

CITY OF MONTROSE, COLORADO

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2015**

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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, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2015 by \$155,531,019. Of this amount, \$42,917,338 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The General Fund's largest revenue source is Sales and Use tax that is collected by retail businesses that do business within the City's boundaries whether by the delivery method or place of business. The Sales & Use tax revenue collected (3%) in 2015 was \$15,941,550; which is an increase of 16% over 2015 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,810,221, a decrease of \$228,015 over the prior year. Approximately 61.7% of this total amount, \$9,754,630 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 \$9,754,630 or 60% 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. In 2015, an additional \$1,591,439 to the Capital Improvement Fund for a total transfer of \$1,991,439.
- The City's total long-term liabilities decreased by \$706,499 during the current fiscal year or by approximately 21.5%.
- 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 2015, the City collected \$128,471 in water capacity fees and \$383,730 in sewer capacity fees. Respectively these represent an increase over the previous year of 48% and 29%.
- Water Fund capital projects included replacing several valves at the recommendation of a consultant; replacing several hydrants; and lastly the Automatic Metering project was complete in 2015.
- In 2015, the Sewer Fund capital projects included replacing the rotors in one oxidation ditch; work to eliminate lift stations; replacing an undersized sewer line; and extending broadband to the WWTP.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the

change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The City of Montrose maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvement fund because they are considered to be major funds for the 2015 fiscal year. Data from the other 16 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

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

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

Proprietary funds. The City of Montrose maintains two (2) different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Montrose uses enterprise funds to account for its Water, Sewer, and Trash and Recycling services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Montrose uses internal service funds to account for

its fleet of vehicles, information services, and employee health and dental insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sewer, 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 9 through 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 29 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 30 and 31 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 32 through 63 of the report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. Approximately 71% of the City's net position reflect its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

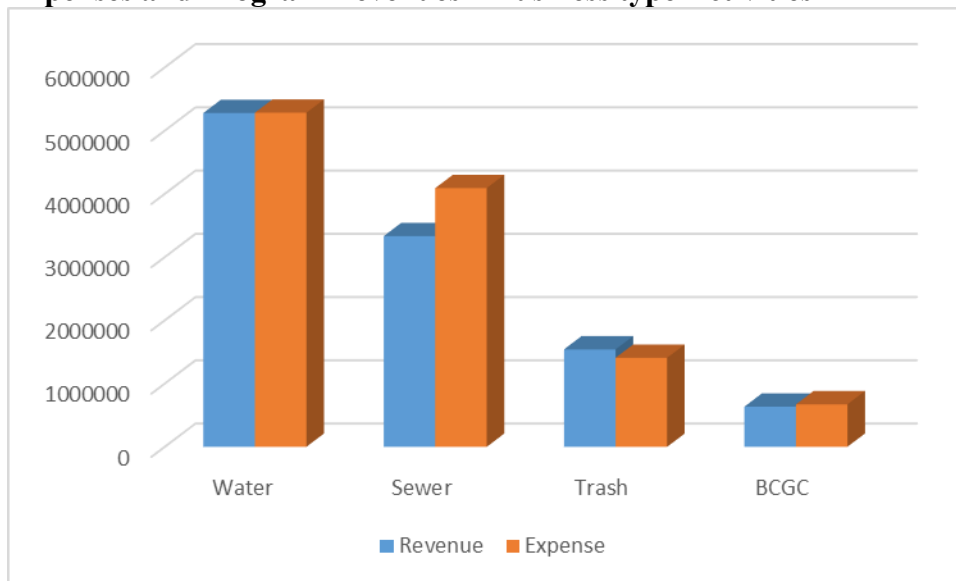
City of Montrose Statement of Net Position								
	Governmental		Business-type		Total		Amount of	%
	activities		activities				Change	Change
	2015	2014	2015	2014	2015	2014		
Current assets	\$ 23,028,280	\$ 22,803,620	\$ 14,549,872	\$ 12,223,148	\$ 37,578,152	\$ 35,026,768	\$ 2,551,384	6.8%
Noncurrent assets	\$ 67,638,094	\$ 69,205,681	\$ 57,798,030	\$ 61,104,108	\$ 125,436,124	\$ 130,309,789	\$ (4,873,665)	-3.9%
Total assets	\$ 90,666,374	\$ 92,009,301	\$ 72,347,902	\$ 73,327,256	\$ 163,014,276	\$ 165,336,557	\$ (2,322,281)	-1.4%
Current liabilities	\$ 2,951,072	\$ 3,028,918	\$ 1,009,812	\$ 958,315	\$ 3,960,884	\$ 3,987,233	\$ (26,349)	-0.7%
Noncurrent liability	\$ 428,474	\$ 798,181	\$ 2,978,361	\$ 3,341,798	\$ 3,406,835	\$ 4,139,979	\$ (733,144)	-21.5%
Total liabilities	\$ 3,379,546	\$ 3,827,099	\$ 3,988,173	\$ 4,300,113	\$ 7,367,719	\$ 8,127,212	\$ (759,493)	-10.3%
Deferred Inflows								
Property Taxes	\$ 115,540	\$ 115,540			\$ 115,540	\$ 115,540	\$ -	0.0%
Net Position:								
Net Investment in								
Capital Assets	\$ 55,928,715	\$ 57,030,109	\$ 52,319,334	\$ 54,428,327	\$ 108,248,049	\$ 111,458,436	\$ (3,210,387)	-3.0%
Restricted	\$ 4,365,632	\$ 4,117,151			\$ 4,365,632	\$ 4,117,151	\$ 248,481	5.7%
Unrestricted	\$ 26,876,943	\$ 26,919,402	\$ 16,040,395	\$ 14,598,816	\$ 42,917,338	\$ 41,518,218	\$ 1,399,120	3.3%
Total Net Position	\$ 87,171,290	\$ 88,066,662	\$ 68,359,729	\$ 69,027,143	\$ 155,531,019	\$ 157,093,805	\$ (1,562,786)	-1.0%

At the end of the current fiscal year, the City's net position government-wide have decreased over the net position reported in 2014. Under GASB 34 the audit shows the City's net position decreased by \$1,562,786 during the current fiscal year. This decrease is partially due to timing of payables as well as the increase in accrual of salaries and accrued compensated absences liability.

Governmental activities decreased the City's net position by \$932,568 and business type activities increased the City's net position by \$667,414.

City of Montrose Changes in Net Position							
	Governmental		Business-type		Total		Amount of Change
	activities		activities				
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program revenues:							
Charges for services	\$ 1,167,867	\$ 1,161,522	\$ 10,048,469	\$ 9,971,742	\$ 11,216,336	\$ 11,133,264	\$ 83,072
Operating grants and contributions	\$ 1,455,490	\$ 1,430,956			\$ -	\$ -	\$ -
Capital Grants and contributions	\$ 1,181,658	\$ 253,896	\$ 515,026	\$ 1,341,084	\$ 1,696,684	\$ 1,594,980	\$ 101,704
General revenues:					\$ -	\$ -	\$ -
Taxes					\$ -	\$ -	\$ -
Sales Tax	\$ 15,941,550	\$ 14,356,594			\$ 15,941,550	\$ 14,356,594	\$ 1,584,956
Franchise Fees	\$ 1,034,813	\$ 1,048,691			\$ 1,034,813	\$ 1,048,691	\$ (13,878)
Cigarette Tax	\$ 57,665	\$ 58,886			\$ 57,665	\$ 58,886	\$ (1,221)
Earnings on Investments	\$ 69,118	\$ 32,900	\$ 45,770	\$ 22,304	\$ 114,888	\$ 55,204	\$ 59,684
Miscellaneous	\$ 134,095	\$ 108,755	\$ (1,737,734)	\$ 1,048	\$ (1,603,639)	\$ 109,803	\$ (1,713,442)
Administrative Charges	\$ 794,917	\$ 912,000	\$ (794,917)	\$ (912,000)	\$ -	\$ -	\$ -
Other	\$ 3,360	\$ 1,120			\$ 3,360	\$ 1,120	\$ 2,240
Capital Cont.-Infrastructure					\$ -	\$ -	\$ -
Total revenues	\$ 21,840,533	\$ 19,365,320	\$ 8,076,614	\$ 10,424,178	\$ 29,917,147	\$ 29,789,498	\$ 127,649
Expenses:							
General government	\$ 4,757,390	\$ 4,211,863			\$ 4,757,390	\$ 4,211,863	\$ 545,527
Community Development	\$ 1,566,428	\$ 1,279,743			\$ 1,566,428	\$ 1,279,743	\$ 286,685
Public Safety	\$ 6,597,007	\$ 6,131,080			\$ 6,597,007	\$ 6,131,080	\$ 465,927
Engineering & Inspection	\$ 155,774	\$ 144,431			\$ 155,774	\$ 144,431	\$ 11,343
Public Works	\$ 8,279,525	\$ 8,142,307			\$ 8,279,525	\$ 8,142,307	\$ 137,218
Parks & Cemetery	\$ 1,578,228	\$ 1,646,149			\$ 1,578,228	\$ 1,646,149	\$ (67,921)
Administration	\$ (312,303)	\$ 405,193			\$ (312,303)	\$ 405,193	\$ (717,496)
Interest	\$ 26,050	\$ 36,124			\$ 26,050	\$ 36,124	\$ (10,074)
Water			\$ 3,189,741	\$ 4,415,888	\$ 3,189,741	\$ 4,415,888	\$ (1,226,147)
Sewer			\$ 3,787,031	\$ 3,563,140	\$ 3,787,031	\$ 3,563,140	\$ 223,891
Sanitation			\$ 1,220,120	\$ 1,279,274	\$ 1,220,120	\$ 1,279,274	\$ (59,154)
Black Canyon Golf Course			\$ 672,136	\$ 733,057	\$ 672,136	\$ 733,057	\$ (60,921)
Total expenses	\$ 22,648,099	\$ 21,996,890	\$ 8,869,028	\$ 9,991,359	\$ 31,517,127	\$ 31,988,249	\$ (471,122)
Increase in net assets							
before transfers	\$ (807,566)	\$ (2,631,570)	\$ (792,414)	\$ 432,819	\$ (1,599,980)	\$ (2,198,751)	\$ 598,771
Transfers	\$ (125,002)	\$ (255,100)	\$ 125,000	\$ 255,100	\$ (2)	\$ -	\$ (2)
Change in Net Position	\$ (932,568)	\$ (2,886,670)	\$ (667,414)	\$ 687,919	\$ (1,599,982)	\$ (2,198,751)	\$ 598,769
Net assets - 1/1	\$ 88,066,662	\$ 90,953,332	\$ 69,027,143	\$ 68,339,224	\$ 157,093,805	\$ 159,292,556	\$ (2,198,751)
Net assets - 12/31	\$ 87,134,094	\$ 88,066,662	\$ 68,359,729	\$ 69,027,143	\$ 155,493,823	\$ 157,093,805	\$ (1,599,982)

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 \$15,810,221 an increase of \$228,015 over the prior year. Approximately 61.7% 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 (\$19,542) and permanent funds or other corpus (\$437,232). *Restricted fund balance* is for emergencies per TABOR (\$711,000), economic development (\$269,626) pay debt service (\$214,910), beautification – Expendable (\$8,699), Capital Projects (\$2,835,024) and parks and open space (\$326,373). *Committed fund balance* consists of economic development (\$147,244), parks improvements (\$159,818) and animal benefit (\$40,087). *Assigned fund balance* for pavilion improvements (\$14,895), parks and recreation (\$75,366) and public education (\$80,814).

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 \$9,754,630, while total fund balance reached \$10,606,388. 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 60.4% of total general fund expenditures, while total fund balance represents 65.6% of that same amount.

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

Unrestricted net position of the Water Fund at the end of the year amounted to \$10,975,164, the Sewer Fund amounted to \$2,743,553 and the Trash and Recycling Fund amounted to \$245,034.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$17,389,261. Actual expenditures totaled \$16,163,262 which is an increase of \$742,069 from 2014 actual expenditures. The budget was completed in accordance with the City’s Charter. The City has a six-year Capital Improvement Plan that is updated every two years and is a helpful budgetary planning tool. Unfortunately, the City has been limited in actually budgeting for these prioritized projects because of the lack of funding sources.

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$237,098,531. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, bridges and water and sewer infrastructure.

City of Montrose Capital Assets								
(does not include internal service funds or depreciation)								
	Governmental		Business-type		Total		Amount of	%
	Activities		Activities				Change	Change
	2015	2014	2015	2014	2015	2014		
Land	\$ 10,895,774	\$ 10,889,453	\$ 2,134,491	\$ 2,134,491	\$ 13,030,265	\$ 13,023,944	6,321	0%
Improvements other than buildings	\$ 2,712,010	\$ 2,691,811	\$ 6,925,228	\$ 6,925,228	\$ 9,637,238	\$ 9,617,039	20,199	0%
Infrastructure	\$113,153,942	\$109,276,065			\$113,153,942	\$ 109,276,065	3,877,877	4%
Buildings & System	\$ 13,598,913	\$ 13,286,660	\$ 80,216,291	\$ 81,269,755	\$ 93,815,204	\$ 94,556,415	(741,211)	-1%
Machinery & Equipment	\$ 5,815,073	\$ 5,770,640	\$ 1,646,809	\$ 1,517,560	\$ 7,461,882	\$ 7,288,200	173,682	2%
Total	\$146,175,712	\$141,914,629	\$ 90,922,819	\$ 91,847,034	\$237,098,531	\$ 233,761,663	\$ 3,336,868	1%

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,283,221 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		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ 700,000	\$ 1,030,000	\$ 3,240,000	\$ 3,530,000	\$ 3,940,000	\$ 4,560,000
Notes Payable	\$ 43,221	\$ 52,772			\$ 43,221	\$ 52,772
Total	\$ 743,221	\$ 1,082,772	\$ 3,240,000	\$ 3,530,000	\$ 3,983,221	\$ 4,612,772

The City's bonded debt decreased by \$620,000 during 2015.

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 \$263,341,610 the current general obligation debt limitation for the City is \$13,167,080. 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 7 on pages 25 through 27 of this report.

Economic Factors and Next Year's Budgets and Rates

- According to the USDA website, the 2015 unemployment rate for Montrose County was 4.5%. Montrose County had a slightly higher unemployment rate than the state's average rate of 3.7% and the national average rate of 4.9%.
- The City will continue to be a regional retail center for Montrose, San Miguel, Ouray and Gunnison counties with expansion of current businesses and the addition of retail and restaurant building permits
- Building permits continue to gradually climb with non-residential construction increasing 30% and single family residential building permits increasing 43% over 2014 numbers.
- Rates for Water, Sewer and Trash and Recycling were not increased in 2015.

Requests for Information

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

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

To the City Council
City of Montrose, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Montrose's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

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

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule shown on page 30 - 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The combining and budgetary comparison statements and schedules presented on pages 32 - 63 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 64 - 65 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Englewood, Colorado
August 9, 2016

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BASIC FINANCIAL STATEMENTS

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CITY OF MONTROSE, COLORADO

Statement of Net Position

December 31, 2015

	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 12,744,048	\$ 9,816,472	\$ 22,560,520
Certificates of deposit	6,761,422	3,770,405	10,531,827
Accounts receivable - net	629,246	712,239	1,341,485
Franchise fees receivable	187,620	-	187,620
Due from other governments	633,686	-	633,686
Sales tax receivable	1,683,528	-	1,683,528
Special assessments receivable	313,058	-	313,058
Prepaid Expenses	19,133	-	19,133
Inventory of supplies	56,539	250,756	307,295
Total Current Assets	<u>23,028,280</u>	<u>14,549,872</u>	<u>37,578,152</u>
Noncurrent Assets			
Capital assets, not being depreciated	10,895,774	2,134,491	13,030,265
Capital assets	145,795,811	88,818,755	234,614,566
Accumulated depreciation	<u>(89,053,491)</u>	<u>(33,155,216)</u>	<u>(122,208,707)</u>
Total Noncurrent Assets	<u>67,638,094</u>	<u>57,798,030</u>	<u>125,436,124</u>
Total Assets	<u>90,666,374</u>	<u>72,347,902</u>	<u>163,014,276</u>
LIABILITIES			
Current Liabilities			
Accounts payable	1,186,318	307,480	1,493,798
Due to other governments	1,942	-	1,942
Customer deposits and deposits in escrow	349,820	203,495	553,315
Accrued salaries and benefits	248,057	43,638	291,695
Unearned Revenue	-	11,644	11,644
Accrued compensated absences	494,804	77,711	572,515
Accrued interest payable	7,721	34,894	42,615
Claims payable	285,000	-	285,000
Long-term debt due in one year	377,410	330,950	708,360
Total Current Liabilities	<u>2,951,072</u>	<u>1,009,812</u>	<u>3,960,884</u>
Noncurrent Liabilities			
Revenue bonds - net of premium	375,632	2,952,551	3,328,183
Notes payable	33,188	-	33,188
Capital lease payable	19,654	25,810	45,464
Total Noncurrent Liabilities	<u>428,474</u>	<u>2,978,361</u>	<u>3,406,835</u>
Total Liabilities	<u>3,379,546</u>	<u>3,988,173</u>	<u>7,367,719</u>
Deferred Inflows - Property Taxes	115,540	-	115,540
NET POSITION			
Net Investment in Capital Assets	55,928,715	52,319,334	108,248,049
Restricted	4,365,632	-	4,365,632
Unrestricted	26,876,943	16,040,395	42,917,338
Total Net Position	<u>\$ 87,171,290</u>	<u>\$ 68,359,729</u>	<u>\$ 155,531,019</u>

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

CITY OF MONTROSE, COLORADO
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 4,757,390	\$ 313,097	\$ 322,306	\$ 1,164,333
Community development	1,566,428	95,537	163,678	-
Public safety	6,597,007	305,572	140,875	-
Engineering and inspection	155,774	312,164	-	-
Public works	8,279,525	14,332	730,465	-
Parks and cemetery	1,578,228	164,361	98,166	17,325
Insurance	(312,303)	-	-	-
Interest Expense	26,050	-	-	-
Total governmental activities	<u>22,648,099</u>	<u>1,205,063</u>	<u>1,455,490</u>	<u>1,181,658</u>
Business-type Activities				
Water	3,189,741	5,119,099	-	128,471
Sewer	3,787,031	2,933,579	-	383,730
Trash/Recycling	1,220,120	1,540,853	-	-
Black Canyon Golf Course	672,136	454,938	-	2,825
Total business-type activities	<u>8,869,028</u>	<u>10,048,469</u>	<u>-</u>	<u>515,026</u>
Total	<u>\$ 31,517,127</u>	<u>\$ 11,253,532</u>	<u>\$ 1,455,490</u>	<u>\$ 1,696,684</u>

General Revenues

Taxes:

Sales and use taxes

Franchise and occupational tax

Cigarette tax

Earnings on investments

Miscellaneous

Administrative charges

Contributions to permanent endowment

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning

Net Position, Ending

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

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,957,654)	\$ -	\$ (2,957,654)
(1,307,213)	-	(1,307,213)
(6,150,560)	-	(6,150,560)
156,390	-	156,390
(7,534,728)	-	(7,534,728)
(1,298,376)	-	(1,298,376)
312,303	-	312,303
(26,050)	-	(26,050)
<u>(18,805,888)</u>	<u>-</u>	<u>(18,805,888)</u>
-	2,057,829	2,057,829
-	(469,722)	(469,722)
-	320,733	320,733
-	(214,373)	(214,373)
<u>-</u>	<u>1,694,467</u>	<u>1,694,467</u>
<u>(18,805,888)</u>	<u>1,694,467</u>	<u>(17,111,421)</u>
15,941,550	-	15,941,550
1,034,813	-	1,034,813
57,665	-	57,665
69,118	45,770	114,888
134,095	(1,737,734)	(1,603,639)
794,917	(794,917)	-
3,360	-	3,360
(125,002)	125,000	(2)
<u>17,910,516</u>	<u>(2,361,881)</u>	<u>15,548,635</u>
(895,372)	(667,414)	(1,562,786)
<u>88,066,662</u>	<u>69,027,143</u>	<u>157,093,805</u>
<u>\$ 87,171,290</u>	<u>\$ 68,359,729</u>	<u>\$ 155,531,019</u>

CITY OF MONTROSE, COLORADO
 Balance Sheet
 Governmental Funds
 December 31, 2015
 (With Comparative Totals for December 31, 2014)

	Totals				
	General	Capital Improvement	Nonmajor Funds	2015	2014
ASSETS					
Cash and cash equivalents	\$ 6,151,916	\$ (236,240)	\$ 2,563,258	\$ 8,478,934	\$ 12,604,578
Certificates of deposit	3,808,199	504,663	1,944,208	6,257,070	2,854,487
Accounts receivable - net	276,713	-	211,897	488,610	336,039
Franchise fees receivable	182,794	-	4,826	187,620	179,103
Due from other governments	69,413	443,393	120,880	633,686	201,090
Sales tax receivable	1,650,534	-	32,994	1,683,528	1,546,959
Special assessments receivable	-	-	313,058	313,058	390,232
Inventory of supplies	-	-	8,188	8,188	15,207
Prepaid Expenses	11,354	-	-	11,354	109,623
Restricted cash and cash equivalents	-	-	-	-	112,839
Total Assets	<u>\$ 12,150,923</u>	<u>\$ 711,816</u>	<u>\$ 5,199,309</u>	<u>\$ 18,062,048</u>	<u>\$ 18,350,157</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 939,401	\$ 126,856	\$ 59,867	\$ 1,126,124	\$ 1,330,342
Due to other governments	1,942	-	-	1,942	2,290
Customer deposits and deposits in escrow	348,936	-	884	349,820	198,889
Accrued salaries and benefits	226,956	-	7,109	234,065	184,904
Unearned Revenue	27,300	-	397,037	424,337	468,937
Total Liabilities	<u>1,544,535</u>	<u>126,856</u>	<u>464,897</u>	<u>2,136,288</u>	<u>2,185,362</u>
DEFERRED INFOWS - Property Taxes	-	-	115,540	115,540	126,559
FUND BALANCE					
Unspendable:					
Prepays and Inventory	11,354	-	8,188	19,542	124,830
Permanent funds or other corpus	-	-	437,232	437,232	433,878
Restricted:					
For emergencies	711,000	-	-	711,000	623,000
For economic development	-	-	269,626	269,626	228,138
For debt service	-	-	214,910	214,910	213,922
For beautification - expendable	-	-	8,699	8,699	5,333
For capital projects	119,676	-	2,715,348	2,835,024	2,774,670
For parks	-	-	326,373	326,373	272,088
Committed:					
For economic development	-	-	147,244	147,244	163,394
For community development	-	-	130,000	130,000	141,480
For capital projects	-	584,960	-	584,960	1,690,900
For public safety	-	-	-	-	241
For parks improvements	-	-	159,819	159,819	258,842
For animal shelter	-	-	40,087	40,087	40,087
Assigned:					
For parks and recreation	9,728	-	65,638	75,366	54,915
For pavilion improvements	-	-	14,895	14,895	20,498
For public education	-	-	80,814	80,814	64,137
Unassigned	9,754,630	-	-	9,754,630	8,927,883
Total Fund Balance	<u>10,606,388</u>	<u>584,960</u>	<u>4,618,873</u>	<u>15,810,221</u>	<u>16,038,236</u>
Total Liabilities, Deferred Inflow and Fund Balances	<u>\$ 12,150,923</u>	<u>\$ 711,816</u>	<u>\$ 5,199,310</u>	<u>\$ 18,062,049</u>	<u>\$ 18,350,157</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 Position
December 31, 2015

	<u>2015</u>
Total Fund Balances for the Governmental Funds	\$ 15,810,221
Total net position for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	
Land	10,895,774
Land Improvements	2,712,010
Infrastructure	113,153,942
Buildings and systems	13,598,913
Equipment	5,815,073
Accumulated Depreciation	(81,296,261)
Internal service funds are used by the City to charge the costs of vehicles and employee health and dental costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	
	7,307,653
Special assessments receivable that are not currently available are deferred in the funds	
	424,337
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position.	
Accrued interest on long-term debt	(7,721)
Unamortized bond premiums	(30,395)
Revenue bonds payable	(700,000)
Notes payable	(43,216)
Compensated absences	(469,040)
Total Net Position for Governmental Activities	<u>\$ 87,171,290</u>

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

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

				Totals	
	General	Capital Improvement	Nonmajor Funds	2015	2014
REVENUES					
Taxes	\$ 16,230,460	\$ -	\$ 887,616	\$ 17,118,076	\$ 15,575,469
Licenses and permits	367,582	-	-	367,582	251,116
Intergovernmental	1,351,192	1,006,176	278,012	2,635,380	1,549,604
Charges for services	277,247	-	40,741	317,988	438,550
Fines and forfeits	241,257	-	-	241,257	227,661
Special assessments	-	-	90,866	90,866	100,997
Miscellaneous	208,298	3,436	93,154	304,888	312,997
Administrative reimbursement	794,917	-	-	794,917	912,000
Contributions to permanent endowment	-	-	3,360	3,360	1,120
Investment earnings	41,870	6,205	21,360	69,435	33,001
Total revenues	<u>19,512,823</u>	<u>1,015,817</u>	<u>1,415,109</u>	<u>21,943,749</u>	<u>19,402,515</u>
EXPENDITURES					
Current					
General government	4,071,295	-	7,210	4,078,505	3,673,337
Community Development	386,206	-	1,059,699	1,445,905	1,223,380
Public safety	6,030,836	-	-	6,030,836	5,785,665
Engineering and inspection	143,789	-	-	143,789	137,796
Public works	2,892,341	-	14,320	2,906,661	2,795,971
Parks, recreation and cemetery	1,134,103	-	-	1,134,103	1,292,324
Insurance	330,364	-	-	330,364	262,091
Capital outlay	1,174,329	4,113,196	305,685	5,593,210	3,777,026
Debt service	-	-	383,389	383,389	386,514
Total expenditures	<u>16,163,263</u>	<u>4,113,196</u>	<u>1,770,303</u>	<u>22,046,762</u>	<u>19,334,104</u>
Revenues in excess of expenditures	<u>3,349,560</u>	<u>(3,097,379)</u>	<u>(355,194)</u>	<u>(103,013)</u>	<u>68,411</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,348	1,991,439	496,275	2,492,062	2,822,412
Transfers out	(2,538,840)	-	(78,224)	(2,617,064)	(3,077,512)
Net other financing sources (uses)	<u>(2,534,492)</u>	<u>1,991,439</u>	<u>418,051</u>	<u>(125,002)</u>	<u>(255,100)</u>
Change in fund balance	815,068	(1,105,940)	62,857	(228,015)	(186,689)
FUND BALANCE, Beginning	<u>9,791,320</u>	<u>1,690,900</u>	<u>4,556,016</u>	<u>16,038,236</u>	<u>16,224,925</u>
FUND BALANCE, Ending	<u>\$ 10,606,388</u>	<u>\$ 584,960</u>	<u>\$ 4,618,873</u>	<u>\$ 15,810,221</u>	<u>\$ 16,038,236</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, 2015

	2015
Net change in fund balances - governmental funds	\$ (228,015)
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capitalized assets	4,281,227
Gain (loss) on asset disposals	(10,401)
Depreciation expense	(6,165,407)
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	
	908,351
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	(55,619)
Change in accrued interest payable	3,459
Change in accrued compensated absences	17,153
Repayment of principal on long-term debt is reported as an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Principal repayments on long-term debt	339,551
Amortization of bond premiums	14,329
Change in net position of governmental activities	<u>\$ (895,372)</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 8,534,198	\$ 1,292,415	\$ 93,443	\$ (103,584)	\$ 9,816,472
Certificates of deposit	2,406,811	1,363,594	-	-	3,770,405
Accounts receivable - net	292,711	266,431	144,843	8,254	712,239
Inventory of supplies	141,908	29,793	58,208	20,847	250,756
Prepaid Expenses	-	-	-	-	-
Total Current Assets	<u>11,375,628</u>	<u>2,952,233</u>	<u>296,494</u>	<u>(74,483)</u>	<u>14,549,872</u>
Noncurrent Assets					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets, net of depreciation	<u>24,022,376</u>	<u>32,977,219</u>	<u>-</u>	<u>798,435</u>	<u>57,798,030</u>
Total Noncurrent Assets	<u>24,022,376</u>	<u>32,977,219</u>	<u>-</u>	<u>798,435</u>	<u>57,798,030</u>
Total Assets	<u>35,398,004</u>	<u>35,929,452</u>	<u>296,494</u>	<u>723,952</u>	<u>72,347,902</u>
LIABILITIES					
Current Liabilities					
Accounts payable	125,716	146,453	29,806	5,505	307,480
Customer deposits and deposits in escrow	203,495	-	-	-	203,495
Accrued salaries and benefits	15,856	16,951	6,499	4,332	43,638
Unearned Revenue	-	4,800	-	6,844	11,644
Accrued compensated absences	36,205	24,774	15,155	1,577	77,711
Accrued interest payable	19,192	15,702	-	-	34,894
Claims payable	-	-	-	-	-
Long-term debt due in one year	<u>166,447</u>	<u>136,184</u>	<u>-</u>	<u>28,319</u>	<u>330,950</u>
Total Current Liabilities	566,911	344,864	51,460	46,577	1,009,812
Noncurrent Liabilities					
Revenue bonds - net of premium	1,623,902	1,328,649	-	-	2,952,551
Capital lease payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,810</u>	<u>25,810</u>
Total Liabilities	<u>2,190,813</u>	<u>1,673,513</u>	<u>51,460</u>	<u>72,387</u>	<u>3,988,173</u>
NET POSITION					
Net Investment in Capital Assets	22,232,027	31,512,386	-	744,306	54,488,719
Unrestricted	<u>10,975,164</u>	<u>2,743,553</u>	<u>245,034</u>	<u>(92,741)</u>	<u>13,871,010</u>
Total Net Position	<u>\$ 33,207,191</u>	<u>\$ 34,255,939</u>	<u>\$ 245,034</u>	<u>\$ 651,565</u>	<u>\$ 68,359,729</u>

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

Totals

Internal Service

Funds	2015	2014
\$ 4,265,114	\$ 14,081,586	\$ 14,218,473
504,352	4,274,757	1,285,630
140,636	852,875	997,897
48,351	299,107	287,449
<u>7,779</u>	<u>7,779</u>	<u>-</u>
<u>4,966,232</u>	<u>19,516,104</u>	<u>16,789,449</u>
-	-	959,669
<u>2,758,643</u>	<u>60,556,673</u>	<u>62,463,249</u>
<u>2,758,643</u>	<u>60,556,673</u>	<u>63,422,918</u>
<u>7,724,875</u>	<u>80,072,777</u>	<u>80,212,367</u>
60,194	367,674	326,784
-	203,495	245,249
13,992	57,630	49,780
-	11,644	8,721
25,764	103,475	98,288
-	34,894	38,160
285,000	285,000	350,000
<u>10,039</u>	<u>340,989</u>	<u>335,058</u>
394,989	1,404,801	1,452,040
-	2,952,551	3,255,182
<u>22,234</u>	<u>48,044</u>	<u>78,700</u>
<u>417,223</u>	<u>4,405,396</u>	<u>4,785,922</u>
2,726,370	57,215,089	58,794,309
<u>4,581,283</u>	<u>18,452,293</u>	<u>16,632,136</u>
<u>\$ 7,307,653</u>	<u>\$ 75,667,382</u>	<u>\$ 75,426,445</u>

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
OPERATING REVENUES					
Water sales	\$ 5,062,318	\$ -	\$ -	\$ -	\$ 5,062,318
Sewer charges	-	2,840,260	-	-	2,840,260
Tap fees unpledged	54,784	21,700	-	-	76,484
Sanitation charges	-	-	1,540,563	-	1,540,563
Golf charges	-	-	-	454,938	454,938
Interfund charges	-	-	-	-	-
Other Charges	954	55,275	-	-	56,229
Miscellaneous	1,043	16,344	290	-	17,677
Total Operating Revenues	<u>5,119,099</u>	<u>2,933,579</u>	<u>1,540,853</u>	<u>454,938</u>	<u>10,048,469</u>
OPERATING EXPENSES					
Enterprise administration	301,650	305,247	188,020	-	794,917
Operations and maintenance	2,207,676	1,829,211	1,220,120	619,996	5,877,003
Medical claims	-	-	-	-	-
Insurance premiums	-	-	-	-	-
Depreciation	901,695	1,892,064	-	46,283	2,840,042
Total Operating Expenses	<u>3,411,021</u>	<u>4,026,522</u>	<u>1,408,140</u>	<u>666,279</u>	<u>9,511,962</u>
Net Operating Income	<u>1,708,078</u>	<u>(1,092,943)</u>	<u>132,713</u>	<u>(211,341)</u>	<u>536,507</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Investment earnings	31,578	14,192	-	-	45,770
Gain (loss) on sale of assets	(1,792,646)	-	-	-	(1,792,646)
Other miscellaneous revenues	-	-	-	54,912	54,912
Interest expense	(80,370)	(65,756)	-	(5,857)	(151,983)
Net Nonoperating Revenues (Expenses)	<u>(1,841,438)</u>	<u>(51,564)</u>	<u>-</u>	<u>49,055</u>	<u>(1,843,947)</u>
Income Before Contributions and Transfers	<u>(133,360)</u>	<u>(1,144,507)</u>	<u>132,713</u>	<u>(162,286)</u>	<u>(1,307,440)</u>
Contributions and Transfers					
Capacity fees and Dedicated infrastructure	128,471	383,730	-	2,825	515,026
Transfers in	-	-	-	125,000	125,000
Net Contributions and Transfers	<u>128,471</u>	<u>383,730</u>	<u>-</u>	<u>127,825</u>	<u>640,026</u>
Change in Net Position	<u>(4,889)</u>	<u>(760,777)</u>	<u>132,713</u>	<u>(34,461)</u>	<u>(667,414)</u>
NET POSITION, Beginning	<u>33,212,080</u>	<u>35,016,716</u>	<u>112,321</u>	<u>686,026</u>	<u>69,027,143</u>
NET POSITION, ENDING	<u>\$ 33,207,191</u>	<u>\$ 34,255,939</u>	<u>\$ 245,034</u>	<u>\$ 651,565</u>	<u>\$ 68,359,729</u>

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

Totals

Internal Service Funds	2015	2014
\$ -	\$ 5,062,318	\$ 5,052,614
-	2,840,260	2,780,253
-	76,484	54,872
-	1,540,563	1,508,032
-	454,938	465,197
4,846,922	4,846,922	4,568,987
88,415	144,644	116,817
<u>28,507</u>	<u>46,184</u>	<u>31,791</u>
<u>4,963,844</u>	<u>15,012,313</u>	<u>14,578,563</u>
97,206	892,123	1,003,658
1,901,965	7,778,968	8,728,992
1,228,881	1,228,881	1,980,347
343,960	343,960	297,063
<u>642,358</u>	<u>3,482,400</u>	<u>3,548,338</u>
<u>4,214,370</u>	<u>13,726,332</u>	<u>15,558,398</u>
<u>749,474</u>	<u>1,285,981</u>	<u>(979,835)</u>
126,027	126,027	328,032
9,776	55,546	26,124
24,369	(1,768,277)	(3,115)
-	54,912	1,048
<u>(1,295)</u>	<u>(153,278)</u>	<u>(161,737)</u>
<u>158,877</u>	<u>(1,685,070)</u>	<u>190,352</u>
<u>908,351</u>	<u>(399,089)</u>	<u>(789,483)</u>
-	515,026	1,080,305
<u>-</u>	<u>125,000</u>	<u>255,100</u>
<u>-</u>	<u>640,026</u>	<u>1,335,405</u>
908,351	240,937	545,922
<u>6,399,302</u>	<u>75,426,445</u>	<u>74,880,523</u>
<u>\$ 7,307,653</u>	<u>\$ 75,667,382</u>	<u>\$ 75,426,445</u>

CITY OF MONTROSE, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,070,022	\$ 2,930,633	\$ 1,541,720	\$ 449,607	\$ 9,991,982
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(1,881,068)	(1,355,526)	(851,382)	(69,763)	(4,157,739)
Payments to employees	(454,643)	(522,473)	(246,485)	(238,203)	(1,461,804)
Payments for internal services used	(134,578)	(204,588)	(343,532)	(343,532)	(1,026,230)
Net cash provided (used) by operating activities	<u>2,599,733</u>	<u>848,046</u>	<u>100,321</u>	<u>(201,891)</u>	<u>3,346,209</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other Revenues	-	-	-	54,912	54,912
Transfers in	-	-	-	125,000	125,000
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,912</u>	<u>179,912</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions and tap fees	128,471	383,730	-	2,825	515,026
Capital grants	-	-	-	-	-
Proceeds from sale of assets	(1,792,646)	-	-	-	(1,792,646)
Acquisition and construction of capital assets	367,961	(819,867)	-	(41,727)	(493,633)
Principal paid on long-term debt	(160,893)	(131,640)	-	(32,487)	(325,020)
Interest paid on long-term debt	(82,166)	(67,226)	-	(5,857)	(155,249)
Net cash provided (used) by capital and related financing activities	<u>(1,539,273)</u>	<u>(635,003)</u>	<u>-</u>	<u>(77,246)</u>	<u>(2,251,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(2,222,091)	(262,684)	-	-	(2,484,775)
Interest on investments	31,578	14,192	-	-	45,770
Net cash provided (used) by investing activities	<u>(2,190,513)</u>	<u>(248,492)</u>	<u>-</u>	<u>-</u>	<u>(2,439,005)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,130,053)</u>	<u>(35,449)</u>	<u>100,321</u>	<u>(99,225)</u>	<u>(1,164,406)</u>
CASH AND CASH EQUIVALENTS, Beginning	9,664,251	1,327,864	(6,878)	(4,359)	10,980,878
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 8,534,198</u>	<u>\$ 1,292,415</u>	<u>\$ 93,443</u>	<u>\$ (103,584)</u>	<u>\$ 9,816,472</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 1,708,078	\$ (1,092,943)	\$ 132,713	\$ (211,341)	\$ 536,507
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	901,695	1,892,064	-	46,283	2,840,042
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	(7,323)	(2,946)	867	(8,254)	(17,656)
(Increase) decrease in inventory of supplies	4,510	1,352	(16,945)	(17,947)	(29,030)
(Increase) decrease in prepaid expenses	-	-	-	-	-
Increase (decrease) in accounts payable	25,130	49,530	(11,633)	(17,156)	45,871
Increase (decrease) in customer deposits and deposits in escrow	(41,754)	-	-	-	(41,754)
Increase (decrease) in accrued salaries and benefits	3,305	1,566	(1,754)	2,024	5,141
Increase (decrease) in deferred revenues	-	-	-	2,923	2,923
Increase (decrease) in accrued compensated absences	6,092	(577)	(2,927)	1,577	4,165
Net cash provided (used) by operating activities	<u>\$ 2,599,733</u>	<u>\$ 848,046</u>	<u>\$ 100,321</u>	<u>\$ (201,891)</u>	<u>\$ 3,346,209</u>
SCHEDULE OF NON-CASH ACTIVITIES					
Donated capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets acquired through lease	-	-	-	-	-
Net Non-Cash Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Totals

Internal Service Funds	2015	2014
\$ 279,600	\$ 10,271,582	\$ 9,748,289
4,846,922	4,846,922	4,568,987
(3,127,104)	(7,284,843)	(8,892,029)
(481,220)	(1,943,024)	(1,906,657)
(20,346)	(1,046,576)	(1,038,280)
<u>1,497,852</u>	<u>4,844,061</u>	<u>2,480,310</u>
	54,912	1,048
-	125,000	255,100
-	179,912	256,148
-	515,026	382,567
126,027	126,027	328,032
24,369	(1,768,277)	(3,115)
(1,082,191)	(1,575,824)	(3,017,188)
(2,336)	(327,356)	(242,829)
(1,295)	(156,544)	(164,824)
<u>(935,426)</u>	<u>(3,186,948)</u>	<u>(2,717,357)</u>
(504,352)	(2,989,127)	(11,289)
9,776	55,546	26,124
<u>(494,576)</u>	<u>(2,933,581)</u>	<u>14,835</u>
67,850	(1,096,556)	33,936
<u>4,197,264</u>	<u>15,178,142</u>	<u>15,144,206</u>
<u>\$ 4,265,114</u>	<u>\$ 14,081,586</u>	<u>\$ 15,178,142</u>
\$ 749,474	\$ 1,285,981	\$ 683,549
642,358	3,482,400	3,439,319
162,678	145,022	4,449
17,372	(11,658)	41,817
(7,779)	(7,779)	41,817
(4,982)	40,889	118,383
-	(41,754)	27,562
2,709	7,850	3,143
-	2,923	-
1,022	5,187	(15,761)
<u>\$ 1,497,852</u>	<u>\$ 4,844,061</u>	<u>\$ 4,344,278</u>
\$ -	\$ -	\$ 697,738
-	-	86,616
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 784,354</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Trash\Recycling, and the City's internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

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

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

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

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

Deposits and investments - The cash balances of substantially all funds are pooled for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at December 31, 2015, 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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Infrastructure	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

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

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

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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing budgets:

- a. Budgets are required by state law for all governmental and proprietary funds.
- b. 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 Black Canyon Golf Course Fund, which may be a violation of Colorado statutes.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

E. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Originally adopted budgeted expenditures and the final, amended year budgeted expenditures for the ended December 31, 2015 are as follows:

Fund Name	Original Budget	Amendment	Final Budget
General Fund	\$ 17,769,341	\$ 2,158,759	\$ 19,928,100
Retail Sales Enhancement Fund	383,558	-	383,558
Downtown Development Authority	133,442	11,498	144,940
Downtown Opportunity Fund	37,300	-	37,300
Greater Montrose Loan Fund	80,000	-	80,000
Public/Education/Government Fund	20,000	-	20,000
Capital Improvements Fund	4,655,800	-	4,655,800
Conservation Trust Fund	80,000	-	80,000
Pavilion Improvement Fund	30,000	-	30,000
Special Benefit Fund	32,900	91,500	124,400
Tourism Promotional Fund	591,673	-	591,673
Excise Tax Revenue Bond Fund	371,400	-	371,400
EIA Fireflow Loan Fund	12,190	-	12,190
Cemetery Perpetual Care Fund	500	-	500
Special Improvements Revolving Fund	1,000	-	1,000
Grand/Rio Grande Project Fund	-	15,000	15,000
Building Renovations Fund	284,000	29,180	313,180
Water Fund	4,885,000	-	4,885,000
Sewer Fund	4,069,000	-	4,069,000
Trash/Recycling Fund	1,396,000	20,000	1,416,000
Golf Course Fund	606,000	26,300	632,300
Fleet Management Fund	1,803,400	412,080	2,215,480
Information Technologies Fund	1,066,416	-	1,066,416
Employee Benefit Fund	2,540,000	-	2,540,000
	<u>\$ 40,848,920</u>	<u>\$ 2,764,317</u>	<u>\$ 43,613,237</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2015 and how they are displayed in the financial statements is shown below:

Petty Cash	\$	4,850
Cash Accounts		15,835,387
Investments		<u>17,252,108</u>
Total Cash and Investments	\$	<u>33,092,345</u>
Cash and Equivalents	\$	22,560,520
Certificates of Deposit		10,531,825
Restricted Cash and Equivalents		<u>-</u>
Total Cash and Investments	\$	<u>33,092,345</u>

A. DEPOSITS

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

Custodial credit risk- Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits allows funds to be placed in any account that is guaranteed by the Federal Deposit Insurance Corporation with remaining amounts collateralized by securities pledged by the financial institution. As of December 31, 2015, none of the City's bank balances were exposed to custodial credit risk as all deposits were either insured or collateralized by securities pledged by financial institutions. A summary of this coverage is as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 1,011,161	\$ 1,011,161
PDPA Collateralized (Not held in City's name)	<u>15,012,916</u>	<u>14,824,226</u>
Total Cash Deposits	<u>\$ 16,024,077</u>	<u>\$ 15,835,387</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

B. INVESTMENTS

At December 31, 2015 the City had the following investments:

	Fair Value	Rating	Weighted Avg Mat.
Local Government Pools	\$ 17,252,108	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, 2015, 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, approximately 35% of the City's total investments for the year ended December 31, 2015, were in a single financial institution, Colotrust, which may be a violation of the City requirement.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Governmental Activities			
	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets not being depreciated:				
Land	\$ 10,889,453	\$ 6,321	\$ -	\$ 10,895,774
Capital assets being depreciated:				
Land improvement	2,691,811	20,199	-	2,712,010
Infrastructure - road network	109,276,065	3,877,877	-	113,153,942
Buildings	13,286,660	332,397	20,144	13,598,913
Equipment	5,770,640	44,433	-	5,815,073
Internal service vehicles	8,782,806	892,734	54,195	9,621,345
Internal service equipment	705,495	189,458	425	894,528
Total capital assets being depreciated	<u>140,513,477</u>	<u>5,357,098</u>	<u>74,764</u>	<u>145,795,811</u>
Less accumulated depreciation for:				
Land improvements	934,420	117,753	-	1,052,173
Infrastructure - road network	61,133,975	5,307,666	-	66,441,641
Buildings	7,969,348	619,257	9,743	8,578,862
Equipment	5,102,854	120,731	-	5,223,585
Internal service vehicles	6,704,842	564,887	54,195	7,215,534
Internal service equipment	464,649	77,472	425	541,696
Total accumulated depreciation	<u>82,310,088</u>	<u>6,807,766</u>	<u>64,363</u>	<u>89,053,491</u>
Total capital assets being depreciated, net	<u>58,203,389</u>	<u>(1,450,668)</u>	<u>10,401</u>	<u>56,742,320</u>
Governmental activity capital assets, net	<u>\$ 69,092,842</u>	<u>\$ (1,444,347)</u>	<u>\$ 10,401</u>	<u>\$ 67,638,094</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - CAPITAL ASSETS (Continued)

Business-Type Activities

	<u>Balance 1/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2015</u>
Capital assets not being depreciated:				
Land and Easements	\$ 2,134,491	\$ -	\$ -	\$ 2,134,491
Capital assets being depreciated:				
Reservoirs	6,925,228	-	-	6,925,228
Buildings	478,303	-	-	478,303
Land improvements	-	30,428	-	30,428
Transmission, collection and distribution lines	61,515,692	1,355,103	3,162,216	59,708,579
Treatment Plant	19,275,760	753,649	-	20,029,409
Equipment	1,517,560	147,099	17,850	1,646,809
Total capital assets being depreciated	<u>89,712,543</u>	<u>2,286,279</u>	<u>3,180,066</u>	<u>88,818,756</u>
Less accumulated depreciation for:				
Reservoirs	699,400	135,492	-	834,892
Buildings	-	31,247	-	31,247
Land improvements	-	-	-	-
Transmission, collection and distribution lines	17,587,332	1,871,205	1,369,570	18,088,967
Treatment Plant	12,972,134	728,860	-	13,700,994
Equipment	443,728	73,238	17,850	499,116
Total accumulated depreciation	<u>31,702,594</u>	<u>2,840,042</u>	<u>1,387,420</u>	<u>33,155,216</u>
Total Utility capital assets being depreciated, net	<u>58,009,949</u>	<u>(553,763)</u>	<u>1,792,646</u>	<u>55,663,540</u>
Business-type activities capital assets, net	<u>\$ 60,144,440</u>	<u>\$ (553,763)</u>	<u>\$ 1,792,646</u>	<u>\$ 57,798,031</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - CAPITAL ASSETS (Continued)

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

<u>Governmental Activities</u>	
General government	\$ 444,675
Public safety	63,474
Public works, including depreciation of general infrastructure assets	5,307,666
Parks and cemetery, including Pavillion	349,592
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	642,358
Total depreciation expense	
Governmental activities	<u>\$ 6,807,765</u>
<u>Business-Type Activities</u>	
Water	\$ 901,695
Sewer	1,892,064
Black Canyon Golf Course	46,283
Total depreciation expense	
Business-Type activities	<u>\$ 2,840,042</u>

NOTE 4 - EMPLOYEE RETIREMENT PLANS

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

The International City Managers Association (ICMA) Retirement Corporation Prototype Money Purchase Plan, known as the City of Montrose Pension Plan, covers all full time city employees including certified police officers. Employees are eligible to participate on the first day of employment. The City agrees to match contributions for each full time employee up to 8% of the employee's gross salary. The City is also required to contribute for each sworn police officer an amount (not to exceed 8.00%) equivalent to the Social Security and Medicare taxes paid for non-police employees less any Medicare taxes paid for sworn officers hired after March 31, 1986. For those officers hired before and after March 31, 1986, the total percentage is 15.65% and 14.20%, respectively, during 2015. The City's contributions for each employee hired prior to January 1, 2013 is fully vested. Employees hired after January 1, 2013 are vested 20% each year.

The City's contributions were calculated using the base salary of \$7,792,820. Contributions of up to 8% for employees and an additional required percentage based on Social Security and Medicare taxes for each sworn police officer amounted to \$653,573.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 - EMPLOYEE MEDICAL BENEFIT PLAN

The City adopted an employee medical benefit plan whereby the City self-insures the first \$125,000 per individual of covered medical claims, with a maximum annual City self-insurance liability of approximately \$1,767,980, exclusive of dental benefits, based on approximately 134 employees and dependents covered in 2014. 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, 2015 are as follows:

	Current Year			
	Beginning	Claims & Changes	Claim	Ending
	Balance	in Estimates	Balance Payment	Balance
2014	\$ 350,000	\$ 2,424,568	\$ 2,424,568	\$ 350,000
2015	\$ 350,000	\$ 1,270,083	\$ 1,335,083	\$ 285,000

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 2015, the rate for operations and maintenance was \$7.00 per acre-foot.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 -LONG-TERM DEBT

A. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Balance 1/1/15	Additions	Payments	Balance 12/31/15	Current Portion	Accrued Interest	Interest Expense
Governmental activities:							
Revenue bonds	\$ 1,030,000	\$ -	\$ 330,000	\$ 700,000	\$ 340,000	\$ 7,000	\$ 37,900
Unamortized bond premium	44,724	-	14,329	30,395	14,763	-	-
Note payable	52,767	-	9,551	43,216	10,028	721	2,479
Obligations under capital leases	34,609	9,133	11,469	32,273	12,619	-	1,295
Compensated absences	510,935	-	16,131	494,804	494,804	-	-
Total governmental activities	<u>\$ 1,673,035</u>	<u>\$ 9,133</u>	<u>\$ 381,480</u>	<u>\$ 1,300,688</u>	<u>\$ 872,214</u>	<u>\$ 7,721</u>	<u>\$ 41,674</u>
Business-type activities							
Revenue bonds	\$ 3,530,000	\$ -	\$ 290,000	\$ 3,240,000	\$ 300,000	\$ 34,894	\$ 148,659
Unamortized bond premium	17,715	-	2,533	15,182	2,631	-	(2,533)
Obligations under capital leases	86,615	-	32,486	54,129	28,319	-	5,857
Compensated absences	73,546	26,992	-	77,711	77,711	-	-
Total Business-type activities	<u>\$ 3,707,876</u>	<u>\$ 26,992</u>	<u>\$ 325,019</u>	<u>\$ 3,387,022</u>	<u>\$ 408,661</u>	<u>\$ 34,894</u>	<u>\$ 151,983</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$27,883 of accrued costs of employees' future compensated absences payable of internal service funds are included in the above amounts. Also, for the governmental activities, accrued costs of employees' future compensated absences are generally liquidated by the general fund.

**B. CITY OF MONTROSE SALES AND USE TAX REVENUE BONDS AND NOTES
PAYABLE FROM GOVENMENTAL ACTIVITES:**

\$2,570,000 Sales and Use Tax Revenue Refunding Bonds of June 2, 2010 due in installments of \$285,000 in 2010, increasing to \$340,000 in 2016, with a final payment of \$360,000 in 2017, plus interest at 2.50 to 4.00% per annum.	\$ 700,000
Plus unamortized premium	30,395
\$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>43,216</u>
Total payable from governmental activities	<u>\$ 773,611</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 - LONG-TERM DEBT (Continued)

C. 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.	\$3,240,000
Plus unamortized premium	15,182
Total payable from business-type activities	<u>\$3,255,182</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.

D. PRINCIPAL AND INTEREST PAYMENT REQUIREMENTS

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

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 350,028	\$ 30,162	\$ 380,190	\$ 300,000	\$ 138,150	\$ 438,150
2017	370,530	16,060	386,590	315,000	123,900	438,900
2018	11,055	1,134	12,189	330,000	110,670	440,670
2019	11,603	581	12,184	345,000	96,810	441,810
2020	-	-	-	360,000	82,320	442,320
2021-2024	-	-	-	1,590,000	171,780	1,761,780
	\$ 743,216	\$ 47,937	\$ 791,153	\$ 3,240,000	\$ 723,630	\$ 3,963,630

E. CAPITAL LEASE AGREEMENTS

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 - LONG-TERM DEBT (Continued)

E. CAPITAL LEASE AGREEMENTS (Continued)

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

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

<u>Year</u>	<u>Copier Equipment Payment</u>	<u>Year</u>	<u>Golf Equipment Payment</u>
2016	\$ 13,584	2016	\$ 29,359
2017	12,030	2017	<u>26,956</u>
2018	7,465	Total Payments	56,315
2019	<u>820</u>	Interest at 7.55%/5.5%	<u>(2,186)</u>
Total Payments	33,899	Present Value of Payments	<u>\$ 54,129</u>
Interest at 3.6%/3.5%/3.7%	<u>(1,626)</u>		
Present Value of Payments	<u>\$ 32,273</u>		

F. ADVANCE REFUNDING

Governmental Activities

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

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	<u>Transfers In (net)</u>				<u>Net</u>
	<u>General Fund</u>	<u>Capital Improve. Fund</u>	<u>Nonmajor Govt Funds</u>	<u>Black Canyon Golf Course Fund</u>	
<u>Transfers Out (net)</u>					
General Fund	<u>\$ (2,534,492)</u>	<u>\$ 1,991,439</u>	<u>\$ 418,051</u>	<u>\$ 125,000</u>	<u>\$ -</u>

The above amounts were transferred for operations.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

B. INTERNAL CHARGES

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

	Internal Fleet Equip Leases	Info. Systems Charges	Admin Charges	Health Benefits
General Fund	\$ 925,530	\$ 711,333	\$ -	\$ 1,870,732
Nonmajor Govt Funds	-	26,856	-	24,948
Major Enterprise Funds	752,319	98,390	794,917	311,505
Internal Service Funds	1,735	18,761	-	104,811
Total	<u>\$ 1,679,584</u>	<u>\$ 855,340</u>	<u>\$ 794,917</u>	<u>\$ 2,311,997</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, Chipeta Water District and the Menoken Water District entered into a contract to create a separate governmental entity, the Project 7 Water Authority, which owns and operates a water treatment facility. The Authority is governed by a board consisting of appointed representatives from each of the contracting entities. The City is obligated by contract to purchase the treatment of 825 million gallons of water annually from the Authority so long as the Authority has any unpaid debt, other than from operating expenses. The rate for 2015 was 90 cents per thousand gallons, which results in a minimum annual purchase commitment of \$742,500, but the rate charged may be changed by action of the Authority. During 2015, the City purchased treatment of 1,085,289 gallons for \$976,760. At December 31, 2015, the City owed the Authority \$41,006 for 45,562,000 gallons of water. Separate financial statements of Project 7 Water Authority are available from the City or the Authority.

NOTE 10 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Original	Final	Actual	Variance	2014
	Budget	Budget		With Final	Actual
REVENUES					
Taxes	\$ 14,949,924	\$ 13,449,924	\$ 16,230,460	\$ 2,780,536	\$ 14,743,334
Licenses and permits	223,400	223,400	367,582	144,182	251,116
Intergovernmental	1,129,000	1,129,000	1,351,192	222,192	1,274,212
Charges for services	309,400	309,400	277,247	(32,153)	387,656
Fines and forfeits	216,800	216,800	241,257	24,457	227,661
Miscellaneous	117,650	117,650	208,298	90,648	108,886
Administrative reimbursement	794,917	794,917	794,917	-	912,000
Investment earnings	18,250	18,250	41,870	23,620	15,345
Total revenues	<u>17,759,341</u>	<u>16,259,341</u>	<u>19,512,823</u>	<u>3,253,482</u>	<u>17,920,210</u>
EXPENDITURES					
Current					
General government					
City council	116,220	116,220	136,386	(20,166)	117,937
Economic development	363,000	363,000	510,003	(147,003)	301,756
Website/Communication:	121,112	121,112	117,321	3,791	117,555
City attorney	410,129	410,129	324,970	85,159	284,311
City manager	337,015	337,015	355,125	(18,110)	344,469
Human resources	233,072	233,072	259,510	(26,438)	223,818
GIS	256,552	256,552	232,179	24,373	264,904
Finance	619,015	619,015	609,171	9,844	610,484
Municipal court	173,690	173,690	179,556	(5,866)	165,535
Teen court	6,000	6,000	6,000	-	6,000
Innovation and citizen engagement	162,341	162,341	163,054	(713)	133,906
City clerk	212,460	212,460	214,033	(1,573)	218,855
Facility management	375,876	450,835	443,811	7,024	323,714
Montrose Pavilion	512,516	512,516	492,764	19,752	510,650
Clearing account	26,525	26,525	27,411	(886)	29,438
Total general government	<u>3,925,523</u>	<u>4,000,482</u>	<u>4,071,294</u>	<u>(70,812)</u>	<u>3,653,332</u>
Community Development					
Planning services	419,859	419,859	386,206	33,653	407,491
Public safety					
Police	3,754,131	5,254,131	3,714,694	1,539,437	3,527,940
Administration	1,417,249	1,417,249	1,440,229	(22,980)	1,339,155
Animal control	529,945	529,945	486,131	43,814	502,059
7th Judicial Drug Task Force	326,176	326,176	311,093	15,083	336,053
Code enforcement	83,340	83,340	78,689	4,651	80,458
Total public safety	<u>6,110,841</u>	<u>7,610,841</u>	<u>6,030,836</u>	<u>1,580,005</u>	<u>5,785,665</u>
Engineering and inspection					
Building services	147,741	147,741	143,789	3,952	137,796

(Continued)

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 General Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Original	Final	Variance		2014
	Budget	Budget	Actual	With Final Budget	Actual
Public works					
Engineer	256,375	256,375	279,166	(22,791)	227,375
Public works administration	280,381	280,381	271,715	8,666	288,848
Street maintenance	2,142,879	2,142,879	2,036,983	105,896	2,031,109
Street cleaning	<u>292,836</u>	<u>292,836</u>	<u>304,477</u>	<u>(11,641)</u>	<u>248,639</u>
Total public works	<u>2,972,471</u>	<u>2,972,471</u>	<u>2,892,341</u>	<u>80,130</u>	<u>2,795,971</u>
Parks, recreation and cemetery					
Parks maintenance	960,941	960,941	905,744	55,197	1,126,148
Tree program	15,000	15,000	11,872	3,128	13,323
Cemetery	55,664	55,664	37,549	18,115	94,230
Competitive Youth Sports	51,993	51,993	63,284	(11,291)	45,821
Sunset Mesa maintenance	<u>132,325</u>	<u>132,325</u>	<u>115,654</u>	<u>16,671</u>	<u>12,802</u>
Total parks and cemetery	<u>1,215,923</u>	<u>1,215,923</u>	<u>1,134,103</u>	<u>81,820</u>	<u>1,292,324</u>
Insurance	<u>230,000</u>	<u>230,000</u>	<u>330,364</u>	<u>(100,364)</u>	<u>262,091</u>
Capital outlay					
General government outlays	-	583,800	972,679	(388,879)	792,566
Public safety outlays	65,144	65,144	39,155	25,989	59,514
Public works outlays	95,500	95,500	107,228	(11,728)	198,015
Parks & recreation outlays	47,500	47,500	55,267	(7,767)	36,428
Total capital outlay	<u>208,144</u>	<u>791,944</u>	<u>1,174,329</u>	<u>(382,385)</u>	<u>1,086,523</u>
Total expenditures	<u>15,230,502</u>	<u>17,389,261</u>	<u>16,163,262</u>	<u>1,225,999</u>	<u>15,421,193</u>
Revenues in excess of expenditures	<u>2,528,839</u>	<u>(1,129,920)</u>	<u>3,349,561</u>	<u>4,479,481</u>	<u>2,499,017</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	10,000	4,348	(5,652)	254,121
Transfers out	<u>(2,538,839)</u>	<u>(2,538,839)</u>	<u>(2,538,840)</u>	<u>(1)</u>	<u>(2,821,392)</u>
Net other financing sources (uses)	<u>(2,528,839)</u>	<u>(2,528,839)</u>	<u>(2,534,492)</u>	<u>(5,653)</u>	<u>(2,567,271)</u>
Change in fund balance	-	(3,658,759)	815,069	4,473,828	(68,254)
FUND BALANCE, Beginning	<u>9,791,320</u>	<u>9,791,320</u>	<u>9,791,320</u>	<u>-</u>	<u>9,859,574</u>
FUND BALANCE, Ending	<u>\$ 9,791,320</u>	<u>\$ 6,132,561</u>	<u>\$ 10,606,389</u>	<u>\$ 4,473,828</u>	<u>\$ 9,791,320</u>

See the accompanying independent auditors' report.

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Other Supplementary Information

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds

For the Year Ended December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	Special Revenue Funds				
	Retail Sales	Downtown	Greater	Downtown	Surplus & Deficiency
	Enhancement	Opportunity Fund	Montrose Loan	Development Authority	
ASSETS					
Cash and cash equivalents	\$ 57,978	\$ 74,568	\$ 130,000	\$ 113,855	\$ 4,464
Certificates of deposit	-	-	-	25,110	151,003
Accounts receivable - net	31,458	64,780	-	113,826	-
Franchise fees receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Sales tax receivable	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Inventory of supplies	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total Assets	<u>89,436</u>	<u>139,348</u>	<u>130,000</u>	<u>252,791</u>	<u>155,467</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	14,391	-	-	1,245	-
Customer deposits and deposits in escrow	-	-	-	-	-
Accrued salaries and benefits	2,516	-	-	2,077	-
Unearned Revenue	-	64,633	-	-	-
Total Liabilities	<u>16,907</u>	<u>64,633</u>	<u>-</u>	<u>3,322</u>	<u>-</u>
DEFERRED INFLOWS - Property Taxes	-	-	-	111,949	-
FUND BALANCE					
Nonspendable					
Prepays and inventory	-	-	-	-	-
Permanent fund or other corpus	-	-	-	-	-
Restricted:					
For economic development	-	-	-	137,520	-
For debt service	-	-	-	-	155,467
For beautification - expendable	-	-	-	-	-
For capital projects	-	-	-	-	-
For parks	-	-	-	-	-
Committed:					
For economic development	72,529	74,715	-	-	-
For community development	-	-	130,000	-	-
For parks improvements	-	-	-	-	-
For animal shelter	-	-	-	-	-
Assigned:					
For parks and recreation	-	-	-	-	-
For pavilion improvements	-	-	-	-	-
For public education	-	-	-	-	-
Total Fund Balance	<u>72,529</u>	<u>74,715</u>	<u>130,000</u>	<u>137,520</u>	<u>155,467</u>
Total Liabilities and Fund Balances	<u>\$ 89,436</u>	<u>\$ 139,348</u>	<u>\$ 130,000</u>	<u>\$ 252,791</u>	<u>\$ 155,467</u>

See the accompanying independent auditors' report.

Special Revenue Funds

Conservation Trust	Pavilion Improvement	Public/Education/Gove rnment Fund	Special Benefits	Tourism Promotional
\$ 326,373	\$ 14,895	\$ 52,463	\$ 65,960	\$ 158,742
-	-	25,110	202,885	-
-	-	-	-	1,833
-	-	4,826	-	-
-	-	-	-	-
-	-	-	-	32,994
-	-	-	-	-
-	-	-	-	8,188
-	-	-	-	-
<u>326,373</u>	<u>14,895</u>	<u>82,399</u>	<u>268,845</u>	<u>201,757</u>
-	-	1,585	2,417	33,947
-	-	-	884	-
-	-	-	-	2,516
-	-	-	-	25,000
-	-	<u>1,585</u>	<u>3,301</u>	<u>61,463</u>
-	-	-	-	-
-	-	-	-	8,188
-	-	-	-	-
-	-	-	-	132,106
-	-	-	-	-
-	-	-	-	-
326,373	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	159,819	-
-	-	-	40,087	-
-	-	-	65,638	-
-	14,895	-	-	-
-	-	<u>80,814</u>	-	-
<u>326,373</u>	<u>14,895</u>	<u>80,814</u>	<u>265,544</u>	<u>140,294</u>
<u>\$ 326,373</u>	<u>\$ 14,895</u>	<u>\$ 82,399</u>	<u>\$ 268,845</u>	<u>\$ 201,757</u>

CITY OF MONTROSE, COLORADO
 Balance Sheet
 Nonmajor Governmental Funds (Continued)
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	Debt Service		
	Funds	Permanent Funds	
	1998 General		
	Fund Excise Tax		Cemetery
	Revenue Bonds	Demoret Trust	Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 59,443	\$ 8,699	\$ 115,851
Certificates of deposit	-	321,381	-
Accounts receivable - net	-	-	-
Franchise fees receivable	-	-	-
Due from other governments	-	-	-
Sales tax receivable	-	-	-
Special assessments receivable	-	-	-
Inventory of supplies	-	-	-
Restricted cash and cash equivalents	-	-	-
Total Assets	59,443	330,080	115,851
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	-	-	-
Customer deposits and deposits in escrow	-	-	-
Accrued salaries and benefits	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	-	-	-
DEFERRED INFLOWS - Property Taxes			
	-	-	-
FUND BALANCE			
Nonspendable			
Prepays and inventory	-	-	-
Permanent fund or other corpus	-	321,381	115,851
Restricted:			
For economic development	-	-	-
For debt service	59,443	-	-
For beautification - expendable	-	8,699	-
For capital projects	-	-	-
For parks	-	-	-
Committed:			
For economic development	-	-	-
For community development	-	-	-
For parks improvements	-	-	-
For animal shelter	-	-	-
Assigned:			
For parks and recreation	-	-	-
For pavilion Improvements	-	-	-
For public education	-	-	-
Total Fund Balance	59,443	330,080	115,851
Total Liabilities and Fund Balances	\$ 59,443	\$ 330,080	\$ 115,851

See the accompanying independent auditors' report.

Capital Project Fund			Total Nonmajor Funds	
Special				
Improvements	Grand/Rio	Building		
Revolving	Grande Project	Renovation	2015	2014
486,706	\$ 637,153	\$ 256,108	\$ 2,563,258	\$ 2,577,527
177,525	1,041,194	-	1,944,208	1,829,141
-	-	-	211,897	226,194
-	-	-	4,826	5,094
-	-	120,880	120,880	2,741
-	-	-	32,994	29,019
313,058	-	-	313,058	390,232
-	-	-	8,188	15,790
-	-	-	-	112,839
<u>977,289</u>	<u>1,678,347</u>	<u>376,988</u>	<u>5,199,309</u>	<u>5,188,577</u>
-	-	6,281	59,866	45,757
-	-	-	884	701
-	-	-	7,109	4,852
310,995	-	-	400,628	468,912
<u>310,995</u>	<u>-</u>	<u>6,281</u>	<u>468,487</u>	<u>520,222</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>111,949</u>	<u>112,339</u>
-	-	-	8,188	15,790
-	-	-	437,232	433,872
-	-	-	269,626	228,138
-	-	-	214,910	213,922
-	-	-	8,699	5,339
666,294	1,678,347	370,707	2,715,348	2,654,994
-	-	-	326,373	272,088
-	-	-	147,244	116,503
-	-	-	130,000	130,000
-	-	-	159,819	305,733
-	-	-	40,087	40,087
-	-	-	65,638	-
-	-	-	14,895	54,915
-	-	-	80,814	64,137
<u>666,294</u>	<u>1,678,347</u>	<u>370,707</u>	<u>4,618,873</u>	<u>4,556,016</u>
<u>977,289</u>	<u>\$ 1,678,347</u>	<u>\$ 376,988</u>	<u>\$ 5,199,309</u>	<u>\$ 5,188,577</u>

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

		Special Revenue Funds		
		Retail Sales	Downtown	Greater
		Enhancement	Opportunity	Montrose
		Fund	Fund	Loan
REVENUES				
Taxes		\$ 304,402	\$ -	\$ -
Intergovernmental		-	4,983	-
Charges for services		26	-	-
Miscellaneous		-	22,841	-
Contributions to permanent endowment		-	-	-
Investment earnings		-	-	-
	Total revenues	304,428	27,824	-
EXPENDITURES				
Current				
General government		-	-	-
Community Development		304,527	-	-
Public safety		-	-	-
Public works		-	-	-
Capital outlay		-	-	-
Debt service		-	-	-
	Total expenditures	304,527	-	-
	Revenues in excess of expenditures	(99)	27,824	-
OTHER FINANCING SOURCES (USES)				
Transfers in		-	-	-
Transfers out		(43,875)	-	-
	Net other financing sources (uses)	(43,875)	-	-
	Change in fund balance	(43,974)	27,824	-
	FUND BALANCE (DEFICIT), Beginning	116,503	46,891	130,000
	FUND BALANCE, Ending	\$ 72,529	\$ 74,715	\$ 130,000

See the accompanying independent auditors' report.

Special Revenue Funds

Downtown						
Development Authority	Surplus & Deficiency	Conservation Trust	Pavilion Improvement	Public/Education/ Government Fund	Special Benefits	Tourism Promotional
\$ 111,833	\$ -	\$ -	\$ -	\$ 19,519	\$ -	\$ 451,862
27,244	-	91,065	-	-	-	-
7,722	-	-	18,104	-	-	2,700
20,875	-	-	4,916	-	30,822	13,700
-	-	-	-	-	-	-
127	988	470	-	87	2,179	-
<u>167,801</u>	<u>988</u>	<u>91,535</u>	<u>23,020</u>	<u>19,606</u>	<u>33,001</u>	<u>468,262</u>
-	-	-	-	2,929	-	-
125,256	-	-	28,623	-	84,762	516,531
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,098	-	7,250	-	-	36,539	-
-	-	-	-	-	-	-
<u>126,354</u>	<u>-</u>	<u>7,250</u>	<u>28,623</u>	<u>2,929</u>	<u>121,301</u>	<u>516,531</u>
<u>41,447</u>	<u>988</u>	<u>84,285</u>	<u>(5,603)</u>	<u>16,677</u>	<u>(88,300)</u>	<u>(48,269)</u>
1,000	-	-	-	-	-	43,875
-	-	(30,000)	-	-	-	(4,167)
<u>1,000</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,708</u>
42,447	988	54,285	(5,603)	16,677	(88,300)	(8,561)
<u>95,073</u>	<u>154,479</u>	<u>272,088</u>	<u>20,498</u>	<u>64,137</u>	<u>353,844</u>	<u>148,855</u>
<u>\$ 137,520</u>	<u>\$ 155,467</u>	<u>\$ 326,373</u>	<u>\$ 14,895</u>	<u>\$ 80,814</u>	<u>\$ 265,544</u>	<u>\$ 140,294</u>

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Debt Service Funds		Permanent Funds	
	1998 General Fund			
	Excise Tax Revenue		Cemetery	
	Bonds	EIA Fireflow Loan	Demoret Trust	Perpetual Care
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	12,189	-	-
Miscellaneous	-	-	-	-
Contributions to permanent endowment	-	-	-	3,360
Investment earnings	-	-	3,360	182
Total revenues	<u>-</u>	<u>12,189</u>	<u>3,360</u>	<u>3,542</u>
EXPENDITURES				
Current				
General government	200	-	-	-
Community Development	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	371,200	12,189	-	-
Total expenditures	<u>371,400</u>	<u>12,189</u>	<u>-</u>	<u>-</u>
Revenues in excess of expenditures	<u>(371,400)</u>	<u>-</u>	<u>3,360</u>	<u>3,542</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	371,400	-	-	-
Transfers out	-	-	-	(182)
Net other financing sources (uses)	<u>371,400</u>	<u>-</u>	<u>-</u>	<u>(182)</u>
Change in fund balance	-	-	3,360	3,360
FUND BALANCE, Beginning	59,443	-	326,720	112,491
FUND BALANCE, Ending	<u>\$ 59,443</u>	<u>\$ -</u>	<u>\$ 330,080</u>	<u>\$ 115,851</u>

See the accompanying independent auditors' report.

Capital Project Funds			Total Nonmajor Funds	
Special	Grand/Rio Grande		2015	2014
Improvements	Project	Building Renovation		
Revolving				
\$ -	\$ -	\$ -	\$ 887,616	\$ 832,135
-	-	154,720	278,012	130,773
-	-	-	40,741	50,894
-	-	-	93,154	109,009
-	-	-	3,360	1,120
<u>2,444</u>	<u>10,986</u>	<u>537</u>	<u>21,360</u>	<u>14,834</u>
<u>93,310</u>	<u>10,986</u>	<u>155,257</u>	<u>1,415,109</u>	<u>1,239,762</u>
646	-	3,435	7,210	20,005
-	-	-	1,059,699	815,889
-	-	-	-	-
-	14,320	-	14,320	-
-	-	260,798	305,685	149,948
-	-	-	383,389	386,514
<u>646</u>	<u>14,320</u>	<u>264,233</u>	<u>1,770,303</u>	<u>1,372,356</u>
<u>92,664</u>	<u>(3,334)</u>	<u>(108,976)</u>	<u>(355,194)</u>	<u>(132,594)</u>
-	-	80,000	496,275	379,995
-	-	-	(78,224)	(256,120)
-	-	80,000	418,051	123,875
92,664	(3,334)	(28,976)	62,857	(8,719)
<u>573,630</u>	<u>1,681,681</u>	<u>399,683</u>	<u>4,556,016</u>	<u>4,564,735</u>
<u>\$ 666,294</u>	<u>\$ 1,678,347</u>	<u>\$ 370,707</u>	<u>\$ 4,618,873</u>	<u>\$ 4,556,016</u>

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Retail Sales Enhancement Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015			
	Original & Final Budget	Actual	Variance With Final Budget	2014 Actual
REVENUES				
Taxes	\$ 260,000	\$ 304,402	\$ 44,402	\$ 276,056
Intergovernmental	-	-	-	2,170
Charges for services	200	26	(174)	4,249
Total revenues	260,200	304,428	44,228	282,475
EXPENDITURES				
Current				
Community Development				
Retail Sales Enhancement	339,683	304,527	35,156	277,341
Revenues in excess of expenditures	(79,483)	(99)	79,384	5,134
OTHER FINANCING SOURCES (USES)				
Transfers out	(43,875)	(43,875)	-	-
Change in fund balance	(123,358)	(43,974)	79,384	5,134
FUND BALANCE, Beginning	116,503	116,503	-	111,369
FUND BALANCE, Ending	\$ (6,855)	\$ 72,529	\$ 79,384	\$ 116,503

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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2014 Actual
REVENUES					
Taxes	\$ 125,000	\$ 125,000	\$ 111,833	\$ (13,167)	\$ 130,888
Intergovernmental	7,500	7,500	27,244	19,744	7,800
Charges for services	-	-	7,722	7,722	2,479
Miscellaneous	5,000	5,000	20,875	15,875	10,981
Investment earnings	200	200	127	(73)	85
Total revenues	<u>137,700</u>	<u>137,700</u>	<u>167,801</u>	<u>30,101</u>	<u>152,233</u>
EXPENDITURES					
Current					
Community Development					
Downtown Development	125,442	136,940	125,256	11,684	114,457
Capital outlay					
Community development outlays	<u>8,000</u>	<u>8,000</u>	<u>1,098</u>	<u>6,902</u>	<u>18,291</u>
Total expenditures	<u>133,442</u>	<u>144,940</u>	<u>126,354</u>	<u>18,586</u>	<u>132,748</u>
Revenues in excess of expenditures	4,258	(7,240)	41,447	48,687	19,485
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	1,000	1,000	1,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,000)</u>
Change in fund balance	4,258	(7,240)	42,447	49,687	(5,515)
FUND BALANCE, Beginning	<u>95,073</u>	<u>95,073</u>	<u>95,073</u>	<u>-</u>	<u>100,588</u>
FUND BALANCE, Ending	<u>\$ 99,331</u>	<u>\$ 87,833</u>	<u>\$ 137,520</u>	<u>\$ 49,687</u>	<u>\$ 95,073</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Downtown Opportunity Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 14,000	\$ 4,983	\$ (9,017)	\$ 27,061
Miscellaneous	<u>30,800</u>	<u>22,841</u>	<u>(7,959)</u>	<u>32,548</u>
Total revenues	44,800	27,824	(16,976)	59,609
EXPENDITURES				
Current				
Planning services	<u>37,300</u>	<u>-</u>	<u>37,300</u>	<u>52,730</u>
Change in fund balance	7,500	27,824	20,324	6,879
FUND BALANCE, Beginning	<u>46,891</u>	<u>46,891</u>	<u>-</u>	<u>40,012</u>
FUND BALANCE, Ending	<u>\$ 54,391</u>	<u>\$ 74,715</u>	<u>\$ 20,324</u>	<u>\$ 46,891</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Greater Montrose Loan
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2014		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ 29,705
EXPENDITURES				
Community Development Planning services	80,000	-	80,000	-
Revenues in excess of expenditures	(80,000)	-	80,000	29,705
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	50,295
Change in fund balance	(80,000)	-	80,000	80,000
FUND BALANCE, Beginning	130,000	130,000	-	50,000
FUND BALANCE, Ending	<u>\$ 50,000</u>	<u>\$ 130,000</u>	<u>\$ 80,000</u>	<u>\$ 130,000</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Public/Education/Government Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014
	Original & Final Budget	Actual		Actual
REVENUES				
Taxes	\$ 20,000	\$ 19,519	\$ (481)	\$ 20,888
Investment earnings	-	87	87	22
Total revenues	<u>20,000</u>	<u>19,606</u>	<u>(394)</u>	<u>20,910</u>
EXPENDITURES				
Current				
Community Development				
Special benefit	<u>20,000</u>	<u>2,929</u>	<u>17,071</u>	<u>2,532</u>
Change in fund balance	-	16,677	16,677	18,378
FUND BALANCE, Beginning	<u>64,137</u>	<u>64,137</u>	-	<u>45,759</u>
FUND BALANCE, Ending	<u>\$ 64,137</u>	<u>\$ 80,814</u>	<u>\$ 16,677</u>	<u>\$ 64,137</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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014
	Original & Final Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 988	\$ 988	\$ 158
FUND BALANCE, Beginning	<u>154,479</u>	<u>154,479</u>	-	<u>154,321</u>
FUND BALANCE, Ending	<u>\$ 154,479</u>	<u>\$ 155,467</u>	<u>\$ 988</u>	<u>\$ 154,479</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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

		2015			
		Original & Final Budget	Actual	Variance With Final Budget	2014 Actual
REVENUES					
	Intergovernmental	\$ 917,384	\$ 1,006,176	\$ 88,792	\$ 144,619
	Miscellaneous	-	3,436	3,436	95,102
	Investment earnings	3,500	6,205	2,705	2,822
	Total revenues	920,884	1,015,817	94,933	242,543
EXPENDITURES					
	Capital outlay				
	Public works outlays	510,000	499,551	10,449	1,164,505
	Highways & streets outlays	4,145,800	3,613,645	532,155	1,376,050
	Total expenditures	4,655,800	4,113,196	542,604	2,540,555
	Revenues in excess of expenditures	(3,734,916)	(3,097,379)	637,537	(2,298,012)
OTHER FINANCING SOURCES (USES)					
	Transfers in	1,962,396	1,991,439	29,043	2,188,296
	Change in fund balance	(1,772,520)	(1,105,940)	666,580	(109,716)
	FUND BALANCE, Beginning	1,690,900	1,690,900	-	1,800,616
	FUND BALANCE, Ending	\$ (81,620)	\$ 584,960	\$ 666,580	\$ 1,690,900

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Conservation Trust Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014
	Original & Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 80,000	\$ 91,065	\$ 11,065	\$ 91,572
Investment earnings	1,000	470	(530)	390
Total revenues	81,000	91,535	10,535	91,962
EXPENDITURES				
Current				
Parks & recreation outlays	50,000	7,250	42,750	-
Revenues in excess of expenditures	31,000	84,285	53,285	91,962
OTHER FINANCING SOURCES (USES)				
Transfers out	(30,000)	(30,000)	-	(230,000)
Change in fund balance	1,000	54,285	53,285	(138,038)
FUND BALANCE, Beginning	272,088	272,088	-	410,126
FUND BALANCE, Ending	<u>\$ 273,088</u>	<u>\$ 326,373</u>	<u>\$ 53,285</u>	<u>\$ 272,088</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Pavilion Improvement Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
REVENUES				
Charges for services	\$ 30,000	\$ 18,104	\$ (11,896)	\$ 29,013
Miscellaneous	-	4,916	4,916	1,292
Total revenues	30,000	23,020	(6,980)	30,305
EXPENDITURES				
Current				
Community Development Pavilions Senior Center	30,000	28,623	1,377	24,099
Change in fund balance	-	(5,603)	(5,603)	6,206
FUND BALANCE, Beginning	20,498	20,498	-	14,292
FUND BALANCE, Ending	<u>\$ 20,498</u>	<u>\$ 14,895</u>	<u>\$ (5,603)</u>	<u>\$ 20,498</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Special Benefits Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2014 Actual
REVENUES					
Miscellaneous	18,000	\$ 18,000	\$ 30,822	\$ 12,822	\$ 31,990
Investment earnings	500	500	2,179	1,679	705
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>33,001</u>	<u>14,501</u>	<u>32,695</u>
EXPENDITURES					
Community Development					
Special benefit	<u>11,150</u>	<u>102,650</u>	<u>84,762</u>	<u>17,888</u>	<u>20,146</u>
Capital outlay					
General government outlays	21,750	21,750	36,539	(14,789)	9,519
Community development outlays		-	-	-	7,048
Total capital outlay	<u>21,750</u>	<u>21,750</u>	<u>36,539</u>	<u>(14,789)</u>	<u>16,567</u>
Total expenditures	<u>32,900</u>	<u>124,400</u>	<u>121,301</u>	<u>3,099</u>	<u>36,713</u>
Change in fund balance	(14,400)	(105,900)	(88,300)	17,600	(4,018)
FUND BALANCE, Beginning	<u>353,844</u>	<u>353,844</u>	<u>353,844</u>	-	<u>357,862</u>
FUND BALANCE, Ending	<u>\$ 339,444</u>	<u>\$ 247,944</u>	<u>\$ 265,544</u>	<u>\$ 17,600</u>	<u>\$ 353,844</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Tourism Promotional Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
REVENUES				
Taxes	\$ 400,750	\$ 451,862	\$ 51,112	\$ 404,303
Intergovernmental	-	-	-	2,170
Charges for services	3,000	2,700	(300)	2,964
Miscellaneous	-	13,700	13,700	2,492
Total revenues	<u>403,750</u>	<u>468,262</u>	<u>64,512</u>	<u>411,929</u>
EXPENDITURES				
Current				
Community Development				
Tourism	571,673	516,531	55,142	327,116
Capital outlay				
Community development outlays	<u>10,000</u>	-	<u>10,000</u>	<u>27,759</u>
Total expenditures	<u>581,673</u>	<u>516,531</u>	<u>65,142</u>	<u>354,875</u>
Revenues in excess of expenditures	(177,923)	(48,269)	129,654	57,054
OTHER FINANCING SOURCES (USES)				
Transfers in	43,875	43,875	-	-
Transfers out	<u>(10,000)</u>	<u>(4,167)</u>	<u>5,833</u>	-
Net other financing sources (uses)	<u>33,875</u>	<u>39,708</u>	<u>5,833</u>	-
Change in fund balance	(144,048)	(8,561)	135,487	57,054
FUND BALANCE (DEFICIT), Beginning	<u>148,855</u>	<u>148,855</u>	-	<u>91,801</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 4,807</u>	<u>\$ 140,294</u>	<u>\$ 135,487</u>	<u>\$ 148,855</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 1998 General Fund Excise Tax Revenue Bonds Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
EXPENDITURES				
Current				
Community Development				
Special benefit	\$ -	\$ 200	\$ (200)	\$ 200
Debt service				
Principal	330,000	330,000	-	325,000
Interest and fees	41,400	41,200	200	49,325
Total expenditures	<u>371,400</u>	<u>371,400</u>	-	<u>374,525</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>371,400</u>	<u>371,400</u>	-	<u>248,700</u>
Change in fund balance	-	-	-	(125,825)
FUND BALANCE, Beginning	<u>59,443</u>	<u>59,443</u>	-	<u>185,268</u>
FUND BALANCE, Ending	<u>\$ 59,443</u>	<u>\$ 59,443</u>	<u>\$ -</u>	<u>\$ 59,443</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 EIA Fireflow Loan Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014
	Original & Final Budget	Actual		Actual
REVENUES				
Charges for services	\$ 12,190	\$ 12,189	\$ (1)	\$ 12,189
EXPENDITURES				
Debt service				
Principal	9,551	9,551	-	9,096
Interest and fees	2,639	2,638	1	3,093
Total expenditures	<u>12,190</u>	<u>12,189</u>	<u>1</u>	<u>12,189</u>
Change in fund balance	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Demoret Trust Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015			2014
	Original & Final Budget	Actual	Variance With Final Budget	
REVENUES				
Investment earnings	\$ -	\$ 3,360	\$ 3,360	\$ 3,359
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	-	-	-	16,618
Change in fund balance	-	3,360	3,360	(13,259)
FUND BALANCE, Beginning	<u>326,720</u>	<u>326,720</u>	<u>-</u>	<u>339,979</u>
FUND BALANCE, Ending	<u>\$ 326,720</u>	<u>\$ 330,080</u>	<u>\$ 3,360</u>	<u>\$ 326,720</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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
REVENUES				
Contributions to permanent endowment	\$ 1,200	\$ 3,360	\$ 2,160	\$ 1,120
Investment earnings	150	182	32	120
Total revenues	1,350	3,542	2,192	1,240
OTHER FINANCING SOURCES (USES)				
Transfers out	(500)	(182)	318	(120)
Change in fund balance	850	3,360	2,510	1,120
FUND BALANCE, Beginning	112,491	112,491	-	111,371
FUND BALANCE, Ending	<u>\$ 113,341</u>	<u>\$ 115,851</u>	<u>\$ 2,510</u>	<u>\$ 112,491</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Special Improvements Revolving Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Original & Final Budget	Actual		
REVENUES				
Special assessments	\$ 115,000	\$ 90,866	\$ (24,134)	\$ 100,997
Investment earnings	1,000	2,444	1,444	953
Total revenues	116,000	93,310	(22,690)	101,950
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	1,000	646	354	655
Change in fund balance	115,000	92,664	(22,336)	101,295
FUND BALANCE, Beginning	573,630	573,630	-	472,335
FUND BALANCE, Ending	<u>\$ 688,630</u>	<u>\$ 666,294</u>	<u>\$ (22,336)</u>	<u>\$ 573,630</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, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				2014 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Investment earnings	\$ -	\$ -	\$ 10,986	\$ 10,986	\$ 8,778
EXPENDITURES					
Public works administration	-	15,000	14,320	680	-
Change in fund balance	-	(15,000)	(3,334)	11,666	8,778
FUND BALANCE, Beginning	<u>1,681,681</u>	<u>1,681,681</u>	<u>1,681,681</u>	<u>-</u>	<u>1,672,903</u>
FUND BALANCE, Ending	<u>\$ 1,681,681</u>	<u>\$ 1,666,681</u>	<u>\$ 1,678,347</u>	<u>\$ 11,666</u>	<u>\$ 1,681,681</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Building Renovation Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2014 Actual
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 154,720	\$ 154,720	\$ -
Investment earnings	-	-	537	537	264
Total revenues	<u>-</u>	<u>-</u>	<u>155,257</u>	<u>155,257</u>	<u>264</u>
EXPENDITURES					
Innovation and citizen engagement	-	-	3,435	(3,435)	-
Capital outlay					
General government outlays	<u>284,000</u>	<u>313,180</u>	<u>260,798</u>	<u>52,382</u>	<u>87,331</u>
Total expenditures	<u>284,000</u>	<u>313,180</u>	<u>264,233</u>	<u>48,947</u>	<u>87,331</u>
Revenues in excess of expenditures	(284,000)	(313,180)	(108,976)	204,204	(87,067)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	-	<u>80,000</u>
Change in fund balance	(204,000)	(233,180)	(28,976)	204,204	(7,067)
FUND BALANCE, Beginning	<u>399,683</u>	<u>399,683</u>	<u>399,683</u>	-	<u>406,750</u>
FUND BALANCE, Ending	<u>\$ 195,683</u>	<u>\$ 166,503</u>	<u>\$ 370,707</u>	<u>\$ 204,204</u>	<u>\$ 399,683</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Water Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014
	Final Budget	Actual		Actual
REVENUES				
Water sales	\$ 4,995,500	\$ 5,062,318	\$ 66,818	\$ 5,052,614
Tap fees unpledged	30,000	54,784	24,784	35,376
Other Charges	-	954	954	6,203
Miscellaneous	50	1,043	993	35
Investment earnings	15,000	31,578	16,578	11,286
Gain (loss) on sale of assets	-	(1,792,646)	(1,792,646)	-
Capacity fees and Dedicated infrastructure	68,000	128,471	60,471	86,567
Total revenues	<u>5,108,550</u>	<u>3,486,502</u>	<u>(1,622,048)</u>	<u>5,192,081</u>
EXPENDITURES				
Enterprise administration	301,650	301,650	-	323,000
Operations and maintenance	3,485,417	3,367,602	117,815	3,375,100
Capital outlay	854,875	264,759	590,116	820,485
Principal	159,500	160,893	(1,393)	152,593
Interest expense	83,558	80,370	3,188	87,702
Total expenditures	<u>4,885,000</u>	<u>4,175,274</u>	<u>709,726</u>	<u>4,758,880</u>
Change in net position - budgetary basis	<u>\$ 223,550</u>	<u>(688,772)</u>	<u>\$ (912,322)</u>	<u>433,201</u>
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		1,424,685		895,265
Depreciation		(901,695)		(1,027,866)
Debt principal payments		160,893		152,593
Change in net position - GAAP basis		(4,889)		453,193
NET POSITION, Beginning		<u>33,212,080</u>		<u>32,758,887</u>
NET POSITION, Ending		<u>\$ 33,207,191</u>		<u>\$ 33,212,080</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Sewer Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Sewer charges	\$ 2,745,500	\$ 2,840,260	\$ 94,760	\$ 2,780,253
Tap fees unpledged	20,000	21,700	1,700	19,496
Other Charges	28,100	55,275	27,175	101,278
Miscellaneous	-	16,344	16,344	-
Intergovernmental revenues	-	-	-	260,779
Investment earnings	15,000	14,192	(808)	11,018
Capacity fees and Dedicated infrastructure	160,000	383,730	223,730	296,000
Total revenues	<u>2,968,600</u>	<u>3,331,501</u>	<u>362,901</u>	<u>3,468,824</u>
EXPENDITURES				
Enterprise administration	305,247	305,247	-	355,000
Operations and maintenance	1,627,387	1,768,291	(140,904)	1,667,665
Capital outlay	1,937,500	880,787	1,056,713	1,851,634
Principal	130,500	131,640	(1,140)	124,845
Interest expense	68,366	65,756	2,610	71,760
Total expenditures	<u>4,069,000</u>	<u>3,151,721</u>	<u>917,279</u>	<u>4,070,904</u>
Change in net position - budgetary basis	<u>\$ (1,100,400)</u>	179,780	<u>\$ 1,280,180</u>	(602,080)
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		819,867		1,849,145
Depreciation		(1,892,064)		(1,821,226)
Debt principal payments		<u>131,640</u>		<u>124,845</u>
Change in net position - GAAP basis		<u>(760,777)</u>		<u>(449,316)</u>
NET POSITION, Beginning		<u>35,016,716</u>		<u>35,466,032</u>
NET POSITION, Ending		<u>\$ 34,255,939</u>		<u>\$ 35,016,716</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Trash/Recycling Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Sanitation charges	\$ 1,485,000	\$ 1,540,563	\$ 55,563	\$ 1,508,032
Miscellaneous	2,300	290	(2,010)	3,258
Total revenues	<u>1,487,300</u>	<u>1,540,853</u>	<u>53,553</u>	<u>1,511,290</u>
EXPENDITURES				
Enterprise administration	188,020	188,020	-	234,000
Operations and maintenance	1,227,980	1,220,120	7,860	1,279,274
Total expenditures	<u>1,416,000</u>	<u>1,408,140</u>	<u>7,860</u>	<u>1,513,274</u>
Change in net position - budgetary basis	<u>\$ 71,300</u>	132,713	<u>\$ 61,413</u>	(1,984)
NET POSITION, Beginning		<u>112,321</u>		<u>114,305</u>
NET POSITION, Ending		<u>\$ 245,034</u>		<u>\$ 112,321</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Black Canyon Golf Course Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015			
	Final	Variance		2014
	Budget	Actual	With Final	Actual
REVENUES				
Golf charges	\$ 489,658	\$ 454,938	\$ (34,720)	\$ 465,197
Other miscellaneous revenues	-	54,912	54,912	1,048
Capacity fees and Dedicated infrastructure	-	2,825	2,825	697,738
Transfers in	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>255,100</u>
Total revenues	<u>614,658</u>	<u>637,675</u>	<u>23,017</u>	<u>1,419,083</u>
EXPENDITURES				
Operations and maintenance	565,344	616,958	(51,614)	664,084
Capital outlay	40,000	44,765	(4,765)	870,228
Principal	23,124	32,487	(9,363)	18,638
Interest expense	<u>3,832</u>	<u>5,857</u>	<u>(2,025)</u>	<u>1,736</u>
Total expenditures	<u>632,300</u>	<u>700,067</u>	<u>(67,767)</u>	<u>1,554,686</u>
Change in net position - budgetary basis	<u>\$ (17,642)</u>	(62,392)	<u>\$ (44,750)</u>	(135,603)
Reconciliation of budgetary to GAAP basis:				
Capital outlay		41,727		802,991
Depreciation		(46,283)		-
Debt principal payments		<u>32,487</u>		<u>18,638</u>
Change in net position - GAAP basis		(34,461)		686,026
NET POSITION, Beginning		<u>686,026</u>		<u>-</u>
NET POSITION, Ending		<u>\$ 651,565</u>		<u>\$ 686,026</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
Statement of Net Position
Internal Service Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Internal Service Funds			Total	
	Fleet			2015	2014
	Management Fund	Information Technologies	Employee Insurance		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,874,458	\$ 852,235	\$ 1,538,421	\$ 4,265,114	\$ 4,197,264
Certificates of deposit	504,352	-	-	504,352	-
Accounts receivable - net	1,818	95,460	43,358	140,636	303,314
Inventory of supplies	47,512	839	-	48,351	65,723
Prepaid Expenses	-	7,779	-	7,779	-
Total Current Assets	<u>2,428,140</u>	<u>956,313</u>	<u>1,581,779</u>	<u>4,966,232</u>	<u>4,566,301</u>
Noncurrent Assets					
Capital assets	<u>2,405,810</u>	<u>352,833</u>	<u>-</u>	<u>2,758,643</u>	<u>2,318,810</u>
Total Assets	<u>4,833,950</u>	<u>1,309,146</u>	<u>1,581,779</u>	<u>7,724,875</u>	<u>6,885,111</u>
LIABILITIES					
Current Liabilities					
Accounts payable	45,704	14,490	-	60,194	65,175
Accrued salaries and benefits	5,563	8,429	-	13,992	11,283
Accrued compensated absences	7,418	18,346	-	25,764	24,742
Claims payable	-	-	285,000	285,000	350,000
Long-term debt due in one year	-	12,619	-	12,619	10,039
Total Current Liabilities	<u>58,685</u>	<u>53,884</u>	<u>285,000</u>	<u>397,569</u>	<u>461,239</u>
Noncurrent Liabilities					
Capital lease payable	<u>-</u>	<u>19,654</u>	<u>-</u>	<u>19,654</u>	<u>24,570</u>
Total Liabilities	<u>58,685</u>	<u>73,538</u>	<u>285,000</u>	<u>417,223</u>	<u>485,809</u>
NET POSITION					
Invested in capital assets net of related debt	2,405,810	320,560	-	2,726,370	2,284,201
Unrestricted	<u>2,369,456</u>	<u>915,048</u>	<u>1,296,779</u>	<u>4,581,283</u>	<u>4,115,101</u>
Total Net Position	<u>\$ 4,775,266</u>	<u>\$ 1,235,608</u>	<u>\$ 1,296,779</u>	<u>\$ 7,307,653</u>	<u>\$ 6,399,302</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Internal Service Funds			Totals	
	Fleet				
	Management Fund	Information Technologies	Employee Insurance	2015	2014
OPERATING REVENUES					
Interfund charges	\$ 1,679,584	\$ 855,341	\$ 2,311,997	\$ 4,846,922	\$ 4,568,987
Other Charges	88,307	108	-	88,415	9,336
Miscellaneous	-	28,507	-	28,507	28,498
Total Operating Revenues	<u>1,767,891</u>	<u>883,956</u>	<u>2,311,997</u>	<u>4,963,844</u>	<u>4,606,821</u>
OPERATING EXPENSES					
Enterprise administration	-	-	97,206	97,206	91,658
Operations and maintenance	1,064,783	837,182	-	1,901,965	1,747,923
Medical claims	-	-	1,228,881	1,228,881	1,980,347
Insurance premiums	-	-	343,960	343,960	297,063
Depreciation	564,887	77,471	-	642,358	699,246
Total Operating Expenses	<u>1,629,670</u>	<u>914,653</u>	<u>1,670,047</u>	<u>4,214,370</u>	<u>4,816,237</u>
Net Operating Income	<u>138,221</u>	<u>(30,697)</u>	<u>641,950</u>	<u>749,474</u>	<u>(209,416)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	7,096	118,931	-	126,027	67,253
Investment earnings	7,824	1,235	717	9,776	3,820
Gain (loss) on sale of assets	23,944	425	-	24,369	(3,115)
Interest expense	-	(1,295)	-	(1,295)	(539)
Net Nonoperating Revenues (Expenses)	<u>38,864</u>	<u>119,296</u>	<u>717</u>	<u>158,877</u>	<u>67,419</u>
Change in Net Position	177,085	88,599	642,667	908,351	(141,997)
NET POSITION, Beginning	<u>4,598,181</u>	<u>1,147,009</u>	<u>654,112</u>	<u>6,399,302</u>	<u>6,541,299</u>
NET POSITION, Ending	<u>\$ 4,775,266</u>	<u>\$ 1,235,608</u>	<u>\$ 1,296,779</u>	<u>\$ 7,307,653</u>	<u>\$ 6,399,302</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Internal Service Funds			Totals	
	Fleet			2015	2014
	Management Fund	Information Technologies	Employee Insurance		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 90,099	\$ (43,141)	\$ 232,642	\$ 279,600	\$ (253,238)
Receipts from interfund services provided	1,679,584	855,341	2,311,997	4,846,922	4,568,987
Payments to suppliers	(801,994)	(590,063)	(1,735,047)	(3,127,104)	(3,722,850)
Payments to employees	(226,911)	(254,309)	-	(481,220)	(400,410)
Payments for internal services used	(19,412)	(934)	-	(20,346)	(24,330)
Net cash provided (used) by operating activities	<u>721,366</u>	<u>(33,106)</u>	<u>809,592</u>	<u>1,497,852</u>	<u>168,159</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Receipts	<u>7,096</u>	<u>118,931</u>	-	<u>126,027</u>	<u>67,253</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of assets	23,944	425	-	24,369	(3,115)
Acquisition and construction of capital assets	(892,733)	(189,458)	-	(1,082,191)	(382,706)
Proceeds from long-term debt		9,133		9,133	38,635
Principal paid on long-term debt	-	(11,469)	-	(11,469)	(4,026)
Interest paid on long-term debt	-	(1,295)	-	(1,295)	(539)
Net cash provided (used) by capital and related financing activities	<u>(868,789)</u>	<u>(192,664)</u>	-	<u>(1,061,453)</u>	<u>(351,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(504,352)	-	-	(504,352)	
Interest on investments	7,824	1,235	717	9,776	3,820
Net cash provided (used) by investing activities	<u>(496,528)</u>	<u>1,235</u>	<u>717</u>	<u>(494,576)</u>	<u>3,820</u>
Net increase (decrease) in cash and cash equivalents	(636,855)	(105,604)	810,309	67,850	(112,519)
CASH AND CASH EQUIVALENTS, Beginning	<u>2,511,313</u>	<u>957,839</u>	<u>728,112</u>	<u>4,197,264</u>	<u>4,309,783</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,874,458</u>	<u>\$ 852,235</u>	<u>\$ 1,538,421</u>	<u>\$ 4,265,114</u>	<u>\$ 4,197,264</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income (loss)	\$ 138,221	\$ (30,697)	\$ 641,950	\$ 749,474	\$ (209,417)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	564,887	77,471	-	642,358	699,246
(Increase) decrease in accounts receivable	1,792	(71,756)	232,642	162,678	(291,072)
(Increase) decrease in inventory of supplies	16,053	1,319	-	17,372	(8,341)
(Increase) decrease in prepaid expenses	-	(7,779)	-	(7,779)	(8,341)
Increase (decrease) in accounts payable	2,978	(7,960)	-	(4,982)	(21,300)
Increase (decrease) in accrued salaries and benefits	(12)	2,721	-	2,709	2,184
Increase (decrease) in accrued compensated absences	(2,553)	3,575	-	1,022	(3,141)
Increase (decrease) in claims payable	-	-	(65,000)	(65,000)	-
Net cash provided (used) by operating activities	<u>\$ 721,366</u>	<u>\$ (33,106)</u>	<u>\$ 809,592</u>	<u>\$ 1,497,852</u>	<u>\$ 159,818</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Fleet Management Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015			
	Final		Variance	2014
	Budget	Actual	With Final Budget	Actual
REVENUES				
Interfund charges	\$ 1,642,800	\$ 1,679,584	\$ 36,784	\$ 1,691,959
Other Charges	1,430	88,307	86,877	9,157
Intergovernmental revenues	-	7,096	7,096	-
Investment earnings	3,000	7,824	4,824	2,222
Gain (loss) on sale of assets	5,000	23,944	18,944	(3,580)
Total revenues	<u>1,652,230</u>	<u>1,806,755</u>	<u>154,525</u>	<u>1,699,758</u>
EXPENDITURES				
Operations and maintenance	994,330	1,043,267	(48,937)	1,040,030
Capital outlay	1,221,150	914,250	306,900	262,359
Total expenditures	<u>2,215,480</u>	<u>1,957,517</u>	<u>257,963</u>	<u>1,302,389</u>
Change in net position - budgetary basis	<u>\$ (563,250)</u>	(150,762)	<u>\$ 412,488</u>	397,369
Reconciliation of budgetary to GAAP basis:				
Capital outlay		892,734		262,359
Depreciation		<u>(564,887)</u>		<u>(607,653)</u>
Change in net position - GAAP basis		177,085		52,075
NET POSITION, Beginning		<u>4,598,181</u>		<u>4,546,106</u>
NET POSITION, Ending		<u>\$ 4,775,266</u>		<u>\$ 4,598,181</u>

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Information Technologies Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015		Variance With Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Interfund charges	\$ 764,257	\$ 855,341	\$ 91,084	\$ 666,747
Other Charges	100	108	8	179
Miscellaneous	-	28,507	28,507	13,376
Intergovernmental revenues	86,400	118,931	32,531	67,253
Investment earnings	1,500	1,235	(265)	1,035
Gain (loss) on sale of assets	-	425	425	465
Total revenues	852,257	1,004,547	152,290	749,055
EXPENDITURES				
Operations and maintenance	875,416	841,532	33,884	707,944
Capital outlay	191,000	185,108	5,892	74,898
Interest expense	-	12,764	(12,764)	539
Total expenditures	1,066,416	1,039,404	27,012	783,381
Change in net position - budgetary basis	\$ (214,159)	(34,857)	\$ 179,302	(34,326)
Reconciliation of budgetary to GAAP basis:				
Capital outlay		189,458		74,898
Depreciation		(77,471)		(91,593)
Debt principal payments		11,469		-
Vacation payouts		-		51
Change in net position - GAAP basis		88,599		(50,970)
NET POSITION, Beginning		1,147,009		1,197,979
NET POSITION, Ending		\$ 1,235,608		\$ 1,147,009

See the accompanying independent auditors' report.

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 Employee Insurance Fund
 For the Year Ended December 31, 2015
 (With Comparative Totals for the Year Ended December 31, 2014)

	2015			
	Final	Variance		2014
	Budget	Actual	With Final	Actual
REVENUES				
Interfund charges	\$ 2,511,300	\$ 2,311,997	\$ (199,303)	\$ 2,210,281
Miscellaneous	5,000	-	(5,000)	15,122
Investment earnings	1,000	717	(283)	563
Total revenues	2,517,300	2,312,714	(204,586)	2,225,966
EXPENDITURES				
Enterprise administration	65,610	97,206	(31,596)	91,658
Medical claims	2,080,842	1,228,881	851,961	1,980,347
Insurance premiums	393,548	343,960	49,588	297,063
Total expenditures	2,540,000	1,670,047	869,953	2,369,068
Change in net position - budgetary basis	\$ (22,700)	642,667	\$ 665,367	(143,102)
Reconciliation of budgetary to GAAP basis:				
Change in net assets - GAAP basis		642,667		(143,102)
NET POSITION, Beginning		654,112		797,214
NET POSITION, Ending		\$ 1,296,779		\$ 654,112

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: Montrose
		YEAR ENDING : Dec-15
This Information From The Records Of (example - City of _ or County of _): City of Montrose	Prepared By: Phone:	Shani Wittenberg 970-240-1462

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

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	3,468,357.00
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,340,068.44
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	6,760,998.50	b. Snow and ice removal	37,874.78
3. Other local imposts (from page 2)	-	c. Other	
4. Miscellaneous local receipts (from page 2)	214,165.67	d. Total (a. through c.)	37,874.78
5. Transfers from toll facilities		4. General administration & miscellaneous	271,529.45
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,297,909.31
a. Bonds - Original Issues		6. Total (1 through 5)	7,415,738.98
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	41,200.00
7. Total (1 through 6)	6,975,164.17	b. Redemption	330,000.00
B. Private Contributions		c. Total (a. + b.)	371,200.00
C. Receipts from State government (from page 2)	811,774.81	2. Notes:	
D. Receipts from Federal Government (from page 2)	-	a. Interest	
E. Total receipts (A.7 + B + C + D)	7,786,938.98	b. Redemption	
		c. Total (a. + b.)	-
		3. Total (1.c + 2.c)	371,200.00
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	7,786,938.98

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,030,000		330,000	700,000
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
		7,786,939	7,786,939		0.00

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
12/31/2015

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	17,191
b. Other local imposts:		b. Traffic Fines & Penalties	196,975
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	0	i. Total (a. through h.)	214,166
	(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	730465.31	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	81309.5	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) Federal Earmark	0	f. Other Federal	
f. Total (a. through e.)	81309.5	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	811774.81	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		202,117	202,117
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		2,787,589	2,787,589
(3). System Preservation		4,390	4,390
(4). System Enhancement & Operation		474,261	474,261
(5). Total Construction (1) + (2) + (3) + (4)	0	3,266,240	3,266,240
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,468,357	3,468,357
			(Carry forward to page 1)

Notes and Comments: