The above amounts were transferred for operations.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

B. INTERNAL CHARGES

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

	Information				
	Internal Fleet Equipment Lease	Services Charges	Facility Lease Charges	Admin Charges	Health Benefits
General Fund	964,018	565,671	425,170		613,133
Public Safety Fund	720,106	883,674	502,432		860,422
Nonmajor Govt Funds		118,895	38,089		47,610
Enterprise Funds	1,176,306	237,972	576,780	581,377	371,480
Internal Service Funds	57,236	52,319	94,181		131,865

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, 2022:

	Due From	Due To
General Fund		1,524,331
Montrose Urban Renewal Authority	9,203,018	
Water Fund		1,972,000
Capital Improvement Fund		5,706,688

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 2021 was \$1.15 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 2022, the City purchased treatment of 1,232,290,506 gallons for \$1,417,134. At December 31, 2022, the City owed the Authority \$58,788 for 51,120,000 gallons of water. Separate financial statements of Project 7 Water Authority are available from the City or the Authority.

The City of Montrose, Colorado
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 281 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 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, 2022, the amount required as emergency reserves in compliance with the amendment is \$1,340,000. 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.

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 2022, the City provided MRD fleet, information services, facility and finance services for \$49,775.

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 \$256,138 related to the self-insurance plan.

The City of Montrose, Colorado
 Budgetary Comparison Schedule for the
 General Fund
 For the Year Ended December 31, 2022

	2022			
	Original	Final		Variance
	Budget	Budget	Actual	With Final
				Budget
REVENUES				
Taxes	\$ 23,570,895	\$ 23,570,895	\$ 27,360,886	\$ 3,789,991
Licenses and permits	571,482	571,482	743,394	171,912
Intergovernmental	3,652,790	3,652,790	2,257,469	(1,395,321)
Charges for services	151,445	151,445	501,318	349,873
Fines and forfeits	144,500	144,500	83,509	(60,991)
Contributions and donations	24,300	24,300	254,546	230,246
Miscellaneous	72,380	72,380	204,319	131,939
Administrative reimbursement	581,377	581,377	581,377	-
Investment earnings	20,100	20,100	393,336	373,236
Total revenues	<u>28,789,269</u>	<u>28,789,269</u>	<u>32,380,154</u>	<u>3,590,885</u>
EXPENDITURES				
Current				
General Government				
City Council	167,425	167,425	154,442	12,983
Youth Council	7,900	7,900	3,282	4,618
Economic Support	328,000	1,163,123	1,164,700	(1,577)
City Attorney	454,193	454,193	378,515	75,678
City Manager	374,886	374,886	393,842	(18,956)
Website/Communications	134,596	134,596	140,761	(6,165)
Human Resources	471,490	471,490	485,817	(14,327)
Montrose Pavilion	597,982	597,982	578,875	19,107
GIS	357,845	357,845	405,514	(47,669)
Finance	817,338	817,338	836,221	(18,883)
Municipal Court	263,940	263,940	271,867	(7,927)
Teen Court	8,415	8,415	5,025	3,390
Innovation and Citizen engagement	114,699	355,607	336,948	18,659
City Clerk	313,967	313,967	325,577	(11,610)
Total general government	<u>4,412,676</u>	<u>5,488,707</u>	<u>5,481,386</u>	<u>7,321</u>
Community Development				
Planning services	368,957	368,957	363,881	5,076
Total community development	<u>368,957</u>	<u>368,957</u>	<u>363,881</u>	<u>5,076</u>
Engineering and Inspection				
Building Services	425,505	425,505	360,513	64,992

The City of Montrose, Colorado
 Budgetary Comparison Schedule for the
 General Fund
 For the Year Ended December 31, 2022

	2022			
	Original Budget	Final Budget	Actual	Variance With Final Budget
(Continued)				
Public Works				
Engineer	352,630	352,630	456,614	(103,984)
Administration	327,224	327,224	351,738	(24,514)
Street maintenance	2,271,756	2,571,756	2,052,687	519,069
Street cleaning	454,866	454,866	509,702	(54,836)
Total public works	<u>3,406,476</u>	<u>3,706,476</u>	<u>3,370,741</u>	<u>335,735</u>
Parks, recreation and cemetery				
Parks Maintenance	1,559,453	1,559,453	1,447,610	111,843
Tree Program	30,000	30,000	32,552	(2,552)
Sunset Mesa Maintenance	141,220	141,220	186,307	(45,087)
Cemetery	187,457	187,457	88,585	98,872
Competitive Youth Sports	84,250	84,250	42,549	41,701
Total parks and cemetery	<u>2,002,380</u>	<u>2,002,380</u>	<u>1,797,603</u>	<u>204,777</u>
Insurance	<u>247,058</u>	<u>247,058</u>	<u>156,584</u>	<u>90,474</u>
Capital Outlay				
General Government	0	321,787	321,787	-
Public Works	270,500	678,741	714,246	(35,505)
Community Development	2,957,000	4,532,246	2,688,564	1,843,682
Parks and Recreation	562,000	614,312	758,053	(143,741)
Total capital outlay	<u>3,789,500</u>	<u>6,147,086</u>	<u>4,482,650</u>	<u>1,664,436</u>
Total expenditures	<u>14,652,552</u>	<u>18,386,169</u>	<u>16,013,358</u>	<u>2,372,811</u>
Revenues in excess of expenditures	<u>14,136,717</u>	<u>10,403,100</u>	<u>16,366,796</u>	<u>1,218,074</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	1,000	1,600	(600)
Transfers In	24,300	24,300	23,800	500
Transfers Out	(13,552,819)	(13,552,819)	(12,998,391)	(554,428)
Net other financing sources (uses)	<u>(13,527,519)</u>	<u>(13,528,519)</u>	<u>(12,972,991)</u>	<u>(553,928)</u>
Change in fund balance	609,198	(3,125,419)	3,393,805	664,146
FUND BALANCE, Beginning	<u>18,701,068</u>	<u>18,701,068</u>	<u>18,701,068</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 19,310,266</u>	<u>\$ 15,575,649</u>	<u>\$ 22,094,873</u>	<u>\$ 664,146</u>

The City of Montrose, Colorado
 Budgetary Comparison Schedule for the
 Montrose Urban Renewal Authority Fund
 For the Year Ended December 31, 2022

		2022			
		Original	Final		Variance
		Budget	Budget	Actual	With Final
					Budget
REVENUES					
	Intergovernmental	200,000	200,000	271,141	\$ 71,141
	Taxes	-	-	38,668	\$ 38,668
	Investment Earnings	2,500	1,000	-	(1,000)
	Total revenues	<u>202,500</u>	<u>201,000</u>	<u>309,809</u>	<u>108,809</u>
EXPENDITURES					
Current					
	Community Development				
	Special Benefit	-	1,137,856	895,540	(242,316)
	Capital Outlay				
	General Government	440,000	319,775	319,775	-
	Debt Service				
	Interest and fees	-	387,369	387,369	-
	Total expenditures	<u>440,000</u>	<u>1,845,000</u>	<u>1,602,684</u>	<u>(242,316)</u>
	Change in fund balance	(237,500)	(1,644,000)	(1,292,875)	351,125
	FUND BALANCE, Beginning	<u>(13,697,605)</u>	<u>(13,697,605)</u>	<u>(12,097,636)</u>	<u>1,599,969</u>
	FUND BALANCE, Ending	<u>\$ (13,935,105)</u>	<u>\$ (15,341,605)</u>	<u>\$ (13,390,511)</u>	<u>\$ 1,951,094</u>

The City of Montrose, Colorado
 Budgetary Comparison Schedule for the
 Public Safety Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,017,826	4,017,826	5,120,140	1,102,314
Intergovernmental	88,000	88,000	89,075	1,075
Charges for services	83,420	83,420	230,776	147,356
Miscellaneous	69,300	69,300	61,452	(7,848)
Investment earnings	-	-	47,022	47,022
Total revenues	<u>4,258,546</u>	<u>4,258,546</u>	<u>5,548,465</u>	<u>1,289,919</u>
EXPENDITURES				
Community development				
Public Safety	11,375,915	11,375,915	10,085,383	1,290,532
Capital Outlay	3,946,416	4,329,919	3,430,398	899,521
Total expenditures	<u>15,322,331</u>	<u>15,705,834</u>	<u>13,515,781</u>	<u>2,190,053</u>
Revenues in excess of expenditures	(11,063,785)	(11,447,288)	(7,967,316)	3,479,972
OTHER FINANCING SOURCES (USES)				
Transfers in	8,172,261	8,172,261	8,172,261	-
Transfers out	-	-	(1,076,153)	(1,076,153)
Net other financing sources (uses)	<u>8,172,261</u>	<u>8,172,261</u>	<u>7,096,108</u>	<u>(1,076,153)</u>
Change in fund balance	(2,891,524)	(3,275,027)	(871,208)	2,403,819
FUND BALANCE, Beginning	<u>4,720,933</u>	<u>4,720,933</u>	<u>4,720,933</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,829,409</u>	<u>\$ 1,445,906</u>	<u>\$ 3,849,725</u>	<u>\$ 2,403,819</u>

The City of Montrose, Colorado
Schedule of Employer Pension Contributions
For the Year Ended December 31, 2022

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%
2021	283,402	283,402	2,697,715	10.51%
2022	305,649	305,649	2,803,766	10.90%

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
Schedule of the City's Proportionate Share of Net Pension Liability
For the Year Ended December 31, 2022

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%
2021	0.44624%	252,377	2,697,715	9.36%	106.70%
2022	0.33135%	(968,788)	2,803,766	-34.55%	100.70%

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

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

The City of Montrose, Colorado
 Balance Sheet
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	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	
ASSETS												
Cash and Equivalents	\$ 547,906	\$ -	\$ 93,551	\$ -	\$ 19,233	\$ 13,811	\$ 411,201	\$ 16,482	\$ 25,904	\$ 426,845	\$ 213,144	
Certificates of Deposit	-	-	84,165	-	-	49,254	-	-	-	-	50,902	
Accounts Receivable, net	8,162	-	17,591	-	-	-	-	-	-	-	25,498	
Franchise fee receivable	-	-	-	-	-	-	-	-	-	-	-	
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	
Sales tax receivable	62,517	-	-	-	-	-	-	-	-	-	55,588	
Special Assessment receivable	-	-	-	-	-	-	-	-	-	-	-	
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	
Inventory of supplies	-	-	-	-	-	-	-	-	-	-	56,000	
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	20,420	
Total Assets	\$ 618,585	\$ -	\$ 195,307	\$ -	\$ 19,233	\$ 63,065	\$ 411,201	\$ 16,482	\$ 25,904	\$ 426,845	\$ 421,552	
LIABILITIES AND FUND EQUITY												
LIABILITIES												
Accounts payable	\$ 3,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,482	\$ -	\$ -	\$ 8,873	\$ (3,932)	
Customer deposits and deposits in escrow	5,399	-	-	-	-	-	-	-	-	32,278	590	
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	-	10,162	
Unearned revenue	8,676	-	26,151	-	-	-	64,482	-	-	41,151	-	
Total Liabilities	\$ 17,352	\$ -	\$ 26,151	\$ -	\$ -	\$ -	\$ 128,964	\$ -	\$ -	\$ 82,302	\$ 10,820	
FUND BALANCE												
Nonspendable	-	-	-	-	-	-	-	-	-	-	76,420	
Prepays and inventory	-	-	-	-	-	-	-	-	-	-	-	
Permanent fund or other corpus	-	-	-	-	-	-	-	-	-	-	-	
Restricted:												
For economic development	-	-	169,156	-	-	-	-	-	-	-	-	
For debt service	-	-	-	-	-	-	-	-	-	-	-	
For beautification - expendable	-	-	-	-	-	-	-	-	-	-	-	
For parks	-	-	-	-	-	-	-	-	-	-	-	
For public safety	-	-	-	-	-	-	-	-	-	-	-	
For capital projects	-	-	-	-	19,233	63,065	346,719	-	-	-	-	
Committed:												
For economic development	609,909	-	-	-	-	-	-	-	-	-	337,712	
For community development	-	-	-	-	-	-	-	-	-	-	-	
For public education	-	-	-	-	-	-	-	-	25,904	-	-	
Assigned:												
For capital projects	-	-	-	-	-	-	-	-	-	-	-	
For parks/pavilion improvements	-	-	-	-	-	-	-	16,482	-	213,670	-	
For animal shelter	-	-	-	-	-	-	-	-	-	172,024	-	
For next year's expenditures	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities, Deferred Inflows and Fund Balances	\$ 618,585	\$ -	\$ 195,307	\$ -	\$ 19,233	\$ 63,065	\$ 411,201	\$ 16,482	\$ 25,904	\$ 426,845	\$ 421,552	

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, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	Permanent Funds			Capital Project Fund		
	2017 Certificates of Participation	Demoret	Cemetery	Special Improvements	Grand/Rio Grande Project	2021
		Trust	Care			
ASSETS						
Cash and Equivalents	\$ 660,220	\$ 2,653	\$ 129,955	\$ 36,253	\$ 957,733	\$ 2,355,250
Certificates of Deposit	-	327,175	-	203,606	500,611	2,049,626
Accounts Receivable, net	-	-	-	-	-	78,425
Franchise fee receivable	-	-	-	-	-	3,962
Due from other governments	-	-	-	-	-	-
Sales tax receivable	-	-	-	-	-	-
Special Assessment receivable	-	-	-	243,162	-	118,105
Interest receivable	-	-	-	-	-	441,790
Inventory of supplies	-	-	-	-	-	10,600
Prepaid Expenses	-	-	-	-	20,420	34,039
Total Assets	\$ 660,220	\$ 329,828	\$ 129,955	\$ 483,021	\$ 1,458,344	\$ 5,083,522
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,700
Customer deposits and deposits in escrow	-	-	-	-	-	32,868
Accrued salaries and benefits	-	-	-	-	-	14,947
Unearned revenue	-	-	-	246,813	-	272,964
Total Liabilities	-	-	-	246,813	-	394,693
FUND BALANCE						
Nonspendable						
Prepays and inventory	-	-	-	-	-	76,420
Permanent fund or other corpus	-	321,381	129,955	-	-	451,336
Restricted:						
For economic development	-	-	-	-	-	169,156
For debt service	660,220	-	-	-	660,220	109,596
For beautification - expendable	-	8,447	-	-	8,447	26,625
For parks	-	-	-	-	-	303,323
For public safety	-	-	-	-	-	-
For capital projects	-	-	-	-	-	-
Committed:						
For economic development	-	-	-	236,208	-	665,225
For community development	-	-	-	-	-	947,621
For public education	-	-	-	-	-	73,547
Assigned:						
For capital projects	-	-	-	-	1,458,344	1,458,344
For parks/pavilion improvements	-	-	-	-	-	230,152
For animal shelter	-	-	-	-	-	172,024
For next year's expenditures	-	-	-	-	-	-
Total Fund Balance	660,220	329,828	129,955	236,208	1,458,344	4,864,849
Total Liabilities, Deferred Inflows and Fund Balances	\$ 660,220	\$ 329,828	\$ 129,955	\$ 483,021	\$ 1,458,344	\$ 5,083,522

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, 2022
 (With Comparative Totals for the Year Ended December 31, 2021)

	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	\$ 616,915	\$ -	\$ -	\$ -	\$ 186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 773,410
Intergovernmental	-	-	-	-	-	-	130,224	-	-	28,350	-
Charges for services	50	-	-	-	-	-	-	12	13,874	-	255
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	66,312
Contributions to permanent endowment	-	-	-	-	-	-	-	-	-	-	-
Contributions and donations	30,037	-	-	-	-	-	-	-	-	128,300	-
Investment earnings	3,924	-	1,423	-	3	(1,704)	9,718	172	861	861	39
	650,926	-	1,423	-	189	(1,704)	139,942	184	14,735	157,511	840,016
Total revenues											
EXPENDITURES											
Current											
General government	-	-	-	-	-	-	-	-	88,553	-	-
Community development	470,953	-	-	-	87,323	-	-	-	-	65,511	639,912
Parks, recreation and cemetery	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	16,563	-	-	-	-	-	129,178	-	-	-	-
Debt service	174	-	(19,295)	-	-	-	-	-	-	-	-
	487,690	-	(19,295)	-	87,323	-	129,178	-	88,553	65,511	639,912
Total expenditures	163,236	-	20,718	-	(87,134)	(1,704)	10,764	184	(73,818)	92,000	200,104
Revenues in excess of expenditures											
OTHER FINANCING SOURCES (USES)											
Transfers in	48,542	-	-	-	-	-	-	-	-	-	1,224
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	48,542	-	-	-	-	-	-	-	-	-	1,224
Change in fund balance	211,778	-	20,718	-	(87,134)	(1,704)	10,764	184	(73,818)	92,000	201,328
FUND BALANCE, Beginning	398,131	-	148,438	-	106,367	64,769	335,955	16,298	99,722	293,694	212,804
FUND BALANCE, Ending	609,909	\$ -	169,156	\$ -	19,233	63,065	346,719	\$ 16,482	25,904	385,694	414,132

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, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Permanent Funds			Capital Project Funds			Total Nonmajor Funds	
	2017 Certificates of Participation	Demoret Trust	Cemetery Perpetual Care	Special Improvements Revolving	Building Renovation Fund	Grand/Rio Grande Project	2022	2021
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,390,511	\$ 1,268,341
Intergovernmental	-	-	-	-	-	-	158,574	366,957
Charges for services	-	-	-	-	-	-	14,191	748
Special assessments	-	-	-	55,242	-	-	55,242	74,543
Miscellaneous	-	-	-	-	-	-	66,312	21,264
Contributions to permanent endowment	-	-	4,135	-	-	-	4,135	200
Contributions and donations	-	601	2,099	7,534	-	21,569	158,337	43,650
Investment earnings	-	601	6,234	62,776	-	21,569	47,100	7,198
Total revenues	-	-	-	-	-	-	1,894,402	1,782,901
EXPENDITURES								
Current								
General government	2,000	-	-	618	-	-	91,171	16,927
Community development	-	-	-	-	-	-	1,263,699	1,195,551
Parks, recreation and cemetery	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	145,741	1,012,070
Debt service	1,513,676	-	-	-	-	-	1,494,555	1,209,914
Total expenditures	1,513,676	-	-	618	-	-	2,935,166	3,434,462
Revenues in excess of expenditures	(1,515,676)	601	6,234	62,158	-	21,569	(1,100,764)	(1,651,561)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,829,581	-	-	-	-	-	1,879,347	1,539,247
Transfers out	(1,829,581)	-	-	-	-	-	(1,879,347)	(748,867)
Change in fund balance	313,905	601	6,234	62,158	-	21,569	778,583	(861,181)
FUND BALANCE, Beginning	346,315	329,227	123,721	174,050	-	1,436,775	4,086,266	4,947,447
FUND BALANCE, Ending	660,220	329,828	129,955	236,208	-	1,458,344	4,864,849	4,086,266

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, 2022

	Original & Final		Variance With Final
	Budget	Actual	Budget
REVENUES			
Taxes	\$ 549,700	\$ 616,915	\$ 67,215
Intergovernmental	17,500	-	(17,500)
Charges for services	-	50	50
Contributions and donations	7,200	30,037	22,837
Investment earnings	-	3,924	3,924
Miscellaneous	<u>82,842</u>	<u>2</u>	<u>(82,840)</u>
Total revenues	<u>657,242</u>	<u>650,928</u>	<u>(6,314)</u>
EXPENDITURES			
Current			
Retail Sales Enhancement	520,332	470,953	49,379
Capital Outlay	35,000	-	35,000
Debt service	<u>16,152</u>	<u>174</u>	<u>15,978</u>
Total expenditures	<u>571,484</u>	<u>471,127</u>	<u>100,357</u>
Revenues in excess of expenditures	85,758	179,801	(106,671)
OTHER FINANCING SOURCES (USES)			
Transfers in	48,542	48,542	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>48,542</u>	<u>48,542</u>	<u>-</u>
Change in fund balance	134,300	228,343	(106,671)
FUND BALANCE, Beginning	<u>398,131</u>	<u>398,131</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 532,430</u>	<u>\$ 626,473</u>	<u>\$ (106,671)</u>

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, 2022

	2022			
	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 186	\$ 186
Intergovernmental	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	3	3
Total revenues	<u>-</u>	<u>-</u>	<u>189</u>	<u>189</u>
EXPENDITURES				
Current				
Community Development				
Downtown Development	-	106,138	87,323	(18,815)
Capital Outlay				
Community development outlays	-	-	-	-
Total expenditures	<u>-</u>	<u>106,138</u>	<u>87,323</u>	<u>(18,815)</u>
Change in fund balance	-	(106,138)	(87,134)	19,004
FUND BALANCE, Beginning	<u>178,926</u>	<u>(79,436)</u>	<u>106,367</u>	<u>185,803</u>
FUND BALANCE, Ending	<u>\$ 178,926</u>	<u>\$ (185,574)</u>	<u>\$ 19,233</u>	<u>\$ 204,807</u>

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, 2022

	2022		
	Original & Final Budget	Actual	Variance With Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
REVENUES			
Intergovernmental	-	-	-
Investment earnings	-	1,424	1,424
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	-	1,424	1,424
EXPENDITURES			
Current			
Community Development			
Downtown development	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Change in fund balance	<u>(20,000)</u>	<u>1,424</u>	<u>(18,576)</u>
FUND BALANCE, Beginning	148,438	148,438	-
FUND BALANCE, Ending	<u>\$ 128,438</u>	<u>\$ 149,862</u>	<u>(21,424)</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, 2022

		<u>2022</u>			
		Original	Final		Variance
		Budget	Budget	Actual	With Final
		Budget	Budget	Actual	Budget
REVENUES					
	Investment earnings	\$ 150	\$ 150	\$ 861	\$ 711
	Total revenues	150	150	861	711
EXPENDITURES					
Current					
Community Development					
	Special benefit	<u>39,305</u>	<u>88,557</u>	<u>88,554</u>	<u>3</u>
	Change in fund balance	(39,155)	(88,407)	(87,693)	708
	FUND BALANCE, Beginning	<u>98,710</u>	<u>98,710</u>	<u>98,710</u>	<u>-</u>
	FUND BALANCE, Ending	<u>\$ 59,555</u>	<u>\$ 10,303</u>	<u>\$ 11,017</u>	<u>\$ 714</u>

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, 2022

	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Investment earnings	\$ 500	\$ (1,704)	\$ (2,204)
Revenues in excess of expenditures	500	(1,704)	(2,204)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	-
Change in fund balance	500	(1,704)	(2,204)
FUND BALANCE, Beginning	<u>64,769</u>	<u>64,769</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 65,269</u>	<u>\$ 63,065</u>	<u>\$ (2,204)</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, 2022

	2022		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 208,000	\$ 16,593	\$ (191,407)
Investment earnings	6,500	250,602	244,102
Total revenues	<u>214,500</u>	<u>267,195</u>	<u>52,695</u>
EXPENDITURES			
Current			
Capital Outlay	<u>7,575,000</u>	<u>6,645,654</u>	<u>929,346</u>
Revenues in excess of expenditures	(7,360,500)	(6,378,459)	(876,651)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>3,775,194</u>	<u>3,745,194</u>	<u>(30,000)</u>
Change in fund balance	(3,585,306)	(2,633,265)	(906,651)
FUND BALANCE, Beginning	<u>9,178,247</u>	<u>9,178,247</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 5,592,941</u>	<u>\$ 6,544,982</u>	<u>\$ (906,651)</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, 2022

	Original & Final Budget	Actual	Variance With Final Budget	2021 Actual
REVENUES				
Intergovernmental	\$ 100,000	\$ 130,224	\$ 30,224	\$ 100,204
Investment earnings	2,500	9,718	7,218	2,539
Total revenues	<u>102,500</u>	<u>139,942</u>	<u>37,442</u>	<u>102,743</u>
EXPENDITURES				
Current				
Capital Outlay	<u>400,000</u>	<u>129,177</u>	<u>270,823</u>	<u>-</u>
Total expenditures	400,000	129,177	270,823	-
Change in fund balance	(297,500)	10,765	(233,381)	102,743
FUND BALANCE, Beginning	<u>335,955</u>	<u>335,955</u>	<u>-</u>	<u>303,323</u>
FUND BALANCE, Ending	<u>\$ 38,455</u>	<u>\$ 346,720</u>	<u>\$ (233,381)</u>	<u>\$ 406,066</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, 2022

	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Investment earnings	-	173	173
Change in fund balance	-	173	173
FUND BALANCE, Beginning	16,288	16,288	-
FUND BALANCE, Ending	<u>\$ 16,288</u>	<u>\$ 16,461</u>	<u>\$ 173</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, 2022

	<u>2022</u>		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 35,800	\$ 28,350	\$ (7,450)
Contributions and donations	20,000	128,300	108,300
Investment earnings	<u>100</u>	<u>861</u>	<u>761</u>
Total revenues	<u>55,900</u>	<u>157,511</u>	<u>101,611</u>
EXPENDITURES			
Community Development			
Special benefit	<u>88,068</u>	<u>65,511</u>	<u>22,557</u>
Total expenditures	<u>88,068</u>	<u>65,511</u>	<u>22,557</u>
Revenues in excess of expenditures	(32,168)	92,000	124,168
FUND BALANCE, Beginning	<u>293,694</u>	<u>293,694</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 261,526</u>	<u>\$ 385,694</u>	<u>\$ 124,168</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, 2022

	<u>2022</u>			
	Original & Final	Actual	Variance With Final	2021
	Budget		Budget	Actual
REVENUES				
Taxes	\$ 617,500	\$ 773,410	\$ 155,910	\$ 555,789
Intergovernmental	-	-	-	1,032
Charges for services	1,000	255	(745)	47,850
Miscellaneous	10,000	66,312	56,312	5,174
Contributions and donations	-	-	-	-
Investment earnings	1,000	39	(961)	1,328
Total revenues	<u>629,500</u>	<u>840,016</u>	<u>210,516</u>	<u>611,173</u>
Community development	621,236	639,910	18,674	5,174
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues in excess of expenditures	629,500	840,016	210,516	611,173
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(65,000)
Change in fund balance	629,500	840,016	210,516	546,173
FUND BALANCE, Beginning	<u>212,804</u>	<u>212,804</u>	<u>-</u>	<u>360,368</u>
FUND BALANCE, Ending	<u>\$ 842,304</u>	<u>\$ 1,052,820</u>	<u>\$ 210,516</u>	<u>\$ 906,541</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, 2022

	Original & Final Budget	Actual	Variance With Final Budget
EXPENDITURES			
Current			
Debt service	1,523,651	\$ 1,513,677	\$ (9,974)
General government	4,000	2,000	(2,000)
Total expenditures	<u>1,527,651</u>	<u>1,515,677</u>	<u>(11,974)</u>
Revenues in excess of expenditures	(1,527,651)	(1,515,677)	11,974
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,524,651</u>	<u>1,829,581</u>	<u>304,930</u>
Change in fund balance	(3,000)	313,904	316,904
FUND BALANCE, Beginning	<u>346,315</u>	<u>346,315</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 343,315</u>	<u>\$ 660,219</u>	<u>\$ 316,904</u>

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

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, 2022

	<u>2022</u>		
	Original & Final Budget	Actual	Variance With Final Budget
	REVENUES		
Investment earnings	\$ -	601	601
Change in fund balance	-	601	601
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	-
Change in fund balance	-	601	601
FUND BALANCE, Beginning	<u>329,227</u>	<u>329,227</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 329,227</u>	<u>\$ 329,828</u>	<u>\$ 601</u>

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, 2022

		<u>2022</u>			
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
		<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>With Final</u>
REVENUES					
Contributions to permanent endowment	\$	1,500	1,500	4,135	2,635
Investment earnings		500	500	2,099	1,599
		2,000	2,000	6,234	4,234
Total revenues					
EXPENDITURES					
Administration		-	-	-	-
		-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers out		(500)	(1,500)	-	1,500
		1,500	500	6,234	5,734
Change in fund balance					
		123,721	123,721	123,721	-
FUND BALANCE, Beginning					
		\$ 125,221	\$ 124,221	\$ 129,955	\$ 5,734
FUND BALANCE, Ending					

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, 2022

		<u>2022</u>			
		Original	Final		Variance
		Budget	Budget	Actual	With Final
		Budget	Budget	Actual	Budget
REVENUES					
	Special assessments	\$ 21,000	\$ 21,000	\$ 55,242	\$ 34,242
	Investment earnings	3,000	3,000	7,534	4,534
	Total revenues	<u>24,000</u>	<u>24,000</u>	<u>62,776</u>	<u>38,776</u>
EXPENDITURES					
Current					
General Government					
	Innovation and citizen engagement	500	1,200	618	582
	Total expenditures	<u>500</u>	<u>1,200</u>	<u>618</u>	<u>582</u>
	Change in fund balance	23,500	22,800	62,158	39,358
	FUND BALANCE, Beginning	<u>174,050</u>	<u>174,050</u>	<u>174,050</u>	<u>-</u>
	FUND BALANCE, Ending	<u>\$ 197,551</u>	<u>\$ 196,850</u>	<u>\$ 236,208</u>	<u>\$ 39,358</u>

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, 2022

	<u>2022</u>		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Investment earnings	\$ 4,000	\$ 21,567	\$ 17,567
Change in fund balance	4,000	21,567	17,567
FUND BALANCE, Beginning	<u>1,434,925</u>	<u>1,434,925</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,438,925</u>	<u>\$ 1,456,492</u>	<u>\$ 17,567</u>

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, 2022

		2022		
		Original & Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES				
	Water sales	\$ 6,106,495	\$ 6,382,302	\$ 275,807
	Tap fees unpledged	105,000	126,613	21,613
	Total revenues	<u>6,211,495</u>	<u>6,508,915</u>	<u>297,420</u>
OPERATING EXPENSES				
	Enterprise administration	284,482	284,482	-
	Operations and maintenance	4,988,750	4,501,187	487,563
	Debt service	187,000	187,000	-
	Capital outlay	3,895,500	4,155,246	(259,746)
	Total operating expenses	<u>9,355,732</u>	<u>9,127,915</u>	<u>227,817</u>
NONOPERATING REVENUES (EXPENSES)				
	Capacity fees	283,173	439,603	156,430
	Interest expense	(10,148)	(10,148)	-
	Gain (loss) on sale of assets	-	-	-
	Other miscellaneous revenues	-	1,164	1,164
	Investment earnings	5,000	152,701	147,701
	Transfers in	353,410	3,410	(350,000)
	Dedicated and contributed capital assets	-	-	-
	Total nonoperating revenues (expenses)	<u>631,435</u>	<u>586,730</u>	<u>(44,705)</u>
	Change in net position - budgetary basis	<u>\$ (3,144,237)</u>	<u>(2,032,270)</u>	<u>\$ 525,237</u>
Reconciliation of budgetary to GAAP basis:				
	Capitalized assets		4,074,132	
	Depreciation		(1,414,258)	
	Debt principal payments		<u>187,000</u>	
	Change in net position - GAAP basis		814,604	
	NET POSITION, Beginning		<u>38,220,292</u>	
	NET POSITION, Ending		<u>\$ 39,034,896</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, 2022

	Original & Final Budget	Actual	Variance With Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
OPERATING REVENUE			
Sewer charges	\$ 3,040,000	\$ 3,242,487	\$ 202,487
Tap fees unpledged	77,000	54,337	(22,663)
Total revenues	<u>3,117,000</u>	<u>3,296,824</u>	<u>179,824</u>
OPERATING EXPENSES			
Enterprise administration	171,825	171,524	301
Operations and maintenance	2,753,016	2,333,284	419,732
Capital outlay	<u>2,497,100</u>	<u>468,294</u>	<u>2,028,806</u>
Total expenses	<u>5,421,941</u>	<u>2,973,102</u>	<u>2,448,839</u>
NONOPERATING REVENUES (EXPENSES)			
Capacity fees	641,258	1,432,175	790,917
Principal	(153,000)	(153,000)	-
Interest expense	(8,303)	(8,303)	-
Other charges	-	0	-
Other miscellaneous revenues	-	44	44
Investment earnings	6,500	28,492	21,992
Transfers in	303,568	3,568	(300,000)
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>440,023</u>	<u>952,976</u>	<u>512,953</u>
Change in net position - budgetary basis	<u>\$ (1,864,918)</u>	<u>\$ 1,276,698</u>	<u>\$ (1,756,062)</u>
Reconciliation of budgetary to GAAP basis:			
Capitalized assets		308,447	
Depreciation		(1,767,463)	
Debt principal payments		<u>153,000</u>	
Change in net position - GAAP basis		(29,318)	
NET POSITION, Beginning		<u>30,118,844</u>	
NET POSITION, Ending		<u>\$ 30,089,526</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, 2022

	Original and Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES			
Sanitation Charges	\$ 2,125,000	\$ 2,072,352	\$ (52,648)
Other charges	-	-	-
Investment earnings	1,000	7,978	6,978
Other miscellaneous revenue	3,000	9,033	6,033
Total revenues	<u>2,129,000</u>	<u>2,089,363</u>	<u>(39,637)</u>
OPERATING EXPENSES			
Enterprise administration	125,370	125,370	-
Operations and maintenance	1,835,230	1,841,855	(6,625)
Capital outlay	322,000	-	322,000
Transfers in	(2,334)	(2,334)	-
Total expenses	<u>2,280,266</u>	<u>1,964,891</u>	<u>315,375</u>
Change in net position - budgetary basis	<u>\$ (151,266)</u>	124,472	<u>\$ 275,738</u>
NET POSITION, Beginning		<u>665,248</u>	
NET POSITION, Ending		<u>\$ 789,720</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, 2022

		2022			
		Original	Final		Variance
		Budget	Budget	Actual	With Final
		Budget	Budget	Actual	Budget
REVENUES					
Golf Charges	\$	496,700	496,700	872,447	375,747
Other miscellaneous revenue		0	-	2,906	2,906
Investment earnings			-	861	861
Transfers In		658,700	658,700	658,700	-
	Total revenues	<u>1,155,400</u>	<u>1,155,400</u>	<u>1,534,914</u>	<u>379,514</u>
EXPENDITURES					
Administration		306,864	306,864	275,041	31,823
Operations and maintenance		1,012,581	1,027,467	946,222	81,245
Capital outlay		110,000	110,000	-	110,000
Debt service		34,870	34,870	-	34,870
Interest expense		799	799	375	424
	Total expenditures	<u>1,465,114</u>	<u>1,480,000</u>	<u>1,221,638</u>	<u>226,539</u>
	Change in net position - budgetary basis	<u>\$ (309,714)</u>	<u>\$ (324,600)</u>	313,276	<u>\$ 606,053</u>
Reconciliation of budgetary to GAAP basis:					
Depreciation				<u>(77,936)</u>	
	Change in net position - GAAP basis			235,340	
	NET POSITION, Beginning			<u>1,100,980</u>	
	NET POSITION, Ending			<u>\$ 1,336,320</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, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Fleet Management Fund	Employee Insurance	Total	
			2022	2021
ASSETS				
Current Assets				
Cash and Equivalents	\$ 4,557,437	\$ 2,922,393	\$ 7,479,830	\$ 5,948,796
Certificates of Deposit	529,377	-	529,377	529,113
Accounts Receivable, net	16,152	197,597	213,749	233,788
Inventory of supplies	5,476	-	5,476	416
Prepaid Expenses	170,147	-	170,147	167,709
Total Current Assets	<u>5,278,589</u>	<u>3,119,990</u>	<u>8,398,579</u>	<u>6,879,822</u>
Noncurrent Assets				
Capital Assets, net	7,806,407	-	7,806,407	8,800,065
Total Assets	<u>13,084,996</u>	<u>3,119,990</u>	<u>16,204,986</u>	<u>15,679,887</u>
LIABILITIES				
Current Liabilities				
Accounts payable	216,369	-	216,369	201,176
Accrued salaries and benefits	20,694	-	20,694	19,765
Accrued compensated absences	48,547	-	48,547	54,437
Claims payable	-	599,310	599,310	592,194
Total Liabilities	<u>285,610</u>	<u>599,310</u>	<u>884,920</u>	<u>867,572</u>
NET POSITION				
Invested in capital assets net of related debt	7,806,407	-	7,806,407	8,800,065
Unrestricted	4,992,979	2,520,680	7,513,659	6,012,250
Total Net Position	<u>\$ 12,799,386</u>	<u>\$ 2,520,680</u>	<u>\$ 15,320,066</u>	<u>\$ 14,812,315</u>

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, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Internal Service Funds		Totals	
	Fleet			
	Management Fund	Employee Insurance	2022	2021
OPERATING REVENUES				
Interfund charges	\$ 6,474,054	2,526,826	9,000,880	8,372,314
Other charges	32,747	273,748	306,495	449,914
Total Operating Revenues	6,506,801	2,800,574	9,307,375	8,822,228
OPERATING EXPENSES				
Administration	3,210,907	180,656	3,391,563	2,958,163
Operations and maintenance	1,344,559	33,021	1,377,580	1,299,229
Medical claims	-	2,092,778	2,092,778	2,824,759
Insurance premiums	-	575,856	575,856	531,737
Depreciation	1,393,205	-	1,393,205	1,204,409
Capital outlay	177,499	-	177,499	301,098
Total Operating Expenses	6,126,170	2,882,311	9,008,481	9,119,395
Net Operating Income	380,631	(81,737)	298,894	(297,167)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenues	14,806	-	14,806	17,807
Investment earnings	44,560	44,982	89,542	7,132
Gain (loss) on sale of assets	102,714	-	102,714	203,743
Other miscellaneous revenue	3,868	8,566	12,434	20,213
Interest expense	-	-	-	-
Net Nonoperating Revenues (Expenses)	165,948	53,548	219,496	248,895
Income Before Contributions and Transfers	546,579	(28,189)	518,390	(48,272)
Contributions and Transfers				
Dedicated & contributed assets	53,432	-	53,432	3,169,768
Transfers in	3,900	-	3,900	1,540,873
Transfers out	-	(67,971)	(67,971)	(1,540,873)
Net Contributions and Transfers	57,332	(67,971)	(10,639)	3,169,768
Change in Net Position	603,911	(96,160)	507,751	3,121,496
NET POSITION, Beginning	12,195,475	2,616,840	14,812,315	11,690,819
NET POSITION, Ending	\$ 12,799,386	\$ 2,520,680	\$ 15,320,066	\$ 14,812,315

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, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Internal Service Funds		Totals	
	Fleet Management Fund	Employee Insurance	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From customers and users	\$ 3,589,135	\$ 274,663	\$ 3,863,798	\$ 3,357,424
Receipts from interfund services provided	2,938,530	2,526,826	5,465,356	5,341,139
Payments to suppliers	(4,458,821)	(2,877,023)	(7,335,844)	(7,622,858)
Payments to employees	(230,618)	-	(230,618)	(220,876)
Payments for internal services used	(40,704)	-	(40,704)	(45,266)
Net cash provided (used) by operating activities	<u>1,797,522</u>	<u>(75,534)</u>	<u>1,721,988</u>	<u>809,563</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Receipts	-	-	-	-
Other Receipts	18,674	8,566	27,240	38,022
Transfers in	3,900	-	3,900	1,540,873
Transfers out	-	(67,971)	(67,971)	(1,011,772)
Net cash provided (used) by noncapital financing activities	<u>22,574</u>	<u>(59,405)</u>	<u>(36,831)</u>	<u>567,123</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributed assets	53,432	-	53,432	2,680,472
Proceeds from sale of assets	102,714	-	102,714	203,743
Acquisition and construction of capital assets	(399,547)	-	(399,547)	(4,522,088)
Principal paid on long-term debt	-	-	-	-
Interest paid on long-term debt	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(243,401)</u>	<u>-</u>	<u>(243,401)</u>	<u>(1,637,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in certificates of deposits	(264)	-	(264)	(4,122)
Interest on investments	44,560	44,982	89,542	7,132
Net cash provided (used) by investing activities	<u>44,296</u>	<u>44,982</u>	<u>89,278</u>	<u>3,010</u>
Net increase (decrease) in cash and cash equivalents	1,620,991	(89,957)	1,531,034	(258,177)
CASH AND CASH EQUIVALENTS, Beginning	<u>2,936,446</u>	<u>3,012,350</u>	<u>5,948,796</u>	<u>6,206,973</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 4,557,437</u>	<u>\$ 2,922,393</u>	<u>\$ 7,479,830</u>	<u>\$ 5,948,796</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 380,631	\$ (81,737)	\$ 298,894	\$ (297,167)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,393,205	-	1,393,205	1,204,409
(Increase) decrease in accounts receivable	20,864	1,814	22,678	(117,523)
(Increase) decrease in inventory of supplies	(5,060)	-	(5,060)	1,249
(Increase) decrease in prepaid expenses	(2,438)	-	(2,438)	103,593
Increase (decrease) in accounts payable	15,281	(2,727)	12,554	(224,352)
Increase (decrease) in accrued salaries and benefits	929	-	929	657
Increase (decrease) in accrued compensated absences	(5,890)	-	(5,890)	8,690
Increase (decrease) in claims payable	-	7,116	7,116	130,007
Net cash provided (used) by operating activities	<u>\$ 1,797,522</u>	<u>\$ (75,534)</u>	<u>\$ 1,721,988</u>	<u>\$ 809,563</u>
SUPPLEMENTAL INFORMATION				
Contributed Capital Assets	\$ 53,432	\$ -	\$ 53,432	\$ 2,640,668
Assets transferred to other funds	\$ -	\$ -	\$ -	\$ -

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

The City of Montrose, Colorado

Budgetary Comparison Schedule for the
Fleet Management, Information Services and Facility fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance With Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
REVENUES			
Interfund charges	\$ 6,444,404	6,474,054	29,650
Other charges	51,652	32,747	(18,905)
Investment earnings	6,000	44,560	38,560
Intergovernmental revenues	-	14,807	14,807
Gain (loss) on sale of assets	100,500	102,714	2,214
Other miscellaneous revenue	-	3,868	3,868
Transfers in	(3,900)	3,900	7,800
Dedicated & contributed capital assets	-	53,434	53,434
Total revenues	<u>6,598,656</u>	<u>6,730,084</u>	<u>131,428</u>
EXPENDITURES			
Administration	3,417,380	3,210,908	206,472
Operations and maintenance	1,125,078	1,344,560	(219,482)
Capital outlay	2,067,010	177,499	1,889,511
Total expenditures	<u>6,609,468</u>	<u>4,732,967</u>	<u>1,876,501</u>
Change in net position - budgetary basis	<u>\$ (10,812)</u>	1,997,117	<u>\$ 2,007,929</u>
Reconciliation of budgetary to GAAP basis:			
Capital outlay		-	
Depreciation		<u>(1,393,205)</u>	
Change in net position - GAAP basis		603,912	
NET POSITION, Beginning		<u>12,195,475</u>	
NET POSITION, Ending		<u>\$ 12,799,387</u>	

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

The City of Montrose, Colorado
 Budgetary Comparison Schedule for the
 Employee Insurance Fund
 For the Year Ended December 31, 2022

		2022		
		Original & Final Budget	Actual	Variance With Final Budget
REVENUES				
Interfund charges	\$	2,800,000	2,526,826	(273,174)
Other charges		310,000	273,748	(36,252)
Investment earnings		5,000	44,982	39,982
Other miscellaneous revenue		-	8,566	8,566
	Total revenues	<u>3,115,000</u>	<u>2,854,122</u>	<u>(260,878)</u>
EXPENSES				
Administration		134,500	180,652	(46,152)
Operations and maintenance		40,000	33,021	6,979
Medical claims		2,238,500	2,092,778	145,722
Transfer out		-		
Insurance premiums		<u>668,647</u>	<u>575,856</u>	<u>92,791</u>
	Total expenses	<u>3,081,647</u>	<u>2,882,307</u>	<u>199,340</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(67,971)	(67,971)	<u>(739)</u>
	Change in net position - budgetary basis	<u>\$ (34,618)</u>	(96,156)	<u>\$ (61,538)</u>
	NET POSITION, Beginning		<u>2,616,840</u>	
	NET POSITION, Ending		<u>\$ 2,520,684</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-22
This Information From The Records Of (example - City of _ or County of _): City of Montrose	Prepared By: Phone:	Shani Wittenberg 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	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES	III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES
--	--

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	6,062,363
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,779,228
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	14,500,407	b. Snow and ice removal	115,590
3. Other local imposts (from page 2)	-	c. Other	
4. Miscellaneous local receipts (from page 2)	151,571	d. Total (a. through c.)	115,590
5. Transfers from toll facilities		4. General administration & miscellaneous	350,939
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	5,577,179
a. Bonds - Original Issues		6. Total (1 through 5)	14,885,299
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	-
7. Total (1 through 6)	14,651,978	b. Redemption	-
B. Private Contributions		c. Total (a. + b.)	-
C. Receipts from State government (from page 2)	989,633	2. Notes:	
D. Receipts from Federal Government (from page 2)	-	a. Interest	200,820
E. Total receipts (A.7 + B + C + D)	15,641,611	b. Redemption	427,037
		c. Total (a. + b.)	627,857
		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)	15,513,156

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	-		-	-
1. Bonds (Refunding Portion)				
B. Notes (Total)	8,792,541.00	-	427,037.32	8,365,503.68

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		15,513,156	15,513,156		(0)

Notes and Comments:

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

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): 12/31/2022

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	80,188
b. Other local imposts:		b. Traffic Fines & Penalties	71,382
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.)	151,571
	(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	895,647	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	93,986	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.)	93,986	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	989,633	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		304,147	304,147
b. Engineering Costs		345,220	345,220
c. Construction:			
(1). New Facilities		1,199,432	1,199,432
(2). Capacity Improvements		446,522	446,522
(3). System Preservation		3,693,571	3,693,571
(4). System Enhancement & Operation		73,470	73,470
(5). Total Construction (1) + (2) + (3) + (4)	0	5,412,996	5,412,996
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	6,062,363	6,062,363
			(Carry forward to page 1)

FORM FHWA-536 (Rev. 1-05)

PREVIOUS EDITIONS OBSOLETE

(Next Page)

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

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

Montrose City Council
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,¹ the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Montrose as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise The City of Montrose's basic financial statements, and have issued our report thereon dated December 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Montrose's internal control over financial reporting (internal control) as a basis for designing 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 of Montrose's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Montrose's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 Standard*.

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
December 26, 2023