

CITY OF FRUITA

2018 FINANCIAL STATEMENTS



COMING TOGETHER
IS A BEGINNING.
KEEPING TOGETHER
IS PROGRESS.
WORKING TOGETHER
IS SUCCESS.

Henry Ford



City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2018

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City of Fruita
General Purpose Financial Statements
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**INDEPENDENT AUDITOR'S REPORT**

May 14, 2019

To the Honorable Mayor and City Council
City of Fruita, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Fruita, Colorado'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, Colorado, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-27 and 75–76 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, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the budget to actual schedules on pages 81 -89, and the 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budget to actual schedules included in supplementary information, the schedule of receipts and expenditures for roads, bridges, and streets, and the schedule of expenditures of federal awards 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 the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the City of Fruita, Colorado’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fruita, Colorado’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fruita, Colorado’s internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
Grand Junction, Colorado

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, 2018. Please read this in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- At year end, the city's *net position* was \$93 million. Of this amount \$14.1 million (15%) represents *unrestricted net position* which may be used to meet the city's ongoing obligations to the community.
- The city's *unrestricted net position* increased \$2.8 million (25%) from the prior year with \$2.8 million of the increase attributed to governmental activities.
- New capital assets of \$6.45 million were acquired in 2018. Of the amount, \$4.9 million were for governmental activities and \$1.6 million were for business-type activities. Significant capital events included completion of the Kokopelli Trail (\$2.8 million), infrastructure contributions from new development (\$1.3 million), SH 6 Sewer extension – in progress (\$511,011) and Cedar/Aspen and H2s mitigation sewer line improvements of \$308,126.
- The city retired \$882,641 in debt in 2018.
- General revenues for governmental activities (excluding transfers) increased \$1.3 million (16%) from the prior year. Sales and use tax revenues accounted for \$1.2 million of the \$1.3 million increase in general revenues with an increase of 20% from the prior year. At the same time, expenses for governmental activities only increased \$462,913 (4%).
- Total fund balances of governmental funds of \$14.1 million increased 18% (\$2.2 million).
- The General Fund unassigned fund balance of \$6.6 million represents 98% of the 2018 General Fund expenditures of \$6.7 million. The unassigned fund balance of budget for the General Fund increased \$1.4 million (27%) from the prior year.
- The Community Center fund balance of \$1.5 million increased 28% (\$329,362).
- The net position of the Sewer Fund increased 5% (\$1.2 million) from the prior year. The unrestricted net position of \$4.1 million remained relatively flat, increasing less than 1% (\$17,538).

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Fruita's basic financial statements. The city'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.

Management's Discussion and Analysis

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 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

Management's Discussion and Analysis

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 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.

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 city's assets exceeded its liabilities and deferred inflow of resources by \$93 million. The following table presents an analysis of the city's net position as of December 31, 2018.

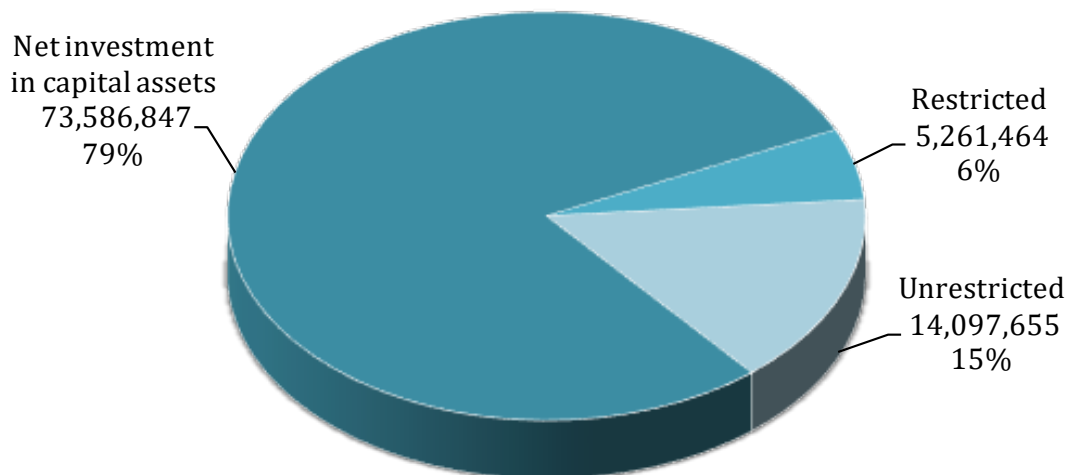
Management's Discussion and Analysis

CITY OF FRUITA NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>						
Current and other assets	\$ 17,310,184	\$ 14,589,469	\$ 6,464,131	\$ 5,999,218	\$ 23,774,315	\$ 20,588,687
Capital assets	63,846,169	61,236,933	40,014,783	39,776,345	103,860,952	101,013,278
Total assets	81,156,353	75,826,402	46,478,914	45,775,563	127,635,267	121,601,965
<u>LIABILITIES</u>						
Current and other liabilities	2,376,636	1,954,279	871,812	1,271,334	3,248,448	3,225,613
Long term liabilities	12,332,059	12,323,703	17,942,047	17,992,194	30,274,106	30,315,897
Total liabilities	14,708,695	14,277,982	18,813,859	19,263,528	33,522,554	33,541,510
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>						
	1,166,747	1,151,410	-	-	1,166,747	1,151,410
<u>NET POSITION</u>						
Net investment in capital assets	51,514,110	48,802,384	22,072,737	21,054,152	73,586,847	69,856,536
Restricted	4,299,161	4,906,322	962,303	870,213	5,261,464	5,776,535
Unrestricted	9,467,640	6,688,304	4,630,015	4,587,670	14,097,655	11,275,974
TOTAL NET POSITION	\$ 65,280,911	\$ 60,397,010	\$ 27,665,055	\$ 26,512,035	\$ 92,945,966	\$ 86,909,045

The following chart shows the components of net position as of December 31, 2018.

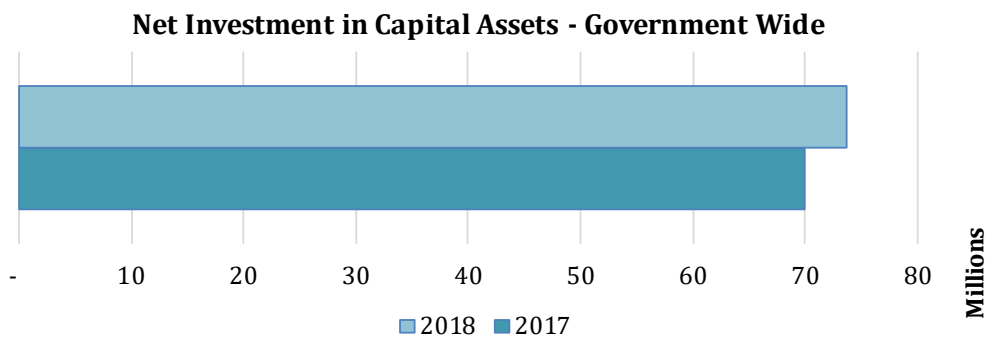
Net Position - \$93 million



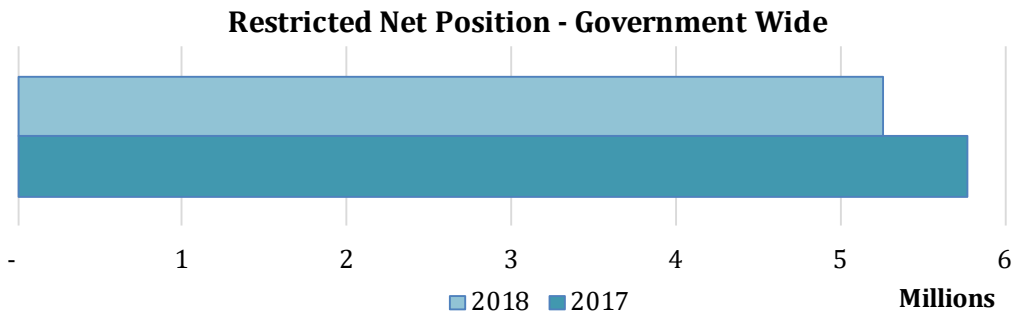
Management's Discussion and Analysis

The largest portion of the city's net position (79%) reflect its investment of \$73.6 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.

The City's net investment in capital assets increased \$3.7 million (5%) from the prior year.

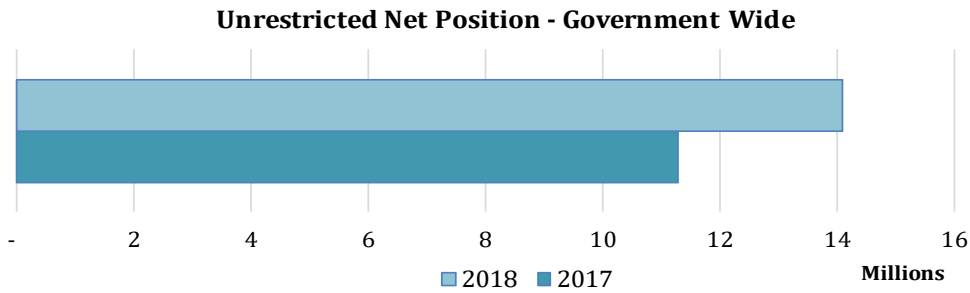


An additional portion of the city's net position of \$5.3 million (6%) represents resources that are subject to restrictions on how they may be used. Restricted net assets decreased \$515,071 (9%) from the prior year.



The remaining balance of \$14.1 million (15%) is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net assets increased \$2.8 million (25%) from the prior year.

Management's Discussion and Analysis



At the end of the current fiscal year, the city reports 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.

Analysis of Changes in Net Position

The city's overall net position increased \$6.0 million (7%) from the prior fiscal year. The following table shows changes in net position for 2017 and 2018. This increase is explained in the governmental activities and business-type activities discussion following the table.

Management's Discussion and Analysis

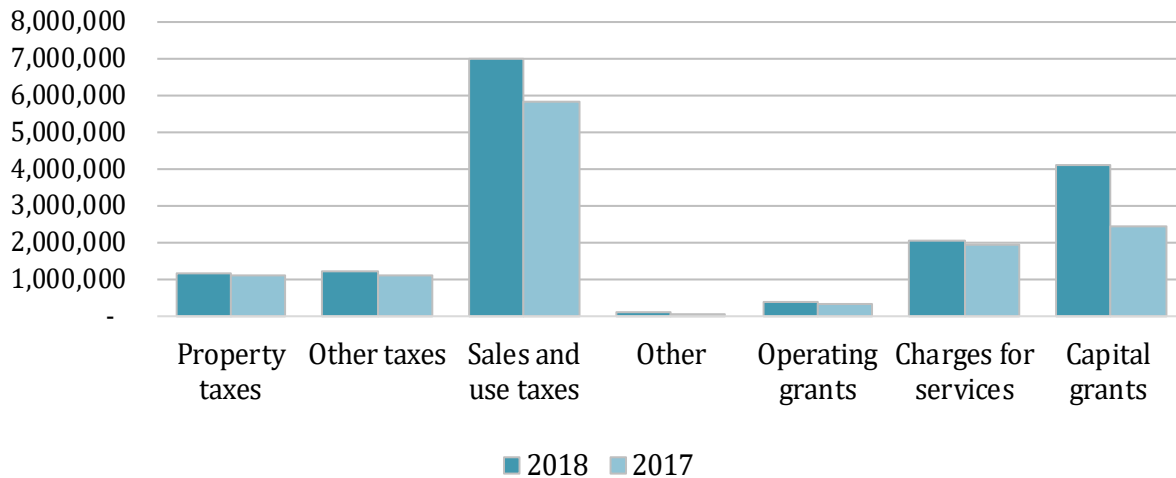
CHANGES IN NET POSITION						
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
<u>Program revenues</u>						
Charges for services	\$ 2,055,466	\$ 1,953,250	\$ 4,793,383	\$ 4,224,434	\$ 6,848,849	\$ 6,177,684
Operating grants and contributions	403,344	321,903	-	-	403,344	321,903
Capital grants and contributions	4,120,819	2,456,370	352,533	163,250	4,473,352	2,619,620
<u>General revenues:</u>						
Property taxes	1,146,137	1,123,312	-	-	1,146,137	1,123,312
Sales and use taxes	6,975,277	5,816,106	-	-	6,975,277	5,816,106
Other taxes	1,235,863	1,133,347	-	-	1,235,863	1,133,347
Other	116,606	79,525	75,047	49,950	191,653	129,475
Total revenues	16,053,512	12,883,813	5,220,963	4,437,634	21,274,475	17,321,447
Expenses:						
General government	2,015,969	1,891,738	-	-	2,015,969	1,891,738
Marketing & promotion	114,905	127,769	-	-	114,905	127,769
Parks and recreation	3,433,070	3,301,371	-	-	3,433,070	3,301,371
Public works	2,618,947	2,432,380	-	-	2,618,947	2,432,380
Public safety	2,323,431	2,286,421	-	-	2,323,431	2,286,421
Interest on long-term debt	892,403	896,133	-	-	892,403	896,133
Sewer	-	-	3,026,956	3,020,849	3,026,956	3,020,849
Trash	-	-	676,501	646,909	676,501	646,909
Devils Canyon Center	-	-	38,937	38,937	38,937	38,937
Irrigation water	-	-	96,435	102,603	96,435	102,603
Total expenses	11,398,725	10,935,812	3,838,829	3,809,298	15,237,554	14,745,110
before transfers	4,654,787	1,948,001	1,382,134	628,336	6,036,921	2,576,337
Transfers	229,114	211,000	(229,114)	(211,000)	-	-
Increase (decrease) in net position	4,883,901	2,159,001	1,153,020	417,336	6,036,921	2,576,337
Net position - beginning	60,397,010	58,238,009	26,512,035	26,094,699	86,909,045	84,332,708
Net position - ending	\$65,280,911	\$60,397,010	\$27,665,055	\$26,512,035	\$92,945,966	\$86,909,045

Governmental Activities. During the current fiscal year, net position for governmental activities of \$65.2 million reflect an increase of \$4.9 million (8%) from the prior fiscal year. Revenues exceeded expenses by \$4.6 million before transfers from business-type activities of \$229,114.

Revenues of \$16.1 million increased \$3.2 million (25%) in 2018. Highlights of this increase follows:

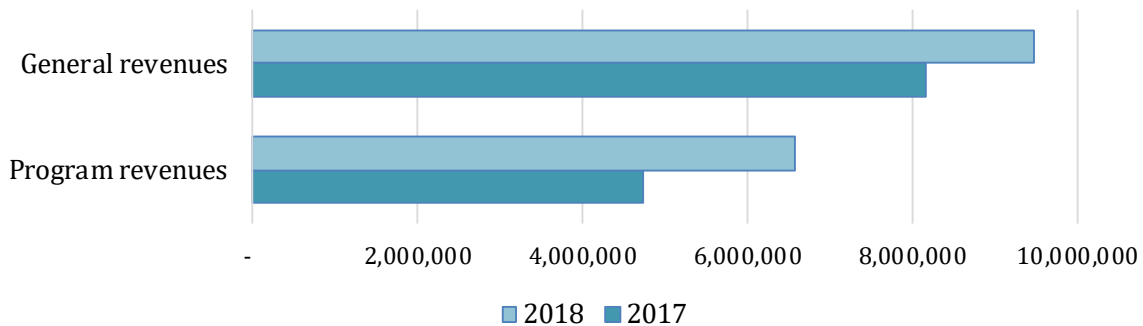
Management's Discussion and Analysis

Governmental Activity Revenues by Source



General revenues of \$9.5 million consist primarily of taxes and increased \$1.3 million (16%) from the prior year with increases in sales and use tax accounting for \$1.16 million (88%) of this increase.

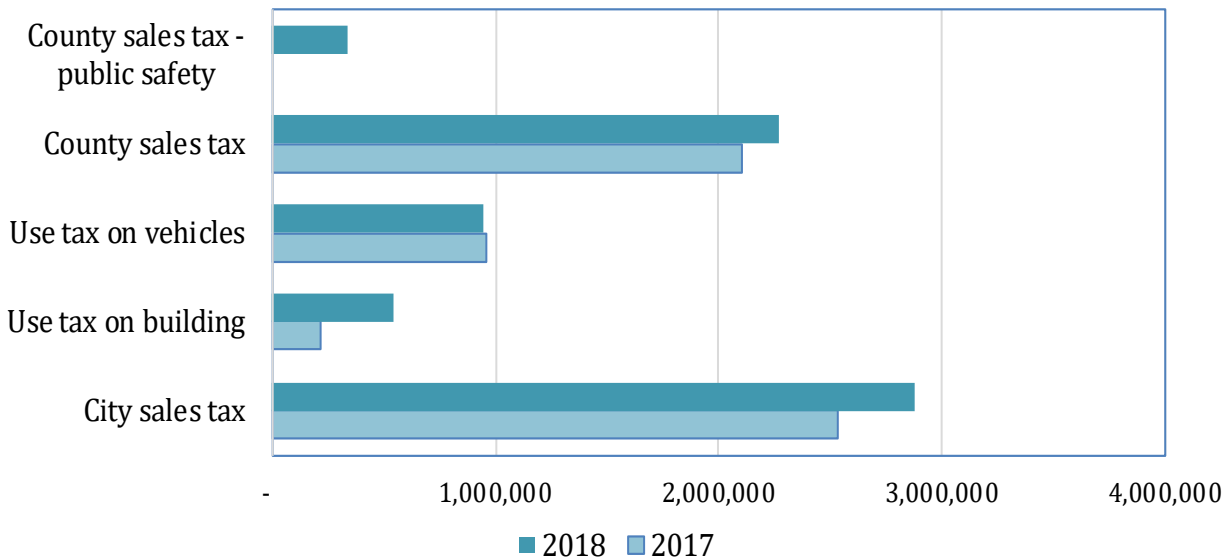
Governmental Activity Revenues



The following chart shows the changes in sales and use tax revenue. The voters approved a 0.37% increase in County sales tax that went into effect on January 1, 2018 that is dedicated for public safety. A portion of this sales tax increase (4.01%) is allocated to the City of Fruita for public safety purposes.

Management's Discussion and Analysis

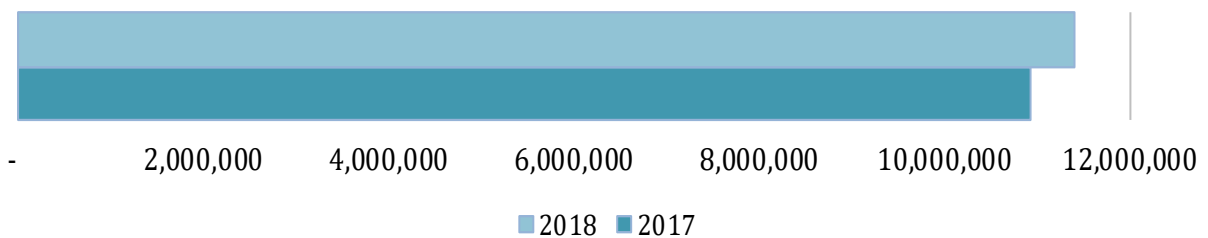
Sales and Use Tax Revenue



Program specific revenues of \$6.6 million consist of revenues attributed to specific governmental activities and increased \$1.8 million (39%) in 2018. Of this amount, capital grants and contributions increased \$1.7 million (68%), charges for services increased \$102,216 (5%) and operating grants increased \$81,441 (25%).

Expenses of \$11.4 million increased \$462,913 (4%) in 2018.

Governmental Activity Expenses



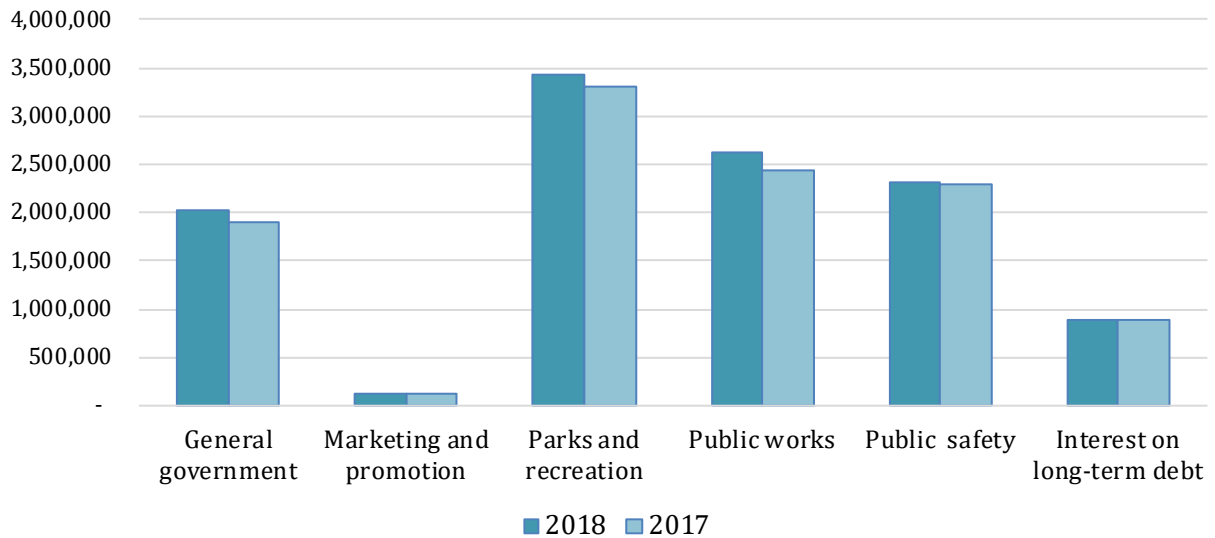
An explanation of significant changes in expenses follows:

- Public works programs of \$2.4 million increased \$186,567 (8%) which reflects the biennial chipsealing program.
- Parks and recreation programs of \$3.4 million increased \$131,699 (4%) which reflects increases due to the Kokopelli trail capital project.

Management's Discussion and Analysis

- General government programs of \$2 million increased \$124,231 (7%) which reflects new positions (accountant and planner), increased costs for information technology services, and biennial election expenses.

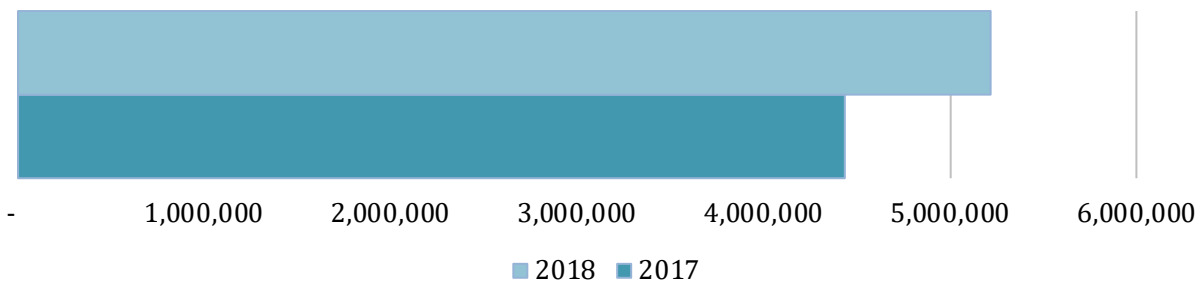
Governmental Activity Expenses by Program



Transfers. Transfers from business-type activities to governmental activities of \$229,000 increased \$18,000 (9%) from the prior year.

Business-type Activities. During the current fiscal year, net position for business type activities of \$27.7 million reflects an increase of \$1.15 million (4%) from the prior fiscal year.

Business-type Activity Revenues

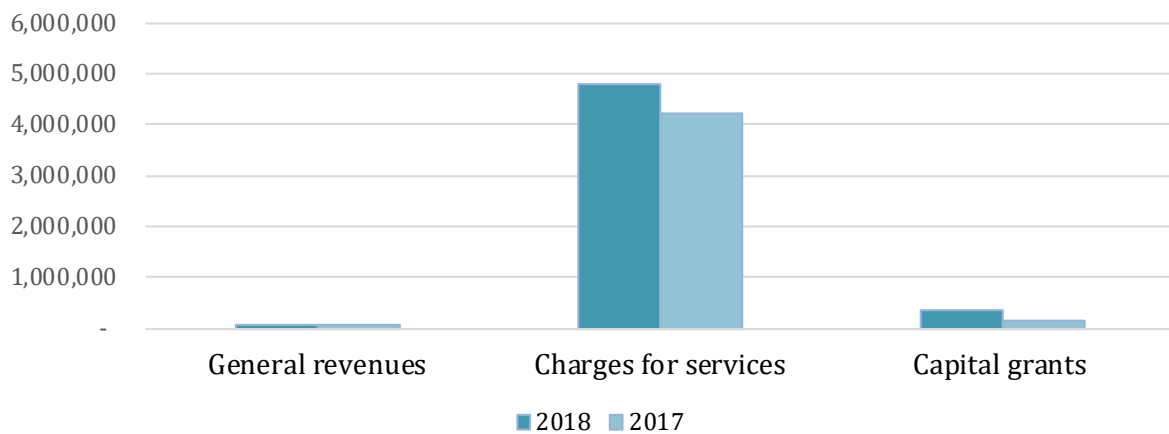


Revenues of \$5.2 million increased \$783,329 (18%) in 2018. Program specific revenues for business-type activities increased \$758,232 (17%) and accounted for the majority of the

Management's Discussion and Analysis

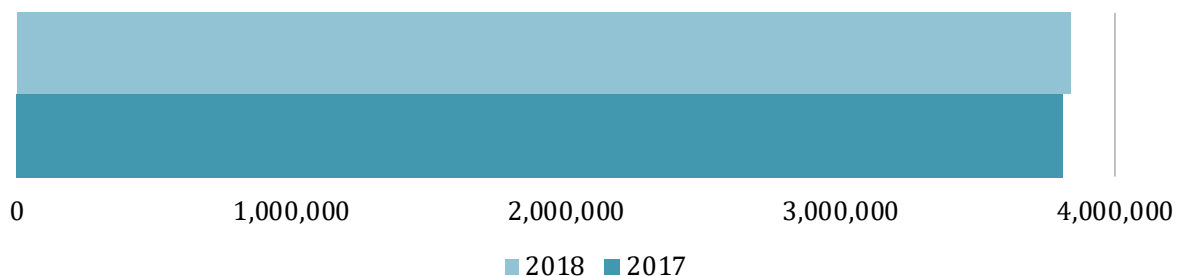
increase. Program revenues for business-type activities consist primarily of charges for services and increased \$568,949 (13%) in 2018. This increase is due to rate increases in sewer and trash services in 2018 and an increase in the number of sewer tap fees collected in 2018 (99% increase in revenue). Other program revenues include capital grants of \$352,533 and increased 116% from the prior year. Capital grants include a grant for the SH 6 sewer extension program and developer constructed sewer system improvements. General revenues of \$75,047, consisting primarily of investment earnings, increased \$25,097 (50%).

Business-type Activity Revenues by Source



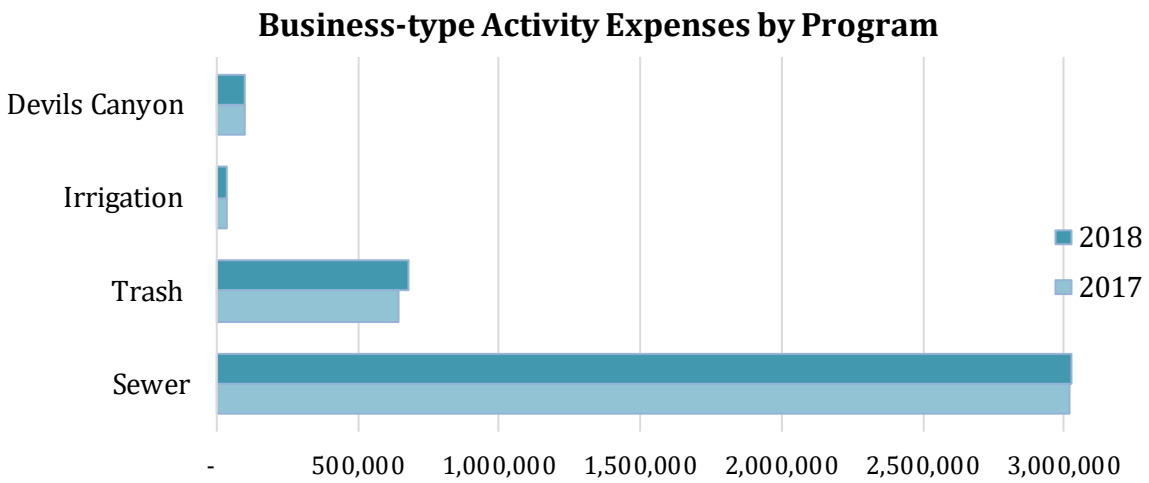
Expenses of business-type activities of \$3.8 million increased \$29,531 (1%) in 2018.

Business-type Activity Expenses



The following chart shows these expenses by activity with Sewer expenses accounting for 79% of the total expenses for business-type activities.

Management's Discussion and Analysis



Transfers. Transfers to governmental activities of \$229,114 increased 8% over the prior year.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

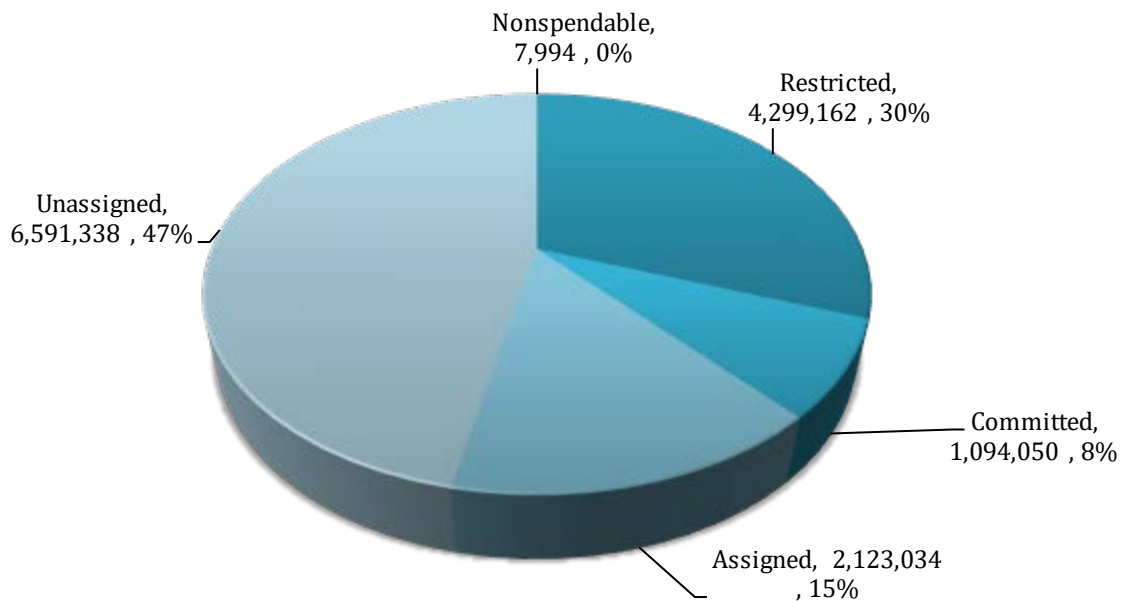
As noted earlier, the City of Fruita uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

Fund Balances.

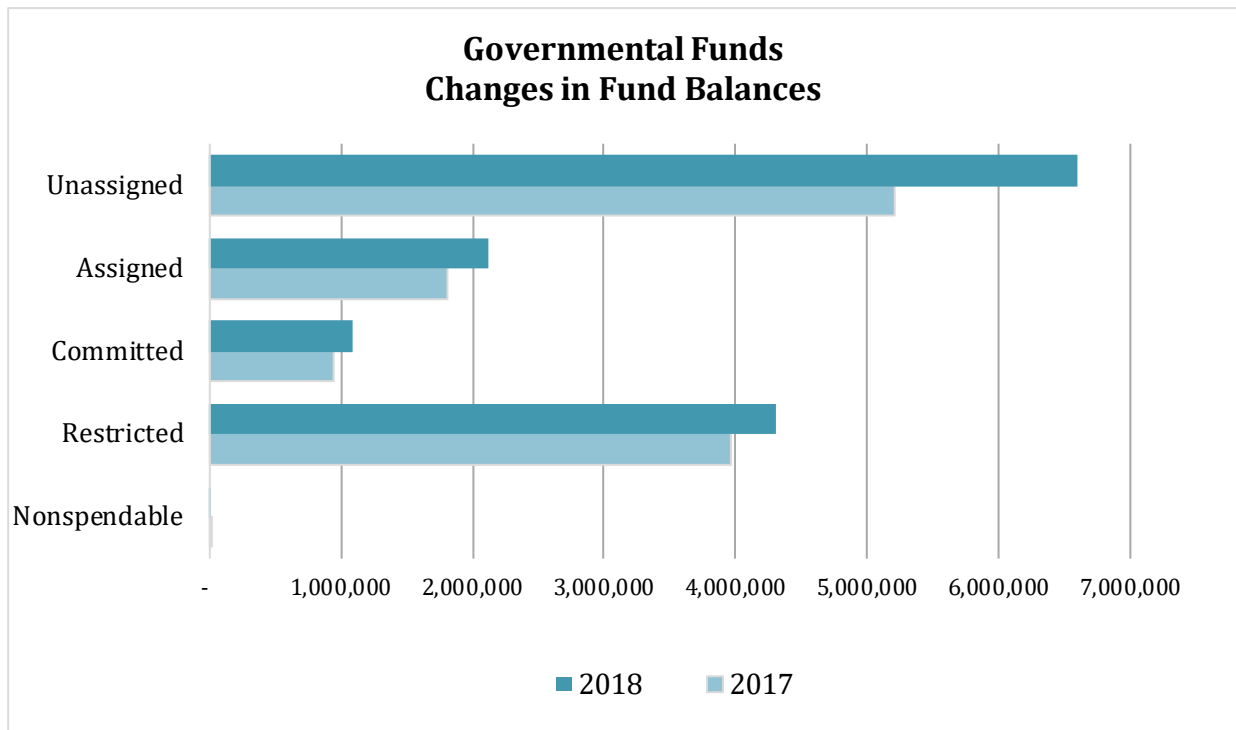
The City's governmental funds reported a combined year end fund balance of \$14.1 million.

Fund Balance of Governmental Funds - \$14.1 million



Components of fund balance include non-spendable, restricted, committed, assigned and unassigned amounts. The following information highlights the \$2.2 million (18%) increase in fund balance from the prior year.

Management's Discussion and Analysis



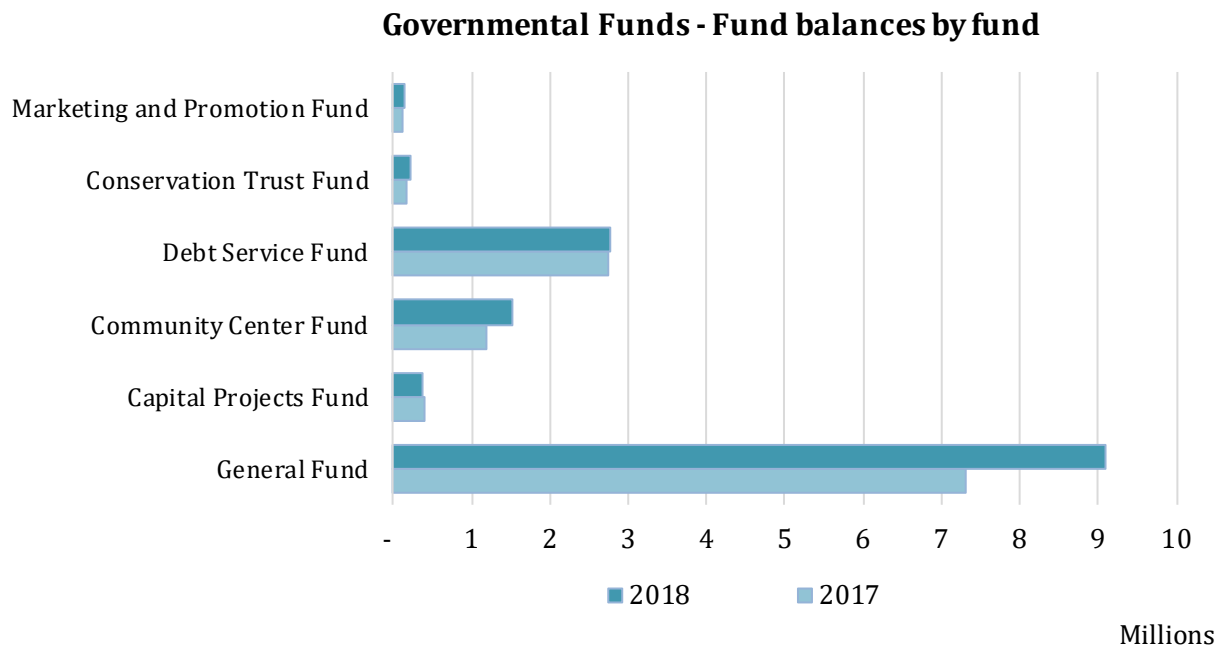
- Non-spendable fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of 7,994, an increase of \$557 (7%) from the prior year.
- Restricted fund balances of \$4.3 million (30% of the total fund balance) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. Special revenue funds report their balances as restricted for the purpose of that fund. Restricted fund balances increased \$332,783 (8%) from the prior year.
- Committed fund balance of \$1.1 million (8% of the total fund balance) represents the amount in the Community Center Fund committed to the 25% operating reserve and commitment of fund balance for Community Center building and equipment replacement. The committed fund balance increased \$154,107 (16%) from the prior year.
- Assigned fund balances of \$2.1million (15% of the total fund balance) are amounts assigned by the City Council or City Manager for specific purposes. The assigned fund balance increased \$36,426 (27%) from the prior year. The following table shows the changes in assigned fund balances and reflects the use of or addition to these funds pursuant to budget policies of the city.

Management's Discussion and Analysis

Assigned Fund Balances				
	2018	2017	\$ Change	% Change
Capital projects	153,157	239,711	(86,554)	-36%
Health insurance reserve	393,026	408,940	(15,914)	-4%
Replacement reserves	836,973	713,410	123,563	17%
Subsequent year expenses	674,005	392,300	281,705	72%
Other	65,873	52,247	13,626	26%
Total Assigned Balances	2,123,034	1,806,608	316,426	18%

- Unassigned fund balances of \$6.6 million (47% of the total fund balance) are available for spending at the City's discretion. The unassigned fund balance increased \$1.4 million (27%) from the prior year.

The following chart shows the \$2.2 million increase in fund balance by fund.



Proprietary funds

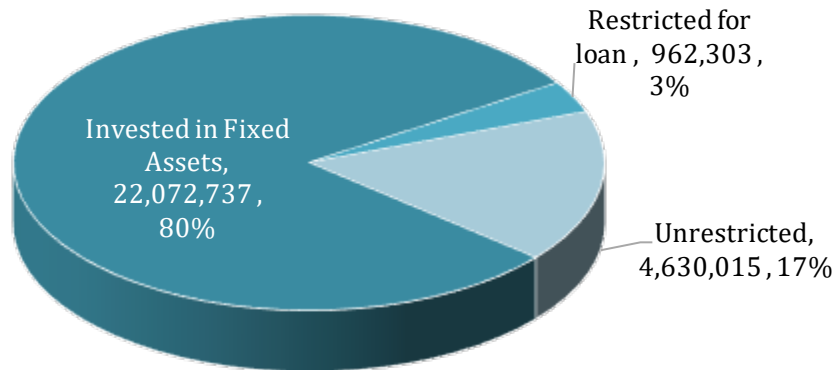
The city's proprietary fund statements provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The following is an analysis of the net position of the Sewer Fund.

Management's Discussion and Analysis

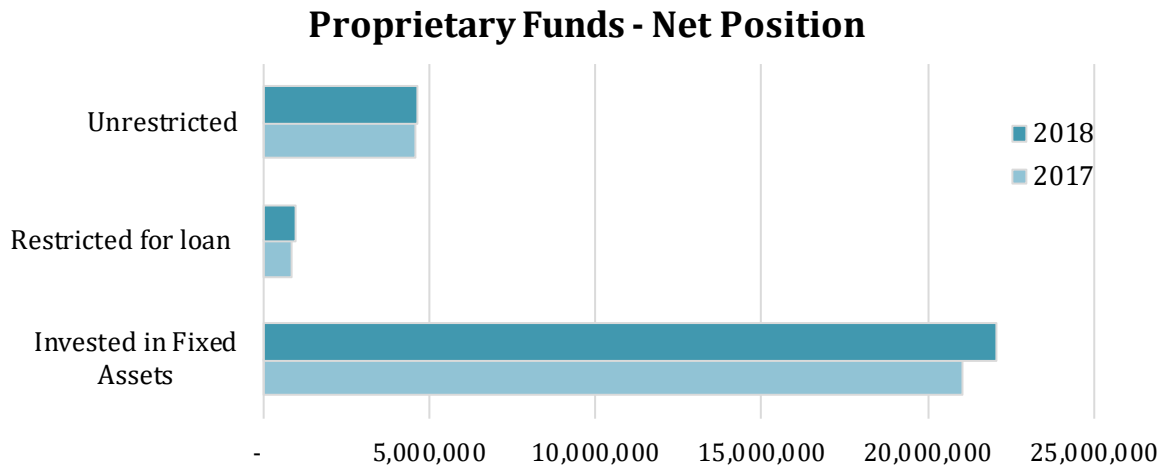
Net Position. The net position for business type activities of \$27.7 million reflects an increase of \$1.2 million (4%) from the prior fiscal year.

Components of net position include amounts invested in fixed assets (net of related debt), amounts restricted for loan covenants, and unrestricted amounts.

Net Position - Proprietary Funds



The following table shows the components of net position for the proprietary funds and highlights the \$1.2 increase in net position from the prior year.



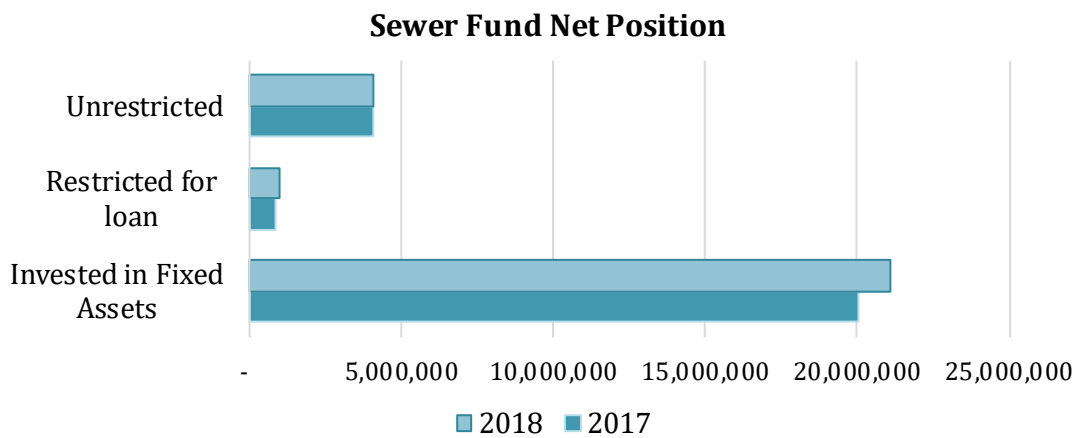
- Invested in fixed assets, net of related debt represents capital assets of \$21.1 million of the proprietary funds, net of depreciation and debt associated with specific capital assets and represents 80% of the net position of proprietary funds. The investment in capital assets increased \$1 million (5%) in 2018.
- Restricted for loan covenants represents funds restricted by loan covenant

Management's Discussion and Analysis

documents for the wastewater treatment facility loan in the amount of \$962,303 and represents 3% of the net position of proprietary funds. The amount restricted for loan covenants increased \$92,090 (11%) in 2018. Restricted amounts include a 25% operating reserve and a portion of the following years principal and interest payments on the loan.

- Unrestricted net position of \$4.6 million increased \$42,345 (1%) in 2018. Unrestricted net position is available for spending without restriction. As part of the unrestricted net position, \$1.5 million is designated for specific purposes including vehicle and equipment replacement and wastewater treatment facility replacement equipment and improvements.

Sewer Fund. The total net position of the Sewer Fund of \$26.2 million increased \$1.2 million (5%) from the prior year. The following chart shows the changes in net position.



- Investment in capital assets of \$21.1 million increased \$1.1 million (5%) in 2018. This change is due to the difference in assets acquired in 2018, depreciation of assets of the Sewer Fund and reduction in debt associated with capital assets.
- Unrestricted net position of \$4.1 million increased \$17,538 (less than 1%).
- Restricted amounts of \$962,303 increased \$92,090 (11%) and reflects changes in amounts required by the WWTF loan covenants.

The following table shows the change in net position by fund.

Management's Discussion and Analysis

Net Position by Fund				
	2018	2017	\$ Chg	% Chg
Sewer	26,161,939	24,989,413	1,172,526	5%
Trash	144,956	132,881	12,075	9%
Devils Canyon	1,062,627	1,103,719	(41,092)	-4%
Irrigation	295,533	286,022	9,511	3%
Total	27,665,055	26,512,035	1,153,020	4%

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 not completed in the prior year and other supplemental appropriations approved during the year. Amendments were made to the General Fund budget and appropriations for expenses increased \$152,925.

Final budget compared to actual results.

General Fund Budget to Actual Highlights				
Description	Budget	Actual	Variance	% of Variance
Revenues	\$ 7,467,950	\$ 8,528,659	\$ 1,060,709	48%
Expenses	(7,548,450)	(6,714,912)	833,538	38%
Other Financing Uses	(352,350)	(30,358)	321,992	15%
Excess revenues (expenses)	\$ (432,850)	\$ 1,783,389	\$ 2,216,239	100%

Revenues of \$8.53 million received in 2018 (excluding other financing sources) were in excess of budgeted revenues of \$7.47 million by \$1.06 million (14%). While revenues exceeded budget, there were some variances in individual revenues which require further analysis to determine potential future trends and impacts. The following table shows the most significant differences between budgeted and actual revenues.

Revenue Source	Budgeted revenues	Actual revenues	Variance	% Chg
City sales tax	\$ 1,640,000	\$ 1,920,662	\$ 280,662	17%
Use taxes	735,000	990,201	255,201	35%
County sales tax	2,075,000	2,273,150	198,150	10%
Intergovernmental revenue	619,175	731,213	112,038	18%

Management's Discussion and Analysis

City sales tax revenue was over budgeted amounts by 17% and 14% higher than the prior year indicating a continuation of improvement in the local economic conditions and a strong tourism component to the local economy. These revenues also include activity from the oil and gas industry which are not expected to recur on an annual basis. Future revenues are budgeted conservatively to account for an anticipated reduction in this sector of the local economy.

Use tax revenues exceeded budget by 35% and was 26% higher than the prior year. The city imposes a 3% use tax on vehicles and building materials. Use tax on building materials accounted for 95% of the variance in budget to actual revenues for use tax. The city budgets use tax on building materials conservatively as it can vary significantly from year to year. Factors attributing to this include several larger commercial projects which including the expansion of FHE and construction of a new restaurant and the issuance of 93 planning clearances for new residential construction, an increase of 102% as compared to the issuance of 46 planning clearances for new residential construction in the prior year.

County sales tax revenue exceeded budgeted amounts by \$198,150 (10%) and was 8% higher than the prior year. This increase in revenue indicates that the regional economy is continuing to improve as well as the local Fruita economy.

Intergovernmental revenues exceeded budget by 18% and were 21% higher than the prior year. Severance tax and mineral lease revenue, similar to use tax on building materials, are budgeted conservatively as they tend to fluctuate significantly from year to year. Severance and mineral lease tax revenues exceeded budget by \$33,470 (40%) and were 8% higher than the prior year. Another significant component of intergovernmental revenues includes highway users tax funds (HUTF) distributed by the State. These revenues exceeded budget by 25% and were 24% higher than the prior year. This increase was due to a special distribution of \$107,805 as a result of the passage of Senate Bill 18-001 which included a special distribution of \$74.25 million to cities and counties for the state's fiscal year 2018-2019 and \$22.5 million for fiscal year 2019-2020 from the State's General Fund revenues.

Expenses of \$6.7 million in 2018 (excluding other financing uses) were under the final budgeted amount of \$7.5 million by \$833,538 (11%). There were no expenses in excess of budget on a department wide basis. The following table shows the variances between budget and actual expenses by department.

Management's Discussion and Analysis

General Fund Expenses - Budget to Actual

<u>Department</u>	<u>Budgeted</u> <u>expenses</u>	<u>Actual</u> <u>expenses</u>	<u>Difference</u>	<u>% (Under)</u> <u>Over Budget</u>
General government	\$ 384,600	\$ 369,060	\$ (15,540)	-4%
Administration	767,070	678,518	(88,552)	-12%
Community development	297,750	250,709	(47,041)	-16%
Public safety	2,217,850	2,142,834	(75,016)	-3%
Public works	1,817,075	1,667,696	(149,379)	-8%
Parks and recreation	1,088,600	1,000,339	(88,261)	-8%
Non-departmental	601,850	294,396	(307,454)	-51%
Capital outlay	373,655	311,360	(62,295)	-17%
Total operating expenses	\$ 7,548,450	\$ 6,714,912	\$ (833,538)	-11%

Non-departmental expenses were under budget by 51%. This difference was due to unspent contingency funds for general operations, health insurance risk/reward payments and economic development.

Capital outlay expenses were under budget by 17%. This difference was due to savings on capital equipment purchases and timing of purchases.

Community development expenses were under budget by 16%. This difference was due to personnel cost savings due to new positions budgeted for the full year but not filled until later in the year.

Administration expenses were under budget by 12%. This difference was due to personnel cost savings due to a new position budgeted for the full year but not filled until later in the year and termination of the priority based budgeted program expenses.

All other departments were individually under budget by 0% to 10% and cumulatively account for 39% of the difference between budgeted and actual expenses.

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds, insurance damage awards, proceeds from sale of capital assets and other special revenue or expense items. Other financing sources (uses) had a favorable budget variance of \$321,992. 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.

Management's Discussion and Analysis

Other Financing Sources (Uses)

Description	Budgeted source (use)	Actual source (use)	Difference	% (Under) Over Budget
Transfers in	\$ 225,000	\$ 225,000	-	0%
Transfers out	(606,550)	(336,005)	270,545	-45%
Insurance damage awards	29,200	45,624	16,424	N/A
Sale of capital assets	-	35,023	35,023	100%
Total other financing uses	\$ (352,350)	\$ (30,358)	\$ 321,992	-91%

COMMUNITY CENTER FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The city's final budget differs from the original budget in that it includes a supplemental appropriation approved during the year for Nite at the FCC youth activities for \$1,400.

Final budget compared to actual results.

Community Center Fund Budget to Actual Highlights

Description	Budget	Actual	Variance	% of Variance
Revenues	\$ 2,465,375	\$ 2,733,647	268,272	81%
Expenses	(1,825,875)	(1,764,785)	61,090	19%
Other Financing Uses	(639,500)	(639,500)	-	0%
Excess revenues (expenses)	\$ -	\$ 329,362	\$ 329,362	100%

Revenues of \$2.7 million received in 2018 (excluding other financing sources) were in excess of budgeted revenues of \$2.5 million by \$268,272 (11%). City sales and use tax revenues account for 100% of this increase.

Revenue Source	Budgeted revenues	Actual revenues	Variance	% Chg
Sales and use taxes	\$ 1,187,500	\$ 1,455,432	\$ 267,932	23%
Charges for services	1,226,475	1,232,847	6,372	1%
Rents	50,000	40,115	(9,885)	-20%
Other	1,400	5,253	3,853	275%
	\$ 2,465,375	\$ 2,733,647	\$ 268,272	11%

Management's Discussion and Analysis

Expenses of \$1.76 million (excluding other financing uses) were under the final budgeted amount of \$1.82 million by \$61,090 (3%). There were no expenses in excess of budget on a department wide basis. The following table shows the variances between budget and actual expenses by program.

Community Center Fund Expenses - Budget to Actual				
<u>Program</u>	<u>Budgeted</u> <u>expenses</u>	<u>Actual</u> <u>expenses</u>	<u>Difference</u>	<u>% (Under)</u> <u>Over Budget</u>
Administration	\$ 417,550	\$ 398,424	\$ (19,126)	-5%
Aquatics	525,625	513,697	(11,928)	-2%
Youth activities	120,150	119,219	(931)	-1%
Athletics	20,800	13,814	(6,986)	-34%
Child care	39,300	37,325	(1,975)	-5%
Fitness/wellness programs	89,175	87,581	(1,594)	-2%
Senior programs	105,600	104,496	(1,104)	-1%
Building maintenance	431,875	428,266	(3,609)	-1%
Capital	75,800	61,963	(13,837)	-18%
Total operating expenses	\$ 1,825,875	\$ 1,764,785	\$ (61,090)	-3%

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds.

Other Financing Sources (Uses)				
<u>Description</u>	<u>Budgeted</u> <u>source (use)</u>	<u>Actual source</u> <u>(use)</u>	<u>Difference</u>	<u>% (Under)</u> <u>Over Budget</u>
Transfers in	\$ 95,000	\$ 95,000	\$ -	0%
Transfers out	(734,500)	(734,500)	-	0%
Total other financing uses	\$ (639,500)	\$ (639,500)	\$ -	0%

SEWER FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The city's final budget differs from the original budget in that it includes a supplemental appropriation approved during the year for projects not completed in the prior year, the SH 6 sewer extension projects, and the Cedar Way/Aspen Street sewer improvement projects in the amount of \$347,525.

Management's Discussion and Analysis

Final budget compared to actual results.

Sewer Fund Budget to Actual Highlights

<u>Description</u>	<u>Final Budget</u>	<u>Actuals</u>	<u>Variance</u>	<u>% (Under) Over Budget</u>
Revenues	\$ 4,096,600	\$ 4,139,437	42,837	1%
Expenses	(5,092,150)	(4,036,955)	1,055,195	-21%
Excess revenues (expenses)	\$ (995,550)	\$ 102,482	\$ 1,098,032	-110%

Revenues of \$4.14 million received in 2018 were in excess of budgeted revenues of \$4.10 million by \$42,837 (1%).

Expenses of \$4.0 million were under the final budgeted amount of \$5.1 million by \$1.1 million (21%). There were no expenses in excess of budget on a program basis.

The following table shows the variances between budget and actual expenses by program.

<u>Revenue Source</u>	<u>Budgeted revenues</u>	<u>Actual revenues</u>	<u>Variance</u>	<u>% Chg</u>
Administration	\$ 174,500	\$ 159,150	\$ (15,350)	-9%
Collections	377,700	343,912	(33,788)	-9%
Treatment	825,200	766,245	(58,955)	-7%
Debt Service	1,254,225	1,254,206	(19)	0%
Capital	2,300,525	1,353,442	(947,083)	-41%
Transfers out	160,000	160,000	-	0%
Total Expenses	\$ 5,092,150	\$ 4,036,955	\$ (1,055,195)	-21%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Fruita's 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.

Capital asset additions in 2018 of \$6.4 million include the following:

Management's Discussion and Analysis

Capital Assets

Governmental Funds		Proprietary Funds	
Welcome Center kiosk	\$ 3,918	WWTF improvements	\$ 17,226
Aspen alley infrastructure	2,630	Cedar/Aspen and H2S	308,126
Kokopelli trail	2,784,539	Lift stations	15,962
LSWP land acquisition	613	SH 6 Sewer extension	511,011
Park improvements	13,866	Mobile equipment	89,961
Drainage improvements	258,178	Equipment/Furniture	416,400
Sidewalk improvements	139,251	Capital contributions	
Crosswalk improvements	14,151	Village @ Country Creek	41,325
Computer equipment	72,859	Pinewood Estates	25,334
Mobile equipment	205,643	Adobe Falls, F2	120,925
Equipment/Furniture	116,277	Soren Estates	33,460
Capital contributions:			
Village @ Country Creek	186,380		
Pinewood Estates	175,331		
Adobe Falls, F2	770,235		
Soren Estates	106,898		
Harrison Townhomes	18,720		
Total	\$ 4,869,489	Total	\$ 1,579,730

Depreciation expense of \$3.5 million included \$2.2 million in governmental activities and \$1.3 million in business type activities. The City disposed of \$607,312 in capital assets with a book value of \$62,664.

Long-term Debt. At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$30,274,106. Of this amount, \$17.9 million is a loan backed by user fees and charges of the sewer system, \$12.1 million in bonds is backed by a one cent city sales and use tax which is dedicated for the community center, \$187,089 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa, and \$169,885 is for compensated absences payable from future revenues of the City. The City of Fruita's total debt decreased by \$882,641 in 2018.

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.

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2019 Budget prioritizes the resources available to the city and sets a course of action to implement the goals set by the City Council. While striving to remain fiscally conservative, the city is fortunate to maintain focus and remain positive. Efforts of the past have paid off to sustain the City during down times and recent efforts are paying off for the future. The City's economy has stabilized faster than most on the western slope as Fruita continues to be a desirable community to live, play and work and outdoor enthusiasts continue to flock to the City. The 2019 budget continues to be 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.

While revenues are budgeted conservatively in 2019, the City continues to see benefits from its reputation as a family friendly community and an outdoor recreation mecca for both local, regional and national visitors. The City's proximity to the Colorado National Monument, the Colorado River, numerous trails for biking and hiking and other amenities continue to draw tourists and visitors to the area, as well as permanent residents who value the quality of place and lifestyle that Fruita offers.

The following economic factors currently affect the City of Fruita and were considered in developing the 2019 fiscal year budget.

2019 General Fund Revenues. General Fund revenues for 2018 are budgeted to decrease 6% from 2018 actual revenues and increase 7% from 2017 budgeted revenues. However, the recent Wayfair decision will have a positive impact on city tax revenues, with the implementation of sales tax on internet sales and deliveries.

2019 Personnel Costs. The 2019 budget places a priority on increasing compensation of the City's workforce. In 2019, the pay plan will be analyzed with focus on correct classification of employees within the pay plan and fair market value comparisons with other cities in Colorado. The 2019 Budget includes a 5% increase in salaries and an improved health care plan. In addition, 3 maintenance worker I positions will be reclassified to maintenance worker 2 positions, there are pay adjustments to corporal positions to provide internal equity, conversion of a part time maintenance worker 1 to a full time position in sewer collections, and 4 new full time positions including a Best and Brightest intern, an engineering intern, a Community Center facility manager and a Community Center aquatics coordinator. The annual increase of \$0.90 per hour in minimum wage (until 2020 when it reaches \$12.00 per hour and annual increases thereafter based on CPI) has and will continue to have a significant impact on the Fruita Community Center. In addition, the increase in minimum wage results in compression issues in the pay plan and will need to be addressed with future budgets.

Management's Discussion and Analysis

Capital investments. The 2019 budget includes \$3.9 million investment in capital projects and equipment with for both business-type and governmental activities.

Special projects. A significant amount of resources (\$225,000) have been allocated towards long term planning efforts in the 2019 Budget including an update to the Community Master Plan and an update to the Parks, Health, Recreation, Open space and Trails Plan. This investment will provide the future framework for growth and development in the City and insure that resources are being allocated appropriately for the long-term growth and development of the City.

Economic development. The city continues its economic development efforts to attract and retain businesses, with a special emphasis and focus on businesses involved with outdoor recreation. Fruita continues to attract a number of visitors that take advantage of the region's outdoor recreation opportunities with a special focus on biking enthusiasts. New commercial development in 2018 include the opening of Jimmy Johns sandwich shop, the Imondi Wakeboard/Cable Park, Starbucks, Munchies Deli, remodeling of schools, and a significant expansion of a manufacturing business. In 2019, permits have been issued for new construction of Einstein Bagels and Qdoba. In addition, a new elementary school will be built to handle increased growth in the Fruita area.

User fees and charges. User charges in the utility funds (sewer, trash and irrigation) are established to cover operating and capital costs. Rate increases went into effect on January 1, 2019 for these services. Monthly trash collection charges increased \$0.50 (4%) and reflects the increase allowed under the contract with the current provider of trash collections services. Sewer rates for residential customers were increased \$1.00 (2%) per month.

Tabor. The City of Fruita asked voters at the April 3, 2018 election for approval to continue the revenue retention measure allowing to City to keep and spend revenue in excess of fiscal year spending limits on capital projects and maintenance of capital projects. The current measure is set to expire at December 31, 2018. The voters overwhelmingly approved this measure for another six years.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

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City of Fruita, Colorado
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 8,436,925	\$ 4,755,311	\$ 13,192,236
Receivables	1,201,996	746,517	1,948,513
Intergovernmental receivable	4,085,267	-	4,085,267
Inventories	7,994	-	7,994
Restricted assets:			
Restricted cash	3,578,002	962,303	4,540,305
Capital assets (net of accumulated depreciation)			
Land	8,366,452	1,046,173	9,412,625
Source of supply	-	14,712	14,712
Buildings, net	15,516,447	645,377	16,161,824
Systems, net	30,775,109	37,687,815	68,462,924
Machinery and equipment, net	9,188,161	607,496	9,795,657
Construction in progress	-	13,210	13,210
Total Assets	<u>81,156,353</u>	<u>46,478,914</u>	<u>127,635,267</u>
LIABILITIES			
Accounts payable and other current liabilities	563,924	640,273	1,204,197
Accrued interest payable	219,497	209,808	429,305
Compensated absences payable	148,154	21,731	169,885
Customer deposits payable	7,095	-	7,095
Unearned revenues	1,437,966	-	1,437,966
Noncurrent liabilities:			
Due within one year (bonds and notes)	136,016	780,000	916,016
Due in more than one year (bonds and notes, net)	12,196,043	17,162,047	29,358,090
Total Liabilities	<u>14,708,695</u>	<u>18,813,859</u>	<u>33,522,554</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,166,747	-	1,166,747
Total Deferred Inflows of Resources	<u>1,166,747</u>	<u>-</u>	<u>1,166,747</u>
NET POSITION			
Net investment in capital assets	51,514,110	22,072,737	73,586,847
Restricted for:			
Debt service	2,774,027	962,303	3,736,330
Marketing and promotion	132,738	-	132,738
Community center	423,183	-	423,183
Parks and open space	222,840	-	222,840
Streets and drainage	274,099	-	274,099
Public safety	72,274	-	72,274
Emergency reserves	400,000	-	400,000
Unrestricted	9,467,640	4,630,015	14,097,655
Total Net Position	<u>\$ 65,280,911</u>	<u>\$ 27,665,055</u>	<u>\$ 92,945,966</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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 2,015,969	\$ 265,889	\$ -	\$ -	\$ (1,750,080)	\$ -	\$ (1,750,080)
Marketing and promotion	114,905	128,724	-	-	13,819	-	13,819
Parks and recreation	3,433,070	1,534,598	146,975	2,716,954	965,457	-	965,457
Public works	2,618,947	91,214	-	1,403,865	(1,123,868)	-	(1,123,868)
Public safety	2,323,431	11,575	7,103	-	(2,304,753)	-	(2,304,753)
Interest on long-term debt	892,403	23,466	249,266	-	(619,671)	-	(619,671)
Total governmental activities	<u>11,398,725</u>	<u>2,055,466</u>	<u>403,344</u>	<u>4,120,819</u>	<u>(4,819,096)</u>	<u>-</u>	<u>(4,819,096)</u>
BUSINESS-TYPE ACTIVITIES							
Sewer	3,026,956	3,932,640	-	352,533	-	1,258,217	1,258,217
Trash	676,501	743,488	-	-	-	66,987	66,987
Devils Canyon Center	38,937	1,386	-	-	-	(37,551)	(37,551)
Irrigation water	96,435	115,869	-	-	-	19,434	19,434
Total business-type activities	<u>3,838,829</u>	<u>4,793,383</u>	<u>-</u>	<u>352,533</u>	<u>-</u>	<u>1,307,087</u>	<u>1,307,087</u>
Total government	<u>\$ 15,237,554</u>	<u>\$ 6,848,849</u>	<u>\$ 403,344</u>	<u>\$ 4,473,352</u>	<u>(4,819,096)</u>	<u>1,307,087</u>	<u>(3,512,009)</u>
General Revenues:							
					1,146,137	-	1,146,137
					6,975,277	-	6,975,277
					143,470	-	143,470
					487,443	-	487,443
					400,768	-	400,768
					204,182	-	204,182
					120,673	69,496	190,169
					(4,067)	5,551	1,484
Transfers					229,114	(229,114)	-
Total general revenues and transfers					<u>9,702,997</u>	<u>(154,067)</u>	<u>9,548,930</u>
Change in net position					4,883,901	1,153,020	6,036,921
Net position - beginning					<u>60,397,010</u>	<u>26,512,035</u>	<u>86,909,045</u>
Net position - ending					<u>\$ 65,280,911</u>	<u>\$ 27,665,055</u>	<u>\$ 92,945,966</u>

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	Major Funds			Nonmajor Funds		Total
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
ASSETS						
Cash and investments	\$ 5,918,047	\$ -	\$ 1,411,638	\$ 704,263	\$ 376,860	\$ 8,410,808
Accounts receivable	30,560	400	-	-	-	30,960
Taxes receivable	1,166,747	-	-	-	4,288	1,171,035
Due from other funds	2,368,026	-	-	-	-	2,368,026
Due from other governments	1,084,938	2,763,101	174,712	62,517	-	4,085,268
Inventories	7,994	-	-	-	-	7,994
Cash - restricted	140,870	1,429,885	-	2,007,247	-	3,578,002
Total Assets	10,717,182	4,193,386	1,586,350	2,774,027	381,148	19,652,093
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	264,347	194,619	67,717	-	29,998	556,681
Due to other funds	-	2,368,026	-	-	-	2,368,026
Deposits payable	5,695	-	1,400	-	-	7,095
Unearned revenues	187,009	1,250,957	-	-	-	1,437,966
Total Liabilities	457,051	3,813,602	69,117	-	29,998	4,369,768
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	1,166,747	-	-	-	-	1,166,747
Total deferred inflows of resources	1,166,747	-	-	-	-	1,166,747
Fund Balances:						
Nonspendable:	7,994	-	-	-	-	7,994
Restricted:						
Debt Service	-	-	-	2,774,027	-	2,774,027
Marketing	-	-	-	-	132,738	132,738
Community center	-	-	423,183	-	-	423,183
Parks and open space	-	4,429	-	-	218,412	222,841
Streets and drainage	4,631	269,468	-	-	-	274,099
Public safety	72,274	-	-	-	-	72,274
Emergency reserve	400,000	-	-	-	-	400,000
Committed:	-	-	1,094,050	-	-	1,094,050
Assigned:						
Equipment replacement reserve	836,973	-	-	-	-	836,973
Subsequent year expenses	674,005	-	-	-	-	674,005
Health insurance reserve	393,026	-	-	-	-	393,026
Capital projects	47,270	105,887	-	-	-	153,157
Scholarship Program	31,078	-	-	-	-	31,078
Art Acquisition Fund	21,478	-	-	-	-	21,478
War memorial maintenance	8,713	-	-	-	-	8,713
Senior Programs	3,726	-	-	-	-	3,726
Court appointed counsel	878	-	-	-	-	878
Unassigned:						
Unassigned	4,904,528	-	-	-	-	4,904,528
Operating reserve	1,686,810	-	-	-	-	1,686,810
Total fund balances	9,093,384	379,784	1,517,233	2,774,027	351,150	14,115,578
Total liabilities, deferred inflows of resources and fund balances	\$ 10,717,182	\$ 4,193,386	\$ 1,586,350	\$ 2,774,027	\$ 381,148	\$ 19,652,093

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

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

Total fund balances of governmental funds	\$ 14,115,578
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$22,471).	63,846,169
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 position.	18,874
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts (\$4,371).	(12,699,710)
Net position of governmental activities	<u>\$ 65,280,911</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, 2018

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
REVENUES						
Taxes:						
Property	\$ 1,146,137	\$ -	\$ -	\$ -	\$ -	\$ 1,146,137
City sales	1,920,662	-	960,331	-	-	2,880,993
County sales	2,273,150	-	-	-	-	2,273,150
County sales - Public safety	335,832	-	-	-	-	335,832
Use tax	990,201	-	495,101	-	-	1,485,302
Other	581,539	-	-	-	128,724	710,263
Licenses and permits	32,729	-	-	-	-	32,729
Intergovernmental revenues	731,213	2,767,079	-	249,266	128,379	3,875,937
Charges for services	266,198	-	1,232,847	-	80	1,499,125
Fines, forfeitures, assessments	21,106	246	-	-	-	21,352
Development impact fees	40,000	56,175	-	-	-	96,175
Investment earnings	90,164	22,499	1,654	28,137	275	142,729
Rents and royalties	38,947	-	40,115	-	-	79,062
Donations	55,829	71,503	2,300	-	-	129,632
Miscellaneous	4,952	-	1,299	-	-	6,251
Total revenues	<u>8,528,659</u>	<u>2,917,502</u>	<u>2,733,647</u>	<u>277,403</u>	<u>257,458</u>	<u>14,714,669</u>
EXPENDITURES						
Current:						
General government	369,060	-	-	-	-	369,060
Administration	678,518	-	-	-	-	678,518
Community development	250,709	-	-	-	-	250,709
Marketing and promotion	-	-	-	-	114,905	114,905
Public safety	2,142,834	-	-	-	-	2,142,834
Public works	1,667,696	4,114	-	-	-	1,671,810
Parks and recreation	1,000,339	-	1,702,822	-	10,000	2,713,161
Non-departmental	294,396	-	-	-	-	294,396
Debt service	-	-	-	100,000	-	100,000
Principal retirement	-	-	-	882,738	-	882,738
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	311,360	3,238,602	61,963	-	-	3,611,925
Total expenditures	<u>6,714,912</u>	<u>3,242,716</u>	<u>1,764,785</u>	<u>982,738</u>	<u>124,905</u>	<u>12,830,056</u>
Excess (deficiency) of revenues over expenditures	<u>1,813,747</u>	<u>(325,214)</u>	<u>968,862</u>	<u>(705,335)</u>	<u>132,553</u>	<u>1,884,613</u>
OTHER FINANCING SOURCES (USES)						
Insurance rebates and awards	45,624	-	-	-	-	45,624
Sale of capital assets	35,023	-	-	-	-	35,023
Transfers in	225,000	297,030	95,000	734,500	12,000	1,363,530
Transfers (out)	<u>(336,005)</u>	-	<u>(734,500)</u>	-	<u>(63,911)</u>	<u>(1,134,416)</u>
Total other financing sources (uses)	<u>(30,358)</u>	<u>297,030</u>	<u>(639,500)</u>	<u>734,500</u>	<u>(51,911)</u>	<u>309,761</u>
Net change in fund position	<u>1,783,389</u>	<u>(28,184)</u>	<u>329,362</u>	<u>29,165</u>	<u>80,642</u>	<u>2,194,374</u>
Fund balances - beginning	<u>7,309,995</u>	<u>407,968</u>	<u>1,187,871</u>	<u>2,744,862</u>	<u>270,508</u>	<u>11,921,204</u>
Fund balances - ending	<u>\$ 9,093,384</u>	<u>\$ 379,784</u>	<u>\$ 1,517,233</u>	<u>\$ 2,774,027</u>	<u>\$ 351,150</u>	<u>\$ 14,115,578</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, 2018

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

Net change in fund balances - total governmental funds	\$ 2,194,374
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.	1,410,604
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	1,195,899
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 position. This amount is the net effect of these differences in the treatment of long-term debt.	104,160
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>(21,136)</u>
Change in net position of governmental activities	<u><u>\$ 4,883,901</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, 2018 (With comparative totals for 2017)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund		Non-Major Funds						Totals 2018	Fleet Maintenance Internal Service Fund
	Sewer	Trash	Devlis Canyon Center		Irrigation Water					
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
ASSETS										
Current assets:										
Cash and investments	\$ 4,213,133	\$ 4,011,095	\$ 139,507	\$ 125,177	\$ 226,578	\$ 230,119	\$ 176,093	\$ 160,369	\$ 4,755,311	\$ 26,117
Interest receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	496,348	482,781	118,992	116,475	-	-	2,729	2,988	618,069	-
Intergovernmental receivable	128,448	-	-	-	-	-	-	-	128,448	-
Total current assets	4,837,929	4,493,876	258,499	241,652	226,578	230,119	178,822	163,357	5,501,828	26,117
Non-current assets:										
Restricted cash:										
WWTF loan covenants	962,303	870,214	-	-	-	-	-	-	962,303	-
Customer deposits	-	-	-	-	-	-	-	-	-	-
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	32,747	34,724	-	-	610,535	648,086	2,095	3,182	645,377	-
Systems, net	37,640,544	37,334,409	-	-	-	-	47,271	52,730	37,687,815	-
Equipment, net	605,767	640,384	-	-	-	-	1,729	1,945	607,496	22,471
Construction in progress	13,210	-	-	-	-	-	-	-	13,210	-
Total capital assests, net	39,056,278	38,773,527	-	-	836,049	873,600	122,456	129,218	40,014,783	22,471
Total non-current assets	40,018,581	39,643,741	-	-	836,049	873,600	122,456	129,218	40,977,086	22,471
Total assets	44,856,510	44,137,617	258,499	241,652	1,062,627	1,103,719	301,278	292,575	46,478,914	48,588
LIABILITIES										
Current liabilities:										
Accounts Payable	522,671	189,010	113,543	108,771	-	-	4,059	4,689	640,273	7,243
Compensated absences	20,045	18,581	-	-	-	-	1,686	1,864	21,731	4,224
Notes payable - current maturity	455,000	425,833	-	-	-	-	-	-	455,000	-
Total current liabilities	997,716	633,424	113,543	108,771	-	-	5,745	6,553	1,117,004	11,467
Current liabilities payable from restricted assets:										
Accrued interest payable from restricted cash	209,808	218,419	-	-	-	-	-	-	209,808	-
Notes payable from restricted cash	325,000	304,167	-	-	-	-	-	-	325,000	-
Total current liabilities payable from restricted assets	534,808	522,586	-	-	-	-	-	-	534,808	-
Noncurrent liabilities:										
Notes payable (net of premium)	17,162,047	17,992,194	-	-	-	-	-	-	17,162,047	-
Total noncurrent liabilities	17,162,047	17,992,194	-	-	-	-	-	-	17,162,047	-
Total liabilities	18,694,571	19,148,204	113,543	108,771	-	-	5,745	6,553	18,813,859	11,467
NET POSITION										
Invested in capital assets, net of related debt	21,114,232	20,051,334	-	-	836,049	873,600	122,456	129,218	22,072,737	22,471
Restricted for loan covenants	962,303	870,213	-	-	-	-	-	-	962,303	-
Unrestricted:										
Designated for capital projects	-	-	-	-	-	-	-	-	-	-
Designated for health insurance reserve	-	-	-	-	-	-	-	-	-	-
Designated for equipment replacement	1,474,452	1,369,452	-	-	-	-	-	-	1,474,452	-
Other unrestricted	2,610,952	2,698,414	144,956	132,881	226,578	230,119	173,077	156,804	3,155,563	14,650
Total net position	\$ 26,161,939	\$ 24,989,413	\$ 144,956	\$ 132,881	\$ 1,062,627	\$ 1,103,719	\$ 295,533	\$ 286,022	\$ 27,665,055	\$ 37,121

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, 2018 (With comparative totals for 2017)

	Business-type Activities - Enterprise Funds								Governmental	
	Major Fund		Non-Major Funds						Fleet Maintenance	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals	Internal Service
	2018	2017	2018	2017	2018	2017	2018	2017	2018	Fund
OPERATING REVENUES										
Charges for services	\$ 3,276,555	\$ 3,069,871	\$ 743,488	\$ 708,956	\$ 1,386	\$ 1,385	\$ 115,869	\$ 114,799	\$ 4,137,298	\$ 256,989
Other revenues	2,351	144	-	-	-	-	-	-	2,351	12,726
Total operating revenues	<u>3,278,906</u>	<u>3,070,015</u>	<u>743,488</u>	<u>708,956</u>	<u>1,386</u>	<u>1,385</u>	<u>115,869</u>	<u>114,799</u>	<u>4,139,649</u>	<u>269,715</u>
OPERATING EXPENSES										
Personnel services	723,027	649,962	-	-	-	-	65,866	73,978	788,893	155,525
Purchased services	238,300	315,388	676,501	646,909	1,386	1,386	11,153	10,372	927,340	39,234
Supplies	309,445	312,505	-	-	-	-	12,654	12,109	322,099	72,446
Depreciation	1,290,736	1,257,413	-	-	37,551	37,551	6,762	6,144	1,335,049	2,510
Total operating expenses	<u>2,561,508</u>	<u>2,535,268</u>	<u>676,501</u>	<u>646,909</u>	<u>38,937</u>	<u>38,937</u>	<u>96,435</u>	<u>102,603</u>	<u>3,373,381</u>	<u>269,715</u>
Operating income (loss)	717,398	534,747	66,987	62,047	(37,551)	(37,552)	19,434	12,196	766,268	-
NONOPERATING REVENUES (EXPENSES)										
Intergovernmental revenue	131,489	-	-	-	-	-	-	-	131,489	-
Investment income	68,758	36,609	88	86	573	566	77	76	69,496	-
System development contributions	221,044	163,250	-	-	-	-	-	-	221,044	-
Gain (Loss) on disposal of equipment	5,551	13,143	-	-	-	-	-	(530)	5,551	-
Interest expense and amortization	(465,448)	(485,581)	-	-	-	-	-	-	(465,448)	-
Total nonoperating revenues (expenses)	<u>(38,606)</u>	<u>(272,579)</u>	<u>88</u>	<u>86</u>	<u>573</u>	<u>566</u>	<u>77</u>	<u>(454)</u>	<u>(37,868)</u>	<u>-</u>
Income (Loss) before contributions and transfers	678,792	262,168	67,075	62,133	(36,978)	(36,986)	19,511	11,742	728,400	-
Capital contributions - tap fees	653,734	329,279	-	-	-	-	-	-	653,734	-
Transfers out	<u>(160,000)</u>	<u>(160,000)</u>	<u>(55,000)</u>	<u>(41,000)</u>	<u>(4,114)</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(229,114)</u>	<u>-</u>
Change in net position	1,172,526	431,447	12,075	21,133	(41,092)	(36,986)	9,511	1,742	1,153,020	-
Net position - beginning	<u>24,989,413</u>	<u>24,557,966</u>	<u>132,881</u>	<u>111,748</u>	<u>1,103,719</u>	<u>1,140,705</u>	<u>286,022</u>	<u>284,280</u>	<u>26,512,035</u>	<u>37,121</u>
Net position - ending	<u>\$ 26,161,939</u>	<u>\$ 24,989,413</u>	<u>\$ 144,956</u>	<u>\$ 132,881</u>	<u>\$ 1,062,627</u>	<u>\$ 1,103,719</u>	<u>\$ 295,533</u>	<u>\$ 286,022</u>	<u>\$ 27,665,055</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, 2018 (With comparative totals for 2017)

	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
	2018	2017	2018	2017	2018	2017	2018	2017	2018	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	\$ 3,265,339	\$ 3,052,565	\$ 740,971	\$ 706,958	\$ 1,386	\$ 1,385	\$ 116,127	\$ 115,196	\$ 4,123,823	\$ 12,726
Cash from interfund services	-	-	-	-	-	-	-	-	-	256,989
Payments to suppliers	(565,194)	(625,677)	(671,729)	(642,511)	(1,386)	(1,386)	(25,248)	(20,835)	(1,263,557)	(111,886)
Payments to employees	(719,971)	(645,387)	-	-	-	-	(65,232)	(74,925)	(785,203)	(155,325)
Net cash provided by operating activities	1,980,174	1,781,501	69,242	64,447	-	(1)	25,647	19,436	2,075,063	2,504
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Operating transfers	(160,000)	(160,000)	(55,000)	(41,000)	(4,114)	-	(10,000)	(10,000)	(229,114)	-
Net cash used by non-capital financing activities	(160,000)	(160,000)	(55,000)	(41,000)	(4,114)	-	(10,000)	(10,000)	(229,114)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital contributions - plant investment fees	653,734	329,279	-	-	-	-	-	460	653,734	-
Capital contributions - grants	3,041	-	-	-	-	-	-	-	3,041	-
Gain/loss on sale of equipment	6,550	13,143	-	-	-	-	-	-	6,550	-
Principal paid on capital debt	(730,000)	(680,000)	-	-	-	-	-	-	(730,000)	-
Interest paid on capital debt	(524,206)	(543,956)	-	-	-	-	-	-	(524,206)	-
Purchase of capital assets	(1,003,924)	(589,642)	-	-	-	-	-	(6,170)	(1,003,924)	(5,244)
Net cash provided (used) by capital and related financing activities	(1,594,805)	(1,471,176)	-	-	-	-	-	(5,710)	(1,594,805)	(5,244)
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest received on investments	68,758	36,609	88	86	573	566	77	76	69,496	-
Net cash provided by investing activities	68,758	36,609	88	86	573	566	77	76	69,496	-
Net increase (decrease) in cash and cash equivalents	294,127	186,934	14,330	23,533	(3,541)	565	15,724	3,802	320,640	(2,740)
Cash and cash equivalents, January 1 (including \$870,214 in the Sewer Fund reported in restricted accounts)	4,881,309	4,694,375	125,177	101,644	230,119	229,554	160,369	156,567	5,396,974	28,857
Cash and cash equivalents, December 31 (including \$962,303 in the Sewer Fund reported in restricted accounts)	\$ 5,175,436	\$ 4,881,309	\$ 139,507	\$ 125,177	\$ 226,578	\$ 230,119	\$ 176,093	\$ 160,369	\$ 5,717,614	\$ 26,117

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, 2018 (With comparative totals for 2017)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Sewer		Trash		Non-Major Funds		Irrigation Water		Totals	Fleet Maintenance
	2018	2017	2018	2017	Devils Canyon Center		2018	2017	2018	Internal Service Fund
					2018	2017				
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ 717,398	\$ 534,747	\$ 66,987	\$ 62,047	\$ (37,551)	\$ (37,552)	\$ 19,434	\$ 12,196	\$ 766,268	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization expense	1,290,736	1,257,413	-	-	37,551	37,551	6,762	6,144	1,335,049	2,510
(Increase) decrease in accounts receivable	(13,567)	(17,450)	(2,517)	(1,998)	-	-	258	397	(15,826)	-
Increase (decrease) in deposits payable	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	(15,857)	1,489	4,772	4,398	-	-	(1,619)	1,649	(12,704)	(279)
Increase (decrease) in compensated absences payable	1,464	5,302	-	-	-	-	812	(950)	2,276	273
Total adjustments	1,262,776	1,246,754	2,255	2,400	37,551	37,551	6,213	7,240	1,308,795	2,504
Net Cash Provided by (Used for) Operating Activities	\$ 1,980,174	\$ 1,781,501	\$ 69,242	\$ 64,447	\$ -	\$ (1)	\$ 25,647	\$ 19,436	\$ 2,075,063	\$ 2,504
Schedule of non-cash capital and related financing activities										
Contributions of capital assets	221,044	163,250	-	-	-	-	-	-	221,044	-

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, 2018

	<u>Agency Fund</u>	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 9,670	\$ -	\$ -
Investments at fair value	-	3,043,827	1,506,000
Total assets	<u>9,670</u>	<u>3,043,827</u>	<u>1,506,000</u>
LIABILITIES			
Accounts payable	<u>9,670</u>	-	-
Total liabilities	<u>9,670</u>	-	-
NET POSITION			
Held in trust for:			
Pension benefits	-	3,043,827	1,506,000
Total net position	<u>\$ -</u>	<u>\$ 3,043,827</u>	<u>\$ 1,506,000</u>

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

City of +A1:H38Fruita, Colorado
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2018

	Money Purchase Plan and Trust Fund	Retirement Trust Fund
ADDITIONS		
Employer contributions	\$ 124,038	\$ 110,393
Plan member contributions	99,231	-
Roll over from City Retirement Plan	59,454	
Total contributions	<u>282,723</u>	<u>110,393</u>
Investment Earnings		
Net investment gain (loss)	<u>(198,943)</u>	<u>(115,374)</u>
Total Additions	<u>83,780</u>	<u>(4,981)</u>
DEDUCTIONS		
Benefits	-	52,350
Roll over to Money Purchase Plan	-	59,454
Administrative expenses	3,892	1,246
Total Deductions	<u>3,892</u>	<u>113,050</u>
Change in net position	79,888	(118,031)
Total net position - beginning	<u>2,963,939</u>	<u>1,624,031</u>
Total net position - ending	<u>\$ 3,043,827</u>	<u>\$ 1,506,000</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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

1.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 provides the following services: public safety, street maintenance and improvements, community development, parks, culture and recreation programs, irrigation, trash collection, sewer service, fleet maintenance services and general administration. The City also owns and operates a community recreation center including indoor and outdoor pools and leases a facility to the Museum of Western Colorado for use as a dinosaur museum. The City of Fruita, Colorado is the primary government. The City has no component units.

1.B. Basis of Presentation

The City's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements. The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and intergovernmental revenues, from business-type activities, generally financed with user fees charged to external customers. Fiduciary funds are excluded from the government wide statements.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end. The assets and liabilities of the internal service fund for fleet maintenance are incorporated into the governmental activities in the statement of net position.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each activity of the business-type activities of the City. Direct expenses are those that are clearly identifiable

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

with a specific function. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each business activity is self-financing or draws from the general revenues of the City. Transfers between funds within governmental activities have been eliminated.

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; 2) operating grants and contributions used to finance operational activities; and 3) capital grants and contributions which fund the acquisition, construction rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to specific uses.

Other revenue sources, including taxes, not properly included with program revenues are reported as general revenues of the City.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statement 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 non-major funds in aggregate except for the Debt Service Fund which is a displayed in a separate column. Enterprise funds are reported in individual columns under the major or non-major headings to provide consistency in reporting.

The City reports the following major funds:

Governmental Funds. Governmental funds are those through which most governmental functions are financed. Reporting focuses on the sources, uses and balances of current financial resources. The following are the City's 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 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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

the General Fund and grant revenues. Other sources of revenues include transfers from other funds and development impact fees.

Proprietary Funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds and internal service funds. The following is the City's 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:

Debt Service Fund - The Debt Service Fund is used to account for all resources which are being accumulated for general long-term debt principal and interest payments maturing in future years, other than long-term debt accounted for in enterprise and internal service funds.

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

Agency Fund - The agency fund is used to account for resources legally held in trust for use by the local school district to purchase land and other uses.

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 Retirement Plan which accumulates resources for retirement benefit payments to qualified City employees.

1.C. Measurement Focus

The measurement focus determines what is measured.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus which includes fixed assets and long-term debt. All assets, liabilities and deferred outflows/inflows of resources are included in the statement of net position. The statement of activities reports revenues and expenses as changes in net position.

Fund Financial Statements. Governmental fund financial statements are reported using

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

the current financial resources measurement focus which includes available financial resources but does not measure long-term assets and liabilities. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources and uses of current financial resources. This approach differs from the way the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements include a reconciliation with brief explanations to better understand the difference between the governmental-wide statements and the governmental fund statements.

Proprietary fund financial statements are reported using the economic resources measurement focus which is the same method used for the government-wide financial statements. The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. The statement of changes in net position present increases (revenues) and decreases (expenses) in net position. The statement of cash flow provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1.D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fund financial statements use the modified accrual basis of accounting for governmental funds and proprietary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions. Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized. The City defines availability for intergovernmental revenues as 120 days and all others as 90 days of year end. Under the modified accrual basis, the following revenue sources are susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1.E. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and investments. The City's cash includes cash on hand and deposits with banks and other financial institutions. Investments are reported at fair value. The City Charter authorizes the City to invest in any manner that is permitted by Colorado State Statutes.

Receivables. Receivables on the statement of net position include accounts receivable from customers, lodging taxes receivable and property taxes receivable.

Interfund balances. Current receivables and payables classified as "due from other funds" or "due to other funds" on the balance sheet arise from negative equity in pooled cash and investments.

Intergovernmental receivables. Intergovernmental receivables include amounts due from federal, state, county or other governmental entities for taxes and grants.

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.

Restricted cash. Restricted cash includes unearned revenue and amounts restricted for debt service pursuant to bond covenants.

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 as other financing sources/uses.

Land, source of supply and construction in progress assets are not depreciated. All other 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

Compensated absences payable. The City provides full time employees with 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. Compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of an employee's resignation or retirement.

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Development impact fees are recognized as unearned revenue when collected and are classified as revenue when improvements are constructed, and expenses have occurred.

Long term liabilities. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective-interest

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable and are recognized as an inflow of resources (revenue) in the period they are collected.

Net position. Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Net position flow assumption. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund balance flow assumptions and policies. In the fund financial statements, governmental funds report non-spendable, restricted, committed, assigned or unassigned fund balances. When funds from more than one classification are available, the order of spending of resources will be restricted, committed, assigned and unassigned.

Fund balances are classified as non-spendable when they are non-spendable in form or legally or contractually required to be maintained intact.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Fund balances are classified as *restricted* when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

Fund balances are classified as *committed* when constraints placed upon the use of resources are adopted by the City Council. Once adopted, the limitation imposed by remains in place until a similar action is taken to remove or revise the limitation.

Fund balances are classified as *assigned* when constraints placed upon the use of resources are imposed by the City Manager or authorized by the City Council. Assigned fund balances represent the City's intent for future use of financial resources that are subject to change. Assigned fund balances in special revenue funds will include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that fund.

The residual fund balance that does not meet any of the above criteria is classified as *unassigned*. The City will only report a positive unassigned fund balance in the General Fund.

Operating 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.

System development contributions. System development contributions in proprietary fund financial statements arise from outside contributions of capital assets such as sewer collection lines construction for new subdivisions or other development.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. Budgetary Information

Annual budgets are adopted on a modified accrual basis for all governmental funds, proprietary funds and internal service funds. The schedule of revenues, expenditures and changes in net position – budget to actual for proprietary funds include adjustments from the budgetary basis to the accrual basis of reporting found in the statement of revenues, expenses and changes in net position. Fiduciary funds for the employees' retirement plan

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

and the agency trust fund for school land dedication fees are not budgeted.

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

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

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

Transfers of appropriations between departments or funds require approval of the City Council. Supplemental appropriations approved by the City Council in 2018 resulted in budget amendments as follows:

	Original Budget	Amendments	Final Budget
General Fund	\$ 8,002,075	\$ 152,925	\$ 8,155,000
Conservation Trust	87,500	149,450	236,950
Marketing & Promotion	125,000	-	125,000
Community Center	2,558,975	1,400	2,560,375
Capital Projects	768,500	3,725,900	4,494,400
Debt Service	982,740	-	982,740
Devils Canyon Center	49,450	-	49,450
Irrigation Water	113,000	-	113,000
Sewer	4,744,625	347,525	5,092,150
Trash	728,000	8,000	736,000
Fleet Maintenance	302,750	12,725	315,475
	<u>\$ 18,462,615</u>	<u>\$4,397,925</u>	<u>\$ 22,860,540</u>

2.B. Property taxes

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

Property taxes as set by the City Council are collected by the County Treasurer. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2018 taxes collectible in 2019 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.

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

3.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 \$63,846,169 difference, including internal service fund capital assets of \$22,471 are as follows:

Land	8,366,452
Source of supply	-
Buildings, net	15,516,447
Systems, net	28,093,893
Machinery and equipment, net	<u>11,869,377</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 63,846,169</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 current assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$18,874 difference are as follows:

Cash and investments	26,117
Accounts payable	<u>(7,243)</u>
Current assets and liabilities of the internal service fund	<u>\$ 18,874</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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

the funds other than internal service fund amounts.” The details of this \$12,699,710 difference, including internal service fund long term liabilities of \$4,224 are as follows:

Noncurrent liabilities	
Due within one year	(136,016)
Due in more than one year	<u>(12,196,043)</u>
Subtotal of bonds and notes payable - current and non-current	(12,332,059)
Accrued interest payable	(219,497)
Compensated absences payable	<u>(148,154)</u>
Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net position - governmental activities</i>	<u><u>\$ (12,699,710)</u></u>

3.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 position 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 \$1,410,604 difference are as follows:

Capital outlay reported in governmental funds	\$ 3,611,925
Less: Depreciation expense, net of internal service fund	<u>(2,201,321)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 1,410,604</u></u>

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 \$1,195,899 difference are as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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.	\$ (61,665)
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>1,257,564</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u><u>\$ 1,195,899</u></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 position.” The details of this \$104,160 difference are as follows:

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.	
Principal repayments on non-monetary performance obligation	\$ 4,160
Principal repayments on special revenue bonds	<u>100,000</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 104,160</u></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 \$21,136 difference are as follows:

Compensated absences	\$ (20,530)
Accrued interest	1,062
Amortization of bond premiums	1,410
Amortization of bond discounts	<u>(3,078)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (21,136)</u></u>

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4. DETAILED NOTES ON ALL FUNDS

4.A. Cash and Investments

The composition of all cash and investments held by the City at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 1,600	\$ 1,600
Deposits:		
Cash in checking account(s)	3,618,658	2,700,672
Certificates of deposit	1,772,940	-
Money market funds	3,587,120	3,577,091
Investment pools:		
CSAFE Cash	1,848,142	6,811,196
CSAFE Colorado CORE	3,318,242	-
COLOTRUST	3,595,509	3,521,442
Retirement fund investments	4,549,827	4,587,970
Total cash, deposits and investments	<u>\$ 22,292,038</u>	<u>\$ 21,199,971</u>

4.A.1. Unrestricted and Restricted Cash and Investments

A summary of Cash and Investments for the City including the Fiduciary Funds are as follows:

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 13,192,236	\$ 12,528,253
Restricted cash and investments	4,540,305	4,066,473
Cash and investments in fiduciary funds	4,559,497	4,605,245
	<u>\$ 22,292,038</u>	<u>\$ 21,199,971</u>

Restricted cash and investments are recorded for the following purposes:

	<u>2018</u>
Debt reserves	\$ 2,007,247
Capital projects - development impact fees	1,429,885
Chip seal - development impact fees	140,870
Loan covenants	962,303
	<u>4,540,305</u>

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
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4.A.2. Deposits. Colorado State Statutes, specifically the Public Deposit Protection Act (PDPA), requires all public monies to be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge eligible collateral for any amounts in excess of the required Federal Deposit Insurance Corporation (FDIC) amount, having a market value in excess of the 102% of the aggregate uninsured deposits. At December 31, 2018, the City's bank balances were \$9,093,226 of which \$750,000 was covered by FDIC and \$8,343,226 was collateralized under PDPA.

4.A.3. Investments. Colorado statutes specify investments meeting defined rating and risk criteria in which local government may invest which include the following investments with terms of five years or less:

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

As of December 31, 2018, the City has the following investments:

Money market funds	\$ 3,587,120
Local government investments pools	<u>8,761,895</u>
Total Investments	<u>\$ 12,349,015</u>

The City's investments include the external investment pool Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). CSAFE and COLOTRUST are local government investment pool trust funds registered with the Colorado Securities Commissioner pursuant to the Local Government Investment Pool Trust Fund Administration and Enforcement Act. Financial statements for each pool are available on their websites: (CSAFE) www.csafe.org and (COLOTRUST) www.colotruster.com.

The CSAFE Cash investments are valued at \$1 net asset value (NAV) per share and is calculated on an amortized cost basis which approximates fair value as provided for by GASB Statement 79. There are no limitations or restrictions on participant withdrawals. The CSAFE Cash Fund is rated AAAM by Standard & Poor's Global which is the highest principal stability fund rating assigned by S & P Global Ratings. As of December 31, 2018, the City had \$1,495,212 in CSAFE Cash investments.

City of Fruita, Colorado
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The CSAFE Colorado CORE's investments are valued at \$2 NAV per share with a slightly longer weighted average maturity than the CSAFE Cash investments and is calculated on a fair value basis as provided for by GASB Statements 31 and 72. Participants are limited to three redemptions per month per account in this investment. Colorado CORE Fund is rated AAAsf/S1 by Fitch which indicates the highest underlying credit quality for a fixed-income fund. As of December 31, 2018, the City had \$3,671,174 in CSAFE CORE investments.

The COLOTRUST investments are valued at \$1 net asset value (NAV) per share and is calculated on the most recent bid price or yield equivalent as obtained from one or more market makers for securities for which market quotations are readily available with all other securities and assets valued at fair market value determined in good faith. A twenty-four hour notice period is required on withdrawals of one million dollars or more and suspension or postponement of payment may be imposed in the event of certain conditions such as a state of war or any financial emergency situation. There are no limitations or other restrictions on participant withdrawals.

COLOTRUST is rated AAAM by Standard & Poor's Global which is the highest principal stability fund rating assigned by S & P Global Ratings. As of December 31, 2018, the City had \$3,595,509 in COLOTRUST investments.

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.

Custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City 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.

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.

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. All the City's investments are

City of Fruita, Colorado
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denominated in U.S. currency and, therefore, not subject to foreign currency risk.

Fair Value Hierarchy. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs.

4.B. Interfund Receivables/Payables and Transfers

The composition of interfund balances for the year ended December 31, 2018 was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,368,026	\$ -
Capital Projects Fund	-	2,368,026
	\$ 2,368,026	\$ 2,368,026

The amount due from the Capital Projects Fund reflects the current negative equity in pooled cash and investments and reflects outstanding amounts in accounts receivable which will be collected within one year or less.

Transfers in:						
	General Fund	Nonmajor Governmental Funds	Community Center Fund	Capital Projects Fund	Debt Service Fund	Transfers out
General Fund	\$ -	\$ 12,000	\$ 95,000	\$ 229,005	\$ -	\$ 336,005
Community Center	-	-	-	-	734,500	734,500
Nonmajor Govern- mental Funds	-	-	-	63,911	-	63,911
Devils Canyon				4,114		4,114
Sewer	160,000	-	-	-	-	160,000
Trash	55,000	-	-	-	-	55,000
Irrigation Water	10,000	-	-	-	-	10,000
Total transfers in	\$225,000	\$ 12,000	\$ 95,000	\$ 297,030	\$ 734,500	\$1,363,530

During the year transfers are used to 1) move revenues from proprietary funds to the general fund to offset administrative costs associated with the activities of the proprietary funds including billing for services, financial administration such as payroll processing, accounts payable, investments, auditing and general oversight and planning of proprietary fund activities, 2) move general fund resources to provide an annual subsidy to the

City of Fruita, Colorado
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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.

4.C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows.

	Beginning Balance	Governmental Activities		Ending Balance
		Increases	Decreases	
<u>Capital assets, not being depreciated</u>				
Land	\$ 8,141,438	\$ 225,014	\$ -	\$ 8,366,452
Total capital assets not being depreciated	<u>8,141,438</u>	<u>225,014</u>	<u>-</u>	<u>8,366,452</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	21,150,177	3,918	-	21,154,095
Infrastructure	34,756,369	4,026,363	-	38,782,732
Machinery and equipment	14,764,722	619,440	(575,618)	14,808,544
Total capital assets being depreciated	<u>70,671,268</u>	<u>4,649,721</u>	<u>(575,618)</u>	<u>74,745,371</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(4,990,615)	(647,033)	-	(5,637,648)
Infrastructure	(7,103,408)	(904,215)	-	(8,007,623)
Machinery and equipment	(5,481,750)	(652,586)	513,953	(5,620,383)
Total accumulated depreciation	<u>(17,575,773)</u>	<u>(2,203,834)</u>	<u>513,953</u>	<u>(19,265,654)</u>
Total capital assets being depreciated, net	<u>53,095,495</u>	<u>2,445,887</u>	<u>(61,665)</u>	<u>55,479,717</u>
Governmental activities capital assets, net	<u>\$ 61,236,933</u>	<u>\$ 2,670,901</u>	<u>\$ (61,665)</u>	<u>\$ 63,846,169</u>

Assets for governmental activities include internal service fund capital assets of \$22,471, net of depreciation. Decreases in net capital assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

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Governmental activities

General government	\$ 116,120
Park and recreation	719,818
Public works	1,199,434
Public safety	165,952
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>2,510</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,203,834</u></u>

Business-type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Construction in progress	-	13,210	-	13,210
Total capital assets not being depreciated	<u>1,060,885</u>	<u>13,210</u>	<u>-</u>	<u>1,074,095</u>
<u>Capital assets, being depreciated</u>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	28,407,067	433,625	(3,500)	28,837,192
Distribution and collection system	20,256,620	1,042,934	-	21,299,554
Machinery and equipment	1,666,498	84,717	(28,194)	1,723,021
Total capital assets being depreciated	<u>51,973,591</u>	<u>1,561,276</u>	<u>(31,694)</u>	<u>53,503,173</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(957,414)	(40,615)		(998,029)
Wastewater treatment facility	(4,186,328)	(730,317)	2,501	(4,914,144)
Distribution and collection system	(7,090,220)	(444,567)	-	(7,534,787)
Machinery and equipment	(1,024,169)	(119,550)	28,194	(1,115,525)
Total accumulated depreciation	<u>(13,258,131)</u>	<u>(1,335,049)</u>	<u>30,695</u>	<u>(14,562,485)</u>
Total capital assets being depreciated, net	<u>38,715,460</u>	<u>226,227</u>	<u>(999)</u>	<u>38,940,688</u>
Business-type activities capital assets, net	<u><u>\$ 39,776,345</u></u>	<u><u>\$ 239,437</u></u>	<u><u>\$ (999)</u></u>	<u><u>\$ 40,014,783</u></u>

City of Fruita, Colorado
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4.D. Open Construction Commitments

At December 31, 2018, the City has the following contractual commitments for capital construction projects. These encumbrances are re-appropriated against the subsequent year's budget. The amount of these commitments re-appropriated at year end was:

<u>Project</u>	<u>Amount</u>
<u>General Fund</u>	
North Fruita Trails Master Plan	\$ 22,921
<u>Business-type Activities</u>	
Cedar Street/Aspen Sewer Improvements	18,374
Wastewater Reclamation Facility Blowers - Task 3	4,764
H2S Mitigation Study	2,319
Total Construction Commitments	<u>\$ 48,378</u>

4.E. 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	\$ 136,239
Grants	3,000
Unallocated utility billing receipts	47,770
Total General Fund	<u>187,009</u>
<u>Capital Projects Fund</u>	
Grants and donations	93,146
Impact fees for open space, road and drainage improvements	1,157,811
Total Capital Projects Fund	<u>1,250,957</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 1,437,966</u>

4.F. Long-term Liabilities

4.F.1 Changes in Long-term Liabilities. Changes in long term obligations of the City for the year ended December 31, 2018, are as follows:

City of Fruita, Colorado
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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Revenue bonds					
FCC Sales and use tax bonds	\$ 12,280,000	\$ -	\$(100,000)	\$12,180,000	\$125,000
Discount on bonds	(67,725)	3,078	-	(64,647)	-
Premium on bonds	31,027	-	(1,410)	29,617	-
Performance obligation note	191,249	-	(4,160)	187,089	11,016
Total bonds and notes payable	12,434,551	3,078	(105,570)	12,332,059	136,016
Compensated absences	127,442	196,595	(175,883)	148,154	-
Governmental activity long term liabilities	\$ 12,561,993	\$199,673	\$(281,453)	\$12,480,213	\$136,016

The internal service fund predominately serves the governmental funds. Accordingly, their long-term liabilities are included as part of the above totals for governmental activities. At year end, \$4,224 of internal service funds compensated absences are included in the above amounts. For governmental funds, the General Fund and the Fruita Community Center Fund have typically been used to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities:</u>					
Loans payable					
Sewer WWTF	\$ 17,970,000	\$ -	\$(730,000)	\$17,240,000	\$780,000
Premium on loan	752,194	-	(50,147)	702,047	-
Totals loans payable	18,722,194	-	(780,147)	17,942,047	780,000
Compensated absences	20,445	34,114	(32,828)	21,731	-
Business-type activity long term liabilities	\$ 18,742,639	\$ 34,114	\$(812,975)	\$17,963,778	\$780,000

4.F.2 Loans Payable

The City entered into a loan agreement in 2010 with the Colorado Water Resources and Power Development Authority to finance construction of a new wastewater treatment facility in the amount of \$21,830,000 at a net effective interest rate of 3.53%. 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 net revenues of the sewer system are pledged as security for this loan.

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

City of Fruita, Colorado
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agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$962,303 of net position. This includes \$427,495 for the three-month operating reserve and \$534,808 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, 2018 was \$17,240,000. The unamortized premium on the loan for the wastewater treatment facility is \$702,047 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. Interest expense on loans payable for the year ended December 31, 2018 was \$515,595 in the Sewer Fund.

Year ended December 31	Business-type Activities		
	Principal	Interest	Total
2019	780,000	503,540	1,283,540
2020	845,000	474,126	1,319,126
2021	910,000	442,544	1,352,544
2022	975,000	408,898	1,383,898
2023	1,045,000	373,208	1,418,208
2024-2028	6,285,000	1,364,950	7,649,950
2029-2032	6,400,000	432,952	6,832,952
	<u>\$ 17,240,000</u>	<u>\$ 4,000,218</u>	<u>\$ 21,240,218</u>

4.F.3 Non-monetary Performance Obligation Note Payable

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 (Enoch’s 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 2016. A credit of \$11,810 was applied to this obligation in 2018 for the conveyance of water. This was less than the 100 acres feet minimum usage due to drought conditions. The above table assumes minimum credits for water usage in future years and will be adjusted annually to reflect actual water use. The outstanding performance obligation balance on this note is \$187,089 at December 31, 2018.

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Year ended December 31	<u>Governmental Activities</u>		
	Non-monetary performance obligation		
	Principal	Interest	Total Credit
2019	11,016	7,484	18,500
2020	11,457	7,043	18,500
2021	11,915	6,585	18,500
2022	12,392	6,108	18,500
2023	12,888	5,612	18,500
2024-2028	72,596	19,904	92,500
2029-2032	54,825	4,753	59,578
	\$ 187,089	\$ 57,489	\$ 244,578

4.F.4 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 unenhanced rating published by Standard and Poor’s was upgraded in 2018 from an A to an A+ (SPUR) Stable rating and the enhanced rating with insurance from Assured Guaranty Corp. is AA. Final maturity of the bonds is 2039.

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 amount 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 2018, the sequestration percentage of 6.6% was applied to the interest subsidy payment. In 2019, the sequestration percentage of 6.2% will be applied to the interest payments.

The outstanding balance on these bonds at December 31, 2018 was \$12,180,000. The

City of Fruita, Colorado
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unamortized discount and premium on the bonds are \$35,030 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. Interest expense and escrow agent fees on bonds payable for the year ended December 31, 2018 was \$882,738 in the Debt Service Fund.

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

Year ended December 31	Principal	Interest	Federal Direct Payment*	Total - Net of Federal Direct Payment
2019	125,000	877,988	(266,595)	736,393
2020	160,000	872,675	(266,595)	766,080
2021	190,000	860,803	(262,440)	788,363
2022	220,000	846,705	(257,506)	809,199
2023	255,000	830,381	(251,792)	833,589
2024-2028	1,865,000	3,812,069	(1,140,017)	4,537,052
2029-2033	3,120,000	2,942,169	(835,553)	5,226,616
2034-2038	4,775,000	1,575,156	(405,500)	5,944,656
2039	1,470,000	105,095	(29,337)	1,545,758
	<u>\$ 12,180,000</u>	<u>\$ 12,723,041</u>	<u>\$ (3,715,335)</u>	<u>\$ 21,187,706</u>

*The 2018 Federal Direct Payment was reduced by the 6.6% sequestration rate. Future federal direct payments have not been adjusted and reflect the original letter of credit amounts.

4.G. Fund Balance Classifications

Non-spendable fund balance of \$7,994 represents inventory of fuel.

Restricted fund balance of \$4,299,162 are amounts set aside for specified purposes by external creditors, grantors, contributors, laws and regulations and include the following:

Restricted for debt service	
Special Revenue Bonds 2009 Series, Reserve	\$ 1,256,500
Special Revenue Bonds 2009 Series, Supplemental Reserve	500,000
Special Revenue Bonds 2009 Series, Additional Reserves	<u>1,017,527</u>
	<u>\$ 2,774,027</u>

City of Fruita, Colorado
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Restricted for purpose/use of fund	
Marketing and Promotion	\$ 132,738
Community Center	<u>423,183</u>
	<u>\$ 555,921</u>
Restricted for other purposes	
Parks and open space	
Conservation Trust Funds	\$ 218,412
Interest on development impact fees for parks and open space	4,429
Parks and open space	\$ 222,841
Streets and drainage	
Interest on development impact fees for transportation and drainage	269,468
Interest on development impact fees for chipsealing	<u>4,631</u>
Streets and drainage	<u>274,099</u>
Public safety	<u>72,274</u>
Emergency reserve (TABOR)	<u>400,000</u>
	<u>\$ 969,214</u>

Committed fund balance of \$1,094,050 represents amounts set aside in the Community Center Fund for the following purposes:

Committed for building and equipment replacement	\$ 586,004
Committed for 25% operating reserve	<u>508,046</u>
	<u>\$ 1,094,050</u>

Assigned fund balances of \$2,123,034 represent amounts designated for the purposes noted on the Balance Sheet.

Unassigned fund balances of \$6,591,338 include amounts not assigned to any specific purpose and funding of the 25% minimum fund balance (operating reserve) policy for the General Fund in the amount of \$1,686,810 as adopted by the City Council.

NOTE 5. RETIREMENT PLANS

Defined Contribution Plans. The City maintains two defined contribution retirement plans for various classes of employees. In a defined contribution plan, benefits depend solely on amounts contributed on the participants behalf plus investment gains and/or losses.

City of Fruita, Colorado
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5.A. City of Fruita Retirement Plan

Effective January 1, 1974, the Fruita City Council adopted the City of Fruita Retirement Plan, a defined contribution retirement plan for full time employees. In January 2011, the contribution for full time police officers was transferred over to a separate 401 Defined Contribution Plan. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The City contributes 4 ½ percent of the amount of the employee's compensation as defined by the plan. The Plan may be amended by the City Council. As of December 31, 2018, the plan included 67 active participants with 55 contributing participants.

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. Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to offset future contributions and plan expenses. The City's payroll for all full-time employees eligible for the plan in 2018 was \$2,430,961. The total contribution to allocate for the plan year of 2018, was \$109,393, net of administrative expenses of \$1,000. For the year ended December 31, 2018, there was \$2,874 in forfeitures. These forfeitures will be used to reduce future contributions. Fair value of the plan investments at December 31, 2018 was \$1,506,000.

5.B. Fruita Police Department Retirement 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 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 contributes 10 percent and the City contributes 8 percent of the employee's base salary, plus the 4 ½ percent retirement contribution previously made to the City of Fruita Retirement Plan. As of December 31, 2018, the plan included 18 active participants with 17 contributing participants.

The City's contribution for each employee becomes 20 percent vested at the completion of two years of service, 40 percent at the completion of three years of service, 60 percent at the completion of four years of service and 100 percent vested at the completion of five years of service. The employee is 100 percent vested in their contribution. Non-vested City contributions are forfeited upon termination of employment. Such forfeitures may be refunded to the City or used to offset future contributions and plan expenses. The total payroll covered by the plan in 2018 was \$993,906. Contributions for the year ended December 31, 2018, were \$158,685 paid by the employees including roll ins and \$124,038 paid by the City. For the year ended December 31, 2018, there were no forfeitures. Fair

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
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value of the plan investments at December 31, 2018 was \$3,043,827.

NOTE 6. 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 2017 limit CIRSA's per occurrence exposure to \$500,000 for workers' compensation coverage for all claims made by employees other than police officers and \$750,000 for claims made by police officers, \$1,000,000 for liability coverage, \$500,000 for property coverage, and \$150,000 for crime coverage, and provide coverage to specified upper limits.

As a member of CIRSA, the City owns a proportionate share of CIRSA's net position. The City's equity at December 31, 2018 in the property/casualty insurance pool is \$122,052 and \$223,638 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.

NOTE 7. CONTINGENT LIABILITIES

7.A. Risk Management

The City is self-insured for property and liability insurance. As discussed in Note 6, 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.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 outcome of such claims, if any, will not have a material adverse effect on the City's financial statements.

7.B. Pending Litigation

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

NOTE 8. CONDUIT DEBT OBLIGATIONS

The City sponsored Healthcare Revenue Bonds issued by the Lower Valley Hospital Association (LVHA) in 2017 for \$41,400,000 for the Colorado Canyons Hospital and Medical Center Project which included \$34,000,000 in tax-exempt bonds (Series 2017A) and \$7,400,000 in taxable bonds (Series 2017B) for the purpose of advance refunding the outstanding principal amount of the City's Revenue Bonds, Series 2008, financing the costs of constructing, renovating, improving and equipping certain hospital facilities (new money project), funding a Reserve Fund, reimbursing LVHA for certain capital expenditures made prior to issuance of the bonds that relate to the new money project, funding a capitalized interest fund, and paying costs of issuing the bonds. As of December 31, 2018, there was a principal amount payable of \$41,400,000. These revenue bonds do not constitute debt of the City of Fruita and the City assumes no financial obligation for this bond issue. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 9. OPERATING LEASE

The City entered into a ten-year operating lease as a lessor on January 1, 2015 with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. Rental payments of \$57,600 are to be made annually by the nonprofit corporation to the City except that the payments can be offset by various operating expenses including repairs and improvements to the building. In 2018 all rental payments were offset by operating expenses.

Information for the building on lease is as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Cost of building	\$ 1,512,926
Accumulated depreciation	<u>902,391</u>
Carrying Amount	<u><u>\$ 610,535</u></u>

NOTE 10. 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.

Revenues from the City’s Lodger’s Tax accounted for in the Marketing and Promotion Fund and 1% of the City’s sales and use tax revenues dedicated and accounted for in the Fruita Community Center Fund are voter approved revenue changes and exceptions to the revenue and spending limits of TABOR. In addition, an election was held in April 2018 and voters again 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, 2024.

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 restricted fund balance/net position 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.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,151,400	\$ 1,151,400	\$ 1,146,137	\$ (5,263)
City sales	1,640,000	1,640,000	1,920,662	280,662
County sales	2,075,000	2,075,000	2,273,150	198,150
County sales - public safety	287,000	287,000	335,832	48,832
Use tax	735,000	735,000	990,201	255,201
Other	557,250	557,250	581,539	24,289
Licenses and permits	31,500	31,500	32,729	1,229
Intergovernmental revenue	576,500	619,175	731,213	112,038
Charges for services	171,000	179,500	266,198	86,698
Fines and forfeitures	31,500	31,500	21,106	(10,394)
Development impact fees	40,000	40,000	40,000	-
Investment earnings	35,000	35,000	90,164	55,164
Rents and royalties	36,125	36,125	38,947	2,822
Donations	14,500	46,500	55,829	9,329
Miscellaneous	3,000	3,000	4,952	1,952
Total revenues	<u>7,384,775</u>	<u>7,467,950</u>	<u>8,528,659</u>	<u>1,060,709</u>
EXPENDITURES				
Current:				
General government	381,100	384,600	369,060	15,540
Administration	760,900	767,070	678,518	88,552
Community development	297,750	297,750	250,709	47,041
Public safety	2,218,775	2,217,850	2,142,834	75,016
Public works	1,814,075	1,817,075	1,667,696	149,379
Parks and recreation	1,015,500	1,088,600	1,000,339	88,261
Non-departmental	619,900	601,850	294,396	307,454
Capital equipment	299,075	373,655	311,360	62,295
Total expenditures	<u>7,407,075</u>	<u>7,548,450</u>	<u>6,714,912</u>	<u>833,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,300)</u>	<u>(80,500)</u>	<u>1,813,747</u>	<u>1,894,247</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-
Transfers out	(595,000)	(606,550)	(336,005)	270,545
Insurance rebates and damage awards	-	29,200	45,624	16,424
Sale of capital assets	-	-	35,023	35,023
Total other financing sources and (uses)	<u>(370,000)</u>	<u>(352,350)</u>	<u>(30,358)</u>	<u>321,992</u>
Change in fund balance - budgetary basis	<u>\$ (392,300)</u>	<u>\$ (432,850)</u>	<u>\$ 1,783,389</u>	<u>\$ 2,216,239</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, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
City sales	\$ 820,000	\$ 820,000	\$ 960,331	\$ 140,331
Use tax	367,500	367,500	495,101	127,601
Charges for services	1,226,475	1,226,475	1,232,847	6,372
Investment income	-	-	1,654	1,654
Rents and royalties	50,000	50,000	40,115	(9,885)
Donations	-	1,400	2,300	900
Miscellaneous	-	-	1,299	1,299
Total revenues	<u>2,463,975</u>	<u>2,465,375</u>	<u>2,733,647</u>	<u>268,272</u>
EXPENDITURES				
Current				
Recreation	1,748,475	1,750,075	1,702,822	47,253
Capital expenses	76,000	75,800	61,963	13,837
Total expenditures	<u>1,824,475</u>	<u>1,825,875</u>	<u>1,764,785</u>	<u>61,090</u>
Excess of revenues over expenditures	<u>639,500</u>	<u>639,500</u>	<u>968,862</u>	<u>329,362</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	95,000	95,000	-
Transfers out	<u>(734,500)</u>	<u>(734,500)</u>	<u>(734,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(639,500)</u>	<u>(639,500)</u>	<u>(639,500)</u>	<u>-</u>
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>329,362</u>	<u>\$ 329,362</u>

See accompanying independent auditor's report.

Supplementary Information

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City of Fruita, Colorado
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue Funds		Total
	Conservation Trust	Marketing and Promotion	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 228,412	\$ 148,448	\$ 376,860
Taxes receivable	-	4,288	4,288
Total Assets	\$ 228,412	\$ 152,736	\$ 381,148
LIABILITIES			
Accounts payable	10,000	19,998	29,998
Total Liabilities	10,000	19,998	29,998
FUND BALANCE			
Restricted	218,412	132,738	351,150
Assigned	-	-	-
Total Fund Balances	218,412	132,738	351,150
Total Liabilities and fund balance	\$ 228,412	\$ 152,736	\$ 381,148

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, 2018

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
REVENUES			
Taxes			
Lodger's tax	\$ -	\$ 128,724	\$ 128,724
Investment income	198	77	275
Intergovernmental revenue	128,379	-	128,379
Charges for services	-	80	80
Donations	-	-	-
Total revenues	<u>128,577</u>	<u>128,881</u>	<u>257,458</u>
EXPENDITURES			
Current			
Marketing and promotion	-	114,905	114,905
Parks and recreation	10,000	-	10,000
Capital outlay	-	-	-
Total expenditures	<u>10,000</u>	<u>114,905</u>	<u>124,905</u>
Excess (deficiency) of revenues over (under) expenditures	118,577	13,976	132,553
OTHER FINANCING SOURCES			
Transfers in	-	12,000	12,000
Transfers out	<u>(63,911)</u>	<u>-</u>	<u>(63,911)</u>
Change in fund balance - budgetary basis	<u>\$ 54,666</u>	<u>\$ 25,976</u>	<u>\$ 80,642</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, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 93,500	\$ 3,427,225	\$ 2,767,079	\$ (660,146)
Fines, forfeitures, assessments	-	-	246	246
Development impact fees	57,500	66,150	56,175	(9,975)
Donations	4,000	174,000	71,503	(102,497)
Investment earnings	-	-	22,499	22,499
Total revenues	<u>155,000</u>	<u>3,667,375</u>	<u>2,917,502</u>	<u>(749,873)</u>
EXPENDITURES				
Current:				
SH 340/170 Roundabout	66,000	75,000	4,114	70,886
Contingency	200,000	185,000	-	185,000
Capital Outlay				
Downtown improvements	-	2,650	2,630	20
Lagoon redevelopment	-	15,000	-	15,000
Marketing/Signage	7,500	7,500	3,918	3,582
Street improvements	105,000	106,550	53,718	52,832
Drainage improvements	250,000	260,000	258,178	1,822
Parks and recreation	140,000	3,842,700	2,920,158	922,542
Total expenditures	<u>768,500</u>	<u>4,494,400</u>	<u>3,242,716</u>	<u>1,251,684</u>
Deficiency of revenues under expenditures	(613,500)	(827,025)	(325,214)	501,811
OTHER FINANCING SOURCES				
Transfers in	613,500	774,500	297,030	(477,470)
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ (52,525)</u>	<u>\$ (28,184)</u>	<u>\$ 24,341</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
For the year ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental revenues	\$ 249,000	\$ 249,266	\$ 266
Investment earnings	10,700	28,137	17,437
Total revenues	<u>259,700</u>	<u>277,403</u>	<u>17,703</u>
EXPENDITURES			
Debt service			
Principal retirement	100,000	100,000	-
Interest and fiscal charges	<u>882,740</u>	<u>882,738</u>	<u>2</u>
Total expenditures	<u>982,740</u>	<u>982,738</u>	<u>2</u>
Deficiency of revenues under expenditures	(723,040)	(705,335)	17,705
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>734,500</u>	<u>734,500</u>	-
Change in fund balance - budgetary basis	<u>\$ 11,460</u>	<u>\$ 29,165</u>	<u>\$ 17,705</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
CONSERVATION TRUST SPECIAL REVENUE FUND
For the year ended December 31, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 120,000	\$ 120,000	\$ 128,379	\$ 8,379
Investment income	-	-	198	198
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>128,577</u>	<u>8,577</u>
EXPENDITURES				
Current				
Culture and recreation	10,000	10,000	10,000	-
Capital outlay				
Culture and recreation	-	-	-	-
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Change in net position - budgetary basis	110,000	110,000	118,577	8,577
OTHER FINANCING USES				
Transfers out	(77,500)	(226,950)	(63,911)	163,039
Change in fund balance - budgetary basis	<u>\$ 32,500</u>	<u>\$ (116,950)</u>	<u>\$ 54,666</u>	<u>\$ 171,616</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
MARKETING AND PROMOTION SPECIAL REVENUE FUND
For the year ended December 31, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodger's tax	\$ 113,000	\$ 113,000	\$ 128,724	\$ 15,724
Investment income	-	-	77	77
Charges for services	-	-	80	80
Donations	-	-	-	-
Total revenues	<u>113,000</u>	<u>113,000</u>	<u>128,881</u>	<u>15,881</u>
EXPENDITURES				
Current				
Marketing and promotion	<u>125,000</u>	<u>125,000</u>	<u>114,905</u>	<u>10,095</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>114,905</u>	<u>10,095</u>
Deficiency of revenues under expenditures	(12,000)	(12,000)	13,976	25,976
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,976</u>	<u>\$ 25,976</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
SEWER FUND
For the year ended December 31, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenues	\$ 400,000	\$ 325,000	\$ 131,489	\$ (193,511)
Charges for services	3,429,500	3,229,500	3,276,555	47,055
Investment income	25,000	25,000	68,758	43,758
Capital contributions - tap fees	297,000	517,000	653,734	136,734
Miscellaneous	100	100	2,351	2,251
Gain on sale of equipment	-	-	6,550	6,550
Total revenues	<u>4,151,600</u>	<u>4,096,600</u>	<u>4,139,437</u>	<u>42,837</u>
EXPENSES				
Personnel services	748,350	748,350	721,562	26,788
Purchased services	252,000	253,450	217,838	35,612
Supplies	347,050	345,600	309,445	36,155
Special Projects	30,000	30,000	20,462	9,538
Debt service:				
Principal retirement	730,000	730,000	730,000	-
Interest and fiscal charges	524,225	524,225	524,206	19
Capital expenses	1,953,000	2,300,525	1,353,442	947,083
Contingency	-	-	-	-
Transfers out	160,000	160,000	160,000	-
Total expenses	<u>4,744,625</u>	<u>5,092,150</u>	<u>4,036,955</u>	<u>1,055,195</u>
Change in net position - budgetary basis	<u>\$ (593,025)</u>	<u>\$ (995,550)</u>	<u>\$ 102,482</u>	<u>\$ 1,098,032</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,290,736)	
Deduct loss on sale of equipment			(999)	
Deduct change in compensation payable			(1,465)	
Add change in accrued interest payable			8,611	
Add contributions from development			221,044	
Add principal retirement			730,000	
Add capital expenses			1,353,442	
Add premium on bonds			50,147	
Change in net position - GAAP basis			<u>\$ 1,172,526</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
TRASH FUND
For the year ended December 31, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 728,000	\$ 736,000	\$ 743,488	\$ 7,488
Investment income	-	-	88	88
Total revenues	<u>728,000</u>	<u>736,000</u>	<u>743,576</u>	<u>7,576</u>
EXPENSES				
Purchased services	673,000	681,000	676,501	4,499
Transfers out	55,000	55,000	55,000	-
Total expenses	<u>728,000</u>	<u>736,000</u>	<u>731,501</u>	<u>4,499</u>
 Change in net position - budgetary basis	 <u>\$ -</u>	 <u>\$ -</u>	 \$ 12,075	 <u>\$ 12,075</u>
 Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position			<u>\$ 12,075</u>	
Change in net position - GAAP basis			<u>\$ 12,075</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
DEVILS CANYON CENTER FUND
For the year ended December 31, 2018

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Charges for services	\$ 1,450	\$ 1,386	\$ (64)
Investment income	-	573	573
Total revenues	<u>1,450</u>	<u>1,959</u>	<u>509</u>
EXPENSES			
Purchased services	1,450	1,386	64
Transfers out	48,000	4,114	43,886
Total expenses	<u>49,450</u>	<u>5,500</u>	<u>43,950</u>
Change in net position - budgetary basis	<u>\$ (48,000)</u>	\$ (3,541)	<u>\$ 44,459</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Deduct depreciation		<u>(37,551)</u>	
Change in net position - GAAP basis		<u>\$ (41,092)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
IRRIGATION WATER FUND
For the year ended December 31, 2018

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 113,000	\$ 113,000	\$ 115,869	\$ 2,869
Investment income	-	-	77	77
Total revenues	113,000	113,000	115,946	2,946
EXPENSES				
Personnel services	73,475	73,475	66,044	7,431
Purchased services	11,300	11,300	11,153	147
Supplies	15,450	15,450	12,654	2,796
Capital equipment	-	-	-	-
Contingency	2,775	2,775	-	2,775
Transfers out	10,000	10,000	10,000	-
Total expenses	113,000	113,000	99,851	13,149
Change in net position - budgetary basis	\$ -	\$ -	\$ 16,095	\$ 16,095
Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position				
Add change in compensation payable			178	
Deduct depreciation			(6,762)	
Change in net position - GAAP basis			\$ 9,511	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
FLEET MAINTENANCE FUND
For the year ended December 31, 2018

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 296,750	\$ 296,750	\$ 256,989	\$ (39,761)
Other revenues	-	12,725	12,726	1
Total revenues	<u>296,750</u>	<u>309,475</u>	<u>269,715</u>	<u>(39,760)</u>
EXPENDITURES				
Personnel services	187,600	187,600	155,342	32,258
Purchased services	23,500	49,225	39,234	9,991
Supplies	85,650	72,650	72,446	204
Capital equipment	6,000	6,000	5,244	756
Total expenditures	<u>302,750</u>	<u>315,475</u>	<u>272,266</u>	<u>43,209</u>
Change in net position - budgetary basis	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	\$ (2,551)	<u>\$ 3,449</u>
Adjustments from budgetary basis to GAAP basis				
to arrive at change in net position				
Add capital expenses			5,244	
Add change in compensation payable			(183)	
Deduct depreciation			(2,510)	
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: Fruita
	YEAR ENDING : December 2018

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
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,292,652
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	592,883
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	33,944
2. General fund appropriations	537,447	b. Snow and ice removal	5,645
3. Other local imposts (from page 2)	667,360	c. Other	223,526
4. Miscellaneous local receipts (from page 2)	55,464	d. Total (a. through c.)	263,115
5. Transfers from toll facilities		4. General administration & miscellaneous	283,588
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	380,363
a. Bonds - Original Issues		6. Total (1 through 5)	2,812,600
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,260,270	b. Redemption	
B. Private Contributions	1,013,579	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	538,751	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,812,600	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,812,600

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,812,600	2,812,600		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2018

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	628,663	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	14,151	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	1,350
5. Specific Ownership &/or Other	24,546	g. Other Misc. Receipts	54,114
6. Total (1. through 5.)	667,360	h. Other	
c. Total (a. + b.)	667,360	i. Total (a. through h.)	55,464
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	487,443	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	51,308	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	51,308	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	538,751	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		224,400	224,400
b. Engineering Costs		4,114	4,114
c. Construction:			
(1). New Facilities		740,731	740,731
(2). Capacity Improvements			0
(3). System Preservation		293,679	293,679
(4). System Enhancement & Operation		29,728	29,728
(5). Total Construction (1) + (2) + (3) + (4)	0	1,064,138	1,064,138
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,292,652	1,292,652
			(Carry forward to page 1)

Notes and Comments:

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Single Audit

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

May 14, 2019

To the Honorable Mayor and City Council
City of Fruita, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Fruita, Colorado's basic financial statements and have issued our report thereon dated May 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fruita, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fruita, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fruita, Colorado's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fruita, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have



a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
Grand Junction, Colorado



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

May 14, 2019

To the Honorable Mayor and City Council
City of Fruita, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Fruita, Colorado’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fruita, Colorado’s major federal programs for the year ended December 31, 2018. City of Fruita, Colorado’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fruita, Colorado’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fruita, Colorado’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fruita, Colorado’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fruita, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.



Report on Internal Control over Compliance

Management of the City of Fruita, Colorado, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fruita, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fruita, Colorado's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
Grand Junction, Colorado

City of Fruita, Colorado

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2018**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Award Amount	Amount of Award Expended
Highway Planning and Construction Cluster			
Department of Transportation			
Highway Planning and Construction			
Fixing America's Surface Transportation (FAST) Act			
Surface Transportation Block Grant Program			
Transportation Alternative Program (TAP)			
Passed through Colorado Department of Transportation	20.205	\$ 1,200,000	\$ 1,146,700
Total U.S. Department of Transportation		<u>\$ 1,200,000</u>	<u>\$ 1,146,700</u>
Department of the Interior			
Distribution of Receipts to State and Local Governments	15.227	\$ 325,000	\$ 131,489
Total U.S. Department of the Interior		<u>\$ 325,000</u>	<u>\$ 131,489</u>
Total Federal Expenditures			<u><u>\$ 1,278,189</u></u>

The accompanying notes are an integral part of this schedule.

City of Fruita

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2018

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Fruita. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The City did not elect to use the 10% de minimus indirect cost rate.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

City of Fruita, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		<u>Unmodified Opinion</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	<u> ✓ </u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u> ✓ </u>	none reported
Noncompliance material to financial statements noted?	_____	yes	<u> ✓ </u>	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	<u> ✓ </u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u> ✓ </u>	none reported

Type of auditor's report issued on compliance for major programs:		<u>Unmodified Opinion</u>		
--	--	---------------------------	--	--

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	<u> ✓ </u>	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	_____ yes <u> ✓ </u> no

City of Fruita, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2018

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Our audit did not disclose any matters required to be reported in accordance with Generally Accepted Government Auditing standards

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

City of Fruita, Colorado

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2018

There are no prior year audit findings.