

**CITY OF MONTROSE, COLORADO
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
December 31, 2011**

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Management's Discussion and Analysis

As management of the City of Montrose (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Montrose for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$158,750,404. Of this amount, \$25,015,774 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$432,165 over calendar year 2010. The City has a two year warranty period on infrastructure constructed by developers which delays recognizing it as assets on the city's books.
- The General Fund's largest revenue source is Sales and Use tax that is collected by retail businesses that do business within the City's boundaries whether by the delivery method or place of business. The Sales & Use tax revenue collected (3%) in 2011 was \$12,615,994, which is a decrease of 1.4% over 2010 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,384,343, a decrease of \$366,287 over the prior year. Approximately 56.5% of this total amount, \$6,426,875, is available for spending at the City's discretion (unassigned fund balance) in the governmental funds.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$6,426,875, or 88.4% of the total general fund expenditures.
- Resolution 2006-24 was approved by the City Council in August that recommended transferring ¼% of the sales & use tax to the Capital Improvement Fund for street repairs and improvements throughout the City. Due to the decline of Sales & Use Tax in 2011, the general fund was only able to transfer an additional \$575,000 to the Capital Improvement Fund for a total transfer of \$975,000.
- The City's total long-term liabilities decreased by \$1,451,746 during the current fiscal year or by approximately 19.7%. A large portion of this decrease was due to the City paying off the 1996 Water and Sewer Bonds.
- 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 2011, the City collected \$45,168 in water capacity fees and \$118,903 in sewer capacity fees. Respectively these are a reduction over the previous year of 20% and 10%.
- The Water Fund purchased the land for the third water storage tank and contracted with Preload, Inc. to design the tank.
- Approximately \$3.3 million was spent on the Airport Trunk Sewer line project out of the Sewer fund. The remainder of the project will be completed in 2012.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Montrose that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type-activities*). The governmental activities of the City include general government, public safety, highways and streets. The business-type activities of the City of Montrose include Water, Sewer, Sanitation, Fleet Management, Information Technologies (including duplication services) and the Pavilion.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Montrose, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Montrose can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Montrose maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital improvement fund and the special improvement district construction fund because they are considered to be major funds for the 2011 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 28 through 29 of this report.

Proprietary funds. The City of Montrose maintains four (3) different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Montrose uses enterprise funds to account for its Water, Sewer, and Sanitation services. In 2011 the Pavilion was moved to the general fund. *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 technologies, and employee medical benefits. 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, and Sanitation services 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 8 through 10 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 11 through 27 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 28 and 29 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 31 through 67 of the report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. Approximately 82% of the City's net assets reflect its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Montrose Statement of Net Assets

	Governmental activities		Business-type activities		Total		Amount of Change	% Change
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 17,361,291	\$ 17,484,619	\$ 14,013,458	\$ 17,894,614	\$ 31,374,749	\$ 35,379,233	\$ (4,004,484)	-12.8%
Noncurrent assets	\$ 79,068,189	\$ 76,858,229	\$ 58,379,057	\$ 58,556,346	\$ 137,447,246	\$ 135,414,575	\$ 2,032,671	1.5%
Total assets	\$ 96,429,480	\$ 94,342,848	\$ 72,392,515	\$ 76,450,960	\$ 168,821,995	\$ 170,793,808	\$ (1,971,813)	-1.2%
Current liabilities	\$ 3,089,976	\$ 3,013,343	\$ 1,067,792	\$ 2,096,658	\$ 4,157,768	\$ 5,110,001	\$ (952,233)	-22.9%

Noncurrent liabilities	\$ 1,831,718	\$ 2,162,995	\$ 4,082,105	\$ 5,202,574	\$ 5,913,823	\$ 7,365,569	\$ (1,451,746)	-24.5%
Total liabilities	\$ 4,921,694	\$ 5,176,338	\$ 5,149,897	\$ 7,299,232	\$ 10,071,591	\$ 12,475,570	\$ (2,403,979)	-23.9%
Net assets:								
Invested in capital assets, net of								
related debt	\$ 76,900,639	\$ 74,367,413	\$ 53,043,585	\$ 51,900,647	\$ 129,944,224	\$ 126,268,060	\$ 3,676,164	2.8%
Restricted	\$ 3,790,406	\$ 783,282			\$ 3,790,406	\$ 783,282	\$ 3,007,124	79.3%
Unrestricted	\$ 10,816,741	\$ 14,015,815	\$ 14,199,033	\$ 17,251,082	\$ 25,015,774	\$ 31,266,897	\$ (6,251,123)	-25.0%
Total net assets	\$ 91,507,786	\$ 89,166,510	\$ 67,242,618	\$ 69,151,729	\$ 158,750,404	\$ 158,318,239	\$ 432,165	0.3%

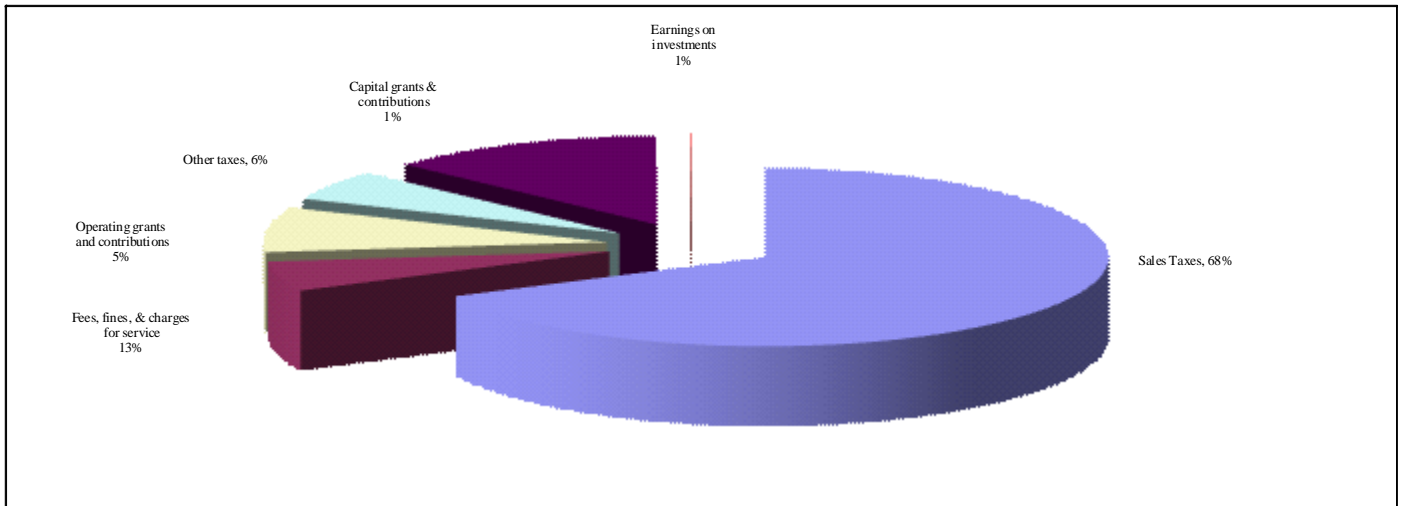
At the end of the current fiscal year, the City's net assets government-wide have increased over the net assets reported in 2010. Under GASB 34 the audit shows the City's net assets increased by \$432,165 during the current fiscal year. This increase is partially due to adding developer-constructed infrastructure such as water and sewer lines and curb, gutter, sidewalks and streets to the City's assets after the required warranty period set by the Municipal Code.

Governmental Activities. Governmental activities increased the City's net assets by \$2,341,275.

	Governmental activities		Business-type activities		Total		Amount of Change
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 1,068,298	\$ 734,384	\$ 9,491,912	\$ 9,795,960	\$ 10,560,210	\$ 10,530,344	\$ 29,866
Operating grants and contributions	\$ 1,608,431	\$ 1,293,446			\$ -	\$ -	\$ -
Capital Grants and contributions	\$ 2,572,611	\$ 2,716,015	\$ (1,514,249)	\$ 645,135	\$ 2,572,611	\$ -	\$ 2,572,611
					\$ (1,514,249)	\$ 3,361,150	\$ (4,875,399)
General revenues:							
Sales, Use & Excise Tax	\$ 13,368,673	\$ 13,515,508			\$ -	\$ -	\$ -
Franchise Fees	\$ 1,020,666	\$ 1,024,868			\$ 13,368,673	\$ 13,515,508	\$ (146,835)
Cigarette Tax	\$ 74,230	\$ 83,473			\$ 1,020,666	\$ 1,024,868	\$ (4,202)
Earnings on Investments	\$ 16,209	\$ 27,328	\$ 32,567	\$ 73,130	\$ 74,230	\$ 83,473	\$ (9,243)
Miscellaneous	\$ 67,778	\$ 356,580		\$ -	\$ 16,209	\$ 27,328	\$ (51,682)
Administrative Charges	\$ 1,174,722	\$ 1,029,463	\$ (1,174,722)	\$ (1,029,463)	\$ 67,778	\$ 356,580	\$ (288,802)
Other	\$ 1,120	\$ 1,920			\$ -	\$ -	\$ -
Capital Cont.-Infrastructure					\$ 1,120	\$ 1,920	\$ (800)
Total revenues	\$ 20,972,738	\$ 20,782,985	\$ 6,835,508	\$ 9,484,762	\$ 27,808,246	\$ 30,267,747	\$ (2,459,501)
Expenses:							
General government	\$ 3,126,435	\$ 3,636,074			\$ 3,126,435	\$ 3,636,074	\$ (509,639)
Community Development	\$ 776,609	\$ 1,121,828			\$ 776,609	\$ 1,121,828	\$ (345,219)
Public Safety	\$ 3,852,058	\$ 5,757,528			\$ 3,852,058	\$ 5,757,528	\$ (1,905,470)
Building & Inspection	\$ 179,410	\$ 319,850			\$ 179,410	\$ 319,850	\$ (140,440)
Public Works	\$ 6,411,767	\$ 7,617,243			\$ 6,411,767	\$ 7,617,243	\$ (1,205,476)
Parks & Cemetery	\$ 4,131,081	\$ 1,278,570			\$ 4,131,081	\$ 1,278,570	\$ 2,852,511
Administration	\$ 248,758	\$ 217,980			\$ 248,758	\$ 217,980	\$ 30,778
Interest	\$ 63,748	\$ 91,906			\$ 63,748	\$ 91,906	\$ (28,158)
Water			\$ 4,155,840	\$ 4,123,179	\$ 4,155,840	\$ 4,123,179	\$ 32,661
Sewer			\$ 3,143,519	\$ 2,844,204	\$ 3,143,519	\$ 2,844,204	\$ 299,315
Sanitation			\$ 1,286,853	\$ 1,274,182	\$ 1,286,853	\$ 1,274,182	\$ 12,671
Montrose Pavilion				\$ 761,253	\$ -	\$ 761,253	\$ (761,253)
Total expenses	\$ 18,789,866	\$ 20,040,979	\$ 8,586,215	\$ 9,002,818	\$ 27,376,081	\$ 29,043,797	\$ (1,667,716)
Increase in net assets before transfers	\$ 2,182,872	\$ 742,006	\$ (1,750,707)	\$ 481,944	\$ 432,165	\$ 1,223,950	\$ (791,785)

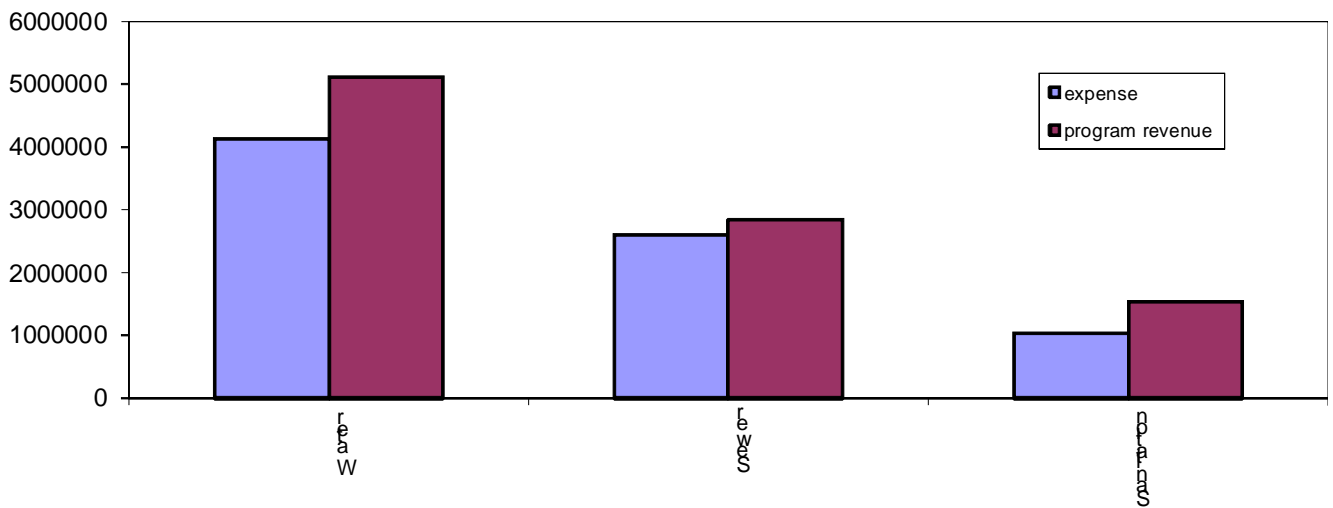
Transfers	\$ 158,406	\$ (239,943)	\$ (158,406)	\$ 239,943	\$ -	\$ -	\$ -
Change in Net Assets	\$ 2,341,278	\$ 502,063	\$ (1,909,113)	\$ 721,887	\$ 432,165	\$ 1,223,950	\$ (791,785)
Net assets - 1/1	\$ 89,166,511	\$ 88,664,448	\$ 69,151,728	\$ 68,429,841	\$ 158,318,239	\$ 157,094,289	\$ 1,223,950
Net assets - 12/31	\$ 91,507,789	\$ 89,166,511	\$ 67,242,615	\$ 69,151,728	\$ 158,750,404	\$ 158,318,239	\$ 432,165

Revenues by Source – Governmental Activities



Business type activities. Business type activities decreased the City’s net assets by \$1,909,110

Expenses and Program Revenues – Business type Activities



Financial Analysis of the City’s Funds

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

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s

financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,384,343 an decrease of \$366,287 over the prior year. Approximately 56% of the governmental fund balance constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance falls into one of four categories in accordance with GASB 54 to indicate that it is not available for new spending. *Unspendable fund balance* is made up of prepaid expenses and inventory (\$88,656) and permanent funds or other corpus (\$427,898). *Restricted fund balance* is for emergencies per TABOR (\$649,000), economic development (\$130,120) pay debt service (\$213,673), beautification – Expendable (\$71,225), Capital Projects (\$2,489,414) and Parks (\$236,974). *Committed fund balance* consists of economic development (\$42,475), public safety (\$431,736), parks improvements (\$122,378) and animal benefit (\$40,087). *Assigned fund balance* for parks and recreation (\$13,832).

The general fund is the chief operating fund of the City of Montrose. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,426,875, while total fund balance reached \$7,272,457. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund expenditures, while total fund balance represents 48% of that same amount.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$9,126,808, the Sewer Fund amounted to \$4,649,849 and the Sanitation amounted to \$376,129.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$16,250,290. Actual expenditures totaled \$15,281,244 which is an increase of \$618,539 from 2010 actual expenditures. The budget was completed in accordance with the City's Charter. The City has a six-year Capital Improvement Plan that is updated every two years and is a helpful budgetary planning tool. Unfortunately, the City has been limited in actually budgeting for these prioritized projects because of the current recession.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2011, amounts to \$213,598,248. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, bridges and water and sewer infrastructure. The other business-type activity program consisted of the Montrose Pavilion Fund which was closed into the General Fund, and therefore into Governmental Activities in 2011.

City of Montrose Capital Assets

	Governmental Activities		Business-type Activities		Total		Amount of Change	%
	2011	2010	2011	2010	2011	2010		
Land	\$ 9,852,757	\$ 9,692,859	\$ 2,043,621	\$ 1,966,694	\$ 11,896,378	\$ 11,659,553	236,825	2%
Improvements other than buildings	\$ 1,236,694	\$ 969,754	\$ 3,979,546	\$ 3,870,580	\$ 5,216,240	\$ 4,840,334	375,906	8%
Infrastructure	\$103,490,287	\$ 97,650,078			\$103,490,287	\$ 97,650,078	5,840,209	6%
Buildings & System	\$ 12,817,967	\$ 8,722,046	\$ 74,277,184	\$ 74,707,164	\$ 87,095,151	\$ 83,429,210	3,665,941	4%

Machinery & Equipment	\$ 14,211,571	\$ 13,062,724	\$ 449,662	\$ 896,571	\$ 14,661,233	\$ 13,959,295	701,938	5%
Less Accumulated Dep	\$ (62,541,087)	\$ (53,239,232)	\$ (23,352,334)	\$ (23,874,977)	\$ (85,893,421)	\$ (77,114,209)	(8,779,212)	
Total	\$ 79,068,189	\$ 76,858,229	\$ 57,397,679	\$ 57,566,032	\$ 136,465,868	\$ 134,424,261	\$ 2,041,607	2%

Additional information on the City’s capital assets can be found in note 3 on pages 19 through 21 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,305,000 that is backed by the full faith and credit of the City. The remainder of the City’s debt represents loans due to the State’s Energy Impact Assistance program.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ 1,985,000	\$ 2,285,000	\$ 4,320,000	\$ 5,630,000	\$ 6,305,000	\$ 7,915,000
Notes Payable	\$ 78,776	\$ 86,634			\$ 78,776	\$ 86,634
Total	\$ 2,063,776	\$ 2,371,634	\$ 4,320,000	\$ 5,630,000	\$ 6,383,776	\$ 8,001,634

The City’s bonded debt decreased by \$1,617,858 during 2011.

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 \$302,712,340 the current general obligation debt limitation for the City is \$15,135,617. Currently the City does not have any General Obligation debt. The only bonded debt the City currently has outstanding is Revenue Bonds.

Additional information on the City’s long-term debt can be found in note 8 on pages 23 through 25 of this report.

Economic Factors and Next Year’s Budgets and Rates

- According to the USDA website, the 2011 unemployment rate for Montrose County was 11%. Montrose County had a slightly higher unemployment rate than the state’s average rate of 7.9% and slightly lower than the national average rate of 9.9%.
- The City continues to be a regional retail center for Montrose, San Miguel, Ouray and Gunnison counties.
- In 2011, the construction activity in the City as well as the region has started to pick up slightly over 2010.

Requests for Information

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

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Montrose, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Montrose, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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, Colorado's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the City of Montrose, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montrose, Colorado's basic financial statements. The budgetary comparison schedule for the general fund is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. All of this information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Englewood, Colorado
June 29, 2012

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MONTROSE, COLORADO

Statement of Net Assets

December 31, 2011

	Governmental	Business-type	
	Activities	Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 11,588,560	\$ 8,144,746	\$ 19,733,306
Certificates of deposit	2,460,575	4,452,934	6,913,509
Accounts receivable - net	207,736	759,627	967,363
Franchise fees receivable	219,151	-	219,151
Due from other governments	810,680	28,223	838,903
Sales tax receivable	1,350,710	-	1,350,710
Special assessments receivable	568,740	-	568,740
Sewer tap credits	-	283,380	283,380
Interest receivable	-	8,639	8,639
Prepaid Expenses	1,636	-	1,636
Inventory of supplies	153,503	335,909	489,412
	<u>17,361,291</u>	<u>14,013,458</u>	<u>31,374,749</u>
Total Current Assets			
Noncurrent Assets			
Restricted cash and cash equivalents	-	952,120	952,120
Capital assets	141,609,276	80,750,013	222,359,289
Accumulated depreciation	(62,541,087)	(23,352,334)	(85,893,421)
Deferred bond issue costs - net of amortization	-	29,258	29,258
	<u>79,068,189</u>	<u>58,379,057</u>	<u>137,447,246</u>
Total Noncurrent Assets			
Total Assets	<u>96,429,480</u>	<u>72,392,515</u>	<u>168,821,995</u>
LIABILITIES			
Current Liabilities			
Accounts payable	1,135,688	173,902	1,309,590
Due to other governments	2,942	-	2,942
Customer deposits and deposits in escrow	285,874	219,990	505,864
Accrued salaries and benefits	130,482	21,253	151,735
Deferred revenue	-	288,180	288,180
Accrued compensated absences	603,619	63,220	666,839
Accrued interest payable	17,582	46,247	63,829
Claims payable	595,539	-	595,539
Long-term debt due in one year	318,250	255,000	573,250
	<u>3,089,976</u>	<u>1,067,792</u>	<u>4,157,768</u>
Total Current Liabilities			
Noncurrent Liabilities			
Revenue bonds - net of discount and premium	1,761,192	4,082,105	5,843,297
Notes payable	70,526	-	70,526
	<u>1,831,718</u>	<u>4,082,105</u>	<u>5,913,823</u>
Total Noncurrent Liabilities			
Total Liabilities	<u>4,921,694</u>	<u>5,149,897</u>	<u>10,071,591</u>
NET ASSETS			
Invested in capital assets net of related debt	76,900,639	53,043,585	129,944,224
Restricted	3,790,406	-	3,790,406
Unrestricted	10,816,741	14,199,033	25,015,774
	<u>91,507,786</u>	<u>67,242,618</u>	<u>158,750,404</u>
Total Net Assets			

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

CITY OF MONTROSE, COLORADO
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
General government	\$ 3,126,435	\$ 144,534	\$ 482,660	\$ -
Community development	776,609	294,008	155,616	-
Public safety	3,852,058	314,830	164,460	-
Engineering and inspection	179,410	115,753	-	-
Public works	6,411,767	11,803	724,702	2,491,311
Parks and cemetery	4,131,081	187,370	80,993	81,300
Insurance	248,758	-	-	-
Interest Expense	63,748	-	-	-
Total governmental activities	<u>18,789,866</u>	<u>1,068,298</u>	<u>1,608,431</u>	<u>2,572,611</u>
<u>Business-type Activities</u>				
Water	4,155,840	5,107,418	-	60,535
Sewer	3,143,519	2,847,596	-	217,294
Sanitation	1,286,853	1,536,898	-	-
Montrose Pavilion	-	-	-	(1,792,078)
Total business-type activities	<u>8,586,212</u>	<u>9,491,912</u>	<u>-</u>	<u>(1,514,249)</u>
Total	<u>\$ 27,376,078</u>	<u>\$ 10,560,210</u>	<u>\$ 1,608,431</u>	<u>\$ 1,058,362</u>

General Revenues

Taxes:

Sales and use taxes

Franchise and occupational tax

Cigarette tax

Earnings on investments

Miscellaneous

Administrative charges

Contributions to permanent endowment

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets, Beginning

Net Assets, Ending

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,499,241)	\$ -	\$ (2,499,241)
(326,985)	-	(326,985)
(3,372,768)	-	(3,372,768)
(63,657)	-	(63,657)
(3,183,951)	-	(3,183,951)
(3,781,418)	-	(3,781,418)
(248,758)	-	(248,758)
(63,748)	-	(63,748)
<u>(13,540,526)</u>	<u>-</u>	<u>(13,540,526)</u>
-	1,012,113	1,012,113
-	(78,629)	(78,629)
-	250,045	250,045
-	(1,792,078)	(1,792,078)
-	(608,549)	(608,549)
<u>(13,540,526)</u>	<u>(608,549)</u>	<u>(14,149,075)</u>
13,368,673	-	13,368,673
1,020,666	-	1,020,666
74,230	-	74,230
16,209	32,567	48,776
67,775	-	67,775
1,174,722	(1,174,722)	-
1,120	-	1,120
158,406	(158,406)	-
<u>15,881,801</u>	<u>(1,300,561)</u>	<u>14,581,240</u>
2,341,275	(1,909,110)	432,165
89,166,511	69,151,728	158,318,239
<u>\$ 91,507,786</u>	<u>\$ 67,242,618</u>	<u>\$ 158,750,404</u>

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FUND FINANCIAL STATEMENTS

CITY OF MONTROSE, COLORADO
 Balance Sheet
 Governmental Funds
 December 31, 2011
 (With Comparative Totals for December 31, 2010)

					Totals	
	General	Capital Improvement	Spec. Imp. District Const.	Nonmajor Funds	2011	2010
ASSETS						
Cash and cash equivalents	\$ 5,800,932	\$ 3,172	\$ 263,212	\$ 1,609,057	\$ 7,676,373	\$ 9,368,810
Certificates of deposit	501,871	512,323	-	1,446,381	2,460,575	1,604,270
Accounts receivable - net	60,506	-	-	142,059	202,565	122,208
Franchise fees receivable	219,151	-	-	-	219,151	173,291
Due from other governments	82,993	-	-	727,687	810,680	466,751
Sales tax receivable	1,324,197	-	-	26,513	1,350,710	1,337,965
Special assessments receivable	-	-	568,740	-	568,740	568,738
Inventory of supplies	87,020	-	-	-	87,020	-
Prepaid Expenses	1,636	-	-	-	1,636	-
Total Assets	<u>\$ 8,078,306</u>	<u>\$ 515,495</u>	<u>\$ 831,952</u>	<u>\$ 3,951,697</u>	<u>\$ 13,377,450</u>	<u>\$ 13,642,033</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 388,901	\$ 133,814	\$ -	\$ 291,486	\$ 814,201	\$ 514,735
Due to other governments	2,942	-	-	-	2,942	2,942
Customer deposits and deposits in escrow	286,014	-	-	(140)	285,874	602,700
Accrued salaries and benefits	120,362	-	-	1,858	122,220	124,563
Deferred revenue	7,630	-	644,889	115,351	767,870	646,463
Total Liabilities	<u>805,849</u>	<u>133,814</u>	<u>644,889</u>	<u>408,555</u>	<u>1,993,107</u>	<u>1,891,403</u>
FUND BALANCE						
Unspendable:						
Prepays and Inventory	88,656	-	-	-	88,656	-
Permanent funds or other corpus	-	-	-	427,898	427,898	426,778
Restricted:						
For emergencies	649,000	-	-	-	649,000	603,000
For economic development	-	-	-	130,120	130,120	17,218
For debt service	-	-	-	213,673	213,673	228,766
For beautification - expendable	-	-	-	71,225	71,225	71,317
For capital projects	107,926	-	187,063	2,194,425	2,489,414	2,377,214
For parks	-	-	-	236,974	236,974	150,380
Committed:						
For economic development	-	-	-	42,475	42,475	42,180
For community development	-	-	-	-	-	(742)
For public safety	-	381,681	-	50,055	431,736	1,572,134
For street improvements	-	-	-	-	-	4,581
For parks improvements	-	-	-	122,378	122,378	116,078
For animal shelter	-	-	-	40,087	40,087	43,710
Assigned:						
For parks and recreation	-	-	-	13,832	13,832	-
Unassigned	6,426,875	-	-	-	6,426,875	6,098,016
Total Fund Balance	<u>7,272,457</u>	<u>381,681</u>	<u>187,063</u>	<u>3,543,142</u>	<u>11,384,343</u>	<u>11,750,630</u>
Total Liabilities and Fund Balances	<u>\$ 8,078,306</u>	<u>\$ 515,495</u>	<u>\$ 831,952</u>	<u>\$ 3,951,697</u>	<u>\$ 13,377,450</u>	<u>\$ 13,642,033</u>

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

CITY OF MONTROSE, COLORADO
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 December 31, 2011

	2011
Total Fund Balances for the Governmental Funds	\$ 11,384,343
Total net assets for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	
Land	9,852,757
Land Improvements	1,236,694
Infrastructure	103,490,287
Buildings and systems	12,817,967
Equipment	5,527,457
Accumulated Depreciation	(57,129,175)
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 assets	
	6,305,459
Special assessments receivable that are not currently available are deferred in the funds	
	767,870
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 assets.	
Accrued interest on long-term debt	(17,582)
Unamortized bond premiums	(86,192)
Revenue bonds payable	(1,985,000)
Notes payable	(78,776)
Compensated absences	(578,323)
Total Net Assets for Governmental Activities	\$ 91,507,786

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

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Special Revenue			Capital Projects	Totals	
	General	Capital Improvement	Spec. Imp. District Const.	Nonmajor Funds	2011	2010
REVENUES						
Taxes	\$ 13,787,853	\$ -	\$ -	\$ 755,739	\$ 14,543,592	\$ 14,540,376
Licenses and permits	179,778	-	-	-	179,778	226,774
Intergovernmental	1,194,136	840,963	-	1,898,818	3,933,917	1,922,229
Charges for services	335,308	-	-	12,189	347,497	203,099
Fines and forfeits	187,150	-	-	-	187,150	163,896
Special assessments	-	-	126,844	-	126,844	71,143
Miscellaneous	316,689	7,662	-	55,225	379,576	574,940
Administrative reimbursement	1,174,722	-	-	-	1,174,722	1,029,463
Contributions to permanent endowment	-	-	-	1,120	1,120	1,920
Investment earnings	7,045	4,672	2	4,489	16,208	27,330
Total revenues	<u>17,182,681</u>	<u>853,297</u>	<u>126,846</u>	<u>2,727,580</u>	<u>20,890,404</u>	<u>18,761,170</u>
EXPENDITURES						
Current						
General government	3,758,932	-	901	250	3,760,083	3,384,767
Community development	487,967	-	-	714,292	1,202,259	1,142,972
Public safety	5,405,765	-	-	124,255	5,530,020	5,565,774
Engineering and inspection	277,743	-	-	-	277,743	325,878
Public works	3,023,132	-	-	-	3,023,132	3,267,950
Parks and cemetery	1,185,749	-	-	-	1,185,749	1,221,390
Insurance	164,551	-	-	-	164,551	174,924
Capital outlay	977,405	3,161,952	9,297	1,735,892	5,884,546	2,856,323
Debt service	-	-	-	387,014	387,014	388,715
Total expenditures	<u>15,281,244</u>	<u>3,161,952</u>	<u>10,198</u>	<u>2,961,703</u>	<u>21,415,097</u>	<u>18,328,693</u>
Revenues in excess of expenditures	<u>1,901,437</u>	<u>(2,308,655)</u>	<u>116,648</u>	<u>(234,123)</u>	<u>(524,693)</u>	<u>432,477</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds and premiums	-	-	-	-	-	2,681,594
Payment to escrow agent	-	-	-	-	-	(2,625,357)
Transfers in	207,361	1,185,332	-	454,714	1,847,407	798,858
Transfers out	(1,640,046)	-	-	(48,955)	(1,689,001)	(1,199,545)
Net other financing sources (uses)	<u>(1,432,685)</u>	<u>1,185,332</u>	<u>-</u>	<u>405,759</u>	<u>158,406</u>	<u>(344,450)</u>
Change in fund balance	468,752	(1,123,323)	116,648	171,636	(366,287)	88,027
FUND BALANCE, Beginning	<u>6,803,705</u>	<u>1,505,004</u>	<u>70,415</u>	<u>3,371,506</u>	<u>11,750,630</u>	<u>11,662,603</u>
FUND BALANCE, Ending	<u>\$ 7,272,457</u>	<u>\$ 381,681</u>	<u>\$ 187,063</u>	<u>\$ 3,543,142</u>	<u>\$ 11,384,343</u>	<u>\$ 11,750,630</u>

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

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, 2011

	2011
Net change in fund balances - governmental funds	\$ (366,287)
The change in net assets 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	11,187,737
Gain (loss) on asset disposals	(39,076)
Depreciation expense	(8,801,864)
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	
	(69,471)
Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized unless they are both measurable and available and expenditures are not reported for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues are recognized when earned, and expenses and liabilities are recognized regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the related adjustments	
Change in special assessments receivable/deferred revenues	121,407
Change in accrued interest payable	2,381
Change in accrued compensated absences	(14,437)
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 assets.	
Principal repayments on long-term debt	307,858
Amortization of bond premiums	13,027
Change in net assets of governmental activities	<u>\$ 2,341,275</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Assets

Proprietary Funds

December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds				Total Enterprise Funds	Internal Service Funds	Totals	Totals
	Water	Sewer	Sanitation	Nonmajor Pavilion Fund			2011	2010
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 6,124,772	\$ 1,792,087	\$ 227,887	\$ -	\$ 8,144,746	\$ 3,912,187	\$ 12,056,933	\$ 15,422,056
Certificates of deposit	1,809,510	2,643,424	-	-	4,452,934	-	4,452,934	4,730,402
Accounts receivable - net	323,737	279,413	156,477	-	759,627	5,171	764,798	811,406
Due from other governments	14,887	13,336	-	-	28,223	-	28,223	53,123
Sewer tap credits	-	283,380	-	-	283,380	-	283,380	283,380
Interest receivable	3,293	5,346	-	-	8,639	-	8,639	5,662
Inventory of supplies	239,340	44,577	51,992	-	335,909	66,483	402,392	431,511
Total Current Assets	8,515,539	5,061,563	436,356	-	14,013,458	3,983,841	17,997,299	21,737,540
Noncurrent Assets								
Restricted cash and cash equivalents	952,120	-	-	-	952,120	-	952,120	949,045
Capital assets, net of depreciation	22,921,983	34,475,696	-	-	57,397,679	3,272,202	60,669,881	60,975,071
Deferred bond issue costs - net of amortization	16,093	13,165	-	-	29,258	-	29,258	41,269
Total Noncurrent Assets	23,890,196	34,488,861	-	-	58,379,057	3,272,202	61,651,259	61,965,385
Total Assets	32,405,735	39,550,424	436,356	-	72,392,515	7,256,043	79,648,558	83,702,925
LIABILITIES								
Current Liabilities								
Accounts payable	60,556	71,981	41,365	-	173,902	321,487	495,389	1,216,430
Customer deposits and deposits in escrow	219,990	-	-	-	219,990	-	219,990	254,372
Accrued salaries and benefits	8,462	8,135	4,656	-	21,253	8,262	29,515	32,535
Deferred revenue	-	288,180	-	-	288,180	-	288,180	288,180
Accrued compensated absences	26,407	22,607	14,206	-	63,220	25,296	88,516	114,663
Accrued interest payable	25,436	20,811	-	-	46,247	-	46,247	64,081
Claims payable	-	-	-	-	-	595,539	595,539	563,431
Long-term debt due in one year	140,250	114,750	-	-	255,000	-	255,000	440,000
Total Current Liabilities	481,101	526,464	60,227	-	1,067,792	950,584	2,018,376	2,973,692
Noncurrent Liabilities								
Revenue bonds - net of discount and premium	2,245,159	1,836,946	-	-	4,082,105	-	4,082,105	5,202,574
Total Liabilities	2,726,260	2,363,410	60,227	-	5,149,897	950,584	6,100,481	8,176,266
NET ASSETS								
Invested in capital assets net of related debt	20,552,667	32,537,165	-	-	53,089,832	3,272,202	56,362,034	55,373,766
Unrestricted	9,126,808	4,649,849	376,129	-	14,152,786	3,033,257	17,186,043	20,152,893
Total Net Assets	\$ 29,679,475	\$ 37,187,014	\$ 376,129	\$ -	\$ 67,242,618	\$ 6,305,459	\$ 73,548,077	\$ 75,526,659

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

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds				Total		Totals	Totals
	Water	Sewer	Sanitation	Nonmajor Pavilion Fund	Enterprise Funds	Internal Service Funds	2011	2010
OPERATING REVENUES								
Water sales	\$ 5,072,663	\$ -	\$ -	\$ -	\$ 5,072,663	\$ -	\$ 5,072,663	\$ 5,289,340
Sewer charges	-	2,787,738	-	-	2,787,738	-	2,787,738	2,784,687
Tap fees unpledged	25,974	30,367	-	-	56,341	-	56,341	59,185
Sanitation charges	-	-	1,536,898	-	1,536,898	-	1,536,898	1,443,215
Pavilion charges	-	-	-	-	-	-	-	181,995
Interfund charges	-	-	-	-	-	4,614,487	4,614,487	4,625,692
Other Charges	8,781	29,491	-	-	38,272	194,246	232,518	49,012
Administrative reimbursement	167,616	-	-	-	167,616	-	167,616	145,035
Miscellaneous	-	-	-	-	-	123,280	123,280	589,042
Total Operating Revenues	5,275,034	2,847,596	1,536,898	-	9,659,528	4,932,013	14,591,541	15,167,203
OPERATING EXPENSES								
Enterprise administration	428,370	548,748	365,220	-	1,342,338	71,618	1,413,956	1,248,314
Operations and maintenance	3,113,809	1,435,911	1,286,853	-	5,836,573	1,745,407	7,581,980	7,739,007
Medical claims	-	-	-	-	-	1,961,329	1,961,329	2,315,722
Insurance premiums	-	-	-	-	-	385,008	385,008	346,765
Depreciation	930,156	1,607,619	-	-	2,537,775	902,832	3,440,607	3,587,359
Total Operating Expenses	4,472,335	3,592,278	1,652,073	-	9,716,686	5,066,193	14,782,879	15,237,167
Net Operating Income	802,699	(744,682)	(115,175)	-	(57,158)	(134,180)	(191,338)	(69,964)
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental revenues	15,367	98,391	-	-	113,758	20,843	134,601	64,659
Investment earnings	14,405	18,074	88	-	32,567	2,545	35,112	75,421
Gain (loss) on sale of assets	-	-	-	-	-	41,320	41,320	10,345
Interest expense	(107,416)	(92,437)	-	-	(199,853)	-	(199,853)	(265,560)
Amortization of bond issue costs	(4,459)	(7,552)	-	-	(12,011)	-	(12,011)	(8,650)
Net Nonoperating Revenues (Expenses)	(82,103)	16,476	88	-	(65,539)	64,708	(831)	(123,785)
Income Before Contributions and Transfers	720,596	(728,206)	(115,087)	-	(122,697)	(69,472)	(192,169)	(193,749)
Contributions and Transfers								
Capacity fees and Dedicated infrastructure	45,168	118,903	-	-	164,071	-	164,071	183,901
Dedicated & contributed capital assets	-	-	-	(1,792,078)	(1,792,078)	-	(1,792,078)	434,940
Transfers in	-	420,000	-	-	420,000	-	420,000	578,732
Transfers out	(420,000)	-	-	(158,406)	(578,406)	-	(578,406)	(178,046)
Net Contributions and Transfers	(374,832)	538,903	-	(1,950,484)	(1,786,413)	-	(1,786,413)	1,019,527
Change in Net Assets	345,764	(189,303)	(115,087)	(1,950,484)	(1,909,110)	(69,472)	(1,978,582)	825,778
NET ASSETS, Beginning	29,333,711	37,376,317	491,216	1,950,484	69,151,728	6,374,931	75,526,659	74,700,881
NET ASSETS, ENDING	\$ 29,679,475	\$ 37,187,014	\$ 376,129	\$ -	\$ 67,242,618	\$ 6,305,459	\$ 73,548,077	\$ 75,526,659

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

CITY OF MONTROSE, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds				Total Enterprise Funds	Internal Service Funds	Totals	Totals
	Water	Sewer	Sanitation	Nonmajor Pavilion Fund			2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 5,313,875	\$ 2,834,947	\$ 1,525,622	\$ 2,481	\$ 9,676,925	\$ 312,355	\$ 9,989,280	\$ 10,572,327
Receipts from interfund services provided	-	-	-	-	-	4,614,487	4,614,487	4,625,692
Payments to suppliers	(2,867,405)	(2,128,322)	(1,064,211)	(14,868)	(6,074,806)	(3,593,844)	(9,668,650)	(8,138,873)
Payments to employees	(484,711)	(435,755)	(307,254)	(18,106)	(1,245,826)	(460,622)	(1,706,448)	(1,952,799)
Payments for internal services used	(150,729)	(177,788)	(298,139)	-	(626,656)	(29,499)	(656,155)	(625,265)
Net cash provided (used) by operating activities	1,811,030	93,082	(143,982)	(30,493)	1,729,637	842,877	2,572,514	4,481,082
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	420,000	-	-	420,000	-	420,000	578,732
Transfers out	(420,000)	-	-	(158,406)	(578,406)	-	(578,406)	(178,046)
Net cash provided (used) by noncapital financing activities	(420,000)	420,000	-	(158,406)	(158,406)	-	(158,406)	400,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital contributions and tap fees	45,168	118,903	-	-	164,071	-	164,071	183,901
Capital grants	480	85,055	-	14,758	100,293	59,208	159,501	11,536
Proceeds from sale of assets	-	-	-	-	-	41,320	41,320	10,345
Acquisition and construction of capital assets	(194,050)	(3,985,556)	-	18,106	(4,161,500)	(765,995)	(4,927,495)	(1,847,372)
Principal paid on long-term debt	(411,267)	(894,204)	-	-	(1,305,471)	-	(1,305,471)	(416,318)
Interest paid on long-term debt	(113,075)	(104,612)	-	-	(217,687)	-	(217,687)	(269,369)
Net cash provided (used) by capital and related financing activities	(672,744)	(4,780,414)	-	32,864	(5,420,294)	(665,467)	(6,085,761)	(2,327,277)
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment in certificates of deposits	(28,827)	306,295	-	-	277,468	-	277,468	(12,851)
Interest on investments	13,742	15,762	88	-	29,592	2,545	32,137	71,938
Net cash provided (used) by investing activities	(15,085)	322,057	88	-	307,060	2,545	309,605	59,087
Net increase (decrease) in cash and cash equivalents	703,201	(3,945,275)	(143,894)	(156,035)	(3,542,003)	179,955	(3,362,048)	2,613,578
CASH AND CASH EQUIVALENTS, Beginning	6,373,691	5,737,362	371,781	156,035	12,638,869	3,732,232	16,371,101	13,757,523
CASH AND CASH EQUIVALENTS, Ending	\$ 7,076,892	\$ 1,792,087	\$ 227,887	\$ -	\$ 9,096,866	\$ 3,912,187	\$ 13,009,053	\$ 16,371,101
Reconciliation of operating income to net cash provided by operating activities								
Operating income (loss)	\$ 802,699	\$ (744,682)	\$ (115,175)	\$ -	\$ (57,158)	\$ (134,180)	\$ (191,338)	\$ (69,965)
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	930,156	1,607,619	-	-	2,537,775	902,832	3,440,607	3,587,359
Changes in assets and liabilities								
(Increase) decrease in accounts receivable	60,809	(12,649)	(11,276)	14,895	51,779	(5,171)	46,608	20,279
(Increase) decrease in inventory of supplies	37,855	2,603	(17,185)	-	23,273	5,846	29,119	16,700
Increase (decrease) in accounts payable	6,623	(761,494)	1,490	(14,868)	(768,249)	47,208	(721,041)	751,793
Increase (decrease) in customer deposits and deposits in escrow	(21,968)	-	-	(12,414)	(34,382)	-	(34,382)	10,539
Increase (decrease) in accrued salaries and benefits	(986)	(287)	(889)	-	(2,162)	(858)	(3,020)	9,835
Increase (decrease) in accrued compensated absences	(4,158)	1,972	(947)	(18,106)	(21,239)	(4,908)	(26,147)	(5,913)
Increase (decrease) in claims payable	-	-	-	-	-	32,108	32,108	160,455
Net cash provided (used) by operating activities	\$ 1,811,030	\$ 93,082	\$ (143,982)	\$ (30,493)	\$ 1,729,637	\$ 842,877	\$ 2,572,514	\$ 4,481,082
SUPPLEMENTAL INFORMATION								
Donated Infrastructure	\$ -	\$ -						\$ 434,940

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, Sanitation, 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.

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

Fund Financial Statements- The fund financial statements provide information about the City's funds. Separate statements for each fund category governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The City does not have fiduciary fund types. In 2011, the City closed its nonmajor Montrose Pavilion Fund into the General Fund.

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.

Capital Improvement Fund – This fund accounts for the City's capital improvement projects.

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

The City reports the following major enterprise funds:

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

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

Sanitation Fund - This Fund accounts for the operation and maintenance of the sanitation collection system.

The City reports the following fund type:

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues or fund transfers. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND EQUITY

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, 2011, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash equivalents or short-term investments. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average monthly balance of each participating fund.

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

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

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	25 years
Equipment	5-20 years
Transmission and distribution lines and meters	12-30 years
Treatment and filtration plants	20-40 years
Buildings	30 years

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D.ASSETS, LIABILITIES, AND EQUITY (continued)

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 assets. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts, issuance costs, and deferred amounts on refunding associated with issuing bonds of proprietary-type funds or bonds issued or refunded after December 31, 2002 for governmental activities are deferred and amortized over the life of the bond issues.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses Issuance costs, 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 annual 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.

Net Assets/Fund Balances - In the government-wide financial statements and for the proprietary fund statements, net assets are either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net assets 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.

Fund balance should be 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, should be 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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND EQUITY (continued)

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.

For the classification of fund and net asset balances, the City considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

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. During September the proposed budget is submitted to the City Council for the fiscal year commencing the following January 1.

- c. Prior to October 31, 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 Internal Service Equipment, Downtown Development Authority, and Retail Sales Enhancement Funds, which may be a violation of Colorado statutes.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETS AND BUDGETARY ACCOUNTING (continued)

Originally adopted budgeted expenditures and the final, amended year budgeted expenditures for the ended December 31, 2011 are as follows:

	ORIGINAL BUDGET	AMENDMENT	FINAL BUDGET
General Fund	\$ 17,766,490	\$ -	\$ 17,766,490
Capital Improvement Fund	3,668,000	-	3,668,000
SID Construction Fund	-	11,000	11,000
Water Fund	7,570,243	-	7,570,243
Sewer Fund	8,133,716	-	8,133,716
Sanitation Fund	1,690,373	-	1,690,373
Nonmajor Governmental Funds	5,461,036	174,760	5,635,796
Internal Service Funds	5,012,119	-	5,012,119
	<u>\$ 49,301,977</u>	<u>\$ 185,760</u>	<u>\$ 49,487,737</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2011 and how they are displayed in the financial statements is shown below:

Petty Cash	\$ 2,700
Cash Accounts	12,953,537
Investments	<u>14,642,698</u>
Total Cash and Investments	<u>\$ 27,598,935</u>
Cash and Equivalents	\$ 19,733,306
Certificates of Deposit	6,913,509
Restricted Cash and Equivalents	<u>952,120</u>
Total Cash and Investments	<u>\$ 27,598,935</u>

A. DEPOSITS

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

A. DEPOSITS (continued)

Custodial credit risk- Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits allows funds to be placed in any account that is guaranteed by the Federal Deposit Insurance Corporation with remaining amounts collateralized by securities pledged by the financial institution. As of December 31, 2011, none of the City's bank balances were exposed to custodial credit risk as all deposits were either insured or collateralized by securities pledged by financial institutions. A summary of this coverage is as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 766,674	\$ 766,674
PDPA Collateralized	12,682,158	12,186,863
Total Cash Deposits	\$ 13,448,832	\$ 12,953,537

B. INVESTMENTS

At December 31, 2011 the City had the following investments:

	Fair Value	Rating	Weighted Avg Mat.
Local Government Pools	\$ <u>\$ 14,642,698</u>	AAAm	-

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

Credit risk - Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U S government agency securities, certain international agency securities, general obligation and revenue bonds of U S local government entities, bankers' acceptances of certain banks; commercial paper, local government investment pools, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts. The City's general investment policy is to apply the prudent-person rule. Prudence and protection of City funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2011, the City is invested in the Colorado Surplus Asset Fund (CSAFE) and Colotrust Plus, both are 2a7-like investment pools, rated AAAM by Standard & Poor's.

Concentration of credit risk - Investments must be in accordance with Colorado statutes and, pursuant to the City's regulations, no more than 25% of the total portfolio may be invested in any single banking or savings and loan institution. Including certificates of deposit and other investments, more than 25 percent of the City's total investments for the year ended December 31, 2011, were in a single financial institution, Colotrust, at approximately 56%.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows. The other business-type activity program consisted of the Montrose Pavilion Fund which was closed into the General Fund, and therefore into Governmental Activities in 2011:

Governmental Activities				
	Balance	Increases	Decreases	Balance
	1/1/2011			12/31/2011
Capital assets not being depreciated:				
Land	\$ 9,692,859	\$ 159,898	\$ -	\$ 9,852,757
Capital assets being depreciated:				
Land improvement	969,754	266,940	-	1,236,694
Infrastructure - road network	97,650,078	5,840,209	-	103,490,287
Buildings	8,722,046	4,371,552	275,631	12,817,967
Equipment	4,988,447	549,138	10,128	5,527,457
Internal service vehicles	7,686,642	746,360	148,404	8,284,598
Internal service equipment	387,635	19,635	7,754	399,516
Total capital assets being depreciated	<u>120,404,602</u>	<u>11,793,834</u>	<u>441,917</u>	<u>131,756,519</u>
Less accumulated depreciation for:				
Land improvements	569,307	209,002	-	778,309
Infrastructure - road network	40,949,424	4,661,822	-	45,611,246
Buildings	3,184,259	3,214,333	236,555	6,162,037
Equipment	3,871,004	716,707	10,128	4,577,583
Internal service vehicles	4,510,549	806,295	148,404	5,168,440
Internal service equipment	154,689	96,537	7,754	243,472
Total accumulated depreciation	<u>53,239,232</u>	<u>9,704,696</u>	<u>402,841</u>	<u>62,541,087</u>
Total capital assets being depreciated, net	<u>67,165,370</u>	<u>2,089,138</u>	<u>39,076</u>	<u>69,215,432</u>
Governmental activity capital assets, net	<u>\$ 76,858,229</u>	<u>\$ 2,249,036</u>	<u>\$ 39,076</u>	<u>\$ 79,068,189</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 - CAPITAL ASSETS (continued)

	Business-Type Activities			
	Balance			Balance
	1/1/2011	Increases	Decreases	12/31/2011
<u>Utility</u>				
Land and Easements	\$ 1,966,694	\$ 76,927	\$ -	\$ 2,043,621
Capital assets being depreciated:				
Reservoirs	3,870,580	108,966	-	3,979,546
Transmission, collection and distribution lines	52,381,285	3,289,053	-	55,670,338
Treatment Plant	17,922,445	684,401	-	18,606,846
Equipment	447,777	20,259	18,374	449,662
Total capital assets being depreciated	<u>74,622,087</u>	<u>4,102,679</u>	<u>18,374</u>	<u>78,706,392</u>
Less accumulated depreciation for:				
Reservoirs	291,494	74,396	-	365,890
Transmission, collection and distribution lines	10,040,958	1,756,747	-	11,797,705
Treatment Plant	10,165,055	668,021	-	10,833,076
Equipment	335,426	38,611	18,374	355,663
Total accumulated depreciation	<u>20,832,933</u>	<u>2,537,775</u>	<u>18,374</u>	<u>23,352,334</u>
Total Utility capital assets being depreciated, net	<u>53,789,154</u>	<u>1,564,904</u>	<u>-</u>	<u>55,354,058</u>
<u>Other business-type activity programs</u>				
Capital assets being depreciated				
Building & Improvements	4,403,434	-	4,403,434	-
Equipment	448,794	-	448,794	-
Total capital assets being depreciated	<u>4,852,228</u>	<u>-</u>	<u>4,852,228</u>	<u>-</u>
Less accumulated depreciation for				
Building & Improvements	2,770,103	-	2,770,103	-
Equipment	271,941	-	271,941	-
Total accumulated depreciation	<u>3,042,044</u>	<u>-</u>	<u>3,042,044</u>	<u>-</u>
Total capital assets being depreciated, net	<u>1,810,184</u>	<u>-</u>	<u>1,810,184</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 57,566,032</u>	<u>\$ 1,641,831</u>	<u>\$ 1,810,184</u>	<u>\$ 57,397,679</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 - CAPITAL ASSETS (continued)

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

<u>Governmental Activities</u>	
General government	\$ 485,915
Public safety	279,898
Public works, including depreciation of general infrastructure assets	4,670,914
Parks and cemetery, including Pavillion	3,365,137
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>902,832</u>
Total depreciation expense	
Governmental activities	<u>\$ 9,704,696</u>
<u>Business-Type Activities</u>	
Water	\$ 930,156
Sewer	<u>1,607,619</u>
Total depreciation expense	
Business-Type activities	<u>\$ 2,537,775</u>

NOTE 4 - EMPLOYEE RETIREMENT PLANS

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

The International City Managers Association (ICMA) Retirement Corporation Prototype Money Purchase Plan, known as the City of Montrose Pension Plan, covers all full-time City employees including police officers. Employees are eligible to participate after six months of service. A contractual agreement between the City and ICMA requires the City to contribute an amount equal to eight percent of all employees' salaries. The City is also required to contribute for each police officer an amount (not to exceed 8.00%) equivalent to the Social Security and Medicare taxes paid for non-police employees less any Medicare taxes paid for officers hired after March 31, 1986. For those officers hired before and after March 31, 1986, the total percentage was 15.65% and 14.20%, respectively, during 2011. The City's contributions for each employee become fully vested immediately. These contributions are paid to ICMA and ICMA administers the plan. The City's public safety employees are eligible to participate upon hire, all other City employees are allowed to participate after six months of service.

The City's total payroll for fiscal year 2011 was \$8,510,242. The City's contributions were calculated using the base salary of \$8,495,899. The City made the required contributions of 8.00% for employees and police officers and an additional required percentage based on Social Security and Medicare taxes for each police officer amounting to a total of \$741,095.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 - EMPLOYEE MEDICAL BENEFIT PLAN

The City adopted an employee medical benefit plan whereby the City self-insures the first \$45,000 per individual of covered medical claims, with a maximum annual City self insurance liability of approximately \$1,837,000, exclusive of dental benefits, based on approximately 170 employees and dependents covered in 2011. 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, 2011 resulted from the following.

	Beginning Balance	Claims & Changes in Estimates	Claim Balance Payment	Ending Balance
2010	\$ 402,976	\$ 2,034,723	\$ 1,874,268	\$ 563,431
2011	563,431	2,906,785	2,874,677	595,539

NOTE 6 - COMMITMENTS

Raw Water Purchase

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

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

The purchase price per acre-foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water, which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre-foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the City pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial uses which we reset at \$4.00 per acre foot subject to annual adjustment. In 2010 the rate for operations and maintenance increased to \$6.00 per acre foot.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 -LONG-TERM DEBT

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

PAYABLE FROM GOVERNMENTAL ACTIVITIES:

\$2,570,000 Sales and Use Tax Revenue Refunding Bonds of June 2, 2010 due in installments of \$285,000 in 2010, increasing to \$340,000 in 2016, with a final payment of \$360,000 in 2017, plus interest at 2.50 to 4 00% per annum.	\$ 1,985,000	
Plus unamortized premium	86,192	
\$151,500 Energy Impact Assistance Loan of November 24, 1999 due in annual installments of \$12,189 from 2006 to 2019, including interest at 5% per annum.	<u>78,776</u>	
Total payable from governmental activities		<u>\$ 2,149,968</u>

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

\$6,045,000 Water and Sewer Revenue Refunding and Improvement Bonds of March 15, 2004 due in annual installments of \$230,000 in 2008, increasing to \$405,000 in 2023, with a final payment of \$420,000 in 2024,plus interest at 2.00% to 4.75% per annum.	\$4,320,000	
Plus unamortized premium	25,684	
Less deferred refunding costs	<u>(8,579)</u>	
Total payable from business-type activities		<u>\$4,337,105</u>

The full faith and credit of the City is pledged for payment of principal and interest on the general obligation bonds, but the bonds have no effect on the general bonding limit of the City.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 - LONG-TERM DEBT (continued)

C. PRINCIPAL AND INTEREST PAYMENT REQUIREMENTS

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

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	318,250	69,014	387,264	255,000	184,986	439,986
2013	328,663	60,852	389,515	260,000	177,336	437,336
2014	334,096	52,419	386,515	275,000	164,986	439,986
2015	339,551	43,839	383,390	290,000	151,924	441,924
2016	350,028	30,162	380,190	300,000	138,150	438,150
2017-2021	393,188	17,775	410,963	1,725,000	480,900	2,205,900
2022-2024	-	-	-	1,215,000	104,580	1,319,580
	<u>\$ 2,063,776</u>	<u>\$ 274,061</u>	<u>\$ 2,337,837</u>	<u>\$ 4,320,000</u>	<u>\$ 1,402,862</u>	<u>\$ 5,722,862</u>

D. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Balance 1/1/11	Additions	Payments	Balance 12/31/11	Current Portion	Interest Expense
Governmental activities:						
Revenue bonds	\$ 2,285,000	\$ -	\$ 300,000	\$ 1,985,000	\$ 310,000	\$ 90,344
Unamortized bond premium	99,219	-	13,027	86,192	-	-
Note payable	86,634	-	7,858	78,776	8,250	5,448
Compensated absences	563,886	468,017	453,580	578,323	578,323	-
Total governmental activities	\$ 3,034,739	\$ 468,017	\$ 774,465	\$ 2,728,291	\$ 896,573	\$ 95,792
Business-type activities						
Revenue bonds	\$ 5,630,000	\$ -	\$ 1,310,000	\$ 4,320,000	\$ 255,000	\$ 259,403
Deferred refunding costs	(14,926)	-	(6,347)	(8,579)	-	-
Unamortized bond premium	29,774	-	4,090	25,684	-	-
Unamortized bond discount	(2,273)	-	(2,273)	-	-	-
Compensated absences	84,459	81,662	102,901	63,220	63,220	-
Total Business-type activities	\$ 5,727,034	\$ 81,662	\$ 1,408,371	\$ 4,400,325	\$ 318,220	\$ 259,403

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 - LONG-TERM DEBT (continued)

D. CHANGES IN LONG-TERM LIABILITIES (continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$25,296 of accrued costs of employees' future compensated absences payable of internal service funds are included in the above amounts. Also, for the governmental activities, accrued costs of employees' future compensated absences are generally liquidated by the general fund.

E. ADVANCE REFUNDING

The City issued \$6,045,000 of Water and Sewer Revenue bonds in 2004 to provide \$4,000,000 for construction projects and \$2,045,000 (plus an additional deposit of \$369,511 from the City) to provide resources in U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 1993 \$2,325,000 Water and Sewer Revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$123,032. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to obtain an economic gain of \$55,913. At December 31, 2011, the outstanding amount of defeased bonds was \$4,320,000, with said amount maturing in full in 2013.

During 2010, the City issued Sales and Use Tax Revenue Refunding Bonds in the amount of \$2,570,000 to advance refund the 1998 General Fund Excise Tax Revenue Bonds. This advance refunding was undertaken to obtain an economic savings of \$222,973. The 1998 bonds in the amount of \$1,985,000 outstanding as of December 31, 2011 are considered defeased.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	Transfers In				Total
	General Fund	Major Govt Funds	Major Enterprise Funds	Nonmajor Govt Funds	
Transfers Out					
General Fund	\$ -	\$ 1,185,332	\$ -	\$ 454,714	\$ 1,640,046
Nonmajor Govt Funds	48,955	-	-	-	48,955
Major Enterprise Funds	158,406	-	420,000	-	578,406
Total	<u>\$ 207,361</u>	<u>\$ 1,185,332</u>	<u>\$ 420,000</u>	<u>\$ 454,714</u>	<u>\$ 2,267,407</u>

The above amounts were transferred for operations and debt service.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

B. INTERNAL CHARGES

The above amounts represent internal charges for services rendered to the other funds.

	Internal Equipment Leases	Info. Systems Charges	Admin Charges	Total
General Fund	\$ 1,029,999	\$ 634,700	\$ -	\$ 1,664,699
Nonmajor Govt Funds	-	12,228	-	12,228
Major Enterprise Funds	617,492	44,237	1,174,722	1,836,451
Internal Service Funds	15,524	41,612	-	57,136
Total	<u>\$ 1,663,015</u>	<u>\$ 732,777</u>	<u>\$ 1,174,722</u>	<u>\$ 3,570,514</u>

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 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 2011 was 85 cents per thousand gallons, which results in a minimum annual purchase commitment of \$701,250, but the rate charged may be changed by action of the Authority. During 2011, the City purchased treatment of 1,289 million gallons for \$1,095,764. At December 31, 2011, the City owed the Authority \$46,656. Separate financial statements of Project 7 Water Authority are available from the City or the Authority.

NOTE 10 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a participant in the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA operates as a common risk management and insurance program for 238 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 \$1,500,000 for each insured event. The City has no other commercial insurance for other risks including employee health and accident insurance described in Note 6.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 12 - CONTINGENT LIABILITIES

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 General Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			
	Original & Final	Actual	Variance With Final	2010
	Budget		Budget	Actual
REVENUES				
Taxes	\$ 13,577,661	\$ 13,787,853	\$ 210,192	\$ 13,938,981
Licenses and permits	248,107	179,778	(68,329)	226,774
Intergovernmental	933,751	1,194,136	260,385	1,114,859
Charges for services	362,894	335,308	(27,586)	190,909
Fines and forfeits	183,400	187,150	3,750	163,896
Miscellaneous	310,250	316,689	6,439	237,242
Administrative reimbursement	1,174,731	1,174,722	(9)	1,029,463
Investment earnings	5,000	7,045	2,045	2,871
Total revenues	<u>16,795,794</u>	<u>17,182,681</u>	<u>386,887</u>	<u>16,904,995</u>
EXPENDITURES				
Current				
General government				
City council	84,943	68,337	16,606	67,856
Washington D.C. consultant	54,000	36,000	18,000	45,000
Community program support	55,000	50,000	5,000	40,688
Economic development	292,500	356,500	(64,000)	325,000
Montrose museum	3,060	3,442	(382)	1,055
Public relations/marketing	150,218	122,597	27,621	144,622
Uncompahgre Valley leadership	-	7	(7)	224
City attorney	375,545	372,528	3,017	399,410
City manager	337,054	344,118	(7,064)	342,412
Human resources	245,875	266,758	(20,883)	295,509
GIS	236,389	235,368	1,021	224,233
Finance	642,316	585,540	56,776	648,657
Municipal court	183,178	178,073	5,105	190,118
Teen court	7,285	6,000	1,285	4,626
Administrative services	119,354	163,091	(43,737)	123,125
City clerk	203,967	132,347	71,620	216,397
Municipal complex	388,878	295,332	93,546	254,162
Montrose Pavilion	573,753	542,894	30,859	4,195
Total general government	<u>3,953,315</u>	<u>3,758,932</u>	<u>194,383</u>	<u>3,327,289</u>
Community development				
Comm. development	547,316	487,967	59,349	509,564
Public safety				
Police	3,417,574	3,230,271	187,303	3,007,673
Public safety administration	1,621,124	1,602,481	18,643	1,841,874
Animal control	592,992	573,013	19,979	558,245
Total public safety	<u>5,631,690</u>	<u>5,405,765</u>	<u>225,925</u>	<u>5,407,792</u>
Engineering and inspection				
Code compliance	273,508	277,743	(4,235)	325,878

(Continued)

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 General Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010 Actual
	Original & Final Budget	Actual		
Public works				
Engineer	343,739	304,871	38,868	355,793
Public works administration	506,300	485,118	21,182	515,546
Street maintenance	2,327,203	1,875,972	451,231	2,075,836
Street cleaning	313,483	348,672	(35,189)	312,283
Green waste removal	10,375	8,499	1,876	8,492
Total public works	<u>3,501,100</u>	<u>3,023,132</u>	<u>477,968</u>	<u>3,267,950</u>
Parks and cemetery				
Parks maintenance	1,050,264	1,079,992	(29,728)	1,116,773
Tree program	10,500	11,166	(666)	7,209
Cemetery	92,932	89,707	3,225	92,044
Montrose Lions community building	5,712	4,884	828	5,364
Total parks and cemetery	<u>1,159,408</u>	<u>1,185,749</u>	<u>(26,341)</u>	<u>1,221,390</u>
Insurance	<u>200,000</u>	<u>164,551</u>	<u>35,449</u>	<u>174,924</u>
Capital outlay				
General government outlays	583,000	300,757	282,243	104,683
Public safety outlays	107,353	101,456	5,897	-
Public works outlays	293,600	575,192	(281,592)	323,235
Total capital outlay	<u>983,953</u>	<u>977,405</u>	<u>6,548</u>	<u>427,918</u>
Total expenditures	<u>16,250,290</u>	<u>15,281,244</u>	<u>969,046</u>	<u>14,662,705</u>
Revenues in excess of expenditures	<u>545,504</u>	<u>1,901,437</u>	<u>1,355,933</u>	<u>2,242,290</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	400	207,361	206,961	363,697
Transfers out	<u>(1,516,200)</u>	<u>(1,640,046)</u>	<u>(123,846)</u>	<u>(852,910)</u>
Net other financing sources (uses)	<u>(1,515,800)</u>	<u>(1,432,685)</u>	<u>83,115</u>	<u>(489,213)</u>
Change in fund balance	(970,296)	468,752	1,439,048	1,753,077
FUND BALANCE, Beginning	<u>6,803,705</u>	<u>6,803,705</u>	-	5,050,628
FUND BALANCE, Ending	<u>\$ 5,833,409</u>	<u>\$ 7,272,457</u>	<u>\$ 1,439,048</u>	<u>\$ 6,803,705</u>

See the accompanying independent auditors' report.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Special Revenue Funds			
	Retail Sales	Methamphetamine	7th Judicial	Downtown
	Enhancement	Grant	Drug Taskforce	Development
				Authority
ASSETS				
Cash and cash equivalents	\$ 61,310	\$ 2,378	\$ 50,327	\$ 134,558
Certificates of deposit	-	-	-	-
Accounts receivable - net	25,741	-	-	116,318
Due from other governments	-	2,289	1,003	-
Sales tax receivable	-	-	-	-
	<u>87,051</u>	<u>4,667</u>	<u>51,330</u>	<u>250,876</u>
Total Assets				
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 44,576	\$ 4,667	\$ 532	\$ 4,245
Customer deposits and deposits in escrow	-	-	-	-
Accrued salaries and benefits	-	-	743	1,115
Deferred revenue	-	-	-	115,351
	<u>44,576</u>	<u>4,667</u>	<u>1,275</u>	<u>120,711</u>
Total Liabilities				
FUND BALANCE				
Nonspendable				
Permanent fund or other corpus	-	-	-	-
Restricted:				
For economic development	-	-	-	130,165
For debt service	-	-	-	-
For beautification - expendable	-	-	-	-
For capital projects	-	-	-	-
For parks	-	-	-	-
Committed:				
For economic development	42,475	-	-	-
For community development	-	-	-	-
For public safety	-	-	50,055	-
For street improvements	-	-	-	-
For parks improvements	-	-	-	-
For animal shelter	-	-	-	-
Assigned:				
For parks and recreation	-	-	-	-
	<u>42,475</u>	<u>-</u>	<u>50,055</u>	<u>130,165</u>
Total Fund Balance				
Total Liabilities and Fund Balances	<u>\$ 87,051</u>	<u>\$ 4,667</u>	<u>\$ 51,330</u>	<u>\$ 250,876</u>

See the accompanying independent auditors' report.

Special Revenue Funds					Debt Service	Permanent Funds	
Surplus & Deficiency	Conservation Trust	Pavilion Senior Center	Special Benefits	Tourism Promotion	Funds		
					Tax Revenue Bonds	Fund Excise	Demoret Trust
\$ 153,980	\$ 129,507	\$ 13,973	\$ 168,099	\$ 24,503	\$ 59,693	\$ 71,231	\$ 106,511
-	125,000	-	-	-	-	321,381	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	26,513	-	-	-
<u>\$ 153,980</u>	<u>\$ 254,507</u>	<u>\$ 13,973</u>	<u>\$ 168,099</u>	<u>\$ 51,016</u>	<u>\$ 59,693</u>	<u>\$ 392,612</u>	<u>\$ 106,511</u>
\$ -	\$ 17,533	\$ 141	\$ 5,774	\$ 51,061	\$ -	\$ -	\$ -
-	-	-	(140)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	17,533	141	5,634	51,061	-	-	-
-	-	-	-	-	-	321,387	106,511
-	-	-	-	(45)	-	-	-
153,980	-	-	-	-	59,693	-	-
-	-	-	-	-	-	71,225	-
-	-	-	-	-	-	-	-
-	236,974	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	122,378	-	-	-	-
-	-	-	40,087	-	-	-	-
-	-	13,832	-	-	-	-	-
<u>153,980</u>	<u>236,974</u>	<u>13,832</u>	<u>162,465</u>	<u>(45)</u>	<u>59,693</u>	<u>392,612</u>	<u>106,511</u>
<u>\$ 153,980</u>	<u>\$ 254,507</u>	<u>\$ 13,973</u>	<u>\$ 168,099</u>	<u>\$ 51,016</u>	<u>\$ 59,693</u>	<u>\$ 392,612</u>	<u>\$ 106,511</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Capital Project Funds		Total Nonmajor Funds	
	Grand/Rio Grande Project	Elks Building Renovation	2011	2010
ASSETS				
Cash and cash equivalents	\$ 495,101	\$ 137,886	\$ 1,609,057	\$ 2,325,213
Certificates of deposit	1,000,000	-	1,446,381	1,096,029
Accounts receivable - net	-	-	142,059	44,157
Due from other governments	724,395	-	727,687	48,728
Sales tax receivable	-	-	26,513	25,642
Total Assets	<u>\$ 2,219,496</u>	<u>\$ 137,886</u>	<u>\$ 3,951,697</u>	<u>\$ 3,539,769</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 162,957	\$ -	\$ 291,486	\$ 167,520
Customer deposits and deposits in escrow	-	-	(140)	-
Accrued salaries and benefits	-	-	1,858	743
Deferred revenue	-	-	115,351	-
Total Liabilities	<u>162,957</u>	<u>-</u>	<u>408,555</u>	<u>168,263</u>
FUND BALANCE				
Unspendable:				
Permanent fund or other corpus	-	-	427,898	426,778
Restricted:				
For economic development			130,120	17,218
For debt service	-	-	213,673	228,766
For beautification - expendable	-	-	71,225	71,317
For capital projects	2,056,539	137,886	2,194,425	2,204,110
For parks	-	-	236,974	150,380
Committed:				
For economic development	-	-	42,475	42,180
For community development	-	-	-	(742)
For public safety	-	-	50,055	54,551
For street improvements	-	-	-	4,581
For parks improvements	-	-	122,378	116,078
For animal shelter	-	-	40,087	43,710
Assigned:				
For parks and recreation	-	-	13,832	12,579
Total Fund Balance	<u>2,056,539</u>	<u>137,886</u>	<u>3,543,142</u>	<u>3,371,506</u>
Total Liabilities and Fund Balances	<u>\$ 2,219,496</u>	<u>\$ 137,886</u>	<u>\$ 3,951,697</u>	<u>\$ 3,539,769</u>

See the accompanying independent auditors' report.

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CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Special Revenue Funds				
	Retail Sales	Methamphetamine	TEA 21	7th Judicial	Hazardous
	Enhancement	Grant	Downtown Streetscape	Drug Taskforce	Elimination Grant
REVENUES					
Taxes	\$ 241,259	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	59,973	-	1,003	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	37,701	-
Contributions to permanent endowment	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>241,259</u>	<u>59,973</u>	<u>-</u>	<u>38,704</u>	<u>-</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Community development	240,964	-	-	-	-
Public safety	-	30,158	-	94,097	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>240,964</u>	<u>30,158</u>	<u>-</u>	<u>94,097</u>	<u>-</u>
Revenues in excess of expenditures	<u>295</u>	<u>29,815</u>	<u>-</u>	<u>(55,393)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds and premiums	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-
Transfers in	-	-	-	50,897	-
Transfers out	-	(29,815)	(3,746)	-	(835)
Net other financing sources (uses)	<u>-</u>	<u>(29,815)</u>	<u>(3,746)</u>	<u>50,897</u>	<u>(835)</u>
Change in fund balance	295	-	(3,746)	(4,496)	(835)
FUND BALANCE, Beginning	<u>42,180</u>	<u>-</u>	<u>3,746</u>	<u>54,551</u>	<u>835</u>
FUND BALANCE, Ending	<u>\$ 42,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,055</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

Special Revenue Funds

HUD - EDI Special Project	Downtown Development Authority	Surplus & Deficiency	Conservation Trust	Pavilion Senior Center	Special Benefits	Tourism Promotion
\$ -	\$ 154,253	\$ -	\$ -	\$ -	\$ -	\$ 360,227
-	30,000	-	157,493	-	-	-
-	-	-	-	-	-	-
-	1,363	-	(1,500)	3,304	14,357	-
-	-	-	-	-	-	-
-	-	105	306	-	1	-
-	<u>185,616</u>	<u>105</u>	<u>156,299</u>	<u>3,304</u>	<u>14,358</u>	<u>360,227</u>
-	-	-	-	-	-	-
-	101,669	-	-	2,051	9,336	360,272
-	-	-	-	-	-	-
-	-	-	69,705	-	2,345	-
-	-	-	-	-	-	-
-	<u>101,669</u>	<u>-</u>	<u>69,705</u>	<u>2,051</u>	<u>11,681</u>	<u>360,272</u>
-	<u>83,947</u>	<u>105</u>	<u>86,594</u>	<u>1,253</u>	<u>2,677</u>	<u>(45)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
742	29,000	-	-	-	-	-
-	-	-	-	-	-	-
<u>742</u>	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
742	112,947	105	86,594	1,253	2,677	(45)
<u>(742)</u>	<u>17,218</u>	<u>153,875</u>	<u>150,380</u>	<u>12,579</u>	<u>159,788</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 130,165</u>	<u>\$ 153,980</u>	<u>\$ 236,974</u>	<u>\$ 13,832</u>	<u>\$ 162,465</u>	<u>\$ (45)</u>

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Debt Service Funds		Permanent Funds	
	Fund Excise			
	Tax Revenue	EDA Fireflow	Cemetery	
	Bonds	Loan	Demoret Trust	Perpetual Care
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	12,189	-	-
Miscellaneous	-	-	-	-
Contributions to permanent endowment	-	-	-	1,120
Investment earnings	-	-	158	111
Total revenues	<u>-</u>	<u>12,189</u>	<u>158</u>	<u>1,231</u>
EXPENDITURES				
Current				
General government	-	-	250	-
Community development	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Debt service	374,825	12,189	-	-
Total expenditures	<u>374,825</u>	<u>12,189</u>	<u>250</u>	<u>-</u>
Revenues in excess of expenditures	<u>(374,825)</u>	<u>-</u>	<u>(92)</u>	<u>1,231</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds and premiums	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	374,075	-	-	-
Transfers out	-	(14,448)	-	(111)
Net other financing sources (uses)	<u>374,075</u>	<u>(14,448)</u>	<u>-</u>	<u>(111)</u>
Change in fund balance	(750)	(14,448)	(92)	1,120
FUND BALANCE, Beginning	<u>60,443</u>	<u>14,448</u>	<u>392,704</u>	<u>105,391</u>
FUND BALANCE, Ending	<u>\$ 59,693</u>	<u>\$ -</u>	<u>\$ 392,612</u>	<u>\$ 106,511</u>

See the accompanying independent auditors' report.

Capital Project Funds		Total Nonmajor Funds	
Grand/Rio Grande Project	Elks Building Renovation	2011	2010
\$ -	\$ -	\$ 755,739	\$ 601,395
1,650,349	-	1,898,818	409,602
-	-	12,189	12,189
-	-	55,225	133,198
-	-	1,120	1,920
3,808	-	4,489	18,761
<u>1,654,157</u>	<u>-</u>	<u>2,727,580</u>	<u>1,177,065</u>
-	-	250	56,737
-	-	714,292	633,408
-	-	124,255	157,982
1,663,842	-	1,735,892	827,900
-	-	387,014	388,715
<u>1,663,842</u>	<u>-</u>	<u>2,961,703</u>	<u>2,064,742</u>
(9,685)	-	(234,123)	(887,677)
-	-	-	2,681,594
-	-	-	(2,625,357)
-	-	454,714	435,162
-	-	(48,955)	(342,970)
-	-	405,759	148,429
(9,685)	-	171,636	(739,248)
<u>2,066,224</u>	<u>137,886</u>	<u>3,371,506</u>	<u>4,110,754</u>
<u>\$ 2,056,539</u>	<u>\$ 137,886</u>	<u>\$ 3,543,142</u>	<u>\$ 3,371,506</u>

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GOVERNMENTAL BUDGETARY COMPARISON SCHEDULES

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SPECIAL REVENUE FUNDS

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Retail Sales Enhancement Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				2010
	Original	Final	Actual	Variance	
	Budget	Budget		With Final	
REVENUES					
Taxes	\$ 232,000	\$ 232,000	\$ 241,259	\$ 9,259	\$ 240,555
EXPENDITURES					
Community development					
Retail Sales Enhancement	<u>232,000</u>	<u>240,000</u>	<u>240,964</u>	<u>(964)</u>	<u>247,515</u>
Revenues in excess of expenditures	-	(8,000)	295	8,295	(6,960)
FUND BALANCE, Beginning	<u>42,180</u>	<u>42,180</u>	<u>42,180</u>	<u>-</u>	<u>49,140</u>
FUND BALANCE, Ending	<u>\$ 42,180</u>	<u>\$ 34,180</u>	<u>\$ 42,475</u>	<u>\$ 8,295</u>	<u>\$ 42,180</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Methamphetamine Grant Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original	Final	Actual	Variance	2010
	Budget	Budget		With Final	Actual
REVENUES					
Intergovernmental	\$ 280,000	\$ 280,000	\$ 59,973	\$ (220,027)	\$ 64,360
EXPENDITURES					
Current					
Public safety					
Grant specific expenditures	20,000	20,000	30,158	(10,158)	63,142
Capital outlay					
Public safety outlays	260,000	260,000	-	260,000	24,760
Total expenditures	<u>280,000</u>	<u>280,000</u>	<u>30,158</u>	<u>249,842</u>	<u>87,902</u>
Revenues in excess of expenditures	-	-	29,815	29,815	(23,542)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	23,542
Transfers out	-	(31,000)	(29,815)	1,185	-
Net other financing sources (uses)	<u>-</u>	<u>(31,000)</u>	<u>(29,815)</u>	<u>1,185</u>	<u>23,542</u>
Change in fund balance	-	(31,000)	-	31,000	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (31,000)</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Police Department Technology Grants Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	Actual
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 18,459
EXPENDITURES					
Current					
Public safety					
Public safety outlays	-	-	-	-	18,459
Change in fund balance	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 TEA 21 Downtown Streetscape Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				2010 Actual
	Original	Final	Actual	Variance	
	Budget	Budget		With Final Budget	
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ -	\$ (3,750)	\$ (3,746)	\$ 4	\$ (23,479)
Change in fund balance	-	(3,750)	(3,746)	4	(23,479)
FUND BALANCE, Beginning	<u>3,746</u>	<u>3,746</u>	<u>3,746</u>	<u>-</u>	<u>27,225</u>
FUND BALANCE, Ending	<u>\$ 3,746</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 3,746</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 7th Judicial Drug Taskforce Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010 Actual
	Original & Final Budget	Actual		
REVENUES				
Intergovernmental	\$ -	\$ 1,003	\$ 1,003	\$ 843
Miscellaneous	<u>60,000</u>	<u>37,701</u>	<u>(22,299)</u>	<u>96,027</u>
Total revenues	60,000	38,704	(21,296)	96,870
EXPENDITURES				
Current				
Public safety				
Grant specific expenditures	<u>105,896</u>	<u>94,097</u>	<u>11,799</u>	<u>94,840</u>
Revenues in excess of expenditures	(45,896)	(55,393)	(9,497)	2,030
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>45,896</u>	<u>50,897</u>	<u>5,001</u>	<u>35,095</u>
Change in fund balance	-	(4,496)	(4,496)	37,125
FUND BALANCE, Beginning	<u>54,551</u>	<u>54,551</u>	<u>-</u>	<u>17,426</u>
FUND BALANCE, Ending	<u>\$ 54,551</u>	<u>\$ 50,055</u>	<u>\$ (4,496)</u>	<u>\$ 54,551</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Hazardous Elimination Grant Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				2010 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 119,077
EXPENDITURES					
Capital outlay					
Public works outlays	-	835	-	835	118,242
Revenues in excess of expenditures	-	(835)	-	835	835
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(835)	(835)	(304,638)
Change in fund balance	-	(835)	(835)	-	(303,803)
FUND BALANCE, Beginning	835	835	835	-	304,638
FUND BALANCE, Ending	\$ 835	\$ -	\$ -	\$ -	\$ 835

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 HUD - EDI Special Project Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original	Final	Actual	Variance	2010
	Budget	Budget		With Final	Actual
EXPENDITURES					
Comm. development	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Total expenditures	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Revenues in excess of expenditures	-	(50,000)	-	50,000	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	742	742	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,632)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>742</u>	<u>742</u>	<u>(14,632)</u>
Change in fund balance	-	(50,000)	742	50,742	(14,632)
FUND BALANCE, Beginning	<u>(742)</u>	<u>(742)</u>	<u>(742)</u>	<u>-</u>	<u>13,890</u>
FUND BALANCE, Ending	<u>\$ (742)</u>	<u>\$ (50,742)</u>	<u>\$ -</u>	<u>\$ 50,742</u>	<u>\$ (742)</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Downtown Development Authority Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original	Final	Actual	Variance	2010
	Budget	Budget		With Final	Actual
REVENUES					
Taxes	\$ -	\$ -	\$ 154,253	\$ 154,253	\$ -
Intergovernmental	30,000	30,000	30,000	-	30,100
Miscellaneous	-	-	1,363	1,363	-
Investment earnings	-	-	-	-	1
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>185,616</u>	<u>155,616</u>	<u>30,101</u>
EXPENDITURES					
Special benefit	<u>30,000</u>	<u>100,000</u>	<u>101,669</u>	<u>(1,669)</u>	<u>12,883</u>
Revenues in excess of expenditures	-	(70,000)	83,947	153,947	17,218
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>-</u>	<u>-</u>	<u>29,000</u>	<u>29,000</u>	<u>-</u>
Change in fund balance	-	(70,000)	112,947	182,947	17,218
FUND BALANCE, Beginning	<u>17,218</u>	<u>17,218</u>	<u>17,218</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 17,218</u>	<u>\$ (52,782)</u>	<u>\$ 130,165</u>	<u>\$ 182,947</u>	<u>\$ 17,218</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Surplus & Deficiency Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	Actual
REVENUES					
Investment earnings	\$ 500	\$ 105	\$ (395)	\$ 227	
Change in fund balance	500	105	(395)	227	
FUND BALANCE, Beginning	<u>153,875</u>	<u>153,875</u>	<u>-</u>	<u>153,648</u>	
FUND BALANCE, Ending	<u>\$ 154,375</u>	<u>\$ 153,980</u>	<u>\$ (395)</u>	<u>\$ 153,875</u>	

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Capital Improvement Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	Original & Final		Variance With Final	2010
	Budget	Actual	Budget	Actual
REVENUES				
Intergovernmental	\$ 1,400,000	\$ 840,963	\$ (559,037)	\$ 397,768
Miscellaneous	-	7,662	7,662	204,500
Investment earnings	<u>2,000</u>	<u>4,672</u>	<u>2,672</u>	<u>5,685</u>
Total revenues	<u>1,402,000</u>	<u>853,297</u>	<u>(548,703)</u>	<u>607,953</u>
EXPENDITURES				
Current				
Capital outlay				
Highways & streets outlays	<u>3,668,000</u>	<u>3,161,952</u>	<u>506,048</u>	<u>1,600,505</u>
Revenues in excess of expenditures	<u>(2,266,000)</u>	<u>(2,308,655)</u>	<u>(42,655)</u>	<u>(992,552)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,820,329	1,185,332	(634,997)	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,665)</u>
Net other financing sources (uses)	<u>1,820,329</u>	<u>1,185,332</u>	<u>(634,997)</u>	<u>(3,665)</u>
Change in fund balance	(445,671)	(1,123,323)	(677,652)	(996,217)
FUND BALANCE, Beginning	<u>1,505,004</u>	<u>1,505,004</u>	<u>-</u>	<u>2,501,221</u>
FUND BALANCE, Ending	<u>\$ 1,059,333</u>	<u>\$ 381,681</u>	<u>\$ (677,652)</u>	<u>\$ 1,505,004</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Conservation Trust Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	
REVENUES					
Intergovernmental	\$ 83,000	\$ 157,493	\$ 74,493	\$ 78,027	
Miscellaneous	-	(1,500)	(1,500)	8,500	
Investment earnings	2,000	306	(1,694)	1,840	
Total revenues	<u>85,000</u>	<u>156,299</u>	<u>71,299</u>	<u>88,367</u>	
EXPENDITURES					
Capital outlay					
Parks & recreation outlays	<u>190,000</u>	<u>69,705</u>	<u>120,295</u>	<u>300,581</u>	
Revenues in excess of expenditures	(105,000)	86,594	191,594	(212,214)	
FUND BALANCE, Beginning	<u>150,380</u>	<u>150,380</u>	<u>-</u>	<u>362,594</u>	
FUND BALANCE, Ending	<u>\$ 45,380</u>	<u>\$ 236,974</u>	<u>\$ 191,594</u>	<u>\$ 150,380</u>	

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Pavilion Senior Center Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			
	Original & Final Budget	Actual	Variance With Final Budget	2010 Actual
	REVENUES			
Miscellaneous	\$ 4,000	\$ 3,304	\$ (696)	\$ 4,483
EXPENDITURES				
Community development Pavilions Senior Center	4,100	2,051	2,049	2,500
Revenues in excess of expenditures	(100)	1,253	1,353	1,983
FUND BALANCE, Beginning	12,579	12,579	-	10,596
FUND BALANCE, Ending	\$ 12,479	\$ 13,832	\$ 1,353	\$ 12,579

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Special Benefits Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010 Actual
	Original & Final Budget	Actual		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 5,000
Miscellaneous	8,675	14,357	5,682	24,188
Investment earnings	100	1	(99)	15
Total revenues	<u>8,775</u>	<u>14,358</u>	<u>5,583</u>	<u>29,203</u>
EXPENDITURES				
Current				
Community development				
Special benefit	20,125	9,336	10,789	9,670
Capital outlay				
General government outlays	2,000	2,345	(345)	475
Total expenditures	<u>22,125</u>	<u>11,681</u>	<u>10,444</u>	<u>10,145</u>
Revenues in excess of expenditures	(13,350)	2,677	16,027	19,058
FUND BALANCE, Beginning	<u>159,788</u>	<u>159,788</u>	<u>-</u>	<u>140,730</u>
FUND BALANCE, Ending	<u>\$ 146,438</u>	<u>\$ 162,465</u>	<u>\$ 16,027</u>	<u>\$ 159,788</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Tourism Promotion Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original	Final	Actual	Variance	2010
	Budget	Budget		With Final	Actual
REVENUES					
Taxes	\$ 359,600	\$ 359,600	\$ 360,227	\$ 627	\$ 360,840
EXPENDITURES					
Current					
Community development					
Special benefit	<u>359,600</u>	<u>370,000</u>	<u>360,272</u>	<u>9,728</u>	<u>360,840</u>
Change in fund balance	-	(10,400)	(45)	10,355	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (10,400)</u>	<u>\$ (45)</u>	<u>\$ 10,355</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

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DEBT SERVICE FUNDS

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 1998 General Fund Excise Tax Revenue Bonds Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				2010 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Investment earnings	\$ 100	\$ 100	\$ -	\$ (100)	\$ -
EXPENDITURES					
Finance	-	-	-	-	56,237
Debt service					
Principal	300,000	300,000	300,000	-	285,000
Interest and fees	74,225	75,000	74,825	175	91,526
Escrow Payment	-	-	-	-	2,625,357
Total expenditures	<u>374,225</u>	<u>375,000</u>	<u>374,825</u>	<u>175</u>	<u>3,058,120</u>
Revenues in excess of expenditures	(374,125)	(374,900)	(374,825)	75	(3,058,120)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	-	-	2,570,000
Bond Premiums	-	-	-	-	111,594
Transfers in	<u>374,075</u>	<u>374,075</u>	<u>374,075</u>	-	<u>376,525</u>
Net other financing sources (uses)	<u>374,075</u>	<u>374,075</u>	<u>374,075</u>	-	<u>3,058,119</u>
Change in fund balance	(50)	(825)	(750)	75	(1)
FUND BALANCE, Beginning	<u>60,443</u>	<u>60,443</u>	<u>60,443</u>	-	<u>60,444</u>
FUND BALANCE, Ending	<u>\$ 60,393</u>	<u>\$ 59,618</u>	<u>\$ 59,693</u>	<u>\$ 75</u>	<u>\$ 60,443</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 EDA Fireflow Loan Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	
REVENUES					
Charges for services	\$ 12,189	\$ 12,189	\$ -	\$ 12,189	
Investment earnings	20	-	(20)	4	
Total revenues	<u>12,209</u>	<u>12,189</u>	<u>(20)</u>	<u>12,193</u>	
EXPENDITURES					
Current					
Debt service					
Principal	7,858	8,053	(195)	7,670	
Interest and fees	4,332	4,136	196	4,519	
Total expenditures	<u>12,190</u>	<u>12,189</u>	<u>1</u>	<u>12,189</u>	
Revenues in excess of expenditures	19	-	(19)	4	
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(14,448)	(14,448)	-	
Change in fund balance	19	(14,448)	(14,467)	4	
FUND BALANCE, Beginning	<u>14,448</u>	<u>14,448</u>	<u>-</u>	<u>14,444</u>	
FUND BALANCE, Ending	<u>\$ 14,467</u>	<u>\$ -</u>	<u>\$ (14,467)</u>	<u>\$ 14,448</u>	

See the accompanying independent auditors' report.

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PERMANENT FUNDS

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Demoret Trust Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			
	Original & Final			2010
	Budget	Actual	Variance With Final Budget	Actual
REVENUES				
Investment earnings	\$ 400	\$ 158	\$ (242)	\$ 443
EXPENDITURES				
Current				
General government				
Administrative services	500	250	250	500
Capital outlay				
Community development	50,000	-	50,000	-
Total expenditures	50,500	250	50,250	500
Revenues in excess of expenditures	(50,100)	(92)	50,008	(57)
FUND BALANCE, Beginning	392,704	392,704	-	392,761
FUND BALANCE, Ending	<u>\$ 342,604</u>	<u>\$ 392,612</u>	<u>\$ 50,008</u>	<u>\$ 392,704</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Cemetery Perpetual Care Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	Actual
REVENUES					
Contributions to permanent endowment	\$ 1,200	\$ 1,120	\$ (80)		\$ 1,920
Investment earnings	400	111	(289)		221
Total revenues	1,600	1,231	(369)		2,141
OTHER FINANCING SOURCES (USES)					
Transfers out	(400)	(111)	289		(221)
Change in fund balance	1,200	1,120	(80)		1,920
FUND BALANCE, Beginning	105,391	105,391	-		103,471
FUND BALANCE, Ending	<u>\$ 106,591</u>	<u>\$ 106,511</u>	<u>\$ (80)</u>		<u>\$ 105,391</u>

See the accompanying independent auditors' report.

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CAPITAL PROJECTS FUNDS

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Spec. Imp. District Const. Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original	Final	Actual	Variance	2010
	Budget	Budget		With Final	Actual
REVENUES					
Special assessments	\$ 112,800	\$ 112,800	\$ 126,844	\$ 14,044	\$ 71,143
Investment earnings	-	-	2	2	13
Total revenues	<u>112,800</u>	<u>112,800</u>	<u>126,846</u>	<u>14,046</u>	<u>71,156</u>
EXPENDITURES					
Current					
General government					
Administrative services	-	-	901	(901)	741
Capital outlay					
Public works outlays	-	11,000	9,297	1,703	-
Total expenditures	<u>-</u>	<u>11,000</u>	<u>10,198</u>	<u>802</u>	<u>741</u>
Revenues in excess of expenditures	112,800	101,800	116,648	14,848	70,415
OTHER FINANCING SOURCES (USES)					
Change in fund balance	112,800	101,800	116,648	14,848	70,415
FUND BALANCE, Beginning	<u>70,415</u>	<u>70,415</u>	<u>70,415</u>	-	-
FUND BALANCE, Ending	<u>\$ 183,215</u>	<u>\$ 172,215</u>	<u>\$ 187,063</u>	<u>\$ 14,848</u>	<u>\$ 70,415</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Grand/Rio Grande Project Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	
REVENUES					
Intergovernmental	\$ 3,800,000	\$ 1,650,349	\$ (2,149,651)	\$	17,574
Investment earnings	-	3,808	3,808	-	15,980
Total revenues	3,800,000	1,654,157	(2,145,843)	-	33,554
EXPENDITURES					
Capital outlay					
Highways & streets outlays	3,800,000	1,663,842	2,136,158	-	359,684
Revenues in excess of expenditures	-	(9,685)	(9,685)	-	(326,130)
FUND BALANCE, Beginning	2,066,224	2,066,224	-	-	2,392,354
FUND BALANCE, Ending	\$ 2,066,224	\$ 2,056,539	\$ (9,685)	-	\$ 2,066,224

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Elks Building Renovation Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011				
	Original & Final			Variance With Final	2010
	Budget	Actual	Budget	Actual	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	76,162
Investment earnings	-	-	-	-	30
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,192</u>
EXPENDITURES					
Current					
Capital outlay					
General government outlays	-	-	-	-	5,699
Revenues in excess of expenditures	-	-	-	-	70,493
OTHER FINANCING SOURCES (USES)					
Change in fund balance	-	-	-	-	70,493
FUND BALANCE, Beginning	<u>137,886</u>	<u>137,886</u>	<u>-</u>	<u>-</u>	<u>67,393</u>
FUND BALANCE, Ending	<u>\$ 137,886</u>	<u>\$ 137,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,886</u>

See the accompanying independent auditors' report.

ENTERPRISE FUNDS

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Water Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			
	Original & Final Budget	Actual	Variance With Final Budget	2010 Actual
REVENUES				
Water sales	\$ 5,083,500	\$ 5,072,663	\$ (10,837)	\$ 5,289,340
Tap fees unpledged	56,000	25,974	(30,026)	34,176
Other Charges	500	8,781	8,281	5,798
Administrative reimbursement	167,616	167,616	-	145,035
Intergovernmental revenues	500,000	15,367	(484,633)	392
Investment earnings	46,000	14,405	(31,595)	29,095
Capacity fees and Dedicated infrastructure	90,000	45,168	(44,832)	314,600
Total revenues	5,943,616	5,349,974	(593,642)	5,818,436
EXPENDITURES				
Enterprise administration	428,370	428,370	-	363,336
Operations and maintenance	3,406,224	3,113,809	292,415	3,072,629
Capital outlay	3,428,000	194,050	3,233,950	(705)
Principal	186,900	411,267	(224,367)	177,035
Interest expense	120,749	107,416	13,333	127,163
Amortization of bond issue costs	-	4,459	(4,459)	3,917
Transfers out	-	420,000	(420,000)	17,303
Total expenditures	7,570,243	4,679,371	2,890,872	3,760,678
Change in net assets - budgetary basis	\$ (1,626,627)	670,603	\$ 2,297,230	2,057,758
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		194,050		(487)
Depreciation		(930,156)		(919,688)
Debt principal payments		411,267		177,035
Change in net assets - GAAP basis		345,764		1,314,618
NET ASSETS, Beginning		29,333,711		28,019,093
NET ASSETS, Ending		\$ 29,679,475		\$ 29,333,711

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Sewer Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			2010	
	Original & Final Budget	Actual	Variance With Final Budget		Actual
REVENUES					
Sewer charges	\$ 2,874,400	\$ 2,787,738	\$ (86,662)	\$ 2,784,687	
Tap fees unpledged	50,000	30,367	(19,633)	25,009	
Other Charges	22,200	29,491	7,291	31,740	
Intergovernmental revenues	-	98,391	98,391	-	
Investment earnings	1,000	18,074	17,074	43,733	
Capacity fees and Dedicated infrastructure	176,000	118,903	(57,097)	304,241	
Transfers in	-	420,000	420,000	-	
Total revenues	3,123,600	3,502,964	379,364	3,189,410	
EXPENDITURES					
Enterprise administration	548,745	548,748	(3)	465,621	
Operations and maintenance	1,387,894	1,324,714	63,180	1,252,707	
Capital outlay	5,815,000	4,096,753	1,718,247	1,257,089	
Principal	253,100	894,204	(641,104)	239,283	
Interest expense	128,977	92,437	36,540	138,397	
Amortization of bond issue costs	-	7,552	(7,552)	4,733	
Transfers out	-	-	-	160,743	
Total expenditures	8,133,716	6,964,408	1,169,308	3,518,573	
Change in net assets - budgetary basis	\$ (5,010,116)	(3,461,444)	\$ 1,548,672	(329,163)	
Reconciliation of budgetary to GAAP basis:					
Capitalized assets		3,985,556		1,257,089	
Depreciation		(1,607,619)		(1,448,367)	
Debt principal payments		894,204		239,283	
Change in net assets - GAAP basis		(189,303)		(281,158)	
NET ASSETS, Beginning		37,376,317		37,657,475	
NET ASSETS, Ending		\$ 37,187,014		\$ 37,376,317	

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Sanitation Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010
	Original & Final Budget	Actual		Actual
REVENUES				
Sanitation charges	\$ 1,502,500	\$ 1,536,898	\$ 34,398	\$ 1,443,215
Investment earnings	200	88	(112)	302
Total revenues	<u>1,502,700</u>	<u>1,536,986</u>	<u>34,286</u>	<u>1,443,517</u>
EXPENDITURES				
Enterprise administration	365,233	365,220	13	345,541
Operations and maintenance	<u>1,325,140</u>	<u>1,286,853</u>	<u>38,287</u>	<u>1,274,182</u>
Total expenditures	<u>1,690,373</u>	<u>1,652,073</u>	<u>38,300</u>	<u>1,619,723</u>
Change in net assets - budgetary basis	<u>\$ (187,673)</u>	(115,087)	<u>\$ 72,586</u>	(176,206)
NET ASSETS, Beginning		<u>491,216</u>		<u>667,422</u>
NET ASSETS, Ending		<u>\$ 376,129</u>		<u>\$ 491,216</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Montrose Pavilion Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011			
	Original & Final	Variance		2010
	Budget	Actual	With Final Budget	Actual
REVENUES				
Pavilion charges	\$ -	\$ -	\$ -	\$ 181,995
Intergovernmental revenues	-	-	-	25,902
Dedicated & contributed capital assets	-	(1,792,078)	(1,792,078)	-
Transfers in	-	-	-	417,989
Total revenues	-	(1,792,078)	(1,792,078)	625,886
EXPENDITURES				
Operations and maintenance	-	-	-	532,027
Capital outlay	-	(1,810,184)	1,810,184	14,301
Transfers out	-	158,406	(158,406)	-
Total expenditures	-	(1,651,778)	1,651,778	546,328
Change in net assets - budgetary basis	\$ -	(140,300)	\$ (140,300)	79,558
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		(1,810,184)		14,301
Depreciation		-		(229,226)
Change in net assets - GAAP basis		(1,950,484)		(135,367)
NET ASSETS, Beginning		1,950,484		2,085,851
NET ASSETS, Ending		\$ -		\$ 1,950,484

See the accompanying independent auditors' report.

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INTERNAL SERVICE FUNDS

CITY OF MONTROSE, COLORADO

Statement of Net Assets

Internal Service Funds

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Internal Service Funds			Total	Total
	Internal Service Equipment	Information Technology	Employee Medical Benefit	2011	2010
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 2,325,917	\$ 964,424	\$ 621,846	\$ 3,912,187	\$ 3,732,232
Accounts receivable - net	-	5,171	-	5,171	-
Due from other governments	-	-	-	-	38,365
Inventory of supplies	63,229	3,254	-	66,483	72,329
Total Current Assets	<u>2,389,146</u>	<u>972,849</u>	<u>621,846</u>	<u>3,983,841</u>	<u>3,842,926</u>
Noncurrent Assets					
Capital assets	<u>3,116,158</u>	<u>156,044</u>	<u>-</u>	<u>3,272,202</u>	<u>3,409,039</u>
Total Noncurrent Assets	<u>3,116,158</u>	<u>156,044</u>	<u>-</u>	<u>3,272,202</u>	<u>3,409,039</u>
Total Assets	<u>5,505,304</u>	<u>1,128,893</u>	<u>621,846</u>	<u>7,256,043</u>	<u>7,251,965</u>
LIABILITIES					
Current Assets					
Accounts payable	289,208	32,279	-	321,487	274,281
Accrued salaries and benefits	3,093	5,169	-	8,262	9,120
Accrued compensated absences	10,475	14,821	-	25,296	30,204
Claims payable	-	-	595,539	595,539	563,431
Total Current Assets	<u>302,776</u>	<u>52,269</u>	<u>595,539</u>	<u>950,584</u>	<u>877,036</u>
NET ASSETS					
Invested in capital assets net of related debt	3,116,158	156,044	-	3,272,202	3,409,039
Unrestricted	<u>2,086,370</u>	<u>920,580</u>	<u>26,307</u>	<u>3,033,257</u>	<u>2,965,892</u>
Total Net Assets	<u>\$ 5,202,528</u>	<u>\$ 1,076,624</u>	<u>\$ 26,307</u>	<u>\$ 6,305,459</u>	<u>\$ 6,374,931</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Internal Service Funds			Totals	Totals
	Internal Service Equipment	Information Technology	Employee Medical Benefit	2011	2010
OPERATING REVENUES					
Interfund charges	\$ 1,663,015	\$ 732,777	\$ 2,218,695	\$ 4,614,487	\$ 4,625,692
Other Charges	194,246	-	-	194,246	11,474
Miscellaneous	-	8,231	115,049	123,280	589,041
Total Operating Revenues	1,857,261	741,008	2,333,744	4,932,013	5,226,207
OPERATING EXPENSES					
Enterprise administration	-	-	71,618	71,618	73,816
Operations and maintenance	879,606	865,800	-	1,745,406	1,607,679
Medical claims	-	-	1,961,329	1,961,329	2,315,722
Insurance premiums	-	-	385,008	385,008	346,765
Depreciation	806,295	96,537	-	902,832	990,078
Total Operating Expenses	1,685,901	962,337	2,417,955	5,066,193	5,334,060
Net Operating Income	171,360	(221,329)	(84,211)	(134,180)	(107,853)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	20,843	-	20,843	38,365
Investment earnings	1,903	638	4	2,545	2,291
Gain (loss) on sale of assets	38,700	2,620	-	41,320	10,345
Net Nonoperating Revenues (Expenses)	40,603	24,101	4	64,708	51,001
Income Before Contributions and Transfers	211,963	(197,228)	(84,207)	(69,472)	(56,852)
Contributions and Transfers					
Transfers in	-	-	-	-	160,743
Change in Net Assets	211,963	(197,228)	(84,207)	(69,472)	103,891
NET ASSETS, Beginning	4,990,565	1,273,852	110,514	6,374,931	6,271,040
NET ASSETS, Ending	\$ 5,202,528	\$ 1,076,624	\$ 26,307	\$ 6,305,459	\$ 6,374,931

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Internal Service Funds			Totals	Totals
	Internal	Information	Employee	2011	2010
	Service Equipment	Technology	Medical Benefit		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 194,246	\$ 3,060	\$ 115,049	\$ 312,355	\$ 642,612
Receipts from interfund services provided	1,663,015	732,777	2,218,695	4,614,487	4,625,692
Payments to suppliers	(563,553)	(644,444)	(2,385,847)	(3,593,844)	(3,693,613)
Payments to employees	(189,866)	(270,756)	-	(460,622)	(474,328)
Payments for internal services used	(28,900)	(599)	-	(29,499)	(29,347)
Net cash provided (used) by operating activities	<u>1,074,942</u>	<u>(179,962)</u>	<u>(52,103)</u>	<u>842,877</u>	<u>1,071,016</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Receipts	-	59,208	-	59,208	-
Operating transfers in	-	-	-	-	160,743
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of assets	38,700	2,620	-	41,320	10,345
Acquisition and construction of capital assets	(746,360)	(19,635)	-	(765,995)	(521,009)
Net cash provided (used) by capital and related financing activities	<u>(707,660)</u>	<u>(17,015)</u>	<u>-</u>	<u>(724,675)</u>	<u>(510,664)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	1,903	638	4	2,545	2,291
Net increase (decrease) in cash and cash equivalents	369,185	(137,131)	(52,099)	179,955	723,386
CASH AND CASH EQUIVALENTS, Beginning	<u>1,956,732</u>	<u>1,101,555</u>	<u>673,945</u>	<u>3,732,232</u>	<u>3,008,846</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,325,917</u>	<u>\$ 964,424</u>	<u>\$ 621,846</u>	<u>\$ 3,912,187</u>	<u>\$ 3,732,232</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 171,360	\$ (221,329)	\$ (84,211)	\$ (134,180)	\$ (107,854)
Depreciation	806,295	96,537	-	902,832	990,078
(Increase) decrease in accounts receivable	-	(5,171)	-	(5,171)	42,098
(Increase) decrease in inventory of supplies	4,431	1,415	-	5,846	(4,776)
Increase (decrease) in accounts payable	98,377	(51,169)	-	47,208	(9,465)
Increase (decrease) in accrued salaries and benefits	(858)	-	-	(858)	3,648
Increase (decrease) in accrued compensated absences	(4,663)	(245)	-	(4,908)	(3,168)
Increase (decrease) in claims payable	-	-	32,108	32,108	160,455
Net cash provided (used) by operating activities	<u>\$ 1,074,942</u>	<u>\$ (179,962)</u>	<u>\$ (52,103)</u>	<u>\$ 842,877</u>	<u>\$ 1,071,016</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Internal Service Equipment Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010
	Original & Final Budget	Actual		Actual
REVENUES				
Interfund charges	\$ 1,569,400	\$ 1,663,015	\$ 93,615	\$ 1,629,537
Other Charges	2,500	194,246	191,746	11,428
Investment earnings	1,800	1,903	103	1,609
Gain (loss) on sale of assets	20,000	38,700	18,700	10,045
Transfers in	-	-	-	160,743
Total revenues	<u>1,593,700</u>	<u>1,897,864</u>	<u>304,164</u>	<u>1,813,362</u>
EXPENDITURES				
Operations and maintenance	882,362	879,606	2,756	806,400
Capital outlay	<u>619,115</u>	<u>746,360</u>	<u>(127,245)</u>	<u>497,883</u>
Total expenditures	<u>1,501,477</u>	<u>1,625,966</u>	<u>(124,489)</u>	<u>1,304,283</u>
Change in net assets - budgetary basis	<u>\$ 92,223</u>	271,898	<u>\$ 179,675</u>	509,079
Reconciliation of budgetary to GAAP basis:				
Capital outlay		746,360		497,883
Depreciation		<u>(806,295)</u>		<u>(890,072)</u>
Change in net assets - GAAP basis		211,963		116,890
NET ASSETS, Beginning		<u>4,990,565</u>		<u>4,873,675</u>
NET ASSETS, Ending		<u>\$ 5,202,528</u>		<u>\$ 4,990,565</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Information Technology Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010 Actual
	Original & Final Budget	Actual		
REVENUES				
Interfund charges	\$ 699,993	\$ 732,777	\$ 32,784	\$ 883,285
Other Charges	-	-	-	46
Miscellaneous	-	8,231	8,231	8,871
Intergovernmental revenues	-	20,843	20,843	38,365
Investment earnings	840	638	(202)	475
Gain (loss) on sale of assets	-	2,620	2,620	300
Total revenues	<u>700,833</u>	<u>765,109</u>	<u>64,276</u>	<u>931,342</u>
EXPENDITURES				
Operations and maintenance	893,142	866,045	27,097	802,045
Capital outlay	42,000	19,635	22,365	(104,435)
Total expenditures	<u>935,142</u>	<u>885,680</u>	<u>49,462</u>	<u>697,610</u>
Change in net assets - budgetary basis	<u>\$ (234,309)</u>	(120,571)	<u>\$ 113,738</u>	233,732
Reconciliation of budgetary to GAAP basis:				
Capital outlay		19,635		(104,435)
Depreciation		(96,537)		(100,006)
Vacation payouts		245		766
Change in net assets - GAAP basis		(197,228)		30,057
NET ASSETS, Beginning		<u>1,273,852</u>		<u>1,243,795</u>
NET ASSETS, Ending		<u>\$ 1,076,624</u>		<u>\$ 1,273,852</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Employee Medical Benefit Fund
 For the Year Ended December 31, 2011
 (With Comparative Totals for the Year Ended December 31, 2010)

	2011		Variance With Final Budget	2010
	Original & Final Budget	Actual		Actual
REVENUES				
Interfund charges	\$ 2,208,700	\$ 2,218,695	\$ 9,995	\$ 2,112,870
Miscellaneous	404,100	115,049	(289,051)	580,170
Investment earnings	600	4	(596)	207
Total revenues	<u>2,613,400</u>	<u>2,333,748</u>	<u>(279,652)</u>	<u>2,693,247</u>
EXPENDITURES				
Enterprise administration	80,700	71,618	9,082	73,816
Medical claims	2,176,500	1,961,329	215,171	2,315,722
Insurance premiums	318,300	385,008	(66,708)	346,765
Total expenditures	<u>2,575,500</u>	<u>2,417,955</u>	<u>157,545</u>	<u>2,736,303</u>
Change in net assets - budgetary basis	<u>\$ 37,900</u>	(84,207)	<u>\$ (122,107)</u>	(43,056)
NET ASSETS, Beginning		<u>110,514</u>		<u>153,570</u>
NET ASSETS, Ending		<u>\$ 26,307</u>		<u>\$ 110,514</u>

See the accompanying independent auditors' report.

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STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2011
This Information From The Records Of (example - City of _ or County of	Prepared By: Shani Wittenberg Phone: 970-240-1462

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	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)	3,574,474
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,224,644
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	5,350,373	b. Snow and ice removal	95,597
3. Other local imposts (from page 2)	19,229	c. Other	
4. Miscellaneous local receipts (from page 2)	191,122	d. Total (a. through c.)	95,597
5. Transfers from toll facilities		4. General administration & miscellaneous	485,119
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,233,552
a. Bonds - Original Issues		6. Total (1 through 5)	7,613,385
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	74,075
7. Total (1 through 6)	5,560,724	b. Redemption	300,000
B. Private Contributions		c. Total (a. + b.)	374,075
C. Receipts from State government (from page 2)	2,426,737	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	7,987,460	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	374,075
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	7,987,460

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,285,000		300,000	1,985,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		7,987,460	7,987,460		1

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2011

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	4,672
b. Other local imposts:		b. Traffic Fines & Penalties	186,450
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	19,229	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.)	19,229	h. Other	
c. Total (a. + b.)	19,229	i. Total (a. through h.)	191,122
	(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	705,473	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	70,915	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) Federal Earmark	1,650,349	f. Other Federal	
f. Total (a. through e.)	1,721,264	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	2,426,737	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		5,301	5,301
b. Engineering Costs		122,716	122,716
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		2,932,092	2,932,092
(3). System Preservation		514,365	514,365
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	3,446,457	3,446,457
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,574,474	3,574,474
			(Carry forward to page 1)

Notes and Comments:

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**FEDERAL COMPLIANCE
SINGLE AUDIT REPORTS**

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S 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

To the City Council
City of Montrose, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the City of Montrose, Colorado's basic financial statements and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Montrose's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City of Montrose's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Montrose's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Montrose, Colorado's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
June 29, 2012

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the City Council
City of Montrose, Colorado

Compliance

We have audited the compliance of the City of Montrose, Colorado, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. The City of Montrose, Colorado's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Montrose, Colorado's management. Our responsibility is to express an opinion on the City of Montrose, Colorado's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Montrose, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Montrose, Colorado's compliance with those requirements.

In our opinion, the City of Montrose, Colorado, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City of Montrose, Colorado, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Montrose, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Montrose, Colorado's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
June 29, 2012

CITY OF MONTROSE, COLORADO
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

Grantor and Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Justice - Bureau of Justice Assistance</u>			
Methamphetamine Grant - Community Policing	16.710	2009-CKWX-0336	\$ 29,220
<u>Passthrough: Colorado Division of Criminal Justice</u>			
Victims Advocate	16.801	10-VA-7-28	<u>15,000</u>
Total U.S. Department of Justice			<u>44,220</u>
<u>U.S. Department of Transportation - Federal Highway Administration</u>			
<u>Pass-through: Colorado Department of Transportation</u>			
Safe Routes to Schools	20.205	SAR M910-007 (17480)	180,439
Grand/Rio Grande - Highway Planning and Construction - Recovery	20.205	15768	<u>1,650,349</u>
Total U.S. Department of Transportation			<u>1,830,788</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pavilion Restoration - Community Development Block Grant	14.246	B-05-SP-CO-0039	<u>3,282</u>
<u>U.S. Department of Homeland Security - Federal Emergency Management Agency</u>			
<u>Pass-through: State of Colorado, Department of Local Affairs, Division of Emergency Management</u>			
Emergency Management Performance Grant	97.042	LEMS10	<u>9,520</u>
Total Federal Grants			<u>\$ 1,887,810</u>

Note 1: Basis of Presentation

This schedule is prepared in accordance with U.S. generally accepted accounting principles. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

See the Accompanying Independent Auditors' Report.

CITY OF MONTROSE, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONS COSTS
December 31, 2011

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes x no

• Reportable conditions identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

• Material weaknesses identified? _____ yes x no

• Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major program:

20.205 Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.