

City of Fruita

2020 Financial Statements

Fiscal Year Ending December 31, 2020



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City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2020

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

July 13, 2021

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 (the City), as of and for the year ended December 31, 2020, 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, 2020, 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 1-20 and 63-64 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's basic financial statements. The combining and individual nonmajor fund financial statements, and supplementary budget to actual schedules, 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 supplementary budget to actual schedules 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, the supplementary budget to actual schedules, 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 July 13, 2021, on our consideration of the City'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'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'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, 2020. Please read this in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- **Net Position.** The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$100.7 million (net position). The City's total net position increased \$5.2 million (5%) from the prior year. This increase included an increase of \$2.75 million in capital assets, \$139,832 in restricted assets, and \$2.3 million in unrestricted assets.
- **Unrestricted net position.** The city's unrestricted net position increased \$2.3 million (13.5%) from the prior year with \$2,470,848 of the increase attributed to governmental activities and a decrease of \$174,482 attributed to business-type activities. The decrease in business-type activities was due to use of unrestricted assets to fund capital improvements (SH 6 sewer line extension) in 2020. The \$2.47 million attributed to governmental activities was due to
 - **Pandemic.** A national and state emergency was declared in early 2020 due to the outbreak of a novel corona virus (COVID-19). The City received \$1.2 million in federal aid (Corona Virus Relief Fund "CVRF") to help mitigate economic impacts and additional expenses incurred due to the pandemic.
 - **Implementation of "Destination Sourcing" sales tax.** The City continued to receive sales tax based on the destination point of delivered products and goods that was implemented mid-year in 2019. This change, combined with the impacts of the pandemic stay-at-home orders which increased delivery based sales, had a significant positive impact on sales tax revenues for the City in 2020 with city sales tax revenues increasing 24% over the prior year.
- **General Fund Unassigned Fund Balance.** Unassigned fund balance of \$8.9 million represents 112% of the total general fund expenditures of \$7.9 million. This is the primary funding source for capital projects of the city.
- City sales tax revenues exceeded prior year revenues by 24%. This represents a 4-year double digit growth rate in city sales tax revenues and a doubling of sales tax revenues over the past 10 years.

Management's Discussion and Analysis

| Year | City sales tax | Increase | % Increase |
|------|----------------|-----------|------------|
| 2011 | 1,303,468 | 68,714 | 5.6% |
| 2012 | 1,403,644 | 100,176 | 7.7% |
| 2013 | 1,473,646 | 70,002 | 5.0% |
| 2014 | 1,569,025 | 95,379 | 6.5% |
| 2015 | 1,463,743 | (105,282) | -6.7% |
| 2016 | 1,508,961 | 45,218 | 3.1% |
| 2017 | 1,690,120 | 181,159 | 12.0% |
| 2018 | 1,920,662 | 230,542 | 13.6% |
| 2019 | 2,213,793 | 293,131 | 15.3% |
| 2020 | 2,738,081 | 524,288 | 23.7% |

- Community Center Fund revenues from charges for services were down 71% from the prior year due to closure and reduced capacity at the facility as a result of the pandemic. This decrease was offset by increases in tax revenues and reductions in expenses.
- New capital assets of \$5.2 million were acquired in 2020. Of the amount, \$3.1 million were for governmental activities and \$2.1 million were for business-type activities.

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 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

Management's Discussion and Analysis

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and 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*.

Management's Discussion and Analysis

- **Proprietary funds.** Proprietary funds are generally used to account for services for which the city charges customers – either outside customers or internal departments of the city. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The city maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The city uses enterprise funds to account for its Sewer, Irrigation Water, Trash and Devils Canyon Center activities.

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

The city adopts an annual appropriated budget for its proprietary funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance 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 City of Fruita maintains one fiduciary fund. The Private purpose trust fund is used to report resources held in trust for Mesa County School District #51.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

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

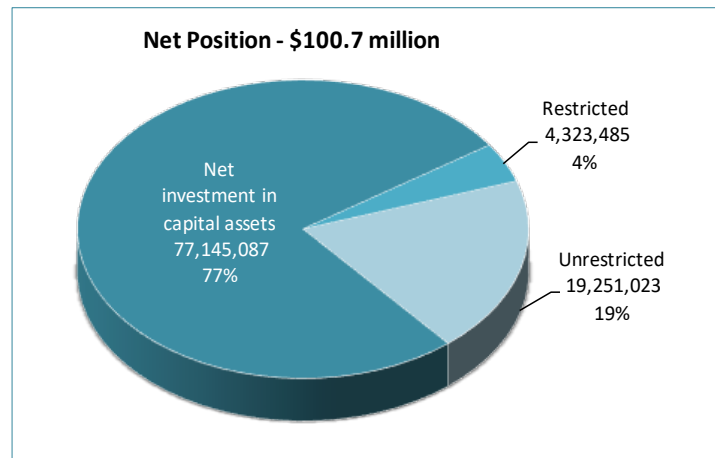
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Government-wide. 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 \$100.7 million at December 31, 2020.

| CITY OF FRUITA - NET POSITION | | | | | | |
|--|-------------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| ASSETS | | | | | | |
| Current and other assets | \$ 21,679,007 | \$ 18,730,425 | \$ 6,467,330 | \$ 6,616,503 | \$ 28,146,337 | \$ 25,346,928 |
| Capital assets | 64,217,103 | 63,480,937 | 40,161,635 | 39,391,926 | 104,378,738 | 102,872,863 |
| Total assets | 85,896,110 | 82,211,362 | 46,628,965 | 46,008,429 | 132,525,075 | 128,219,791 |
| LIABILITIES | | | | | | |
| Current and other liabilities | 2,536,899 | 2,343,160 | 410,301 | 413,502 | 2,947,200 | 2,756,662 |
| Long term liabilities | 11,185,869 | 11,403,997 | 16,237,464 | 17,111,901 | 27,423,333 | 28,515,898 |
| Total liabilities | 13,722,768 | 13,747,157 | 16,647,765 | 17,525,403 | 30,370,533 | 31,272,560 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,434,947 | 1,414,054 | - | - | 1,434,947 | 1,414,054 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 53,200,207 | 52,076,937 | 23,944,880 | 22,317,930 | 77,145,087 | 74,394,867 |
| Restricted | 3,360,043 | 3,265,917 | 963,442 | 917,736 | 4,323,485 | 4,183,653 |
| Unrestricted | 14,178,145 | 11,707,297 | 5,072,878 | 5,247,360 | 19,251,023 | 16,954,657 |
| TOTAL NET POSITION | \$ 70,738,395 | \$ 67,050,151 | \$ 29,981,200 | \$ 28,483,026 | \$ 100,719,595 | \$ 95,533,177 |

The largest portion of the city's net position (77%) is the investment of \$77.1 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



Management's Discussion and Analysis

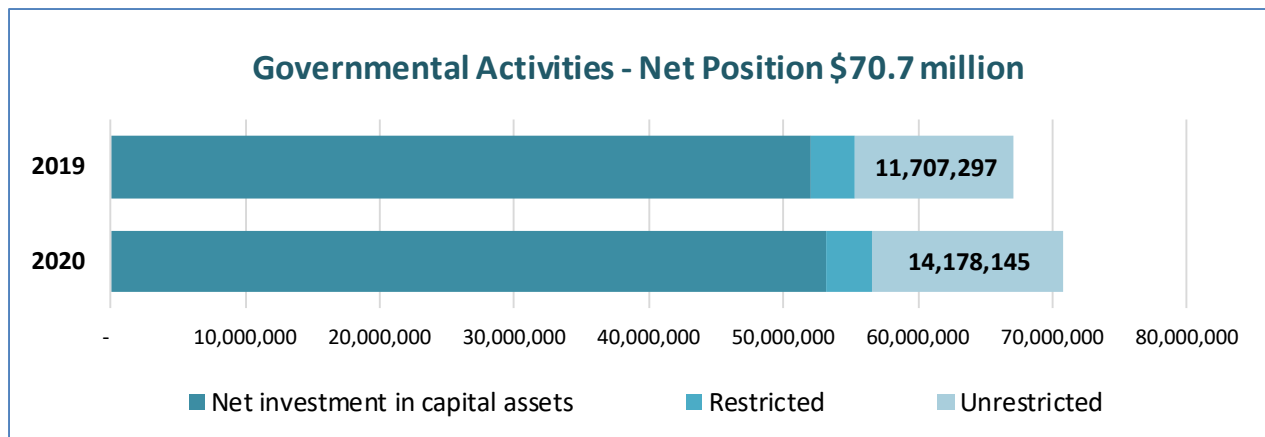
liquidate these liabilities. The City's net investment in capital assets increased \$2.75 million (4%) from the prior year.

An additional portion of the city's net position of \$4.2 million (4%) represents resources that are subject to restrictions on how they may be used. Restricted net assets increased \$139,832 (3%) from the prior year.

The remaining balance of \$19.25 million (19%) is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net assets increased \$2.3 million (13.5%) from the prior year.

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.

Net Position - Governmental Activities. The *Net Position* of governmental activities increased 5.5% (\$3.7 million) from the prior year with the most significant increase in *Unrestricted Net Assets*. *Unrestricted Net Assets* increased 21% from the prior year.



This increase in *Unrestricted Net Position* is primarily due to a 16% (\$2.9 million) increase in *Current Assets* of the City. Significant factors contributing to this increase in *Current Assets* in 2020 include the following:

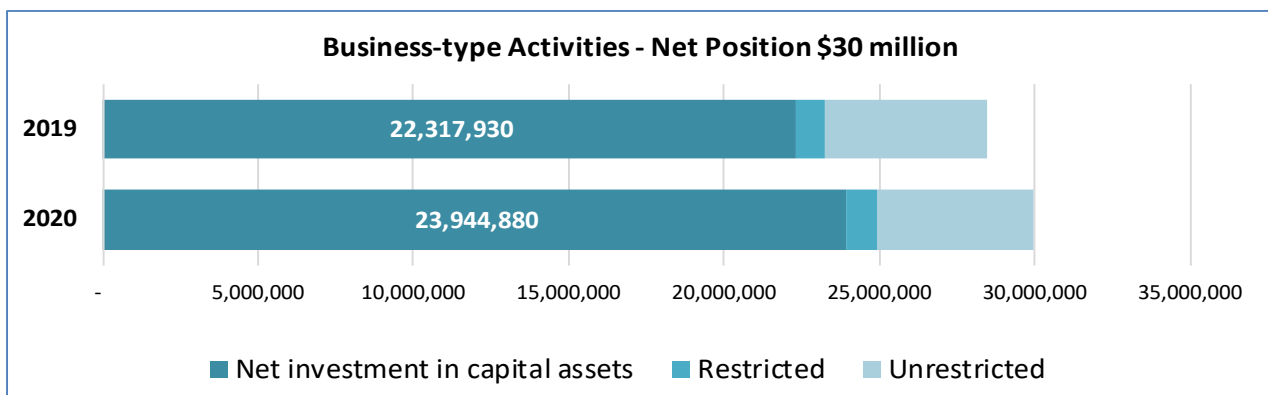
- **Pandemic.** A national and state emergency was declared in early 2020 due to the outbreak of a novel corona virus (COVID-19). A number of health and safety measures were put into place to protect the general public including stay-at-home orders, business closures, and social distancing requirements. Significant financial impacts of the pandemic

Management's Discussion and Analysis

included reductions in expenses to ensure the ongoing fiscal stability of the City, and receipt of federal aid (Corona Virus Relief Fund "CVRF") of approximately \$1.2 million to the City to help mitigate impacts and additional expenses incurred due to the pandemic.

- *Implementation of "Destination Sourcing" sales tax.* In 2019, the City began receiving sales tax based on the destination point of delivered products and goods. This change, combined with the impacts of the pandemic stay-at-home orders which increased delivery based sales, had a significant positive impact on sales tax revenues for the City in 2020 with city sales tax revenues increasing 24% over the prior year.

Net Position - Business-type Activities. The net position of business-type activities increased 5.3% (\$1.5 million) from the prior year with the most significant increase in the *Investment in Capital Assets*, net of related debt, which increased 7.3% (\$1.6 million) from the prior year.



This increase in the *Investment in Capital Assets* reflects sewer collection and treatment system capital improvements, with the construction of the SH6 sewer line interceptor the most significant capital improvement in 2020. The pandemic did not have significant impacts on business-type activities.

The following table reflects the above noted changes in revenues and expenses that contributed to the City's net position for 2019 and 2020.

Management's Discussion and Analysis

CHANGES IN NET POSITION

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|--------------|--------------------------|--------------|----------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| <u>Program revenues</u> | | | | | | |
| Charges for services | \$ 1,307,022 | \$ 2,117,692 | \$ 5,223,980 | \$ 4,810,836 | \$ 6,531,002 | \$ 6,928,528 |
| Operating grants & contributions | 1,280,569 | 282,108 | - | - | 1,280,569 | 282,108 |
| Capital grants & contributions | 1,456,563 | 1,057,896 | 502,064 | 106,685 | 1,958,627 | 1,164,581 |
| Total Program Revenues | 4,044,154 | 3,457,696 | 5,726,044 | 4,917,521 | 9,770,198 | 8,375,217 |
| <u>General revenues:</u> | | | | | | |
| Property taxes | 1,409,457 | 1,167,209 | - | - | 1,409,457 | 1,167,209 |
| Sales and use taxes | 8,545,610 | 7,469,001 | - | - | 8,545,610 | 7,469,001 |
| Other taxes | 1,264,907 | 1,338,846 | - | - | 1,264,907 | 1,338,846 |
| Other | 105,515 | 221,929 | 29,556 | 83,279 | 135,071 | 305,208 |
| Total General Revenues | 11,325,489 | 10,196,985 | 29,556 | 83,279 | 11,355,045 | 10,280,264 |
| Total revenues | 15,369,643 | 13,654,681 | 5,755,600 | 5,000,800 | 21,125,243 | 18,655,481 |
| Expenses: | | | | | | |
| General government | 2,557,439 | 2,414,850 | - | - | 2,557,439 | 2,414,850 |
| Marketing & promotion | 94,803 | 119,594 | - | - | 94,803 | 119,594 |
| Parks and recreation | 3,494,990 | 3,702,926 | - | - | 3,494,990 | 3,702,926 |
| Public works | 2,958,769 | 2,556,469 | - | - | 2,958,769 | 2,556,469 |
| Public safety | 2,417,792 | 2,290,320 | - | - | 2,417,792 | 2,290,320 |
| Interest on long-term debt | 410,791 | 1,027,282 | - | - | 410,791 | 1,027,282 |
| Sewer | - | - | 3,105,437 | 3,090,575 | 3,105,437 | 3,090,575 |
| Trash | - | - | 752,644 | 715,841 | 752,644 | 715,841 |
| Devils Canyon Center | - | - | 39,470 | 37,552 | 39,470 | 37,552 |
| Irrigation water | - | - | 106,690 | 112,861 | 106,690 | 112,861 |
| Total expenses | 11,934,584 | 12,111,441 | 4,004,241 | 3,956,829 | 15,938,825 | 16,068,270 |
| Increase (decrease) in net position before transfers | 3,435,059 | 1,543,240 | 1,751,359 | 1,043,971 | 5,186,418 | 2,587,211 |
| Transfers | 253,185 | 226,000 | (253,185) | (226,000) | - | - |
| Increase in net position | 3,688,244 | 1,769,240 | 1,498,174 | 817,971 | 5,186,418 | 2,587,211 |
| Net position - beginning | 67,050,151 | 65,280,911 | 28,483,026 | 27,665,055 | 95,533,177 | 92,945,966 |
| Net position - ending | \$70,738,395 | \$67,050,151 | \$29,981,200 | \$28,483,026 | \$ 100,719,595 | \$95,533,177 |

Changes in Net Position - Governmental Activities

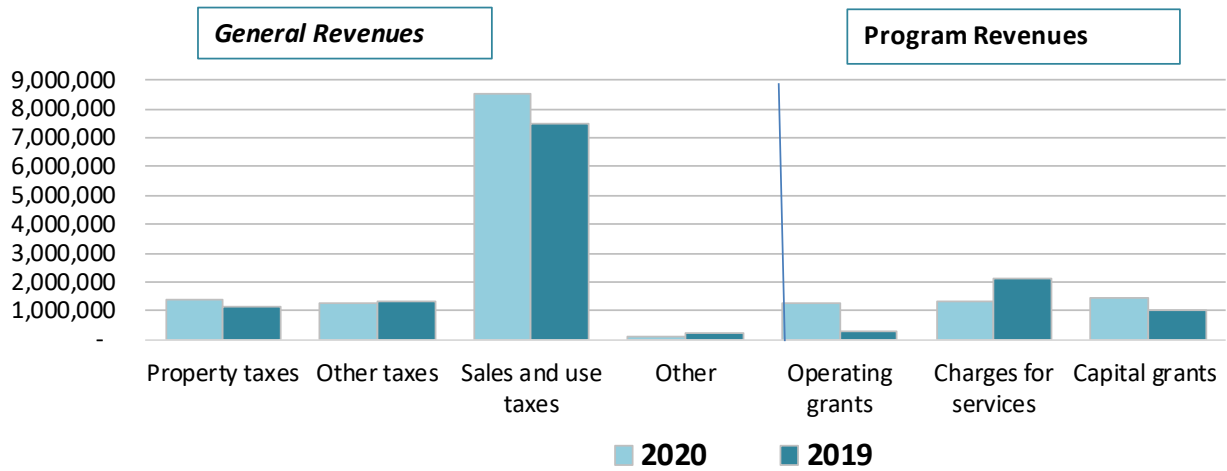
Revenues. Total revenues for governmental activities increased 12.5% (\$1.7 million) in 2020.

Factors contributing to this increase included:

- an increase in operating grants and contributions of 354% (\$1.3 million) with the receipt of a \$1.2 federal grant to provide relief from the pandemic,
- an increase of 11% (\$1.1 million) in general revenues (primarily tax revenues) with the biggest contributor to that increase from sales and use taxes as a result off “destination sourcing” sales taxes combined with impacts of the pandemic on destination source sales, and
- a reduction in charges for services of 38% (\$810,670) primarily due to closure and reduced capacity requirements at the Fruita Community Center and elimination of recreation programs due to the pandemic.

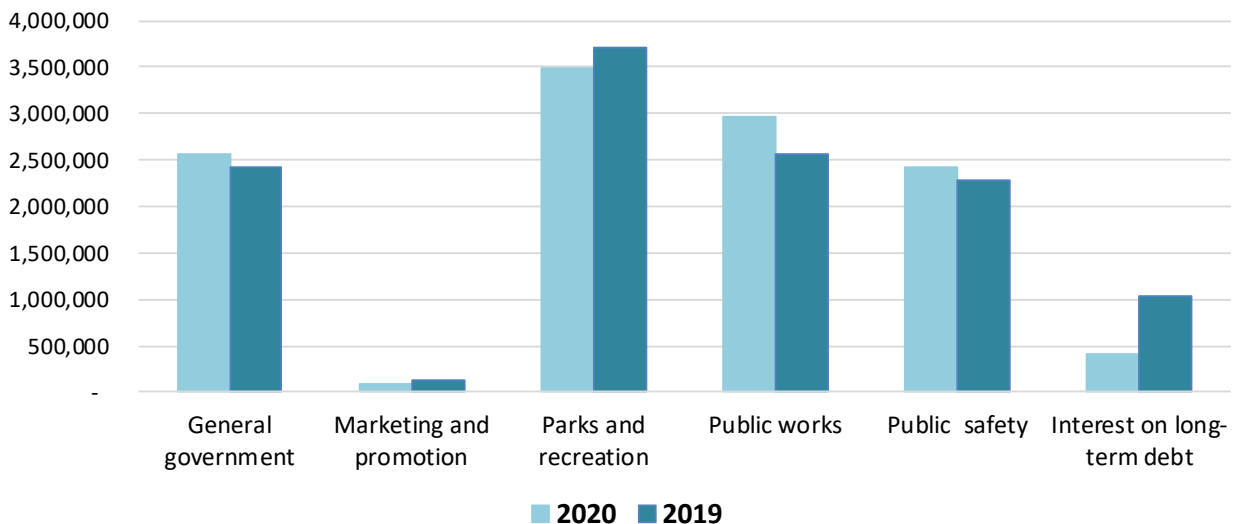
Management's Discussion and Analysis

Governmental Activity Revenues by Source



Expenses. Total expenses for governmental activities decreased 1.5% (\$176,857) in 2020. This reduction in expenses was due to a 60% reduction (\$616,491) in interest expense on long-term debt as a result of the refunding of bonds in 2019, and a reduction in parks and recreation expenses due to closure of the Fruita Community Center and reductions in recreation program expenses as a result of the pandemic. These reductions in expenses were offset by increases in other areas.

Governmental Activity Expenses

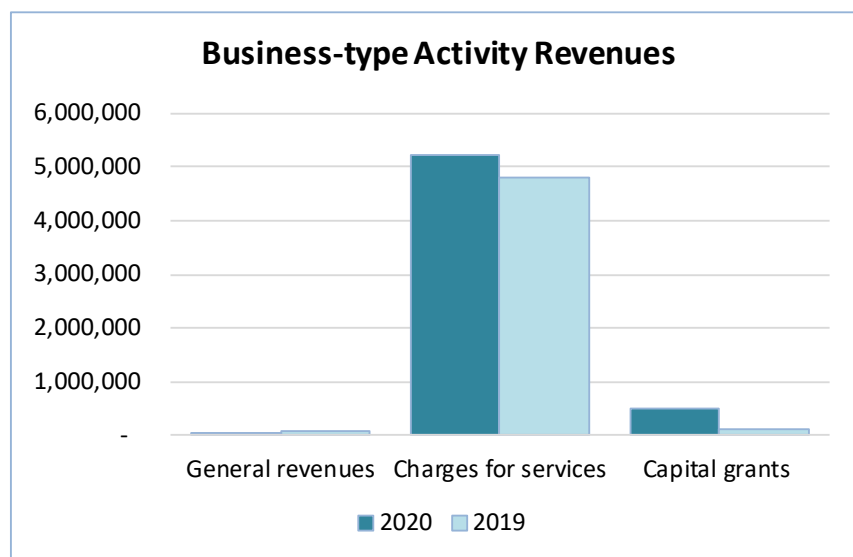


Management's Discussion and Analysis

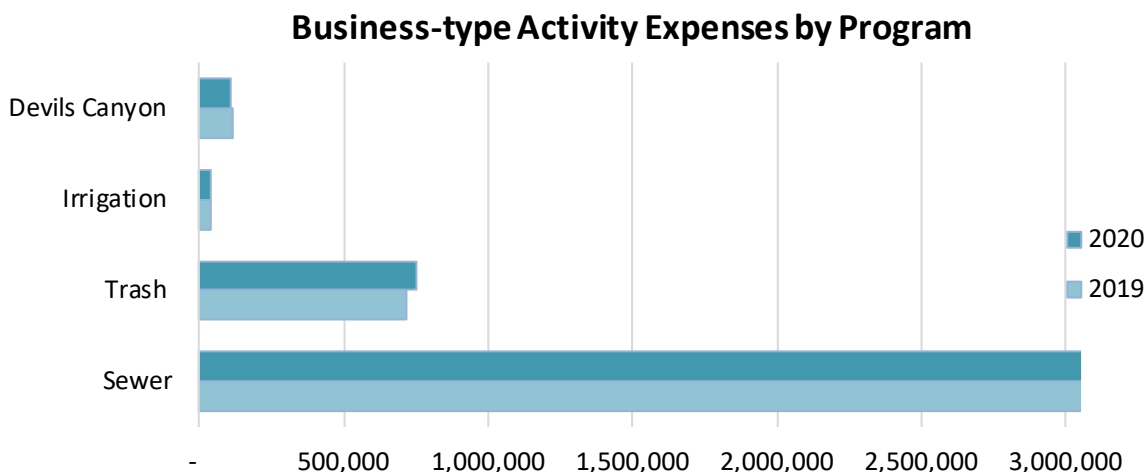
Changes in Net Position – Business-type Activities

Revenues. Total revenues for business-type activities increased 15% (\$754,800) in 2020. Factors contributing to this increase included:

- an increase in capital grants and contributions of 370% (\$395,379) for construction of sewer collection system improvements including the SH 6 sewer interceptor line and new developments, and
- an increase in charges for services of 8.6% (\$413,144) related to the receipt of sewer plant investment fees for new construction and monthly charges for services.



Expenses. Total expenses for business-type activities decreased 1.2% (\$47,412) in 2020.



Management's Discussion and Analysis

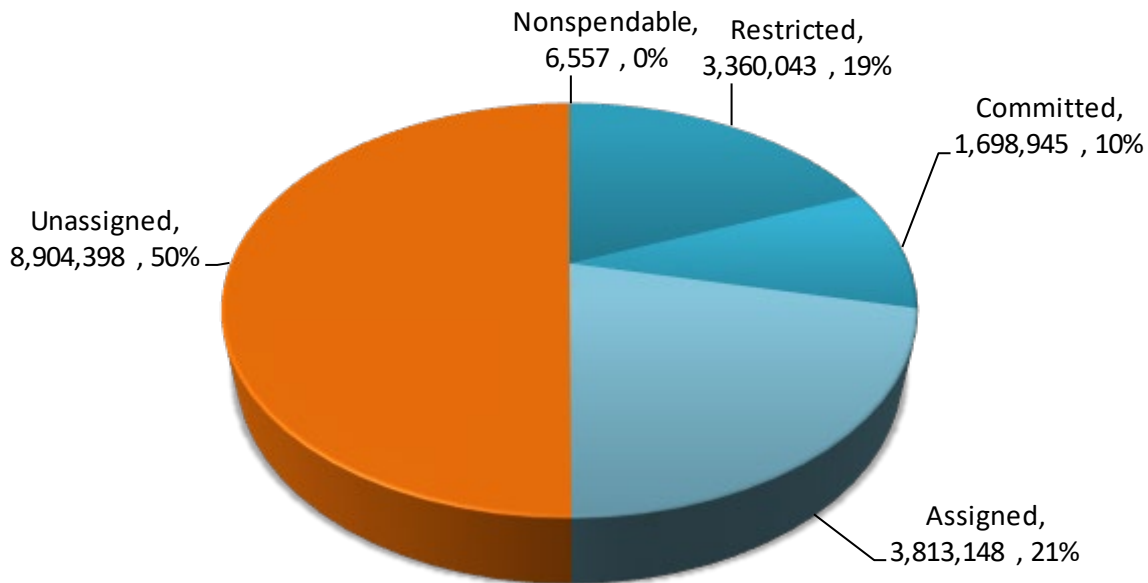
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

The focus of the City of Fruita's governmental funds is to provide information on current year revenues, expenditures, and balances of spendable resources. Such information is useful in assessing the City's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$17.8 million, an increase of \$2.6 million (17%) in comparison with the prior year. Approximately 50% (\$8.9 million) of the total fund balance amount consists of unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed or assigned.

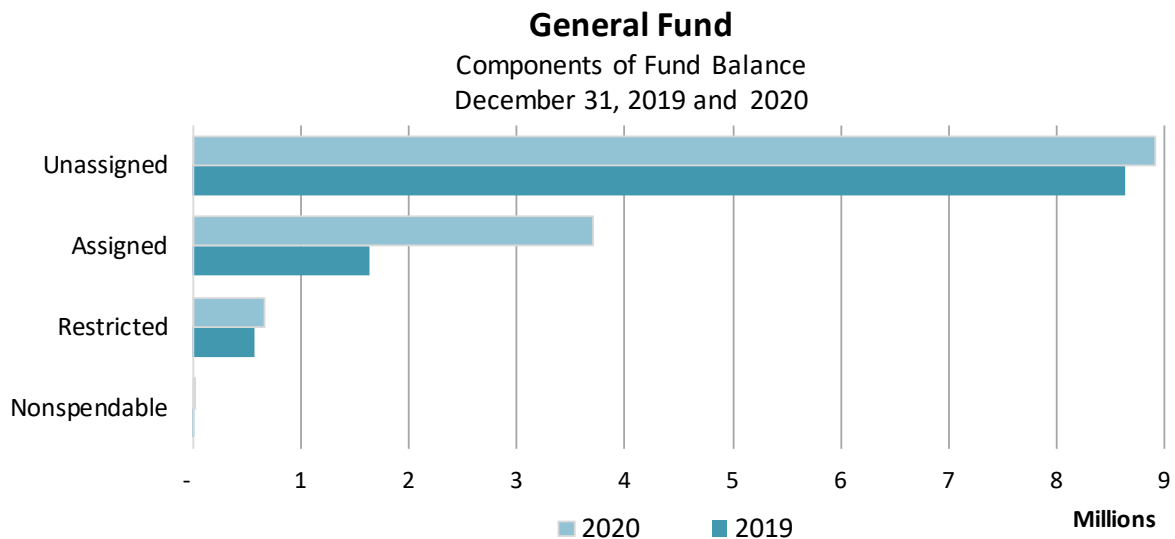
Fund Balance of Governmental Funds - \$17.8 million



Management's Discussion and Analysis

Analysis of Individual Funds

- **General Fund.** The general fund is the chief operating fund of the City of Fruita. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8.9 million, while total fund balance increased to \$13.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 112% of the total general fund expenditures, while total fund balance represents 167% of that same amount.



The following information highlights the significant factors resulting in the \$2.4 million increase in fund balances for the general fund from the prior year.

Assigned fund balances increased \$2.1 million (127%) in 2020 from the prior year due to a \$2.1 million increase in the assignment of unassigned fund balances to offset capital expenses budgeted for in the 2021 budget.

The \$2.4 million increase in fund balance is a result of the following factors:

- 1) Tax revenues from all sources increased \$1 million (13%) from the prior year. City sales tax revenues increased 24% from the prior year due to the implementation of destination source sales taxes in combination with increased destination source sales resulting from pandemic related stay-at-home orders. This increase also reflects a strong local economy with a number of businesses adapting and finding ways to continue to provide services and products in a pandemic related environment. The following table shows the changes in city

Management's Discussion and Analysis

sales tax revenues between 2019 and 2020.

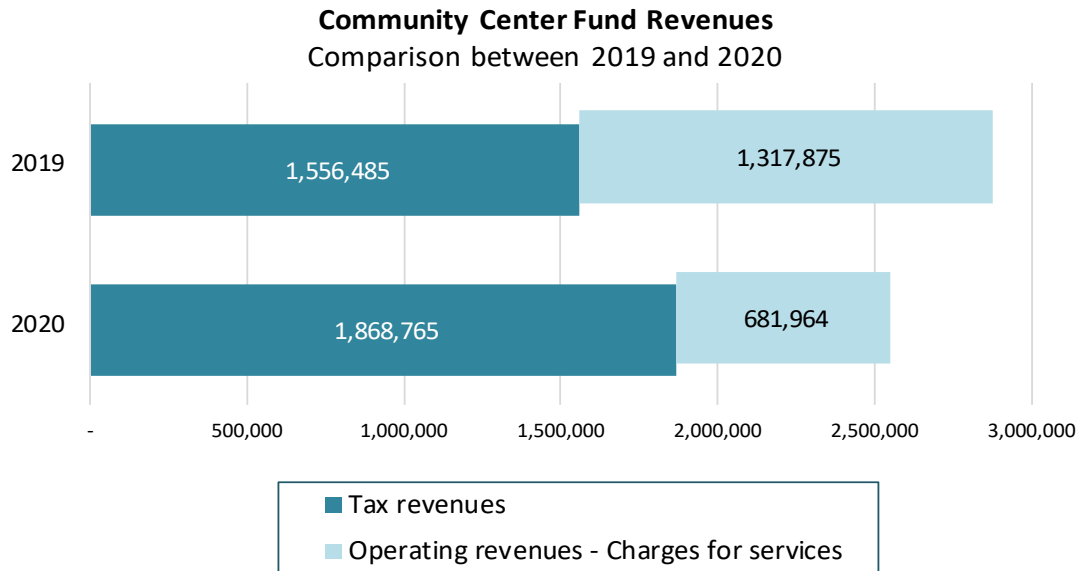
| Sales and Use Tax Revenues by Category (2%) 2019 thru 2020 | | | | |
|---|------------------|------------------|-------------|----------------|
| Description | 2019 | 2020 | 1 yr % Chg | 1 yr \$ Chg |
| Sales taxes | | | | |
| Other Services | 37,774 | 42,867 | 13% | 5,093 |
| Other Miscellaneous | 53,679 | 78,699 | 47% | 25,020 |
| Manufacturing | 41,664 | 69,529 | 67% | 27,865 |
| Wholesale Trade | 63,848 | 88,401 | 38% | 24,553 |
| Rental and Leasing | 88,565 | 79,353 | -10% | (9,212) |
| Communications | 130,593 | 93,882 | -28% | (36,711) |
| Oil and Gas | 54,760 | 112,733 | 106% | 57,974 |
| Utilities | 191,826 | 188,105 | -2% | (3,721) |
| Food and Lodging | 552,118 | 538,377 | -2% | (13,742) |
| Retail Trade | 998,966 | 1,446,134 | 45% | 447,168 |
| Subtotal | 2,213,793 | 2,738,081 | 24% | 524,288 |
| Online sales | 118,811 | 256,049 | 116% | 137,238 |

- 2) The City also saw a 21% increase in property tax revenue and an 11% increase in use tax revenues on motor vehicles and building materials.
 - 3) Intergovernmental revenues also saw a significant increase in revenues of \$921,706. This increase reflects the \$1.1 million in federal grant funds from the CARES act for mitigation of impacts of the pandemic.
 - 4) The City also had a \$939,133 reduction in expenses from the prior year. Reductions were made in various operational and capital expenses to offset potential negative impacts of the pandemic and maintain the City's financial stability.
- **Community Center Fund.** The community center fund accounts for the operations of the Fruita Community Center. At the end of the current fiscal year, the fund balance of the community center fund increased \$126,710 (4%) to \$2.9 million. This increase is of significance due to substantial negative impacts of the pandemic on the operations of the Community Center. The facility was closed by executive order for several months, and restraints were placed on capacity when the facility was permitted to re-open.

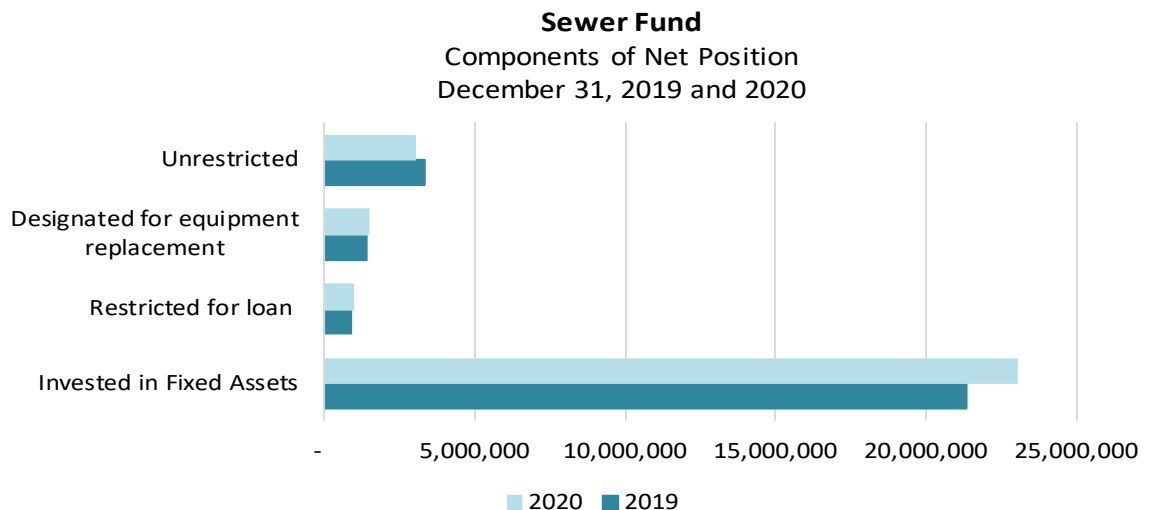
Revenues were down \$323,631 (13%) in 2020 from the prior year. This decrease was a combination of reductions in non-tax revenues (charges for services) of \$635,911 (71%) from the prior year and increases in city sales and use tax revenues of \$312,280 (17%).

Management's Discussion and Analysis

In addition, measures were taken to reduce expenses to compensate for reductions in revenue and reduced service requirements due to the closure of the facility and program cancellations resulting in a \$123,407 (7%) reduction from the prior year.



- Sewer Fund.** The Sewer Fund accounts for operations of the wastewater collection and treatment system. At the end of the current fiscal year, the net position of the sewer fund increased \$1.5 million (5%) to \$28.5 million. This increase is reflected in a \$1.7 million increase in amounts invested in fixed assets primarily due to the \$1.5 million extension of the SH 6 sewer line. Unrestricted net position of the sewer fund decreased \$327,665 (10%) from the prior year as a portion of these funds were used to construct the SH 6 sewer line extension.



Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. Amendments were made to the general fund budget throughout the year. Differences between the General Fund original budget and the final amended budget include revisions to both projected revenues, expenditures, and other financing uses as noted in the following table.

| General Fund Budget Original budget compared to Final Budget | | | | |
|---|-----------------|--------------|--------------|------------|
| Description | Original budget | Final Budget | Variance | % of Total |
| Revenues | \$ 8,766,300 | \$ 9,923,675 | \$ 1,157,375 | -396% |
| Expenses | (8,198,300) | (9,543,075) | (1,344,775) | 460% |
| Other Financing Uses | (669,000) | (773,950) | (104,950) | 36% |
| Excess revenues (expenses) | \$ (101,000) | \$ (393,350) | \$ (292,350) | 100% |

Increases to original budgeted revenues consist of \$1.1 million intergovernmental revenues from the federal government for the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were made available by the federal government and passed through the state for the purpose of providing economic relief due to impacts of the coronavirus pandemic. Expenses were also increased by the same amount for purposes of providing economic relief including increased public safety measures, sanitation of public facilities, provision of outdoor seating areas for local businesses, technology upgrades and improvements to conduct city business in the restricted environment including remote working and remote public meetings, as well as other measures taken to help mitigate the impacts of the pandemic.

While expenses were increased for the coronavirus pandemic, the City took measures to reduce budgeted expenses to ensure fiscal stability, not knowing how the pandemic would affect city revenue sources. Reductions in expenses were made and included elimination of recreation program offerings, cancellation of special events, postponement of new hiring, postponement of capital projects and other cost-saving measures.

Management's Discussion and Analysis

Final budget compared to actual results.

| General Fund Budget Final Budget vs Actuals | | | | |
|--|---------------------|---------------|-------------------|---------------|
| <u>Description</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Difference</u> | <u>% Diff</u> |
| Revenues | \$ 9,923,675 | \$ 10,832,581 | \$ 908,906 | 9% |
| Expenses | (9,543,075) | (7,934,169) | 1,608,906 | -17% |
| Other Financing Uses | (773,950) | (459,064) | 314,886 | -41% |
| Excess revenues (expenses) | \$ (393,350) | \$ 2,439,348 | \$ 2,832,698 | -720% |

Revenues of \$10.8 million exceeded final budgeted revenues by \$908,906 (9%). The most significant differences between the final budgeted revenues and actual revenues are summarized below.

| Significant Variations Final Budgeted Revenues vs Actual Revenues | | | | |
|--|---------------------|------------------------|-------------------|--------------|
| <u>Description</u> | <u>Final Budget</u> | <u>Actual Revenues</u> | <u>Difference</u> | <u>% Chg</u> |
| City sales tax | \$ 2,130,000 | \$ 2,738,081 | \$ 608,081 | 29% |
| Use taxes | 860,000 | 999,447 | 139,447 | 16% |
| County sales tax | 2,758,000 | 2,939,317 | 181,317 | 7% |
| Charges for services | 183,350 | 94,805 | (88,545) | -48% |

Sales and use taxes account for the majority of the positive variance between budgeted revenues and actual revenues. Charges for services were down by 48% from budget and reflect cancellation of outdoor recreation programs due to the pandemic.

Expenses of \$7.9 million were under the final budgeted amount of \$9.5 million by \$1.6 million (17%). There were no expenses in excess of budget on a department wide basis. The following table shows the variances between final budget and actual expenses by department.

Management's Discussion and Analysis

Significant Variations Final Budgeted Expenses vs Actual Expenses

| | <u>Final budget</u> | <u>Actual expenses</u> | <u>Difference</u> | <u>% (Under)</u> <u>Over</u> |
|-----------------------|---------------------|------------------------|-----------------------|---------------------------------|
| General government | \$ 555,750 | \$ 503,641 | \$ (52,109) | -9% |
| Administration | 802,375 | 706,585 | (95,790) | -12% |
| Community development | 431,900 | 395,365 | (36,535) | -8% |
| Public safety | 2,825,825 | 2,232,016 | (593,809) | -21% |
| Public works | 1,976,875 | 1,862,225 | (114,650) | -6% |
| Parks and recreation | 1,210,075 | 1,075,358 | (134,717) | -11% |
| Non-departmental | 1,146,525 | 646,287 | (500,238) | -44% |
| Capital outlay | 593,750 | 512,692 | (81,058) | -14% |
| Total expenses | \$ 9,543,075 | \$ 7,934,169 | \$ (1,608,906) | -17% |

Non-departmental expenses were under budget by 44%. This difference was due to unspent contingency funds for general operations and economic development.

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 \$314,886 (41%). This variance from budget to actual was primarily due to a reduction in transfers to the capital projects fund due to timing of capital projects.

Other Financing Sources (Uses) - Final Budget vs Actuals

| | <u>Final budget</u> | <u>Actual</u> | <u>Difference</u> | <u>% (Under)</u> <u>Over</u> |
|-----------------------------------|---------------------|---------------------|-------------------|---------------------------------|
| Transfers in | \$ 240,500 | \$ 240,500 | \$ - | 0% |
| Transfers out | (1,014,450) | (705,286) | 309,164 | -30% |
| Insurance damage awards | - | 29 | 29 | N/A |
| Sale of capital assets | - | 5,693 | 5,693 | 100% |
| Total other financing uses | \$ (773,950) | \$ (459,064) | \$ 314,886 | -41% |

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2020 were \$104,378,738, net of accumulated depreciation. Capital assets include land, buildings, machinery, equipment, vehicles, park and recreation facilities, roads, highways, wastewater reclamation facility, sewer collection lines, and irrigation distribution system. The total increase in capital assets for the current fiscal year was \$1.5 million.

Capital asset additions for the year ended December 31, 2020 included the following:

| Capital Asset Additions | | | |
|----------------------------|---------------------|------------------------------------|---------------------|
| Governmental Funds | | Proprietary Funds | |
| Overlays | \$ 200,465 | WWTF Wet Well Coatings | \$ 284,557 |
| K.4 Road Improvements | 626,229 | WWTF Aeration Membranes | 13,150 |
| Roundabout improvements | 18,685 | WWTF ATAD3 Tank controls | 3,294 |
| Kokopelli trail | 337,047 | SH 6 Sewer extension | 1,547,481 |
| Fremont Street Design | 21,985 | Lift station electrical (SH340) | 43,611 |
| FCC equipment & imp. | 184,067 | Lift station conduit repair (I-70) | 23,341 |
| Big Salt Wash Trail | 25,173 | WWTF Equipment | 73,872 |
| Sidewalk improvements | 29,367 | | |
| Computer equipment | 52,648 | | |
| Mobile equipment | 277,522 | | |
| Buildings | 177,618 | | |
| Equipment/Furniture | 12,130 | | |
| Subdivision infrastructure | | Subdivision infrastructure | |
| Garden Estates | 409,655 | Garden Estates | 40,950 |
| Brandon PUD | 105,912 | Brandon PUD | 16,250 |
| Grand Valley Estates F2 | 332,872 | Grand Valley Estates F2 | 53,675 |
| Redcliffs MH Village | 271,077 | Redcliffs MH Village | 48,826 |
| Total | \$ 3,082,452 | Total | \$ 2,149,007 |

Depreciation expense of \$3.7 million included \$2.3 million in governmental activities, including the internal service fund and \$1.4 million in business type activities. The City disposed of \$106,837 in capital assets with a book value of \$12,350.

Additional information on the City of Fruita's capital assets can be found in Note 3C to the Financial Statements.

Long-term Debt. At the end of the current fiscal year, the City of Fruita had total debt

Management's Discussion and Analysis

outstanding of \$27.4 million. Of this amount, \$16.2 million is a loan backed by user fees and charges of the sewer system, \$10.9 million represents bonds backed by sales and use tax revenues, \$164,615 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa, and \$189,685 is for compensated absences payable from future revenues of the City. The City of Fruita's total debt decreased by \$1.26 million (4%) in 2020.

Additional information on the City of Fruita's long-term debt obligations can be found in Note 3D to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Factors which were considered in development of the 2021 Annual Budget include the following:

- Effective January 1, 2021, an increase in Lodger's Tax from 3% to 6% of accommodations with the additional 3% dedicated to Public Place and Open Space and Trails.
- Continued impacts from pandemic on lodging tax revenues and user fees and charges for the Fruita Community Center.

The following economic factors currently affect the City of Fruita and were not considered in developing the 2021 Annual Budget.

- The City of Fruita has been awarded a total allocation of \$3,387,692 in federal funds through the American Rescue Plan Act of 2021 (ARP). These funds are payable in two equal tranches of \$1,693,846 with the first payment to be received in June 2021 and second payment in June of 2022. ARP funds were not anticipated at the time the budget was adopted and were not considered as part of the budget process. These funds may be used to support public health expenditures, address negative economic impacts caused by the pandemic, replace lost public sector revenues, provide premium pay for essential workers, and invest in water, sewer and broadband infrastructure.
- City sales tax revenues were expected to decline in 2021 with a return to pre-pandemic patterns of spending. However, city sales tax revenue continues to show accelerated rates of growth with a 17.6% year to date increase for the first 4 months of 2021.
- Several factors are impacting the local economy including reopening of the economy, increases in the rate of inflation (currently estimated at 5%), commodity shortages especially in housing, low interest rates, and labor shortages.

Management's Discussion and Analysis

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.



Economic Health

The City of Fruita strives to be financially sustainable by enabling a stable economy and supporting a diversity of businesses that offer well-paying jobs that attract educated employees. The City works to be fiscally responsible and continuously seeks ways to allocate resources to services and projects that have the highest impact on the City's priorities.



Basic Financial Statements

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City of Fruita, Colorado
Statement of Net Position
December 31, 2020

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and investments | \$ 15,449,204 | \$ 4,811,133 | \$ 20,260,337 |
| Receivables | 1,467,644 | 692,755 | 2,160,399 |
| Intergovernmental receivable | 1,931,208 | - | 1,931,208 |
| Inventories | 6,557 | - | 6,557 |
| Restricted assets: | | | |
| Restricted cash | 2,824,394 | 963,442 | 3,787,836 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 8,671,664 | 1,046,173 | 9,717,837 |
| Source of supply | - | 14,712 | 14,712 |
| Buildings, net | 14,752,933 | 610,259 | 15,363,192 |
| Systems, net | 32,078,186 | 38,058,380 | 70,136,566 |
| Machinery and equipment, net | 8,673,650 | 432,111 | 9,105,761 |
| Construction in progress | 40,670 | - | 40,670 |
| Total Assets | <u>85,896,110</u> | <u>46,628,965</u> | <u>132,525,075</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 348,014 | 225,907 | 573,921 |
| Accrued interest payable | 97,950 | 184,394 | 282,344 |
| Customer deposits payable | 21,647 | - | 21,647 |
| Unearned revenues | 2,069,288 | - | 2,069,288 |
| Noncurrent liabilities: | | | |
| Compensated absences payable | 168,976 | 20,709 | 189,685 |
| Due within one year: Bonds and notes | 361,915 | 910,000 | 1,271,915 |
| Due in more than one year: Bonds, notes, compensated absences | 10,654,978 | 15,306,755 | 25,961,733 |
| Total Liabilities | <u>13,722,768</u> | <u>16,647,765</u> | <u>30,370,533</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable property tax revenue | 1,434,947 | - | 1,434,947 |
| Total Deferred Inflows of Resources | <u>1,434,947</u> | <u>-</u> | <u>1,434,947</u> |
| NET POSITION | | | |
| Net investment in capital assets | 53,200,207 | 23,944,880 | 77,145,087 |
| Restricted for: | | | |
| Debt service | 757,839 | 963,442 | 1,721,281 |
| Marketing and promotion | 162,098 | - | 162,098 |
| Community center | 1,208,621 | - | 1,208,621 |
| Parks and open space | 396,596 | - | 396,596 |
| Streets and drainage | 177,123 | - | 177,123 |
| Public safety | 257,766 | - | 257,766 |
| Emergency reserves | 400,000 | - | 400,000 |
| Unrestricted | 14,178,145 | 5,072,878 | 19,251,023 |
| Total Net Position | <u>\$ 70,738,395</u> | <u>\$ 29,981,200</u> | <u>\$ 100,719,595</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, 2020

| 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 | \$ 2,557,439 | \$ 229,885 | \$ 1,107,598 | \$ - | \$ (1,219,956) | \$ - | \$ (1,219,956) |
| Marketing and promotion | 94,803 | - | - | - | (94,803) | - | (94,803) |
| Parks and recreation | 3,494,990 | 744,221 | 156,780 | 337,047 | (2,256,942) | - | (2,256,942) |
| Public works | 2,958,769 | 261,098 | 14,304 | 1,119,516 | (1,563,851) | - | (1,563,851) |
| Public safety | 2,417,792 | 7,668 | 1,887 | - | (2,408,237) | - | (2,408,237) |
| Interest on long-term debt | 410,791 | 64,150 | - | - | (346,641) | - | (346,641) |
| Total governmental activities | <u>11,934,584</u> | <u>1,307,022</u> | <u>1,280,569</u> | <u>1,456,563</u> | <u>(7,890,430)</u> | <u>-</u> | <u>(7,890,430)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Sewer | 3,105,437 | 4,268,336 | - | 502,064 | - | 1,664,963 | 1,664,963 |
| Trash | 752,644 | 826,127 | - | - | - | 73,483 | 73,483 |
| Devils Canyon Center | 39,470 | 1,667 | - | - | - | (37,803) | (37,803) |
| Irrigation water | 106,690 | 127,850 | - | - | - | 21,160 | 21,160 |
| Total business-type activities | <u>4,004,241</u> | <u>5,223,980</u> | <u>-</u> | <u>502,064</u> | <u>-</u> | <u>1,721,803</u> | <u>1,721,803</u> |
| Total government | <u>\$ 15,938,825</u> | <u>\$ 6,531,002</u> | <u>\$ 1,280,569</u> | <u>\$ 1,958,627</u> | <u>(7,890,430)</u> | <u>1,721,803</u> | <u>(6,168,627)</u> |
| General Revenues: | | | | | | | |
| | | | | | 1,409,457 | - | 1,409,457 |
| | | | | | 8,545,610 | - | 8,545,610 |
| | | | | | 89,502 | - | 89,502 |
| | | | | | 138,149 | - | 138,149 |
| | | | | | 383,045 | - | 383,045 |
| | | | | | 403,574 | - | 403,574 |
| | | | | | 250,637 | - | 250,637 |
| | | | | | 99,822 | 26,306 | 126,128 |
| | | | | | 5,693 | 3,250 | 8,943 |
| | | | | | 253,185 | (253,185) | - |
| | | | | | <u>11,578,674</u> | <u>(223,629)</u> | <u>11,355,045</u> |
| | | | | | 3,688,244 | 1,498,174 | 5,186,418 |
| | | | | | 67,050,151 | 28,483,026 | 95,533,177 |
| | | | | | <u>\$ 70,738,395</u> | <u>\$ 29,981,200</u> | <u>\$ 100,719,595</u> |

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

| | Major Funds | | | Nonmajor Funds | | Total |
|---|----------------------|---------------------|---------------------|-------------------|----------------------------|----------------------|
| | General | Capital Projects | Community Center | Debt Service | Other Nonmajor Funds | |
| ASSETS | | | | | | |
| Cash and investments | \$ 11,933,533 | \$ 219,673 | \$ 2,701,878 | \$ 9,639 | \$ 554,159 | \$ 15,418,882 |
| Accounts receivable | 27,501 | - | - | - | - | 27,501 |
| Taxes receivable | 1,434,947 | - | - | - | 5,196 | 1,440,143 |
| Intergovernmental receivables | 1,642,191 | 14,304 | 274,713 | - | - | 1,931,208 |
| Inventories | 6,557 | - | - | - | - | 6,557 |
| Restricted cash | 216,990 | 1,859,204 | - | 748,200 | - | 2,824,394 |
| Total Assets | \$ 15,261,719 | \$ 2,093,181 | \$ 2,976,591 | \$ 757,839 | \$ 559,355 | \$ 21,648,685 |
| LIABILITIES | | | | | | |
| Accounts payable | 221,754 | 38,210 | 68,875 | - | 10,925 | 339,764 |
| Deposits payable | 21,497 | - | 150 | - | - | 21,647 |
| Unearned revenues | 299,027 | 1,770,261 | - | - | - | 2,069,288 |
| Total Liabilities | 542,278 | 1,808,471 | 69,025 | - | 10,925 | 2,430,699 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable property tax revenue | 1,434,947 | - | - | - | - | 1,434,947 |
| Total deferred inflows of resources | 1,434,947 | - | - | - | - | 1,434,947 |
| FUND BALANCES | | | | | | |
| Nonspendable for inventories | 6,557 | - | - | - | - | 6,557 |
| Restricted: | | | | | | |
| Debt Service | - | - | - | 757,839 | - | 757,839 |
| Marketing | - | - | - | - | 162,098 | 162,098 |
| Community center | - | - | 1,208,621 | - | - | 1,208,621 |
| Parks and open space | - | 10,264 | - | - | 386,332 | 396,596 |
| Streets and drainage | 8,787 | 168,336 | - | - | - | 177,123 |
| Public safety | 257,766 | - | - | - | - | 257,766 |
| Emergency reserve | 400,000 | - | - | - | - | 400,000 |
| Committed: | - | - | 1,552,420 | - | - | 1,552,420 |
| Assigned: | | | | | | |
| Equipment replacement reserve | 1,091,103 | - | 5,700 | - | - | 1,096,803 |
| Subsequent year expenses | 2,193,540 | - | 140,825 | - | - | 2,334,365 |
| Health insurance reserve | 328,468 | - | - | - | - | 328,468 |
| Capital projects | - | 106,110 | - | - | - | 106,110 |
| Scholarship Program | 32,746 | - | - | - | - | 32,746 |
| Art Acquisition Fund | 52,410 | - | - | - | - | 52,410 |
| War memorial maintenance | 8,139 | - | - | - | - | 8,139 |
| Court appointed counsel | 580 | - | - | - | - | 580 |
| Unassigned: | | | | | | |
| Unassigned | 7,049,132 | - | - | - | - | 7,049,132 |
| Operating reserve | 1,855,266 | - | - | - | - | 1,855,266 |
| Total fund balances | 13,284,494 | 284,710 | 2,907,566 | 757,839 | 548,430 | 17,783,039 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 15,261,719 | \$ 2,093,181 | \$ 2,976,591 | \$ 757,839 | \$ 559,355 | \$ 21,648,685 |

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

City of Fruita, Colorado
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2020

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

| | | |
|---|--------------|---------------|
| Total fund balances of governmental funds | | \$ 17,783,039 |
| Capital assets of \$87,763,913, net of accumulated depreciation of \$23,566,325, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 64,197,588 |
| Internal service funds are used to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 37,121 |
| Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Sales and use tax revenue bonds payable | (9,795,000) | |
| Non-monetary performance obligation payable | (164,615) | |
| Compensated absences | (164,510) | |
| Accrued interest payable on long-term debt | (97,950) | |
| Total long-term liabilities | (10,222,075) | (10,222,075) |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | |
| Premium on revenue bonds | (1,094,309) | |
| Discount on revenue bonds | 37,031 | |
| | (1,057,278) | (1,057,278) |
| Rounding adjustment | | |
| Net position of governmental activities | | \$ 70,738,395 |

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**GOVERNMENTAL FUNDS**

For the year ended December 31, 2020

| | Major Funds | | | Nonmajor Funds | | Total Governmental Funds |
|---|----------------------|---------------------|---------------------|-------------------|----------------------------|--------------------------------|
| | General | Capital Projects | Community Center | Debt Service | Other Nonmajor Funds | |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 1,409,457 | \$ - | \$ - | \$ - | \$ - | \$ 1,409,457 |
| City sales | 2,738,081 | - | 1,369,041 | - | - | 4,107,122 |
| County sales | 2,559,403 | - | - | - | - | 2,559,403 |
| County sales - Public safety | 379,914 | - | - | - | - | 379,914 |
| Use tax | 999,447 | - | 499,724 | - | - | 1,499,171 |
| Other | 619,897 | - | - | - | 89,502 | 709,399 |
| Licenses and permits | 31,610 | - | - | - | - | 31,610 |
| Intergovernmental | 1,793,957 | 351,351 | 49,012 | - | 141,124 | 2,335,444 |
| Charges for services | 94,805 | - | 538,194 | - | 160 | 633,159 |
| Fines, forfeitures, assessments | 15,793 | 1,523 | - | - | - | 17,316 |
| Development impact fees | - | 160,038 | - | - | - | 160,038 |
| Investment earnings | 72,327 | 10,386 | 17,249 | 6,212 | 203 | 106,377 |
| Rents and royalties | 45,103 | - | 45,831 | - | - | 90,934 |
| Donations | 30,502 | - | 2,625 | - | - | 33,127 |
| Miscellaneous | 42,285 | - | 29,053 | - | - | 71,338 |
| Total revenues | <u>10,832,581</u> | <u>523,298</u> | <u>2,550,729</u> | <u>6,212</u> | <u>230,989</u> | <u>14,143,809</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 503,641 | - | - | - | - | 503,641 |
| Administration | 706,585 | - | - | - | - | 706,585 |
| Community development | 395,365 | - | - | - | - | 395,365 |
| Marketing and promotion | - | - | - | - | 94,803 | 94,803 |
| Public safety | 2,232,016 | - | - | - | - | 2,232,016 |
| Public works | 1,862,225 | 6,622 | - | - | - | 1,868,847 |
| Parks and recreation | 1,075,358 | - | 1,604,839 | - | - | 2,680,197 |
| Non-departmental | 646,287 | - | - | - | - | 646,287 |
| Debt service | | | | | | |
| Principal retirement | - | - | - | 320,000 | - | 320,000 |
| Interest and fiscal charges | - | - | - | 405,000 | - | 405,000 |
| Capital outlay | 512,692 | 1,258,951 | 189,392 | - | - | 1,961,035 |
| Total expenditures | <u>7,934,169</u> | <u>1,265,573</u> | <u>1,794,231</u> | <u>725,000</u> | <u>94,803</u> | <u>11,813,776</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,898,412</u> | <u>(742,275)</u> | <u>756,498</u> | <u>(718,788)</u> | <u>136,186</u> | <u>2,330,033</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Insurance rebates and awards | 29 | - | - | - | - | 29 |
| Sale of capital assets | 5,693 | - | - | - | - | 5,693 |
| Transfers in | 240,500 | 616,971 | 95,000 | 718,788 | 12,000 | 1,683,259 |
| Transfers (out) | (705,286) | - | (724,788) | - | - | (1,430,074) |
| Total other financing sources (uses) | <u>(459,064)</u> | <u>616,971</u> | <u>(629,788)</u> | <u>718,788</u> | <u>12,000</u> | <u>258,907</u> |
| Net change in fund balances | <u>2,439,348</u> | <u>(125,304)</u> | <u>126,710</u> | <u>-</u> | <u>148,186</u> | <u>2,588,940</u> |
| Fund balances - beginning | <u>10,845,146</u> | <u>410,014</u> | <u>2,780,856</u> | <u>757,839</u> | <u>400,244</u> | <u>15,194,099</u> |
| Fund balances - ending | <u>\$ 13,284,494</u> | <u>\$ 284,710</u> | <u>\$ 2,907,566</u> | <u>\$ 757,839</u> | <u>\$ 548,430</u> | <u>\$ 17,783,039</u> |

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020**

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

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 2,588,940 |
|--|--------------|

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 depreciation exceeded capital outlays, net of the internal service fund, in the current period.

| | |
|---|-------------|
| Capital expenditures | 1,961,035 |
| Depreciation expense (excluding internal service) | (2,331,824) |
| | (370,789) |

In the statement of activities, only the gain or loss 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.

(12,350)

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.

1,119,516

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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where these amounts are amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:

| | |
|---|---------|
| Principal repayments on non-monetary performance obligation | 11,458 |
| Principal repayments on special revenue bonds | 320,000 |
| Amortization of premiums and discounts on special revenue bonds | 55,647 |

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.

| | |
|--|----------|
| Compensated absences (excluding internal service fund) | (27,378) |
| Accrued interest payable | 3,200 |
| | 3,200 |

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 3,688,244 |
|---|--------------|

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, 2020 (With comparative totals for 2019)

| | Business-type Activities - Enterprise Funds | | | | | | | | Governmental Activities | |
|--|---|----------------------|-------------------|-------------------|----------------------|---------------------|-------------------|-------------------|-------------------------|---|
| | Major Fund | | Non-Major Funds | | | | | | Totals | Fleet Maintenance Internal Service Fund |
| | Sewer | | Trash | | Devils Canyon Center | | Irrigation Water | | | |
| | 2020 | 2019 (Restated) | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | |
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and investments | \$ 4,238,191 | \$ 4,481,352 | \$ 164,134 | \$ 154,129 | \$ 218,268 | \$ 234,864 | \$ 190,540 | \$ 178,832 | \$ 4,811,133 | \$ 30,322 |
| Interest receivable | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | 554,310 | 522,220 | 135,174 | 124,240 | - | - | 3,271 | 2,676 | 692,755 | - |
| Intergovernmental receivable | - | 454 | - | - | - | - | - | - | - | - |
| Total current assets | <u>4,792,501</u> | <u>5,004,026</u> | <u>299,308</u> | <u>278,369</u> | <u>218,268</u> | <u>234,864</u> | <u>193,811</u> | <u>181,508</u> | <u>5,503,888</u> | <u>30,322</u> |
| Non-current assets: | | | | | | | | | | |
| Restricted cash: | | | | | | | | | | |
| WWTF loan covenants | 963,442 | 917,736 | - | - | - | - | - | - | 963,442 | - |
| 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 | 28,885 | 30,771 | - | - | 581,363 | 620,833 | 11 | 1,008 | 610,259 | - |
| Systems, net | 38,021,913 | 37,118,349 | - | - | - | - | 36,467 | 41,864 | 38,058,380 | - |
| Equipment, net | 430,815 | 516,704 | - | - | - | - | 1,296 | 1,512 | 432,111 | 19,515 |
| Construction in progress | - | - | - | - | - | - | - | - | - | - |
| Total capital assets, net | <u>39,245,623</u> | <u>38,429,834</u> | <u>-</u> | <u>-</u> | <u>806,877</u> | <u>846,347</u> | <u>109,135</u> | <u>115,745</u> | <u>40,161,635</u> | <u>19,515</u> |
| Total non-current assets | <u>40,209,065</u> | <u>39,347,570</u> | <u>-</u> | <u>-</u> | <u>806,877</u> | <u>846,347</u> | <u>109,135</u> | <u>115,745</u> | <u>41,125,077</u> | <u>19,515</u> |
| Total assets | <u>45,001,566</u> | <u>44,351,596</u> | <u>299,308</u> | <u>278,369</u> | <u>1,025,145</u> | <u>1,081,211</u> | <u>302,946</u> | <u>297,253</u> | <u>46,628,965</u> | <u>49,837</u> |
| LIABILITIES | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts Payable | 98,312 | 67,458 | 126,509 | 120,117 | - | - | 1,086 | 6,091 | 225,907 | 8,251 |
| Compensated absences | 18,995 | 20,550 | - | - | - | - | 1,714 | 1,733 | 20,709 | 4,465 |
| Notes payable - current maturity | 530,833 | 492,917 | - | - | - | - | - | - | 530,833 | - |
| Total current liabilities | <u>648,140</u> | <u>580,925</u> | <u>126,509</u> | <u>120,117</u> | <u>-</u> | <u>-</u> | <u>2,800</u> | <u>7,824</u> | <u>777,449</u> | <u>12,716</u> |
| Current liabilities payable from restricted assets: | | | | | | | | | | |
| Accrued interest payable from restricted cash | 184,394 | 197,553 | - | - | - | - | - | - | 184,394 | - |
| Notes payable from restricted cash | 379,167 | 352,083 | - | - | - | - | - | - | 379,167 | - |
| Total current liabilities payable from restricted assets | <u>563,561</u> | <u>549,636</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>563,561</u> | <u>-</u> |
| Noncurrent liabilities: | | | | | | | | | | |
| Notes payable (net of premium) | 15,306,755 | 16,266,901 | - | - | - | - | - | - | 15,306,755 | - |
| Total noncurrent liabilities | <u>15,306,755</u> | <u>16,266,901</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,306,755</u> | <u>-</u> |
| Total liabilities | <u>16,518,456</u> | <u>17,397,462</u> | <u>126,509</u> | <u>120,117</u> | <u>-</u> | <u>-</u> | <u>2,800</u> | <u>7,824</u> | <u>16,647,765</u> | <u>12,716</u> |
| NET POSITION | | | | | | | | | | |
| Invested in capital assets, net of related debt | 23,028,868 | 21,317,933 | - | - | 806,877 | 846,347 | 109,135 | 115,745 | 23,944,880 | 19,515 |
| Restricted for loan covenants | 963,442 | 917,736 | - | - | - | - | - | - | 963,442 | - |
| Unrestricted: | | | | | | | | | | |
| Designated for capital projects | - | - | - | - | - | - | - | - | - | - |
| Designated for health insurance reserve | - | - | - | - | - | - | - | - | - | - |
| Designated for equipment replacement | 1,483,566 | 1,383,566 | - | - | - | - | - | - | 1,483,566 | - |
| Other unrestricted | 3,007,234 | 3,334,899 | 172,799 | 158,252 | 218,268 | 234,864 | 191,011 | 173,684 | 3,589,312 | 17,606 |
| Total net position | <u>\$ 28,483,110</u> | <u>\$ 26,954,134</u> | <u>\$ 172,799</u> | <u>\$ 158,252</u> | <u>\$ 1,025,145</u> | <u>\$ 1,081,211</u> | <u>\$ 300,146</u> | <u>\$ 289,429</u> | <u>\$ 29,981,200</u> | <u>\$ 37,121</u> |

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the year ended December 31, 2020 (With comparative totals for 2019)

| | Business-type Activities - Enterprise Funds | | | | | | | | Governmental | |
|--|---|---------------|-----------------|------------|----------------------|--------------|------------------|------------|-------------------|------------|
| | Major Fund | | Non-Major Funds | | | | | Totals | Fleet Maintenance | |
| | Sewer | | Trash | | Devils Canyon Center | | Irrigation Water | | Internal Service | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | Fund | |
| OPERATING REVENUES | | | | | | | | | | |
| Charges for services | \$ 3,472,634 | \$ 3,377,093 | \$ 826,127 | \$ 785,049 | \$ - | \$ 47,850 | \$ 127,850 | \$ 116,680 | \$ 4,426,611 | \$ 320,755 |
| Other revenues | 3,026 | 9,488 | - | - | 1,667 | 7,711 | - | - | 4,693 | - |
| Total operating revenues | 3,475,660 | 3,386,581 | 826,127 | 785,049 | 1,667 | 55,561 | 127,850 | 116,680 | 4,431,304 | 320,755 |
| OPERATING EXPENSES | | | | | | | | | | |
| Personnel services | 813,813 | 788,792 | - | - | - | - | 78,727 | 81,254 | 892,540 | 191,984 |
| Purchased services | 210,660 | 220,772 | 752,644 | 715,841 | - | - | 8,579 | 11,358 | 971,883 | 28,863 |
| Supplies | 336,923 | 311,340 | - | - | - | - | 12,774 | 13,538 | 349,697 | 97,797 |
| Depreciation | 1,333,219 | 1,328,533 | - | - | 39,470 | 37,552 | 6,610 | 6,711 | 1,379,299 | 2,111 |
| Total operating expenses | 2,694,615 | 2,649,437 | 752,644 | 715,841 | 39,470 | 37,552 | 106,690 | 112,861 | 3,593,419 | 320,755 |
| Operating income (loss) | 781,045 | 737,144 | 73,483 | 69,208 | (37,803) | 18,009 | 21,160 | 3,819 | 837,885 | - |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| Intergovernmental revenue | 342,363 | 13,765 | - | - | - | - | - | - | 342,363 | - |
| Investment income | 25,763 | 69,629 | 64 | 88 | 422 | 575 | 57 | 77 | 26,306 | - |
| System development contributions | 159,701 | 92,920 | - | - | - | - | - | - | 159,701 | - |
| Gain (Loss) on disposal of equipment | 3,250 | 12,910 | - | - | - | - | - | - | 3,250 | - |
| Interest expense and amortization | (410,822) | (441,138) | - | - | - | - | - | - | (410,822) | - |
| Total nonoperating revenues (expenses) | 120,255 | (251,914) | 64 | 88 | 422 | 575 | 57 | 77 | 120,798 | - |
| Income (Loss) before contributions and transfers | 901,300 | 485,230 | 73,547 | 69,296 | (37,381) | 18,584 | 21,217 | 3,896 | 958,683 | - |
| Capital contributions - tap fees | 792,676 | 466,965 | - | - | - | - | - | - | 792,676 | - |
| Transfers out | (165,000) | (160,000) | (59,000) | (56,000) | (18,685) | - | (10,500) | (10,000) | (253,185) | - |
| Change in net position | 1,528,976 | 792,195 | 14,547 | 13,296 | (56,066) | 18,584 | 10,717 | (6,104) | 1,498,174 | - |
| Net position - beginning | 26,954,134 | 26,161,939 | 158,252 | 144,956 | 1,081,211 | 1,062,627 | 289,429 | 295,533 | 28,483,026 | 37,121 |
| Net position - ending | \$ 28,483,110 | \$ 26,954,134 | \$ 172,799 | \$ 158,252 | \$ 1,025,145 | \$ 1,081,211 | \$ 300,146 | \$ 289,429 | \$ 29,981,200 | \$ 37,121 |

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, 2020 (With comparative totals for 2019)

| | Business-type Activities - Enterprise Funds | | | | | | | | Governmental Activities | |
|--|---|---------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|-------------------------|------------------|
| | Major Fund | | Non-Major Funds | | | | Totals | Fleet Maintenance | Internal Service Fund | |
| | Sewer | | Trash | | Deviils Canyon Center | | | | | 2020 |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts from customers | \$ 3,443,570 | \$ 3,360,709 | \$ 815,193 | \$ 779,801 | \$ 1,667 | \$ 55,561 | \$ 127,256 | \$ 116,733 | \$ 4,387,686 | \$ - |
| Cash from interfund services | - | - | - | - | - | - | - | - | - | 320,755 |
| Payments to suppliers | (548,938) | (515,690) | (746,252) | (709,267) | - | - | (23,746) | (24,469) | (1,318,936) | (123,328) |
| Payments to employees | (831,499) | (785,458) | - | - | - | - | (81,359) | (79,602) | (912,858) | (195,702) |
| Net cash provided by operating activities | <u>2,063,133</u> | <u>2,059,561</u> | <u>68,941</u> | <u>70,534</u> | <u>1,667</u> | <u>55,561</u> | <u>22,151</u> | <u>12,662</u> | <u>2,155,892</u> | <u>1,725</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | | | |
| Operating transfers | (165,000) | (160,000) | (59,000) | (56,000) | (18,685) | - | (10,500) | (10,000) | (253,185) | - |
| Net cash used by non-capital financing activities | <u>(165,000)</u> | <u>(160,000)</u> | <u>(59,000)</u> | <u>(56,000)</u> | <u>(18,685)</u> | <u>-</u> | <u>(10,500)</u> | <u>(10,000)</u> | <u>(253,185)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | | | |
| Capital contributions - plant investment fees | 792,676 | 466,965 | - | - | - | - | - | - | 792,676 | - |
| Capital contributions - grants | 342,816 | 141,760 | - | - | - | - | - | - | 342,816 | - |
| Gain/loss on sale of equipment | 3,250 | 12,910 | - | - | - | - | - | - | 3,250 | - |
| Principal paid on capital debt | (845,000) | (780,000) | - | - | - | - | - | - | (845,000) | - |
| Interest paid on capital debt | (474,127) | (503,539) | - | - | - | - | - | - | (474,127) | - |
| Purchase of capital assets | (1,940,966) | (1,083,634) | - | - | - | (47,850) | - | - | (1,940,966) | (1,900) |
| Net cash provided (used) by capital and related financing activities | <u>(2,121,351)</u> | <u>(1,745,538)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(47,850)</u> | <u>-</u> | <u>-</u> | <u>(2,121,351)</u> | <u>(1,900)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Interest received on investments | 25,763 | 69,629 | 64 | 88 | 422 | 575 | 57 | 77 | 26,306 | - |
| Net cash provided by investing activities | <u>25,763</u> | <u>69,629</u> | <u>64</u> | <u>88</u> | <u>422</u> | <u>575</u> | <u>57</u> | <u>77</u> | <u>26,306</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (197,455) | 223,652 | 10,005 | 14,622 | (16,596) | 8,286 | 11,708 | 2,739 | (192,338) | (175) |
| Cash and cash equivalents, January 1 (including \$917,736 in the Sewer Fund reported in restricted accounts) | <u>5,399,088</u> | <u>5,175,436</u> | <u>154,129</u> | <u>139,507</u> | <u>234,864</u> | <u>226,578</u> | <u>178,832</u> | <u>176,093</u> | <u>5,966,913</u> | <u>30,497</u> |
| Cash and cash equivalents, December 31 (including \$963,442 in the Sewer Fund reported in restricted accounts) | <u>\$ 5,201,633</u> | <u>\$ 5,399,088</u> | <u>\$ 164,134</u> | <u>\$ 154,129</u> | <u>\$ 218,268</u> | <u>\$ 234,864</u> | <u>\$ 190,540</u> | <u>\$ 178,832</u> | <u>\$ 5,774,575</u> | <u>\$ 30,322</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, 2020 (With comparative totals for 2019)

| | Business-type Activities - Enterprise Funds | | | | | | | | Governmental Activities | |
|---|---|---------------------|------------------|------------------|----------------------|------------------|------------------|------------------|-------------------------|-------------------|
| | Sewer | | Trash | | Non-Major Funds | | Irrigation Water | | Totals | Fleet Maintenance |
| | 2020 | 2019 | 2020 | 2019 | Devils Canyon Center | 2020 | 2019 | 2020 | Internal Service Fund | |
| | | | | | 2020 | 2019 | | | 2020 | |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | | | | | |
| Operating income (loss) | \$ 781,045 | \$ 737,144 | \$ 73,483 | \$ 69,208 | \$ (37,803) | \$ 18,009 | \$ 21,160 | \$ 3,819 | \$ 837,885 | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | | | |
| Depreciation and amortization expense | 1,333,219 | 1,328,533 | - | - | 39,470 | 37,552 | 6,610 | 6,711 | 1,379,299 | 2,111 |
| (Increase) decrease in accounts receivable | (32,090) | (25,872) | (10,934) | (5,248) | - | - | (594) | 53 | (43,618) | - |
| Increase (decrease) in accounts payable | (17,487) | 19,252 | 6,392 | 6,574 | - | - | (2,413) | 475 | (13,508) | 3,519 |
| Increase (decrease) in compensated absences payable | (1,554) | 504 | - | - | - | - | (2,612) | 1,604 | (4,166) | (3,905) |
| Total adjustments | <u>1,282,088</u> | <u>1,322,417</u> | <u>(4,542)</u> | <u>1,326</u> | <u>39,470</u> | <u>37,552</u> | <u>991</u> | <u>8,843</u> | <u>1,318,007</u> | <u>1,725</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 2,063,133</u> | <u>\$ 2,059,561</u> | <u>\$ 68,941</u> | <u>\$ 70,534</u> | <u>\$ 1,667</u> | <u>\$ 55,561</u> | <u>\$ 22,151</u> | <u>\$ 12,662</u> | <u>\$ 2,155,892</u> | <u>\$ 1,725</u> |
| Schedule of non-cash capital and related financing activities | | | | | | | | | | |
| Contributions of capital assets | 159,701 | 92,920 | - | - | - | - | - | - | 159,701 | - |

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, 2020

| | Private Purpose Trust Fund |
|---------------------------|---------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 112,164 |
| Investments at fair value | - |
| Total assets | 112,164 |
| LIABILITIES | |
| Accounts payable | 112,164 |
| Total liabilities | 112,164 |
| NET POSITION | |
| Held in trust for: | |
| Pension benefits | - |
| Total net position | \$ - |

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

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Quality of Place

The City of Fruita is a community where residents and visitors love where they are. We value safe neighborhoods, our geographic natural resources and landscapes, top tier education and healthcare, and we collaborate to provide quality essential infrastructure and services. We are an inclusive community of doers who enjoy active and healthy lifestyles.



Notes to Financial Statements

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City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

| |
|--|
| NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES |
|--|

The City of Fruita, Colorado is a municipal corporation which 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 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.

A. Reporting Entity

The financial reporting entity consists of the City and organizations for which the City is financially accountable, and organizations which raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate, are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization's governing board and can impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the City. Based on the application of this criteria, the City does not include additional organizations within its reporting entity.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which are generally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which are generally financed with user fees charged to external customers. For the most part, the effect of interfund activity has been removed from these statements.

C. Basis of Presentation – Government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund, while business-type activities incorporate data from the City of Fruita's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

D. Basis of Presentation – Fund financial statements

The fund financial statements provide information about the City of Fruita’s funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. To provide consistency from year to year, the Debt Service Fund (a non-major governmental fund) is displayed in a separate column in the governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Non-major proprietary funds are also reported in separate columns. Column headings indicate whether a fund is classified as a major or non-major fund.

The City of Fruita reports the following major governmental funds:

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

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.

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.

The City of Fruita reports the following major proprietary funds:

Sewer Fund – The Sewer Fund accounts for the activities of wastewater collection and treatment system activities.

Additionally, the City of Fruita reports the following fund types:

The *internal service fund* accounts for fleet maintenance and management services provided to other departments of the City of Fruita.

The *private-purpose trust fund* accounts for school land dedication contributions made from new residential development for the benefit of Mesa County School District #51.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 75 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City of Fruita the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes and interest associated with the current fiscal period are all concerned to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for these revenue sources (within 75 days of year end). All other revenues are considered to be measurable and available

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

only when cash is received by the City.

F. Budgetary Information

1) Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, proprietary funds and internal service funds. Fiduciary funds for the employees' retirement plan and the agency trust fund for school land dedication fees do not have appropriated budgets.

The appropriated budget is prepared by fund, department and program. The City Manager may make transfers of appropriations with a department. Transfer of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations is at the individual fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance account is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget.

2) Excess of Expenditures Over Appropriations

Colorado statutes prohibit expenditures on a total fund basis in excess of amounts appropriated. For the year ended December 31, 2020, the City did not have any funds with expenses in excess of amounts appropriated.

G. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1) Cash and investments.

The City's cash and investments includes cash on hand, 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.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2) 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.

3) Capital assets.

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

As the City of Fruita acquires or constructs capital assets, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity, efficiency or estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land, source of supply (water shares) and construction in progress 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 |

4) 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*. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City of Fruita does not have

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

any items under this category for the current fiscal year.

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflows of resources*. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City of Fruita has one item that qualifies for reporting in this category which includes unavailable property tax revenue. 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.

5) Net position.

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on their use either by external parties or by law through the enabling legislation.
- *Unrestricted* net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

6) Fund balance

In governmental fund types, the difference between assets and deferred outflows of resources less liability and deferred inflows of resources is called "fund balance". The City of Fruita's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

- *Nonspendable* fund balance represents amounts that are either not in a spendable form or legally or contractually required to remain intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by adoption of a resolution committing fund balance for a specified purpose by the Fruita City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Council adopts another resolution to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the City of Fruita for specific purposes but do not meet the criteria to be classified as committed. The Council has authorized the City Manager to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignments. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not included in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the City of Fruita will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City of Fruita's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Revenues and expenditure/expenses

1) Program revenues.

Amounts reported as *program revenues* include (1) charges to customers or applicants who

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2) Property taxes

Property taxes attach as an enforceable lien on real property. 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 2020 taxes collectible in 2021 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

3) Compensated absences.

Vacation Leave.

The City of Fruita's policy permits full time employees to accumulate earned but unused vacation benefits up to one year's accumulation of vacation leave with a maximum of 96 to 168 hours, depending on years of service and job type which are eligible for payment upon separation from employment with the City. The liability for such leave is reported as incurred in the governmental-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave.

Accumulated sick leave lapses when employees leave the employment of the City of Fruita and, upon separation from service, no monetary obligation exists.

4) Proprietary funds operating and nonoperating revenues and expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund, trash fund, irrigation fund and fleet maintenance fund are charges to customers for sales and services. The principal operating

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

NOTE 2. ACCOUNTING CHANGES

A. Adoption of New Accounting Pronouncements

Effective January 1, 2020, the City of Fruita adopted GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. These Statement amended the financial reporting for pension plans and certain deferred compensation plans and established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The City of Fruita previously reported the Money Purchase Plan and Trust Fund and the Retirement Trust Fund, both defined contribution pension plans. Adoption of GASB 84 and GASB 97 resulted in the elimination of the presentation of fiduciary fund statements. The details of the defined contribution pension plans and 457 deferred compensation plan are found in Note 3 G.

Effective January 1, 2019, the City of Fruita adopted GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement. This statement establishes disclosure requirements related to debt, including direct borrowings and direct placements; and additional essential information regarding debt

Effective January 1, 2020, the City of Fruita adopted GASB Statement No. 91, Conduit Debt Obligations. This statement establishes disclosure requirements for conduit debt obligations.

The GASB has issued several Statements not yet implemented by the City. Management has not yet determined the effect the Statements will have on the financial statements. However, the City intends to implement all Standards by the required dates. The Standard which may impact the City is GASB Statement No. 87, Leases. This statement, issued June 2017, will be effective for the Authority beginning with its fiscal year ending December 31, 2022 with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Authority must report the (1) amortization expense for using the asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

lease components embedded in lease contracts (such as service agreements), and leases with related parties.

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| NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS |
|---|

A. Cash and Investments

Pursuant to the Fruita City Charter, funds not needed for current operations may be invested pursuant to Colorado Revised Statutes. The City Council is required to designate depositories for city funds. General objectives for investment of the City of Fruita funds, in priority order, are 1) safety with a goal to mitigate credit and interest rate risk; 2) liquidity to ensure that funds are available for operating and capital requirements; and 3) rate of return with an objective of attaining a market rate. For banks and savings and loan associations, designated depositories must meet minimum credit criteria based on a credit analysis provided by a commercially available bank rating service.

The City of Fruita utilizes a pooled cash and investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

1) Cash Deposits with financial institutions

Custodial credit risk. In the case of deposits, this is the risk that, in the event of a bank's failure, the City of Fruita's deposits may not be returned to it. The City's deposit policy requires that depositories belong to the FDIC, qualify as an eligible depository of public funds in the state pursuant to the Public Deposit Protection Act (PDPA), and have a satisfactory bank rating. The City has designated depositories which meet these criteria. As of December 31, 2020, all financial institutions holding deposits for the City of Fruita are identified as eligible public depositories under PDPA by the State of Colorado Division of Banking. The PDPA requires that all deposits be secured by federal deposit insurance or secured by collateral with another financial institution securing 102% of the market value of public funds held which exceed the amount insured by federal deposit insurance. As of December 31, 2020, the City of Fruita's bank balance was \$13,138,915 of which \$500,000 was covered by FDIC and \$12,638,915 was collateralized under PDPA. The carrying amount of the deposits as of December 31, 2020, was \$12,831,628.

2) 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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

- 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, 2020, the City had \$11,326,909 invested in local government investment pools.

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, 2020, the City had \$2,361,610 in CSAFE Cash investments.

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, 2020, the City had 1,945,977 shares with a value of \$3,891,954 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 PLUS+ is rated AAAM by Standard & Poor's Global which is the highest principal stability fund rating assigned by S & P Global

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

Ratings. As of December 31, 2020, the City had \$5,073,345 in COLOTRUST investments.

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.

The City's cash and investments as of December 31, 2020, are reported in the financial statements as follows:

| | 2020 |
|--------------------------------|-------------------|
| Cash on hand | \$ 1,800 |
| Deposits: | |
| Cash in checking account(s) | 6,869,008 |
| Certificates of deposit | 1,855,842 |
| Money market funds | 4,106,778 |
| | 12,831,628 |
| Investments: | |
| CSAFE Cash | 2,361,609 |
| CSAFE Colorado CORE | 3,891,954 |
| COLOTRUST | 5,073,345 |
| | 11,326,908 |
| Total cash and investments | \$ 24,160,336 |

B. Unrestricted and Restricted Cash and Investments

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

| | 2020 |
|---|---------------|
| Cash on hand | \$ 1,800 |
| Deposits and investments | 20,258,536 |
| Restricted cash and investments | 3,787,836 |
| Cash and investments in fiduciary funds | 112,164 |
| | \$ 24,160,336 |

Restricted cash and investments are recorded for the following purposes:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

| | 2020 |
|---|--------------|
| <u>Governmental Funds:</u> | |
| General Fund - Development impact fees | \$ 216,990 |
| Capital Projects Fund - Development impact fees | 1,859,204 |
| Debt Service Fund bond reserves | 748,200 |
| Total Governmental Funds | 2,824,394 |
| <u>Enterprise Funds:</u> | |
| Sewer Fund - Loan covenants | 963,442 |
| Total Restricted Cash | \$ 3,787,836 |

C. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows.

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|-------------|-------------------|
| <u>Capital assets, not being depreciated</u> | | | | |
| Land | \$ 8,483,012 | \$ 188,652 | \$ - | \$ 8,671,664 |
| Construction in progress | - | 40,670 | - | 40,670 |
| Total capital assets not being depreciated | 8,483,012 | 229,322 | - | 8,712,334 |
| <u>Capital assets, being depreciated</u> | | | | |
| Buildings and other structures | 21,334,692 | 336,021 | - | 21,670,713 |
| Infrastructure | 39,979,552 | 2,146,795 | - | 42,126,347 |
| Machinery and equipment | 15,019,252 | 370,313 | (92,105) | 15,297,460 |
| Total capital assets being depreciated | 76,333,496 | 2,853,129 | (92,105) | 79,094,520 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and other structures | (6,266,613) | (651,167) | - | (6,917,780) |
| Infrastructure | (9,012,893) | (1,035,268) | - | (10,048,161) |
| Machinery and equipment | (6,056,065) | (647,500) | 79,755 | (6,623,810) |
| Total accumulated depreciation | (21,335,571) | (2,333,935) | 79,755 | (23,589,751) |
| Total capital assets being depreciated, net | 54,997,925 | 519,194 | (12,350) | 55,504,769 |
| Governmental activities capital assets, net | \$ 63,480,937 | \$ 748,516 | \$ (12,350) | \$ 64,217,103 |

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities

| | |
|--|--------------|
| General government | \$ 107,032 |
| Park and recreation | 804,691 |
| Public works | 1,235,663 |
| Public safety | 184,438 |
| Internal service funds* | 2,111 |
| Total depreciation expense - governmental activities | \$ 2,333,935 |

* Depreciation of capital assets held by the City of Fruita's internal service fund is charged to the various functions based on their usage of the assets.

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 | - | - | - | - |
| Total capital assets not being depreciated | 1,060,885 | - | - | 1,060,885 |
| <u>Capital assets, being depreciated</u> | | | | |
| Buildings | 1,691,256 | - | - | 1,691,256 |
| Wastewater treatment facility | 29,008,400 | 374,874 | - | 29,383,274 |
| Distribution and collection system | 21,829,163 | 1,774,134 | - | 23,603,297 |
| Machinery and equipment | 1,696,067 | - | (14,732) | 1,681,335 |
| Total capital assets being depreciated | 54,224,886 | 2,149,008 | (14,732) | 56,359,162 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings | (1,038,644) | (42,353) | - | (1,080,997) |
| Wastewater treatment facility | (5,670,710) | (767,334) | - | (6,438,044) |
| Distribution and collection system | (8,006,640) | (483,507) | - | (8,490,147) |
| Machinery and equipment | (1,177,851) | (86,105) | 14,732 | (1,249,224) |
| Total accumulated depreciation | (15,893,845) | (1,379,299) | 14,732 | (17,258,412) |
| Total capital assets being depreciated, net | 38,331,041 | 769,709 | - | 39,100,750 |
| Business-type activities capital assets, net | \$ 39,391,926 | \$ 769,709 | \$ - | \$ 40,161,635 |

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

D. Unearned Revenues

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

| <u>General Fund</u> | <u>Unearned</u> |
|--|-----------------|
| Impact fees for chipseal | \$ 208,203 |
| Grants | 18,000 |
| Donations for special events | 13,000 |
| Unallocated utility billing receipts | 59,824 |
| Total General Fund | 299,027 |
| <u>Capital Projects Fund</u> | |
| Grants and donations | - |
| Impact fees for open space, road and drainage improvements | 1,770,261 |
| Total Capital Projects Fund | 1,770,261 |
| Total unavailable/unearned revenue for governmental funds | \$ 2,069,288 |

E. Long-term Liabilities

1) Revenue Bonds

The City issued \$10,115,000 in sales and use tax revenue refunding bonds with an interest rate of 4% in 2019. The proceeds, along with additional funds of the City, were used primarily to refinance at a lower interest rate \$12,180,000 of outstanding 2009A and 2009B Sales and Use Tax Revenue Bonds originally issued for construction of the community center. The net proceeds were deposited with an escrow agent and were used to redeem the outstanding bonds on October 1, 2019. The refunding bonds are to be repaid through a dedicated one cent sales and use tax that was implemented in January of 2009. A debt service reserve fund was established in accordance with provisions of the bond ordinance in the amount of \$748,200.

The City is obligated under the agreement to make semi-annual payments each April 1, and October 1 beginning October 1, 2019 and ending October 1, 2039. The outstanding balance on these bonds at December 31, 2020 was \$9,795,000. The unamortized premium on the bonds was \$1,094,309 and the unamortized discount on the bonds is \$37,031. The outstanding notes and loans reported in the Statement of Net Position is reported net of these amounts. Interest expense and escrow agent fees on bonds payable for the year ended December 31, 2020 was \$405,000 in the Debt Service Fund.

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

| Year ended December 31 | Governmental Activities | | |
|------------------------|-------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2021 | 350,000 | 391,800 | 741,800 |
| 2022 | 365,000 | 377,800 | 742,800 |
| 2023 | 385,000 | 363,200 | 748,200 |
| 2024 | 400,000 | 347,800 | 747,800 |
| 2025 | 415,000 | 331,800 | 746,800 |
| 2026-2030 | 2,335,000 | 1,396,600 | 3,731,600 |
| 2031-2035 | 2,840,000 | 890,800 | 3,730,800 |
| 2036-2039 | 2,705,000 | 275,800 | 2,980,800 |
| | <u>\$ 9,795,000</u> | <u>\$ 4,375,600</u> | <u>\$ 14,170,600</u> |

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 agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$963,442 of net position. This includes \$399,882 for the three-month operating reserve and \$563,560 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, 2020 was \$15,615,000. The unamortized premium on the loan for the wastewater treatment facility is \$601,755 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, 2020 was \$460,968 in the Sewer Fund.

City of Fruita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

| Year ended December 31 | Business-type Activities | | |
|------------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 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 | 1,120,000 | 335,302 | 1,455,302 |
| 2025 | 1,185,000 | 306,138 | 1,491,138 |
| 2026-2030 | 7,015,000 | 1,022,340 | 8,037,340 |
| 2031-2032 | 3,365,000 | 134,122 | 3,499,122 |
| | <u>\$ 15,615,000</u> | <u>\$ 3,022,552</u> | <u>\$ 18,637,552</u> |

3) Non-monetary Performance Obligation Note Payable

In 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.

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 \$11,458 was applied to this obligation in 2020 for the conveyance of water. The following 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 was \$164,615 at December 31, 2020.

| Year ended December 31 | Governmental Activities | | |
|------------------------|-------------------------------------|------------------|-------------------|
| | Non-monetary performance obligation | | |
| | Principal | Interest | Total Credit |
| 2021 | 11,915 | 6,585 | 18,500 |
| 2022 | 12,392 | 6,108 | 18,500 |
| 2023 | 12,888 | 5,612 | 18,500 |
| 2024 | 13,403 | 5,097 | 18,500 |
| 2025 | 13,939 | 4,561 | 18,500 |
| 2026-2030 | 78,520 | 13,980 | 92,500 |
| 2031-2032 | 21,559 | 1,019 | 22,578 |
| | <u>\$ 164,616</u> | <u>\$ 42,962</u> | <u>\$ 207,578</u> |

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

4) Changes in Long-term Liabilities.

Changes in long term obligations of the City for the year ended December 31, 2020, were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|------------------|---------------------|---------------------|---------------------------|
| <u>Governmental activities:</u> | | | | | |
| Revenue bonds | | | | | |
| 2019 FCC Refunding Bonds | 10,115,000 | - | (320,000) | 9,795,000 | 350,000 |
| Discount on bonds | (38,980) | | 1,949 | (37,031) | - |
| Premium on bonds | 1,151,904 | - | (57,595) | 1,094,309 | - |
| Total bonds payable | 11,227,924 | - | (375,646) | 10,852,278 | 350,000 |
| Performance obligation note | 176,073 | - | (11,458) | 164,615 | 11,915 |
| Compensated absences | 141,410 | 221,955 | (194,389) | 168,976 | - |
| Governmental activity long term liabilities | <u>\$11,545,407</u> | <u>\$221,955</u> | <u>\$ (581,493)</u> | <u>\$11,185,869</u> | <u>\$361,915</u> |

The internal service fund predominately serves the governmental funds. Accordingly, their long-term liabilities of \$4,465 in compensated absences are included as part of the above totals for governmental activities. For compensated absences, the General Fund normally liquidates 90% with the Community Center Fund liquidating the remaining 10%. It is estimated that compensated absences earned will equal the estimated compensated absences used within one year. The liability for the revenue bonds is liquidated by the Community Center Fund through the transfers to the Debt Service Fund.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------------|---------------------|---------------------|---------------------------|
| <u>Business-type activities:</u> | | | | | |
| Loans payable | | | | | |
| Sewer WWTF | \$16,460,000 | \$ - | \$ (845,000) | \$15,615,000 | \$910,000 |
| Premium on loan | 651,901 | - | (50,146) | 601,755 | - |
| Compensated absences | 22,283 | 33,085 | (34,659) | 20,709 | - |
| Business-type activity long term liabilities | <u>\$17,134,184</u> | <u>\$ 33,085</u> | <u>\$ (929,805)</u> | <u>\$16,237,464</u> | <u>\$910,000</u> |

F. Fund Balance

1) Minimum fund balance policy.

The Council has adopted a financial policy to maintain an operating reserve in the General

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

Fund and Community Center Fund in an amount equal to twenty-five percent (25%) of the current year’s operating expenses. This amount is intended to provide fiscal stability, offset unanticipated reductions in revenues or short-term increases in expenditures, and provide resources for cash flow management. The operating reserve of \$1,855,266 is reflected in the unassigned fund balance in the General Fund. Any use of the operating reserve shall be approved by the Fruita City Council and replaced as soon as possible thereafter.

2) Committed fund balance.

The Committed fund balance of \$1,552,420 in the Community Center Fund also represents a commitment to an operating reserve of twenty-five percent (25%) of the current year’s operating expenses in the amount of \$458,179, and a facility/equipment improvement reserve in the amount of \$1,094,241 for future facility and equipment improvements.

G. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2020, is as follows

| <u>Fund</u> | Transfers in: | | | | | Transfers out |
|----------------------|------------------|------------------|------------------|------------------|------------------------|---------------------|
| | General | Capital Projects | Community Center | Debt Service | Nonmajor Govern-mental | |
| General | \$ - | \$598,286 | \$ 95,000 | \$ - | \$ 12,000 | \$ 705,286 |
| Community Center | 6,000 | - | - | 718,788 | - | 724,788 |
| Devils Canyon Center | - | 18,685 | - | - | - | 18,685 |
| Sewer | 165,000 | - | - | - | - | 165,000 |
| Trash | 59,000 | - | - | - | - | 59,000 |
| Irrigation Water | 10,500 | - | - | - | - | 10,500 |
| Total transfers in | <u>\$240,500</u> | <u>\$616,971</u> | <u>\$ 95,000</u> | <u>\$718,788</u> | <u>\$ 12,000</u> | <u>\$ 1,683,259</u> |

During the year transfers are used to 1) move revenues from proprietary funds to the general fund to offset administrative costs associated with the activities of the proprietary funds including billing for services, financial administration such as payroll processing, accounts payable, investments, auditing and general oversight and planning of proprietary fund activities, 2) move general fund resources to provide an annual subsidy to the community center fund based on the historic funding of program activities from the general fund prior to creation of the community center, 3) move sales and use tax revenues from the community center fund to the debt service fund to fund debt service principal and interest payments, and 4) move funds to the capital projects fund for various capital projects.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

H. Pension Plans

The City of Fruita maintains three 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. There is no liability for benefits under the plan beyond the City's contributions. All plan assets are held by the ICMA Retirement Corporation. Investments are managed by the plan's trustee under various investment options. The plan members choose from the available investment options. Plan provisions and contribution requirements are established and may be amended by the City Council.

1) City of Fruita Money Purchase Plan

The City of Fruita Money Purchase Plan is a defined contribution retirement plan for all full-time employees, other than sworn police officers and the city manager, established in accordance with Internal Revenue Code (IRC) Section 401(a).

Under this plan, the City contributes four and one-half percent (4 ½%) of the employee's eligible compensation as defined by the plan. No contributions are required or made by employees to the plan. For the year ended December 31, 2020, the City made all required contributions to the City of Fruita Money Purchase Pension Plan and recognized pension expense of \$135,756.

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. For the year ended December 31, 2020, forfeitures of \$18,380 were used to offset contributions.

2) Fruita Police Pension Plan

The Fruita Police Pension Plan is a defined contribution retirement plan for all sworn police officers established in accordance with Internal Revenue Code (IRC) Section 401(a).

Under this plan the employee contributes a mandatory ten percent (10%) of eligible compensation and the City contributes twelve and one-half percent (12 ½%) retirement contribution. For the year ended December 31, 2020, the City made all required contributions to the Fruita Police Pension Plan and recognized pension expense of \$133,748.

The City's contribution for each employee becomes 20% vested at the completion of two years of service, 40% at the completion of three years of service, 60% at the completion of four years of service and 100% vested at the completion of five years of service. The

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

employee is 100% vested in their contribution. Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to offset future contributions and plan expenses.

Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to offset future contributions and plan expenses. For the year ended December 31, 2020, forfeitures of \$15,468 were used to offset contributions. Additional forfeitures of \$18,055 were available at December 31, 2020 to offset future employer contributions.

3) Fruita Executive Pension Plan

The City of Fruita Executive Pension Plan is a defined contribution retirement plan for designated executive employees established in accordance with Internal Revenue Code (IRC) Section 401(a).

Under this plan, the City contributes ten percent (10%) of the amount of the employee's eligible compensation as defined by the plan. No contributions are required or made by employees to the plan. For the year ended December 31, 2020, the City made all required contributions to the Fruita Executive Pension Plan and recognized pension expense of \$13,953.

Vesting of the City's contribution is 100% upon employment.

4) Deferred Compensation Other Employee Benefit Plan

The City of Fruita offers its employees a deferred compensation plan created in accordance with IRC Section 457. This plan, available to all City employees, permits them to defer a portion of their salary until future years on a discretionary basis up to a statutory maximum of \$19,500. Plan provisions and contribution requirements are established and may be amended by the City Council. Investments are managed by ICMA Retirement Corporation under various investment options and all plan assets are held in trust for the exclusive benefit of the participants.

NOTE 4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. For these risks of loss, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self-insurance pool created by the intergovernmental agreements of over 200 Colorado municipalities and affiliated public entities to provides workers compensation, property and casualty insurance coverage to its members for risks of loss.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Coverages is provided through pooling of self-insured losses and the purchase of excess insurance coverage to limit large losses and minimize exposure on large risks.

CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and the amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so. The City has not been informed of any excess losses that may have been incurred by the pool. As a member of CIRSA, the City owns a proportionate share of CIRSA's net position. The City's equity at December 31, 2020 in the property/casualty insurance pool is \$167,175 and \$273,542 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 5. CONTINGENCIES |
|------------------------------|

A. Risk Management

The City is self-insured for property and liability insurance. As discussed in Note 4, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). 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.

B. Pending Litigation

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material effect the financial condition of the City.

C. TABOR Amendment

In November 1992, the Colorado Constitution was amended to add various revenue and expenditure limits and other specific requirements of state and local governments. For example, prior voter approval is necessary to increase the City's real property tax revenues from one year to the next in excess of the rate of inflation plus a growth factor; any new tax, tax rate

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

increase; mill levy increase; extension of an expiring tax which causes a net tax revenue gain; or new long-term financial obligations. Any revenue collected, kept, or spent in violation of these provisions must be refunded with interest.

Voters of the City have approved increases in tax rates with the revenues approved as exceptions to the revenue and spending limits imposed by TABOR as follows:

- In 2020 voters approved a 3% increase in lodger's tax for the purposes of Public Places and Economic Development.
- In 2008 voters approved a 1% increase in the sales and use tax rate for the construction and operation of the Fruita Community Center.
- In 1996 voters approved a 3% lodger's for the purpose of Marketing and Promoting the city.

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.

The TABOR amendment also requires local governments to establish an Emergency Reserve of least three percent of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2020, the emergency reserve of \$400,000 is reported as restricted fund balance/net position in the General Fund/Governmental Activities.

NOTE 6. CONDUIT DEBT OBLIGATIONS

To further healthcare in the City, the City of Fruita issued Healthcare Revenue Bonds, Series 2017A and 2017B that meet the definition of a conduit debt obligation. The bonds refinanced the Series 2008 bonds and provided additional funds for construction. The bonds are secured by real property and equipment of the Lower Valley Hospital Association (LVHA) and are payable solely from payments received from the LVHA. The City has not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments from LVHA and maintenance of the tax-exempt status of the conduit debt obligation. At December 31, 2020, there was an outstanding principal amount payable of \$40.2 million, none of which was recognized as a liability of the City of Fruita.

NOTE 7. OPERATING LEASES

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

science/learning center. Rental payments of \$57,600 are to be made annually by the nonprofit corporation to the City and may be offset by various operating expenses including repairs and improvements to the building pursuant to the terms of the lease agreement. In 2020, \$57,600 of rental payments were offset by operating expenses.

Information for the building on lease is as follows:

| | |
|--------------------------|--------------------------|
| Cost of building | \$ 1,560,776 |
| Accumulated depreciation | <u>979,413</u> |
| Carrying Amount | <u><u>\$ 581,363</u></u> |

| |
|----------------------------------|
| NOTE 8. SUBSEQUENT EVENTS |
|----------------------------------|

The Federal American Rescue Plan approved in 2021 will provide emergency funding for local governments to respond to the COVID-19 public health emergency and its negative economic impacts. Guidance for this program is under development and current estimates show a potential allocation to the City of Fruita of \$2.5 to \$3.0 million.

In May 2021, the Colorado Water Resources and Power Development Authority (CWRPDA) refunded the Series 2010 Bonds underlying their loan to the City of Fruita for construction of the wastewater treatment facility. The refunding savings for the City totaled \$2,018,852 and will be applied as payment credits to remaining loan payments.

At the April 2020 regular municipal election, registered voters of the City of Fruita approved an additional 3% lodging tax for the purposes of public places and economic development. This increase went into effect on January 1, 2021.



Lifestyle

The City of Fruita fosters a fun and funky ambiance by celebrating the local arts, farm and ranching history, unique leisure opportunities, and family-friendly events and activities. As a city, we encourage a diversity of cultural opportunities, businesses, and recreational activities. We continue to improve and enhance recreational offerings from traditional to outdoor adventure sports and youth to adult activities. We are a family-friendly community with diverse cultural opportunities, businesses and recreational amenities where visitors feel like locals and locals play like visitors.



Required Supplementary Information

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**GENERAL FUND**

For the year ended December 31, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 1,415,000 | \$ 1,415,000 | \$ 1,409,457 | \$ (5,543) |
| City sales | 2,130,000 | 2,130,000 | 2,738,081 | 608,081 |
| County sales | 2,400,000 | 2,400,000 | 2,559,403 | 159,403 |
| County sales - public safety | 358,000 | 358,000 | 379,914 | 21,914 |
| Use tax | 860,000 | 860,000 | 999,447 | 139,447 |
| Other | 600,300 | 600,300 | 619,897 | 19,597 |
| Licenses and permits | 32,750 | 32,750 | 31,610 | (1,140) |
| Intergovernmental revenue | 654,500 | 1,803,800 | 1,793,957 | (9,843) |
| Charges for services | 183,350 | 183,350 | 94,805 | (88,545) |
| Fines and forfeitures | 18,900 | 18,900 | 15,793 | (3,107) |
| Investment earnings | 60,000 | 60,000 | 72,327 | 12,327 |
| Rents and royalties | 36,000 | 36,000 | 45,103 | 9,103 |
| Donations | 14,500 | 22,575 | 30,502 | 7,927 |
| Miscellaneous | 3,000 | 3,000 | 42,285 | 39,285 |
| Total revenues | <u>8,766,300</u> | <u>9,923,675</u> | <u>10,832,581</u> | <u>908,906</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 556,975 | 555,750 | 503,641 | 52,109 |
| Administration | 818,775 | 802,375 | 706,585 | 95,790 |
| Community development | 325,700 | 431,900 | 395,365 | 36,535 |
| Public safety | 2,416,850 | 2,825,825 | 2,232,016 | 593,809 |
| Public works | 1,971,800 | 1,976,875 | 1,862,225 | 114,650 |
| Parks and recreation | 1,274,000 | 1,210,075 | 1,075,358 | 134,717 |
| Non-departmental | 580,800 | 1,146,525 | 646,287 | 500,238 |
| Capital equipment | 253,400 | 593,750 | 512,692 | 81,058 |
| Total expenditures | <u>8,198,300</u> | <u>9,543,075</u> | <u>7,934,169</u> | <u>1,608,906</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>568,000</u> | <u>380,600</u> | <u>2,898,412</u> | <u>2,517,812</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 240,500 | 240,500 | 240,500 | - |
| Transfers out | (909,500) | (1,014,450) | (705,286) | 309,164 |
| Insurance rebates and damage awards | - | - | 29 | 29 |
| Sale of capital assets | - | - | 5,693 | 5,693 |
| Total other financing sources and (uses) | <u>(669,000)</u> | <u>(773,950)</u> | <u>(459,064)</u> | <u>314,886</u> |
| Change in fund balance - budgetary basis | <u>\$ (101,000)</u> | <u>\$ (393,350)</u> | <u>\$ 2,439,348</u> | <u>\$ 2,832,698</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, 2020

| | <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 | \$ 1,065,000 | \$ 1,065,000 | \$ 1,369,041 | \$ 304,041 |
| Use tax | 436,500 | 436,500 | 499,724 | 63,224 |
| Intergovernmental Revenue | - | 55,000 | 49,012 | (5,988) |
| Charges for services | 1,275,000 | 1,275,000 | 538,194 | (736,806) |
| Investment income | 1,250 | 1,250 | 17,249 | 15,999 |
| Rents and royalties | 71,200 | 71,200 | 45,831 | (25,369) |
| Donations | - | - | 2,625 | 2,625 |
| Miscellaneous | 1,000 | 1,000 | 29,053 | 28,053 |
| Total revenues | <u>2,849,950</u> | <u>2,904,950</u> | <u>2,550,729</u> | <u>(354,221)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Recreation | 2,103,700 | 2,224,200 | 1,604,839 | 619,361 |
| Debt service expenses | - | - | - | - |
| Capital expenses | 279,100 | 213,600 | 189,392 | 24,208 |
| Total expenditures | <u>2,382,800</u> | <u>2,437,800</u> | <u>1,794,231</u> | <u>643,569</u> |
| Excess of revenues over expenditures | <u>467,150</u> | <u>467,150</u> | <u>756,498</u> | <u>289,348</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 95,000 | 95,000 | 95,000 | - |
| Transfers out | (718,100) | (718,100) | (724,788) | (6,688) |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>(623,100)</u> | <u>(623,100)</u> | <u>(629,788)</u> | <u>(6,688)</u> |
| Change in fund balance - budgetary basis | <u>\$ (155,950)</u> | <u>\$ (155,950)</u> | <u>\$ 126,710</u> | <u>\$ 282,660</u> |

See accompanying independent auditor's report.



Core Services

The City of Fruita strives to provide citizens of Fruita with efficient and effective core services which enhance the quality of place, economic health and lifestyle of the community. Core services include:

- Administration
- Animal Control
- Code Enforcement
- Governance and Legislation
- Municipal Court
- Maintenance of Roads, Parks, Mountain Water, Buildings, and Drainage facilities
- Public Safety
- Recreation Programs
- Special Events
- Utility services (sewer, trash, irrigation)



Supplementary Information

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City of Fruita, Colorado
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

| | <u>Special Revenue Funds</u> | | <u>Total Nonmajor Governmental Funds</u> |
|------------------------------------|-------------------------------|------------------------------------|--|
| | <u>Conservation Trust</u> | <u>Marketing and Promotion</u> | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 386,332 | \$ 167,827 | \$ 554,159 |
| Taxes receivable | - | 5,196 | 5,196 |
| Total Assets | <u>\$ 386,332</u> | <u>\$ 173,023</u> | <u>\$ 559,355</u> |
| LIABILITIES | | | |
| Accounts payable | - | 10,925 | 10,925 |
| Total Liabilities | <u>-</u> | <u>10,925</u> | <u>10,925</u> |
| FUND BALANCE | | | |
| Restricted | 386,332 | 162,098 | 548,430 |
| Assigned | - | - | - |
| Total Fund Balances | <u>386,332</u> | <u>162,098</u> | <u>548,430</u> |
| Total Liabilities and fund balance | <u>\$ 386,332</u> | <u>\$ 173,023</u> | <u>\$ 559,355</u> |

See accompanying independent auditor's report.

City of Fruita, Colorado
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2020

| | <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 | \$ - | \$ 89,502 | \$ 89,502 |
| Investment income | 146 | 57 | 203 |
| Intergovernmental revenue | 138,363 | 2,761 | 141,124 |
| Charges for services | - | 160 | 160 |
| Donations | - | - | - |
| Total revenues | <u>138,509</u> | <u>92,480</u> | <u>230,989</u> |
| EXPENDITURES | | | |
| Current | | | |
| Marketing and promotion | - | 94,803 | 94,803 |
| Parks and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | <u>-</u> | <u>94,803</u> | <u>94,803</u> |
| Excess (deficiency) of revenues over (under) expenditures | 138,509 | (2,323) | 136,186 |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | 12,000 | 12,000 |
| Transfers out | - | - | - |
| Change in fund balance - budgetary basis | <u>\$ 138,509</u> | <u>\$ 9,677</u> | <u>\$ 148,186</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, 2020

| | <u>Budget</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|---|---------------------|---------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental revenue | \$ 1,705,000 | \$ 854,000 | \$ 351,351 | \$ (502,649) |
| Fines, forfeitures, assessments | - | - | 1,523 | 1,523 |
| Development impact fees | 157,500 | 279,200 | 160,038 | (119,162) |
| Donations | - | - | - | - |
| Investment earnings | - | - | 10,386 | 10,386 |
| Total revenues | <u>1,862,500</u> | <u>1,133,200</u> | <u>523,298</u> | <u>(609,902)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Traffic Circulation Plan | - | 160,000 | 6,622 | 153,378 |
| Capital Outlay | | | | |
| Street improvements | 2,990,000 | 1,457,225 | 896,731 | 560,494 |
| Parks and recreation | - | 626,000 | 362,220 | 263,780 |
| Total expenditures | <u>2,990,000</u> | <u>2,243,225</u> | <u>1,265,573</u> | <u>977,652</u> |
| Deficiency of revenues under expenditures | (1,127,500) | (1,110,025) | (742,275) | 367,750 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 927,500 | 881,725 | 616,971 | (264,754) |
| Change in fund balance - budgetary basis | <u>\$ (200,000)</u> | <u>\$ (228,300)</u> | <u>\$ (125,304)</u> | <u>\$ 102,996</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, 2020

| | <u>Budget</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-----------------|----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ 13,000 | \$ 13,000 | \$ 6,212 | \$ (6,788) |
| Total revenues | <u>13,000</u> | <u>13,000</u> | <u>6,212</u> | <u>(6,788)</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal retirement | 320,000 | 320,000 | 320,000 | - |
| Interest and fiscal charges | 405,100 | 405,100 | 405,000 | 100 |
| Total expenditures | <u>725,100</u> | <u>725,100</u> | <u>725,000</u> | <u>100</u> |
| Deficiency of revenues under expenditures | (712,100) | (712,100) | (718,788) | (6,688) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>712,100</u> | <u>712,100</u> | <u>718,788</u> | <u>6,688</u> |
| Change in fund balance - budgetary basis | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying independent auditor's report.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
CONSERVATION TRUST SPECIAL REVENUE FUND
For the year ended December 31, 2020**

| | Budget | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------|------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenue | \$ 140,000 | \$ 140,000 | \$ 138,363 | \$ (1,637) |
| Investment income | 100 | 100 | 146 | 46 |
| Total revenues | 140,100 | 140,100 | 138,509 | (1,591) |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture and recreation | - | - | - | - |
| Capital outlay | | | | |
| Culture and recreation | - | - | - | - |
| Total expenditures | - | - | - | - |
| Change in net position - budgetary basis | 140,100 | 140,100 | 138,509 | (1,591) |
| OTHER FINANCING USES | | | | |
| Transfers out | - | - | - | - |
| Change in fund balance - budgetary basis | \$ 140,100 | \$ 140,100 | \$ 138,509 | \$ (1,591) |

See accompanying independent auditor's report.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
MARKETING AND PROMOTION SPECIAL REVENUE FUND
For the year ended December 31, 2020

| | <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 | \$ 135,000 | \$ 135,000 | \$ 89,502 | \$ (45,498) |
| Intergovernmental revenues | | \$ 2,800 | \$ 2,761 | (39) |
| Investment income | - | - | 57 | 57 |
| Charges for services | - | - | 160 | 160 |
| Total revenues | <u>135,000</u> | <u>137,800</u> | <u>92,480</u> | <u>(45,320)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Marketing and promotion | <u>147,000</u> | <u>149,800</u> | <u>94,803</u> | <u>54,997</u> |
| Total expenditures | <u>147,000</u> | <u>149,800</u> | <u>94,803</u> | <u>54,997</u> |
| Deficiency of revenues under expenditures | (12,000) | (12,000) | (2,323) | 9,677 |
| 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>\$ 9,677</u> | <u>\$ 9,677</u> |

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
SEWER FUND
For the year ended December 31, 2020

| | <u>Budget</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|------------------|-----------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental Revenues | \$ - | \$ 342,225 | \$ 342,363 | \$ 138 |
| Charges for services | 3,420,000 | 3,420,000 | 3,472,634 | 52,634 |
| Investment income | 45,000 | 45,000 | 25,763 | (19,237) |
| Capital contributions - tap fees | 360,000 | 360,000 | 792,676 | 432,676 |
| Miscellaneous | 1,500 | 1,500 | 3,026 | 1,526 |
| Gain on sale of equipment | - | - | 3,250 | 3,250 |
| Total revenues | <u>3,826,500</u> | <u>4,168,725</u> | <u>4,639,712</u> | <u>470,987</u> |
| EXPENSES | | | | |
| Personnel services | 883,250 | 869,250 | 831,499 | 37,751 |
| Purchased services | 267,600 | 265,600 | 210,660 | 54,940 |
| Supplies | 327,600 | 347,600 | 336,923 | 10,677 |
| Special Projects | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | 845,000 | 845,000 | 845,000 | - |
| Interest and fiscal charges | 474,150 | 474,150 | 474,127 | 23 |
| Capital expenses | 732,800 | 2,443,875 | 1,989,307 | 454,568 |
| Contingency | 6,100 | 76,100 | - | 76,100 |
| Transfers out | 290,000 | 165,000 | 165,000 | - |
| Total expenses | <u>3,826,500</u> | <u>5,486,575</u> | <u>4,852,516</u> | <u>634,059</u> |
| Change in net position - budgetary basis | <u>\$ -</u> | <u>\$ (1,317,850)</u> | <u>\$ (212,804)</u> | <u>\$ 1,105,046</u> |
| Adjustments from budgetary basis to GAAP | | | | |
| Deduct depreciation | | | (1,333,219) | |
| Deduct loss on sale of equipment | | | - | |
| Add change in compensation payable | | | 17,686 | |
| Add change in accrued interest payable | | | 13,159 | |
| Add contributions from development | | | 159,701 | |
| Add principal retirement | | | 845,000 | |
| Add capital expenses | | | 1,989,307 | |
| Add premium on bonds | | | 50,146 | |
| Change in net position - GAAP basis | | | <u>\$ 1,528,976</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, 2020

| | <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 | \$ 805,000 | \$ 818,500 | \$ 826,127 | \$ 7,627 |
| Investment income | - | - | 64 | 64 |
| Total revenues | <u>805,000</u> | <u>818,500</u> | <u>826,191</u> | <u>7,691</u> |
| EXPENSES | | | | |
| Purchased services | 746,000 | 759,500 | 752,644 | 6,856 |
| Transfers out | 59,000 | 59,000 | 59,000 | - |
| Total expenses | <u>805,000</u> | <u>818,500</u> | <u>811,644</u> | <u>6,856</u> |
| Change in net position - budgetary basis | <u>\$ -</u> | <u>\$ -</u> | \$ 14,547 | <u>\$ 14,547</u> |
| Adjustments from budgetary basis to GAAP Basis | | | | |
| to arrive at change in net position | | | - | |
| Change in net position - GAAP basis | | | <u>\$ 14,547</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, 2020

| | Budget | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---|----------|-------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Investment income | - | - | 422 | 422 |
| Miscellaneous | - | - | 1,667 | 1,667 |
| Total revenues | - | - | 2,089 | 2,089 |
| EXPENSES | | | | |
| Purchased services | - | - | - | - |
| Transfers out | - | 43,875 | 18,685 | 25,190 |
| Total expenses | - | 43,875 | 18,685 | 25,190 |
| Change in net position - budgetary basis | \$ - | \$ (43,875) | \$ (16,596) | \$ 27,279 |
| Adjustments from budgetary basis to GAAP | | | | |
| Basis to arrive at change in net position | | | | |
| Deduct depreciation | | | (39,470) | |
| Change in net position - GAAP basis | | | \$ (56,066) | |

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, 2020

| | <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 | \$ 122,000 | \$ 122,000 | \$ 127,850 | \$ 5,850 |
| Investment income | - | - | 57 | 57 |
| Total revenues | <u>122,000</u> | <u>122,000</u> | <u>127,907</u> | <u>5,907</u> |
| EXPENSES | | | | |
| Personnel services | 82,675 | 82,675 | 81,358 | 1,317 |
| Purchased services | 10,500 | 10,000 | 8,579 | 1,921 |
| Supplies | 15,125 | 15,625 | 12,774 | 2,351 |
| Capital equipment | - | - | - | - |
| Contingency | - | - | - | - |
| Transfers out | <u>10,500</u> | <u>10,500</u> | <u>10,500</u> | <u>-</u> |
| Total expenses | <u>118,800</u> | <u>118,800</u> | <u>113,211</u> | <u>5,589</u> |
| Change in net position - budgetary basis | <u>\$ 3,200</u> | <u>\$ 3,200</u> | \$ 14,696 | <u>\$ 11,496</u> |
| Adjustments from budgetary basis to GAAP Basis | | | | |
| to arrive at change in net position | | | | |
| Add change in compensation payable | | | 2,631 | |
| Deduct depreciation | | | <u>(6,610)</u> | |
| Change in net position - GAAP basis | | | <u>\$ 10,717</u> | |

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, 2020

| | <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 | \$ 329,775 | \$ 344,775 | \$ 320,755 | \$ (24,020) |
| Other revenues | - | - | - | - |
| Total revenues | <u>329,775</u> | <u>344,775</u> | <u>320,755</u> | <u>(24,020)</u> |
| EXPENDITURES | | | | |
| Personnel services | 202,225 | 202,225 | 195,702 | 6,523 |
| Purchased services | 33,800 | 45,700 | 28,863 | 16,837 |
| Supplies | 91,750 | 94,850 | 97,797 | (2,947) |
| Capital equipment | <u>2,000</u> | <u>2,000</u> | <u>1,900</u> | <u>100</u> |
| Total expenditures | <u>329,775</u> | <u>344,775</u> | <u>324,262</u> | <u>20,513</u> |
| Change in net position - budgetary basis | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,507)</u> | <u>\$ (3,507)</u> |
| Adjustments from budgetary basis to GAAP basis to arrive at change in net position | | | | |
| Add capital expenses | | | 1,900 | |
| Add change in compensation payable | | | 3,718 | |
| Deduct depreciation | | | <u>(2,111)</u> | |
| Change in net position - GAAP basis | | | <u>\$ -</u> | |

See accompanying independent auditor's report.

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

| | | |
|---|------------------------|-----------------------------------|
| LOCAL HIGHWAY FINANCE REPORT | | City or County: Fruita |
| | | YEAR ENDING : December 2020 |
| This Information From The Records Of (example - City of _ or County of _) City of Fruita | Prepared By: Phone: | Christa Yamashita 970-858-3663 |

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| 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) | 1,548,860 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 662,605 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | 47,230 |
| 2. General fund appropriations | 1,063,845 | b. Snow and ice removal | 14,752 |
| 3. Other local imposts (from page 2) | 1,096,764 | c. Other | 242,830 |
| 4. Miscellaneous local receipts (from page 2) | 1,530 | d. Total (a. through c.) | 304,812 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 372,222 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | 436,188 |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 3,324,687 |
| 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) | 2,162,139 | b. Redemption | |
| B. Private Contributions | 710,193 | c. Total (a. + b.) | 0 |
| C. Receipts from State government (from page 2) | 452,355 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | 0 | a. Interest | |
| E. Total receipts (A.7 + B + C + D) | 3,324,687 | 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) | 3,324,687 |

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 |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | 0 | 3,324,687 | 3,324,687 | | (0) |

Notes and Comments:

| LOCAL HIGHWAY FINANCE REPORT | | STATE: Colorado | |
|---|---|--|---------------------------|
| | | YEAR ENDING (mm/yy): December 2020 | |
| 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 | 700,679 | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | 160,038 | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | |
| 4. Licenses | | f. Charges for Services | 1,530 |
| 5. Specific Ownership & County RB T | 236,047 | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 1,096,764 | h. Other | |
| c. Total (a. + b.) | 1,096,764 | i. Total (a. through h.) | 1,530 |
| | (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 | 383,045 | 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 | 55,007 | d. Federal Transit Admin | |
| d. Other (Specify) - CDOT Grant | 14,304 | e. U.S. Corps of Engineers | |
| e. Other (Specify) | | f. Other Federal | |
| f. Total (a. through e.) | 69,310 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 452,355 | 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 | | 131,440 | 131,440 |
| b. Engineering Costs | 21,985 | 0 | 21,985 |
| c. Construction: | | | |
| (1). New Facilities | | 554,283 | 554,283 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | 803,526 | 803,526 |
| (4). System Enhancement & Operation | | 37,626 | 37,626 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 1,395,435 | 1,395,435 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 21,985 | 1,526,875 | 1,548,860 |
| | | | (Carry forward to page 1) |
| Notes and Comments: | | | |

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Core Values

We are **Fruita**. We are...

Fun—We love what we do and where we work, live and play.

Respectful—We are empathetic. We take an active interest in each other, residents, businesses and visitors. We listen. We treat people with dignity. We embrace diversity.

United—We are a team. We focus on purpose and work together to achieve our goals. We value partnerships that help us achieve our goals.. We are inclusive. We create synergy by recognizing our strengths and weaknesses and succeeding as a team.

Innovative—Simplicity is our key to innovation. We are open to new ideas. We welcome calculated risk-taking and learning from our mistakes. We seek continuous improvement and welcome constructive feedback.

Transparent—We operate as an open book. We create, over communicate and reinforce clarity in our work. We are trustworthy. We assume a positive intent from others. We work with integrity. We seek ways to increase transparency internally and externally.

Authentic—We are unique. We are real. We are different. We are optimistic. We are open-minded. We are honest. We embrace and value family. We live what we speak.

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*

July 13, 2021

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 (the City), as of and for the year ended December 31, 2020, 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 July 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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

July 13, 2021

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, 2020. The 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, 2020.

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, 2020

| Federal Grantor/Pass Through | Federal CFDA Number | Pass-through Entity Identifying Number | Award Amount | Amount of Award Expended |
|--|------------------------------------|---|-------------------------|---|
| <u>Grantor/Program Title</u> | | | | |
| <u>Department of the Treasury</u> | | | | |
| Passed through Mesa County: | | | | |
| Coronavirus Relief Fund - CARES Act | 21.019 | 014848873 | <u>\$ 1,162,373</u> | <u>\$ 1,116,756</u> |
| Total Department of Treasury | | | <u>\$ 1,162,373</u> | <u>\$ 1,116,756</u> |
| Total Federal Financial Assistance | | | | <u><u>\$ 1,116,756</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, 2020

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 City's reporting entity is defined in Note 1A to the City's basic financial statements. All federal financial awards received by the City directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

NOTE B – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in the accompanying schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in, the preparation of the basic financial statements.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

City of Fruita, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2020

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: Unmodified Opinion

| | | | | |
|--|-------|-----|----------|----|
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516? | _____ | yes | <u>✓</u> | no |
|--|-------|-----|----------|----|

Identification of major programs:

| | |
|-----------------------|---|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
| 21.019 | Coronavirus Relief Fund |

| | |
|--|-----------------------|
| 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, 2020

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Our audit did not disclose any matters required to be reported in accordance with *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, 2020

There were no prior year audit findings.