

CITY OF FRUITA

2012 FINANCIAL STATEMENTS

The ultimate measure of a man is not
where he stands in moments of comfort,
but where he stands at times of
challenge and controversy.

Martin Luther King, Jr.

Honor The Past ~ Envision The Future

325 EAST ASPEN, FRUITA, COLORADO 81521

Photo Courtesy of: Life Photography

City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2012

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements	
Balance Sheet - Governmental Funds	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	29
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Position - Proprietary Funds.....	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	32
Statement of Cash Flows - Proprietary Funds.....	33
Statement of Fiduciary Net Position.....	35
Statement of Changes in Fiduciary Net Position	36
NOTES TO FINANCIAL STATEMENTS	37
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -	
General Fund	69
Capital Projects Fund.....	70
Debt Service Fund	71
Community Center Fund	72
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	75
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Sewer Fund	77

City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2012

TABLE OF CONTENTS (continued)

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual (continued)	
Trash Fund	78
Devils Canyon Center Fund	79
Irrigation Water Fund	80
Fleet Maintenance Fund	81
Schedule of Receipts and Expenditures for Roads, Bridges and Streets	82



Honorable Mayor and City Council
City of Fruita
Fruita, Colorado

INDEPENDENT AUDITOR'S REPORT

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 City of Fruita (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Fruita, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 21 and 69 through 72 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fruita's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dalby Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

May 29, 2013

Management's Discussion and Analysis

This discussion and analysis of the City of Fruita's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2012. Please read this in conjunction with the financial statements which begin on page 23.

FINANCIAL HIGHLIGHTS

- ✚ **Net position** represents the amount by which the assets of the City of Fruita exceeded its liabilities and deferred inflows of resources. At year end, the City's net position was \$78,733,206. Of this amount, \$12,192,089 (15%) represents unrestricted net position, which may be used to meet the City's ongoing obligations to the community. The City's unrestricted net position increased \$2,661,576 (28%). This increase in unrestricted net position was attributable to operations of the business-type activities which increased \$2.7 million. This increase reflects the completion of construction of the wastewater treatment plant and previously restricted assets related to the financing of the plant. The unrestricted net position of governmental funds decreased 1% over the prior year.

- ✚ **General Fund Financial Highlights.**
 - **The unassigned fund balance** of the General Fund increased 21% (\$595,163) from \$2.87 million to \$3.46 million.

 - **Actual revenues and expenses compared to prior year.** Excluding other financing sources and uses, **General Fund revenues** remained relatively flat over prior year revenues with a minimal increase of \$8,541. Sales and use tax revenues increased 7.2% (\$263,446). However, this increase was offset by a decrease in property tax revenue of \$200,857 (15.5%) and slight decreases in all other revenue categories with the exception of miscellaneous revenue. **General Fund expenses**, excluding other financing uses (transfers to other funds) increased \$150,943 (2.7%) from the prior year. Expenses and other financing uses (transfers) exceeded revenues and other financing sources (transfers) by \$43,202 for the current fiscal year. This compared favorably to a budgeted amount of \$2.454,050.

 - **Actual revenues and expenses compared to budget.** General Fund revenues of \$6.9 million exceeded budgeted revenues of \$6.1 million resulting in a *favorable variance of \$806,435*. General Fund expenses of \$5.8 million were less than budgeted expenses of \$6.45 million resulting in a *favorable variance of \$666,276*. The net amount of other financing sources and uses of -\$1,180,988 were less

Management's Discussion and Analysis

than the budgeted amount of -\$2,119,125 resulting in a *favorable variance of \$938,137*.

- ✚ The *Community Recreation Center* continued to exceed expectations in 2012 with operating revenues of \$2.0 million exceeding budgeted revenues of \$1.8 million and exceeding revenues of \$1.9 million from the prior year (only in operation 11 months of the prior year). Expenses, including debt service, were in line with budget (\$1.84 million) and expenses (\$1.84 million) from the prior year.
- ✚ The City invested \$6,121,280 in capital projects and equipment in 2012. This includes \$2.4 million in governmental funds and \$3.7 million in proprietary funds. The most significant capital investment event was the completion of construction of the \$23 million wastewater treatment facility in early 2012. The wastewater treatment plant was brought on line and is operating as designed.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government Wide Financial Statements

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

- *The statement of net position* presents information on all of the City of Fruita'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 Fruita is improving or deteriorating.
- *The statement of activities* presents information showing how the government'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).

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City of Fruita 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 of Fruita include general government, public safety (police), public works, storm water management, parks and recreation, community recreation center operations and marketing and promotion. The business-type activities of the City of Fruita include the provision of irrigation water, sewer collection and treatment, trash collection and lease of the Devils Canyon Center.

The government-wide financial statements can be found on pages 25 and 26 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 Fruita, 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 Fruita can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Management's Discussion and Analysis

community center fund, debt service fund and capital projects fund which are considered to be major funds. Data from the other two special revenue governmental funds (Conservation Trust Fund and the Marketing and Promotion Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Fruita adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with the budget in the Required Supplementary Information. Budget comparisons are also included for the non major funds under Other Supplementary Information.

The basic governmental fund financial statements can be found on pages 27 through 30 of this report. The general fund budget comparison schedule can be found on page 69.

- ***Proprietary funds.*** The City of Fruita maintains two 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 Fruita uses enterprise funds to account for its Sewer, Irrigation Water, Trash and Devils Canyon Center activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Fruita's various functions. The City of Fruita uses an internal service fund to account for maintenance of its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has 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 the Sewer Fund which is considered to be a major fund of the City of Fruita. Trash, Irrigation Water and Devils Canyon Center operations are non-major funds but are set forth in detail to provide consistency in reporting. The basic proprietary fund financial statements can be found on pages 31 through 34 of this report.

The City of Fruita adopts an annual appropriated budget for its proprietary funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget in the Other Supplementary Information.

- ***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of

Management's Discussion and Analysis

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

The basic fiduciary fund financial statements can be found on pages 35 and 36 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 39 through 66 of this report.

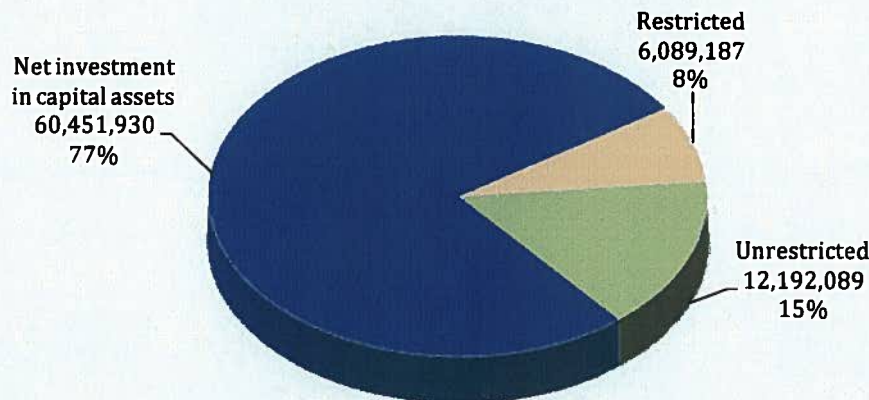
Other information

In addition to the basic financial statement and accompanying notes, this report also presents *required supplementary information* and other *supplementary information* including budget comparison schedules, combining statements and the annual financial report for the use of revenues from the state highway user's tax fund. This information can be found on pages 69 through 83.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fruita, assets exceeded liabilities and deferred inflow of resources by \$78.7 million at the close of 2012.

Net Position - \$78.7 million



Management's Discussion and Analysis

CITY OF FRUITA NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 15,286,030	\$ 14,204,262	\$ 7,011,789	\$ 9,797,282	\$ 22,297,819	\$ 24,001,544
Capital assets	53,997,886	53,335,924	40,859,993	41,081,872	94,857,879	94,417,796
Total assets	<u>69,283,916</u>	<u>67,540,186</u>	<u>47,871,782</u>	<u>50,879,154</u>	<u>117,155,698</u>	<u>118,419,340</u>
LIABILITIES						
Current and other liabilities	2,367,832	1,825,525	524,769	3,081,100	2,892,601	4,906,625
Long term liabilities	12,444,962	12,468,294	21,935,990	21,986,136	34,380,952	34,454,430
Total liabilities	<u>14,812,794</u>	<u>14,293,819</u>	<u>22,460,759</u>	<u>25,067,236</u>	<u>37,273,553</u>	<u>39,361,055</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,148,939</u>	<u>1,103,322</u>	<u>-</u>	<u>-</u>	<u>1,148,939</u>	<u>1,103,322</u>
NET POSITION						
Net investment in capital assets	41,527,927	40,795,924	18,924,003	20,427,518	60,451,930	61,223,442
Restricted	5,211,560	4,715,764	877,627	2,485,244	6,089,187	7,201,008
Unrestricted	<u>6,582,696</u>	<u>6,631,357</u>	<u>5,609,393</u>	<u>2,899,156</u>	<u>12,192,089</u>	<u>9,530,513</u>
TOTAL NET POSITION	<u>\$ 53,322,183</u>	<u>\$ 52,143,045</u>	<u>\$ 25,411,023</u>	<u>\$ 25,811,918</u>	<u>\$ 78,733,206</u>	<u>\$ 77,954,963</u>

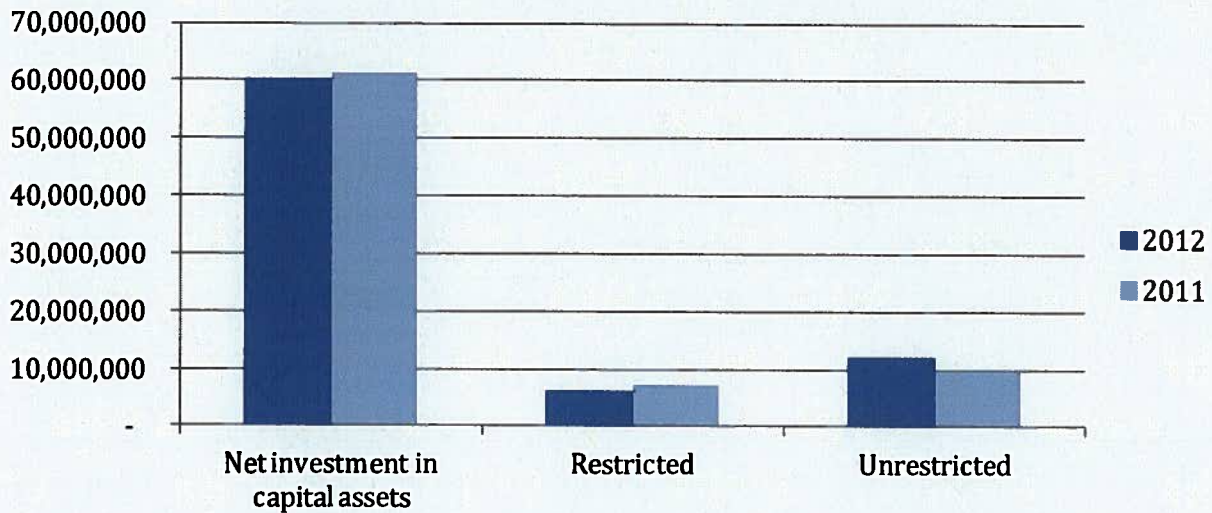
The largest portion of the City of Fruita's net position of \$60.5 million (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related outstanding debt that was used to acquire those assets. The City of Fruita uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Fruita's investment in 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.

An additional portion of the City of Fruita's net position of \$6.01 million (8%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$12.19 million (15%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Fruita is able to report positive balances in all reported categories of net position, both for the governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis

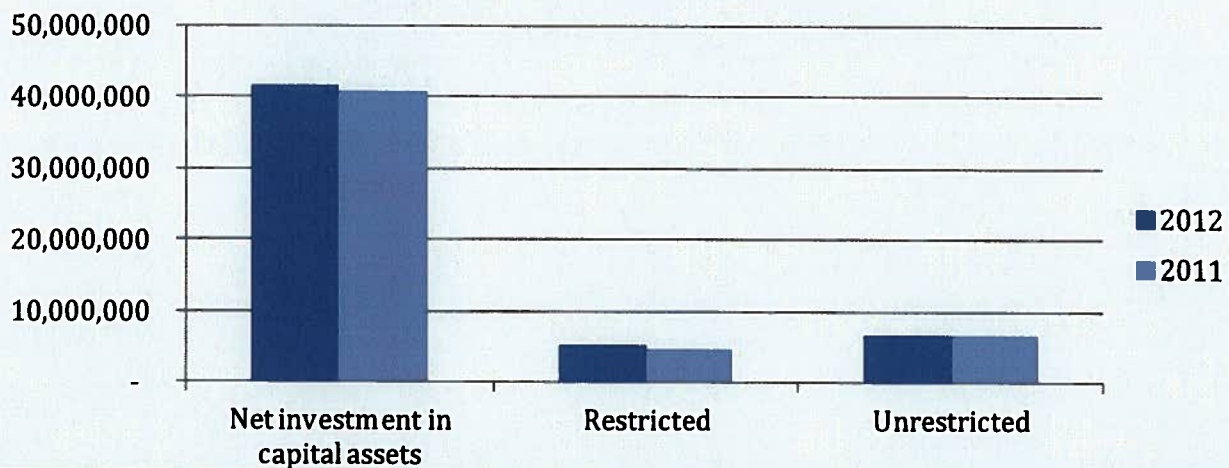
Net Position - Government Wide Fiscal years 2011 and 2012



The City of Fruita's overall net position remained virtually unchanged from the prior fiscal year, increasing by \$778,243 (1%). The change in net position and its components is discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1.18 million (2%) from the prior fiscal year for an ending balance of \$53,322,183. The increase in the net position of governmental activities reflects increases in capital assets and restricted assets and a decrease in unrestricted assets. The decrease in unrestricted assets reflect a budgeted use of unrestricted assets to fund capital

Net Position - Governmental Activities Fiscal years 2011 and 2012

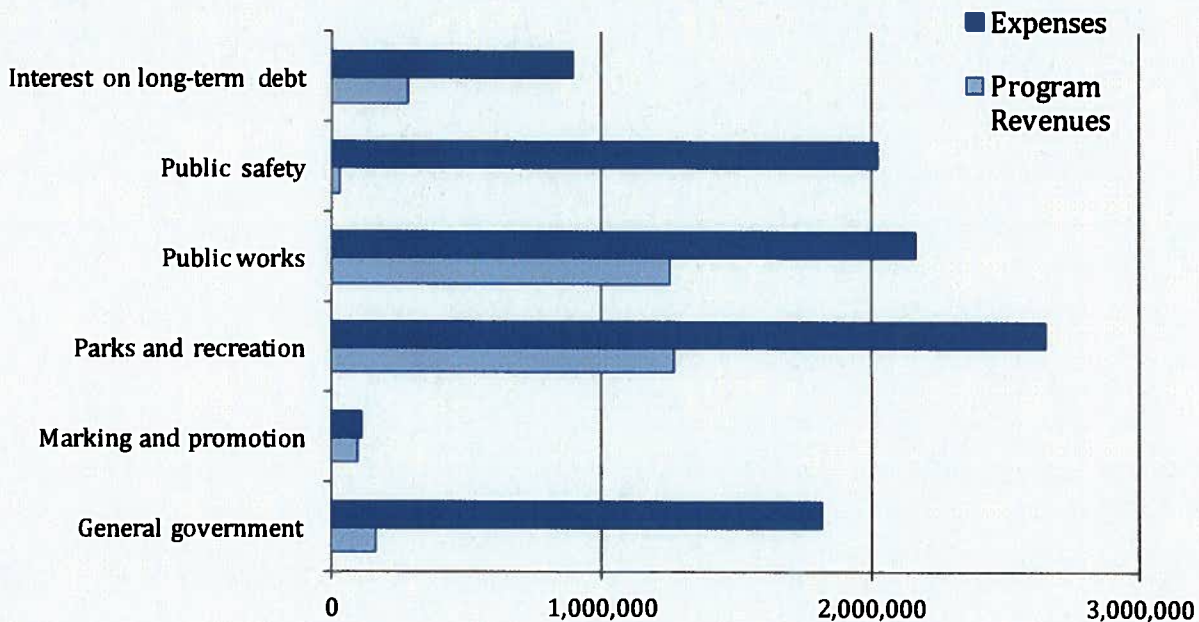


Management's Discussion and Analysis

projects in 2012 with the increase in capital assets the result of this investment. Increases in restricted funds reflect the City's policies for funding vehicle and equipment replacement reserves for both general fund activities and community center activities.

The following chart shows the expenses and program revenues for governmental activities for the 2012 fiscal year.

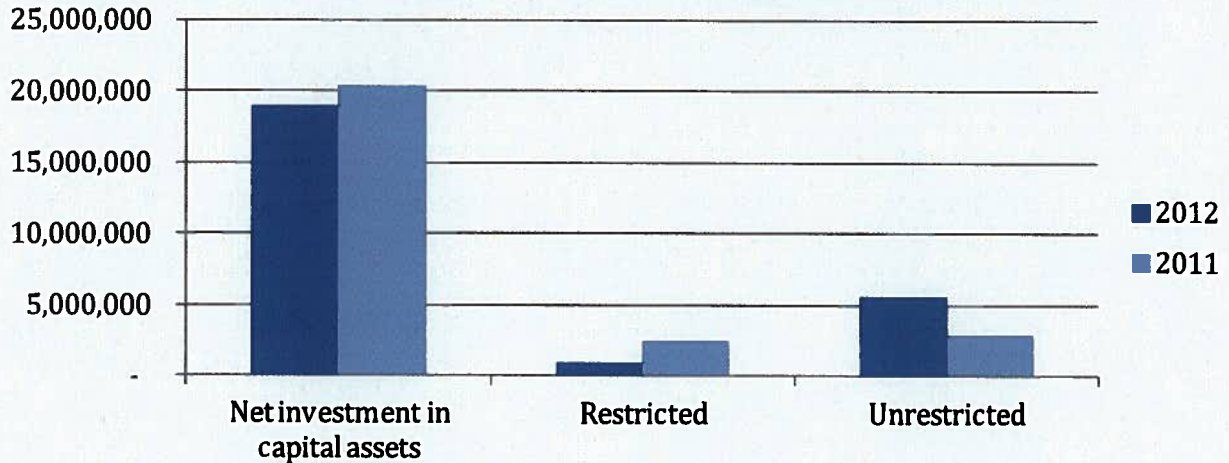
Expenses and Program Revenues - Governmental Activities



Business-type activities. For the City of Fruita's business-type activities, the net position decreased \$400,894 (2%) from the prior fiscal year for an ending balance of \$25,411,023. The decrease in the overall net position of business-type activities reflect decreases in the net investment in capital assets and restricted assets and an increase in unrestricted assets. The decrease in net position invested in capital assets reflects accumulated depreciation on the new wastewater treatment facility. Restricted assets decreased as a result of use of loan proceeds previously restricted for the construction of the wastewater treatment facility. Unrestricted net position increased as result of the reduction in investment in capital assets and reduction in restricted assets.

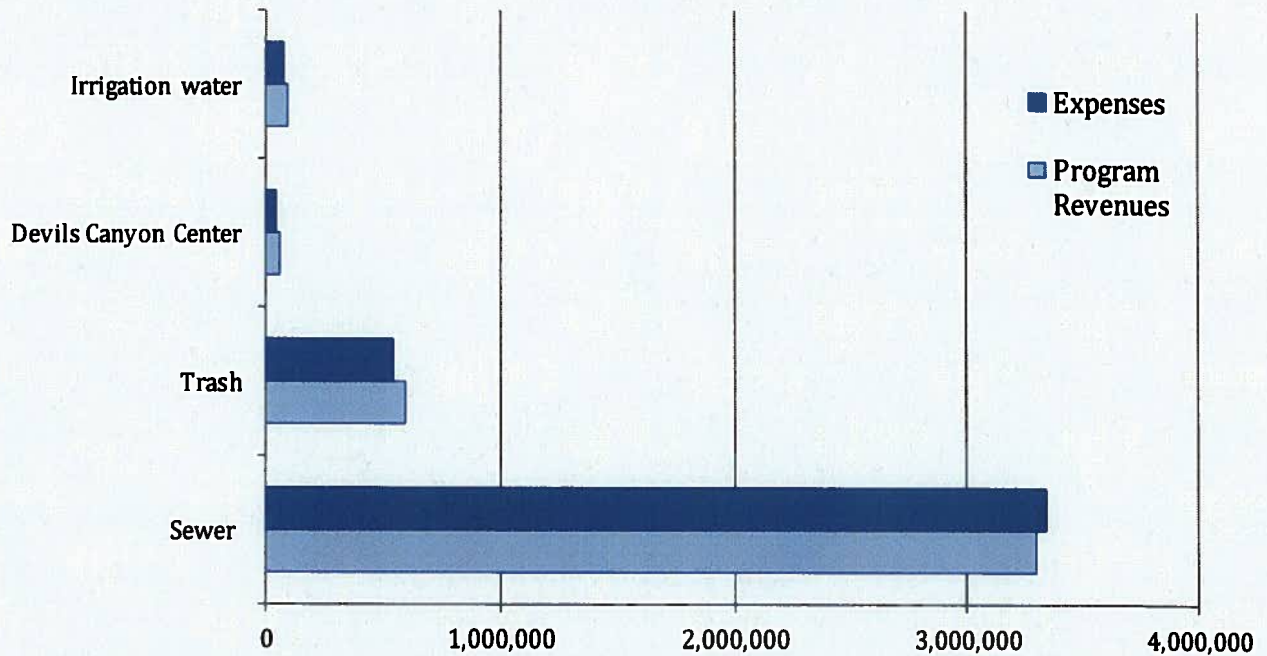
Management's Discussion and Analysis

**Net Position - Business-type Activities
Fiscal years 2011 and 2012**



The following chart shows the expenses and program revenues for business-type activities for the 2012 fiscal year.

Expenses and Program Revenues - Business-type Activities



Management's Discussion and Analysis

CHANGES IN NET POSITION					
	Governmental activities		Business-type activities		Total
	2012	2011	2012	2011	2012
Revenues:					
Program revenues					
Charges for services	\$ 1,500,961	\$ 1,584,340	\$ 3,497,672	\$ 3,203,142	\$ 4,998,633
Operating grants and contributions	287,153	455,726	-	-	287,153
Capital grants and contributions	1,303,817	3,174,598	545,877	1,387,167	1,849,694
General revenues:					
Property taxes	1,099,168	1,300,025	-	-	1,099,168
Sales and use taxes	4,940,472	4,564,049	-	-	4,940,472
Other taxes	1,358,103	1,332,018	-	-	1,358,103
Other	101,696	29,294	(182,183)	14,257	(80,487)
Total revenues	10,591,370	12,440,050	3,861,366	4,604,566	14,452,736
Expenses:					
General government	1,818,708	5,002,013	-	-	1,818,708
Marking and promotion	114,579	99,146	-	-	114,579
Parks and recreation	2,651,467	2,547,072	-	-	2,651,467
Public works	2,168,351	2,060,709	-	-	2,168,351
Public safety	2,022,129	2,043,672	-	-	2,022,129
Interest on long-term debt	895,340	895,592	-	-	895,340
Sewer	-	-	3,335,002	994,022	3,335,002
Trash	-	-	544,763	536,188	544,763
Devils Canyon Center	-	-	43,950	48,950	43,950
Irrigation water	-	-	80,203	88,716	80,203
Total expenses	9,670,574	12,648,204	4,003,918	1,667,876	13,674,492
Increase (decrease) in net position before transfers	920,796	(208,154)	(142,552)	2,936,690	778,244
Transfers	258,342	219,000	(258,342)	(219,000)	-
Increase (decrease) in net position	1,179,138	10,846	(400,894)	2,717,690	778,244
Net position - beginning, restated	52,143,045	52,132,199	25,811,917	23,094,227	77,954,962
Net position - ending	\$53,322,183	\$52,143,045	\$25,411,023	\$25,811,917	\$78,733,206
					\$77,954,962

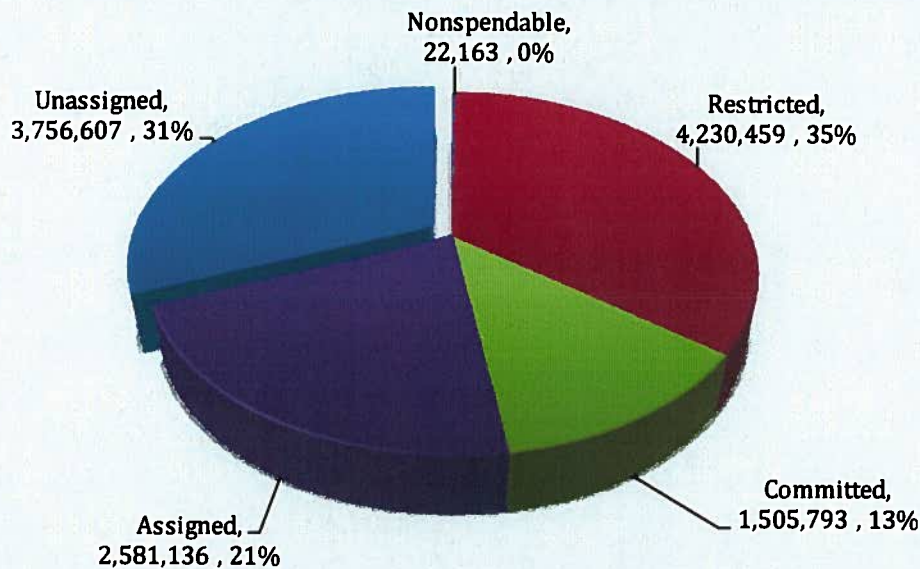
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City of Fruita'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 of Fruita's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either the City of Fruita or an external party.

Governmental Funds - \$12 million Fund Balance



The City's governmental funds reported a combined year end fund balance of \$12,096,158, an increase of 4% (\$508,167) from the prior year fund balance of \$11,587,991. Fund balance includes the following categories and changes from the prior fiscal year:

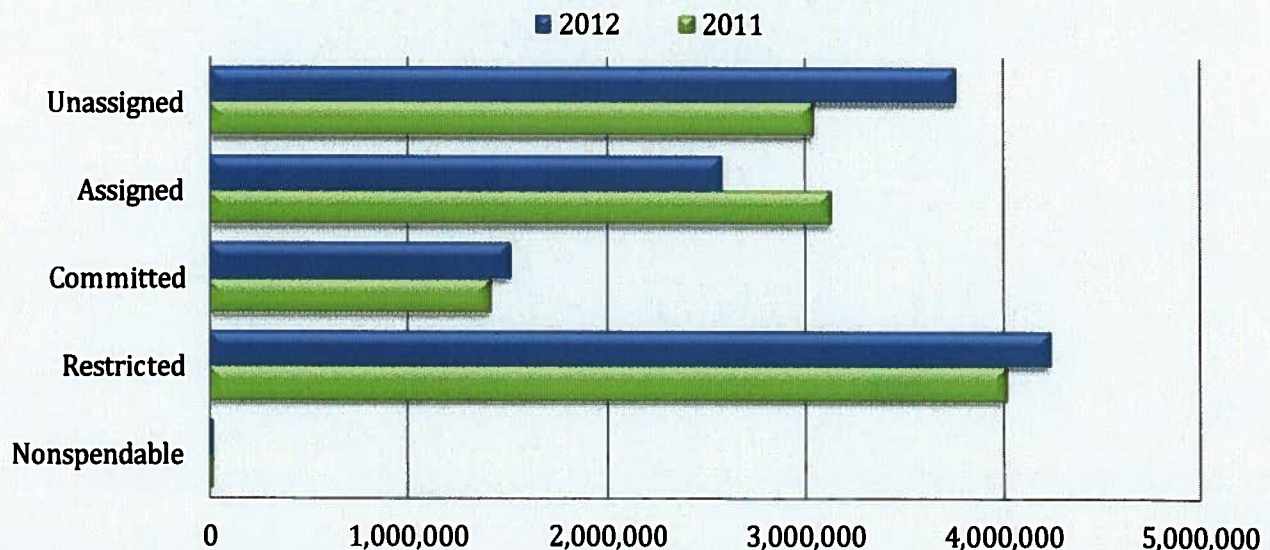
- **Non-spendable** fund balance in the form of fuel inventory is \$22,163 (less than 1%). This reflects an increase of 47% from the prior year.
- **Restricted** fund balances of \$4,230,459 (35%) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. This reflects an increase of 5.6% (\$225,904) from the prior year. The largest portion of restricted fund balance (\$2,627,677) is for debt service. This debt service

Management's Discussion and Analysis

restriction includes both the bond reserves and supplemental bond reserves for the 2009 revenue bonds for the Community Center of \$1,756,500, \$162,401 in the principal and interest sub-accounts which represent the pro rata portion of the amount coming due on the bonds on the next principal and interest payment dates, and an additional \$708,776 for future debt service payments.

- **Committed** fund balances of \$1,505,793 (12%) is in compliance with the City's operating reserve policy and represents 26% of the general fund expenses, excluding transfers to other funds, for the 2012 fiscal year. Committed fund balance increased 7% (\$98,259) from the prior year.
- **Assigned** fund balances of \$2,581,136 (21%) are amounts assigned by the City Council or City Manager for specific purposes, with the largest portion of \$1,622,200 assigned for expenditure in 2013 for capital projects. The assigned fund balance decreased 17% (\$541,075) from the prior year. This decrease is due in large part to the variance in fund balance appropriated for use in the subsequent year. Other components of assigned fund balance include designations of funds for specific purposes such as senior program activities, recreation program scholarships, and reserves for health insurance and vehicle/equipment reserves. These designations of assigned fund balance increased 37.5% (\$261,725) from the prior year.

Governmental Funds - Changes in fund balance



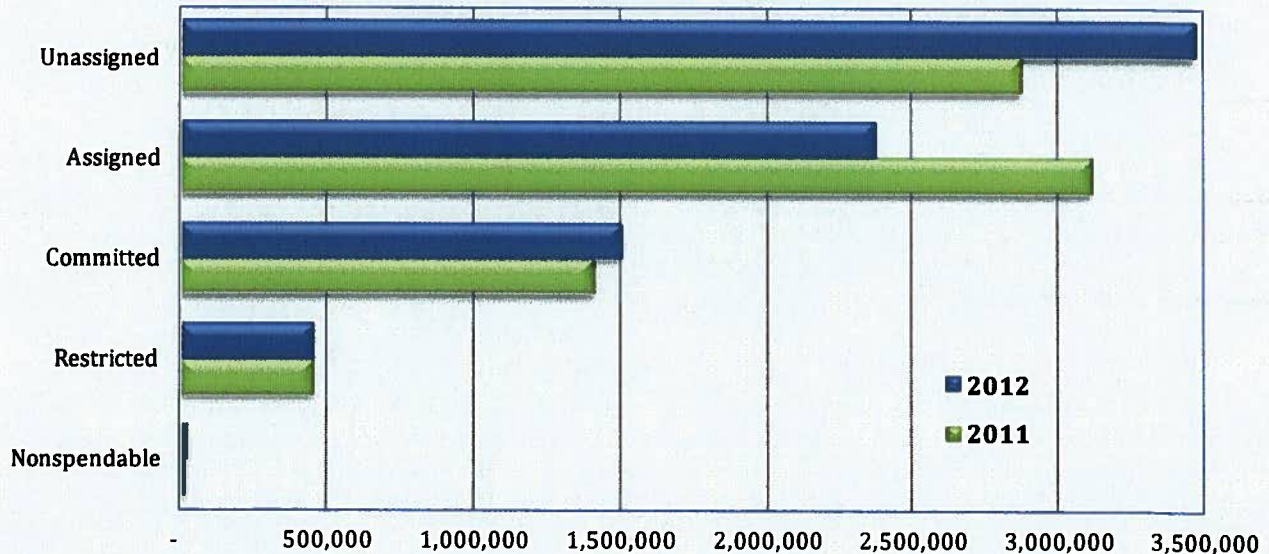
- **Unassigned** fund balance of \$3,756,607 (31%) is available for spending at the City's discretion. The unassigned fund balance increased \$717,989 (24%). This increase is largely due to total governmental fund revenues exceeding expenses by \$508,167

Management's Discussion and Analysis

with the remaining \$209,822 increase, a result of changes in other components of fund balance.

General Fund Analysis of fund balances. The general fund is the City's chief operating fund. While the *total fund balance* of \$7,809,301 decreased a minimal amount of \$43,202 (less than 1%) from the prior year, the *unassigned fund balance* of \$3,463,046 reflects an increase of \$595,163 (21%). The unassigned fund balance is used primarily to fund the City's annual capital improvement program. Subsequent to the end of the fiscal year, an additional \$648,700 has been appropriated from unassigned fund balance for capital projects that were originally budgeted to be completed in 2012 but were not completed for various reasons. If these projects had been completed in 2012 as budgeted, the unassigned fund balance would have decreased \$53,537 (2%) from the prior year. The unassigned fund balance at the end of the fiscal year represents approximately 60% of general fund expenditures, excluding transfers to other funds.

General Fund - Fund Balances

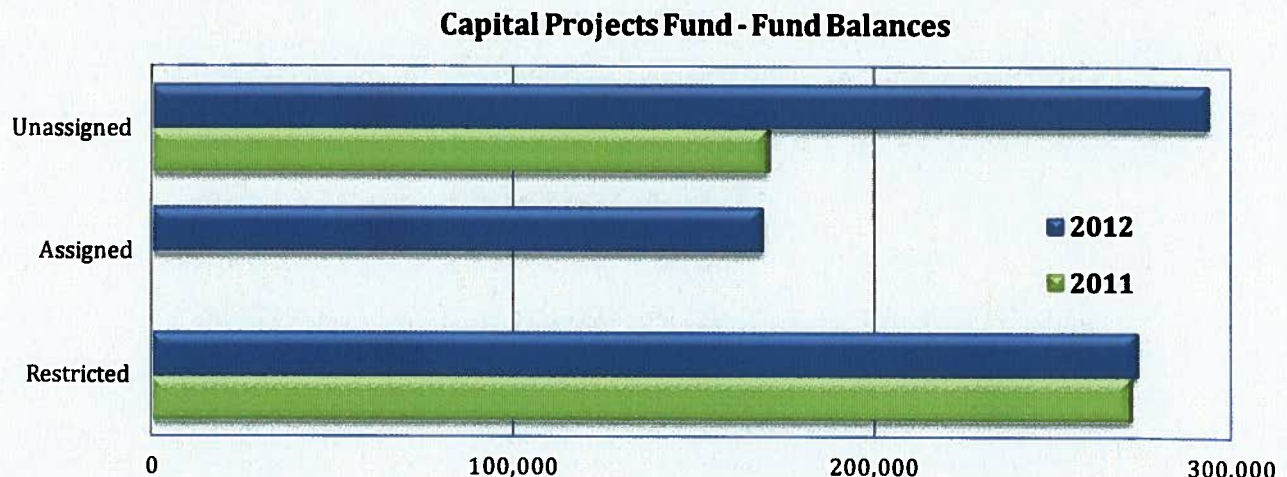


The *assigned fund balance* of \$2,366,271 includes \$1,419,000 in amounts appropriated in the originally adopted budget for the subsequent year's expenses and \$580,600 in the vehicle/equipment replacement reserve. The vehicle/equipment replace reserve increased \$255,600 (79%) in 2012 and reflects the City's renewed commitment to set funds aside to fund equipment and vehicle replacement to level out major equipment purchases in future years.

The *committed fund balance* of \$1,505,793 which represents the City's operating reserve of 26% of the current year's expenses.

Management's Discussion and Analysis

Capital Projects Fund Analysis of fund balances. The capital projects fund accounts for capital improvements associated with governmental activities and is primarily funded with transfers from the general fund. The *total fund balance* of \$736,139 increased \$293,838 (66.4%) from the prior year. The *unassigned fund balance* of \$293,561 reflects an increase of \$122,826 (72%). An additional \$168,800 has been appropriated subsequent to the end of the fiscal year for completion of capital projects from the unassigned fund balance. The *assigned fund balance* of \$169,250 represents the original budget appropriation of fund balance for the subsequent fiscal year. *Restricted fund balances* of \$273,328 represent investment earnings on development impact fees and are restricted for use for the same purpose for which the impact fee was paid.



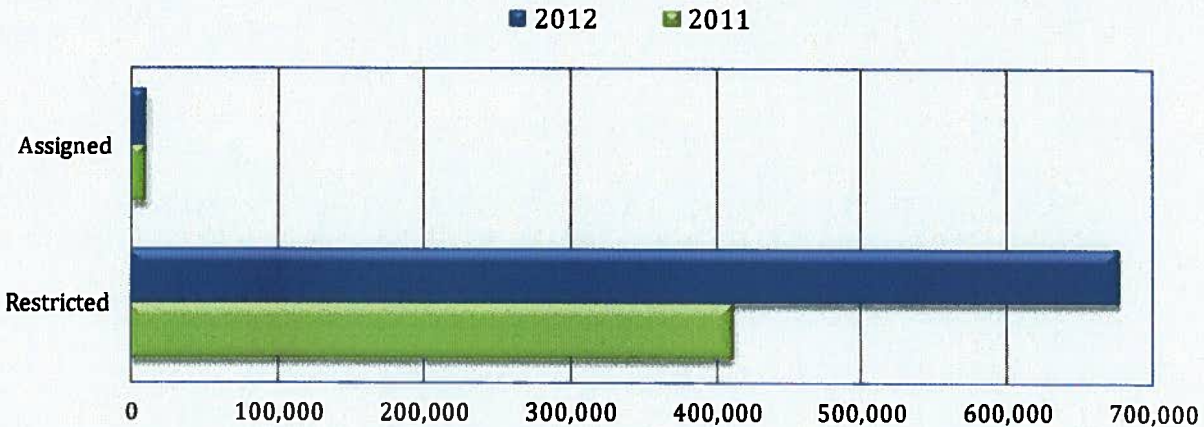
Debt Service Fund Analysis. The debt service fund for governmental activities reported an ending fund balance of \$2,627,677, all of which is restricted for debt service payments on the 2009 series revenue bonds for the Community Center. This reflects a minimal decrease of \$39,215 (1%). The *restricted fund balance* includes \$1,756,500 in bond reserves, \$162,401 in funds for the subsequent year's interest and principal payments and an additional \$708,776 for future debt service payments. This additional amount was accumulated from transfers from the Community Center Fund in addition to transferring the remaining unspent bond proceeds for the community recreation center to the debt service fund in 2011.

Community Center Fund Analysis. The community recreation center opened to the public in February 2011. This fund reported an ending fund balance of \$688,151, an increase of \$265,312 (63%) from the prior year fund balance of \$422,839. *Restricted fund balance* represents 98% of the total fund balance and is restricted for community center activities including operational expenses and equipment replacement. The *assigned fund balance*

Management's Discussion and Analysis

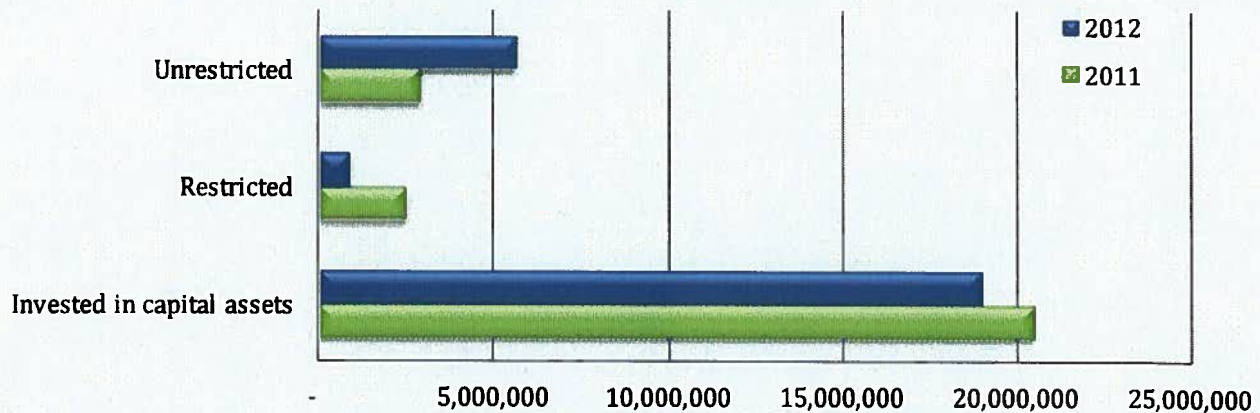
of \$11,513 is for health insurance reserves and did not change from the prior year.

Community Center Fund - Fund Balances



Proprietary funds. Proprietary funds of the City include the Sewer, Trash, Devils Canyon Center, and Irrigation Water Funds. The proprietary fund statements provide the same type of information found in the government wide financial statements, but in more detail.

Proprietary Funds - Changes in Net Assets



The City's proprietary funds reported a combined net position of \$25,411,023, a reduction of \$400,894 (1.5%) from the prior year net position of \$25,811,917. The net position includes the following categories and changes from the prior fiscal year:

Net position invested in capital assets, net of related debt, decreased \$1,503,514 (7%) from

Management's Discussion and Analysis

\$20,427,517 to \$18,824,003. This includes capital assets, net of accumulated depreciation, of \$40,859,993, less debt related to capital assets of \$21,935,990.

Restricted assets decreased \$1,607,617 (65%). Restricted assets include amounts required to comply with loan covenants (a three month operating and maintenance reserve and a portion of the next loan principal and interest payment), vehicle/equipment replacement reserves and health insurance reserve funds. The expenditure of previously restricted loan proceeds during the fiscal year was responsible for the decrease in restricted assets.

Unrestricted net position increased \$2,710,237 93% from \$2,899,156 to \$5,609,393. This increase in unrestricted net position is attributable to the sewer fund and completion of the wastewater treatment facility capital project. Unrestricted net assets of non-major proprietary funds also increased from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or expenses for the General Fund. Revenues were increased \$28,335 and expenses were increased \$57,385. The amendments were primarily related to adjustments for capital projects.

Final budget compared to actual results.

Revenues exceeded the final budget amounts by \$806,605 (13%). The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Budgeted revenues</u>	<u>Actual revenues</u>	<u>Difference</u>
Taxes	5,149,645	5,550,715	401,070
Intergovernmental revenue	539,810	888,140	348,330

In light of current economic conditions, tax revenues were estimated conservatively for budget purposes. The largest variance occurred in use taxes collected on building materials and motor vehicles which were budgeted at \$457,770 with actual revenues of \$661,932, a variance of \$204,162 (45%). This increase was indicative of a stronger than anticipated market for vehicle purchases and construction activity. City sales tax revenues were budgeted at \$1,300,000, (flat compared to the prior year) with actual revenues of \$1,403,644, an increase of \$103,644 (8%). City sales tax revenues exceeded the previous highest revenue year of 2008 which preceded the

Management's Discussion and Analysis

economic downturn experienced in 2009 and 2010 by \$19,289 (1.4%). County sales tax revenues were budgeted at \$1,760,000 with actual revenues of \$1,842,108, a variance of \$82,108 (5%) over the budgeted amount. County sales tax revenues still lag behind the highest revenue year of 2008 by \$404,691 (18%).

Intergovernmental revenues include federal mineral lease and severance tax revenues generated from the energy industry. Actual revenues were \$423,778 compared to a budget of \$80,000. Severance tax funds fluctuate significantly from year to year and are budgeted conservatively. Revenues in excess of budget are informally designated for future capital projects rather than operational expenses which require a more consistent stream of revenue.

Expenses of \$7,191,237 were under the final budgeted amount \$8,795,480 by \$1,604,243 (18%). There were no expenses in excess of budget on a department wide basis for the current fiscal year. Significant variances between budget and actual expenses include the following:

<u>Expenditure Classification</u>	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>
Transfers out	2,348,125	1,410,158	(937,967)
Non-departmental	582,420	244,878	(337,542)
Public safety	1,999,200	1,881,446	(117,754)
Public works	1,682,525	1,601,893	(80,632)
Parks and recreation	861,100	798,661	(62,439)

The reduction in *transfers out* from the general fund to the capital projects fund was due to timing issues associated with capital projects. Subsequent to year end, an additional appropriation was made transferring \$648,700 from the general fund to the capital projects fund to complete projects originally included in the 2012 budget as noted in the discussion on the unassigned fund balance of the general fund above. Taking into consideration this additional appropriation, the city still realized a savings in the transfers of approximately \$289,267.

Non-departmental expenses included an original budgeted contingency fund of \$192,200 of which \$120,275 was used leaving an unspent contingency fund balance of \$71,925. The other area of expense reduction includes addition of funds for vehicles and equipment replacement in the amount of \$255,600 in the current fiscal year. This amount is budgeted as an expense to ensure that ongoing operational revenues are designated for future vehicle and equipment replacement. However, in accordance with standard accounting practices, this does not reflect as an actual expense but is change in designations of fund balance.

Public safety expenditures were less than budgeted primarily due to a vacancy in a budgeted police officer position for a significant part of the year. This position is still vacant and efforts are being made to fill it as soon as possible. Other areas of public safety expenditures significantly less than

Management's Discussion and Analysis

budgeted include fuel costs, k-9 services and telephone/mobile data computer charges.

Public works personnel expenditures were under budget by \$19,499 with a significant part of this reduction due to allocation of personnel to the start up of the new wastewater treatment plant with less time spent on road and bridge maintenance than budgeted. The remaining areas of variance between budget and actual expenses are a result of savings in various purchased services and supplies.

Parks and recreation expenses were under budget in part time personnel costs associated with recreation program activities and athletic activities by approximately \$26,283. Another significant area of savings was in special events for the July 4 fireworks display which did not occur due to a fireworks ban in effect in the region.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Fruita's investment in capital assets for its governmental and business-type activities as of December 31, 2012, is \$94,857,879 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park and recreation facilities, roads, highways, the wastewater treatment plant and sewer collection lines and irrigation distribution system. The total increase in capital assets for the current year was approximately 0.47%.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 7,073,891	\$ 7,154,069	\$ 1,046,173	\$ 989,687	\$ 8,120,064	\$ 8,143,756
Source of supply	-	-	14,712	14,712	14,712	14,712
Construction in progress	20,948	-	-	26,757,370	20,948	26,757,370
Buildings	15,419,838	15,010,135	889,067	929,679	16,308,905	15,939,814
Infrastructure	24,654,388	24,026,531	38,237,437	11,812,548	62,891,825	35,839,079
Machinery & equipment	6,828,821	7,145,189	672,604	577,876	7,501,425	7,723,065
	<u>\$53,997,886</u>	<u>\$53,335,924</u>	<u>\$40,859,993</u>	<u>\$41,081,872</u>	<u>\$94,857,879</u>	<u>\$94,417,796</u>

Management's Discussion and Analysis

Major capital asset events during the current fiscal year included the following:

- Completion of construction and equipping the wastewater treatment facility (\$1.44 million) and reclassification of \$26.76 million in previous years capital expenses from construction in progress to the completed project.
- Construction of the addition to the police services building (\$0.8 million)
- Road construction and improvements of \$1.28 million which include River Road in Greenway Business Park, overlays and curb, gutter and sidewalk improvements
- Significant increases in accumulated depreciation in the Sewer Fund with the addition of the wastewater treatment facility
- Disposal of assets associated with previous lagoon sewer treatment system with the decommissioning of the lagoons.
- Subdivision and sale of excess property purchased for the Lower Little Salt Wash trail.

Additional information on the City of Fruita's capital assets can be found in Note III.C on pages 53 through 55 of this report.

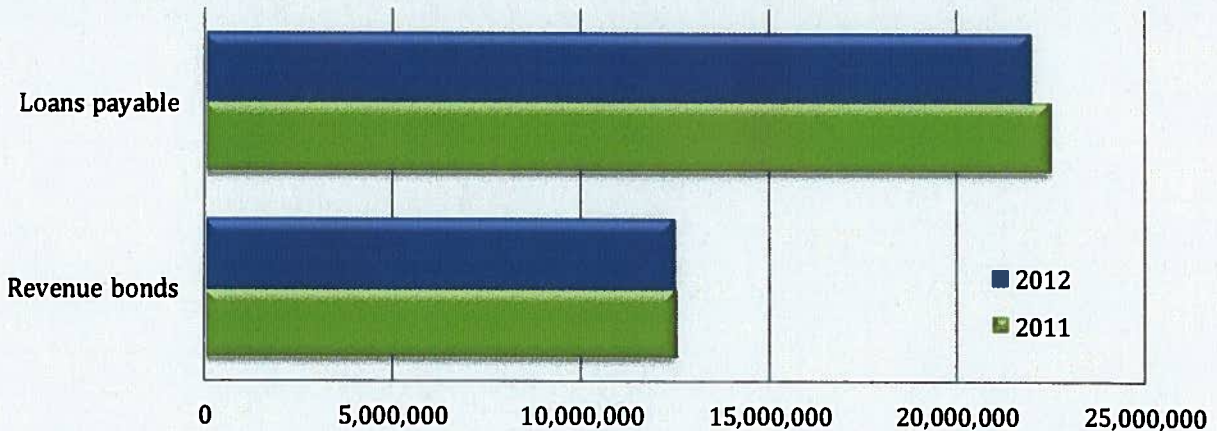
Long-term Debt. At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$34,405,952. Of this amount, \$21,935,990 is debt backed by user fees and charges of the sewer system, and the remaining \$12,469,962 is backed by a one cent city sales and use tax which is dedicated for the community center.

	City of Fruita's Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 12,469,962	\$ 12,493,294	\$ -	\$ -	\$ 12,469,962	\$ 12,493,294
Loans payable	-	-	21,935,990	22,477,859	21,935,990	22,477,859
Total	\$ 12,469,962	\$ 12,493,294	\$ 21,935,990	\$ 22,477,859	\$ 34,405,952	\$ 34,971,153

The City of Fruita's total debt decreased by \$565,201 (1.6%) during the current fiscal year. This decrease was due to regularly scheduled principal payments on the outstanding debt. The City did not incur any new debt during the current fiscal year.

Management's Discussion and Analysis

Long term debt - 2012 vs 2011



Pursuant to the Fruita City Charter, there is no limit on the amount of general obligation debt that can be issued except that said issuance must be approved by the voters. Additional information on the City of Fruita's long-term debt obligations can be found in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the City of Fruita and were considered in developing the 2013 fiscal year budget.

The 2013 Budget prioritizes the resources available and sets a course of action to implement the goals set by the City Council. The City continues to see some recovery in the local economy compared to the significant reductions experienced in 2009 and 2010 which were a result of the national recession, reduction in the energy industry, and a downward trend in new development and construction. The recovery, however, is still affected by these issues and results in unpredictability in future revenue streams for the city. The 2013 Budget includes a 0.75% increase in sales and use tax revenues over 2012 actual amounts.

Through a variety of policy decisions and management plans, the City of Fruita has been able to weather the economic downturn and been able to maintain the level of services provided to the community while remaining fiscally sound.

Some policy changes have been made and are included in the 2013 Budget to counteract some of the revenue declines of the recent years and the need to continue to provide services to the community.

Management's Discussion and Analysis

- The 2013 Budget reflects the funding of contingency funds from fund balance instead of current year revenues. In the past, unspent contingency funds have resulted in an increase in fund balance. However, this also reduced the amount of current resources available to respond to current operational needs.
- The 2013 Budget reflects full funding of the vehicle and equipment replacement reserve from current year revenues. Since the economic downturn began in 2009, this reserve has either not been funded or funded in part through current year resources and fund balances.
- The 2013 Budget includes a realistic projection of revenues from severance taxes and mineral leases. These revenues have a long history of volatility and in the past have been budgeted very conservatively with excess revenues resulting in an increase in the fund balance. The 2013 Budget includes the same conservative approach but includes a more realistic revenue projection with an offsetting reserve of a significant portion of these funds for future capital projects. This ensures that the revenue materializes before it is appropriated for expenditure and continues to designate a significant amount of these funds towards one-time expenditures such as capital projects and not relying on them for ongoing operational costs.

Moving forward the City recognizes that some of the changes that have been made over the last several years need to be worked back in to the budget process. This includes allocating all of the use tax on building materials, severance taxes and mineral lease revenues to capital projects and not allocating any towards on-going operational expenses, funding contingency from current year revenues, continue funding the vehicle/equipment replacement reserve from current year revenues, and allocation of revenue from the lease of the Devils Canyon Center to capital projects rather than operations.

User charges in the utility funds (sewer, trash and irrigation) are set to cover operating and capital costs. A rate increase of \$0.65 per month went into effect on January 1, 2013 for trash collection services. This increase reflects the increase paid by the City to the provider of this service. There are no additional utility rate adjustments scheduled for the 2013 Budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fruita's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 325 E. Aspen, Ste 155, City of Fruita, Colorado, 81521.

Management's Discussion and Analysis

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Basic Financial Statements

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City of Fruita, Colorado
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,622,704	\$ 5,546,434	\$ 15,169,138
Receivables	1,284,403	542,513	1,826,916
Intergovernmental receivable	868,402	143,622	1,012,024
Inventories	22,163	-	22,163
Restricted assets:			
Restricted cash	3,488,358	779,220	4,267,578
Capital assets (net of accumulated depreciation)			
Land	7,073,891	1,046,173	8,120,064
Source of supply	-	14,712	14,712
Construction in progress	20,948	-	20,948
Buildings, net	15,419,838	889,067	16,308,905
Systems, net	24,654,388	38,237,437	62,891,825
Machinery and equipment, net	6,828,821	672,604	7,501,425
Total Assets	<u>69,283,916</u>	<u>47,871,782</u>	<u>117,155,698</u>
LIABILITIES			
Accounts payable and other current liabilities	578,091	277,729	855,820
Accrued interest payable	222,800	228,519	451,319
Compensated absences payable	97,339	17,846	115,185
Customer deposits payable	242,420	675	243,095
Unearned revenues	1,191,484	-	1,191,484
Defeased bonds payable	10,698	-	10,698
Noncurrent liabilities:			
Due within one year (bonds and notes)	25,000	511,062	536,062
Due in more than one year (bonds and notes, net)	12,444,962	21,424,928	33,869,890
Total Liabilities	<u>14,812,794</u>	<u>22,460,759</u>	<u>37,273,553</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,148,939	-	1,148,939
Total Deferred Inflows of Resources	<u>1,148,939</u>	<u>-</u>	<u>1,148,939</u>
NET POSITION			
Net investment in capital assets	41,527,927	18,924,003	60,451,930
Restricted for:			
Debt service	2,627,677	778,545	3,406,222
Marketing and promotion	104,889	-	104,889
Community center	676,638	-	676,638
Parks and open space	138,802	-	138,802
Streets	282,455	-	282,455
Emergency reserves	400,000	-	400,000
Vehicle replacement	580,600	90,000	670,600
Other purposes	37,520	-	37,520
Health insurance risk	362,979	9,082	372,061
Unrestricted	6,582,696	5,609,393	12,192,089
Total Net Position	<u>\$ 53,322,183</u>	<u>\$ 25,411,023</u>	<u>\$ 78,733,206</u>

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
STATEMENT OF ACTIVITIES
For the year ended December 31, 2012

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,818,708	\$ 154,564	\$ 8,058	\$ -	\$ (1,656,086)	\$ -	\$ (1,656,086)
Marketing and promotion	114,579	97,106	-	-	(17,473)	-	(17,473)
Parks and recreation	2,651,467	1,099,231	12,500	155,128	(1,384,608)	-	(1,384,608)
Public works	2,168,351	112,083	-	1,136,759	(919,509)	-	(919,509)
Public safety	2,022,129	21,123	-	11,930	(1,989,076)	-	(1,989,076)
Interest on long-term debt	895,340	16,854	266,595	-	(611,891)	-	(611,891)
Total governmental activities	9,670,574	1,500,961	287,153	1,303,817	(6,578,643)	-	(6,578,643)
BUSINESS-TYPE ACTIVITIES							
Sewer	3,335,002	2,748,468	-	545,377	-	(41,157)	(41,157)
Trash	544,763	595,877	-	-	-	51,114	51,114
Devils Canyon Center	43,950	57,600	-	-	-	13,650	13,650
Irrigation water	80,203	95,727	-	500	-	16,024	16,024
Total business-type activities	4,003,918	3,497,672	-	545,877	-	39,631	39,631
Total government	\$ 13,674,492	\$ 4,998,633	\$ 287,153	\$ 1,849,694	(6,578,643)	39,631	(6,539,012)
General Revenues:							
Property taxes					1,099,168	-	1,099,168
Sales and use taxes					4,940,472	-	4,940,472
Severance tax					423,778	-	423,778
Highway users tax					369,166	-	369,166
Franchise fees					392,849	-	392,849
Other shared taxes					172,310	-	172,310
Unrestricted investment earnings					22,268	10,152	32,420
Gain (loss) on sale of capital assets					79,428	(192,335)	(112,907)
Transfers					258,342	(258,342)	-
Total general revenues and transfers					7,757,781	(440,525)	7,317,256
Change in net position					1,179,138	(400,894)	778,244
Net position - beginning, restated					52,143,045	25,811,917	77,954,962
Net position - ending					\$ 53,322,183	\$ 25,411,023	\$ 78,733,206

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Capital Projects	Debt Service	Community Center	Total Nonmajor Funds	Total
ASSETS						
Cash and investments	\$ 7,560,770	\$ 621,083	\$ 575,478	\$ 600,074	\$ 230,096	\$ 9,587,501
Accounts receivable	11,056	-	-	-	-	11,056
Taxes receivable	1,148,939	-	-	-	5,164	1,154,103
Due from other funds	-	-	-	-	-	-
Due from other governments	584,102	217,651	66,649	119,244	-	987,646
Inventories	22,163	-	-	-	-	22,163
Cash - restricted	178,083	1,314,027	1,996,248	-	-	3,488,358
Total Assets	9,505,113	2,152,761	2,638,375	719,318	235,260	15,250,827
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	154,813	375,923	-	30,022	370	561,128
Defeased bonds payable	-	-	10,698	-	-	10,698
Deposits payable	241,275	-	-	1,145	-	242,420
Unearned revenues	150,785	1,040,699	-	-	-	1,191,484
Total Liabilities	546,873	1,416,622	10,698	31,167	370	2,005,730
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	1,148,939	-	-	-	-	1,148,939
Total deferred inflows of resources	1,148,939	-	-	-	-	1,148,939
Fund Balances:						
Nonspendable:						
Inventories	22,163	-	-	-	-	22,163
Restricted:						
Debt Service	-	-	2,627,677	-	-	2,627,677
Marketing	-	-	-	-	104,888	104,888
Community center	-	-	-	676,638	-	676,638
Parks and open space	-	42,902	-	-	95,900	138,802
Streets	52,028	230,426	-	-	-	282,454
Emergency reserve	400,000	-	-	-	-	400,000
Committed:						
Operating reserve	1,505,793	-	-	-	-	1,505,793
Assigned:						
War memorial maintenance	11,471	-	-	-	-	11,471
Health insurance reserve	347,707	-	-	11,513	152	359,372
Scholarship Program	3,609	-	-	-	-	3,609
Senior Programs	277	-	-	-	-	277
Supplemental health reserve	3,607	-	-	-	-	3,607
Vehicle replacement reserve	580,600	-	-	-	-	580,600
Subsequent year expenses	1,419,000	169,250	-	-	33,950	1,622,200
Unassigned:	3,463,046	293,561	-	-	-	3,756,607
Total fund balances	7,809,301	736,139	2,627,677	688,151	234,890	12,096,158
Total liabilities, deferred inflows of resources and fund balances	\$ 9,505,113	\$ 2,152,761	\$ 2,638,375	\$ 719,318	\$ 235,260	\$ 15,250,827

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 12,096,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$20,515).	53,977,371
Internal service funds are used to charge the costs of fleet maintenance to individual funds. The current assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	34,485
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts (\$4,270).	(12,785,831)
Net position of governmental activities	<u>\$ 53,322,183</u>

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2012

	General	Capital Projects	Debt Service	Community Center	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 1,099,168	\$ -	\$ -	\$ -	\$ -	\$ 1,099,168
City sales	1,403,644	-	-	701,822	-	2,105,466
County sales	1,842,108	-	-	-	-	1,842,108
Use tax	661,932	-	-	330,966	-	992,898
Other	543,863	-	-	-	97,106	640,969
Licenses and permits	26,719	-	-	-	-	26,719
Intergovernmental revenues	888,140	452,959	266,595	-	126,320	1,734,014
Charges for services	175,502	-	-	938,439	-	1,113,941
Fines and forfeitures, assessments	41,126	-	-	2,366	-	43,492
Development impact fees	140,366	426,638	-	-	-	567,004
Investment earnings	20,383	1,780	15,444	-	104	37,711
Rents and royalties	31,550	-	-	34,865	-	66,415
Donations	14,146	100,000	-	-	-	114,146
Miscellaneous	30,218	-	-	2,853	-	33,071
Total revenues	<u>6,918,865</u>	<u>981,377</u>	<u>282,039</u>	<u>2,011,311</u>	<u>223,530</u>	<u>10,417,122</u>
EXPENDITURES						
Current:						
General government	362,408	-	-	-	-	362,408
Administration	538,933	-	-	-	-	538,933
Community development	222,917	-	-	-	-	222,917
Marketing and promotion	-	-	-	-	114,579	114,579
Parks and recreation	798,661	38,808	-	1,244,478	16,000	2,097,947
Public safety	1,881,446	-	-	-	-	1,881,446
Public works	1,601,893	-	-	-	-	1,601,893
Non-departmental	244,878	-	-	-	-	244,878
Debt service						
Principal retirement	-	-	25,000	-	-	25,000
Interest and fiscal charges	-	-	892,450	-	-	892,450
Capital outlay	129,943	2,249,499	-	2,825	-	2,382,267
Total expenditures	<u>5,781,079</u>	<u>2,288,307</u>	<u>917,450</u>	<u>1,247,303</u>	<u>130,579</u>	<u>10,364,718</u>
Excess (deficiency) of revenues over expenditures	<u>1,137,786</u>	<u>(1,306,930)</u>	<u>(635,411)</u>	<u>764,008</u>	<u>92,951</u>	<u>52,404</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	229,000	1,403,517	596,196	97,500	-	2,326,213
Transfers (out)	(1,410,158)	-	-	(596,196)	(61,517)	(2,067,871)
Sale of capital assets	170	197,251	-	-	-	197,421
Total other financing sources (uses)	<u>(1,180,988)</u>	<u>1,600,768</u>	<u>596,196</u>	<u>(498,696)</u>	<u>(61,517)</u>	<u>455,763</u>
Net change in fund balances	<u>(43,202)</u>	<u>293,838</u>	<u>(39,215)</u>	<u>265,312</u>	<u>31,434</u>	<u>508,167</u>
Fund balances - beginning	<u>7,852,503</u>	<u>442,301</u>	<u>2,666,892</u>	<u>422,839</u>	<u>203,456</u>	<u>11,587,991</u>
Fund balances - ending	<u>\$ 7,809,301</u>	<u>\$ 736,139</u>	<u>\$ 2,627,677</u>	<u>\$ 688,151</u>	<u>\$ 234,890</u>	<u>\$ 12,096,158</u>

The notes to the financial statements are an integral part of this statement.

City of Fruita, 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, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 508,167
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, net of the internal service fund, in the current period.	733,890
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	(72,184)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	25,000
The internal service funds are used by management to charge the costs of fleet management to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.	(15,602)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(133)</u>
Change in net position of governmental activities	<u><u>\$ 1,179,138</u></u>

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2012 (With comparative totals for 2011)

	Major Fund				Business-type Activities - Enterprise Funds				Governmental Activities		
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Fleet Maintenance		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
ASSETS											
Current assets:											
Cash and Investments	\$ 5,149,088	\$ 4,502,234	\$ 27,608	\$ 18,839	\$ 251,153	\$ 249,844	\$ 118,585	\$ 90,413	\$ 5,546,434	\$ 35,203	
Interest receivable	26	26	-	-	-	-	72	52	98	-	
Accounts receivable	423,503	407,541	94,862	92,093	4,800	4,800	3,395	3,714	526,560	-	
Special assessments receivable	6,385	6,104	-	-	-	-	429	1,473	6,814	-	
Notes receivable	1,626	2,248	-	-	-	-	-	-	1,626	-	
Intergovernmental receivable	143,622	34,012	-	-	-	-	-	-	143,622	-	
Total current assets	5,724,250	4,952,165	122,470	110,932	255,953	254,644	122,481	95,652	6,225,154	35,203	
Non-current assets:											
Restricted cash:											
WWTF loan proceeds	-	3,716,837	-	-	-	-	-	-	-	-	
WWTF loan covenants	778,545	652,658	-	-	-	-	-	-	778,545	-	
Customer deposits	675	675	-	-	-	-	-	-	675	-	
Special assessments receivable	7,415	13,718	-	-	-	-	-	-	7,415	-	
Capital assets											
Land	764,010	707,524	-	-	225,514	225,514	56,649	56,649	1,046,173	-	
Source of supply	-	-	-	-	-	-	14,712	14,712	14,712	-	
Construction in progress	-	26,757,370	-	-	-	-	-	-	-	-	
Buildings, net	44,607	46,583	-	-	835,844	873,394	8,616	9,702	889,067	-	
Systems, net	38,138,191	11,695,447	-	-	-	-	99,246	117,101	38,237,437	-	
Equipment, net	672,604	577,876	-	-	-	-	-	-	672,604	-	
Total capital assets, net	39,619,412	39,784,800	-	-	1,061,358	1,098,908	179,223	198,164	40,859,993	20,515	
Total non-current assets	40,406,047	44,168,688	-	-	1,061,358	1,098,908	179,223	198,164	41,646,628	20,515	
Total assets	46,130,297	49,120,853	122,470	110,932	1,317,311	1,353,552	301,704	293,816	47,871,782	55,718	
LIABILITIES											
Current liabilities:											
Accounts Payable	230,683	380,530	45,538	45,133	-	-	1,508	865	277,729	16,963	
Accrued interest payable	50	326	-	-	-	-	-	-	50	-	
Compensated absences	16,455	12,254	-	-	-	-	1,391	1,225	17,846	4,270	
Notes payable - current maturity	300,645	295,891	-	-	-	-	-	-	300,645	-	
Total current liabilities	547,833	689,001	45,538	45,133	-	-	2,899	2,090	596,270	21,233	
Current liabilities payable from restricted assets:											
Customer deposits payable	675	675	-	-	-	-	-	-	675	-	
Accrued interest payable from restricted cash	228,469	255,035	-	-	-	-	-	-	228,469	-	
Accounts payable from restricted cash	-	1,893,333	-	-	-	-	-	-	-	-	
Notes payable from restricted cash	210,417	195,833	-	-	-	-	-	-	210,417	-	
Total current liabilities payable from restricted assets	439,561	2,344,876	-	-	-	-	-	-	439,561	-	
Noncurrent liabilities:											
Notes payable (net of premium)	21,424,928	21,986,136	-	-	-	-	-	-	21,424,928	-	
Total noncurrent liabilities	21,424,928	21,986,136	-	-	-	-	-	-	21,424,928	-	
Total liabilities	22,412,322	25,020,013	45,538	45,133	-	-	2,899	2,090	22,460,759	21,233	
NET POSITION											
Invested in capital assets, net of related debt	17,683,422	19,130,445	-	-	1,061,358	1,098,908	179,223	198,164	18,924,003	20,515	
Restricted for health insurance reserve	9,082	9,082	-	-	-	-	-	-	9,082	-	
Restricted for loan covenants	778,545	652,658	-	-	-	-	-	-	778,545	-	
Restricted for vehicle replacement	90,000	-	-	-	-	-	-	-	90,000	-	
Restricted for capital related financing	-	1,823,504	-	-	-	-	-	-	-	-	
Unrestricted	5,156,926	2,485,151	76,932	65,799	255,953	254,644	119,582	93,562	5,609,393	13,970	
Total net position, restated	\$23,717,975	\$ 24,100,840	\$76,932	\$ 65,799	\$1,317,311	\$1,353,552	\$298,805	\$291,726	\$25,411,023	\$ 34,485	

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2012 (With comparative totals for 2011)

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals			Fleet Maintenance Internal Service Fund
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011		
OPERATING REVENUES												
Charges for services	\$ 2,748,463	\$ 2,462,121	\$ 595,877	\$ 586,552	\$ 57,600	\$ 57,600	\$ 95,727	\$ 96,791	\$ 3,497,667	\$ 243,250		
Other revenues	5	78	-	-	-	-	-	-	5	-		
Total operating revenues	<u>2,748,468</u>	<u>2,462,199</u>	<u>595,877</u>	<u>586,552</u>	<u>57,600</u>	<u>57,600</u>	<u>95,727</u>	<u>96,791</u>	<u>3,497,672</u>	<u>243,250</u>		
OPERATING EXPENSES												
Personnel services	619,680	445,087	-	-	-	-	38,975	48,185	658,655	145,899		
Purchased services	161,492	97,598	544,763	536,006	6,400	11,400	9,393	7,133	722,048	3,416		
Supplies	357,463	139,474	-	-	-	-	12,894	14,457	370,357	107,045		
Depreciation and amortization	1,609,613	309,603	-	182	37,550	37,550	18,941	18,941	1,666,104	2,492		
Total operating expenses	<u>2,748,248</u>	<u>991,762</u>	<u>544,763</u>	<u>536,188</u>	<u>43,950</u>	<u>48,950</u>	<u>80,203</u>	<u>88,716</u>	<u>3,417,164</u>	<u>258,852</u>		
Operating income (loss)	220	1,470,437	51,114	50,364	13,650	8,650	15,524	8,075	80,508	(15,602)		
NONOPERATING REVENUES (EXPENSES)												
Intergovernmental	109,610	270,392	-	-	-	-	-	-	109,610	-		
Investment income	9,969	11,097	19	18	109	211	55	228	10,152	-		
System development charges/contributions	-	693,875	-	-	-	-	-	-	-	-		
Sale of equipment	2,100	2,655	-	-	-	-	-	-	2,100	-		
Loss on disposal of equipment	(194,435)	-	-	-	-	-	-	48	(194,435)	-		
Interest expense	(586,754)	(2,260)	-	-	-	-	-	-	(586,754)	-		
Total nonoperating revenues (expenses)	<u>(659,510)</u>	<u>975,759</u>	<u>19</u>	<u>18</u>	<u>109</u>	<u>211</u>	<u>55</u>	<u>276</u>	<u>(659,327)</u>	<u>-</u>		
Income (Loss) before contributions and transfers	(659,290)	2,446,196	51,133	50,382	13,759	8,861	15,579	8,351	(578,819)	(15,602)		
Capital contributions - tap fees	435,767	420,400	-	-	-	-	500	2,500	436,267	-		
Transfers out	(159,342)	(125,000)	(40,000)	(40,000)	(50,000)	(45,000)	(9,000)	(9,000)	(258,342)	-		
Change in net position	(382,865)	2,741,596	11,133	10,382	(36,241)	(36,139)	7,079	1,851	(400,894)	(15,602)		
Net position - beginning, restated	24,100,840	21,359,244	65,799	55,417	1,353,552	1,389,691	291,726	289,875	25,811,917	50,087		
Net position - ending	<u>\$ 23,717,975</u>	<u>\$ 24,100,840</u>	<u>\$ 76,932</u>	<u>\$ 65,799</u>	<u>\$ 1,317,311</u>	<u>\$ 1,353,552</u>	<u>\$ 298,805</u>	<u>\$ 291,726</u>	<u>\$ 25,411,023</u>	<u>\$ 34,485</u>		

The notes to the financial statements are an integral part of this statement.

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2012 (With comparative totals for 2011)

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Non-Major Funds		Irrigation Water		Totals			
	2012	2011	2012	2011	Devils Canyon Center 2012	2011	2012	2011	2012	2011		
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts from customers	\$ 2,732,506	\$ 2,414,284	\$ 593,108	\$ 578,836	\$ 57,600	\$ 57,600	\$ 96,046	\$ 96,356	\$ 3,479,260	\$ 243,250		
Payments to suppliers	(510,232)	(241,737)	(544,358)	(532,930)	(6,400)	(11,400)	(20,952)	(24,059)	(1,081,942)	(99,573)		
Payments to employees	(617,174)	(436,871)	-	-	-	-	(39,500)	(47,788)	(656,674)	(144,082)		
Net cash provided by operating activities	1,605,100	1,735,676	48,750	45,906	51,200	46,200	35,594	24,509	1,740,644	(405)		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
Operating transfers	(159,342)	(125,000)	(40,000)	(40,000)	(50,000)	(45,000)	(9,000)	(9,000)	(258,342)	-		
Net cash used by non-capital financing activities	(159,342)	(125,000)	(40,000)	(40,000)	(50,000)	(45,000)	(9,000)	(9,000)	(258,342)	-		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Capital contributions - grants	-	421,018	-	-	-	-	-	-	-	-		
Capital contributions - plant investment fees	436,389	424,092	-	-	-	-	500	2,500	436,889	-		
Gain on sale of equipment	2,100	2,655	-	-	-	-	-	48	2,100	-		
Proceeds from special assessments	6,021	6,796	-	-	-	-	1,044	3,378	7,065	-		
Principal paid on capital debt	(491,724)	(460,209)	-	-	-	-	-	-	(491,724)	-		
Interest paid on capital debt	(613,596)	(610,768)	-	-	-	-	-	-	(613,596)	-		
Purchase of capital assets	(3,739,013)	(4,253,195)	-	-	-	-	-	-	(3,739,013)	(2,749)		
Net cash provided (used) by capital and related financing activities	(4,399,823)	(4,469,611)	-	-	-	-	1,544	5,926	(4,398,279)	(2,749)		
CASH FLOWS FROM INVESTING ACTIVITIES												
Interest received on investments	9,969	11,136	19	18	109	211	35	199	10,132	-		
Net cash provided by investing activities	9,969	11,136	19	18	109	211	35	199	10,132	-		
Net increase (decrease) in cash and cash equivalents	(2,944,096)	(12,847,799)	8,769	5,924	1,309	1,411	28,173	21,634	(2,905,845)	(3,154)		
Cash and cash equivalents, January 1 (Including \$653,333 in the Sewer Fund reported in restricted accounts)	8,872,404	21,720,203	18,839	12,915	249,844	248,433	90,412	68,778	9,231,499	38,357		
Cash and cash equivalents, December 31 (Including \$779,220 in the Sewer Fund reported in restricted accounts)	\$ 5,928,308	\$ 8,872,404	\$ 27,608	\$ 18,839	\$ 251,153	\$ 249,844	\$ 118,585	\$ 90,412	\$ 6,325,654	\$ 35,203		

The notes to the financial statements are an integral part of this statement

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2012 (With comparative totals for 2011)

	Business-type Activities - Enterprise Funds				Governmental Activities			
	Sewer		Trash		Totals			
	2012	2011	2012	2011	2012	2011		
Operating income (loss)	\$ 220	\$ 1,462,980	\$ 51,114	\$ 50,364	\$ 13,650	\$ 8,650	\$ 80,508	\$ (15,602)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	1,609,613	317,060	-	182	37,550	37,550	18,941	2,492
(Increase) decrease in accounts receivable	(15,962)	(47,915)	(2,769)	(7,716)	-	-	319	-
Increase (decrease) in accounts payable	8,723	(4,665)	405	3,076	-	-	1,335	10,888
Increase (decrease) in compensation payable	2,506	8,216	-	-	-	-	(525)	1,817
Total adjustments	1,604,880	272,696	(2,364)	(4,458)	37,550	37,550	20,070	15,197
Net Cash Provided by (Used for) Operating Activities	\$ 1,605,100	\$ 1,735,676	\$ 48,750	\$ 45,906	\$ 51,200	\$ 46,200	\$ 35,594	\$ (405)
Schedule of non-cash capital and related financing activities								
Contributions of capital assets	-	693,875	-	-	-	-	-	-

The notes to the financial statements are an integral part of this statement

City of Fruita, Colorado
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Investments at fair value	1,679,281	1,013,505
Accounts receivable	-	-
Total assets	<u>1,679,281</u>	<u>1,013,505</u>
LIABILITIES		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Held in trust for:		
Pension benefits	1,679,281	1,013,505
Total net position	<u>\$ 1,679,281</u>	<u>\$ 1,013,505</u>

The notes to the financial statements are an integral part of this statement

City of Fruita, Colorado
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2012

	Money Purchase Plan and Trust Fund	Retirement Trust Fund
ADDITIONS		
Employer contributions	\$ 113,758	\$ 97,992
Plan member contributions	91,006	-
Roll over from Retirement Trust Fund	20,457	-
Total contributions	<u>225,221</u>	<u>97,992</u>
Investment Earnings		
Net investment gain (loss)	155,102	99,103
Total Additions	<u>380,323</u>	<u>197,095</u>
DEDUCTIONS		
Benefits	136,659	55,988
Roll over to Money Purchase Plan	-	20,457
Administrative expenses	3,774	1,108
Total Deductions	<u>140,433</u>	<u>77,553</u>
Change in net position	239,890	119,542
Total net position - beginning	1,439,391	893,963
Total net position - ending	<u>\$ 1,679,281</u>	<u>\$ 1,013,505</u>

The notes to the financial statements are an integral part of this statement

Notes to Financial Statements

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City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Fruita, Colorado was established in 1884 and operates under a City Council - Manager Home Rule form of government with six elected council members, an elected mayor and an appointed manager. The City's financial statements include the accounts and operations of all City functions. The City's major operations include public safety, street construction and maintenance, community development, parks, recreation programs, irrigation, trash collection, sewer service, and general administration. The City of Fruita, Colorado is the primary government. The City has no component units.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the city's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - 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. Major individual governmental and enterprise funds are reported as

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund 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.

The community center fund is used to account for operations of the community recreation center. A one percent city sales and use tax was approved by voters in 2009 to provide funding for debt payments and operational costs. A portion of this tax (60%) will expire in 30 years or upon payment of the debt, whichever comes first. The remaining tax (40%) will continue as an operational subsidy for the community center.

The capital projects fund is used to account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major proprietary fund:

The sewer fund accounts for all activities associated with providing sewer collection and treatment to customers within the sewer service area.

Additionally, the City reports the following fund types:

The internal service fund accounts for fleet maintenance services provided to other departments or agencies of the City on a cost reimbursement basis.

The agency fund is used to account for custodial functions for collecting and forwarding fees paid on new developments in lieu of dedication of land to the local school district. There were no balances or activity associated with this fund for the year ending December 31, 2012.

The retirement trust funds are used to account for activities of the City of Fruita Employees Retirement Plan and the Fruita Police Department Money Purchase Pension Plan which accumulates resources for retirement benefit payments to qualified City employees.

During the course of operations the City has activity between funds for various

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures,

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales tax, use tax, franchise fees, grant revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue sources. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilized the *accrual basis of accounting* for reporting its assets and liabilities.

F. Accounting Standards

The City implemented GASB No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements during the year ended December 31, 2012.

The City implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows Of Resources, and Net Position*, for the year ended December 31, 2012. GASB No. 63 implements a new presentation of certain assets as deferred outflows, certain liabilities as deferred inflows, and also replaces the term net assets with net position. The effect of implementation of GASB No. 63 for the City was a reclassification of deferred revenues to deferred inflows of resources and recognition of bond and loan issuance costs being recognized as an outflow of resources in the period incurred.

The City implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. GASB No. 65 specifies items to be reclassified from assets and liabilities as deferred outflows of resources and deferred inflows of resources.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

G. Budgetary information

1. *Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, proprietary funds and internal service funds. Fiduciary funds for the employees' retirement plan and the agency trust fund for school land dedication fees are not budgeted. All annual appropriations lapse at fiscal year end.

On or before the last day of August of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. On or before the 1st day of October, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted not later than December 15 in order to meet the statutory deadline for certification of the mill levy to the County.

On or before December 31, the City Council enacts a resolution appropriating the budgets for the ensuing fiscal year. The City Council may amend the appropriation resolution upon notice of a public hearing at any time during the year and increase appropriations upon certification by the City Manager that excess revenues are available. The Council may also make emergency appropriations by emergency ordinance, and in the event there are insufficient revenues for the emergency appropriation, the Council may authorize, by emergency ordinance, the issuance of short-term notes.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Even though the budget enacted by the City Council is at the fund level, the City prepares a line item budget by department and program for control at the line item level. The City Manager has the authority to reallocate the distribution of budgeted amounts at the department level.

Transfers of appropriations between departments require approval of the City Council through adoption of a resolution amending the budget.

2. *Excess of expenditures over appropriations*

For the year ended December 31, 2012, there were no expenditures which exceeded appropriations at the fund level.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

H. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments are presented at fair value determined from quoted market prices. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State. The investment pools are similar to money market funds, with each share valued at \$1.

Colorado State Statutes authorize the City to invest in obligations of the United States or obligations unconditionally guaranteed by the United States, bonds of the State of Colorado and its political subdivisions, certain obligations secured by mortgages, bankers acceptances, commercial paper, state investment pools, repurchase agreements, money market funds and guaranteed investment contracts.

Assets of the Retirement Trust Fund and Fruita Police Department Money Purchase Pension Plan are invested by the International City Manager's Association Retirement Corporation.

3. Inventories

The inventory in the General Fund consists of fuel to be consumed by the City's departments and is valued at cost which approximates market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as equipment purchases with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years, and construction projects or infrastructure assets which have a cost of more than \$10,000 and a useful life of more than five years. Such assets are

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest on debt for construction in progress is capitalized. Gains or losses on dispositions of property and equipment are included in income.

Land and construction in progress are not depreciated. The other property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Distribution and collection system	5 - 50
Buildings and improvements	10 - 50
Machinery and equipment	3 - 25
Infrastructure	20 - 40

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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.

6. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amount to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

7. Fund balance flow assumptions

Sometimes the City 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 amount 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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. 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.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In addition to committed and assigned fund balances, there is a nonspendable fund balance which represents amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amount that can be used only for the specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The City Council has adopted a financial policy to maintain a minimum level of fund balance in the general fund as an *operating reserve*. The committed fund balance of \$1,505,793 represents the amount set aside to serve as a financial cushion for use in emergency situations or when revenue shortages or budgetary imbalances arise pursuant to this policy. This amount represents 25% of the current year's general fund expenditures, excluding transfers.

Amounts in the assigned fund balance classification are intended to be used by the

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City Council or City Manager has adopted financial policies to:

- assign funds for *replacement of vehicles and equipment*. This amount is determined on an annual basis and is based on the estimated cost to replace vehicles and equipment over a ten year period with the difference between the actual cost for replacement in the current year and the target balance added to (or deducted from) the vehicle replacement reserve. The intent of this reserve is to even out funding requirements on an annual basis for acquisition of capital equipment.
- assign funds for *health insurance* with funds generated through health insurance cost savings and refunds of health insurance premiums based on actual loss experience. These funds are assigned to help level out increases in health insurance costs and/or provide funds for future self insurance and reduce the impact on employees of increases in health insurance deductibles.
- assign funds from specific revenue sources for specific uses. These include donations for maintenance of the war memorial, a \$1 surcharge/fee on recreation program registrations for award of recreation program scholarships, and donations from the senior can collection program for recreational programs for seniors or amenities in the senior area of the Fruita Community Center.

Unassigned fund balance represents amounts that are available for any purpose.

I. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1)charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2)grants and contributions (including special assessments) that are restricted to meeting the operational or capital

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Property taxes as set by the City Council are collected by the County Treasurer. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2012 taxes collectible in 2013 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

3. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. An employee may accumulate and carry forward one year's accumulation of vacation leave. Sick leave may be accumulated up to 2,080 hours. The City pays a terminating employee for all accumulated vacation time. The City does not pay any amounts for accumulated sick leave when employees separate from service with the City. A liability for accrued vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements.

3. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 sewer fund, trash fund, irrigation fund and fleet maintenance fund are charges to customers for sales and services. The principal operating revenue of the devils canyon center fund is lease revenues for use of the facility. 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 nonoperating revenues and expenses.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$53,977,371 difference are as follows:

Land	\$ 7,073,891
Construction in progress	20,948
Buildings	17,532,513
Less: Accumulated depreciation - buildings	(2,112,675)
Machinery, equipment and vehicles	9,837,110
Less: Accumulated depreciation - machinery, equipment, and vehicles	(3,028,804)
Infrastructure systems	27,719,101
Less: Accumulated depreciation - infrastructure	<u>(3,064,713)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 53,977,371</u></u>

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$34,485 difference are as follows:

Cash and investments	35,203
Capital assets	20,515
Accounts payable	(16,963)
Compensated absences payable	<u>(4,270)</u>
Net position of the internal service fund	<u><u>\$ 34,485</u></u>

The final element of that reconciliation explains that "long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts." The details of this \$12,785,831 difference are as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

Bonds payable	\$ (12,515,000)
Add: Issuance premium (to be amortized over life of debt)	83,117
Less: Issuance discount (to be amortized as interest expense)	<u>(38,079)</u>
Subtotal of bonds payable - current and non-current	(12,469,962)
Accrued interest payable	(222,800)
Compensated absences	<u>(93,069)</u>
Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (12,785,831)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$733,890 difference are as follows:

Capital outlay reported in:	
Capital Projects	\$ 2,249,499
General Fund	129,943
Community Center Fund	<u>2,825</u>
Total capital outlay reported in governmental funds	2,382,267
Less: Depreciation expense, net of internal service fund	<u>(1,648,377)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 733,890</u></u>

Another element of that reconciliation states that "the net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position." The details of this (\$72,184) difference are as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

In the statement of activities, only the gain or <i>loss</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (117,993)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>45,809</u>
Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (72,184)</u>

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$133) difference are as follows:

Compensated absences	\$ 1,347
Accrued interest	188
Amortization of bond premiums	1,411
Amortization of bond discounts	<u>(3,079)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (133)</u>

III. DETAILED NOTES ON ALL FUNDS

A. Cash deposits with financial institutions

Custodial credit risk for deposits. The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to the custodial credit risk. The City's deposits are governed by Colorado Statute. 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 maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All deposits of

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

the City are insured or collateralized with securities held by or for the entity. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2012, \$3,392,659 of the City's deposits were covered by FDIC insurance and \$8,313,288 were collateralized under the PDPA.

B. Investments

Custodial credit risk for investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The City's investments are not deemed to be exposed to custodial credit risk because they are held by the City or the City's custody agent in the City's name. Colorado statutes specify investments meeting defined rating and risk criteria in which local government may invest which include the following investments with terms of five years or less:

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Guaranteed investment contracts
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Banker's acceptances of certain banks
- Certain money market funds

As of December 31, 2012, the City had \$7,687,118 in governmental and business type funds in several local government investment pools established for local governments in Colorado to pool surplus funds (CSAFE and Colotrust). These pools operate similarly to a money market fund and each share is equal in value to \$1.00. Investments of these pools consist of U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities. Each pool is rated AAAM by Standard and Poor's. To obtain financial statements for CSAFE you may visit their website at www.csafe.org. Colotrust's financial statements are available on their website at www.colotrust.com.

The composition of all cash and investments held by the City at December 31, 2012 and 2011 is as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

	<u>2012</u>	<u>2011</u>
Cash on hand:	\$ 1,700	\$ 1,225
Deposits:		
Cash in checking account(s)	2,934,094	3,632,192
Repurchase agreement	6,230,315	3,494,867
Certificates of deposit	<u>2,583,489</u>	<u>3,658,853</u>
Total deposits	11,747,898	10,785,912
Investments:		
Investment pools	7,687,118	6,650,146
Restricted cash held by a 3rd party	<u>-</u>	<u>3,716,837</u>
Total investments	7,687,118	10,366,983
Total cash, deposits and investments	<u>\$ 19,436,716</u>	<u>\$ 21,154,120</u>

The captions on the statement of net assets of the City related to cash and investments are as follows:

	<u>2012</u>	<u>2011</u>
Cash and investments	\$ 15,169,138	\$ 12,461,398
Restricted Cash	<u>4,267,578</u>	<u>8,692,722</u>
	<u>\$ 19,436,716</u>	<u>\$ 21,154,120</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City of Fruita manages its exposure to fair value losses arising from increasing interest rates by adhering to Colorado statutes which do not allow investment maturities to exceed five years unless specifically authorized by the governing body. The City Council has not authorized longer maturities.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. More than five percent of the City's investments are in public entity investment pools. These investments are 40% of the City's total investments at December 31, 2012.

C. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 7,154,069	\$ 37,568	\$ (117,746)	\$ 7,073,891
Construction in progress	-	20,948	-	20,948
Total capital assets not being depreciated	<u>7,154,069</u>	<u>58,516</u>	<u>(117,746)</u>	<u>7,094,839</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	16,705,193	827,320	-	17,532,513
Infrastructure	26,417,156	1,301,945	-	27,719,101
Machinery and equipment	9,151,329	243,044	(25,028)	9,369,345
Hospital equipment	500,000	-	-	500,000
Total capital assets being depreciated	<u>52,773,678</u>	<u>2,372,309</u>	<u>(25,028)</u>	<u>55,120,959</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(1,695,058)	(417,617)	-	(2,112,675)
Infrastructure	(2,390,625)	(674,088)	-	(3,064,713)
Machinery and equipment	(2,383,986)	(534,165)	24,781	(2,893,370)
Hospital equipment	(122,154)	(25,000)	-	(147,154)
Total accumulated depreciation	<u>(6,591,823)</u>	<u>(1,650,870)</u>	<u>24,781</u>	<u>(8,217,912)</u>
Total capital assets being depreciated, net	<u>46,181,855</u>	<u>721,439</u>	<u>(247)</u>	<u>46,903,047</u>
Governmental activities capital assets, net	<u>\$ 53,335,924</u>	<u>\$ 779,955</u>	<u>\$ (117,993)</u>	<u>\$ 53,997,886</u>

Assets for governmental activities include an addition of \$2,740 in internal service fund capital assets, with a total of \$20,515 in internal service fund capital assets, net of depreciation and an addition of \$45,809 in donated assets. Decreases in net assets represent the sale of real property in the Little Salt Wash subdivision and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Governmental activities

General government	\$ 129,539
Park and recreation	554,174
Public works	830,758
Public safety	133,907
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>2,492</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,650,870</u></u>

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 989,687	\$ 56,486	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Construction in progress	<u>26,757,370</u>	<u>-</u>	<u>(26,757,370)</u>	<u>-</u>
Total capital assets not being depreciated	<u><u>27,761,769</u></u>	<u><u>56,486</u></u>	<u><u>(26,757,370)</u></u>	<u><u>1,060,885</u></u>
<u>Capital assets, being depreciated</u>				
Buildings	1,643,691	-	(285)	1,643,406
Wastewater treatment facility	-	27,973,730	-	27,973,730
Distribution and collection system	16,761,840	195,985	(509,035)	16,448,790
Machinery and equipment	<u>1,425,361</u>	<u>219,999</u>	<u>(129,929)</u>	<u>1,515,431</u>
Total capital assets being depreciated	<u><u>19,830,892</u></u>	<u><u>28,389,714</u></u>	<u><u>(639,249)</u></u>	<u><u>47,581,357</u></u>
<u>Less accumulated depreciation for:</u>				
Buildings	(714,012)	(40,614)	287	(754,339)
Wastewater treatment facility	-	(1,138,370)	-	(1,138,370)
Distribution and collection system	(4,949,292)	(430,751)	333,330	(5,046,713)
Machinery and equipment	<u>(847,485)</u>	<u>(106,541)</u>	<u>111,199</u>	<u>(842,827)</u>
Total accumulated depreciation	<u><u>(6,510,789)</u></u>	<u><u>(1,716,276)</u></u>	<u><u>444,816</u></u>	<u><u>(7,782,249)</u></u>
Total capital assets being depreciated, net	<u><u>13,320,103</u></u>	<u><u>26,673,438</u></u>	<u><u>(194,433)</u></u>	<u><u>39,799,108</u></u>
Business-type activities capital assets, net	<u><u>\$ 41,081,872</u></u>	<u><u>\$ 26,729,924</u></u>	<u><u>\$(26,951,803)</u></u>	<u><u>\$ 40,859,993</u></u>

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

D. Unearned revenues

Governmental funds report *unearned revenue* in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

<u>General Fund</u>	<u>Unearned</u>
Property taxes assessed for 2012 but not receivable until 2013	\$ -
Impact fees for chipseal	126,055
Unallocated utility billing receipts	24,730
<u>Capital Projects Fund</u>	
Grant revenues for infrastructure	225,950
Impact fees for open space, road and drainage improvements which have been received but not yet earned	814,749
Total unavailable/unearned revenue for governmental funds	<u><u>\$1,191,484</u></u>

E. Long-Term Liabilities

1. Notes and loans payable

During 1995 the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of \$155,435. This loan was for the construction of the Kingsview sewer line extension. The City is obligated under the agreement to make an initial payment of \$8,962 on March 1, 1996, and quarterly payments of \$2,980 each March 1, June 1, September 1 and December 1 beginning June 1, 1996 and ending March 1, 2015. The loan agreement requires compliance with specified covenants and obligations. In compliance with the requirements, the City has maintained a three-month operations and maintenance reserve, and has complied with the rate covenant. A surcharge on plant investment fees and monthly sewer charges is assessed on all properties in the basin served by the extension of the sewer line to cover the costs of annual debt service. Additional revenue collected above the amount owed is applied on an annual basis to the balance of the note. The outstanding balance on this note at December 31, 2012 was \$13,065 and is included in the Sewer Fund.

During 2002 the City entered into a loan agreement with the Colorado Department of Local Affairs for a loan from the Local Government Severance Tax Fund in the amount of \$123,000 for construction of the Greenway Business Park sewer line and sewer facility improvements. The City was obligated under the agreement to make an initial payment of \$15,929 on September 1, 2003, and annual payments of

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

\$15,929 each September thereafter ending September 1, 2012. Revenues of the sewer fund are used to make these payments. This loan was paid off in 2012.

During 2010 the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority for construction of a new wastewater treatment facility in the amount of \$21,830,000. The loan was issued with a premium of \$1,128,290 which covered costs of issuance and the underwriter's discount of \$158,290 with the remaining \$970,000 deposited to the project construction fund for a total project construction fund of \$22,800,000.

The City is obligated under the agreement to make semi-annual payments each March 1, and September 1 beginning September 1, 2010 with an interest payment of \$266,655 and ending September 1, 2032. The loan agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$778,545 of net position for debt service. This includes \$339,658 for the three month operating reserve and \$438,887 as the pro rata amount reserved for the next principal and interest payments on the debt. The outstanding balance on this note at December 31, 2012 was \$20,920,000 and is included in the Sewer Fund.

Notes and loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business type activities		
Sewer line extensions	4.5 - 5.00%	\$ 13,065
Wastewater treatment facility	2.50%	<u>20,920,000</u>
		<u>\$ 20,933,065</u>

The unamortized premium on the wastewater treatment facility loan is \$1,002,925 and the outstanding notes and loans reported in the Statement of Net Assets include this amount.

Annual debt service requirements to maturity for notes and loans are as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Year ended December 31	Business-type Activities		
	Principal	Interest	Total
2013	511,062	574,580	1,085,642
2014	550,571	587,890	1,138,461
2015	591,432	575,358	1,166,790
2016	630,000	562,844	1,192,844
2017	680,000	543,956	1,223,956
2018-2022	4,240,000	2,353,314	6,593,314
2023-2027	5,930,000	1,531,878	7,461,878
2028-2032	7,800,000	639,232	8,439,232
	<u>\$ 20,933,065</u>	<u>\$ 7,369,052</u>	<u>\$ 28,302,117</u>

The unamortized premium on the loan for the wastewater treatment facility is \$1,002,925 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. The 2013 interest expense of \$574,580 reflects a reduction of \$25,778 from the original debt service schedule as part of the loan issuer's policy to credit interest earnings in the project account up to the last months draw for loan proceeds against interest expense. Interest expense on notes and loans payable for the year ended December 31, 2012 was \$586,754 in the Sewer Fund.

The City of Fruita implemented Governmental Accounting Standards Board Statement No. 65 in 2012 which required that bond issuance costs be expensed in the period in which the bonds were issued rather than recorded as an asset and amortized over the life of the bonds or loans. This resulted in a prior period adjustment in 2012 of \$156,605 in the sewer fund for the issuance costs associated with the Colorado Water Resources and Power Development Authority loan for the wastewater treatment facility. The 2011 comparative totals for the Sewer Fund have been restated for this adjustment.

2. Special Revenue Bonds

During 2009 the City issued revenue bonds for the construction and operation of a community recreation center. With voter approval, a one cent increase in sales and use tax was implemented in January of 2009 with revenues generated from the tax to be used specifically for operation and debt service payments on bonds issued for construction of a community recreation center. The bonds were issued in the amount of \$12,565,000 in two series with \$2,440,000 in Series 2009A tax-exempt bonds and \$10,125,000 in Series 2009B taxable Build America Bonds. Bond proceeds in the amount of \$10,918,750 were deposited to the project construction fund and the remaining \$1,256,500 was deposited to the Debt Service Reserve Fund. In accordance with provisions of the bond ordinance, the City deposited an

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

additional \$500,000 to a Supplement Reserve Account. The bonds are rate AAA by Standard and Poor's with insurance from Assured Guaranty Corp. with an underlying rating of BBB+ from Standard and Poor's. Final maturity of the bonds is 2039.

Cash subsidy payments, also referred to as the Federal Direct Payments, equal to 35% of the taxable interest on the Taxable Series 2009B bonds are received from the United States Treasury upon timely receipt of Form 8038-CP.

At year end, the City had \$2,627,677 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, \$162,401 in the principal and interest sub-accounts which is the pro rata portion of the amount coming due on the bonds on the next principal and interest payment dates, and an additional \$708,776 for future debt service payments.

Special revenue bonds currently outstanding are as follows:

<u>Series</u>	<u>Description</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
2009A	Tax exempt Sales and Use Tax Revenue Bonds	\$ 2,440,000	2039	1.72% - 5.75%	\$ 2,390,000
2009B	Taxable Build America Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
Total					<u><u>\$12,515,000</u></u>

The unamortized premium and discount on the special revenue bonds is \$45,038 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount.

The City of Fruita implemented Governmental Accounting Standards Board Statement No. 65 in 2012 which required that bond issuance costs be expensed in the period in which the bonds were issued rather than recorded as an asset and amortized over the life of the bonds or loans. This resulted in a prior period adjustment in of \$447,623 for governmental activities for the issuance costs associated with the Series 2009A and 2009B revenue bonds. The comparative totals in Management's Discussion and Analysis for 2011 have been restated by this amount.

Annual debt service requirements to maturity for special revenue bonds are as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Federal Direct Payment</u>	<u>Total - Net of Federal Direct Payment</u>
2013	25,000	891,200	(266,595)	649,605
2014	25,000	890,388	(266,595)	648,793
2015	50,000	889,513	(266,595)	672,918
2016	60,000	887,638	(266,595)	681,043
2017	75,000	885,238	(266,595)	693,643
2018-2022	795,000	4,340,409	(1,319,731)	3,815,678
2023-2027	1,660,000	3,935,241	(1,183,127)	4,412,114
2028-2032	2,835,000	3,154,391	(909,831)	5,079,560
2033-2037	4,400,000	1,886,623	(490,564)	5,796,059
2038-2039	2,590,000	288,615	(78,677)	2,799,938
	<u>\$ 12,515,000</u>	<u>\$ 18,049,256</u>	<u>\$ (5,314,905)</u>	<u>\$ 25,249,351</u>

3. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Special revenue bonds	\$12,540,000	\$ -	\$ (25,000)	\$12,515,000	\$ 25,000
Less deferred amount for issuance discount	(86,196)	3,079	-	(83,117)	-
Plus deferred amount for issuance premium	39,490	-	(1,411)	38,079	-
Total bonds payable	12,493,294	3,079	(26,411)	12,469,962	25,000
Compensated absences	98,110	-	(771)	97,339	-
Governmental activity long term liabilities	<u>\$12,591,404</u>	<u>\$ 3,079</u>	<u>\$ (27,182)</u>	<u>\$12,567,301</u>	<u>\$ 25,000</u>

The internal service fund predominately serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$4,270 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
Notes and loans	\$21,424,789	\$ -	\$ (491,724)	20,933,065	\$511,062
Deferred amount for issuance premium	1,053,070		(50,145)	1,002,925	50,146
Compensated absences	13,479	4,367	-	17,846	-
Business-type long term liabilities	<u>\$22,491,338</u>	<u>\$ 4,367</u>	<u>\$ (541,869)</u>	<u>\$21,953,836</u>	<u>\$561,208</u>

IV. RETIREMENT PLANS

A. Defined Contribution Plans

1. *City of Fruita Retirement Plan*

Effective January 1, 1974, the City of Fruita adopted a defined contribution retirement plan (City of Fruita Employee's Retirement Plan) for full time employees with six months continuous service, excluding elected officials. Beginning in January 2011, the contribution for police officers was transferred over to their Money Purchase Pension Plan. The statement of fiduciary net assets and statement of changes in fiduciary net assets for the Retirement Trust Fund include the financial statements of the retirement plan. The City contributes 4 ½ % of the amount of the employee's compensation as defined by the plan.

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The total contribution to allocate for the plan year of 2012, including administrative expenses, is \$97,992. The City's total payroll for all employees in 2012 was \$3,951,508 of which \$2,155,367 was subject to this plan. The plan uses the accrual method of accounting similar to the method used for the proprietary funds. Fair value of the plan investments at December 31, 2012 was \$1,013,505. The investments consist of various funds offered by ICMA Retirement Corporation.

2. *Fruita Police Department Money Purchase Pension Plan*

The Colorado legislature established a statewide benefit plan for all policemen hired after April 7, 1978 and for those hired on or before April 7, 1978 who choose to participate. All of the City's police employees were covered by the plan

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

administered by the State until January 1, 1989, when the funds were transferred to a defined contribution plan. In January 2011 these funds were transferred to the ICMA Retirement Corporation. Police officers are eligible to participate from the date of employment. The employee makes a contribution of 10% and the City makes a contribution of 8% of the employee's base salary, plus the 4.5% retirement contribution previously made to the City of Fruita Retirement Plan.

The City's contribution for each employee (and interest allocated to the employee's account) becomes 20% vested at the completion of two years of service, 40% at the completion of three years of service, 60% at the completion of four years of service and 100% vested at the completion of five years of service. Any non-vested City contributions forfeited by an employee who leaves the City's employment are held in an investment account for the City. The City's policy is to use these forfeited contributions to reduce future contributions to the plan.

The total payroll covered by the plan in 2012 was \$910,065. Total contributions for the year ended December 31, 2012, were \$91,006 paid by the employees, \$113,758 by the City and \$20,457 in contributions rolled over from the City of Fruita Retirement Plan. Fair value of the plan investments at December 31, 2012 was \$1,679,281. The investments consist of various funds offered by ICMA Retirement Corporation.

V. PUBLIC ENTITY RISK POOL

The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA provides workers compensation, property and casualty insurance coverage to the City. The coverages are provided through joint self-insurance, insurance and reinsurance, or any combination thereof. CIRSA's rate setting policies are established by the Board of Directors, in consultation with independent actuaries. The Board of Directors is elected by the membership for two year terms. All actions of the membership require a 2/3 majority vote of all members present at a meeting. The City is subject to a supplemental assessment in the event of deficiencies, and may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2010 limit CIRSA's per occurrence exposure to \$500,000 for workers' compensation coverage, \$600,000 for liability coverage, \$500,000 for property coverage, and \$150,000 for crime coverage, and provide coverage to specified upper limits.

As a member of CIRSA, the City owns a proportionate share of CIRSA's net assets. The City's equity at December 31, 2012 in the property/casualty insurance pool is \$117,171

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

and \$30,546 in the workers' compensation pool.

The City Council approves the City's continued membership in CIRSA via their annual review of the City's budget.

VI. CONTINGENT LIABILITIES

A. Risk Management

The City is self-insured for property and liability insurance. As discussed in Note V, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

The ultimate liability to the City resulting from claims not covered by CIRSA is not presently determinable. Management and the City's attorney are of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the City's financial statements.

B. Pending litigation

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

VII. OPERATING LEASE

The City entered into a ten-year operating lease with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. According to the lease terms, the City will receive escalating amounts of base rents from \$4,200 per month to \$4,800 per month. In addition to the base rent, if 10% of admissions receipts exceed the base rent, then the larger amount will be received. The percentage rent shall be increased to 12.5% following any year in which the total attendance exceeds 100,000 visitors and 15% following any year in which total attendance exceeds 150,000 visitors. The lease is renewable by lessee for four additional five-year periods at base rents as stipulated in the lease agreement. At the fifth anniversary date of the initial term, the date of expiration of the initial term or the date of expiration of each renewal term the

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

lessee has an option to purchase. The commencement date of the lease was July 1, 2000.

VIII. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR) which has several limitations including revenue raising, spending abilities, debt limitations and other specific requirements of state and local governments.

Future spending and revenue limits are determined based on the prior year's "Fiscal Year Spending" adjusted for allowable increases based upon information and local growth. An election was held in April 2006 and voters approved a measure to allow the City to keep and retain all revenues, including grants, in excess of the fiscal year spending limit for the purpose of implementing the City's capital improvement plan, including the maintenance of capital improvements until December 31, 2012. In April of 2012, voters approved another six year extension of the measure which will expire on December 31, 2018.

TABOR requires the establishment of an emergency reserve of at least 3% of fiscal year spending (excluding bonded debt service). These emergency reserves are restricted in use. This reserve is noted as part of the reserved net assets of the City.

The amendment is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the amendment. However, the City has made certain interpretations for the amendment's language in order to determine its compliance.

IX. FUND BALANCE

The total fund balances for governmental funds of \$12,096,158 of which \$22,163 in non-spendable, \$4,230,459 is restricted, \$1,505,793 is committed as an operating reserve in compliance with the City's policy, \$2,581,136 is assigned for various purposes and \$3,756,607 is unassigned.

X. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2012 is as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

Transfers in:					
Transfers out:	<u>General Fund</u>	<u>Community Center Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total transfers out</u>
General Fund	\$ -	\$ 97,500	\$ 1,312,658	\$ -	\$ 1,410,158
Community Center	-	-	-	596,196	596,196
Other governmental funds	-	-	61,517	-	61,517
Sewer	130,000	-	29,342	-	159,342
Trash	40,000	-	-	-	40,000
Devils Canyon Center	50,000	-	-	-	50,000
Irrigation Water	9,000	-	-	-	9,000
Total transfers in	\$ 229,000	\$ 97,500	\$ 1,403,517	\$ 596,196	\$ 2,326,213

During the year transfers are used to 1) move revenues from proprietary funds to the general fund to offset administrative costs associated with the activities of the proprietary funds including billing for services, financial administration such as payroll processing, accounts payable, investments, auditing and general oversight and planning of proprietary fund activities, 2) move general fund resources to provide an annual subsidy to the community center fund based on the historic funding of program activities from the general fund prior to creation of the community center, 3) move sales and use tax revenues from the community center fund to the debt service fund to fund debt service principal and interest payments, and 3) move funds to the capital projects fund for various capital projects.

XI. PRIOR PERIOD ADJUSTMENTS

In accordance with the implementation of GASB 65, issuance costs associated with loans and bonds have been expensed in the period incurred rather than amortized over the term of bonds or loan. The restatement affects the Statement of Net Position as follows:

Governmental Funds

2009A and 2009B Sales and Use Tax Revenue Bond Issuance Costs of \$463,608

Business-type Activities – Sewer Fund

2010 CWRPDA Loan for Wastewater Treatment Facility \$164,062

The prior period financial statements for proprietary funds and the information presented in Management’s Discussion and Analysis for governmental funds have been restated to reflect the prior period adjustment as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Governmental Activities - Net Position

January 1, 2011 beginning balance	\$ 52,595,807
2009 revenue bonds issuance costs	<u>(463,608)</u>
January 1, 2011 restated balance	52,132,199
Change in net position	<u>10,846</u>
December 31, 2011 restated balance	<u><u>\$ 52,143,045</u></u>

Business-Type Activities - Net Position

January 1, 2011 beginning balance	\$ 23,258,289
CWRPDA loan issuance costs	<u>(164,062)</u>
January 1, 2011 restated balance	23,094,227
Change in net position	<u>2,717,690</u>
December 31, 2011 restated balance	<u><u>\$ 25,811,917</u></u>

XII. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 29, 2013, which is the date the financial statements were available to be issued and determined that no events have occurred that require disclosure.

Required Supplementary Information

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City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,103,325	\$ 1,103,325	\$ 1,099,168	\$ (4,157)
City sales	1,300,000	1,300,000	1,403,644	103,644
County sales	1,760,000	1,760,000	1,842,108	82,108
Use tax	457,770	457,770	661,932	204,162
Other	528,550	528,550	543,863	15,313
Licenses and permits	25,000	25,000	26,719	1,719
Intergovernmental revenue	525,500	539,810	888,140	348,330
Charges for services	131,250	137,100	175,502	38,402
Fines and forfeitures	40,000	40,000	41,126	1,126
Development impact fees	149,000	149,000	140,366	(8,634)
Investment earnings	23,000	23,000	20,383	(2,617)
Rents and royalties	30,200	30,200	31,550	1,350
Donations	7,000	13,375	14,146	771
Miscellaneous	3,500	5,300	30,218	24,918
Total revenues	<u>6,084,095</u>	<u>6,112,430</u>	<u>6,918,865</u>	<u>806,435</u>
EXPENDITURES				
Current:				
General government	368,250	385,475	362,408	23,067
Administration	542,125	541,586	538,933	2,653
Community development	234,750	259,750	222,917	36,833
Public safety	1,999,200	1,999,200	1,881,446	117,754
Public works	1,652,875	1,682,525	1,601,893	80,632
Parks and recreation	840,050	861,100	798,661	62,439
Non-departmental	695,195	582,420	244,878	337,542
Capital equipment	110,650	135,299	129,943	5,356
Total expenditures	<u>6,443,095</u>	<u>6,447,355</u>	<u>5,781,079</u>	<u>666,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(359,000)</u>	<u>(334,925)</u>	<u>1,137,786</u>	<u>1,472,711</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	229,000	229,000	229,000	-
Transfers out	(2,295,000)	(2,348,125)	(1,410,158)	937,967
Sale of capital assets	-	-	170	170
Total other financing sources and (uses)	<u>(2,066,000)</u>	<u>(2,119,125)</u>	<u>(1,180,988)</u>	<u>938,137</u>
Net change in fund balance*	(2,425,000)	(2,454,050)	(43,202)	2,410,848
Fund balances - beginning	<u>7,852,503</u>	<u>7,852,503</u>	<u>7,852,503</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,427,503</u>	<u>\$ 5,398,453</u>	<u>\$ 7,809,301</u>	<u>\$ 2,410,848</u>

*The net change in fund balances was included in the budget as an appropriation of fund balance.

The notes to the financial statements are an integral part of this statement

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2012

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 1,404,000	\$ 1,753,550	\$ 452,959	\$ (1,300,591)
Assessments and development impact fees	-	466,950	426,638	(40,312)
Investment earnings	-	-	1,780	1,780
Donations	-	-	100,000	100,000
Total revenues	<u>1,404,000</u>	<u>2,220,500</u>	<u>981,377</u>	<u>(1,239,123)</u>
EXPENDITURES				
Current:				
Parks and recreation	-	39,500	38,808	692
Capital Outlay				
Mountain water system	100,000	120,000	46,723	73,277
Streets	1,040,000	1,935,750	1,230,361	705,389
Parks and recreation	1,179,000	1,177,000	121,399	1,055,601
Land improvements, Little Salt Wash Sub	-	28,000	23,696	4,304
Building improvements, public safety	1,400,000	1,525,000	827,320	697,680
Total expenditures	<u>3,719,000</u>	<u>4,825,250</u>	<u>2,288,307</u>	<u>2,536,943</u>
Deficiency of revenues under expenditures	(2,315,000)	(2,604,750)	(1,306,930)	1,297,820
OTHER FINANCING SOURCES				
Transfers in	2,315,000	2,426,750	1,403,517	(1,023,233)
Sale of property	-	28,000	197,251	169,251
Total other financing sources	<u>2,315,000</u>	<u>2,454,750</u>	<u>1,600,768</u>	<u>(853,982)</u>
Net change in fund balance	-	(150,000)	293,838	443,838
Fund balances - beginning	442,301	442,301	442,301	-
Fund balances - ending	<u>\$ 442,301</u>	<u>\$ 292,301</u>	<u>\$ 736,139</u>	<u>\$ 443,838</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
For the year ended December 31, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental revenues	\$ 266,595	\$ 266,595	\$ -
Investment earnings	12,500	15,444	2,944
Total revenues	<u>279,095</u>	<u>282,039</u>	<u>2,944</u>
EXPENDITURES			
Debt service			
Principal retirement	25,000	25,000	-
Interest and fiscal charges	892,450	892,450	-
Total expenditures	<u>917,450</u>	<u>917,450</u>	<u>-</u>
Deficiency of revenues under expenditures	(638,355)	(635,411)	2,944
OTHER FINANCING SOURCES (USES)			
Transfers in	596,196	596,196	-
Net change in fund balance	(42,159)	(39,215)	2,944
Fund balances - beginning	2,666,892	2,666,892	-
Fund balances - ending	<u>\$ 2,624,733</u>	<u>\$ 2,627,677</u>	<u>\$ 2,944</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
COMMUNITY RECREATION CENTER SPECIAL REVENUE FUND
For the year ended December 31, 2012

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
City sales	\$ 650,000	\$ 650,000	\$ 701,822	\$ 51,822
Use tax	229,160	229,160	330,966	101,806
Charges for services	794,100	896,400	938,439	42,039
Rents and royalties	30,000	30,000	34,865	4,865
Fines and forfeitures	-	-	2,366	2,366
Miscellaneous	-	2,165	2,853	688
Total revenues	<u>1,703,260</u>	<u>1,807,725</u>	<u>2,011,311</u>	<u>203,586</u>
EXPENDITURES				
Current				
Recreation	1,177,240	1,286,125	1,244,478	41,647
Capital expenses	-	2,830	2,825	5
Total expenditures	<u>1,177,240</u>	<u>1,288,955</u>	<u>1,247,303</u>	<u>41,652</u>
Excess of revenues over expenditures	<u>526,020</u>	<u>518,770</u>	<u>764,008</u>	<u>245,238</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	97,500	97,500	-
Transfers out	<u>(596,196)</u>	<u>(596,196)</u>	<u>(596,196)</u>	<u>-</u>
Total other financing sources (uses)	<u>(501,196)</u>	<u>(498,696)</u>	<u>(498,696)</u>	<u>-</u>
Net change in fund balance	24,824	20,074	265,312	245,238
Fund balances - beginning	422,839	422,839	422,839	-
Fund balances - ending	<u>\$ 447,663</u>	<u>\$ 442,913</u>	<u>\$ 688,151</u>	<u>\$ 245,238</u>

See accompanying independent auditor's report.

Other Supplementary Information

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City of Fruita, Colorado
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
ASSETS			
Cash and cash equivalents	\$ 129,850	\$ 100,246	\$ 230,096
Taxes receivable	-	5,164	5,164
Total Assets	<u><u>\$ 129,850</u></u>	<u><u>\$ 105,410</u></u>	<u><u>\$ 235,260</u></u>
LIABILITIES			
Accounts payable	-	370	370
Total Liabilities	<u><u>-</u></u>	<u><u>370</u></u>	<u><u>370</u></u>
FUND BALANCE			
Restricted	95,900	104,888	200,788
Assigned	33,950	152	34,102
Total Fund Balances	<u><u>129,850</u></u>	<u><u>105,040</u></u>	<u><u>234,890</u></u>
Total Liabilities and fund balance	<u><u>\$ 129,850</u></u>	<u><u>\$ 105,410</u></u>	<u><u>\$ 235,260</u></u>

See accompanying independent auditor's report.

City of Fruita, Colorado
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2012

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
REVENUES			
Taxes			
Lodger's tax	\$ -	\$ 97,106	\$ 97,106
Intergovernmental revenue	126,320	-	126,320
Investment income	38	66	104
Total revenues	<u>126,358</u>	<u>97,172</u>	<u>223,530</u>
EXPENDITURES			
Current			
Marketing and promotion	-	114,579	114,579
Parks and recreation	16,000	-	16,000
Total expenditures	<u>16,000</u>	<u>114,579</u>	<u>130,579</u>
Excess (deficiency) of revenues over (under) expenditures	110,358	(17,407)	92,951
OTHER FINANCING SOURCES			
Transfers out	(61,517)	-	(61,517)
Net change in fund balance	48,841	(17,407)	31,434
Fund balances - beginning	81,009	122,447	203,456
Fund balances - ending	<u>\$ 129,850</u>	<u>\$ 105,040</u>	<u>\$ 234,890</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SEWER FUND
For the year ended December 31, 2012

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 2,640,000	\$ 2,640,000	\$ 2,748,463	\$ 108,463
Intergovernmental revenue	-	-	109,610	109,610
Investment income	10,300	10,300	9,969	(331)
Sale of equipment	-	-	2,100	2,100
Capital contributions - tap fees	264,000	264,000	435,767	171,767
Miscellaneous	200	200	5	(195)
Total revenues	<u>2,914,500</u>	<u>2,914,500</u>	<u>3,305,914</u>	<u>391,414</u>
EXPENSES				
Personnel services	595,525	598,425	619,680	(21,255)
Purchased services	173,375	190,675	161,492	29,183
Supplies	535,350	512,855	357,463	155,392
Debt service:				
Principal retirement	491,000	491,000	491,724	(724)
Interest and fiscal charges	613,675	613,675	613,597	78
Capital expenses	3,048,000	4,386,295	1,688,805	2,697,490
Reserves	90,000	90,000	90,000	-
Transfers out	130,000	183,125	159,342	23,783
Total expenses	<u>5,676,925</u>	<u>7,066,050</u>	<u>4,182,103</u>	<u>2,883,947</u>
Change in net position - budgetary basis	<u>\$ (2,762,425)</u>	<u>\$ (4,151,550)</u>	<u>\$ (876,189)</u>	<u>\$ 3,275,361</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,659,759)	
Deduct loss on disposal of assets			(194,435)	
Add addition to reserves			90,000	
Add change in accrued interest payable			26,843	
Add principal retirement			491,724	
Add capital expenses			1,688,805	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ (382,865)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
TRASH FUND
For the year ended December 31, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Charges for services	\$ 585,000	\$ 595,877	\$ 10,877
Investment income	-	19	19
Total revenues	<u>585,000</u>	<u>595,896</u>	<u>10,896</u>
EXPENSES			
Purchased services	545,000	544,763	237
Transfers out	40,000	40,000	-
Total expenses	<u>585,000</u>	<u>584,763</u>	<u>237</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 11,133</u>	<u>\$ 11,133</u>
Adjustments from budgetary basis to GAAP Basis to			
Deduct depreciation		-	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ 11,133</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEVILS CANYON CENTER FUND
For the year ended December 31, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Charges for services	\$ 57,600	\$ 57,600	\$ -
Investment income	200	109	(91)
Total revenues	<u>57,800</u>	<u>57,709</u>	<u>(91)</u>
EXPENSES			
Purchased services	6,400	6,400	-
Supplies	1,400	-	1,400
Transfers out	50,000	50,000	-
Total expenses	<u>57,800</u>	<u>56,400</u>	<u>1,400</u>
Change in net position - budgetary basis	\$ -	\$ 1,309	<u>\$ 1,309</u>
Adjustments from budgetary basis to GAAP Basis to			
Deduct depreciation		(37,550)	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ (36,241)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
IRRIGATION WATER FUND
For the year ended December 31, 2012

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 97,000	\$ 97,000	\$ 95,727	\$ (1,273)
Capital contributions - tap fees	-	-	500	500
Investment income	300	300	55	(245)
Total revenues	<u>97,300</u>	<u>97,300</u>	<u>96,282</u>	<u>(1,018)</u>
EXPENSES				
Personnel services	56,050	56,050	38,975	17,075
Purchased services	10,600	9,850	9,393	457
Supplies	14,150	14,900	12,894	2,006
Contingency	7,500	7,500	-	7,500
Transfers out	9,000	9,000	9,000	-
Total expenses	<u>\$ 97,300</u>	<u>\$ 97,300</u>	<u>\$ 70,262</u>	<u>\$ 27,038</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 26,020	<u>\$ (28,056)</u>
Adjustments from budgetary basis to GAAP Basis				
to arrive at change in net position				
Deduct depreciation			(18,941)	
Add capital expenses			-	
Change in net position - GAAP basis			<u>\$ 7,079</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FLEET MAINTENANCE FUND
For the year ended December 31, 2012

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 218,250	\$ 243,250	\$ 243,250	\$ -
Other revenues	-	-	-	-
Total revenues	<u>218,250</u>	<u>243,250</u>	<u>243,250</u>	<u>-</u>
EXPENDITURES				
Personnel services	151,450	151,450	145,899	5,551
Purchased services	3,450	4,450	3,416	1,034
Supplies	89,800	111,050	107,045	4,005
Capital equipment	-	2,750	2,750	-
Total expenditures	<u>244,700</u>	<u>269,700</u>	<u>259,110</u>	<u>10,590</u>
Change in net position - budgetary basis	<u>\$ (26,450)</u>	<u>\$ (26,450)</u>	\$ (15,860)	<u>\$ (10,590)</u>
Adjustments from budgetary basis to GAAP basis to arrive at change in net position				
Deduct depreciation			(2,492)	
Add capital expenses			<u>2,750</u>	
Change in net position - GAAP basis			<u>\$ (15,602)</u>	

See accompanying independent auditor's report.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Fruita
This Information From The Records Of (example - City of _ or County of _) City of Fruitam, Colorado	YEAR ENDING : December 2012
Prepared By: Phone:	Margaret Sell (970) 858-3663

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,213,045
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	689,713
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	40,903
2. General fund appropriations	527,343	b. Snow and ice removal	12,828
3. Other local imposts (from page 2)	746,244	c. Other	243,044
4. Miscellaneous local receipts (from page 2)	116,126	d. Total (a. through c.)	296,775
5. Transfers from toll facilities		4. General administration & miscellaneous	65,796
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	336,538
a. Bonds - Original Issues		6. Total (1 through 5)	2,601,867
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,389,713	b. Redemption	
B. Private Contributions	472,242	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	676,700	2. Notes:	
D. Receipts from Federal Government (from page 2)	63,212	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,601,867	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,601,867

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	0	0	0	0
1. Bonds (Refunding Portion)				
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	2,601,867	2,601,867	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

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	
b. Other local imposts:		b. Traffic Fines & Penalties	15,616
1. Sales Taxes	447,930	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	140,366	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	510
5. Specific Ownership &/or Other	157,948	g. Other Misc. Receipts	100,000
6. Total (1. through 5.)	746,244	h. Other	
c. Total (a. + b.)	746,244	i. Total (a. through h.)	116,126
	(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	369,166	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	46,595	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	260,939	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal (FHWA - Safe Route to Sch	63,212
f. Total (a. through e.)	307,534	g. Total (a. through f.)	63,212
4. Total (1. + 2. + 3.f)	676,700	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
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		714,883	714,883
(2). Capacity Improvements			0
(3). System Preservation		410,509	410,509
(4). System Enhancement & Operation		87,653	87,653
(5). Total Construction (1) + (2) + (3) + (4)	0	1,213,045	1,213,045
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,213,045	1,213,045
			(Carry forward to page 1)

Notes and Comments:

Revenue of \$63,212 from FHWA for Safe Routes to School grant not included "Item II.D.1. Federal Highway Administration — This section is not filled out by the local entities." However, expense for construction is included in expense amounts under capital \$87,653 - Therefore have included the \$64,212 under other federal so that balances come out correctly.