

# CITY OF FRUITA

## 2015 FINANCIAL STATEMENTS

We are each gifted in an important way.  
It is our privilege and our adventure  
to discover our own special light.  
~Mary Dunbar~

Photo Courtesy of: Wendy Huston

*Honor the Past ~ Envision the Future*

325 East Aspen, Suite 155 Fruita, Colorado 81521



City of Fruita  
**General Purpose Financial Statements**  
Fiscal Year Ended December 31, 2015

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City of Fruita  
**General Purpose Financial Statements**  
Fiscal Year Ended December 31, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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 City'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 City'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, 2015, 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.

*Aspen • Glenwood Springs • Rifle • Grand Junction • Montrose • Telluride*

## 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 22 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 schedule of receipts and expenditures for roads, bridges and streets, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of receipts and expenditures for roads, bridges and streets are 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 and schedule of receipts and expenditures for roads, bridges and streets are 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 4, 2016

# 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, 2015. Please read this in conjunction with the financial statements.*

## FINANCIAL HIGHLIGHTS

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- ✦ At year end, the city's net position was \$82.9 million. Of this amount, 14% (\$11.7 million) represents unrestricted net position, which may be used to meet the city's ongoing obligations to the community. The city's unrestricted net position decreased 2% from the prior year. The unrestricted net position of governmental activities decreased 1% and business-type activities decreased 3%.
- ✦ Total fund balances of the General Fund of \$6.8 million reflect a decrease of 4.7% (\$335,314). The unassigned fund balance of the General Fund of \$1.6 million decreased 27% (\$580,258) from the prior year. The assigned fund balance of the General Fund increased 9% (\$260,815) and represents increases in amounts assigned for future capital projects and vehicle and equipment replacement reserves.
- ✦ The budget for the General Fund had a positive variance of \$1 million. Actual expenses accounted for 76% of this variance and were under budgeted amounts by \$751,047. Changes in other in other financing sources and uses make up the remaining 24% of the positive variance of \$238,862.
- ✦ City sales tax revenues decreased 7% in 2015 from the prior year negatively affecting the both the General Fund and Community Center Fund.
- ✦ The Fruita Community Center Fund had a positive addition to fund balances of \$60,951 in 2015. The decrease in sales and use tax revenues of 7% (\$77,044) was offset to some extent by a 5% increase in charges for services and other revenues. Expenses increased 3% (\$44,049) from the prior year and reflect costs associated with increased usage and expanded programming at the Fruita Community Center.
- ✦ The city invested \$3.6 million in capital projects and equipment in 2015. This includes \$3.3 million in governmental funds and \$236,715 in proprietary funds.
- ✦ The city retired \$699,498 in debt in 2015 which included \$57,577 in governmental funds and \$641,521 in proprietary funds.
- ✦ The net position of the Sewer Fund decreased 2% (\$481,943) and the unrestricted net position decreased 47% (\$1.6 million) primarily due to the restriction of \$1.35 million for future capital projects and equipment replacement.

# Management's Discussion and Analysis

## OVERVIEW OF THE FINANCIAL STATEMENTS

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This discussion and analysis are intended to serve as an introduction to the City of Fruita's basic financial statements. The city'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's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the city's assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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 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).

Both of the government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the city include general government, public safety (police), public works, storm water management, parks and recreation, community recreation center operations and marketing and promotion. The business-type activities of the city include the provision of irrigation water, sewer collection and treatment, trash collection and lease of the Devils Canyon Center.

### **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, like other state and



# Management's Discussion and Analysis

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city 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*.

- **Proprietary funds.** Proprietary funds are generally used to account for services for which the city charges customers – either outside customers or internal departments of the city. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The city maintains the following two 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 uses enterprise funds to account for its Sewer, Irrigation Water, Trash and Devils Canyon Center activities.

Internal service funds. Internal services funds are used by the city to account for the costs of operating and maintaining vehicles and equipment. Because this service predominantly benefits governmental rather than business-type functions, it is included within *governmental activities* in the government-wide financial statements.

The city adopts an annual appropriated budget for its proprietary funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance

# Management's Discussion and Analysis

with the budget in the Other Supplementary Information.

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

## **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.

## **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.

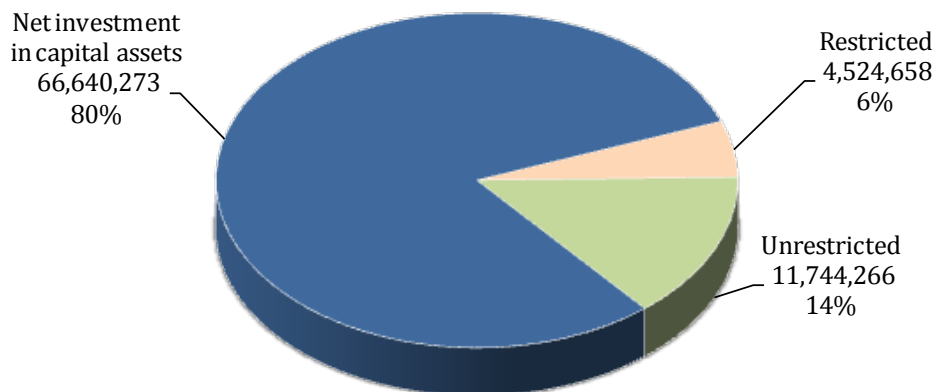
# Management's Discussion and Analysis

## 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. The following table presents an analysis of the city's net position as of December 31, 2015. The city's assets exceeded its liabilities and deferred infollow of resources by \$83 million at the close of the current fiscal year.

CITY OF FRUITA NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current and other assets	\$ 14,040,223	\$ 14,377,610	\$ 5,560,120	\$ 5,622,948	\$ 19,600,343	\$ 20,000,558
Capital assets	58,421,184	56,792,197	40,938,255	41,972,696	99,359,439	98,764,893
Total assets	72,461,407	71,169,807	46,498,375	47,595,644	118,959,782	118,765,451
<b>LIABILITIES</b>						
Current and other liabilities	1,788,720	1,955,744	1,145,230	1,061,299	2,933,950	3,017,043
Long term liabilities	12,516,649	12,585,011	19,502,486	20,182,632	32,019,135	32,767,643
Total liabilities	14,305,369	14,540,755	20,647,716	21,243,931	34,953,085	35,784,686
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>						
	1,097,500	1,065,067	-	-	1,097,500	1,065,067
<b>NET POSITION</b>						
Net investment in capital assets	45,834,504	44,147,539	20,805,769	21,198,688	66,640,273	65,346,227
Restricted	3,702,459	3,807,960	822,199	809,981	4,524,658	4,617,941
Unrestricted	7,521,575	7,608,486	4,222,691	4,343,044	11,744,266	11,951,530
<b>TOTAL NET POSITION</b>	<b>\$ 57,058,538</b>	<b>\$ 55,563,985</b>	<b>\$ 25,850,659</b>	<b>\$ 26,351,713</b>	<b>\$ 82,909,197</b>	<b>\$ 81,915,698</b>

### Net Position - \$83 million



# Management's Discussion and Analysis

The largest portion of the city's net position (80%) reflect its investment of \$66.6 million 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 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'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's net position of \$4.5 million (6%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$11.7 million (14%) is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the city is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Net investment in capital assets increased \$1.3 million (2%) from the prior year. The three most significant capital projects contributing to this increase in 2015 included the City Shop Expansion project (\$1.3 million), Ottley Avenue Infrastructure Improvement Project (\$771,510) and the Downtown Streetscape Improvement Project (\$482,145). Restricted assets of \$4.5 million decreased 2% (\$93,283) from the prior year. Unrestricted assets of \$11.7 million decreased 2% (\$207,264) from the prior year.

The above amounts for restricted and unrestricted net position for 2014 have been restated in this comparative analysis to accurately reflect the reclassification of certain components of net assets and provide an accurate comparison between the current and prior year. This reclassification does not have an affect on the total net position.

## **Analysis of Changes in Net Position**

The following table shows changes in net position for 2014 and 2015. The city's overall net position increased \$1 million, or 1%, from the prior fiscal year. This increase is explained in the governmental and business-type activities discussion following the table.

# Management's Discussion and Analysis

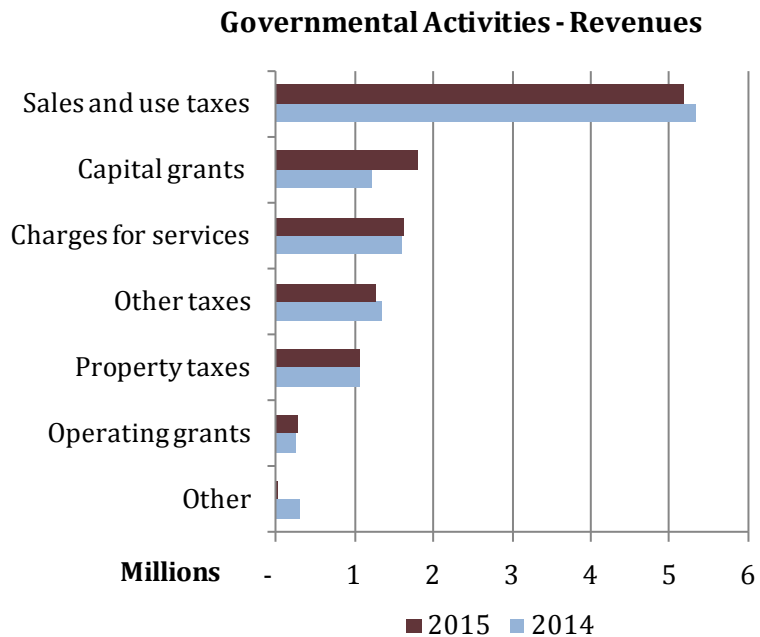
## CHANGES IN NET POSITION

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
<u>Program revenues</u>						
Charges for services	\$ 1,613,287	\$ 1,607,105	\$ 3,985,668	\$ 4,026,073	\$ 5,598,955	\$ 5,633,178
Operating grants and contributions	272,735	264,085	-	-	272,735	264,085
Capital grants and contributions	1,792,382	1,225,961	-	-	1,792,382	1,225,961
<u>General revenues:</u>						
Property taxes	1,062,935	1,078,635	-	-	1,062,935	1,078,635
Sales and use taxes	5,162,104	5,327,496	-	-	5,162,104	5,327,496
Other taxes	1,272,029	1,350,023	-	-	1,272,029	1,350,023
Other	31,099	317,746	5,998	6,382	37,097	324,128
Total revenues	<u>11,206,571</u>	<u>11,171,051</u>	<u>3,991,666</u>	<u>4,032,455</u>	<u>15,198,237</u>	<u>15,203,506</u>
<b>Expenses:</b>						
General government	1,877,459	2,039,997	-	-	1,877,459	2,039,997
Marketing and promotion	105,152	104,202	-	-	105,152	104,202
Parks and recreation	3,014,137	2,977,080	-	-	3,014,137	2,977,080
Public works	2,376,046	2,264,871	-	-	2,376,046	2,264,871
Public safety	2,277,057	2,171,274	-	-	2,277,057	2,171,274
Interest on long-term debt	901,477	902,973	-	-	901,477	902,973
Sewer	-	-	2,894,941	2,891,766	2,894,941	2,891,766
Trash	-	-	634,266	614,323	634,266	614,323
Devils Canyon Center	-	-	39,252	65,463	39,252	65,463
Irrigation water	-	-	84,951	103,593	84,951	103,593
Total expenses	<u>10,551,328</u>	<u>10,460,397</u>	<u>3,653,410</u>	<u>3,675,145</u>	<u>14,204,738</u>	<u>14,135,542</u>
Increase (decrease) in net position before transfers	655,243	710,654	338,256	357,310	993,499	1,067,964
Transfers	839,310	465,687	(839,310)	(465,687)	-	-
Increase (decrease) in net position	1,494,553	1,176,341	(501,054)	(108,377)	993,499	1,067,964
Net position - beginning	<u>55,563,985</u>	<u>54,387,644</u>	<u>26,351,713</u>	<u>26,460,090</u>	<u>81,915,698</u>	<u>80,847,734</u>
Net position - ending	<u>\$57,058,538</u>	<u>\$55,563,985</u>	<u>\$25,850,659</u>	<u>\$26,351,713</u>	<u>\$82,909,197</u>	<u>\$81,915,698</u>

# Management's Discussion and Analysis

**Governmental Activities.** During the current fiscal year, net position for governmental activities of \$57 million reflect an increase of \$1.5 million (2.7%) from the prior fiscal year. This increase compares favorably to the \$1.1 million (2.0%) increase from 2013 to 2014. Revenues exceeded expenses by \$655,243 before transfers in from business-type activities of \$839,310.

Revenues in 2015 of \$11.20 million remained relatively flat compared to the prior year revenues of \$11.17 million for a total increase of \$35,520 (0.3%). While overall revenues saw little change, there were significant increases in program revenues which were offset by significant decreases in general revenues. An explanation of these changes follows:



Program specific revenues increased \$581,253 (19%) from the prior year with \$566,421 of this increase (96%) generated from capital grants and contributions. Capital grants and contributions vary from year to year based on capital projects constructed during the year. In 2015, this \$566,421 increase was primarily due to two factors:

- Acceptance by the city of public improvements from subdivision development and use of development impact fees for capital projects- \$390,246, and
- An increase of \$176,175 in grants awarded for specific capital projects in 2015.

General revenues decreased \$545,733 (6.8%) from the prior year. This decrease in general revenues is a result of the following three factors:

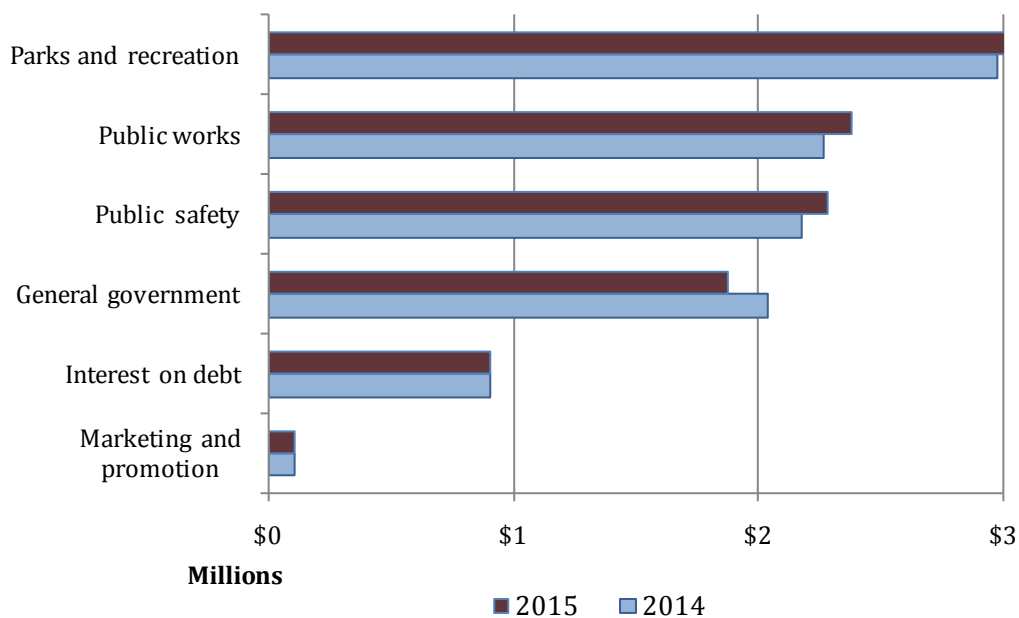
- Other revenues represent \$286,647 (53%) of this decrease. The city had some extraordinary revenues in 2014 including the sale of mountain water land and health insurance rebates which did not recur in 2015.
- City sales and use tax revenues decreased \$165,392 from the prior year and represents 30% of the overall decrease in general revenues. This decrease in

# Management's Discussion and Analysis

sales and use tax revenue is largely attributable the continuing decline in the oil and gas industry.

- Other taxes represent \$77,994 (14%) of the decrease from the prior year. This decrease is due to a reduction in severance and mineral lease tax revenues, once again due to the decline in the oil and gas industry, and a reduction in franchise fees which are based on a percentage or revenues on gas, electricity and cable television services.

## Governmental Activities - Expense Comparison

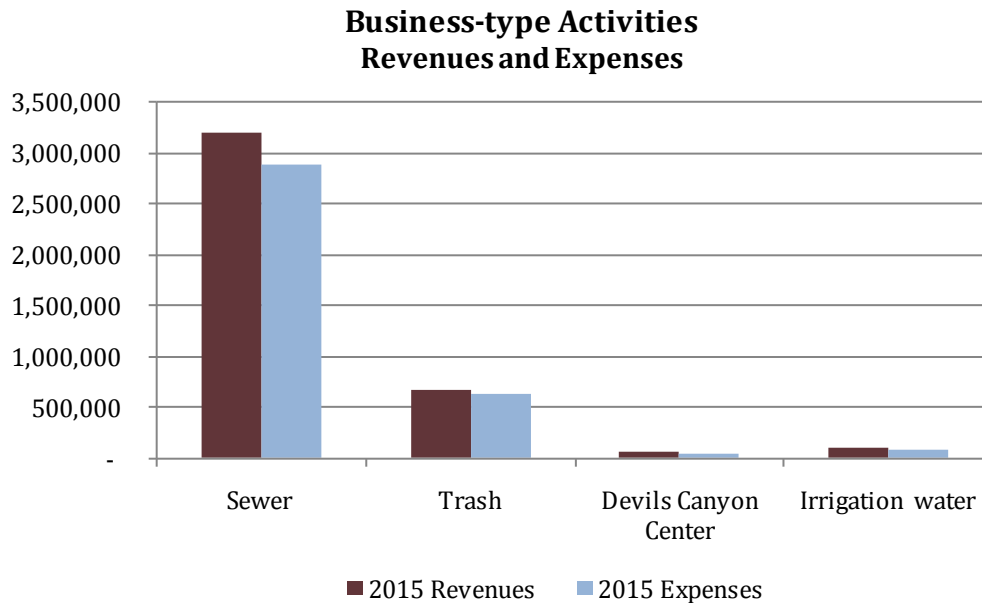


*Expenses* in 2015 of \$10.6 million increased \$90,931 (1%) from 2014 expenses of \$10.5 million. The 2014 expenses have been restated in this comparative analysis to accurately reflect the reclassification of certain components of expenses and provide an accurate comparison between the current and prior year. This reclassification reduces general government expenses and increases and parks and recreation expenses by \$685,450 but does not have any effect on the total net position.

*Transfers.* Transfers from business-type activities to governmental activities of \$839,310 were higher than prior years with an increase in transfers of \$373,623 over the prior year. This increase reflected a transfer from the Sewer Fund to the Capital Projects Fund for the expansion of the public works and parks maintenance facility expansion project.

# Management's Discussion and Analysis

**Business-type Activities.** During the current fiscal year, net position for business type activities of \$25.9 million reflect a decrease of \$501,054 (2%) from the prior fiscal year. Revenues exceeded expenses by \$338,256 before transfers to governmental funds of \$839,310. The following chart shows the revenues and expenses by utility type for 2015, excluding transfers to governmental activities.



**Revenues** in 2015 of \$4.0 million remained relatively flat compared to the prior year revenues with a total decrease of \$40,789 (1%). Revenues for business-type activities consist primarily of charges for services. The decrease in 2015 revenues was due to a \$138,600 reduction (39%) in revenue from sewer plant investment fees (capital contributions – tap fees) which is indicative of the continued slow down in new construction. This decrease was offset to some extent by increased revenues from monthly charges due to a larger customer base.

**Expenses** in 2015 of \$3.7 million also remained relatively flat compared to the prior year expenses with a total decrease of \$21,735 (0.6%).

**Transfers.** Transfers to governmental activities of \$839,310 increased 80% over the prior year. This increase was primarily due to a transfer from the Sewer Fund to the Capital Projects fund for a portion of the cost of the expansion of the Public Works and Parks Maintenance Facility.



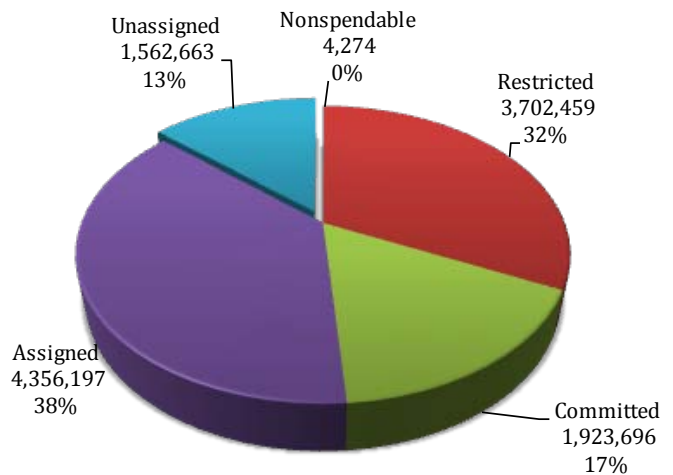
# Management's Discussion and Analysis

## 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 - \$11.5 million Fund Balance**

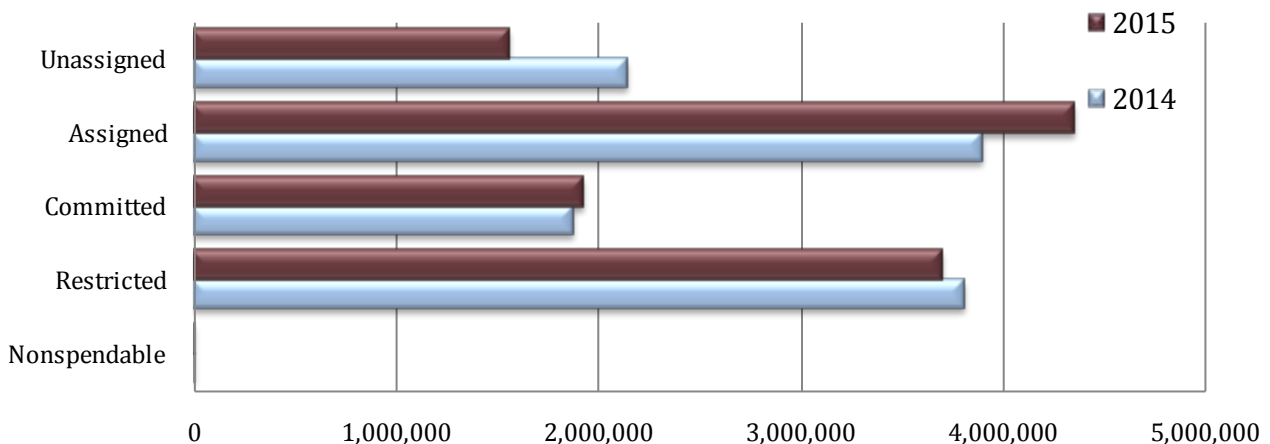


### **Fund balances.**

The City's governmental funds reported a combined year end fund balance of \$11.55 million, a decrease of 2% (\$184,441) from the prior year fund balance of \$11.73 million.

The following information highlights the changes in components of fund balance from the prior year.

**Governmental Funds - Changes in fund balance**



# Management's Discussion and Analysis

- Non-spendable fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of \$4,274, an increase of 104% from the prior year.
- Restricted fund balances of \$3.7 million (32% of the total fund balance) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. Special revenue funds report their balances as restricted for the purpose of that fund. Restricted fund balances decreased 3% (\$105,501) from the prior year due to the use of restricted funds for chipsealing city streets in 2015 and assigning a portion of the restricted balance for the community center to subsequent year expenses.
- Committed fund balances of \$1.9 million (16% of the total fund balance) represent operating reserves and are in compliance with the City's operating reserve policy. This amount represents 25% of both the General Fund and Community Center Fund expenses, excluding transfers to other funds, for the 2015 fiscal year. Committed fund balance increased 2% (\$45,251) from the prior year.
- Assigned fund balances of \$4.4 million (38% of the total fund balance) are amounts assigned by the City Council or City Manager for specific purposes. The assigned fund balance increased 12% (\$453,891) from the prior year. The following table shows the changes in assigned fund balances from the prior year and reflects the use of or addition to these funds pursuant to budget policies as incorporated into the annual budget adopted by the city.

Assigned Fund Balances				
	2015	2014	+/-	% Change
Capital projects	748,943	718,942	30,001	4%
Health insurance reserve	500,902	573,084	(72,182)	-13%
Replacement reserves	1,487,005	1,304,250	182,755	14%
Subsequent year expenses	1,599,225	1,282,125	317,100	25%
Other	20,122	23,905	(3,783)	-16%
<b>Total</b>	<b>4,356,197</b>	<b>3,902,306</b>	<b>453,891</b>	<b>12%</b>

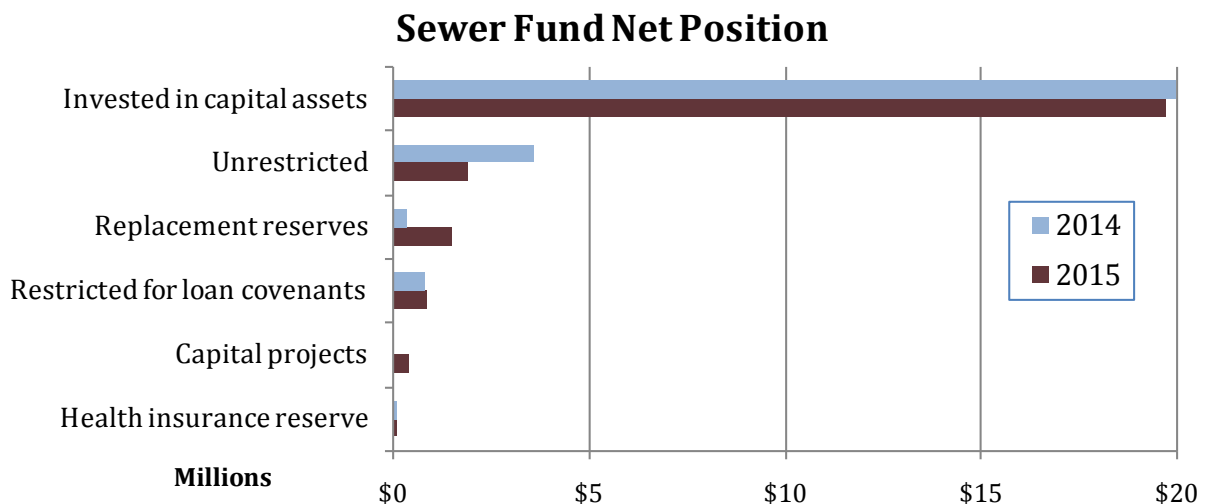
- Unassigned fund balances of \$1.6 million (13% of the total fund balance) are available for spending at the City's discretion. The unassigned fund balance decreased 27% from the prior year (\$580,258) and reflects the use of unassigned fund balance in the General Fund for capital projects in 2015.

# Management's Discussion and Analysis

## Proprietary funds

The city's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The following is an analysis of the net position of the Sewer Fund.

**Sewer Fund.** The total net position of the Sewer Fund of \$24.3 million decreased 2% (\$481,943) from the prior year. The following chart shows the various components of the net position.



The amount invested in capital assets of \$19.7 million decreased 2% decrease (\$345,982). This decrease is due to the difference in assets acquired in 2015 and the depreciation of assets of the Sewer Fund. The unrestricted net position of the Sewer Fund decreased 47% (\$1.6 million). In 2015, the city allocated \$1.35 million from unrestricted balance for the specific purpose of capital projects (\$350,000) and for wastewater treatment facility equipment replacements (\$1 million). These amounts are reflected with similar increases in the *replacement reserves* and *capital projects reserves* components of net position in the Sewer Fund. This reallocation of unstrained fund balance does limit the flexibility for future use of these funds but ensures that funds are available for replacement of critical components associated with operations and maintenance of the treatment facility and sewer collection system. The remaining \$298,179 decrease in unrestricted net position is a result of a one time transfer from the Sewer Fund (\$605,510) for the public works and parks maintenance facility expansion capital project and accounts for the overall decrease in net position of \$481,943 noted above.

# Management's Discussion and Analysis

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Original budget compared to final budget.** The city's final budget differs from the original budget in that it includes carry-forward appropriations for various capital projects and other supplemental appropriations approved during the year. During the year amendments were made to the General Fund budget and revenues were increased \$17,125, operational expenses increased \$29,325, and other financing uses (transfers to the Capital Projects Fund) increased \$250,225.

### **Final budget compared to actual results.**

Revenues of \$6.8 million received in 2015 were on target with budgeted amounts of \$6.8 million with actual revenues \$2,498 less than budgeted revenues. While revenues were on target with budget, there were some significant variances in individual revenue sources which require further analysis to determine potential future trends and impacts. The following table shows the most significant differences between budgeted and actual revenues for specific revenue sources:

<u>Revenue Source</u>	<u>Budgeted revenues</u>	<u>Actual revenues</u>
County sales tax	1,914,000	1,979,551
City sales tax	1,600,000	1,463,743
Use taxes	640,000	657,959
Intergovernmental revenue	665,500	770,154

City sales tax revenue was 8.5% lower than budgeted amounts and down 6.7% from the prior year. This decline in revenues from city sales tax was primarily related to reductions in sales tax revenues from energy and utility industries and follows the global trends in these industries. Sales tax revenue generated from other sectors of the local economy tended to remain stable or increase slightly over the prior year.

County sales tax revenue was 3.4% higher than budgeted amounts and prior year revenue. This increase reflects its more diversified economic base as compared to city sales tax.

Use tax revenues exceeded budget by 2.8%. These revenues were budgeted to decrease 9.5% from the prior years actual revenues. Use tax is collected on both motor vehicles and building materials. The city conservatively budgets use tax on building materials based on trends indicating the continuation of a more modest rate of growth and related new

# Management's Discussion and Analysis

construction.

Intergovernmental revenues exceeded budget by 15.7% but were down 6.8% from the prior year. A significant component of intergovernmental revenue includes severance and mineral lease tax revenues which were conservatively budgeted with the declines in the oil and gas industry.

Expenses of \$6.22 million were under the final budget amount of \$6.98 million by 8.9% (\$751,047). There were no expenses in excess of budget on a department wide basis for the current fiscal year. The following table shows the variances between budget and actual expenses by department.

<u>Expenditure Classification</u>	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>
General government	\$ 345,900	\$ 329,617	\$ (16,283)
Administration	648,500	616,227	(32,273)
Community development	263,050	242,934	(20,116)
Public safety	2,197,710	2,078,108	(119,602)
Public works	1,648,375	1,527,343	(121,032)
Parks and recreation	976,350	925,121	(51,229)
Non-departmental	449,165	274,943	(174,222)
Capital outlay	446,075	229,785	(216,290)
	<u>\$ 6,975,125</u>	<u>\$ 6,224,078</u>	<u>\$ (751,047)</u>

*Non-departmental* expenses included an adjusted final budgeted contingency fund of \$171,740 which remained unspent at year end and in 2015 and accounts for 23% of the difference between budgeted and actual expenses.

*Capital outlay* includes budgeted funds for equipment that was ordered in 2015 but not delivered as of year end and these funds have been reappropriated for use in 2016..

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds, funding of reserves and other special revenue or expense items. Other financing sources (uses) were under budget by 17.5% (\$238,862). This variance from budget to actual was primarily due to a reduction in transfers to the capital projects fund due to savings in capital project costs and timing of capital projects. A significant portion of these funds will be reappropriated for use in 2016 to complete the projects.

# Management's Discussion and Analysis

## Other Financing Sources (Uses)

	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>
Transfers in	\$ 237,100	\$ 233,800	\$ (3,300)
Transfers out	(1,380,225)	(1,153,832)	226,393
Insurance damage awards	-	12,289	12,289
Reserves	(220,000)	(220,000)	-
Sale of capital assets	-	3,480	3,480
	<u>\$ (1,363,125)</u>	<u>\$ (1,124,263)</u>	<u>\$ 238,862</u>

## 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, 2015, is \$99.4 million (net of accumulated depreciation), an increase of \$594,546. 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.

### City of Fruita's Capital Assets (net of depreciation)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 7,423,113	\$ 7,375,415	\$ 1,046,173	\$ 1,046,173	\$ 8,469,286	\$ 8,421,588
Source of supply	-	-	14,712	14,712	14,712	14,712
Buildings	17,147,381	16,433,458	767,221	807,836	17,914,602	17,241,294
Systems	27,018,506	25,828,291	38,694,372	39,609,702	65,712,878	65,437,993
Equipment	6,832,184	7,155,033	415,777	494,273	7,247,961	7,649,306
	<u>\$ 58,421,184</u>	<u>\$ 56,792,197</u>	<u>\$ 40,938,255</u>	<u>\$ 41,972,696</u>	<u>\$ 99,359,439</u>	<u>\$ 98,764,893</u>

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

- Expansion of the parks and public works maintenance facility (\$1,287,898)
- Ottley Avenue utility and road improvements (\$771,510)
- Downtown streetscape improvements (\$482,145)
- Overlays to various city streets (\$375,848)
- Contributions of public improvements from development - (\$372,097)
- Acquisition of equipment (\$284,628)
- Sewer line improvements in Mulberry (\$160,624)

# Management's Discussion and Analysis

Additional information on the City of Fruita's capital assets can be found in Note III.C to the Financial Statements.

***Long-term Debt.*** At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$32,719,166. Of this amount, \$20,132,486 is debt backed by user fees and charges of the sewer system, \$12,374,966 is backed by a one cent city sales and use tax which is dedicated for the community center, and \$211,714 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ 12,374,966	\$ 12,423,298	\$ -	\$ -	\$ 12,374,966	\$ 12,423,298
Performance obligation	211,714	221,359	-	-	211,714	221,359
Loans payable	-	-	20,132,486	20,774,007	20,132,486	20,774,007
<b>Total</b>	<b>\$ 12,586,680</b>	<b>\$ 12,644,657</b>	<b>\$ 20,132,486</b>	<b>\$ 20,774,007</b>	<b>\$ 32,719,166</b>	<b>\$ 33,418,664</b>

The City of Fruita's total debt decreased by \$699,498 during the current fiscal year. This decrease was due to regularly scheduled principal payments of \$689,853 on the outstanding debt, and a credit of \$9,645 for irrigation water usage for nonmonetary performance obligation debt for improvements to the City's reservoirs.

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. The City of Fruita maintains an "AA/stable" rating from Standard and Poor's Rating for the revenue bonds. Additional information on the City of Fruita's long-term debt obligations can be found in Note III E to the Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2016 Budget prioritizes the resources available to the city and sets a course of action to implement the goals set by the City Council. The following economic factors currently affect the City of Fruita and were considered in developing the 2016 fiscal year budget.

***Reductions in revenues.*** While striving to remain fiscally conservative, the city continues to have a bright future and is a desirable community to live, work and play. The decrease in city sales tax revenues, continued slow down in new construction and development, and reductions in oil, gas and utility sectors of the economy were significant factors in

# Management's Discussion and Analysis

developing the budget for 2016. The budget is conservative on both revenues and expenses to ensure that the city can sustain its' operations and continue to provide city services to the citizens of Fruita.

Capital investments. Past financial policies of the city have provided resources that allowed the city to maintain an aggressive capital improvements plan during the economic downturn. In the last ten years, the city has spent a significant amount of funds on capital projects, including two of the largest construction projects (Wastewater Treatment Facility and Fruita Community Recreation Center) in the city's history and incurred \$34.4 million of debt. With declining funds available in fund balances, it is unrealistic to continue funding capital projects at the same level as we have in the past. The city hopes to address funding of future capital projects by continuing its' efforts to leverage grant funds with city funds and continuing to set aside revenue on an annual basis from designated sources (severance and mineral lease tax revenues) for funding of future capital projects.

Economic development. The city formalized economic development efforts in 2015 to attract and retain businesses, with a special emphasis and focus on businesses involved with outdoor recreation. These efforts have involved partnerships with private land owners of commercial property in the city, cooperative efforts with GJEP (a regional economic development group) to market the city and attract businesses, attendance at outdoor recreation tradeshow to market the city and its' assets, and working with a number of public and private agencies and individuals to further these endeavors and work together for the betterment of the community. These efforts are producing interest and the city has received a number of positive inquiries and feedback. The city continues to place a high priority on these efforts in the 2016 Budget.

User fees and charges. User charges in the utility funds (sewer, trash and irrigation) are established to cover operating and capital costs. An analysis of wastewater treatment facility needs is included in the 2016 Budget and will be the basis for evaluating sewer rates and charges for future budgets. A decrease in monthly charges for trash collection of \$0.30 per month went into effect on January 1, 2016. This decrease was a result of extension of the existing contract for trash collection services and a reduction in the fuel surcharge for these services based on lower diesel fuel costs. Irrigation maintenance fees were increased \$10 per year for the 2016 irrigation season to cover increased costs associated with provide these services.



# *Management's Discussion and Analysis*

## **REQUESTS FOR INFORMATION**

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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, 2015

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,189,926	\$ 4,157,235	\$ 12,347,161
Receivables	1,133,110	580,011	1,713,121
Intergovernmental receivable	1,409,016	-	1,409,016
Inventories	4,274	-	4,274
Restricted assets:			
Restricted cash	3,303,897	822,874	4,126,771
Capital assets (net of accumulated depreciation)			
Land	7,423,113	1,046,173	8,469,286
Source of supply	-	14,712	14,712
Buildings, net	17,147,381	767,221	17,914,602
Systems, net	27,018,506	38,694,372	65,712,878
Machinery and equipment, net	6,832,184	415,777	7,247,961
Total Assets	<u>72,461,407</u>	<u>46,498,375</u>	<u>118,959,782</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	305,724	258,036	563,760
Accrued interest payable	221,910	234,518	456,428
Compensated absences payable	121,925	22,001	143,926
Customer deposits payable	1,792	675	2,467
Unearned revenues	1,067,338	-	1,067,338
Noncurrent liabilities:			
Due within one year (bonds and notes)	70,031	630,000	700,031
Due in more than one year (bonds and notes, net)	12,516,649	19,502,486	32,019,135
Total Liabilities	<u>14,305,369</u>	<u>20,647,716</u>	<u>34,953,085</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,097,500	-	1,097,500
Total Deferred Inflows of Resources	<u>1,097,500</u>	<u>-</u>	<u>1,097,500</u>
<b>NET POSITION</b>			
Net investment in capital assets	45,834,504	20,805,769	66,640,273
Restricted for:			
Debt service	2,726,736	822,199	3,548,935
Marketing and promotion	82,791	-	82,791
Community center	26,698	-	26,698
Parks and open space	231,038	-	231,038
Streets	235,196	-	235,196
Emergency reserves	400,000	-	400,000
Unrestricted	7,521,575	4,222,691	11,744,266
Total Net Position	<u>\$ 57,058,538</u>	<u>\$ 25,850,659</u>	<u>\$ 82,909,197</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, 2015

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
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,877,459	\$ 134,577	\$ -	\$ -	\$ (1,742,882)	\$ -	\$ (1,742,882)
Marketing and promotion	105,152	106,898	-	-	1,746	-	1,746
Parks and recreation	3,014,137	1,207,577	25,268	121,378	(1,659,914)	-	(1,659,914)
Public works	2,376,046	138,868	-	1,664,956	(572,222)	-	(572,222)
Public safety	2,277,057	14,406	-	6,048	(2,256,603)	-	(2,256,603)
Interest on long-term debt	901,477	10,961	247,467	-	(643,049)	-	(643,049)
Total governmental activities	10,551,328	1,613,287	272,735	1,792,382	(6,872,924)	-	(6,872,924)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer	2,894,941	3,104,700	-	57,810	-	267,569	267,569
Trash	634,266	693,006	-	-	-	58,740	58,740
Devils Canyon Center	39,252	30,800	-	-	-	(8,452)	(8,452)
Irrigation water	84,951	99,352	-	-	-	14,401	14,401
Total business-type activities	3,653,410	3,927,858	-	57,810	-	332,258	332,258
Total government	\$ 14,204,738	\$ 5,541,145	\$ 272,735	\$ 1,850,192	(6,872,924)	332,258	(6,540,666)
General Revenues:							
Property taxes					1,062,935	-	1,062,935
Sales and use taxes					5,162,104	-	5,162,104
Severance tax					300,912	-	300,912
Highway users tax					388,828	-	388,828
Franchise fees					400,569	-	400,569
Other shared taxes					181,720	-	181,720
Unrestricted investment earnings					15,330	5,998	21,328
Gain (loss) on sale of capital assets					3,480	-	3,480
Miscellaneous					12,289	-	12,289
Transfers					839,310	(839,310)	-
Total general revenues and transfers					8,367,477	(833,312)	7,534,165
Change in net position					1,494,553	(501,054)	993,499
Net position - beginning					55,563,985	26,351,713	81,915,698
Net position - ending					\$ 57,058,538	\$ 25,850,659	\$ 82,909,197

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2015**

	Major Funds			Nonmajor Funds		Total
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
<b>ASSETS</b>						
Cash and investments	\$ 6,116,059	\$ -	\$ 1,013,800	\$ 671,210	\$ 362,619	\$ 8,163,688
Accounts receivable	30,319	-	-	-	-	30,319
Taxes receivable	1,097,500	-	-	-	5,291	1,102,791
Due from other funds	107,397	-	-	-	-	107,397
Due from other governments	814,510	398,662	133,727	62,117	-	1,409,016
Inventories	4,274	-	-	-	-	4,274
Cash - restricted	106,705	1,203,783	-	1,993,409	-	3,303,897
Total Assets	<u>8,276,764</u>	<u>1,602,445</u>	<u>1,147,527</u>	<u>2,726,736</u>	<u>367,910</u>	<u>14,121,382</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	231,621	22,899	42,690	-	856	298,066
Due to other funds	-	107,397	-	-	-	107,397
Deposits payable	2,155	-	(363)	-	-	1,792
Unearned revenues	141,437	925,901	-	-	-	1,067,338
Total Liabilities	<u>375,213</u>	<u>1,056,197</u>	<u>42,327</u>	<u>-</u>	<u>856</u>	<u>1,474,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property tax revenue	1,097,500	-	-	-	-	1,097,500
Total deferred inflows of resources	<u>1,097,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,500</u>
Fund Balances:						
Nonspendable:						
Inventories	4,274	-	-	-	-	4,274
Restricted:						
Debt Service	-	-	-	2,726,736	-	2,726,736
Marketing	-	-	-	-	82,791	82,791
Community center	-	-	26,698	-	-	26,698
Parks and open space	-	42,902	-	-	188,136	231,038
Streets	216	234,980	-	-	-	235,196
Emergency reserve	400,000	-	-	-	-	400,000
Committed:						
Operating reserve	1,553,382	-	370,314	-	-	1,923,696
Assigned:						
Capital projects	670,577	78,366	-	-	-	748,943
War memorial maintenance	9,566	-	-	-	-	9,566
Health insurance reserve	483,037	-	17,463	-	402	500,902
Scholarship Program	8,959	-	-	-	-	8,959
Art Acquisition Fund	9	-	-	-	-	9
Senior Programs	1,588	-	-	-	-	1,588
Vehicle replacement reserve	915,755	-	571,250	-	-	1,487,005
Subsequent year expenses	1,194,025	190,000	119,475	-	95,725	1,599,225
Unassigned:	1,562,663	-	-	-	-	1,562,663
Total fund balances	<u>6,804,051</u>	<u>546,248</u>	<u>1,105,200</u>	<u>2,726,736</u>	<u>367,054</u>	<u>11,549,289</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,276,764</u>	<u>\$ 1,602,445</u>	<u>\$ 1,147,527</u>	<u>\$ 2,726,736</u>	<u>\$ 367,910</u>	<u>\$ 14,121,382</u>

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2015**

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

Total fund balances of governmental funds	\$ 11,549,289
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$24,758).	58,396,426
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.	37,121
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 (\$6,217).	(12,924,298)
Net position of governmental activities	<u>\$ 57,058,538</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, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
<b>REVENUES</b>						
Taxes:						
Property	\$ 1,062,935	\$ -	\$ -	\$ -	\$ -	\$ 1,062,935
City sales	1,463,743	-	731,871	-	-	2,195,614
County sales	1,979,551	-	-	-	-	1,979,551
Use tax	657,959	-	328,980	-	-	986,939
Other	561,077	-	-	-	106,695	667,772
Licenses and permits	30,497	-	-	-	-	30,497
Intergovernmental revenues	770,154	1,274,710	-	247,467	121,379	2,413,710
Charges for services	152,706	-	1,038,301	-	203	1,191,210
Fines, forfeitures, assessments	44,044	-	-	-	-	44,044
Development impact fees	-	78,011	-	-	-	78,011
Investment earnings	12,430	1,981	20	10,450	-	24,881
Rents and royalties	32,131	-	43,927	-	-	76,058
Donations	18,171	3,000	1,239	-	-	22,410
Miscellaneous	7,629	-	16,796	-	-	24,425
Total revenues	<u>6,793,027</u>	<u>1,357,702</u>	<u>2,161,134</u>	<u>257,917</u>	<u>228,277</u>	<u>10,798,057</u>
<b>EXPENDITURES</b>						
Current:						
General government	329,617	-	-	-	-	329,617
Administration	616,227	-	-	-	-	616,227
Community development	242,934	-	-	-	-	242,934
Marketing and promotion	-	-	-	-	105,152	105,152
Public safety	2,078,108	-	-	-	-	2,078,108
Public works	1,527,343	8,496	-	-	-	1,535,839
Parks and recreation	925,121	-	1,465,083	-	-	2,390,204
Non-departmental	274,943	-	-	-	-	274,943
Debt service						
Principal retirement	-	-	-	50,000	-	50,000
Interest and fiscal charges	-	-	-	890,012	-	890,012
Capital outlay	229,785	3,078,581	16,175	-	-	3,324,541
Total expenditures	<u>6,224,078</u>	<u>3,087,077</u>	<u>1,481,258</u>	<u>940,012</u>	<u>105,152</u>	<u>11,837,577</u>
Excess (deficiency) of revenues over expenditures	<u>568,949</u>	<u>(1,729,375)</u>	<u>679,876</u>	<u>(682,095)</u>	<u>123,125</u>	<u>(1,039,520)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance rebates and awards	12,289	-	-	-	-	12,289
Transfers in	233,800	1,731,356	95,000	713,925	-	2,774,081
Transfers (out)	(1,153,832)	-	(713,925)	-	(67,014)	(1,934,771)
Sale of capital assets	3,480	-	-	-	-	3,480
Total other financing sources (uses)	<u>(904,263)</u>	<u>1,731,356</u>	<u>(618,925)</u>	<u>713,925</u>	<u>(67,014)</u>	<u>855,079</u>
Net change in fund position	<u>(335,314)</u>	<u>1,981</u>	<u>60,951</u>	<u>31,830</u>	<u>56,111</u>	<u>(184,441)</u>
Fund balances - beginning	<u>7,139,365</u>	<u>544,267</u>	<u>1,044,249</u>	<u>2,694,906</u>	<u>310,943</u>	<u>11,733,730</u>
Fund balances - ending	<u>\$ 6,804,051</u>	<u>\$ 546,248</u>	<u>\$ 1,105,200</u>	<u>\$ 2,726,736</u>	<u>\$ 367,054</u>	<u>\$ 11,549,289</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, 2015**

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

Net change in fund balances - total governmental funds	\$ (184,441)
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.	1,331,605
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	299,022
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.	59,645
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>(11,278)</u>
Change in net position of governmental activities	<u><u>\$ 1,494,553</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, 2015 (With comparative totals for 2014)**

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund		Non-Major Funds						Totals	Fleet Maintenance Internal Service Fund
	Sewer		Trash		Devis Canyon Center		Irrigation Water			
2015	2014	2015	2014	2015	2014	2015	2014	2015		
<b>ASSETS</b>										
Current assets:										
Cash and investments	\$ 3,685,459	\$ 3,815,418	\$ 94,811	\$ 87,658	\$ 229,554	\$ 224,754	\$ 147,411	\$ 132,850	\$ 4,157,235	\$ 26,238
Interest receivable	30	-	-	-	-	-	-	-	30	-
Accounts receivable	456,237	431,268	113,122	103,911	-	2,800	3,270	3,418	572,629	-
Special assessments receivable	-	821	-	-	-	-	-	-	-	-
Notes receivable	7,352	9,394	-	-	-	-	-	-	7,352	-
Total current assets	<u>4,149,078</u>	<u>4,256,901</u>	<u>207,933</u>	<u>191,569</u>	<u>229,554</u>	<u>227,554</u>	<u>150,681</u>	<u>136,268</u>	<u>4,737,246</u>	<u>26,238</u>
Non-current assets:										
Restricted cash:										
WWTF loan covenants	822,199	809,981	-	-	-	-	-	-	822,199	-
Customer deposits	675	675	-	-	-	-	-	-	675	-
Special assessments receivable	-	-	-	-	-	-	-	-	-	-
Capital assets										
Land	764,010	764,010	-	-	225,514	225,514	56,649	56,649	1,046,173	-
Source of supply	-	-	-	-	-	-	14,712	14,712	14,712	-
Buildings, net	38,677	40,653	-	-	723,188	760,740	5,356	6,443	767,221	-
Systems, net	38,635,859	39,542,890	-	-	-	-	58,513	66,812	38,694,372	-
Equipment, net	415,777	494,273	-	-	-	-	-	-	415,777	24,758
Total capital assets, net	<u>39,854,323</u>	<u>40,841,826</u>	<u>-</u>	<u>-</u>	<u>948,702</u>	<u>986,254</u>	<u>135,230</u>	<u>144,616</u>	<u>40,938,255</u>	<u>24,758</u>
Total non-current assets	<u>40,677,197</u>	<u>41,652,482</u>	<u>-</u>	<u>-</u>	<u>948,702</u>	<u>986,254</u>	<u>135,230</u>	<u>144,616</u>	<u>41,761,129</u>	<u>24,758</u>
Total assets	<u>44,826,275</u>	<u>45,909,383</u>	<u>207,933</u>	<u>191,569</u>	<u>1,178,256</u>	<u>1,213,808</u>	<u>285,911</u>	<u>280,884</u>	<u>46,498,375</u>	<u>50,996</u>
<b>LIABILITIES</b>										
Current liabilities:										
Accounts Payable	151,328	109,386	106,242	101,918	-	-	466	-	258,036	7,658
Accrued interest payable	-	5	-	-	-	-	-	-	-	-
Compensated absences	20,325	16,698	-	-	-	-	1,676	1,516	22,001	6,217
Notes payable - current maturity	367,500	345,542	-	-	-	-	-	-	367,500	-
Total current liabilities	<u>539,153</u>	<u>471,631</u>	<u>106,242</u>	<u>101,918</u>	<u>-</u>	<u>-</u>	<u>2,142</u>	<u>1,516</u>	<u>647,537</u>	<u>13,875</u>
Current liabilities payable from restricted assets:										
Customer deposits payable	675	675	-	-	-	-	-	-	675	-
Accrued interest payable from restricted cash	234,518	239,726	-	-	-	-	-	-	234,518	-
Notes payable from restricted cash	262,500	245,833	-	-	-	-	-	-	262,500	-
Total current liabilities payable from restricted assets	<u>497,693</u>	<u>486,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,693</u>	<u>-</u>
Noncurrent liabilities:										
Notes payable (net of premium)	19,502,486	20,182,632	-	-	-	-	-	-	19,502,486	-
Total noncurrent liabilities	<u>19,502,486</u>	<u>20,182,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,502,486</u>	<u>-</u>
Total liabilities	<u>20,539,332</u>	<u>21,140,497</u>	<u>106,242</u>	<u>101,918</u>	<u>-</u>	<u>-</u>	<u>2,142</u>	<u>1,516</u>	<u>20,647,716</u>	<u>13,875</u>
<b>NET POSITION</b>										
Invested in capital assets, net of related debt	19,721,837	20,067,819	-	-	948,702	986,254	135,230	144,615	20,805,769	24,758
Restricted for loan covenants	822,199	809,981	-	-	-	-	-	-	822,199	-
Assigned for capital projects	350,000	-	-	-	-	-	-	-	350,000	-
Assigned for health insurance reserve	19,458	19,458	-	-	-	-	925	925	20,383	2,875
Assigned for vehicle replacement	390,000	285,000	-	-	-	-	-	-	390,000	-
Assigned for WWTF equipment replacement	1,090,775	45,775	-	-	-	-	-	-	1,090,775	-
Unrestricted	1,892,674	3,540,853	101,691	89,651	229,554	227,554	147,614	133,828	2,371,533	9,488
Total net position	<u>\$ 24,286,943</u>	<u>\$ 24,768,886</u>	<u>\$ 101,691</u>	<u>\$ 89,651</u>	<u>\$ 1,178,256</u>	<u>\$ 1,213,808</u>	<u>\$ 283,769</u>	<u>\$ 279,368</u>	<u>\$ 25,850,659</u>	<u>\$ 37,121</u>

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, 2015 (With comparative totals for 2014)

	Business-type Activities - Enterprise Funds								Governmental	
	Major Fund		Non-Major Funds						Fleet Maintenance	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals	Internal Service
	2015	2014	2015	2014	2015	2014	2015	2014	2015	Fund
<b>OPERATING REVENUES</b>										
Charges for services	\$ 2,882,510	\$ 2,851,290	\$ 693,006	\$ 665,732	\$ 30,800	\$ 55,600	\$ 99,352	\$ 97,051	\$ 3,705,668	\$ 284,362
Other revenues	4,390	-	-	-	-	-	-	-	4,390	-
Total operating revenues	<u>2,886,900</u>	<u>2,851,290</u>	<u>693,006</u>	<u>665,732</u>	<u>30,800</u>	<u>55,600</u>	<u>99,352</u>	<u>97,051</u>	<u>3,710,058</u>	<u>284,362</u>
<b>OPERATING EXPENSES</b>										
Personnel services	623,897	599,332	-	-	-	-	56,373	66,023	680,270	182,770
Purchased services	218,890	209,238	634,266	614,323	1,700	2,911	7,185	8,590	862,041	1,896
Supplies	307,937	339,121	-	-	-	-	12,008	13,299	319,945	88,657
Special projects	-	-	-	-	-	25,000	-	-	-	-
Depreciation and amortization	1,174,073	1,161,348	-	-	37,552	37,552	9,385	15,681	1,221,010	1,884
Total operating expenses	<u>2,324,797</u>	<u>2,309,039</u>	<u>634,266</u>	<u>614,323</u>	<u>39,252</u>	<u>65,463</u>	<u>84,951</u>	<u>103,593</u>	<u>3,083,266</u>	<u>275,207</u>
Operating income (loss)	562,103	542,251	58,740	51,409	(8,452)	(9,863)	14,401	(6,542)	626,792	9,155
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Investment income	5,998	4,693	-	-	-	-	-	(16)	5,998	-
System development contributions	57,810	-	-	-	-	-	-	-	57,810	-
Gain (Loss) on disposal of equipment	-	1,705	-	-	-	-	-	-	-	-
Interest expense	(570,144)	(582,727)	-	-	-	-	-	-	(570,144)	(9,155)
Total nonoperating revenues (expenses)	<u>(506,336)</u>	<u>(576,329)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(506,336)</u>	<u>(9,155)</u>
Income (Loss) before contributions and transfers	55,767	(34,078)	58,740	51,409	(8,452)	(9,863)	14,401	(6,558)	120,456	-
Capital contributions - tap fees	217,800	356,400	-	-	-	-	-	-	217,800	-
Transfers out	<u>(755,510)</u>	<u>(355,578)</u>	<u>(46,700)</u>	<u>(51,409)</u>	<u>(27,100)</u>	<u>(50,000)</u>	<u>(10,000)</u>	<u>(8,700)</u>	<u>(839,310)</u>	<u>-</u>
Change in net position	(481,943)	(33,256)	12,040	-	(35,552)	(59,863)	4,401	(15,258)	(501,054)	-
Net position - beginning	<u>24,768,886</u>	<u>24,802,142</u>	<u>89,651</u>	<u>89,651</u>	<u>1,213,808</u>	<u>1,273,671</u>	<u>279,368</u>	<u>294,626</u>	<u>26,351,713</u>	<u>37,121</u>
Net position - ending	<u>\$ 24,286,943</u>	<u>\$ 24,768,886</u>	<u>\$ 101,691</u>	<u>\$ 89,651</u>	<u>\$ 1,178,256</u>	<u>\$ 1,213,808</u>	<u>\$ 283,769</u>	<u>\$ 279,368</u>	<u>\$ 25,850,659</u>	<u>\$ 37,121</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, 2015 (With comparative totals for 2014)**

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund Sewer		Trash		Non-Major Funds Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance Internal Service Fund
	2015	2014	2015	2014	2015	2014	2015	2014	2015	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts from customers	\$ 2,861,931	\$ 2,862,880	\$ 683,795	\$ 660,662	\$ 33,600	\$ 62,400	\$ 99,500	\$ 97,126	\$ 3,678,826	\$ 284,362
Payments to suppliers	(586,584)	(497,157)	(629,942)	(610,641)	(1,700)	(27,911)	(19,193)	(21,889)	(1,237,419)	(88,815)
Payments to employees	(613,771)	(598,745)	-	-	-	-	(55,746)	(65,756)	(669,517)	(179,707)
Net cash provided by operating activities	<u>1,661,576</u>	<u>1,766,978</u>	<u>53,853</u>	<u>50,021</u>	<u>31,900</u>	<u>34,489</u>	<u>24,561</u>	<u>9,481</u>	<u>1,771,890</u>	<u>15,840</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>										
Operating transfers	(755,510)	(355,578)	(46,700)	(51,409)	(27,100)	(50,000)	(10,000)	(8,700)	(839,310)	-
Net cash used by non-capital financing activities	<u>(755,510)</u>	<u>(355,578)</u>	<u>(46,700)</u>	<u>(51,409)</u>	<u>(27,100)</u>	<u>(50,000)</u>	<u>(10,000)</u>	<u>(8,700)</u>	<u>(839,310)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Capital contributions - plant investment fees	219,842	349,840	-	-	-	-	-	-	219,842	-
Gain on sale of equipment	-	1,705	-	-	-	-	-	-	-	-
Proceeds from special assessments	821	6,713	-	-	-	-	-	322	821	-
Principal paid on capital debt	(591,375)	(550,627)	-	-	-	-	-	-	(591,375)	-
Interest paid on capital debt	(575,357)	(587,884)	-	-	-	-	-	-	(575,357)	-
Purchase of capital assets	(83,706)	(646,726)	-	-	-	-	-	-	(83,706)	(9,400)
Net cash provided (used) by capital and related financing activities	<u>(1,029,775)</u>	<u>(1,426,979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>(1,029,775)</u>	<u>(9,400)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Interest received on investments	5,968	4,710	-	-	-	-	-	56	5,968	-
Net cash provided by investing activities	<u>5,968</u>	<u>4,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>5,968</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(117,741)	(10,869)	7,153	(1,388)	4,800	(15,511)	14,561	1,159	(91,227)	6,440
Cash and cash equivalents, January 1 (including \$810,656 in the Sewer Fund reported in restricted accounts)	<u>4,626,074</u>	<u>4,636,943</u>	<u>87,658</u>	<u>89,046</u>	<u>224,754</u>	<u>240,265</u>	<u>132,850</u>	<u>131,691</u>	<u>5,071,336</u>	<u>19,799</u>
Cash and cash equivalents, December 31 (including \$822,874 in the Sewer Fund reported in restricted accounts)	<u>\$ 4,508,333</u>	<u>\$ 4,626,074</u>	<u>\$ 94,811</u>	<u>\$ 87,658</u>	<u>\$ 229,554</u>	<u>\$ 224,754</u>	<u>\$ 147,411</u>	<u>\$ 132,850</u>	<u>\$ 4,980,109</u>	<u>\$ 26,239</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, 2015 (With comparative totals for 2014)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Sewer		Trash		Non-Major Funds Devlis Canyon Center		Irrigation Water		Totals	Fleet Maintenance Internal Service Fund
	2015	2014	2015	2014	2015	2014	2015	2014	2015	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>										
Operating income (loss)	\$ 562,103	\$ 542,251	\$ 58,740	\$ 51,409	\$ (8,452)	\$ (9,863)	\$ 14,401	\$ (6,542)	\$ 626,792	\$ 9,155
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization expense	1,174,073	1,161,348	-	-	37,552	37,552	9,385	15,681	1,221,010	1,884
(Increase) decrease in accounts receivable	(24,969)	11,590	(9,211)	(5,070)	2,800	6,800	148	75	(31,232)	-
Increase (decrease) in accounts payable	(56,130)	51,202	4,324	3,682	-	-	161	292	(51,645)	3,739
Increase (decrease) in compensation payable	6,499	587	-	-	-	-	466	(25)	6,965	1,062
Total adjustments	<u>1,099,473</u>	<u>1,224,727</u>	<u>(4,887)</u>	<u>(1,388)</u>	<u>40,352</u>	<u>44,352</u>	<u>10,160</u>	<u>16,023</u>	<u>1,145,098</u>	<u>6,685</u>
Net Cash Provided by (Used for)										
Operating Activities	<u>\$ 1,661,576</u>	<u>\$ 1,766,978</u>	<u>\$ 53,853</u>	<u>\$ 50,021</u>	<u>\$ 31,900</u>	<u>\$ 34,489</u>	<u>\$ 24,561</u>	<u>\$ 9,481</u>	<u>\$ 1,771,890</u>	<u>\$ 15,840</u>
<b>Schedule of non-cash capital and related financing activities</b>										
Contributions of capital assets	57,810	-	-	-	-	-	-	-	57,810	-

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, 2015**

	<u>Agency Fund</u>	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments at fair value	-	2,572,486	1,349,285
Accounts receivable	-	-	-
Total assets	<u>-</u>	<u>2,572,486</u>	<u>1,349,285</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for:			
Pension benefits	-	2,572,486	1,349,285
Total net position	<u>\$ -</u>	<u>\$ 2,572,486</u>	<u>\$ 1,349,285</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, 2015**

	<b>Money Purchase Plan and Trust Fund</b>	<b>Retirement Trust Fund</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 122,192	\$ 102,862
Plan member contributions	97,753	-
Roll over from Retirement Trust Fund	-	-
Total contributions	<u>219,945</u>	<u>102,862</u>
Investment Earnings		
Net investment gain (loss)	<u>(50,981)</u>	<u>(31,248)</u>
Total Additions	<u>168,964</u>	<u>71,614</u>
<b>DEDUCTIONS</b>		
Benefits	-	39,214
Administrative expenses	<u>4,585</u>	<u>1,154</u>
Total Deductions	<u>4,585</u>	<u>40,368</u>
Change in net position	164,379	31,246
Total net position - beginning	<u>2,408,107</u>	<u>1,318,039</u>
Total net position - ending	<u>\$ 2,572,486</u>	<u>\$ 1,349,285</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, 2015

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**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 position and the statement of activities) report information on all of the nonfiduciary 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**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.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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**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 funds are reported as nonmajor funds in aggregate with the exception of the Debt Service Fund which is displayed in a separate column. Remaining enterprise funds are reported in individual columns under the Non-Major Funds heading to provide consistency in reporting.

The City reports the following major governmental funds:

*General Fund* - 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.

*Community Center 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.

*Capital Projects Fund* - 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. Revenue is primarily derived from transfers from the General Fund and grant revenues. Other sources of revenues include transfers from other funds and development impact fees.

The City reports the following major proprietary fund:

*Sewer Fund* - The Sewer Fund accounts for all activities associated with providing sewer collection and treatment to customers within the sewer service area. It is predominately self-supported by user charges and plant investment fees.

Additionally, the City reports the following fund types:

*Internal Service Funds* are established to account for services required by other funds on a cost reimbursement basis. The city has an internal service fund that

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accounts for fleet maintenance services provided to other departments or agencies of the City.

*Agency Fund* - 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.

*Retirement Trust Funds* - 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 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

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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, 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. 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

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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.

**G. 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

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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 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



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**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.

**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, assigned fund balance is depleted first, followed by unassigned fund balance. Committed 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).

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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 both the general fund and community center fund as an *operating reserve*. The committed fund balance of \$1,923,696 represents the amounts 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 approximately 25% of the current year's expenditures, excluding transfers, for the general fund and community center fund.

Amounts in the assigned fund balance classification are intended to be used by the 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 *future capital projects* with a portion of funds received from mineral lease and severance tax payments.
- 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

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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, provide funds for health insurance risk payments, and provide funds for future self insurance and reduce the impact of health insurance costs on employees resulting from increases in health insurance deductibles.
- assign funds for *specific activities* which are usually associated with donations for specific purposes such as *war memorial maintenance*, a fee on recreation program registrations used to fund *scholarships*, donations from the senior can collection program for *senior recreational programs and amenities* in the senior area of the Fruita Community Center, and donations and unspent appropriations for the year for the arts and culture board for *acquisition of art*.
- assign funds *appropriated for expenditure in the subsequent year*.

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

## **H. 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 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

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represent 2015 taxes collectible in 2016 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.

**4. *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.

**I. *Changes in classifications made to previously issued financial statements***

The components of restricted and unrestricted net position for governmental activities have been restated in the Management's Discussion and Analysis for the prior year to conform to the classification used in 2015 and provide an accurate comparison between the current and prior year.

In addition, expenses for governmental activities have been restated in the Management's Discussion and Analysis for the prior year to provide an accurate comparison between the current and prior year. This reclassification does not affect the total expenses or the total net position.

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**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 \$58,396,426 difference, net of internal service fund capital assets of \$24,758 are as follows:

Land	\$ 7,423,113
Buildings	20,850,698
Less: Accumulated depreciation - buildings	(3,703,317)
Machinery, equipment and vehicles	11,329,367
Less: Accumulated depreciation - machinery, equipment, and vehicles	(4,521,941)
Infrastructure systems	32,408,485
Less: Accumulated depreciation - infrastructure	<u>(5,389,979)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 58,396,426</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 \$37,121 difference are as follows:

Cash and investments	26,238
Capital assets	24,758
Accounts payable	(7,658)
Compensated absences payable	<u>(6,217)</u>
Net position of the internal service fund	<u><u>\$ 37,121</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 \$12,924,298 difference are as follows:

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Bonds payable	\$ (12,415,000)
Add: Issuance premium (to be amortized over life of debt)	73,882
Less: Issuance discount (to be amortized as interest expense)	(33,848)
Performance obligation note payable	<u>(211,714)</u>
Subtotal of bonds and notes payable - current and non-current	(12,586,680)
Accrued interest payable	(221,910)
Compensated absences	<u>(115,708)</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>\$ (12,924,298)</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 \$1,331,605 difference are as follows:

Capital outlay reported in:	
Capital Projects	\$ 3,078,581
General Fund	229,785
Community Center Fund	<u>16,175</u>
Total capital outlay reported in governmental funds	3,324,541
Less: Depreciation expense, net of internal service fund	<u>(1,992,936)</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>\$ 1,331,605</u></u>

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Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.” The details of this \$299,022 difference are as follows:

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.	\$ (15,265)
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>314,287</u>
Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ 299,022</u>

Another element of that reconciliation states that “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.” The details of this \$59,645 difference are as follows:

Principal repayments on non-monetary performance obligation	\$ 9,645
Principal repayments on special revenue bonds	<u>50,000</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 59,645</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 \$(11,278) difference are as follows:

Compensated absences	\$ (10,077)
Accrued interest	468
Amortization of bond premiums	1,410
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>\$ (11,278)</u>

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**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 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, 2015, \$803,336 of the City's deposits were covered by FDIC insurance and \$6,683,941 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



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As of December 31, 2015, the City had \$8,968,440 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 are regulated by the Colorado Securities Commissioner. These pools operate similar 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. A designated custodial bank provides safekeeping and depository services to the pools in connection with the direct investment and withdrawal functions of the pools. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the specific pool. 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](http://www.csafe.org). Colotrust's financial statements are available on their website at [www.colotrust.com](http://www.colotrust.com).

The above investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The composition of all cash and investments held by the City at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Cash on hand:	\$ 1,600	\$ 1,600
Deposits:		
Cash in checking account(s)	2,717,673	2,847,426
Money market funds	3,507,543	3,427,575
Certificates of deposit	<u>1,278,676</u>	<u>1,344,307</u>
Total deposits	7,503,892	7,619,308
Investment pools	<u>8,968,440</u>	<u>8,962,446</u>
Total cash, deposits and investments	<u>\$ 16,473,932</u>	<u>\$ 16,583,354</u>

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

	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 12,347,161	\$ 12,519,830
Restricted Cash	<u>4,126,771</u>	<u>4,055,244</u>
	<u>\$ 16,473,932</u>	<u>\$ 16,575,074</u>

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*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 54% of the City's total cash, deposits and investments at December 31, 2015.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows.

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 7,375,415	\$ 47,698	\$ -	\$ 7,423,113
Total capital assets not being depreciated	<u>7,375,415</u>	<u>47,698</u>	<u>-</u>	<u>7,423,113</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	19,544,125	1,306,573	-	20,850,698
Infrastructure	30,421,715	1,986,769	-	32,408,484
Machinery and equipment	11,233,381	307,187	(175,406)	11,365,162
Total capital assets being depreciated	<u>61,199,221</u>	<u>3,600,529</u>	<u>(175,406)</u>	<u>64,624,344</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(3,110,667)	(592,650)	-	(3,703,317)
Infrastructure	(4,593,424)	(796,554)	-	(5,389,978)
Machinery and equipment	(4,078,348)	(605,616)	150,986	(4,532,978)
Total accumulated depreciation	<u>(11,782,439)</u>	<u>(1,994,820)</u>	<u>150,986</u>	<u>(13,626,273)</u>
Total capital assets being depreciated, net	<u>49,416,782</u>	<u>1,605,709</u>	<u>(24,420)</u>	<u>50,998,071</u>
Governmental activities capital assets, net	<u>\$ 56,792,197</u>	<u>\$ 1,653,407</u>	<u>\$ (24,420)</u>	<u>\$ 58,421,184</u>

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Assets for governmental activities include internal service fund capital assets of \$24,758 in internal service fund capital assets, net of depreciation. Decreases in net assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities

General government	\$ 119,494
Park and recreation	622,220
Public works	1,054,644
Public safety	196,578
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	1,884
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,994,820</b>

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Total capital assets not being depreciated	1,060,885	-	-	1,060,885
<u>Capital assets, being depreciated</u>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	28,066,958	-	-	28,066,958
Distribution and collection system	19,417,998	218,433	-	19,636,431
Machinery and equipment	1,501,435	18,282	(7,700)	1,512,017
Total capital assets being depreciated	50,629,797	236,715	(7,700)	50,858,812
<u>Less accumulated depreciation for:</u>				
Buildings	(835,570)	(40,615)	-	(876,185)
Wastewater treatment facility	(2,071,529)	(704,934)	-	(2,776,463)
Distribution and collection system	(5,803,725)	(428,829)	-	(6,232,554)
Machinery and equipment	(1,007,162)	(96,778)	7,700	(1,096,240)
Total accumulated depreciation	(9,717,986)	(1,271,156)	7,700	(10,981,442)
Total capital assets being depreciated, net	40,911,811	(1,034,441)	-	39,877,370
Business-type activities capital assets, net	<b>\$ 41,972,696</b>	<b>\$ (1,034,441)</b>	<b>\$ -</b>	<b>\$ 40,938,255</b>

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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**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>
Impact fees for chipseal	\$ 106,490
Unallocated utility billing receipts	34,947
Total General Fund	141,437
 <u>Capital Projects Fund</u>	
Grant revenues for J.2 Road improvements	117,713
Impact fees for open space, road and drainage improvements	808,188
	925,901
 Total unavailable/unearned revenue for governmental funds	\$ 1,067,338

**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. This loan was paid off in 2015 and has no outstanding balance at December 31, 2015.

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 and ending September 1, 2032. The loan agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$822,199 of net position for debt service. This includes \$325,181 for the three month operating reserve and \$497,018 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, 2015 was \$19,280,000 and is included in the Sewer Fund.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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During 2013 the City entered into a performance obligation note agreement with parties for the exchange of untreated irrigation water from the City's reservoirs on Pinyon Mesa as well as the future exchange of land and water rights owned by the City to the parties for improvements constructed by the parties to Reservoir #1 and Mirror Lake Reservoir #1 (Enochs Lake).

The cost of improvements to the reservoirs was \$484,764 with interest compounded annually at 4%. In lieu of payment the City agreed to provide irrigation water to the parties at \$185 per acre foot with a minimum credit of 100 acre feet per year (\$18,500) for a period of up to thirty years (30) years and exchange land and water rights with a predetermined value to be credited against the cost of improvements as soon as practical to compensate the parties. Credits for exchange of water rights and land were applied to the nonmonetary amortization schedule in 2015 resulting in an outstanding performance obligation balance on this note of \$211,714 at December 31, 2015. Future interest has been netted against future minimum water usage in the annual debt service requirements for governmental activities below.

Notes and loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
Wastewater treatment facility	2.50%	19,280,000
Governmental activities		
Reservoir improvements	4%	<u>\$ 211,714</u>
Total notes and loans payable		<u>\$ 19,491,714</u>

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

Year ended December 31	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	630,000	562,844	1,192,844
2017	680,000	543,956	1,223,956
2018	730,000	524,206	1,254,206
2019	780,000	503,540	1,283,540
2020	845,000	474,126	1,319,126
2021-2025	5,235,000	1,866,090	7,101,090
2026-2030	7,015,000	1,022,340	8,037,340
2031-2032	3,365,000	134,122	3,499,122
	<u>\$ 19,280,000</u>	<u>\$ 5,631,224</u>	<u>\$ 24,911,224</u>

City of Fruita, Colorado  
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The unamortized premium on the loan for the wastewater treatment facility is \$852,486 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. Interest expense on notes and loans payable for the year ended December 31, 2015 was \$570,144 in the Sewer Fund.

Year ended December 31	<u>Governmental Activities</u>		
	<u>Non-monetary performance obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Credit</u>
2016	10,031	8,469	18,500
2017	10,433	8,067	18,500
2018	10,850	7,650	18,500
2019	11,284	7,216	18,500
2020	11,735	6,765	18,500
2021-2025	66,105	26,395	92,500
2026-2030	80,427	12,073	92,500
2031	10,849	434	11,283
	<u>\$ 211,714</u>	<u>\$ 77,069</u>	<u>\$ 288,783</u>

A credit of \$228,920 was applied to this obligation in 2014 for the conveyance of land and water rights from the City in addition to the minimum water usage credit of \$18,500. The above table assumes minimum credits for water usage in future years and will be adjusted annually to reflect actual water use.

**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 additional \$500,000 to a Supplemental 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.

City of Fruita, Colorado  
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Interest subsidy payments, also referred to as the Federal Direct Payments, are received from the United States Treasury for the Taxable Build America Bonds, Series 2009B, upon timely receipt of Form 8038-CP. The amounts of these direct payments was initially equal to 35% of the taxable interest on the Taxable Series 2009B bonds. However, sequestration by the Federal Government has resulted in a reduction in the interest subsidy for taxable bonds. The Bipartisan Budget Act of 2013 also extended sequestration on interest subsidy payments for an additional two years, from ten years to twelve years. The sequestration rate, or the amount by which the interest subsidy payments are reduced, will be set from time to time in the future.

In 2015, the sequestration percentage of 7.3% was applied to the interest subsidy payment. In 2016, the sequestration percentage of 6.8% will be applied to the interest payments.

At year end, the City had \$2,726,736 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, \$236,909 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, net of the interest payment subsidy receivable at December 31, and an additional \$733,327 for future debt service payments.

Special revenue bonds currently outstanding are as follows:

Series	Description	Issue Amount	Maturity Date	Interest Rate	Outstanding Balance
2009A	Tax exempt Sales and Use Tax Revenue Bonds	\$ 2,440,000	2039	1.72% - 5.75%	\$ 2,290,000
2009B	Taxable Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
Total					\$12,415,000

The unamortized premium and discount on the special revenue bonds is \$40,034 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount.

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

City of Fruita, Colorado  
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	Principal	Interest	Federal Direct Payment*	Total - Net of Federal Direct Payment
2016	60,000	887,638	(248,467)	699,171
2017	75,000	885,238	(266,595)	693,643
2018	100,000	882,238	(266,595)	715,643
2019	125,000	877,988	(266,595)	736,393
2020	160,000	872,675	(266,595)	766,080
2021-2025	1,285,000	4,139,291	(1,254,546)	4,169,745
2026-2030	2,320,000	3,518,979	(1,037,436)	4,801,543
2031-2035	3,720,000	2,450,495	(663,467)	5,507,028
2036-2039	4,570,000	863,613	(226,696)	5,206,917
	<u>\$ 12,415,000</u>	<u>\$ 15,378,155</u>	<u>\$ (4,496,992)</u>	<u>\$ 23,296,163</u>

\*The 2016 Federal Direct Payment has been reduced by the 6.8% sequestration rate for 2016. Future federal direct payments have not been adjusted and reflect the original letter of credit amounts.

### 3. *Changes in long-term liabilities*

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Special revenue bonds	\$12,465,000	\$ -	\$ (50,000)	\$12,415,000	\$ 60,000
Deferred amount for issuance discount	(76,960)	3,078	-	(73,882)	-
Deferred amount for issuance premium	35,258	-	(1,410)	\$ 33,848	-
Total bonds payable	12,423,298	3,078	(51,410)	12,374,966	60,000
Performance obligation note	221,359	-	(9,645)	211,714	10,031
Compensated absences	109,847	182,669	(170,591)	121,925	-
Governmental activity long term liabilities	<u>\$12,754,504</u>	<u>\$ 185,747</u>	<u>\$ (231,646)</u>	<u>\$12,708,605</u>	<u>\$ 70,031</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, \$6,217 of internal service funds



City of Fruita, Colorado  
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compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities:</u>					
Notes and loans	\$19,871,375	\$ -	\$ (591,375)	\$19,280,000	\$ 630,000
Deferred amount for issuance premium	902,632		(50,146)	852,486	50,146
Compensated absences	18,214	28,885	(25,098)	22,001	-
Business-type long term liabilities	<u>\$20,792,221</u>	<u>\$ 28,885</u>	<u>\$ (666,619)</u>	<u>\$20,154,487</u>	<u>\$ 680,146</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 2015, including administrative expenses, is \$102,862. The City's total payroll for all employees in 2015 was \$4,204,164 of which \$2,263,582 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, 2015 was \$1,349,285. The investments consist of various funds offered by ICMA Retirement Corporation.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 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 2015 was \$977,531. Total contributions for the year ended December 31, 2015, were \$97,753 paid by the employees and \$122,192 by the City. Fair value of the plan investments at December 31, 2015 was \$2,572,486. 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 2015 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

City of Fruita, Colorado  
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December 31, 2015

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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, 2015 in the property/casualty insurance pool is \$127,375 and \$139,292 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. This lease was renegotiated with a reduction in rental payments received in 2015 from \$57,600 to \$28,800 and elimination of rental payments in 2016. This reduction in rental payments

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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is subject to certain conditions including use of a portion of the property by another entity and ongoing maintenance and upkeep of the facility.

**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 2012 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, 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. RESTRICTED NET POSITION AND SIMILAR FUND BALANCE LIMITATIONS**

Restricted net position in the amount of \$4,524,658 has been classified into the following categories.

*Debt service* - Net position identified as Debt Service in the amount of \$3,548,935 is restricted by bond ordinances for future debt service.

*Marketing and promotion* - Net position identified as Marketing and promotion in the amount of \$82,791 represents amounts collected from lodging tax and is restricted by ordinance for the purposes of marketing and promoting the city.

*Community center* - Net position restricted for Community Center in the amount of \$26,698 represent amounts collected from the one percent (1%) sales and use tax and user fees and is restricted by ordinance for operations of the Community Center.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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*Parks and open space* - Net position restricted for parks and open space in the amount of \$231,038 represent interest earnings on development impact fees collected for the purposes of parks and open space and restricted by ordinance as well as lottery funds which are restricted by state statute for specific parks, recreation and open space projects.

*Streets* - Net position restricted for streets in the amount of \$235,196 represent interest earnings on development impact fees collected for the purposes of street improvements and restricted by ordinance for street improvements.

*Emergency reserves* - Net position restricted for emergency reserves in the amount of \$400,000 represents the TABOR emergency reserve required by the Colorado Constitution, Article X, Section 20.

**X. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The Capital Projects Fund owed the General Fund \$107,397 at December 31, 2015 as a short term cash loan for grant revenues due but not received at year end. This balance will be repaid within one year.

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

	<b>Transfers in:</b>				
	General Fund	Community Center Fund	Capital Projects Fund	Debt Service Fund	Total transfers out
<b>Transfers out:</b>					
General Fund	\$ -	\$ 95,000	\$ 1,058,832	\$ -	\$1,153,832
Community Center	-	-	-	713,925	713,925
Other governmental funds	-	-	67,014	-	67,014
Sewer	150,000	-	605,510	-	755,510
Trash	46,700	-	-	-	46,700
Devils Canyon Center	27,100	-	-	-	27,100
Irrigation Water	10,000	-	-	-	10,000
Total transfers in	<u>\$233,800</u>	<u>\$ 95,000</u>	<u>\$ 1,731,356</u>	<u>\$ 713,925</u>	<u>\$2,774,081</u>

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,

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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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 4) move funds to the capital projects fund for various capital projects.

**XI. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 4, 2015, 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,065,075	\$ 1,065,075	\$ 1,062,935	\$ (2,140)
City sales	1,600,000	1,600,000	1,463,743	(136,257)
County sales	1,914,000	1,914,000	1,979,551	65,551
Use tax	640,000	640,000	657,959	17,959
Other	584,000	584,000	561,077	(22,923)
Licenses and permits	29,100	29,100	30,497	1,397
Intergovernmental revenue	658,500	665,500	770,154	104,654
Charges for services	154,900	154,900	152,706	(2,194)
Fines and forfeitures	39,000	40,350	44,044	3,694
Development impact fees	52,025	52,025	-	(52,025)
Investment earnings	4,000	4,000	12,430	8,430
Rents and royalties	26,800	26,800	32,131	5,331
Donations	10,000	17,500	18,171	671
Miscellaneous	1,000	2,275	7,629	5,354
Total revenues	<u>6,778,400</u>	<u>6,795,525</u>	<u>6,793,027</u>	<u>(2,498)</u>
<b>EXPENDITURES</b>				
Current:				
General government	345,575	345,900	329,617	16,283
Administration	647,250	648,500	616,227	32,273
Community development	262,425	263,050	242,934	20,116
Public safety	2,179,350	2,197,710	2,078,108	119,602
Public works	1,637,350	1,648,375	1,527,343	121,032
Parks and recreation	965,850	976,350	925,121	51,229
Non-departmental	475,700	449,165	274,943	174,222
Capital equipment	432,300	446,075	229,785	216,290
Total expenditures	<u>6,945,800</u>	<u>6,975,125</u>	<u>6,224,078</u>	<u>751,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(167,400)</u>	<u>(179,600)</u>	<u>568,949</u>	<u>748,549</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	237,100	237,100	233,800	(3,300)
Transfers out	(1,130,000)	(1,380,225)	(1,153,832)	226,393
Insurance rebates and damage awards	-	-	12,289	12,289
Reserves	(220,000)	(220,000)	(220,000)	-
Sale of capital assets	-	-	3,480	3,480
Total other financing sources and (uses)	<u>(1,112,900)</u>	<u>(1,363,125)</u>	<u>(1,124,263)</u>	<u>238,862</u>
Change in net position - budgetary basis	<u>\$ (1,280,300)</u>	<u>\$ (1,542,725)</u>	<u>(555,314)</u>	<u>\$ 987,411</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position				
Add additions to reserves			<u>220,000</u>	
Change in net position - GAAP basis			<u>\$ (335,314)</u>	

See accompanying independent auditor's report.

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, 2015**

	<u>Budget</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget-</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 1,040,000	\$ 2,591,975	\$ 1,274,710	\$ (1,317,265)
Assessments and development impact fees	250,000	296,500	78,011	(218,489)
Donations	3,000	3,000	3,000	-
Investment earnings	-	-	1,981	1,981
Total revenues	<u>1,293,000</u>	<u>2,891,475</u>	<u>1,357,702</u>	<u>(1,533,773)</u>
<b>EXPENDITURES</b>				
Current:				
Downtown improvements design	-	-	-	-
I-70/SH 340 Gateway Enhancement	-	40,000	1,707	38,293
Greenway Business Park Rail Crossing	-	29,400	6,789	22,611
Family Health West improvements	-	-	-	-
Capital Outlay				
Mountain water system	-	-	-	-
Downtown improvements	650,000	511,475	482,145	29,330
Streets	1,530,000	1,530,800	1,175,350	355,450
Drainage Improvements	-	52,150	52,188	(38)
Parks and recreation	458,000	1,740,050	72,513	1,667,537
Building improvements	-	1,305,875	1,296,385	9,490
Total expenditures	<u>2,638,000</u>	<u>5,209,750</u>	<u>3,087,077</u>	<u>2,122,673</u>
Deficiency of revenues under expenditures	(1,345,000)	(2,318,275)	(1,729,375)	588,900
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,185,000	2,125,225	1,731,356	(393,869)
Change in net position - budgetary basis	<u>\$ (160,000)</u>	<u>\$ (193,050)</u>	1,981	<u>\$ 195,031</u>
Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position			-	
Change in net position - GAAP basis			<u>\$ 1,981</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, 2015**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
City sales	\$ 800,000	\$ 800,000	\$ 731,871	\$ (68,129)
Use tax	325,000	325,000	328,980	3,980
Charges for services	982,250	982,250	1,038,301	56,051
Investment income	-	-	20	20
Rents and royalties	35,000	35,000	43,927	8,927
Donations	-	825	1,239	414
Miscellaneous	-	4,700	16,796	12,096
Total revenues	<u>2,142,250</u>	<u>2,147,775</u>	<u>2,161,134</u>	<u>13,359</u>
<b>EXPENDITURES</b>				
Current				
Recreation	1,488,725	1,483,850	1,465,083	18,767
Capital expenses	9,500	20,000	16,175	3,825
Total expenditures	<u>1,498,225</u>	<u>1,503,850</u>	<u>1,481,258</u>	<u>22,592</u>
Excess of revenues over expenditures	<u>644,025</u>	<u>643,925</u>	<u>679,876</u>	<u>35,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reserves	(25,000)	(25,000)	(25,000)	-
Transfers in	95,000	95,000	95,000	-
Transfers out	<u>(713,925)</u>	<u>(713,925)</u>	<u>(713,925)</u>	<u>-</u>
Total other financing sources (uses)	<u>(643,925)</u>	<u>(643,925)</u>	<u>(643,925)</u>	<u>-</u>
Change in net position - budgetary basis	<u>\$ 100</u>	<u>\$ -</u>	35,951	<u>\$ 35,951</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position				
Add additions to reserves			<u>25,000</u>	
Change in net position - GAAP basis			<u>\$ 60,951</u>	

See accompanying independent auditor's report.

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## **Other Supplementary Information**

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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, 2015**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 247,125	\$ 247,467	\$ 342
Investment earnings	5,250	10,450	5,200
Total revenues	<u>252,375</u>	<u>257,917</u>	<u>5,542</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	50,000	50,000	-
Interest and fiscal charges	890,025	890,012	13
Total expenditures	<u>940,025</u>	<u>940,012</u>	<u>13</u>
Deficiency of revenues under expenditures	(687,650)	(682,095)	5,555
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	713,925	713,925	\$ -
Change in net position - budgetary basis	<u>\$ 26,275</u>	31,830	<u>\$ 5,555</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position		-	
Change in net position - GAAP basis		<u>\$ 31,830</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2015**

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	<b>Special Revenue Funds</b>		<b>Total</b>
	<b>Conservation Trust</b>	<b>Marketing and Promotion</b>	<b>Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 278,236	\$ 84,383	\$ 362,619
Taxes receivable	-	5,291	5,291
Total Assets	\$ 278,236	\$ 89,674	\$ 367,910
<b>LIABILITIES</b>			
Accounts payable	-	856	856
Total Liabilities	-	856	856
<b>FUND BALANCE</b>			
Restricted	188,136	82,791	270,927
Assigned	90,100	6,027	96,127
Total Fund Balances	278,236	88,818	367,054
Total Liabilities and fund balance	\$ 278,236	\$ 89,674	\$ 367,910

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, 2015**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
<b>REVENUES</b>			
Taxes			
Lodger's tax	\$ -	\$ 106,695	\$ 106,695
Intergovernmental revenue	121,379	-	121,379
Charges for services	-	\$ 203	203
Total revenues	<u>121,379</u>	<u>106,898</u>	<u>228,277</u>
<b>EXPENDITURES</b>			
Current			
Marketing and promotion	-	105,152	105,152
Capital outlay			
Total expenditures	<u>-</u>	<u>105,152</u>	<u>105,152</u>
Excess (deficiency) of revenues over (under) expenditures	121,379	1,746	123,125
<b>OTHER FINANCING SOURCES</b>			
Transfers out	<u>(67,014)</u>	<u>-</u>	<u>(67,014)</u>
Change in net position (budgetary basis)	\$ 54,365	\$ 1,746	\$ 56,111
Adjustments from budgetary basis to GAAP basis to arrive at change in net position	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position (GAAP basis)	<u>\$ 54,365</u>	<u>\$ 1,746</u>	<u>\$ 56,111</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, 2015**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 2,810,000	\$ 2,810,000	\$ 2,882,510	\$ 72,510
Investment income	4,300	4,300	5,998	1,698
Capital contributions - tap fees	264,000	264,000	217,800	(46,200)
Miscellaneous	100	100	4,390	4,290
Total revenues	<u>3,078,400</u>	<u>3,078,400</u>	<u>3,110,698</u>	<u>32,298</u>
<b>EXPENSES</b>				
Personnel services	666,750	669,700	620,270	49,430
Purchased services	243,125	252,700	218,890	33,810
Supplies	368,475	355,950	307,937	48,013
Debt service:				
Principal retirement	591,525	591,525	591,375	150
Interest and fiscal charges	575,375	575,375	575,357	18
Capital expenses	710,300	710,300	178,905	531,395
Reserves	1,395,000	1,395,000	1,500,000	(105,000)
Transfers out	150,000	765,000	755,510	9,490
Total expenses	<u>4,700,550</u>	<u>5,315,550</u>	<u>4,748,244</u>	<u>567,306</u>
Change in net position - budgetary basis	<u>\$ (1,622,150)</u>	<u>\$ (2,237,150)</u>	<u>\$ (1,637,546)</u>	<u>\$ 599,604</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,224,219)	
Add change in accrued interest payable			5,213	
Deduct change in compensation payable			(3,627)	
Add contributions from development			57,810	
Add addition to reserves			1,500,000	
Add principal retirement			591,375	
Add capital expenses			178,905	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ (481,943)</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, 2015**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>			
Charges for services	\$ 681,000	\$ 693,006	\$ 12,006
Investment income	-	-	-
Total revenues	<u>681,000</u>	<u>693,006</u>	<u>12,006</u>
<b>EXPENSES</b>			
Purchased services	631,000	634,266	(3,266)
Transfers out	50,000	46,700	3,300
Total expenses	<u>681,000</u>	<u>680,966</u>	<u>34</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 12,040</u>	<u>\$ 12,040</u>
Adjustments from budgetary basis to GAAP Basis to arrive			
Deduct depreciation		-	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ 12,040</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, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 28,800	\$ 30,800	\$ 2,000
Investment income	-	-	-
Total revenues	<u>28,800</u>	<u>30,800</u>	<u>2,000</u>
<b>EXPENSES</b>			
Purchased services	1,700	1,700	-
Supplies	-	-	-
Special projects	-	-	-
Transfers out	27,100	27,100	-
Total expenses	<u>28,800</u>	<u>28,800</u>	<u>-</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Deduct depreciation		(37,552)	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ (35,552)</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, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 95,500	\$ 99,352	\$ 3,852
Capital contributions - tap fees	-	-	-
Investment income	25	-	(25)
Total revenues	<u>95,525</u>	<u>99,352</u>	<u>3,827</u>
<b>EXPENSES</b>			
Personnel services	57,350	56,213	1,137
Purchased services	9,375	7,185	2,190
Supplies	14,150	12,008	2,142
Contingency	4,650	-	4,650
Reserves	-	-	-
Transfers out	10,000	10,000	-
Total expenses	<u>95,525</u>	<u>85,406</u>	<u>10,119</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 13,946</u>	<u>\$ 13,946</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Deduct depreciation		(9,385)	
Deduct compensation payable		(160)	
Change in net position - GAAP basis		<u>\$ 4,401</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, 2015**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 275,525	\$ 284,925	\$ 284,362	\$ (563)
Other revenues	-	-	-	-
Total revenues	<u>275,525</u>	<u>284,925</u>	<u>284,362</u>	<u>(563)</u>
<b>EXPENDITURES</b>				
Personnel services	161,250	179,150	180,769	(1,619)
Purchased services	2,700	2,450	1,896	554
Supplies	107,400	93,925	88,658	5,267
Reserves	-	-	-	-
Contingency	-	-	-	-
Capital equipment	-	9,400	9,400	-
Total expenditures	<u>271,350</u>	<u>284,925</u>	<u>280,723</u>	<u>4,202</u>
Change in net position - budgetary basis	<u>\$ 4,175</u>	<u>\$ -</u>	\$ 3,639	<u>\$ 3,639</u>
Adjustments from budgetary basis to GAAP basis				
to arrive at change in net position				
Deduct loss on disposal of equipment			(9,155)	
Deduct depreciation			(1,883)	
Deduct compensation payable			(2,001)	
Add capital expenses			<u>9,400</u>	
Change in net position - GAAP basis			<u>\$ -</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:  
City of Fruita  
YEAR ENDING :  
December 2015

This Information From The Records Of (example - City of \_ or County of \_ ) Prepared By:  
Phone:

**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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,370,857
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	568,815
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	41,901
2. General fund appropriations	756,341	b. Snow and ice removal	15,140
3. Other local imposts (from page 2)	799,522	c. Other	251,026
4. Miscellaneous local receipts (from page 2)	114,669	d. Total (a. through c.)	308,067
5. Transfers from toll facilities		4. General administration & miscellaneous	92,557
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	373,931
a. Bonds - Original Issues		6. Total (1 through 5)	2,714,227
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,670,532	b. Redemption	
<b>B. Private Contributions</b>	220,411	c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	823,284	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,714,227	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,714,227

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,714,227	2,714,227		(0)

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2015	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	12,599
1. Sales Taxes	553,187	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	75,959	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	2,070
5. Specific Ownership &/or Other	170,376	g. Other Misc. Receipts	100,000
6. Total (1. through 5.)	799,522	h. Other	
c. Total (a. + b.)	799,522	i. Total (a. through h.)	114,669
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	388,828	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	48,734	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	385,722	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	434,456	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	823,284	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			37,200
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			179,511
(2). Capacity Improvements			0
(3). System Preservation			1,147,358
(4). System Enhancement & Operation			6,788
(5). Total Construction (1) + (2) + (3) + (4)		0	1,333,657
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	1,370,857
			(Carry forward to page 1)
<b>Notes and Comments:</b>			