

CITY OF MONTROSE, COLORADO

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2016**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
<u>Management's Discussion and Analysis</u>	M1 – M8
<u>Independent Auditors' Report</u>	1-2
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>Government-Wide Financial Statements</u>	
Statement of Net Position	3
Statement of Activities	4
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	10
Statement of Cash Flow - Proprietary Funds	11
<u>Notes to Financial Statements</u>	12 - 29
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - General Fund	30 - 31
<u>Other Supplementary Information</u>	
<u>Nonmajor Governmental Funds</u>	
Combining Balance Sheet	32 - 33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34 - 35

TABLE OF CONTENTS

(Continued)

PAGE NO.

Other Supplementary Information (Continued)

Governmental Budgetary Comparison Schedules:

Special Revenue Funds:

Retail Sales Enhancement Fund	36
CDBG Passthrough Grant Fund	37
Downtown Development Authority	38
Downtown Opportunity Fund	39
Greater Montrose Loan Fund	40
Public/Education/Government Fund	41
Surplus & Deficiency Fund	42
Capital Improvement Fund	43
Conservation Trust Fund	44
Pavilion Improvement Fund	45
Special Benefits Fund	46
Tourism Promotion Fund	47

Debt Service Funds:

1998 General Fund Excise Tax Revenue Bonds Fund	48
EIA Fireflow Loan Fund	49

Permanent Funds:

Demoret Trust Fund	50
Cemetery Perpetual Care Fund	51

Capital Projects Funds:

Special Improvements Revolving Fund	52
Grand/Rio Grande Project Fund	53
Building Renovations Fund	54

Enterprise Funds

Budgetary Comparison Schedules:

Water Fund	55
Sewer Fund	56
Trash\Recycling Fund	57
Black Canyon Golf Course Fund	58

Internal Service Funds

Statement of Net Position	59
Statement of Revenues, Expenses and Changes in Net Position	60
Statement of Cash Flow Internal Service Funds	61
Budgetary Comparison Schedules:	
Fleet Management Fund	62
Information Technology Fund	63
Employee Medical Benefit Fund	64

State Compliance

Local Highway Finance Report	65-66
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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, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2016 by \$153,211,239. Of this amount, \$43,947,992 is unrestricted to meet the City's ongoing obligations to its citizens and creditors.
- The General Fund's largest revenue source is Sales and Use tax that is collected by retail businesses that do business within the City's boundaries whether by the delivery method or place of business. The Sales & Use tax revenue collected at 3% on tangible personal property in 2016 was \$15,750,015; which is an increase of 5.1% over 2015 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,079,217, a decrease of \$268,996 over the prior year. Approximately 63.3% of this total amount, \$10,226,148 is available for spending at the City Council's discretion (unassigned fund balance) for general government functions such as streets, parks and public safety.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$10,226,148 or 60% of the total general fund expenditures which exceeds the fund balance policy.
- 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 2016, an additional \$849,739 was transferred to the Capital Improvement Fund for a total transfer of \$1,717,534.
- The City's total long-term liabilities decreased by \$1,037,051 during the current fiscal year or by approximately 43.8%.
- 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 2016, the City collected \$101,425 in water capacity fees and \$203,193 in sewer capacity fees. These fees represent a slight decrease over the previous year collections.
- Water Fund capital projects included replacing several valves at the recommendation of a consultant; replacing several hydrants; and lastly the master plan was completed to prioritize future projects.
- 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 the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Montrose that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type-activities*). The governmental activities of the City include general government, public safety, Pavilion operations, parks maintenance and street maintenance. The business-type activities of the City of Montrose include Water, Sewer, Trash and Recycling, Black Canyon Golf Course, Fleet Management, 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 15 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, capital improvement fund and special improvements revolving fund because they are considered to be major funds for the 2016 fiscal year. Data from the other 12 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, Trash and

Recycling services and Black Canyon Golf Course. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Montrose uses internal service funds to account for its fleet of vehicles, information services, and employee health and dental insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sewer, Trash & Recycling services and the Black Canyon Golf Course which are considered to be major funds of the City of Montrose. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 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 68.4% 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.

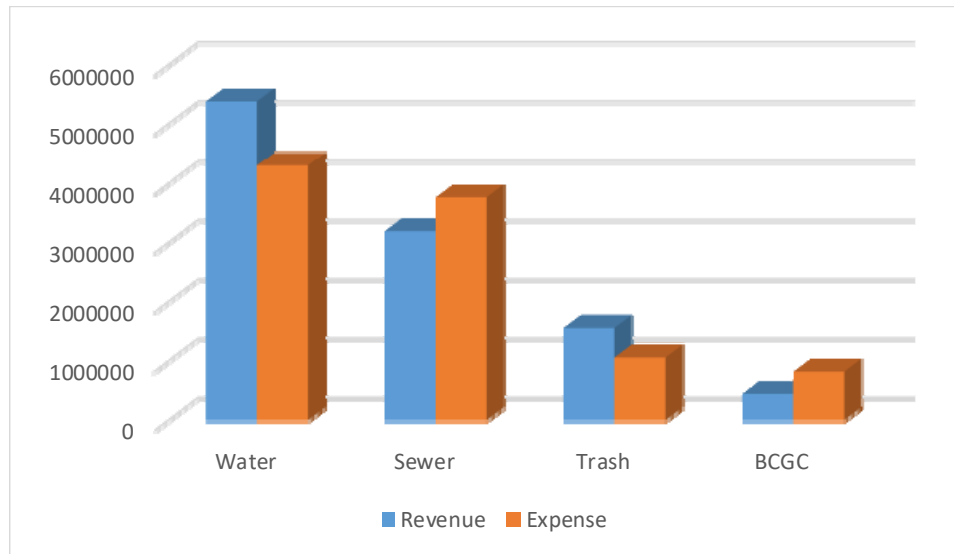
	Governmental activities		Business-type activities		Total		Amount of Change	% Change
	2016	2015	2016	2015	2016	2015		
Current assets	\$ 22,750,262	\$ 23,028,280	\$ 15,750,896	\$ 14,549,872	\$ 38,501,158	\$ 37,578,152	\$ 923,006	2.4%
Noncurrent assets	\$ 64,620,067	\$ 67,638,094	\$ 56,581,235	\$ 57,798,030	\$ 121,201,302	\$ 125,436,124	\$ (4,234,822)	-3.5%
Total assets	\$ 87,370,329	\$ 90,666,374	\$ 72,332,131	\$ 72,347,902	\$ 159,702,460	\$ 163,014,276	\$ (3,311,816)	-2.1%
Current liabilities	\$ 3,019,509	\$ 2,951,072	\$ 986,388	\$ 1,009,812	\$ 4,005,897	\$ 3,960,884	\$ 45,013	1.1%
Noncurrent liabilities	\$ 30,794	\$ 428,474	\$ 2,338,990	\$ 2,978,361	\$ 2,369,784	\$ 3,406,835	\$ (1,037,051)	-43.8%
Total liabilities	\$ 3,050,303	\$ 3,379,546	\$ 3,325,378	\$ 3,988,173	\$ 6,375,681	\$ 7,367,719	\$ (992,038)	-15.6%
Deferred Inflows								
Property Taxes	\$ 115,540	\$ 115,540	\$ -	\$ -	\$ 115,540	\$ 115,540	\$ -	0.0%
Net Position:								
Net Investment in								
Capital Assets	\$ 53,049,981	\$ 55,928,715	\$ 51,758,681	\$ 52,319,334	\$ 104,808,662	\$ 108,248,049	\$ (3,439,387)	-3.3%
Restricted	\$ 4,500,585	\$ 4,365,632	\$ -	\$ -	\$ 4,500,585	\$ 4,365,632	\$ 134,953	3.0%
Unrestricted	\$ 26,699,920	\$ 26,876,943	\$ 17,248,072	\$ 16,040,395	\$ 43,947,992	\$ 42,917,338	\$ 1,030,654	2.3%
Total Net Position	\$ 84,250,486	\$ 87,171,290	\$ 69,006,753	\$ 68,359,729	\$ 153,257,239	\$ 155,531,019	\$ (2,273,780)	-1.5%

At the end of the current fiscal year, the City's net position government-wide has decreased over the net position reported in 2015. Under GASB 34 the audit shows the City's net position decreased by \$2,318,208 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 \$2,966,804 and business type activities increased the City's net position by \$647,024.

	Governmental activities		Business-type activities		Total		Amount of Change
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues:							
Charges for services	\$ 1,460,479	\$ 1,167,867	\$ 10,296,719	\$ 10,048,469	\$ 11,757,198	\$ 11,216,336	\$ 540,862
Operating grants and contributions	\$ 2,466,644	\$ 1,455,490	\$ -	\$ -	\$ 2,466,644	\$ 1,455,490	\$ 1,011,154
Capital Grants and contributions	\$ 76,272	\$ 1,181,658	\$ 318,233	\$ 515,026	\$ 394,505	\$ 1,696,684	\$ (1,302,179)
General revenues:					\$ -	\$ -	\$ -
Taxes					\$ -	\$ -	\$ -
Sales Tax	\$ 16,646,728	\$ 15,941,550			\$ 16,646,728	\$ 15,941,550	\$ 705,178
Franchise Fees	\$ 1,045,878	\$ 1,034,813			\$ 1,045,878	\$ 1,034,813	\$ 11,065
Cigarette Tax	\$ 59,321	\$ 57,665			\$ 59,321	\$ 57,665	\$ 1,656
Earnings on Investments	\$ 79,894	\$ 69,118	\$ 72,486	\$ 45,770	\$ 152,380	\$ 114,888	\$ 37,492
Miscellaneous	\$ 81,844	\$ 134,095	\$ 13,261	\$ (1,737,734)	\$ 95,105	\$ (1,603,639)	\$ 1,698,744
Administrative Charges	\$ 641,468	\$ 794,917	\$ (641,468)	\$ (794,917)	\$ -	\$ -	\$ -
Other	\$ 1,600	\$ 3,360			\$ 1,600	\$ 3,360	\$ (1,760)
Capital Cont.-Infrastructure					\$ -	\$ -	\$ -
Total revenues	\$ 22,560,128	\$ 21,840,533	\$ 10,059,231	\$ 8,076,614	\$ 32,619,359	\$ 29,917,147	\$ 2,702,212
Expenses:							
General government	\$ 4,885,472	\$ 4,211,863			\$ 4,885,472	\$ 4,211,863	\$ 673,609
Community Development	\$ 1,248,855	\$ 1,279,743			\$ 1,248,855	\$ 1,279,743	\$ (30,888)
Public Safety	\$ 8,349,204	\$ 6,131,080			\$ 8,349,204	\$ 6,131,080	\$ 2,218,124
Engineering & Inspection	\$ 160,773	\$ 144,431			\$ 160,773	\$ 144,431	\$ 16,342
Public Works	\$ 8,331,703	\$ 8,142,307			\$ 8,331,703	\$ 8,142,307	\$ 189,396
Parks & Cemetery	\$ 1,775,032	\$ 1,646,149			\$ 1,775,032	\$ 1,646,149	\$ 128,883
Administration	\$ 196,391	\$ 405,193			\$ 196,391	\$ 405,193	\$ (208,802)
Interest	\$ 11,830	\$ 36,124			\$ 11,830	\$ 36,124	\$ (24,294)
Water			\$ 4,315,637	\$ 4,415,888	\$ 4,315,637	\$ 4,415,888	\$ (100,251)
Sewer			\$ 3,772,608	\$ 3,563,140	\$ 3,772,608	\$ 3,563,140	\$ 209,468
Sanitation			\$ 1,064,721	\$ 1,279,274	\$ 1,064,721	\$ 1,279,274	\$ (214,553)
Black Canyon Golf Course			\$ 826,913	\$ 733,057	\$ 826,913	\$ 733,057	\$ 93,856
Total expenses	\$ 24,959,260	\$ 21,996,890	\$ 9,979,879	\$ 9,991,359	\$ 34,939,139	\$ 31,988,249	\$ 2,950,890
Increase in net assets							
before transfers	\$ (2,399,132)	\$ (156,357)	\$ 79,352	\$ (1,914,745)	\$ (2,319,780)	\$ (2,071,102)	\$ (248,678)
Transfers	\$ (567,672)	\$ (125,002)	\$ 567,672	\$ 125,002	\$ -	\$ -	\$ -
Change in Net Position	\$ (2,966,804)	\$ (281,359)	\$ 647,024	\$ (1,789,743)	\$ (2,319,780)	\$ (2,071,102)	\$ (248,678)
Net assets - 1/1	\$ 87,171,290	\$ 87,452,649	\$ 68,359,729	\$ 70,149,472	\$ 155,531,019	\$ 157,602,121	\$ (2,071,102)
Net assets - 12/31	\$ 84,204,486	\$ 87,171,290	\$ 69,006,753	\$ 68,359,729	\$ 153,211,239	\$ 155,531,019	\$ (2,319,780)

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 \$16,079,217 an increase of \$268,996 over the prior year. Approximately 63.3% 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 (\$57,940) and permanent funds or other corpus (\$438,832). *Restricted fund balance* is for emergencies per TABOR (\$730,000), economic development (\$422,406) pay debt service (\$214,810), beautification – Expendable (\$12,061), Capital Projects (\$2,730,014) and parks and open space (\$345,294). *Committed fund balance* consists of economic development (\$210,567), community development (\$130,000), capital project (\$182,465), parks improvements (\$169,969) and animal benefit (\$40,087). *Assigned fund balance* for pavilion improvements (\$15,695), parks and recreation (\$62,210) and public education (\$90,719).

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 \$10,226,148, while total fund balance reached \$11,117,792. 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% 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 \$12,024,961, the Sewer Fund amounted to \$2,408,468, the Trash and Recycling Fund amounted to \$619,490 and the Black Canyon Golf Course amounted to \$16,589.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$21,171,449. Actual expenditures totaled \$21,281,985 which is an increase of \$1,057,108 from 2015 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, 2016, amounts to \$241,641,053. 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
	2016	2015	2016	2015	2016	2015		
Land	\$ 11,137,459	\$ 10,895,774	\$ 2,506,180	\$ 2,134,491	\$ 13,643,639	\$ 13,030,265	613,374	5%
Improvements other than buildings	\$ 2,746,662	\$ 2,712,010	\$ 6,925,228	\$ 6,925,228	\$ 9,671,890	\$ 9,637,238	34,652	0%
Infrastructure	\$115,593,253	\$113,153,942			\$115,593,253	\$ 113,153,942	2,439,311	2%
Buildings & System	\$ 13,534,843	\$ 13,598,913	\$ 80,919,590	\$ 80,216,291	\$ 94,454,433	\$ 93,815,204	639,229	1%
Machinery & Equipment	\$ 5,933,716	\$ 5,815,073	\$ 2,344,122	\$ 1,646,809	\$ 8,277,838	\$ 7,461,882	815,956	11%
Total	\$148,945,933	\$146,175,712	\$ 92,695,120	\$ 90,922,819	\$241,641,053	\$ 237,098,531	\$ 4,542,522	2%

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 \$3,013,188 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			
	2016	2015	2016	2015	2016	2015
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ 360,000	\$ 700,000		\$ 3,240,000	\$ 360,000	\$ 3,940,000
Notes Payable	\$ 33,188	\$ 43,216	\$ 2,620,000		\$ 2,653,188	\$ 43,216
Total	\$ 393,188	\$ 743,216	\$ 2,620,000	\$ 3,240,000	\$ 3,013,188	\$ 3,983,216

The City's bonded debt decreased by \$3,580,000 during 2016.

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 \$271,459,204 the current general obligation debt limitation for the City is \$13,572,960. 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 2016 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 2016.

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 M1-M8 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 - 64 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2017 on our consideration of the City of Montrose's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Montrose's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 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.



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BASIC FINANCIAL STATEMENTS

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CITY OF MONTROSE, COLORADO

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 13,345,227	\$ 9,224,911	\$ 22,570,138
Certificates of deposit	6,440,043	5,370,216	11,810,259
Restricted cash and cash equivalents	-	35,656	35,656
Accounts receivable - net	377,401	744,181	1,121,582
Franchise fees receivable	168,636	-	168,636
Due from other governments	97,984	-	97,984
Sales tax receivable	1,874,250	-	1,874,250
Special assessments receivable	246,676	-	246,676
Prepaid Expenses	108,049	5,705	113,754
Inventory of supplies	91,996	370,228	462,224
Total Current Assets	<u>22,750,262</u>	<u>15,750,897</u>	<u>38,501,159</u>
Noncurrent Assets			
Capital assets, not being depreciated	11,137,459	2,134,491	13,271,950
Capital assets	148,836,700	87,601,960	236,438,660
Accumulated depreciation	<u>(95,354,092)</u>	<u>(33,155,216)</u>	<u>(128,509,308)</u>
Total Noncurrent Assets	<u>64,620,067</u>	<u>56,581,235</u>	<u>121,201,302</u>
Total Assets	<u>87,370,329</u>	<u>72,332,132</u>	<u>159,702,461</u>
LIABILITIES			
Current Liabilities			
Accounts payable	1,110,367	292,193	1,402,560
Due to other governments	(9,100)	-	(9,100)
Customer deposits and deposits in escrow	324,072	204,931	529,003
Accrued salaries and benefits	245,746	54,582	300,328
Unearned Revenue	-	9,424	9,424
Accrued compensated absences	506,591	76,186	582,777
Accrued interest payable	4,153	44,073	48,226
Claims payable	440,000	-	440,000
Long-term debt due in one year	397,680	305,000	702,680
Total Current Liabilities	<u>3,019,509</u>	<u>986,389</u>	<u>4,005,898</u>
Noncurrent Liabilities			
Revenue bonds - net of premium	-	2,311,762	2,311,762
Notes payable	22,658	-	22,658
Capital lease payable	<u>8,136</u>	<u>27,228</u>	<u>35,364</u>
Total Noncurrent Liabilities	<u>30,794</u>	<u>2,338,990</u>	<u>2,369,784</u>
Total Liabilities	<u>3,050,303</u>	<u>3,325,379</u>	<u>6,375,682</u>
Deferred Inflows - Property Taxes	<u>115,540</u>	<u>-</u>	<u>115,540</u>
NET POSITION			
Net Investment in Capital Assets	53,049,981	51,758,681	104,808,662
Restricted	4,454,585	-	4,454,585
Unrestricted	<u>26,699,920</u>	<u>17,248,072</u>	<u>43,947,992</u>
Total Net Position	<u>\$ 84,204,486</u>	<u>\$ 69,006,753</u>	<u>\$ 153,211,239</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, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
General government	\$ 4,885,472	\$ 397,193	\$ 112,873	\$ -
Community development	2,495,961	34,221	169,228	-
Public safety	7,102,098	328,132	1,340,775	34,000
Engineering and inspection	160,773	254,505	-	-
Public works	8,331,703	259,391	730,514	-
Parks and cemetery	1,775,032	187,037	113,254	42,272
Insurance	196,391	-	-	-
Interest Expense	11,830	-	-	-
Total governmental activities	<u>24,959,260</u>	<u>1,460,479</u>	<u>2,466,644</u>	<u>76,272</u>
<u>Business-type Activities</u>				
Water	4,315,637	5,286,362	-	101,425
Sewer	3,772,608	2,994,996	-	203,193
Trash/Recycling	1,064,721	1,563,343	-	-
Black Canyon Golf Course	826,913	452,018	-	13,615
Total business-type activities	<u>9,979,879</u>	<u>10,296,719</u>	<u>-</u>	<u>318,233</u>
Total	<u>\$ 34,939,139</u>	<u>\$ 11,757,198</u>	<u>\$ 2,466,644</u>	<u>\$ 394,505</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
\$ (4,375,406)	\$ -	\$ (4,375,406)
(2,292,512)	-	(2,292,512)
(5,399,191)	-	(5,399,191)
93,732	-	93,732
(7,341,798)	-	(7,341,798)
(1,432,469)	-	(1,432,469)
(196,391)	-	(196,391)
<u>(11,830)</u>	<u>-</u>	<u>(11,830)</u>
<u>(20,955,865)</u>	<u>-</u>	<u>(20,955,865)</u>
-	1,072,150	1,072,150
-	(574,419)	(574,419)
-	498,622	498,622
<u>-</u>	<u>(361,280)</u>	<u>(361,280)</u>
<u>-</u>	<u>635,073</u>	<u>635,073</u>
<u>(20,955,865)</u>	<u>635,073</u>	<u>(20,320,792)</u>
16,646,728	-	16,646,728
1,045,878	-	1,045,878
59,321	-	59,321
79,894	72,486	152,380
81,844	13,261	95,105
641,468	(641,468)	-
1,600	-	1,600
<u>(567,672)</u>	<u>567,672</u>	<u>-</u>
<u>17,989,061</u>	<u>11,951</u>	<u>18,001,012</u>
(2,966,804)	647,024	(2,319,780)
<u>87,171,290</u>	<u>68,359,729</u>	<u>155,531,019</u>
<u>\$ 84,204,486</u>	<u>\$ 69,006,753</u>	<u>\$ 153,211,239</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Governmental Funds

December 31, 2016

(With Comparative Totals for December 31, 2015)

					Totals	
	General	Capital Improvement	Special Improvements Revolving	Nonmajor Funds	2016	2015
ASSETS						
Cash and cash equivalents	\$ 6,441,274	\$ 55,686	\$ 572,120	\$ 2,278,717	\$ 9,347,797	\$ 8,478,934
Certificates of deposit	3,844,610	148,245	179,457	1,758,564	5,930,876	6,257,070
Accounts receivable - net	184,664	-	(711)	170,866	354,819	457,152
Franchise fees receivable	163,936	-	-	4,700	168,636	187,620
Due from other governments	67,984	-	-	30,000	97,984	633,686
Sales tax receivable	1,799,950	-	-	74,300	1,874,250	1,714,985
Special assessments receivable	-	-	246,676	-	246,676	313,058
Inventory of supplies	21,274	-	-	22,300	43,574	8,188
Prepaid Expenses	10,966	-	-	3,400	14,366	11,354
Total Assets	<u>\$ 12,534,658</u>	<u>\$ 203,931</u>	<u>\$ 997,542</u>	<u>\$ 4,342,847</u>	<u>\$ 18,078,978</u>	<u>\$ 18,062,047</u>
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 872,323	\$ 17,474	\$ -	\$ 154,424	\$ 1,044,221	\$ 1,126,122
Due to other governments	(9,100)	-	-	-	(9,100)	1,942
Customer deposits and deposits in escrow	319,174	3,992	-	906	324,072	349,820
Accrued salaries and benefits	219,641	-	-	8,168	227,809	234,065
Unearned Revenue	14,828	-	247,983	34,408	297,219	424,337
Total Liabilities	<u>1,416,866</u>	<u>21,466</u>	<u>247,983</u>	<u>197,906</u>	<u>1,884,221</u>	<u>2,136,286</u>
DEFERRED INFLOWS - Property Taxes	-	-	-	115,540	115,540	115,540
FUND BALANCE						
Unspendable:						
Prepays and Inventory	32,240	-	-	25,700	57,940	19,542
Permanent funds or other corpus	-	-	-	438,832	438,832	437,232
Restricted:						
For emergencies	730,000	-	-	-	730,000	711,000
For economic development	-	-	-	422,406	422,406	269,626
For debt service	-	-	-	214,810	214,810	214,910
For beautification - expendable	-	-	-	12,061	12,061	8,699
For capital projects	119,676	-	749,559	1,860,779	2,730,014	2,835,024
For parks	-	-	-	345,294	345,294	326,373
Committed:						
For economic development	-	-	-	210,567	210,567	147,244
For community development	-	-	-	130,000	130,000	130,000
For capital projects	-	182,465	-	-	182,465	584,960
For parks improvements	-	-	-	169,969	169,969	159,819
For animal shelter	-	-	-	40,087	40,087	40,087
Assigned:						
For parks and recreation	9,728	-	-	52,482	62,210	75,366
For pavilion improvements	-	-	-	15,695	15,695	14,895
For public education	-	-	-	90,719	90,719	80,814
Unassigned	10,226,148	-	-	-	10,226,148	9,754,630
Total Fund Balance	<u>11,117,792</u>	<u>182,465</u>	<u>749,559</u>	<u>4,029,401</u>	<u>16,079,217</u>	<u>15,810,221</u>
Total Liabilities, Deferred Inflow and Fund Balances	<u>\$ 12,534,658</u>	<u>\$ 203,931</u>	<u>\$ 997,542</u>	<u>\$ 4,342,847</u>	<u>\$ 18,078,978</u>	<u>\$ 18,062,047</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, 2016

	<u>2016</u>
Total Fund Balances for the Governmental Funds	\$ 16,079,217
Total net position for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	
Land	11,137,459
Land Improvements	2,746,662
Infrastructure	115,593,253
Buildings and systems	13,534,843
Equipment	5,933,716
Accumulated Depreciation	(87,596,862)
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	
	7,368,758
Special assessments receivable that are not currently available are deferred in the funds	
	297,219
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	(4,153)
Unamortized bond premiums	(15,632)
Revenue bonds payable	(360,000)
Notes payable	(33,188)
Compensated absences	(476,806)
Total Net Position for Governmental Activities	<u>\$ 84,204,486</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, 2016

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

	Capital Projects				Totals	
	General	Capital Improvement	Special	Nonmajor	2016	2015
			Improvements	Funds		
			Revolving			
REVENUES						
Taxes	\$ 16,893,762	\$ -	\$ -	\$ 930,890	\$ 17,824,652	\$ 17,118,076
Licenses and permits	335,952	-	-	-	335,952	367,582
Intergovernmental	1,403,285	-	-	1,324,786	2,728,071	2,635,380
Charges for services	441,284	-	-	94,731	536,015	317,988
Fines and forfeits	223,645	-	-	-	223,645	241,257
Special assessments	-	-	74,609	-	74,609	90,866
Miscellaneous	229,580	1,368	-	102,160	333,108	304,888
Administrative reimbursement	641,468	-	-	-	641,468	794,917
Contributions to permanent endowment	-	-	-	1,600	1,600	3,360
Investment earnings	56,767	10,033	9,236	3,889	79,925	69,433
Total revenues	<u>20,225,743</u>	<u>11,401</u>	<u>83,845</u>	<u>2,458,056</u>	<u>22,779,045</u>	<u>21,943,747</u>
EXPENDITURES						
Current						
General government	4,008,375	-	580	44,311	4,053,266	4,078,505
Community Development	268,202	-	-	2,073,438	2,341,640	1,445,905
Public safety	6,597,832	-	-	-	6,597,832	6,030,836
Engineering and inspection	150,833	-	-	-	150,833	143,789
Public works	2,790,268	-	-	42	2,790,310	2,906,661
Parks, recreation and cemetery	1,276,465	-	-	55,000	1,331,465	1,134,103
Insurance	286,782	-	-	-	286,782	330,364
Capital outlay	1,552,849	2,131,430	-	325,782	4,010,061	5,593,210
Debt service	-	-	-	380,189	380,189	383,389
Total expenditures	<u>16,931,606</u>	<u>2,131,430</u>	<u>580</u>	<u>2,878,762</u>	<u>21,942,378</u>	<u>22,046,762</u>
Revenues in excess of expenditures	<u>3,294,137</u>	<u>(2,120,029)</u>	<u>83,265</u>	<u>(420,706)</u>	<u>836,667</u>	<u>(103,015)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	672	1,717,534	-	528,700	2,246,906	2,492,062
Transfers out	(2,783,405)	-	-	(31,172)	(2,814,577)	(2,617,062)
Net other financing sources (uses)	<u>(2,782,733)</u>	<u>1,717,534</u>	<u>-</u>	<u>497,528</u>	<u>(567,671)</u>	<u>(125,000)</u>
Change in fund balance	511,404	(402,495)	83,265	76,822	268,996	(228,015)
FUND BALANCE, Beginning	<u>10,606,388</u>	<u>584,960</u>	<u>666,294</u>	<u>3,952,579</u>	<u>15,810,221</u>	<u>16,038,236</u>
FUND BALANCE, Ending	<u>\$ 11,117,792</u>	<u>\$ 182,465</u>	<u>\$ 749,559</u>	<u>\$ 4,029,401</u>	<u>\$ 16,079,217</u>	<u>\$ 15,810,221</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, 2016

	<u>2016</u>
Net change in fund balances - governmental funds	\$ 268,996
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	2,872,221
Gain (loss) on asset disposals	(91,800)
Depreciation expense	(6,310,801)
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	
	61,105
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	(127,118)
Change in accrued interest payable	3,568
Change in accrued compensated absences	(7,766)
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	350,028
Amortization of bond premiums	<u>14,763</u>
Change in net position of governmental activities	<u>\$ (2,966,804)</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2016

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

		Enterprise Funds				
		Water	Sewer	Trash/Recycling	Black Canyon Golf Course	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents		\$ 8,991,286	\$ (242,597)	\$ 475,503	\$ 719	\$ 9,224,911
Certificates of deposit		2,872,931	2,497,285	-	-	5,370,216
Restricted cash and cash equivalents		-	35,656	-	-	35,656
Accounts receivable - net		334,596	263,081	143,159	3,345	744,181
Inventory of supplies		232,174	36,247	66,864	34,943	370,228
Prepaid Expenses		-	5,705	-	-	5,705
	Total Current Assets	12,430,987	2,595,377	685,526	39,007	15,750,897
Noncurrent Assets						
Capital assets, net of depreciation		23,471,573	32,227,805	-	881,857	56,581,235
	Total Assets	35,902,560	34,823,182	685,526	920,864	72,332,132
LIABILITIES						
Current Liabilities						
Accounts payable		120,911	117,648	46,066	7,568	292,193
Customer deposits and deposits in escrow		204,931	-	-	-	204,931
Accrued salaries and benefits		20,153	20,121	8,345	5,963	54,582
Unearned Revenue		-	4,800	-	4,624	9,424
Accrued compensated absences		35,791	24,507	11,625	4,263	76,186
Accrued interest payable		24,240	19,833	-	-	44,073
Claims payable		-	-	-	-	-
Long-term debt due in one year		167,750	137,250	-	-	305,000
	Total Current Liabilities	573,776	324,159	66,036	22,418	986,389
Noncurrent Liabilities						
Revenue bonds - net of premium		1,271,469	1,040,293	-	-	2,311,762
Capital lease payable		-	-	-	27,228	27,228
	Total Liabilities	1,845,245	1,364,452	66,036	49,646	3,325,379
NET POSITION						
Net Investment in Capital Assets		22,032,354	31,050,262	-	854,629	53,937,245
Unrestricted		12,024,961	2,408,468	619,490	16,589	15,069,508
	Total Net Position	\$ 34,057,315	\$ 33,458,730	\$ 619,490	\$ 871,218	\$ 69,006,753

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

Totals

Internal Service

Funds	2016	2015
\$ 3,997,430	\$ 13,222,341	\$ 14,081,586
509,167	5,879,383	4,274,757
-	35,656	-
22,582	766,763	852,875
48,422	418,650	299,107
<u>93,683</u>	<u>99,388</u>	<u>7,779</u>
<u>4,671,284</u>	<u>20,422,181</u>	<u>19,516,104</u>
<u>3,270,996</u>	<u>59,852,231</u>	<u>60,556,673</u>
<u>7,942,280</u>	<u>80,274,412</u>	<u>80,072,777</u>
66,146	358,339	367,673
-	204,931	203,495
17,937	72,519	57,630
-	9,424	11,644
29,785	105,971	103,475
-	44,073	34,894
440,000	440,000	285,000
<u>7,035</u>	<u>312,035</u>	<u>340,989</u>
560,903	1,547,292	1,404,800
-	2,311,762	2,952,551
<u>12,619</u>	<u>39,847</u>	<u>48,044</u>
<u>573,522</u>	<u>3,898,901</u>	<u>4,405,395</u>
3,251,342	57,188,587	57,215,089
<u>4,117,416</u>	<u>19,186,924</u>	<u>18,452,293</u>
<u>\$ 7,368,758</u>	<u>\$ 76,375,511</u>	<u>\$ 75,667,382</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2016

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

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
OPERATING REVENUES					
Water sales	\$ 5,232,105	\$ -	\$ -	\$ -	\$ 5,232,105
Sewer charges	-	2,848,901	-	-	2,848,901
Tap fees unpledged	50,093	47,901	-	-	97,994
Sanitation charges	-	-	1,562,506	-	1,562,506
Golf charges	-	-	-	452,018	452,018
Interfund charges	-	-	-	-	-
Other Charges	4,573	75,685	-	-	80,258
Miscellaneous	(409)	22,509	837	-	22,937
Total Operating Revenues	5,286,362	2,994,996	1,563,343	452,018	10,296,719
OPERATING EXPENSES					
Enterprise administration	276,079	241,223	124,166	-	641,468
Operations and maintenance	3,225,098	1,724,132	1,064,721	764,676	6,778,627
Medical claims	-	-	-	-	-
Insurance premiums	-	-	-	-	-
Depreciation	1,037,136	1,892,180	-	59,779	2,989,095
Capital outlay	-	112,602	-	-	112,602
Total Operating Expenses	4,538,313	3,970,137	1,188,887	824,455	10,521,792
Net Operating Income	748,049	(975,141)	374,456	(372,437)	(225,073)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Investment earnings	54,053	18,433	-	-	72,486
Gain (loss) on sale of assets	-	-	-	-	-
Other miscellaneous revenues	-	-	-	13,261	13,261
Interest expense	(53,403)	(43,694)	-	(2,458)	(99,555)
Net Nonoperating Revenues (Expenses)	650	(25,261)	-	10,803	(13,808)
Income Before Contributions and Transfers	748,699	(1,000,402)	374,456	(361,634)	(238,881)
Contributions and Transfers					
Capacity fees and Dedicated infrastructure	101,425	203,193	-	13,615	318,233
Transfers in	-	-	-	567,672	567,672
Net Contributions and Transfers	101,425	203,193	-	581,287	885,905
Change in Net Position	850,124	(797,209)	374,456	219,653	647,024
NET POSITION, Beginning	33,207,191	34,255,939	245,034	651,565	68,359,729
NET POSITION, ENDING	\$ 34,057,315	\$ 33,458,730	\$ 619,490	\$ 871,218	\$ 69,006,753

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

Totals

Internal Service

Funds	2016	2015
\$ -	\$ 5,232,105	\$ 5,062,318
-	2,848,901	2,840,260
-	97,994	76,484
-	1,562,506	1,540,563
-	452,018	454,938
4,615,326	4,615,326	4,846,922
41,321	121,579	144,644
<u>105,427</u>	<u>128,364</u>	<u>46,184</u>
<u>4,762,074</u>	<u>15,058,793</u>	<u>15,012,313</u>
89,381	730,849	892,123
1,775,270	8,553,897	7,778,968
1,852,960	1,852,960	1,228,881
411,070	411,070	343,960
<u>679,717</u>	<u>3,668,812</u>	<u>3,482,400</u>
<u>32,429</u>	<u>145,031</u>	<u>-</u>
<u>4,840,827</u>	<u>15,362,619</u>	<u>13,726,332</u>
<u>(78,753)</u>	<u>(303,826)</u>	<u>1,285,981</u>
58,068	58,068	126,027
22,646	95,132	55,546
59,857	59,857	(1,768,277)
-	13,261	54,912
<u>(713)</u>	<u>(100,268)</u>	<u>(153,278)</u>
<u>139,858</u>	<u>126,050</u>	<u>(1,685,070)</u>
<u>61,105</u>	<u>(177,776)</u>	<u>(399,089)</u>
-	318,233	515,026
<u>-</u>	<u>567,672</u>	<u>125,000</u>
<u>-</u>	<u>885,905</u>	<u>640,026</u>
61,105	708,129	240,937
<u>7,307,653</u>	<u>75,667,382</u>	<u>75,426,445</u>
<u>\$ 7,368,758</u>	<u>\$ 76,375,511</u>	<u>\$ 75,667,382</u>

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

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

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,245,913	\$ 2,998,346	\$ 1,565,027	\$ 454,707	\$ 10,263,993
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(2,898,575)	(1,349,320)	(683,031)	(278,457)	(5,209,383)
Payments to employees	(551,513)	(584,657)	(224,075)	(218,074)	(1,578,319)
Payments for internal services used	(142,277)	(182,041)	(275,861)	(275,861)	(876,040)
Net cash provided (used) by operating activities	<u>1,653,548</u>	<u>882,328</u>	<u>382,060</u>	<u>(317,685)</u>	<u>2,600,251</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other Revenues	-	-	-	13,261	13,261
Transfers in	-	-	-	567,672	567,672
Net cash provided (used) by noncapital financing activities	-	-	-	<u>580,933</u>	<u>580,933</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions and tap fees	101,425	203,193	-	13,615	318,233
Capital grants	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Acquisition and construction of capital assets	(486,333)	(1,142,766)	-	(143,201)	(1,772,300)
Principal paid on long-term debt	(351,130)	(287,290)	-	(26,901)	(665,321)
Interest paid on long-term debt	(48,355)	(39,563)	-	(2,458)	(90,376)
Net cash provided (used) by capital and related financing activities	<u>(784,393)</u>	<u>(1,266,426)</u>	<u>-</u>	<u>(158,945)</u>	<u>(2,209,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(466,120)	(1,133,691)	-	-	(1,599,811)
Interest on investments	54,053	18,433	-	-	72,486
Net cash provided (used) by investing activities	<u>(412,067)</u>	<u>(1,115,258)</u>	<u>-</u>	<u>-</u>	<u>(1,527,325)</u>
Net increase (decrease) in cash and cash equivalents	457,088	(1,499,356)	382,060	104,303	(555,905)
CASH AND CASH EQUIVALENTS, Beginning	8,534,198	1,292,415	93,443	(103,584)	9,816,472
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 8,991,286</u>	<u>\$ (206,941)</u>	<u>\$ 475,503</u>	<u>719</u>	<u>\$ 9,260,567</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 748,049	\$ (975,141)	\$ 374,456	\$ (372,437)	\$ (225,073)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,037,136	1,892,180	-	59,779	2,989,095
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	(41,885)	3,350	1,684	4,909	(31,942)
(Increase) decrease in inventory of supplies	(90,266)	(6,454)	(8,656)	(14,096)	(119,472)
(Increase) decrease in prepaid expenses	-	(5,705)	-	-	(5,705)
Increase (decrease) in accounts payable	(4,805)	(28,805)	16,260	2,063	(15,287)
Increase (decrease) in customer deposits and deposits in escrow	1,436	-	-	-	1,436
Increase (decrease) in accrued salaries and benefits	4,297	3,170	1,846	1,631	10,944
Increase (decrease) in deferred revenues	-	-	-	(2,220)	(2,220)
Increase (decrease) in accrued compensated absences	(414)	(267)	(3,530)	2,686	(1,525)
Increase (decrease) in claims payable	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 1,653,548</u>	<u>\$ 882,328</u>	<u>\$ 382,060</u>	<u>\$ (317,685)</u>	<u>\$ 2,600,251</u>

SCHEDULE OF NON-CASH ACTIVITIES

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

Totals		
Internal Service Funds	2016	2015
\$ 264,802	\$ 10,528,795	\$ 10,271,582
4,615,326	4,615,326	4,846,922
(3,567,572)	(8,776,955)	(7,284,843)
(490,046)	(2,068,365)	(1,943,024)
(20,548)	(896,588)	(1,046,576)
<u>801,962</u>	<u>3,402,213</u>	<u>4,844,061</u>
	13,261	54,912
-	567,672	125,000
-	580,933	179,912
-	318,233	515,026
58,068	58,068	126,027
59,857	59,857	(1,768,277)
(1,192,070)	(2,964,370)	(1,575,824)
(12,619)	(677,940)	(327,356)
(713)	(91,089)	(156,544)
<u>(1,087,477)</u>	<u>(3,297,241)</u>	<u>(3,186,948)</u>
(4,815)	(1,604,626)	(2,989,127)
22,646	95,132	55,546
17,831	(1,509,494)	(2,933,581)
(267,684)	(823,589)	(1,096,556)
4,265,114	14,081,586	15,178,142
<u>\$ 3,997,430</u>	<u>\$ 13,257,997</u>	<u>\$ 14,081,586</u>
\$ (78,753)	\$ (303,826)	\$ 1,285,981
679,717	3,668,812	3,482,400
118,054	86,112	145,022
(71)	(119,543)	(11,658)
(85,904)	(91,609)	(7,779)
5,953	(9,334)	40,889
-	1,436	(41,754)
3,945	14,889	7,850
-	(2,220)	2,923
4,021	2,496	5,187
155,000	155,000	(65,000)
<u>\$ 801,962</u>	<u>\$ 3,402,213</u>	<u>\$ 4,844,061</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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.

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fund type:

Internal Service Funds - These funds account for 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, 2016

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, 2016, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash equivalents or short-term investments. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average monthly balance of each participating fund.

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated absences - The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated 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.

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

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

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

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

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing budgets:

- a. Budgets are required by state law for all governmental and proprietary funds.
- b. During October the proposed budget is submitted to the City Council for the fiscal year commencing the following January 1.
- c. Prior to November 30, the budget is adopted and appropriations are authorized by ordinance at the fund level for all funds. The legal level of budgetary control is at the individual fund level for all funds.
- d. Budgets are adopted on a basis consistent with the accounting basis of all funds except for proprietary-type funds. In the proprietary funds, the City budgets for capital outlays, transfers to and from reserve funds (restricted funds of the Utility Fund) and bond principal and interest payments and does not budget for depreciation.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class and in total by each fund. The total fund level constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to approval by ordinance from the City Council. Within the fund level control basis, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. Budget amounts included in the budgetary comparison schedules are based on the final legally amended budget.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

E. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Appropriations lapse at the end of each year, and the City Council may adopt supplemental appropriations during the year. The City Council may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by the City Council when adopting supplemental appropriations.

The City's expenditures exceeded appropriations in the Black Canyon Golf Course Fund, which may be a violation of Colorado statutes.

Originally adopted budgeted expenditures and the final, amended year budgeted expenditures for the ended December 31, 2016 are as follows:

<u>Fund Name</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Final Budget</u>
General Fund	\$ 19,899,234	\$ 1,272,215	\$ 21,171,449
Retail Sales Enhancement Fund	317,618	-	317,618
CDBG	-	1,200,000	1,200,000
7th Judicial Drug Task Force Fund	-	-	-
Competitive Youth Sports Fund	-	-	-
Downtown Development Authority	145,692	20,000	165,692
Downtown Opportunity Fund	30,000	-	30,000
Greater Montrose Loan Fund	50,000	-	50,000
Public/Education/Government Fund	20,000	-	20,000
Capital Improvements Fund	2,664,000	23,575	2,687,575
Conservation Trust Fund	45,000	50,000	95,000
Pavilion Improvement Fund	22,000	3,000	25,000
Special Benefit Fund	49,275	-	49,275
Tourism Promotional Fund	427,918	124,040	551,958
Excise Tax Revenue Bond Fund	368,200	-	368,200
EIA Fireflow Loan Fund	12,190	-	12,190
Demoret Trust Fund	-	-	-
Cemetery Perpetual Care Fund	500	-	500
Special Improvements Revolving Fund	1,000	-	1,000
Grand/Rio Grande Project Fund	160,000	60,000	220,000
Building Renovations Fund	301,000	-	301,000
Water Fund	4,969,542	-	4,969,542
Sewer Fund	3,346,780	-	3,346,780
Trash/Recycling Fund	1,246,860	-	1,246,860
Golf Course Fund	799,216	25,784	825,000
Fleet Management Fund	2,213,673	-	2,213,673
Information Technologies Fund	1,130,750	106,686	1,237,436
Employee Benefit Fund	2,360,000	-	2,360,000
	<u>\$ 40,580,448</u>	<u>\$ 2,885,300</u>	<u>\$ 43,465,748</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2016 and how they are displayed in the financial statements is shown below:

Petty Cash	\$ 4,890
Cash Accounts	16,610,713
Investments	<u>17,800,447</u>
Total Cash and Investments	<u>\$ 34,416,050</u>
Cash and Equivalents	\$ 22,618,737
Certificates of Deposit	11,259,918

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, 2016, none of the City's bank balances were exposed to custodial credit risk as all deposits were either insured or collateralized by securities pledged by financial institutions. A summary of this coverage is as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 2,609,382	\$ 2,609,382
PDPA Collateralized (Not held in City's name)	14,403,126	13,856,750
Uncollateralized	<u>144,581</u>	<u>144,581</u>

**CITY OF MONTROSE
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

B. INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Weighted Avg Mat In Years</u>
Local Gov't Invest Pool - Unrestricted	\$ -	\$ 17,250,107	\$ -	\$ 17,250,107	-

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- **Investment Pools:** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

The City recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2016, there were no changes in the methods or assumptions utilized to derive the fair value of the City's assets and liabilities.

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

Credit risk - Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U S government agency securities, certain international agency securities, general obligation and revenue bonds of U S local government entities, bankers' acceptances of certain banks; commercial paper, local government investment pools, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts. The City's general investment policy is to apply the prudent-person rule. Prudence and protection of City funds are the primary criteria.

All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2016, 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 35% of the total portfolio may be invested in any single banking or savings and loan institution. Including certificates of deposit and other investments, approximately 35% of the City's total investments for the year ended December 31, 2016, were in a single financial institution, Colotrust.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Governmental Activities			Balance	
	Balance	Increases	Decreases		Balance
	01/01/16				
Capital assets not being depreciated:					
Land	\$ 10,895,774	\$ 241,685	\$ -	\$11,137,459	
Capital assets being depreciated:					
Land improvement	2,712,010	34,652	-	2,746,662	
Infrastructure - road network	113,153,942	2,439,311	-	115,593,253	
Buildings	13,598,913	37,930	102,000	13,534,843	
Vehicles	-	-	-	-	
Equipment	5,815,073	118,643	-	5,933,716	
Internal service vehicles	9,621,345	982,578	771,868	9,832,055	
Internal service equipment	894,528	209,850	39,100	1,065,278	
Total capital assets being depreciated	<u>145,795,811</u>	<u>3,822,964</u>	<u>912,968</u>	<u>148,705,807</u>	
Less accumulated depreciation for:					
Land improvements	1,052,173	118,757	-	1,170,930	
Infrastructure - road network	66,441,641	5,441,071	-	71,882,712	
Buildings	8,578,862	626,550	10,200	9,195,212	
Vehicles	-	-	-	-	
Equipment	5,223,585	124,423	-	5,348,008	
Internal service vehicles	7,215,534	586,410	769,988	7,031,956	
Internal service equipment	541,696	91,784	39,100	594,380	
Total accumulated depreciation	<u>89,053,491</u>	<u>6,988,995</u>	<u>819,288</u>	<u>95,223,198</u>	
Total capital assets being depreciated, net	<u>56,742,320</u>	<u>(3,166,031)</u>	<u>93,680</u>	<u>53,482,609</u>	
Governmental activity capital assets, net	<u>\$ 67,638,094</u>	<u>\$ (2,924,346)</u>	<u>\$ 93,680</u>	<u>\$64,620,068</u>	

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CAPITAL ASSETS (Continued)

	Business-Type Activities			Balance	
	Balance	Increases	Decreases		Balance
	01/01/16				12/31/16
Capital assets not being depreciated:					
Land and Easements	\$ 2,134,491	\$ 371,689	\$ -	\$ 2,506,180	
Capital assets being depreciated:					
Reservoirs	6,925,228	-	-	6,925,228	
Buildings	478,303	11,523	-	489,826	
Land improvements	30,428	-	-	30,428	
Transmission, collection and distribution lines	59,708,579	495,211	-	60,203,790	
Treatment Plant	20,029,409	196,565	-	20,225,974	
Equipment	<u>1,646,809</u>	<u>697,313</u>	-	<u>2,344,122</u>	
Total capital assets being depreciated	<u>88,818,756</u>	<u>1,400,612</u>	-	<u>90,219,368</u>	
Less accumulated depreciation for:					
Reservoirs	834,892	135,492	-	970,384	
Buildings	31,247	31,247	-	62,494	
Land improvements	-	4,848	-	4,848	
Transmission, collection and distribution lines	18,088,967	1,994,441	-	20,083,408	
Treatment Plant	13,700,994	723,092	-	14,424,086	
Equipment	<u>499,116</u>	<u>99,477</u>	-	<u>598,593</u>	
Total accumulated depreciation	<u>33,155,216</u>	<u>2,988,597</u>	-	<u>36,143,813</u>	
Total capital assets being depreciated, net	<u>55,663,540</u>	<u>(1,587,985)</u>	-	<u>54,075,555</u>	
Business-type activities capital assets, net	<u>\$ 57,798,031</u>	<u>\$ (1,216,296)</u>	<u>\$ -</u>	<u>\$56,581,735</u>	

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CAPITAL ASSETS (Continued)

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

<u>Governmental Activities</u>	
General government	\$ 444,463
Public safety	69,448
Public works, including depreciation of general infrastructure assets	5,441,071
Parks and cemetery, including Pavillion	355,819
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>678,194</u>
Total depreciation expense	
Governmental activities	<u>\$6,988,995</u>
<u>Business-Type Activities</u>	
Water	\$1,037,137
Sewer	1,891,681
Black Canyon Golf Course	<u>59,779</u>
Total depreciation expense	
Business-Type activities	<u>\$2,988,597</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 \$8,011,100. 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 \$674,623.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - EMPLOYEE MEDICAL BENEFIT PLAN

The City adopted an employee medical benefit plan whereby the City self-insures the first \$75,000 per individual of covered medical claims, with a maximum annual City self-insurance liability of approximately \$2,151,729, exclusive of dental benefits, based on approximately 131 employees and dependents covered in 2016. 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, 2016 are as follows:

	Beginning	Current Year	Claim	Ending
	<u>Balance</u>	<u>Claims & Changes</u>	<u>Balance</u>	<u>Balance</u>
		<u>in Estimates</u>	<u>Payment</u>	
2015	\$350,000	\$1,270,083	\$1,335,083	\$285,000
2016	\$285,000	\$1,918,610	\$1,763,610	\$440,000

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:

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

The purchase price per acre-foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water, which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre-foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the City pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial uses which we reset at \$4.00 per acre-foot subject to annual adjustment. In 2016, the rate for operations and maintenance was \$7.00 per acre-foot.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 -LONG-TERM DEBT

A. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Balance 01/01/16	Additions	Payments	Balance 12/31/16	Current Portion	Accrued Interest	Interest Expense
Governmental activities:							
Revenue bonds	\$ 700,000	\$ -	\$ 340,000	\$ 360,000	\$ 340,000	\$ 3,600	\$ 24,600
Unamortized bond premium	30,395	-	14,763	15,632	14,763	-	-
Note payable	43,216	-	10,028	33,188	10,028	553	1,994
Obligations under capital leases	32,273	-	12,619	19,654	12,619	-	965
Compensated absences	494,804	11,787	-	506,591	506,591	-	-
Total Governmental activities	\$ 1,300,688	\$ 11,787	\$ 377,410	\$ 935,065	\$ 884,001	\$ 4,153	\$ 27,559
Business-type activities							
Revenue bonds	\$ 3,240,000	\$ -	\$ 3,240,000	\$ -	\$ -	\$ -	\$ -
Key Bank Note	-	2,855,000	235,000	2,620,000	305,000	11,758	82,051
Unamortized bond premium	15,182	-	15,182	-	-	-	(15,182)
Obligations under capital leases	54,129	-	26,901	27,228	25,810	-	2,458
Compensated absences	77,711	-	1,526	76,185	76,185	-	-
Total Business-type activities	\$ 3,387,022	\$ 2,855,000	\$ 3,518,609	\$ 2,723,413	\$ 406,995	\$ 11,758	\$ 69,327

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, \$29,785 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.	\$ 360,000
Plus unamortized premium	15,632
\$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>33,188</u>
Total payable from governmental activities	<u>\$ 408,820</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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 were paid off in 2016 with a Water and Sewer Revenue Refunding Note.

The 2016 Refunding Note was in the amount of \$2,844,000 with an interest yield of 1.80%. The annual payments will be due on October 1 beginning with 2016 at \$235,000 and increasing to \$345,000 in 2024 as the final payment of the note.

	\$2,620,000
Total payable from business-type activities	<u>\$2,620,000</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
2017	370,530	16,060	386,590	305,000	47,160	352,160
2018	11,055	1,134	12,189	315,000	41,670	356,670
2019	11,603	581	12,184	320,000	36,000	356,000
2020	-	-	-	325,000	30,240	355,240
2021	-	-	-	330,000	24,390	354,390
2022-2024	-	-	-	1,025,000	36,990	1,061,990
	\$ 393,188	\$ 17,775	\$ 410,963	\$ 2,620,000	\$ 216,450	\$ 2,836,450

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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM DEBT (Continued)

E. CAPITAL LEASE AGREEMENTS (Continued)

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%, matured 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.

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>
2017	\$ 12,030	2017	\$ 26,956
2018	7,465	Total Payments	26,956
2019	<u>820</u>	Interest at 7.55%/5.5%	<u>(3,604)</u>
Total Payments	20,315	Present Value of Payments	<u>\$ 23,352</u>
Interest at 3.6%/3.5%/3.7%	<u>(661)</u>		
Present Value of Payments	<u>\$ 19,654</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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

See table in financials tab

The above amounts were transferred for operations.

B. INTERNAL CHARGES

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

	Internal Fleet Equip Leases	Info. Systems Charges	Admin Charges	Health Benefits
General Fund	\$ 660,209	\$ 705,147	\$ -	\$ 1,994,892
Nonmajor Govt Funds	-	44,853	-	38,574
Major Enterprise Funds	643,922	99,342	641,468	332,748
Internal Service Funds	<u>3,676</u>	<u>17,023</u>	-	<u>74,940</u>
Total	<u>\$ 1,307,807</u>	<u>\$ 866,365</u>	<u>\$ 641,468</u>	<u>\$ 2,441,154</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 2016, the City purchased treatment of 1,130,683 gallons for \$1,017,615. At December 31, 2016, the City owed the Authority \$44,194 for 49,104,000 gallons of water. Separate financial statements of Project 7 Water Authority are available from the City or the Authority.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

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

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 12 - CONTINGENT LIABILITIES

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

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Required Supplementary Information

CITY OF MONTRÖSE, COLORADO

Budgetary Comparison Schedule for the

General Fund

For the Year Ended December 31, 2016

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

	2016				
	Original	Final	Actual	Variance	2015
	Budget	Budget		With Final	Actual
REVENUES					
Taxes	\$ 15,786,074	\$ 15,543,721	\$ 16,893,762	\$ 1,350,041	\$ 16,230,460
Licenses and permits	221,400	221,400	335,952	114,552	367,582
Intergovernmental	1,073,320	1,161,320	1,403,285	241,965	1,351,192
Charges for services	316,000	314,500	441,284	126,784	277,247
Fines and forfeits	229,300	229,300	223,645	(5,655)	241,257
Miscellaneous	87,550	123,050	229,580	106,530	208,298
Administrative reimbursement	-	641,468	641,468	-	794,917
Investment earnings	12,200	12,200	56,767	44,567	41,868
Total revenues	17,725,844	18,246,959	20,225,743	1,978,784	19,512,821
EXPENDITURES					
Current					
General government					
City council	129,605	141,910	130,391	11,519	136,387
Youth Council	-	2,525	850	1,675	-
Economic development	254,000	231,500	258,408	(26,908)	510,003
Website/Communications	144,028	133,599	121,995	11,604	117,321
City attorney	418,238	406,384	346,318	60,066	324,970
City manager	332,994	277,609	293,229	(15,620)	355,125
Human resources	296,154	258,759	288,734	(29,975)	259,510
GIS	264,258	268,624	293,420	(24,796)	232,179
Finance	625,064	670,433	670,481	(48)	609,171
Municipal court	190,980	192,391	181,111	11,280	179,556
Teen court	-	6,000	-	6,000	6,000
Innovation and citizen engagement	152,260	150,948	141,558	9,390	163,054
City clerk	256,047	249,792	248,508	1,284	214,033
Facility management	466,107	414,753	521,752	(106,999)	443,811
Montrose Pavilion	520,107	528,874	486,538	42,336	492,764
Clearing account	26,250	26,250	25,082	1,168	27,411
Total general government	4,076,092	3,960,351	4,008,375	(48,024)	4,071,295
Community Development					
Planning services	408,898	364,979	268,202	96,777	386,206
Public safety					
Police	4,087,261	4,290,752	4,105,966	184,786	3,714,694
Administration	1,618,346	1,540,727	1,542,388	(1,661)	1,440,229
Animal control	591,063	542,751	522,367	20,384	486,131
7th Judicial Drug Task Force	333,460	343,738	341,486	2,252	311,093
Code enforcement	85,164	86,622	85,625	997	78,689
Total public safety	6,715,294	6,804,590	6,597,832	206,758	6,030,836
Engineering and inspection					
Building services	159,190	156,231	150,833	5,398	143,789

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

(Continued)

CITY OF MONTRÖSE, COLORADO

Budgetary Comparison Schedule for the

General Fund

For the Year Ended December 31, 2016

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

	2016				
	Original	Final		Variance	2015
	Budget	Budget	Actual	With Final Budget	Actual
(Continued)					
Public works					
Engineer	270,991	241,709	219,911	21,798	279,166
Public works administration	249,222	196,259	203,099	(6,840)	271,715
Street maintenance	2,058,769	2,092,027	2,098,302	(6,275)	2,036,983
Street cleaning	<u>291,532</u>	<u>299,461</u>	<u>268,956</u>	<u>30,505</u>	<u>304,477</u>
Total public works	<u>2,870,514</u>	<u>2,829,456</u>	<u>2,790,268</u>	<u>39,188</u>	<u>2,892,341</u>
Parks, recreation and cemetery					
Parks maintenance	993,641	951,596	1,039,654	(88,058)	905,744
Tree program	15,000	15,000	11,852	3,148	11,872
Cemetery	17,169	55,903	45,070	10,833	37,549
Competitive Youth Sports	60,943	68,430	86,121	(17,691)	63,284
Sunset Mesa maintenance	<u>122,894</u>	<u>136,697</u>	<u>93,768</u>	<u>42,929</u>	<u>115,654</u>
Total parks and cemetery	<u>1,209,647</u>	<u>1,227,626</u>	<u>1,276,465</u>	<u>(48,839)</u>	<u>1,134,103</u>
Insurance	<u>248,782</u>	<u>248,782</u>	<u>286,782</u>	<u>(38,000)</u>	<u>330,364</u>
Capital outlay					
General government outlays	851,000	1,598,715	1,452,542	146,173	972,679
Public safety outlays	54,880	37,480	27,881	9,599	39,155
Public works outlays	24,000	24,000	32,435	(8,435)	107,228
Parks & recreation outlays	<u>17,500</u>	<u>44,300</u>	<u>39,991</u>	<u>4,309</u>	<u>55,267</u>
Total capital outlay	<u>947,380</u>	<u>1,704,495</u>	<u>1,552,849</u>	<u>151,646</u>	<u>1,174,329</u>
Contingency	<u>1,118,437</u>	<u>1,500,000</u>	-	<u>1,500,000</u>	-
Total expenditures	<u>17,754,234</u>	<u>18,796,510</u>	<u>16,931,606</u>	<u>1,864,904</u>	<u>16,163,263</u>
Revenues in excess of expenditures	<u>(28,390)</u>	<u>(549,551)</u>	<u>3,294,137</u>	<u>3,843,688</u>	<u>3,349,558</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	10,000	672	(9,328)	4,348
Transfers out	<u>(2,145,000)</u>	<u>(2,374,939)</u>	<u>(2,783,405)</u>	<u>(408,466)</u>	<u>(2,538,838)</u>
Net other financing sources (uses)	<u>(2,135,000)</u>	<u>(2,364,939)</u>	<u>(2,782,733)</u>	<u>(417,794)</u>	<u>(2,534,490)</u>
Change in fund balance	(2,163,390)	(2,914,490)	511,404	3,425,894	815,068
FUND BALANCE, Beginning	<u>10,606,388</u>	<u>10,606,388</u>	<u>10,606,388</u>	-	<u>9,791,320</u>
FUND BALANCE, Ending	<u>\$ 8,442,998</u>	<u>\$ 7,691,898</u>	<u>\$ 11,117,792</u>	<u>\$ 3,425,894</u>	<u>\$ 10,606,388</u>

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

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Other Supplementary Information

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds

For the Year Ended December 31, 2016

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

	Special Revenue Funds					
	Retail Sales	CDBG	Downtown	Greater	Downtown	Surplus & Deficiency
	Enhancement	Passthrough Grant	Opportunity Fund	Montrose Loan	Development Authority	
ASSETS						
Cash and cash equivalents	\$ 86,168	\$ -	\$ 93,241	\$ 130,000	\$ 101,698	\$ 4,818
Certificates of deposit	-	-	-	-	49,693	150,549
Accounts receivable - net	-	-	46,937	-	114,003	-
Franchise fees receivable	-	-	-	-	-	-
Due from other governments	-	30,000	-	-	-	-
Sales tax receivable	33,612	-	-	-	-	-
Inventory of supplies	-	-	-	-	-	-
Prepaid Expenses	800	-	-	-	-	-
Total Assets	<u>120,580</u>	<u>30,000</u>	<u>140,178</u>	<u>130,000</u>	<u>265,394</u>	<u>155,367</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	7,731	30,000	-	-	7,870	-
Customer deposits and deposits in escrow	-	-	-	-	-	-
Accrued salaries and benefits	2,796	-	-	-	2,577	-
Unearned Revenue	-	-	38,864	-	-	-
Total Liabilities	<u>10,527</u>	<u>30,000</u>	<u>38,864</u>	<u>-</u>	<u>10,447</u>	<u>-</u>
DEFERRED INFLOWS - Property Taxes	-	-	-	-	111,084	-
FUND BALANCE						
Nonspendable						
Prepays and inventory	800	-	-	-	-	-
Permanent fund or other corpus	-	-	-	-	-	-
Restricted:						
For economic development	-	-	-	-	143,863	-
For debt service	-	-	-	-	-	155,367
For beautification - expendable	-	-	-	-	-	-
For capital projects	-	-	-	-	-	-
For parks	-	-	-	-	-	-
Committed:						
For economic development	109,253	-	101,314	-	-	-
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>110,053</u>	<u>-</u>	<u>101,314</u>	<u>130,000</u>	<u>143,863</u>	<u>155,367</u>
Total Liabilities and Fund Balances	<u>\$ 120,580</u>	<u>\$ 30,000</u>	<u>\$ 140,178</u>	<u>\$ 130,000</u>	<u>\$ 265,394</u>	<u>\$ 155,367</u>

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

Special Revenue Funds

Conservation Trust	Pavilion Improvement	Public/Education/Go vernment Fund	Special Benefits	Tourism Promotional
\$ 345,294	\$ 13,545	\$ 44,892	\$ 87,594	\$ 265,723
-	-	49,122	205,094	-
-	4,160	-	-	5,766
-	-	4,700	-	-
-	-	-	-	-
-	-	-	-	40,688
-	-	-	-	22,300
-	-	-	-	2,600
<u>345,294</u>	<u>17,705</u>	<u>98,714</u>	<u>292,688</u>	<u>337,077</u>
-	2,010	7,995	29,244	30,839
-	-	-	906	-
-	-	-	-	2,795
-	-	-	-	-
-	<u>2,010</u>	<u>7,995</u>	<u>30,150</u>	<u>33,634</u>
-	-	-	-	-
-	-	-	-	24,900
-	-	-	-	-
-	-	-	-	278,543
-	-	-	-	-
-	-	-	-	-
345,294	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	169,969	-
-	-	-	40,087	-
-	-	-	52,482	-
-	15,695	-	-	-
-	-	90,719	-	-
<u>345,294</u>	<u>15,695</u>	<u>90,719</u>	<u>262,538</u>	<u>303,443</u>
<u>\$ 345,294</u>	<u>\$ 17,705</u>	<u>\$ 98,714</u>	<u>\$ 292,688</u>	<u>\$ 337,077</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2016

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

	Debt Service		
	Funds	Permanent Funds	
	1998 General		
	Fund Excise Tax	Cemetery	
	Revenue Bonds	Demoret Trust	Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 59,443	\$ 12,061	\$ 117,451
Certificates of deposit	-	321,381	-
Accounts receivable - net	-	-	-
Franchise fees receivable	-	-	-
Due from other governments	-	-	-
Sales tax receivable	-	-	-
Inventory of supplies	-	-	-
Prepaid Expenses	-	-	-
Total Assets	<u>59,443</u>	<u>333,442</u>	<u>117,451</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	-	-	-
Customer deposits and deposits in escrow	-	-	-
Accrued salaries and benefits	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS - Property Taxes	-	-	-
FUND BALANCE			
Nonspendable			
Prepays and inventory	-	-	-
Permanent fund or other corpus	-	321,381	117,451
Restricted:			
For economic development	-	-	-
For debt service	59,443	-	-
For beautification - expendable	-	12,061	-
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	<u>59,443</u>	<u>333,442</u>	<u>117,451</u>
Total Liabilities and Fund Balances	<u>\$ 59,443</u>	<u>\$ 333,442</u>	<u>\$ 117,451</u>

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

Capital Project Fund		Total Nonmajor Funds	
Grand/Rio Grande Project	Building Renovation	2016	2015
\$ 640,509	\$ 276,280	\$ 2,278,717	\$ 2,076,552
982,725	-	1,758,564	1,766,683
-	-	170,866	180,440
-	-	4,700	4,826
(110,842)	110,842	30,000	120,880
-	-	74,300	64,451
-	-	22,300	8,188
-	-	3,400	-
<u>1,512,392</u>	<u>387,122</u>	<u>4,342,847</u>	<u>4,222,020</u>
12,036	26,699	154,424	59,866
-	-	906	884
-	-	8,168	7,109
-	-	38,864	89,633
<u>12,036</u>	<u>26,699</u>	<u>202,362</u>	<u>157,492</u>
-	-	111,084	111,949
-	-	25,700	8,188
-	-	438,832	437,232
-	-	422,406	269,626
-	-	214,810	214,910
-	-	12,061	8,699
1,500,356	360,423	1,860,779	2,049,054
-	-	345,294	326,373
-	-	210,567	147,244
-	-	130,000	130,000
-	-	169,969	159,819
-	-	40,087	40,087
-	-	52,482	65,638
-	-	15,695	14,895
-	-	90,719	80,814
<u>1,500,356</u>	<u>360,423</u>	<u>4,029,401</u>	<u>3,952,579</u>
<u>\$ 1,512,392</u>	<u>\$ 387,122</u>	<u>\$ 4,342,847</u>	<u>\$ 4,222,020</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2016

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

	Special Revenue Funds			
	Retail Sales Enhancement	CDBG Passthrough Grant	Downtown Opportunity Fund	Greater Montrose Loan
REVENUES				
Taxes	\$ 313,210	\$ -	\$ -	\$ -
Intergovernmental	-	1,170,000	-	-
Charges for services	273	-	-	-
Miscellaneous	-	-	26,599	-
Contributions to permanent endowment	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>313,483</u>	<u>1,170,000</u>	<u>26,599</u>	<u>-</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Community Development	245,459	1,170,000	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation and cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>245,459</u>	<u>1,170,000</u>	<u>-</u>	<u>-</u>
Revenues in excess of expenditures	<u>68,024</u>	<u>-</u>	<u>26,599</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(30,500)	-	-	-
Net other financing sources (uses)	<u>(30,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	37,524	-	26,599	-
FUND BALANCE (DEFICIT), Beginning	<u>72,529</u>	<u>-</u>	<u>74,715</u>	<u>130,000</u>
FUND BALANCE, Ending	<u>\$ 110,053</u>	<u>\$ -</u>	<u>\$ 101,314</u>	<u>\$ 130,000</u>

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

Special Revenue Funds

Special Revenue Funds						
Downtown Development Authority	Surplus & Deficiency	Conservation Trust	Pavilion Improvement	Public/Education/ Government Fund	Special Benefits	Tourism Promotional
\$ 111,277	\$ -	\$ -	\$ -	\$ 18,909	\$ -	\$ 487,494
23,899	-	105,887	-	-	-	25,000
11,104	-	-	23,022	-	-	48,143
6,657	-	-	2,600	-	60,452	5,852
-	-	-	-	-	-	-
(217)	(100)	2,686	-	(811)	2,209	-
<u>152,720</u>	<u>(100)</u>	<u>108,573</u>	<u>25,622</u>	<u>18,098</u>	<u>62,661</u>	<u>566,489</u>
-	-	-	-	8,193	-	-
146,377	-	-	24,822	-	10,650	476,130
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	55,000	-	-	-	-
-	-	34,652	-	-	55,017	7,710
-	-	-	-	-	-	-
<u>146,377</u>	<u>-</u>	<u>89,652</u>	<u>24,822</u>	<u>8,193</u>	<u>65,667</u>	<u>483,840</u>
<u>6,343</u>	<u>(100)</u>	<u>18,921</u>	<u>800</u>	<u>9,905</u>	<u>(3,006)</u>	<u>82,649</u>
-	-	-	-	-	-	80,500
-	-	-	-	-	-	-
-	-	-	-	-	-	80,500
6,343	(100)	18,921	800	9,905	(3,006)	163,149
<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>
<u>\$ 143,863</u>	<u>\$ 155,367</u>	<u>\$ 345,294</u>	<u>\$ 15,695</u>	<u>\$ 90,719</u>	<u>\$ 262,538</u>	<u>\$ 303,443</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2016

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

	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	-	-	-	1,600
Investment earnings	-	-	3,362	672
Total revenues	<u>-</u>	<u>12,189</u>	<u>3,362</u>	<u>2,272</u>
EXPENDITURES				
Current				
General government	200	-	-	-
Community Development	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation and cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service	368,000	12,189	-	-
Total expenditures	<u>368,200</u>	<u>12,189</u>	<u>-</u>	<u>-</u>
Revenues in excess of expenditures	<u>(368,200)</u>	<u>-</u>	<u>3,362</u>	<u>2,272</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	368,200	-	-	-
Transfers out	-	-	-	(672)
Net other financing sources (uses)	<u>368,200</u>	<u>-</u>	<u>-</u>	<u>(672)</u>
Change in fund balance	-	-	3,362	1,600
FUND BALANCE, Beginning	<u>59,443</u>	<u>-</u>	<u>330,080</u>	<u>115,851</u>
FUND BALANCE, Ending	<u>\$ 59,443</u>	<u>\$ -</u>	<u>\$ 333,442</u>	<u>\$ 117,451</u>

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

Capital Project Funds		Total Nonmajor Funds	
Grand/Rio Grande		2016	2015
Project	Building Renovation		
\$ -	\$ -	\$ 930,890	\$ 887,616
-	-	1,324,786	278,012
-	-	94,731	40,741
-	-	102,160	93,154
-	-	1,600	3,360
<u>(5,586)</u>	<u>1,674</u>	<u>3,889</u>	<u>18,916</u>
<u>(5,586)</u>	<u>1,674</u>	<u>2,458,056</u>	<u>1,321,799</u>
-	35,918	44,311	6,564
-	-	2,073,438	1,059,699
-	-	-	-
42	-	42	14,320
-	-	55,000	-
172,363	56,040	325,782	305,685
<u>-</u>	<u>-</u>	<u>380,189</u>	<u>383,389</u>
<u>172,405</u>	<u>91,958</u>	<u>2,878,762</u>	<u>1,769,657</u>
<u>(177,991)</u>	<u>(90,284)</u>	<u>(420,706)</u>	<u>(447,858)</u>
-	80,000	528,700	496,275
<u>-</u>	<u>-</u>	<u>(31,172)</u>	<u>(78,224)</u>
<u>-</u>	<u>80,000</u>	<u>497,528</u>	<u>418,051</u>
<u>(177,991)</u>	<u>(10,284)</u>	<u>76,822</u>	<u>(29,807)</u>
<u>1,678,347</u>	<u>370,707</u>	<u>3,952,579</u>	<u>3,982,386</u>
<u>\$ 1,500,356</u>	<u>\$ 360,423</u>	<u>\$ 4,029,401</u>	<u>\$ 3,952,579</u>

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Retail Sales Enhancement Fund

For the Year Ended December 31, 2016

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

	2016				2015 Actual
	Original Budget	Original & Final Budget	Actual	Variance With Final Budget	
REVENUES					
Taxes	\$ 293,000	\$ 293,000	\$ 313,210	\$ 20,210	\$ 304,402
Charges for services	-	-	273	273	26
Total revenues	293,000	293,000	313,483	20,483	304,428
EXPENDITURES					
Current					
Community Development					
Retail Sales Enhancement	287,118	287,118	245,459	41,659	304,527
Revenues in excess of expenditures	5,882	5,882	68,024	62,142	(99)
OTHER FINANCING SOURCES (USES)					
Transfers out	(30,500)	(30,500)	(30,500)	-	(43,875)
Change in fund balance	(24,618)	(24,618)	37,524	62,142	(43,974)
FUND BALANCE, Beginning	72,529	72,529	72,529	-	116,503
FUND BALANCE, Ending	\$ 47,911	\$ 47,911	\$ 110,053	\$ 62,142	\$ 72,529

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

CITY OF MONTROSE, COLORADO
 Budgetary Comparison Schedule for the
 CDBG Passthrough Grant Fund
 For the Year Ended December 31, 2016

		2016			
		Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES					
	Intergovernmental	\$ -	\$ 1,200,000	\$ 1,170,000	\$ (30,000)
EXPENDITURES					
Current					
Community Development					
	Special benefit	-	1,200,000	1,170,000	30,000
	Change in fund balance	-	-	-	-
	FUND BALANCE, Beginning	-	-	-	-
	FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the
Downtown Development Authority Fund
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016				
	Original	Final		Variance	2015
	Budget	Budget	Actual	With Final Budget	Actual
REVENUES					
Taxes	\$ 100,000	\$ 100,000	\$ 111,277	\$ 11,277	\$ 111,833
Intergovernmental	17,500	17,500	23,899	6,399	27,244
Charges for services	-	-	11,104	11,104	7,722
Miscellaneous	15,000	15,000	6,657	(8,343)	20,875
Investment earnings	200	200	(217)	(417)	127
Total revenues	<u>132,700</u>	<u>132,700</u>	<u>152,720</u>	<u>20,020</u>	<u>167,801</u>
EXPENDITURES					
Current					
Community Development					
Downtown Development	143,692	163,692	146,377	17,315	125,256
Capital outlay					
Community development outlays	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,098</u>
Total expenditures	<u>145,692</u>	<u>165,692</u>	<u>146,377</u>	<u>19,315</u>	<u>126,354</u>
Revenues in excess of expenditures	(12,992)	(32,992)	6,343	39,335	41,447
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	1,000
Change in fund balance	(12,992)	(32,992)	6,343	39,335	42,447
FUND BALANCE, Beginning	<u>137,520</u>	<u>137,520</u>	<u>137,520</u>	<u>-</u>	<u>95,073</u>
FUND BALANCE, Ending	<u>\$ 124,528</u>	<u>\$ 104,528</u>	<u>\$ 143,863</u>	<u>\$ 39,335</u>	<u>\$ 137,520</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Downtown Opportunity Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 4,983
Miscellaneous	<u>24,000</u>	<u>26,599</u>	<u>2,599</u>	<u>22,841</u>
Total revenues	24,000	26,599	2,599	27,824
EXPENDITURES				
Current				
Planning services	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Change in fund balance	(6,000)	26,599	32,599	27,824
FUND BALANCE, Beginning	<u>74,715</u>	<u>74,715</u>	<u>-</u>	<u>46,891</u>
FUND BALANCE, Ending	<u>\$ 68,715</u>	<u>\$ 101,314</u>	<u>\$ 32,599</u>	<u>\$ 74,715</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Greater Montrose Loan

For the Year Ended December 31, 2016

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

	2016			
	Original & Final		Variance With Final	2015
	Budget	Actual	Budget	Actual
EXPENDITURES				
Community Development				
Planning services	\$ 50,000	\$ -	\$ 50,000	\$ -
Revenues in excess of expenditures	(50,000)	-	50,000	-
FUND BALANCE, Beginning	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
FUND BALANCE, Ending	<u>\$ 80,000</u>	<u>\$ 130,000</u>	<u>\$ 50,000</u>	<u>\$ 130,000</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Public/Education/Government Fund

For the Year Ended December 31, 2016

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

	2016			
	Original & Final Budget	Actual	Variance With Final Budget	2015 Actual
REVENUES				
Taxes	\$ 20,000	\$ 18,909	\$ (1,091)	\$ 19,519
Investment earnings	100	(811)	(911)	87
Total revenues	<u>20,100</u>	<u>18,098</u>	<u>(2,002)</u>	<u>19,606</u>
EXPENDITURES				
Current				
Community Development				
Special benefit	20,000	8,193	11,807	2,929
Change in fund balance	100	9,905	9,805	16,677
FUND BALANCE, Beginning	<u>80,814</u>	<u>80,814</u>	-	<u>64,137</u>
FUND BALANCE, Ending	<u>\$ 80,914</u>	<u>\$ 90,719</u>	<u>\$ 9,805</u>	<u>\$ 80,814</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Surplus & Deficiency Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Investment earnings	\$ 200	\$ (100)	\$ (300)	\$ 988
FUND BALANCE, Beginning	<u>155,467</u>	<u>155,467</u>	<u>-</u>	<u>154,479</u>
FUND BALANCE, Ending	<u>\$ 155,667</u>	<u>\$ 155,367</u>	<u>\$ (300)</u>	<u>\$ 155,467</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Capital Improvement Fund

For the Year Ended December 31, 2016

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

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,006,176
Miscellaneous	-	-	1,368	1,368	3,436
Investment earnings	5,000	5,000	10,033	5,033	6,205
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>11,401</u>	<u>6,401</u>	<u>1,015,817</u>
EXPENDITURES					
Capital outlay					
Public works outlays	117,000	140,575	154,357	(13,782)	499,551
Highways & streets outlays	<u>2,547,000</u>	<u>2,547,000</u>	<u>1,977,073</u>	<u>569,927</u>	<u>3,613,645</u>
Total capital outlay	<u>2,664,000</u>	<u>2,687,575</u>	<u>2,131,430</u>	<u>556,145</u>	<u>4,113,196</u>
Revenues in excess of expenditures	(2,659,000)	(2,682,575)	(2,120,029)	562,546	(3,097,379)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>1,672,439</u>	<u>1,672,439</u>	<u>1,717,534</u>	<u>45,095</u>	<u>1,991,439</u>
Change in fund balance	(986,561)	(1,010,136)	(402,495)	607,641	(1,105,940)
FUND BALANCE, Beginning	<u>584,960</u>	<u>584,960</u>	<u>584,960</u>	-	<u>1,690,900</u>
FUND BALANCE, Ending	<u>\$ (401,601)</u>	<u>\$ (425,176)</u>	<u>\$ 182,465</u>	<u>\$ 607,641</u>	<u>\$ 584,960</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Conservation Trust Fund

For the Year Ended December 31, 2016

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

	2016				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2015 Actual
REVENUES					
Intergovernmental	\$ 80,000	\$ 80,000	\$ 105,887	\$ 25,887	\$ 91,065
Investment earnings	500	500	2,686	2,186	470
Total revenues	80,500	80,500	108,573	28,073	91,535
EXPENDITURES					
Current					
Parks maintenance	-	10,000	55,000	(45,000)	-
Parks & recreation outlays	45,000	85,000	34,652	50,348	7,250
Total expenditures	45,000	95,000	89,652	5,348	7,250
Revenues in excess of expenditures	35,500	(14,500)	18,921	33,421	84,285
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(30,000)
Change in fund balance	35,500	(14,500)	18,921	33,421	54,285
FUND BALANCE, Beginning	326,373	326,373	326,373	-	272,088
FUND BALANCE, Beginning (As Restated)	326,373	326,373	326,373	-	272,088
FUND BALANCE, Ending	\$ 361,873	\$ 311,873	\$ 345,294	\$ 33,421	\$ 326,373

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Pavilion Improvement Fund

For the Year Ended December 31, 2016

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

	2016					2015 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget		
REVENUES						
Charges for services	\$ 20,000	\$ 21,000	\$ 23,022	\$ 2,022	\$ 18,104	
Miscellaneous	1,000	1,000	2,600	1,600	4,916	
Total revenues	21,000	22,000	25,622	3,622	23,020	
EXPENDITURES						
Current						
Community Development						
Pavilions Senior Center	22,000	25,000	24,822	178	28,623	
Change in fund balance	(1,000)	(3,000)	800	3,800	(5,603)	
FUND BALANCE, Beginning	14,895	14,895	14,895	-	20,498	
FUND BALANCE, Ending	<u>\$ 13,895</u>	<u>\$ 11,895</u>	<u>\$ 15,695</u>	<u>\$ 3,800</u>	<u>\$ 14,895</u>	

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Special Benefits Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Miscellaneous	\$ 22,000	\$ 60,452	\$ 38,452	\$ 30,822
Investment earnings	1,500	2,209	709	2,179
Total revenues	<u>23,500</u>	<u>62,661</u>	<u>39,161</u>	<u>33,001</u>
EXPENDITURES				
Community Development				
Special benefit	-	10,650	(10,650)	84,762
Capital outlay				
General government outlays	49,275	55,017	(5,742)	36,539
Total expenditures	<u>49,275</u>	<u>65,667</u>	<u>(16,392)</u>	<u>121,301</u>
Change in fund balance	(25,775)	(3,006)	22,769	(88,300)
FUND BALANCE, Beginning	<u>265,544</u>	<u>265,544</u>	-	<u>353,844</u>
FUND BALANCE, Ending	<u>\$ 239,769</u>	<u>\$ 262,538</u>	<u>\$ 22,769</u>	<u>\$ 265,544</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Tourism Promotional Fund

For the Year Ended December 31, 2016

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

	2016				
	Original	Final		Variance	2015
	Budget	Budget	Actual	With Final Budget	Actual
REVENUES					
Taxes	\$ 432,750	\$ 432,750	\$ 487,494	\$ 54,744	\$ 451,862
Intergovernmental	-	-	25,000	25,000	-
Charges for services	3,500	3,500	48,143	44,643	2,700
Miscellaneous	2,500	2,500	5,852	3,352	13,700
Total revenues	<u>438,750</u>	<u>438,750</u>	<u>566,489</u>	<u>127,739</u>	<u>468,262</u>
EXPENDITURES					
Current					
Community Development					
Tourism	427,918	551,958	476,130	75,828	516,531
Capital outlay					
Community development outlays	-	-	7,710	(7,710)	-
Total expenditures	<u>427,918</u>	<u>551,958</u>	<u>483,840</u>	<u>68,118</u>	<u>516,531</u>
Revenues in excess of expenditures	10,832	(113,208)	82,649	195,857	(48,269)
OTHER FINANCING SOURCES (USES)					
Transfers in	20,000	80,500	80,500	-	43,875
Transfers out	-	-	-	-	(4,167)
Net other financing sources (uses)	<u>20,000</u>	<u>80,500</u>	<u>80,500</u>	<u>-</u>	<u>39,708</u>
Change in fund balance	30,832	(32,708)	163,149	195,857	(8,561)
FUND BALANCE (DEFICIT), Beginning	<u>140,294</u>	<u>140,294</u>	<u>140,294</u>	<u>-</u>	<u>148,855</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 171,126</u>	<u>\$ 107,586</u>	<u>\$ 303,443</u>	<u>\$ 195,857</u>	<u>\$ 140,294</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the
 1998 General Fund Excise Tax Revenue Bonds Fund
 For the Year Ended December 31, 2016
 (With Comparative Totals for the Year Ended December 31, 2015)

	2016			
	Original & Final		Variance With Final	2015
	Budget	Actual	Budget	Actual
EXPENDITURES				
Current				
Community Development				
Special benefit	\$ 200	\$ 200	\$ -	\$ 200
Debt service				
Principal	340,000	340,000	-	330,000
Interest and fees	28,000	28,000	-	41,200
Total expenditures	368,200	368,200	-	371,400
OTHER FINANCING SOURCES (USES)				
Transfers in	368,200	368,200	-	371,400
Change in fund balance	-	-	-	-
FUND BALANCE, Beginning	59,443	59,443	-	59,443
FUND BALANCE, Ending	\$ 59,443	\$ 59,443	\$ -	\$ 59,443

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

EIA Fireflow Loan Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Charges for services	\$ 12,190	\$ 12,189	\$ (1)	\$ 12,189
EXPENDITURES				
Debt service				
Principal	9,551	10,028	(477)	9,551
Interest and fees	2,639	2,161	478	2,638
Total expenditures	12,190	12,189	1	12,189
Change in fund balance	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Demoret Trust Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Investment earnings	\$ 3,000	\$ 3,362	\$ 362	\$ 3,360
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	-	-	-	-
Change in fund balance	3,000	3,362	362	3,360
FUND BALANCE, Beginning	<u>330,080</u>	<u>330,080</u>	-	<u>326,720</u>
FUND BALANCE, Ending	<u>\$ 333,080</u>	<u>\$ 333,442</u>	<u>\$ 362</u>	<u>\$ 330,080</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Cemetery Perpetual Care Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Contributions to permanent endowment	\$ 2,500	\$ 1,600	\$ (900)	\$ 3,360
Investment earnings	<u>150</u>	<u>672</u>	<u>522</u>	<u>182</u>
Total revenues	2,650	2,272	(378)	3,542
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(500)</u>	<u>(672)</u>	<u>(172)</u>	<u>(182)</u>
Change in fund balance	2,150	1,600	(550)	3,360
FUND BALANCE, Beginning	<u>115,851</u>	<u>115,851</u>	-	<u>112,491</u>
FUND BALANCE, Ending	<u>\$ 118,001</u>	<u>\$ 117,451</u>	<u>\$ (550)</u>	<u>\$ 115,851</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Special Improvements Revolving Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Original & Final Budget	Actual		
REVENUES				
Special assessments	\$ 4,500	\$ 74,609	\$ 70,109	\$ 90,866
Investment earnings	<u>2,000</u>	<u>9,236</u>	<u>7,236</u>	<u>2,444</u>
Total revenues	6,500	83,845	77,345	93,310
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	<u>1,000</u>	<u>580</u>	<u>420</u>	<u>646</u>
Change in fund balance	5,500	83,265	77,765	92,664
FUND BALANCE, Beginning	<u>666,294</u>	<u>666,294</u>	<u>-</u>	<u>573,630</u>
FUND BALANCE, Ending	<u>\$ 671,794</u>	<u>\$ 749,559</u>	<u>\$ 77,765</u>	<u>\$ 666,294</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Grand/Rio Grande Project Fund

For the Year Ended December 31, 2016

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

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Investment earnings	\$ 6,000	\$ 6,000	\$ (5,586)	\$ (11,586)	\$ 10,986
EXPENDITURES					
Public works administration	-	-	42	(42)	14,320
Highways & streets outlays	160,000	220,000	172,363	47,637	-
Total expenditures	160,000	220,000	172,405	47,595	14,320
Change in fund balance	(154,000)	(214,000)	(177,991)	36,009	(3,334)
FUND BALANCE, Beginning	1,678,347	1,678,347	1,678,347	-	1,681,681
FUND BALANCE, Ending	\$ 1,524,347	\$ 1,464,347	\$ 1,500,356	\$ 36,009	\$ 1,678,347

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Building Renovation Fund

For the Year Ended December 31, 2016

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

	2016				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2015 Actual
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 154,720
Investment earnings	500	500	1,674	1,174	537
Total revenues	<u>500</u>	<u>500</u>	<u>1,674</u>	<u>1,174</u>	<u>155,257</u>
EXPENDITURES					
Current					
General government					
Innovation and citizen engagement	-	-	14,594	(14,594)	3,435
Community Development					
Special benefit	-	-	21,324	(21,324)	-
Capital outlay					
General government outlays	<u>301,000</u>	<u>301,000</u>	<u>56,040</u>	<u>244,960</u>	<u>260,798</u>
Total expenditures	<u>301,000</u>	<u>301,000</u>	<u>91,958</u>	<u>209,042</u>	<u>264,233</u>
Revenues in excess of expenditures	(300,500)	(300,500)	(90,284)	210,216	(108,976)
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	(220,500)	(220,500)	(10,284)	210,216	(28,976)
FUND BALANCE, Beginning	<u>370,707</u>	<u>370,707</u>	<u>370,707</u>	-	<u>399,683</u>
FUND BALANCE, Ending	<u>\$ 150,207</u>	<u>\$ 150,207</u>	<u>\$ 360,423</u>	<u>\$ 210,216</u>	<u>\$ 370,707</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the
Water Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015	
	Final Budget	Actual		Actual	
REVENUES					
Water sales	\$ 4,759,518	\$ 5,232,105	\$ 472,587	\$ 5,062,318	
Tap fees unpledged	44,187	50,093	5,906	54,784	
Other Charges	-	4,573	4,573	954	
Miscellaneous	28	(409)	(437)	1,043	
Investment earnings	11,101	54,053	42,952	31,578	
Gain (loss) on sale of assets	-	-	-	(1,792,646)	
Capacity fees and Dedicated infrastructure	107,541	101,425	(6,116)	128,471	
Total revenues	<u>4,922,375</u>	<u>5,441,840</u>	<u>519,465</u>	<u>3,486,502</u>	
EXPENDITURES					
Enterprise administration	276,079	276,079	-	301,650	
Operations and maintenance	3,600,630	3,348,959	251,671	3,367,602	
Capital outlay	851,850	362,472	489,378	264,759	
Principal	165,000	351,130	(186,130)	160,893	
Interest expense	75,983	53,403	22,580	80,370	
Total expenditures	<u>4,969,542</u>	<u>4,392,043</u>	<u>577,499</u>	<u>4,175,274</u>	
Change in net position - budgetary basis	<u>\$ (47,167)</u>	1,049,797	<u>\$ 1,096,964</u>	(688,772)	
Reconciliation of budgetary to GAAP basis:					
Capitalized assets		486,333		1,424,685	
Depreciation		(1,037,136)		(901,695)	
Debt principal payments		351,130		160,893	
Change in net position - GAAP basis		850,124		(4,889)	
NET POSITION, Beginning		<u>33,207,191</u>		<u>33,212,080</u>	
NET POSITION, Ending		<u>\$ 34,057,315</u>		<u>\$ 33,207,191</u>	

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Sewer Fund

For the Year Ended December 31, 2016

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

	2016			
	Final		Variance	2015
	Budget	Actual	With Final Budget	Actual
REVENUES				
Sewer charges	\$ 2,849,585	\$ 2,848,901	\$ (684)	\$ 2,840,260
Tap fees unpledged	20,000	47,901	27,901	21,700
Other Charges	32,200	75,685	43,485	55,275
Miscellaneous	21,000	22,509	1,509	16,344
Investment earnings	9,500	18,433	8,933	14,192
Capacity fees and Dedicated infrastructure	300,000	203,193	(96,807)	383,730
Total revenues	<u>3,232,285</u>	<u>3,216,622</u>	<u>(15,663)</u>	<u>3,331,501</u>
EXPENDITURES				
Enterprise administration	241,223	241,223	-	305,247
Operations and maintenance	1,837,114	1,724,132	112,982	1,768,291
Capital outlay	1,071,275	1,255,368	(184,093)	880,787
Principal	135,000	287,290	(152,290)	131,640
Interest expense	62,168	43,694	18,474	65,756
Total expenditures	<u>3,346,780</u>	<u>3,551,707</u>	<u>(204,927)</u>	<u>3,151,721</u>
Change in net position - budgetary basis	<u>\$ (114,495)</u>	<u>(335,085)</u>	<u>\$ (220,590)</u>	179,780
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		1,142,766		819,867
Depreciation		(1,892,180)		(1,892,064)
Debt principal payments		287,290		131,640
Change in net position - GAAP basis		<u>(797,209)</u>		<u>(760,777)</u>
NET POSITION, Beginning		<u>34,255,939</u>		<u>35,016,716</u>
NET POSITION, Ending		<u>\$ 33,458,730</u>		<u>\$ 34,255,939</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Trash/Recycling Fund

For the Year Ended December 31, 2016

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

	2016			
	Final		Variance	2015
	Budget	Actual	With Final Budget	Actual
REVENUES				
Sanitation charges	\$ 1,525,128	\$ 1,562,506	\$ 37,378	\$ 1,540,563
Miscellaneous	2,000	837	(1,163)	290
Total revenues	<u>1,527,128</u>	<u>1,563,343</u>	<u>36,215</u>	<u>1,540,853</u>
EXPENDITURES				
Enterprise administration	124,166	124,166	-	188,020
Operations and maintenance	<u>1,122,694</u>	<u>1,064,721</u>	<u>57,973</u>	<u>1,220,120</u>
Total expenditures	<u>1,246,860</u>	<u>1,188,887</u>	<u>57,973</u>	<u>1,408,140</u>
Change in net position - budgetary basis	<u>\$ 280,268</u>	374,456	<u>\$ 94,188</u>	132,713
NET POSITION, Beginning		<u>245,034</u>		<u>112,321</u>
NET POSITION, Ending		<u>\$ 619,490</u>		<u>\$ 245,034</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Black Canyon Golf Course Fund

For the Year Ended December 31, 2016

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

	2016			
	Final		Variance	2015
	Budget	Actual	With Final Budget	Actual
REVENUES				
Golf charges	\$ 478,354	\$ 452,018	\$ (26,336)	\$ 454,938
Other miscellaneous revenues	-	13,261	13,261	54,912
Capacity fees and Dedicated infrastructure	13,000	13,615	615	2,825
Transfers in	307,862	567,672	259,810	125,000
Total revenues	<u>799,216</u>	<u>1,046,566</u>	<u>247,350</u>	<u>637,675</u>
EXPENDITURES				
Operations and maintenance	648,092	764,676	(116,584)	616,958
Capital outlay	153,784	143,201	10,583	44,765
Principal	23,124	26,901	(3,777)	32,487
Interest expense	-	2,458	(2,458)	5,857
Total expenditures	<u>825,000</u>	<u>937,236</u>	<u>(112,236)</u>	<u>700,067</u>
Change in net position - budgetary basis	<u>\$ (25,784)</u>	109,330	<u>\$ 135,114</u>	(62,392)
Reconciliation of budgetary to GAAP basis:				
Capital outlay		143,201		41,727
Depreciation		(59,779)		(46,283)
Debt principal payments		26,901		32,487
Change in net position - GAAP basis		219,653		(34,461)
NET POSITION, Beginning		<u>651,565</u>		<u>686,026</u>
NET POSITION, Ending		<u>\$ 871,218</u>		<u>\$ 651,565</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Internal Service Funds

For the Year Ended December 31, 2016

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

	Internal Service Funds			Total	
	Fleet				
	Management Fund	Information Technologies	Employee Insurance	2016	2015
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,552,588	\$ 617,672	\$ 1,827,170	\$ 3,997,430	\$ 4,265,114
Certificates of deposit	509,167	-	-	509,167	504,352
Accounts receivable - net	1,970	20,612	-	22,582	140,636
Inventory of supplies	46,873	1,549	-	48,422	48,351
Prepaid Expenses	-	93,683	-	93,683	7,779
Total Current Assets	<u>2,110,598</u>	<u>733,516</u>	<u>1,827,170</u>	<u>4,671,284</u>	<u>4,966,232</u>
Noncurrent Assets					
Capital assets	<u>2,800,099</u>	<u>470,897</u>	<u>-</u>	<u>3,270,996</u>	<u>2,758,643</u>
Total Assets	<u>4,910,697</u>	<u>1,204,413</u>	<u>1,827,170</u>	<u>7,942,280</u>	<u>7,724,875</u>
LIABILITIES					
Current Liabilities					
Accounts payable	36,086	30,060	-	66,146	60,193
Accrued salaries and benefits	6,841	11,096	-	17,937	13,992
Accrued compensated absences	8,936	20,849	-	29,785	25,764
Claims payable	-	-	440,000	440,000	285,000
Long-term debt due in one year	-	11,518	-	11,518	12,619
Total Current Liabilities	<u>51,863</u>	<u>73,523</u>	<u>440,000</u>	<u>565,386</u>	<u>397,568</u>
Noncurrent Liabilities					
Capital lease payable	-	8,136	-	8,136	19,654
Total Liabilities	<u>51,863</u>	<u>81,659</u>	<u>440,000</u>	<u>573,522</u>	<u>417,222</u>
NET POSITION					
Invested in capital assets net of related debt	2,800,099	451,243	-	3,251,342	2,726,370
Unrestricted	<u>2,058,735</u>	<u>671,511</u>	<u>1,387,170</u>	<u>4,117,416</u>	<u>4,581,283</u>
Total Net Position	<u>\$ 4,858,834</u>	<u>\$ 1,122,754</u>	<u>\$ 1,387,170</u>	<u>\$ 7,368,758</u>	<u>\$ 7,307,653</u>

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

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2016

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

	Internal Service Funds			Totals	
	Fleet			2016	2015
	Management Fund	Information Technologies	Employee Insurance		
OPERATING REVENUES					
Interfund charges	\$ 1,307,807	\$ 866,365	\$ 2,441,154	\$ 4,615,326	\$ 4,846,922
Other Charges	41,189	132	-	41,321	88,415
Miscellaneous	-	105,014	413	105,427	28,507
Total Operating Revenues	1,348,996	971,511	2,441,567	4,762,074	4,963,844
OPERATING EXPENSES					
Enterprise administration	-	-	89,381	89,381	97,206
Operations and maintenance	759,498	1,048,201	-	1,807,699	1,901,965
Medical claims	-	-	1,852,960	1,852,960	1,228,881
Insurance premiums	-	-	411,070	411,070	343,960
Depreciation	587,931	91,786	-	679,717	642,358
Total Operating Expenses	1,347,429	1,139,987	2,353,411	4,840,827	4,214,370
Net Operating Income	1,567	(168,476)	88,156	(78,753)	749,474
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	6,235	51,833	-	58,068	126,027
Investment earnings	16,519	3,892	2,235	22,646	9,776
Gain (loss) on sale of assets	59,247	610	-	59,857	24,369
Interest expense	-	(713)	-	(713)	(1,295)
Net Nonoperating Revenues (Expenses)	82,001	55,622	2,235	139,858	158,877
Income Before Contributions and Transfers	83,568	(112,854)	90,391	61,105	908,351
Contributions and Transfers					
Change in Net Position	83,568	(112,854)	90,391	61,105	908,351
NET POSITION, Beginning	4,775,266	1,235,608	1,296,779	7,307,653	6,399,302
NET POSITION, Ending	\$ 4,858,834	\$ 1,122,754	\$ 1,387,170	\$ 7,368,758	\$ 7,307,653

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

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2016

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

	Internal Service Funds			Totals	
	Fleet			2016	2015
	Management Fund	Information Technologies	Employee Insurance		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 41,037	\$ 179,994	\$ 43,771	\$ 264,802	\$ 279,600
Receipts from interfund services provided	1,307,807	866,365	2,441,154	4,615,326	4,846,922
Payments to suppliers	(542,452)	(826,709)	(2,198,411)	(3,567,572)	(3,127,104)
Payments to employees	(206,418)	(283,628)	-	(490,046)	(481,220)
Payments for internal services used	(16,810)	(3,738)	-	(20,548)	(20,346)
Net cash provided (used) by operating activities	<u>583,164</u>	<u>(67,716)</u>	<u>286,514</u>	<u>801,962</u>	<u>1,497,852</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Receipts	<u>6,235</u>	<u>51,833</u>	<u>-</u>	<u>58,068</u>	<u>126,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of assets	59,247	610	-	59,857	24,369
Acquisition and construction of capital assets	(982,220)	(209,850)	-	(1,192,070)	(1,082,191)
Proceeds from long-term debt	-	-	-	-	9,133
Principal paid on long-term debt	-	(12,619)	-	(12,619)	(11,469)
Interest paid on long-term debt	-	(713)	-	(713)	(1,295)
Net cash provided (used) by capital and related financing activities	<u>(922,973)</u>	<u>(222,572)</u>	<u>-</u>	<u>(1,145,545)</u>	<u>(1,061,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(4,815)	-	-	(4,815)	(504,352)
Interest on investments	16,519	3,892	2,235	22,646	9,776
Net cash provided (used) by investing activities	<u>11,704</u>	<u>3,892</u>	<u>2,235</u>	<u>17,831</u>	<u>(494,576)</u>
Net increase (decrease) in cash and cash equivalents	<u>(321,870)</u>	<u>(234,563)</u>	<u>288,749</u>	<u>(267,684)</u>	<u>67,850</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>1,874,458</u>	<u>852,235</u>	<u>1,538,421</u>	<u>4,265,114</u>	<u>4,197,264</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,552,588</u>	<u>\$ 617,672</u>	<u>\$ 1,827,170</u>	<u>\$ 3,997,430</u>	<u>\$ 4,265,114</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income (loss)	\$ 1,567	\$ (168,476)	\$ 88,156	\$ (78,753)	\$ 749,474
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	587,931	91,786	-	679,717	642,358
(Increase) decrease in accounts receivable	(152)	74,848	43,358	118,054	162,678
(Increase) decrease in inventory of supplies	639	(710)	-	(71)	17,372
(Increase) decrease in prepaid expenses	-	(85,904)	-	(85,904)	(7,779)
Increase (decrease) in accounts payable	(9,617)	15,570	-	5,953	(4,982)
Increase (decrease) in accrued salaries and benefits	1,278	2,667	-	3,945	2,709
Increase (decrease) in accrued compensated absences	1,518	2,503	-	4,021	1,022
Increase (decrease) in claims payable	-	-	155,000	155,000	(65,000)
Net cash provided (used) by operating activities	<u>\$ 583,164</u>	<u>\$ (67,716)</u>	<u>\$ 286,514</u>	<u>\$ 801,962</u>	<u>\$ 1,497,852</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Fleet Management Fund

For the Year Ended December 31, 2016

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

	2016			
	Final		Variance	2015
	Budget	Actual	With Final Budget	Actual
REVENUES				
Interfund charges	\$ 1,560,500	\$ 1,307,807	\$ (252,693)	\$ 1,679,584
Other Charges	8,300	41,189	32,889	88,307
Intergovernmental revenues	3,500	6,235	2,735	7,096
Investment earnings	3,000	16,519	13,519	7,824
Gain (loss) on sale of assets	5,000	59,247	54,247	23,944
Total revenues	<u>1,580,300</u>	<u>1,430,997</u>	<u>(149,303)</u>	<u>1,806,755</u>
EXPENDITURES				
Operations and maintenance	1,040,673	760,924	279,749	1,043,267
Capital outlay	1,173,000	980,794	192,206	914,250
Total expenditures	<u>2,213,673</u>	<u>1,741,718</u>	<u>471,955</u>	<u>1,957,517</u>
Change in net position - budgetary basis	<u>\$ (633,373)</u>	<u>(310,721)</u>	<u>\$ 322,652</u>	<u>(150,762)</u>
Reconciliation of budgetary to GAAP basis:				
Capital outlay		982,220		892,734
Depreciation		(587,931)		(564,887)
Change in net position - GAAP basis		83,568		177,085
NET POSITION, Beginning		<u>4,775,266</u>		<u>4,598,181</u>
NET POSITION, Ending		<u>\$ 4,858,834</u>		<u>\$ 4,775,266</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Information Technologies Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015 Actual
	Final Budget	Actual		
REVENUES				
Interfund charges	\$ 733,000	\$ 866,365	\$ 133,365	\$ 855,341
Other Charges	100	132	32	108
Miscellaneous	-	105,014	105,014	28,507
Intergovernmental revenues	35,300	51,833	16,533	118,931
Investment earnings	1,000	3,892	2,892	1,235
Gain (loss) on sale of assets	150	610	460	425
Total revenues	<u>769,550</u>	<u>1,027,846</u>	<u>258,296</u>	<u>1,004,547</u>
EXPENDITURES				
Operations and maintenance	999,195	1,015,772	(16,577)	841,532
Capital outlay	232,000	242,279	(10,279)	185,108
Principal	5,731	-	5,731	-
Interest expense	510	13,333	(12,823)	12,764
Total expenditures	<u>1,237,436</u>	<u>1,271,384</u>	<u>(33,948)</u>	<u>1,039,404</u>
Change in net position - budgetary basis	<u>\$ (467,886)</u>	<u>(243,538)</u>	<u>\$ 224,348</u>	<u>(34,857)</u>
Reconciliation of budgetary to GAAP basis:				
Capital outlay		209,850		189,458
Depreciation		(91,786)		(77,471)
Debt principal payments		12,620		11,469
Change in net position - GAAP basis		(112,854)		88,599
NET POSITION, Beginning		<u>1,235,608</u>		<u>1,147,009</u>
NET POSITION, Ending		<u>\$ 1,122,754</u>		<u>\$ 1,235,608</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Employee Insurance Fund

For the Year Ended December 31, 2016

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

	2016		Variance With Final Budget	2015	
	Final Budget	Actual		Budget	Actual
REVENUES					
Interfund charges	\$ 2,500,000	\$ 2,441,154	\$ (58,846)	\$ 2,311,997	
Miscellaneous	-	413	413	-	
Investment earnings	500	2,235	1,735	717	
Total revenues	<u>2,500,500</u>	<u>2,443,802</u>	<u>(56,698)</u>	<u>2,312,714</u>	
EXPENDITURES					
Enterprise administration	61,575	89,381	(27,806)	97,206	
Medical claims	1,880,321	1,852,960	27,361	1,228,881	
Insurance premiums	418,104	411,070	7,034	343,960	
Total expenditures	<u>2,360,000</u>	<u>2,353,411</u>	<u>6,589</u>	<u>1,670,047</u>	
Change in net position - budgetary basis	<u>\$ 140,500</u>	90,391	<u>\$ (50,109)</u>	642,667	
NET POSITION, Beginning		1,296,779		654,112	
NET POSITION, Ending		<u>\$ 1,387,170</u>		<u>\$ 1,296,779</u>	

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

State Compliance

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
12/31/2016

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	25,247
b. Other local imposts:		b. Traffic Fines & Penalties	182,314
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.)	207,560
	(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	730514.18	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	79580.5	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.)	79580.5	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	810094.68	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		902,723	902,723
c. Construction:			
(1). New Facilities		746,212	746,212
(2). Capacity Improvements		172,363	172,363
(3). System Preservation		5,165	5,165
(4). System Enhancement & Operation		65,201	65,201
(5). Total Construction (1) + (2) + (3) + (4)	0	988,941	988,941
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,891,664	1,891,664
			(Carry forward to page 1)

Notes and Comments: