

**CITY OF FRUITA**  
**2013**  
**FINANCIAL STATEMENTS**

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between goals and  
accomplishment.

Jim Rohn

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*325 East Aspen, Suite 155 Fruita, Colorado 81521*



City of Fruita  
**General Purpose Financial Statements**  
Fiscal Year Ended December 31, 2013

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City of Fruita  
**General Purpose Financial Statements**  
Fiscal Year Ended December 31, 2013

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Grand Junction

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Honorable Mayor and City Council  
City of Fruita  
Fruita, Colorado

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fruita (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, as of December 31, 2013, 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.

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 21 and 69 through 72 be presented to supplement the basic financial statements. Such Information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Dalby Wendland & Co, P.C.*

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

May 7, 2014

# 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, 2013. Please read this in conjunction with the financial statements which begin on page 23.*

## FINANCIAL HIGHLIGHTS

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- ✚ **Net position** represents the amount by which the assets of the City of Fruita exceeded its liabilities and deferred inflows of resources. At year end, the City's net position was \$80,847,734. Of this amount, \$9,470,695 (12%) represents unrestricted net position, which may be used to meet the City's ongoing obligations to the community. The City's unrestricted net position decreased \$2,721,394 (3%). The unrestricted net position of governmental activities decreased \$1.1 million (17%) and business-type activities decreased \$1.6 million (29%). These decreases in unrestricted net position reflect construction of capital projects in 2013.
  
- ✚ **General Fund Financial Highlights.**
  - **The unassigned fund balance** of the General Fund decreased 37% (\$1.27 million) from \$3.46 million to \$2.19 million.
  
  - **General Fund revenues and expenses compared to prior year.** *General Fund revenues* decreased 2% (\$142,496) from prior year revenues. Sales and use tax revenues increased 3% (\$116,386) and property tax revenue increased 4% (\$46,288). These increases were offset by a 43% (\$182,850) decrease in severance and mineral lease tax revenues. General Fund expenses increased 10% (\$601,934) from the prior year. Expenses and other financing uses (transfers) exceeded revenues and other financing sources (transfers) by \$672,608 for the current fiscal year.
  
- ✚ The **Community Recreation Center** continued to exceed expectations in 2013 with operating revenues increasing 5% (\$96,879) from \$2.0 million in the prior year to \$2.1 million and operational expenses increasing 7% (\$82,451) from \$1.2 million to \$1.3 million. The net position of the Community Center Fund increased \$198,565.
  
- ✚ The City invested \$6.0 million in *capital projects and equipment* in 2013. This includes \$3.4 million in governmental funds and \$2.6 million in proprietary funds.

# Management's Discussion and Analysis

- ✚ The City incurred a *performance obligation* (nonmonetary) debt in 2013 of \$459,555 which requires the City to provide non-potable water, water rights and land from the City's mountain water system in exchange for improvements made to City reservoirs.
- ✚ The unrestricted fund balance of the Sewer Fund decreased \$1.6 million (31%) to \$3.5 million and is related to funding of capital projects.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government Wide Financial Statements

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

- *The statement of net position* presents information on all of the City of Fruita's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fruita is improving or deteriorating.
- *The statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

# Management's Discussion and Analysis

and lease of the Devils Canyon Center.

The government-wide financial statements can be found on pages 25 and 26 of this report.

## **Fund Financial Statements.**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fruita, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fruita can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community center fund, debt service fund and capital projects fund which are considered to be major funds. Data from the other two special revenue governmental funds (Conservation Trust Fund and the Marketing and Promotion Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Fruita adopts an annual appropriated budget for its governmental funds.

# Management's Discussion and Analysis

A budgetary comparison statement has been provided for the major funds to demonstrate compliance with the budget in the Required Supplementary Information. Budget comparisons are also included for the non major funds under Other Supplementary Information.

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

- ***Proprietary funds.*** The City of Fruita maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Fruita uses enterprise funds to account for its Sewer, Irrigation Water, Trash and Devils Canyon Center activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Fruita's various functions. The City of Fruita uses an internal service fund to account for maintenance of its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund which is considered to be a major fund of the City of Fruita. Trash, Irrigation Water and Devils Canyon Center operations are non-major funds but are set forth in detail to provide consistency in reporting. The basic proprietary fund financial statements can be found on pages 31 through 34 of this report.

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

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

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

# Management's Discussion and Analysis

## Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 66 of this report.

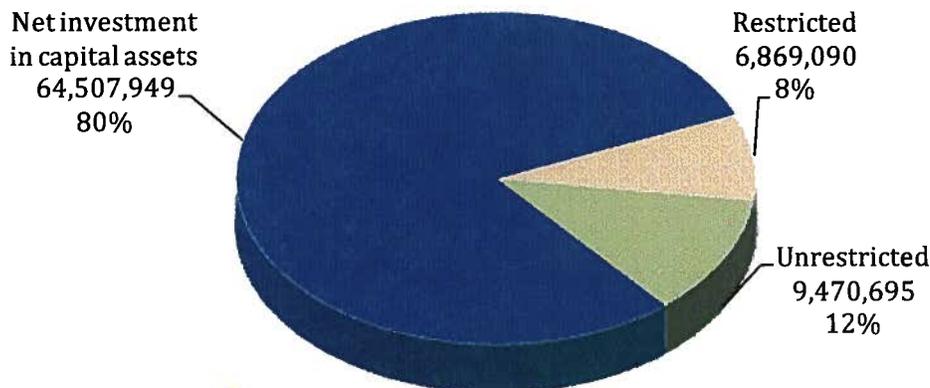
## Other information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fruita, assets exceeded liabilities and deferred inflow of resources by \$80.8 million at the close of 2013.

### Net Position - \$80.8 million



# Management's Discussion and Analysis

## CITY OF FRUITA NET POSITION

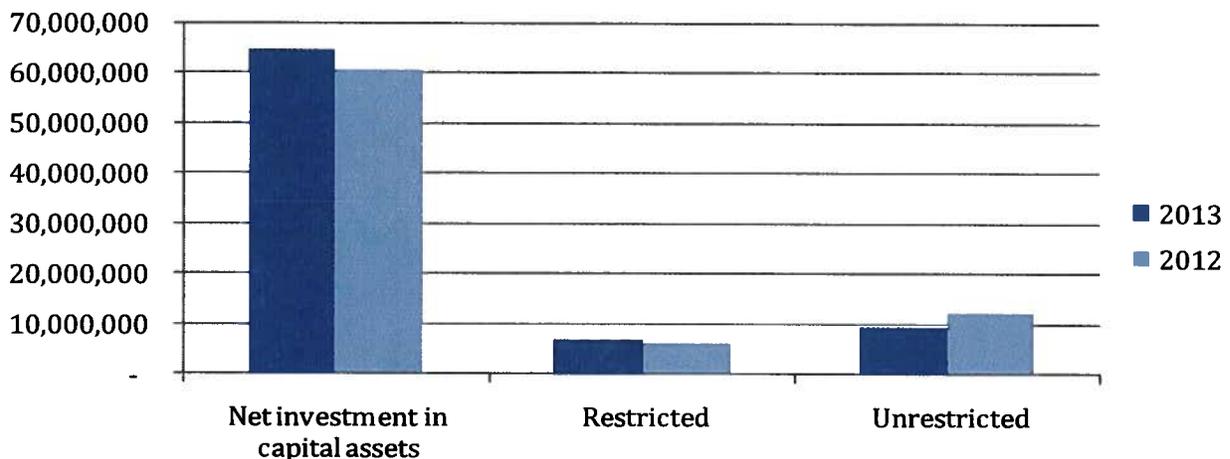
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current and other assets	\$ 14,055,770	\$ 15,286,030	\$ 5,663,517	\$ 7,011,789	\$ 19,719,287	\$ 22,297,819
Capital assets	55,968,720	53,997,886	42,820,195	40,859,993	98,788,915	94,857,879
Total assets	70,024,490	69,283,916	48,483,712	47,871,782	118,508,202	117,155,698
<b>LIABILITIES</b>						
Current and other liabilities	\$ 1,911,347	\$ 2,367,832	1,249,558	1,035,831	3,160,905	3,403,663
Long term liabilities	12,666,066	12,444,962	20,774,064	21,424,928	33,440,130	33,869,890
Total liabilities	14,577,413	14,812,794	22,023,622	22,460,759	36,601,035	37,273,553
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	1,059,433	1,148,939	-	-	1,059,433	1,148,939
<b>NET POSITION</b>						
Net investment in capital assets	43,062,536	41,527,927	21,445,413	18,924,003	64,507,949	60,451,930
Restricted	5,864,916	5,211,560	1,004,174	877,627	6,869,090	6,089,187
Unrestricted	5,460,192	6,582,696	4,010,503	5,609,393	9,470,695	12,192,089
<b>TOTAL NET POSITION</b>	\$ 54,387,644	\$ 53,322,183	\$ 26,460,090	\$ 25,411,023	\$ 80,847,734	\$ 78,733,206

# Management's Discussion and Analysis

The largest portion of the City of Fruita's net position of \$64.5 million (80%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related outstanding debt that was used to acquire those assets. The City of Fruita uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Fruita's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fruita's net position of \$6.9 million (8%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$9.5 million (12%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fruita is able to report positive balances in all reported categories of net position, both for the governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Net Position - Government Wide  
Fiscal years 2012 and 2013**



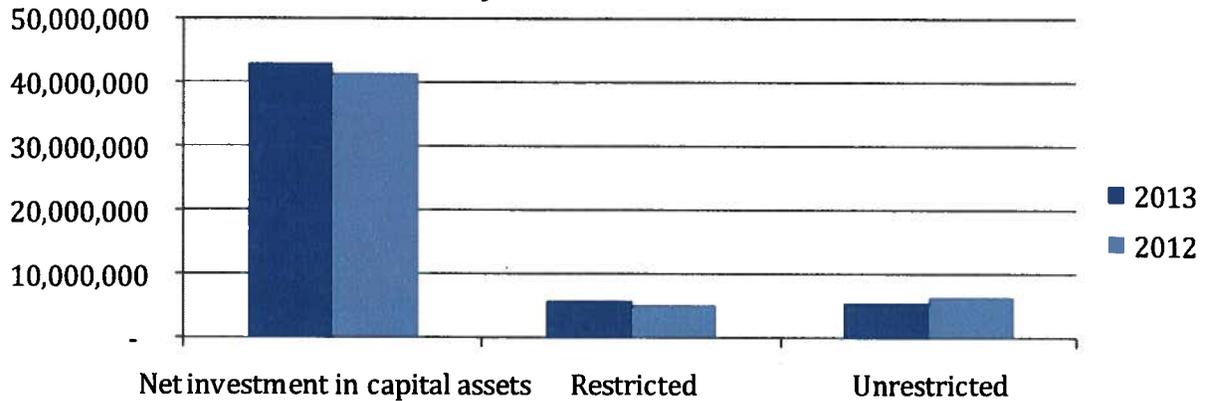
The City of Fruita's overall net position increased 3% from the prior fiscal year, increasing by \$2.1 million. The change in net position and its components is discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$1.1 million (2%) from the prior fiscal year for an ending balance of \$54.4 million. The increase in the net position of governmental activities reflects increases in capital assets and restricted assets and a decrease in unrestricted assets. The decrease in

# Management's Discussion and Analysis

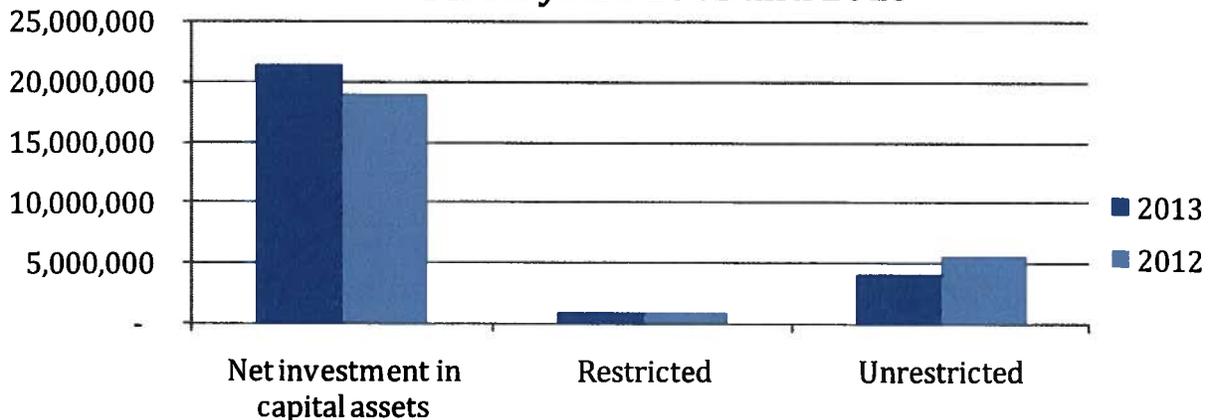
unrestricted assets reflect a budgeted use of unrestricted assets to fund capital projects in 2013 with the increase in capital assets the result of this investment. Increases in restricted funds reflect the City's policies for funding vehicle and equipment replacement and health insurance reserves.

## Net Position - Governmental Activities Fiscal years 2012 and 2013



**Business-type activities.** For the City of Fruita's business-type activities, the net position increased \$1 million (4%) from the prior fiscal year for an ending balance of \$26.5 million. The increase in the overall net position of business-type activities reflect increases in the net investment in capital assets and restricted assets and a decrease in unrestricted assets. The decrease in unrestricted assets reflect a budgeted use of unrestricted assets to fund capital projects in 2013 with the increase in capital assets the result of this investment. Increases in restricted funds reflect the City's policies for funding vehicle and equipment replacement and health insurance reserves.

## Net Position - Business-type Activities Fiscal years 2012 and 2013



# Management's Discussion and Analysis

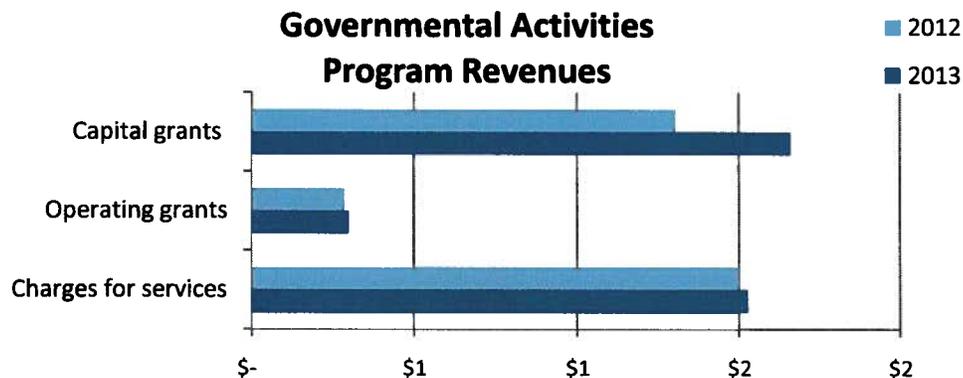
## CHANGES IN NET POSITION

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,527,875	\$ 1,500,961	\$ 4,059,798	\$ 3,497,672	\$ 5,587,673	\$ 4,998,633
Operating grants and contributions	299,546	287,153	-	-	299,546	287,153
Capital grants and contributions	1,662,468	1,303,817	334,583	545,877	1,997,051	1,849,694
<b>General revenues</b>						
Property taxes	1,145,456	1,099,168	-	-	1,145,456	1,099,168
Sales and use taxes	5,109,049	4,940,472	-	-	5,109,049	4,940,472
Other taxes	1,211,858	1,358,103	-	-	1,211,858	1,358,103
Other	195,503	101,696	6,639	(182,183)	202,142	(80,487)
<b>Total revenues</b>	<b>11,151,755</b>	<b>10,591,370</b>	<b>4,401,020</b>	<b>3,861,366</b>	<b>15,552,775</b>	<b>14,452,736</b>
<b>Expenses:</b>						
<b>General government</b>						
General government	1,199,664	1,818,708	-	-	1,199,664	1,818,708
Marking and promotion	108,743	114,579	-	-	108,743	114,579
Parks and recreation	3,590,099	2,651,467	-	-	3,590,099	2,651,467
Public works	2,263,093	2,168,351	-	-	2,263,093	2,168,351
Public safety	2,160,098	2,022,129	-	-	2,160,098	2,022,129
Interest on long-term debt	993,597	895,340	-	-	993,597	895,340
Sewer	-	-	2,394,443	3,335,002	2,394,443	3,335,002
Trash	-	-	584,787	544,763	584,787	544,763
Devils Canyon Center	-	-	51,289	43,950	51,289	43,950
Irrigation water	-	-	92,434	80,203	92,434	80,203
<b>Total expenses</b>	<b>10,315,294</b>	<b>9,670,574</b>	<b>3,122,953</b>	<b>4,003,918</b>	<b>13,438,247</b>	<b>13,674,492</b>
Increase (decrease) in net position before transfers	836,461	920,796	1,278,067	(142,552)	2,114,528	778,244
Transfers	229,000	258,342	(229,000)	(258,342)	-	-
Increase (decrease) in net position	1,065,461	1,179,138	1,049,067	(400,894)	2,114,528	778,244
Net position - beginning	53,322,183	52,143,045	25,411,023	25,811,917	78,733,206	77,954,962
<b>Net position - ending</b>	<b>\$ 54,387,644</b>	<b>\$ 53,322,183</b>	<b>\$ 26,460,090</b>	<b>\$ 25,411,023</b>	<b>\$ 80,847,734</b>	<b>\$ 78,733,206</b>

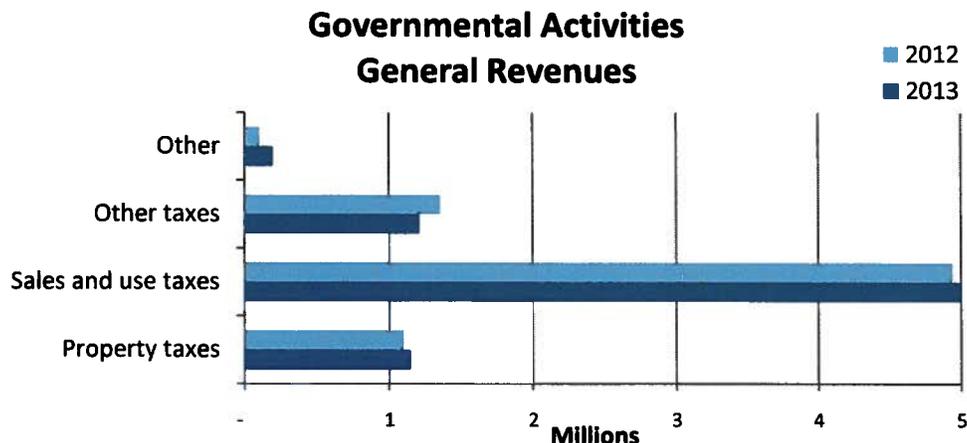
# Management's Discussion and Analysis

**Changes in Net Position.** The table on the preceding page shows the Changes in Net Position for Governmental and Business-type activities. Net position increased \$2.1 million in 2013. The following is an analysis of the changes in revenues and expenses from 2012 to 2013.

**Governmental Activities.** Net position of governmental activities increased \$1.1 million. Program revenues for governmental activities increased 13% (\$397,958) in 2013. The receipt of grants for specific capital projects constructed in 2013 accounted for 90% (\$358,651) of this increase. Operating grants and charges for services increased 2% (\$39,307) in 2013.

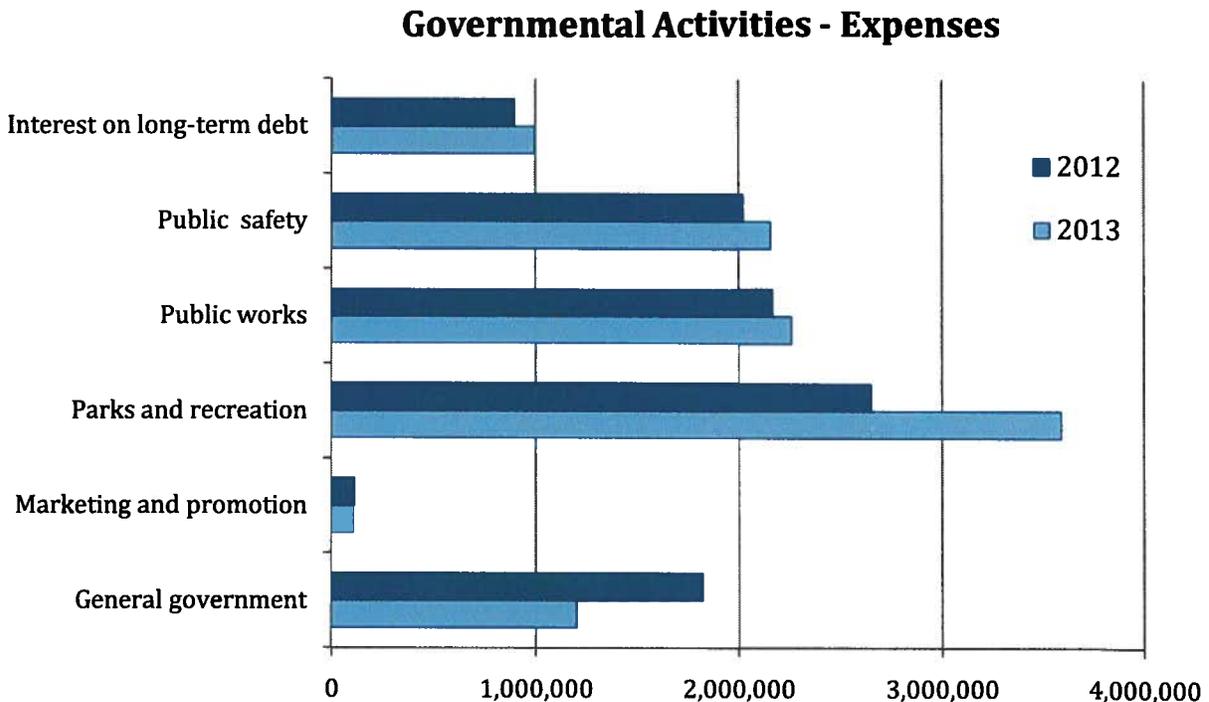


General revenues associated with governmental activities increased 2% (\$162,427) in 2013. Sales and use taxes increased 3% (\$168,577), property tax revenues increased 4% (\$46,288), and other tax revenues decreased 11% (-\$146,245). The most significant decrease in other tax revenues was a 43% (\$182,849) reduction in severance and mineral lease tax revenues from energy related activity. Other general revenues increased 92% (\$93,807) and is related to the health insurance refund for lower than anticipated health insurance claims.



# Management's Discussion and Analysis

Expenses for governmental activities increased 7% (\$644,720).



**Business-type activities.** Net position of business-type activities increased \$1.05 million from \$25.41 million to \$26.46 million. This increase is due to revenues of \$4.4 million exceeding expenses and transfers of \$3.35 million and compares to a decrease in net position of \$400,894 in the prior year.

Charges for services increased 16% (\$562,126). This increase is due to several factors including a 5.5% rate increase for trash collection services and increased revenue from sewer charges from increased usage. Revenues from commercial sewer charges increased 7% and residential charges increased 1%. Revenue from the sale of sewer tap increased 5%. In addition, there was a special charge of \$17,268 associated with mitigation of underground gas tanks on private property in conjunction with a capital sewer project. Revenue from capital grants decreased 39% (\$211,294) in 2013. This decrease is specific to variances in grant funds received for sewer capital projects constructed in 2012 and 2013. Expenses decreased \$880,965.

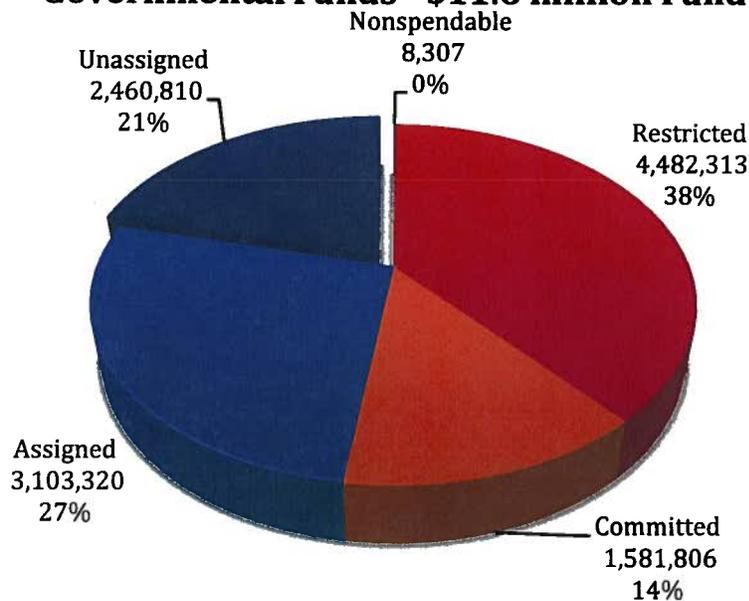
# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental funds.** The focus of the City of Fruita's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fruita's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either the City of Fruita or an external party.

### Governmental Funds - \$11.6 million Fund Balance



The City's governmental funds reported a combined year end fund balance of \$11,636,556, a decrease of 3.8% (\$459,602) from the prior year fund balance of \$12,096,158. Fund balance includes the following categories and changes from the prior fiscal year:

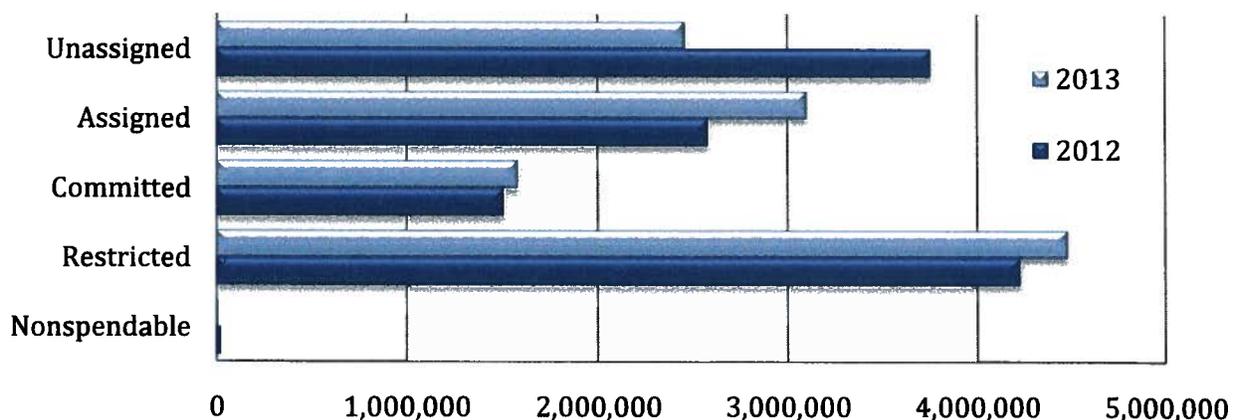
- **Non-spendable** fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of \$8,307, a decrease of 62% from the prior year.
- **Restricted** fund balances of \$4,482,313 (39% of the total fund balance) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. This reflects an increase of 6% (\$251,854) from the prior year.

# Management's Discussion and Analysis

The largest portion of restricted fund balance (\$2,660,423) is for debt service. Other restricted fund balance include amounts restricted for use for the Community Center (\$854,753), marketing and promotion (\$96,378), parks and open space (\$186,630), streets (\$284,129) and the required TABOR emergency reserve (\$400,000).

- **Committed** fund balances of \$1,581,806 (14%) is in compliance with the City's operating reserve policy and represents 25% of the general fund expenses, excluding transfers to other funds, for the 2013 fiscal year. Committed fund balance increased 5% (\$76,013) from the prior year.
- **Assigned** fund balances of \$3,103,320 (27%) are amounts assigned by the City Council or City Manager for specific purposes. The assigned fund balance increased 20% (\$522,184) from the prior year. Assigned fund balance includes \$1,731,899 assigned for expenditures in 2014 for capital projects, \$18,185 for specific use activities such as maintenance of the vietnam war memorial, recreation scholarship program and senior programs, \$160,920 for future capital projects, \$529,407 for health insurance reserves and \$662,900 in vehicle and equipment replacement reserves.
- **Unassigned** fund balance of \$2,460,810 (21%) is available for spending at the City's discretion. The unassigned fund balance decreased \$1.3 million (34%). This decrease is largely due to funding capital projects in 2013 from unassigned fund balance. Total governmental fund revenues of \$13.5 million were less than total governmental fund expenses of \$14 million, resulting in an overall decrease of \$459,602 in fund balance for governmental funds in 2013.

**Governmental Funds - Changes in fund balance**



# Management's Discussion and Analysis

**General Fund Analysis of fund balances.** The general fund is the City's chief operating fund. The *total general fund balance* of \$7.1 million decreased 9% (\$672,608), the *unassigned fund balance* of \$2.2 million reflects a decrease of \$1.3 million (37%). The unassigned fund balance is used primarily to fund the City's annual capital improvement program. The unassigned fund balance at the end of the fiscal year represents approximately 34% of 2013 general fund expenditures, excluding transfers to other funds.

The *assigned fund balance* of \$2.9 million increased 23% from the prior year and includes \$1,562,649 appropriated for expenses pursuant to the 2014 originally adopted budget, \$648,400 in the vehicle/equipment replacement reserve, the addition of a new assignment for capital projects of \$160,929, the health insurance reserve of \$511,542, and additional miscellaneous assignments in the amount of \$18,185.

The *committed fund balance* of \$1,581,806 which represents the City's operating reserve of 25% of the 2013 expenses increased 5% (\$76,013).

**Capital Projects Fund Analysis of fund balances.** The capital projects fund accounts for capital improvements associated with governmental activities and is primarily funded with transfers from the general fund. The *total fund balance* of \$712,216 decreased 3% (\$23,923) from the prior year. The *unassigned fund balance* of \$268,260 reflects a decrease of 9% (\$25,031). *Assigned fund balance* of \$169,250 has been appropriated for subsequent year expenses. *Restricted fund balances* of \$274,706 represent investment earnings on development impact fees and are restricted for use for the same purpose for which the impact fee was paid.

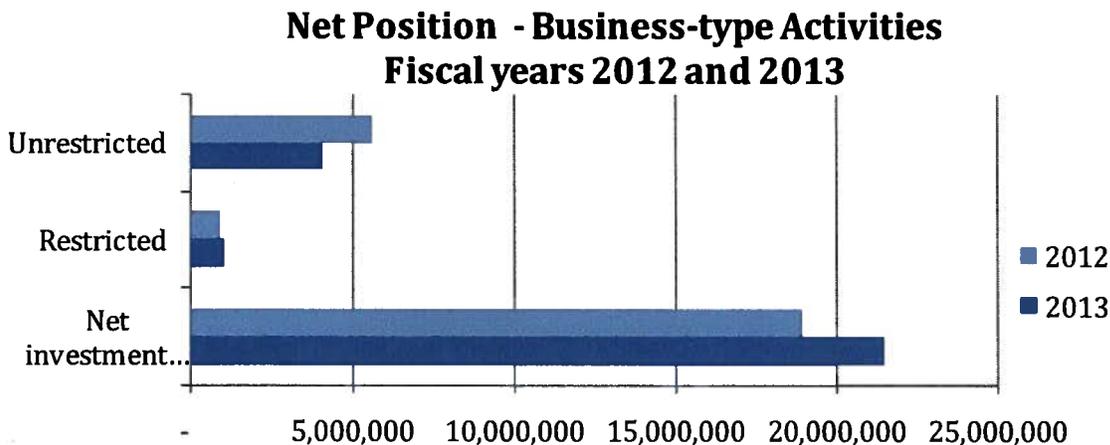
**Debt Service Fund Analysis.** The debt service fund for governmental activities reported an ending fund balance of \$2.66 million, all of which is restricted for debt service payments on the 2009 series revenue bonds for the Community Center. This reflects a minimal increase of \$32,776 (1%). The *restricted fund balance* includes \$1,756,500 in bond reserves, \$166,996 in funds for the subsequent year's interest and principal payments and an additional \$736,927 for future debt service payments. This additional amount was accumulated from transfers from the Community Center Fund in addition to transferring the remaining unspent bond proceeds for the community recreation center to the debt service fund in 2011 and will be used to offset bond payments at a future date.

**Community Center Fund Analysis.** The community recreation center opened to the public in February 2011. This fund reported an ending fund balance of \$886,716, an increase of \$198,565 (29%) from the prior year fund balance of \$688,151. *Restricted fund balance* represents 96% of the total fund balance and is restricted for community center activities

# Management's Discussion and Analysis

including operational expenses and equipment replacement. The *assigned fund balance* of \$31,963 is for health insurance and equipment replacement reserves.

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



The City's proprietary funds reported a combined net position of \$26,460,090, an increase of \$1,049,067 (4%) from the prior year. The net position includes the following categories and changes from the prior fiscal year:

Net position invested in capital assets, net of related debt, increased \$2.5 million (13%). This includes capital assets, net of accumulated depreciation, of \$42.8 million, less debt related to capital assets of \$21.4 million.

Restricted assets increased \$126,547 (14%). Restricted assets include amounts required to comply with loan covenants (a three month operating and maintenance reserve and a portion of the next loan principal and interest payment), vehicle/equipment replacement reserves and health insurance reserve funds. Vehicle and equipment reserves increased \$90,000 (100%).

Unrestricted net position decreased \$1.6 million (29%) from \$5.6 million to \$4.0 million. This decrease in unrestricted net position is attributable to the use of unrestricted funds for the construction of capital assets in the sewer fund, primarily the SH 6 interceptor line and decommissioning of the sewer lagoons.

# Management's Discussion and Analysis

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Original budget compared to final budget.** During the year budgeted revenue was increased \$35,000 (1%), the operational expense budget was increased \$93,300 (1%), and transfers to the capital projects fund were increased \$611,150 (48%). The increase in the transfers to capital projects was primarily related to reappropriation of funds not spent in the prior year for completion of specific projects.

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

**Revenues** exceeded the final budget amounts by \$184,945 (2.6%). The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Budgeted revenues</u>	<u>Actual revenues</u>	<u>Difference</u>
County sales tax	1,935,000	1,854,112	(80,888)
Use taxes	550,000	696,312	146,312
Intergovernmental revenue	744,750	684,755	(59,995)
Insurance rebates and damage awards	23,000	166,763	143,763

Revenue from the county sales tax was budgeted to increase 5% from the prior year's actual revenues. Actual county sales tax revenues increased less than 1% resulting in the \$80,888 budget shortfall. County sales tax revenues still lag behind the highest revenue year of 2008 (just prior to the current economic downturn) by \$392,687 (17%). In comparison, city sales tax revenue was budgeted to increase 4% and actual city sales tax revenues increased 5%. City use tax revenues on building materials and vehicles exceeded budget by 27%. Use tax on building materials is conservatively budgeted due to fluctuations on an annual basis and exceeded budget by 116%. Use tax on vehicles is more consistent on annual basis but also exceeded budget by 9%.

Intergovernmental revenues include federal mineral lease and severance tax revenues generated from the energy industry. Actual revenues were \$240,929 compared to a budget of \$307,000. Severance tax funds fluctuate significantly from year to year and are budgeted conservatively with \$80,000 of the budgeted revenue allocated towards operational and expenses and the remaining amount designated as a reserve for future capital projects.

Insurance rebates and damage awards include insurance payments on claims filed by the City and the refund of health insurance premiums based on the actual cost of claims for the preceding year. This health insurance refund is set aside as a reserve to offset potential future payments by the City if actual health insurance claims exceed the premiums paid by the City and to help offset future costs of health insurance for employees.

# Management's Discussion and Analysis

Expenses of \$8,136,257 were under the final budgeted amount \$9,076,975 by \$940,718 (10%). There were no expenses in excess of budget on a department wide basis for the current fiscal year. Significant variances between budget and actual expenses include the following:

<u>Expenditure Classification</u>	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>
Transfers out	1,894,200	1,463,065	(431,135)
Non-departmental	411,300	261,626	(149,674)
Public safety	2,071,850	1,983,266	(88,584)
Parks and recreation	941,985	875,872	(66,113)
Reserves	356,250	290,179	(66,071)

The reduction in *transfers out* from the general fund to the capital projects fund was due to timing issues associated with capital projects and the majority of the difference is reappropriated for capital projects in 2014.

*Non-departmental* expenses included an original budgeted contingency fund of \$200,000 of which \$56,600 was used leaving an unspent contingency fund balance of \$143,400.

*Public safety* expenditures were less than budgeted primarily due to a vacancy in a budgeted police officer position. This position was filled in June of 2013. The other area of significant differences between budget and actual expenses was in professional development.

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

Additions to *reserves* are budgeted as an expense. However, in accordance with standard accounting practices, this does not reflect as an actual expense but is a change in designations of fund balance. Reserves include designations of amounts for replacement of vehicles and equipment, health insurance risk, and capital projects. Revenues from severance and mineral lease taxes were budgeted with an amount designated for operational costs and an amount designated for future capital expense reserves. The revenue did not materialize as budgeted and resulted in a reduction in the amount reserves for future capital expense.

# Management's Discussion and Analysis

## CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital assets.* The City of Fruita's investment in capital assets for its governmental and business-type activities as of December 31, 2013, is \$98,788,915 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park and recreation facilities, roads, highways, the wastewater treatment plant and sewer collection lines and irrigation distribution system. The total increase in capital assets for the current year was 4% (\$3.9 million).

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,074,392	\$ 7,073,891	\$ 1,046,173	\$ 1,046,173	\$ 8,120,565	\$ 8,120,064
Source of supply	-	-	14,712	14,712	14,712	14,712
Construction in progress	-	20,948	-	-	-	20,948
Buildings	15,597,860	15,419,838	848,452	889,067	16,446,312	16,308,905
Infrastructure	25,937,592	24,654,388	40,353,797	38,237,437	66,291,389	62,891,825
Machinery & equipment	7,358,876	6,828,821	557,061	672,604	7,915,937	7,501,425
	<u>\$ 55,968,720</u>	<u>\$ 53,997,886</u>	<u>\$ 42,820,195</u>	<u>\$ 40,859,993</u>	<u>\$ 98,788,915</u>	<u>\$ 94,857,879</u>

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

- Completion of the sewer interceptor line along SH 6 (\$1.68 million)
- Construction of Pine Street improvements (\$1.1 million)
- Completion of the decommissioning of the wastewater lagoons (\$928,000)
- Completion of the expansion of the Police Services building (\$660,539)
- Construction of the Fremont trail (\$326,077)
- Acquisition of mobile equipment (\$286,170)
- Completion of the Greenway Business Park River Road improvements (\$275,288)
- Improvements to the Fruita Bike Park (\$218,435)
- Reservoir improvements of \$360,532

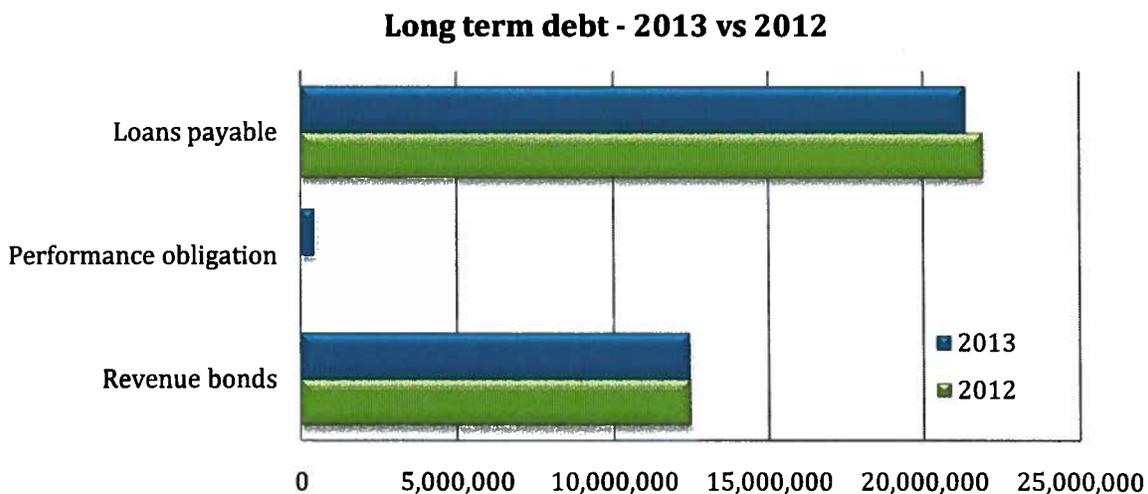
Additional information on the City of Fruita's capital assets can be found in Note III.C on pages 53 and 54 of this report.

# Management's Discussion and Analysis

**Long-term Debt.** At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$34,280,965. Of this amount, \$21,374,781 is debt backed by user fees and charges of the sewer system, \$12,446,630 is backed by a one cent city sales and use tax which is dedicated for the community center, and \$459,554 is backed by a performance obligation of the City to provide future irrigation water and exchange of land and water rights on Pinyon Mesa.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ 12,446,630	\$ 12,469,962	\$ -	\$ -	\$ 12,446,630	\$ 12,469,962
Performance obligation	459,554	-	-	-	459,554	-
Loans payable	-	-	21,374,781	21,935,990	21,374,781	21,935,990
<b>Total</b>	<b>\$ 12,906,184</b>	<b>\$ 12,469,962</b>	<b>\$ 21,374,781</b>	<b>\$ 21,935,990</b>	<b>\$ 34,280,965</b>	<b>\$ 34,405,952</b>

The City of Fruita's total debt decreased by \$124,987 during the current fiscal year. This decrease was due to regularly scheduled principal payments of \$584,541 on the outstanding debt which was offset by the addition of \$459,554 in a new nonmonetary performance obligation debt for improvements to the City's reservoirs.



Pursuant to the Fruita City Charter, there is no limit on the amount of general obligation

# Management's Discussion and Analysis

debt that can be issued except that said issuance must be approved by the voters. The City of Fruita maintains an "AA/stable" rating from Standard and Poor's Rating for the revenue bonds. Additional information on the City of Fruita's long-term debt obligations can be found in the Notes to the Financial Statements.

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

The 2014 Budget prioritizes the resources available and sets a course of action to implement the goals set by the City Council. The following economic factors currently affect the City of Fruita and were considered in developing the 2014 fiscal year budget.

The City of Fruita continues to perform well financially compared to the larger surrounding area of Mesa County. This performance is relative to the City of Fruita continuing to be a desirable community to live, work and play, as well as sporadic energy related activity, and continued very modest growth in new construction and development. However, the prolonged nature of the downturn in the local economy and reduction in energy related activity is making it more difficult to address ongoing needs for services and infrastructure improvements.

Past financial policies of the City have provided resources that have allowed the City to maintain a fairly aggressive capital improvements plan during this economic downturn. However, while the City has become accustomed to an aggressive capital project budget, the resources reflected by the City's unrestricted fund balances have declined and will make it more difficult to continue funding capital projects at the same level in the future. Alternative sources of funding and reduced expectations for capital projects will need to be addressed in 2014 for future budgeting and preparation of the five year Capital Improvement Program. However, while the long term forecast for capital project funding is more restricted than it has been in the past, the 2014 Budget continues an aggressive program for capital projects of \$4 million (approximately 57% of the 2014 General Fund operational expenses). This level of funding of capital projects in 2014 is made possible by leveraging \$1 of city funds with \$1 in grant funds.

The 2014 Budget includes a 1.76% decrease in city sales tax revenues from 2013 actual revenues. This conservative prediction of revenues is in large part due to the sporadic nature of the economic recovery and is intended to offset increases seen in 2013 related to energy activity which is not anticipated to continue in 2014. In addition, the 2014 Budget includes a 7% reduction in revenue derived from property taxes as a result of the reassessment (and decline) of property values.

The 2014 Budget reflects the continued funding of \$200,000 in contingency funds from fund balance instead of current year revenues. In the past, unspent contingency funds have resulted in an increase in fund balance and provided a funding source for future

# *Management's Discussion and Analysis*

capital projects. However, this practice also reduced the amount of current resources available to respond to current operational needs.

The 2014 Budget reflects full funding of the vehicle and equipment replacement reserve from current year revenues.

The 2014 Budget continues to include a realistic projection of revenues from severance taxes and mineral leases. These revenues have a long history of volatility and in the past have been budgeted very conservatively with excess revenues resulting in an increase in the fund balance. The 2014 Budget includes the same conservative approach but includes a more realistic revenue projection with an offsetting reserve of a significant portion of these funds for future capital projects. This ensures that the revenue materializes before it is appropriated for expenditures and continues to designate a significant amount of these funds towards one-time expenditures such as capital projects and not relying on them for ongoing operational costs.

Salaries are budgeted to increase approximately 2% in 2014 in order to continue to be competitive with the market and to retain and recruit high quality personnel.

User charges in the utility funds (sewer, trash and irrigation) are set to cover operating and capital costs. A rate increase of \$0.35 per month went into effect on January 1, 2014 for trash collection services. This increase reflects the increase paid by the City to the provider of this service. There are no additional utility rate adjustments scheduled for the 2014 Budget.

Moving forward, the City recognizes that some of the changes that have been made over the last several years need to be reintegrated back into the budget process. This includes allocating all of the use tax on building materials, severance taxes and mineral lease revenues to capital projects and not allocating any towards on-going operational expenses and funding contingency from current year revenues.

## **REQUESTS FOR INFORMATION**

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

# *Management's Discussion and Analysis*

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# **Basic Financial Statements**

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City of Fruita, Colorado  
**STATEMENT OF NET POSITION**  
December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,023,789	\$ 4,293,479	\$ 12,317,268
Receivables	1,249,693	565,572	1,815,265
Intergovernmental receivable	1,574,485	-	1,574,485
Inventories	8,307	-	8,307
Restricted assets:			
Restricted cash	3,199,496	804,466	4,003,962
Capital assets (net of accumulated depreciation)			
Land	7,074,392	1,046,173	8,120,565
Source of supply	-	14,712	14,712
Buildings, net	15,597,860	848,452	16,446,312
Systems, net	25,937,592	40,353,797	66,291,389
Machinery and equipment, net	7,358,876	557,061	7,915,937
Total Assets	<u>70,024,490</u>	<u>48,483,712</u>	<u>118,508,202</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	416,587	385,359	801,946
Accrued interest payable	222,597	244,888	467,485
Compensated absences payable	113,677	17,919	131,596
Customer deposits payable	5,076	675	5,751
Unearned revenues	902,594	-	902,594
Defeased bonds payable	10,698	-	10,698
Noncurrent liabilities:			
Due within one year (bonds and notes)	240,118	600,717	840,835
Due in more than one year (bonds and notes, net)	12,666,066	20,774,064	33,440,130
Total Liabilities	<u>14,577,413</u>	<u>22,023,622</u>	<u>36,601,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,059,433	-	1,059,433
Total Deferred Inflows of Resources	<u>1,059,433</u>	<u>-</u>	<u>1,059,433</u>
<b>NET POSITION</b>			
Net investment in capital assets	43,062,536	21,445,413	64,507,949
Restricted for:			
Debt service	2,660,423	803,791	3,464,214
Marketing and promotion	96,378	-	96,378
Community center	854,753	-	854,753
Parks and open space	186,630	-	186,630
Streets	284,129	-	284,129
Emergency reserves	400,000	-	400,000
Vehicle replacement	662,900	180,000	842,900
Other purposes	30,102	-	30,102
Health insurance risk	528,672	20,383	549,055
Capital Projects	160,929	-	160,929
Unrestricted	5,460,192	4,010,503	9,470,695
Total Net Position	<u>\$ 54,387,644</u>	<u>\$ 26,460,090</u>	<u>\$ 80,847,734</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, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,199,664	\$ 143,613	\$ 4,497	\$ 41,412	\$ (1,010,142)	\$ -	\$ (1,010,142)
Marketing and promotion	108,743	99,646	-	-	(9,097)	-	(9,097)
Parks and recreation	3,590,099	1,138,656	20,513	628,119	(1,802,811)	-	(1,802,811)
Public works	2,263,093	118,497	21,950	992,937	(1,129,709)	-	(1,129,709)
Public safety	2,160,098	20,223	2,387	-	(2,137,488)	-	(2,137,488)
Interest on long-term debt	993,597	7,240	250,199	-	(736,158)	-	(736,158)
Total governmental activities	10,315,294	1,527,875	299,546	1,662,468	(6,825,405)	-	(6,825,405)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer	2,394,443	3,267,454	-	334,583	-	1,207,594	1,207,594
Trash	584,787	637,496	-	-	-	52,709	52,709
Devils Canyon Center	51,289	57,600	-	-	-	6,311	6,311
Irrigation water	92,434	97,248	-	-	-	4,814	4,814
Total business-type activities	3,122,953	4,059,798	-	334,583	-	1,271,428	1,271,428
Total government	\$ 13,438,247	\$ 5,587,673	\$ 299,546	\$ 1,997,051	(6,825,405)	1,271,428	(5,553,977)
<b>General Revenues:</b>							
Property taxes					1,145,456	-	1,145,456
Sales and use taxes					5,109,049	-	5,109,049
Severance tax					240,929	-	240,929
Highway users tax					370,744	-	370,744
Franchise fees					422,647	-	422,647
Other shared taxes					177,538	-	177,538
Unrestricted investment earnings					9,491	6,639	16,130
Gain (loss) on sale of capital assets					1,338	-	1,338
Miscellaneous					184,674	-	184,674
Transfers					229,000	(229,000)	-
Total general revenues and transfers					7,890,866	(222,361)	7,668,505
Change in net position					1,065,461	1,049,067	2,114,528
Net position - beginning					53,322,183	25,411,023	78,733,206
Net position - ending					\$ 54,387,644	\$ 26,460,090	\$ 80,847,734

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Center</u>	<u>Total Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and investments	\$ 6,376,408	\$ -	\$ 613,226	\$ 776,781	\$ 226,826	\$ 7,993,241
Accounts receivable	29,981	-	-	-	-	29,981
Taxes receivable	1,059,433	-	-	146,072	14,207	1,219,712
Due from other funds	-	-	-	-	-	-
Due from other governments	825,497	687,138	61,850	-	-	1,574,485
Due from other funds	51,295	-	-	-	-	51,295
Inventories	8,307	-	-	-	-	8,307
Cash - restricted	147,874	1,055,577	1,996,045	-	-	3,199,496
<b>Total Assets</b>	<u>8,498,795</u>	<u>1,742,715</u>	<u>2,671,121</u>	<u>922,853</u>	<u>241,033</u>	<u>14,076,517</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	175,970	198,333	-	36,037	525	410,865
Due to other funds	-	51,295	-	-	-	51,295
Defeased bonds payable	-	-	10,698	-	-	10,698
Deposits payable	4,976	-	-	100	-	5,076
Unearned revenues	121,723	780,871	-	-	-	902,594
<b>Total Liabilities</b>	<u>302,669</u>	<u>1,030,499</u>	<u>10,698</u>	<u>36,137</u>	<u>525</u>	<u>1,380,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property tax revenue	1,059,433	-	-	-	-	1,059,433
<b>Total deferred inflows of resources</b>	<u>1,059,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,433</u>
Fund Balances:						
Nonspendable:						
Inventories	8,307	-	-	-	-	8,307
Restricted:						
Debt Service	-	-	2,660,423	-	-	2,660,423
Marketing	-	-	-	-	96,378	96,378
Community center	-	-	-	854,753	-	854,753
Parks and open space	-	42,902	-	-	143,728	186,630
Streets	52,325	231,804	-	-	-	284,129
Emergency reserve	400,000	-	-	-	-	400,000
Committed:						
Operating reserve	1,581,806	-	-	-	-	1,581,806
Assigned:						
Capital projects	160,929	-	-	-	-	160,929
War memorial maintenance	10,687	-	-	-	-	10,687
Health insurance reserve	507,931	-	-	17,463	402	525,796
Scholarship Program	6,542	-	-	-	-	6,542
Senior Programs	956	-	-	-	-	956
Supplemental health reserve	3,611	-	-	-	-	3,611
Vehicle replacement reserve	648,400	-	-	14,500	-	662,900
Subsequent year expenses	1,562,649	169,250	-	-	-	1,731,899
Unassigned:	2,192,550	268,260	-	-	-	2,460,810
<b>Total fund balances</b>	<u>7,136,693</u>	<u>712,216</u>	<u>2,660,423</u>	<u>886,716</u>	<u>240,508</u>	<u>11,636,556</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 8,498,795</u>	<u>\$ 1,742,715</u>	<u>\$ 2,671,121</u>	<u>\$ 922,853</u>	<u>\$ 241,033</u>	<u>\$ 14,076,517</u>

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2013**

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

Total fund balances of governmental funds	\$ 11,636,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$30,113).	55,938,607
Internal service funds are used to charge the costs of fleet maintenance to individual funds. The current assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	50,911
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts (\$4,027).	(13,238,430)
Net position of governmental activities	<u>\$ 54,387,644</u>

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

City of Fruita, Colorado  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the year ended December 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Center</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ 1,145,456	\$ -	\$ -	\$ -	\$ -	\$ 1,145,456
City sales	1,473,646	-	-	736,823	-	2,210,469
County sales	1,854,112	-	-	-	-	1,854,112
Use tax	696,312	-	-	348,156	-	1,044,468
Other	579,060	-	-	-	99,646	678,706
Licenses and permits	30,875	-	-	-	-	30,875
Intergovernmental revenues	684,755	1,478,185	250,199	-	138,190	2,551,329
Charges for services	165,071	-	-	985,002	-	1,150,073
Fines and forfeitures, assessments	46,695	-	-	1,464	-	48,159
Development impact fees	30,507	37,536	-	-	-	68,043
Investment earnings	6,974	1,408	6,465	-	48	14,895
Rents and royalties	28,296	-	-	34,655	-	62,951
Donations	20,254	-	-	-	-	20,254
Miscellaneous	14,356	-	-	2,090	806	17,252
Total revenues	<u>6,776,369</u>	<u>1,517,129</u>	<u>256,664</u>	<u>2,108,190</u>	<u>238,690</u>	<u>10,897,042</u>
<b>EXPENDITURES</b>						
Current:						
General government	359,642	-	-	-	-	359,642
Administration	567,680	-	-	-	-	567,680
Community development	273,227	-	-	-	-	273,227
Marketing and promotion	-	-	-	-	108,743	108,743
Public safety	1,983,266	-	-	-	-	1,983,266
Public works	1,633,555	-	-	-	-	1,633,555
Parks and recreation	875,872	6,225	-	1,299,932	57,000	2,239,029
Non-departmental	261,626	41,412	-	-	-	303,038
Debt service						
Principal retirement	-	-	25,000	-	-	25,000
Interest and fiscal charges	-	-	891,700	-	-	891,700
Capital outlay	428,145	2,928,808	-	29,822	-	3,386,775
Total expenditures	<u>6,383,013</u>	<u>2,976,445</u>	<u>916,700</u>	<u>1,329,754</u>	<u>165,743</u>	<u>11,771,655</u>
Excess (deficiency) of revenues over expenditures	<u>393,356</u>	<u>(1,459,316)</u>	<u>(660,036)</u>	<u>778,436</u>	<u>72,947</u>	<u>(874,613)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance rebates and damage awards	166,763	-	-	17,911	-	184,674
Transfers in	229,000	1,435,393	692,782	95,000	-	2,452,175
Transfers (out)	(1,463,065)	-	-	(692,782)	(67,329)	(2,223,176)
Sale of capital assets	1,338	-	-	-	-	1,338
Total other financing sources (uses)	<u>(1,065,964)</u>	<u>1,435,393</u>	<u>692,782</u>	<u>(579,871)</u>	<u>(67,329)</u>	<u>415,011</u>
Net change in fund balances	<u>(672,608)</u>	<u>(23,923)</u>	<u>32,746</u>	<u>198,565</u>	<u>5,618</u>	<u>(459,602)</u>
Fund balances - beginning	<u>7,809,301</u>	<u>736,139</u>	<u>2,627,677</u>	<u>688,151</u>	<u>234,890</u>	<u>12,096,158</u>
Fund balances - ending	<u>\$ 7,136,693</u>	<u>\$ 712,216</u>	<u>\$ 2,660,423</u>	<u>\$ 886,716</u>	<u>\$ 240,508</u>	<u>\$ 11,636,556</u>

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

City of Fruita, Colorado  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013**

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

Net change in fund balances - total governmental funds	\$ (459,602)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, net of the internal service fund, in the current period.	1,598,314
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	2,387
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	25,000
The internal service funds are used by management to charge the costs of fleet management to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.	16,426
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(117,064)</u>
Change in net position of governmental activities	<u>\$ 1,065,461</u>

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

City of Fruita, Colorado  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

December 31, 2013 (With comparative totals for 2012)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Major Fund			Non-Major Funds			Totals	Fleet Maintenance
	2013	2012		2013	2012	2013	2012	Internal Service Fund
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 3,832,477	\$ 5,149,088		\$ 240,265	\$ 251,153	\$ 4,293,479	\$ 30,547	
Interest receivable	17	26		-	-	89	-	
Accounts receivable	442,859	423,503		9,600	4,800	554,793	-	
Special assessments receivable	6,574	6,385		-	-	6,896	-	
Notes receivable	2,834	1,626		-	-	2,834	-	
Intergovernmental receivable	-	143,622		-	-	-	-	
Total current assets	4,284,761	5,724,250		249,865	255,953	4,858,091	30,547	
Non-current assets:								
Restricted cash:								
WWTF loan covenants	803,791	778,545		-	-	803,791	-	
Customer deposits	675	675		-	-	675	-	
Special assessments receivable	960	7,415		-	-	960	-	
Capital assets								
Land	764,010	764,010		225,514	225,514	1,046,173	-	
Source of supply	-	-		-	-	56,649	-	
Buildings, net	42,630	44,607		-	-	14,712	-	
Systems, net	40,272,391	38,138,191		798,292	835,844	848,452	-	
Equipment, net	557,061	672,604		-	-	40,353,797	-	
Total capital assets, net	41,636,092	39,619,412		1,023,806	1,061,358	557,061	30,113	
Total non-current assets	42,441,518	40,406,047		1,023,806	1,061,358	43,625,621	30,113	
Total assets	46,726,279	46,130,297		1,273,671	1,317,311	48,483,712	60,660	
<b>LIABILITIES</b>								
Current liabilities:								
Accounts Payable	287,098	230,683		-	-	385,359	5,722	
Accrued interest payable	26	50		-	-	26	-	
Compensated absences	16,695	16,455		-	-	17,919	4,027	
Notes payable - current maturity	323,544	300,645		-	-	323,544	-	
Total current liabilities	627,363	547,833		-	-	726,848	9,749	
Current liabilities payable from restricted assets:								
Customer deposits payable	675	675		-	-	675	-	
Accrued interest payable from restricted cash	244,862	228,469		-	-	244,862	-	
Notes payable from restricted cash	227,083	210,417		-	-	227,083	-	
Total current liabilities payable from restricted assets	472,620	439,561		-	-	472,620	-	
Noncurrent liabilities:								
Notes payable (net of premium)	20,824,154	21,424,928		-	-	20,824,154	-	
Total noncurrent liabilities	20,824,154	21,424,928		-	-	20,824,154	-	
Total liabilities	21,924,137	22,412,322		98,236	45,538	22,023,622	9,749	
<b>NET POSITION</b>								
Invested in capital assets, net of related debt	20,261,311	17,683,422		1,023,806	1,061,358	21,445,413	30,113	
Restricted for health insurance reserve	19,458	9,082		-	-	20,383	2,875	
Restricted for loan covenants	803,791	778,545		-	-	803,791	-	
Restricted for vehicle replacement	180,000	90,000		-	-	180,000	-	
Unrestricted	3,537,582	5,156,926		249,865	255,953	4,010,503	17,923	
Total net position	\$24,802,142	\$ 23,717,975		\$1,273,671	\$ 1,317,311	\$26,460,090	\$ 50,911	

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, 2013 (With comparative totals for 2012)

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals			Fleet Maintenance Internal Service Fund
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Receipts from customers	\$ 2,792,699	\$ 2,732,506	\$ 633,517	\$ 593,108	\$ 52,800	\$ 57,600	\$ 97,150	\$ 96,046	\$ 3,576,166	\$ 273,188		
Payments to suppliers	(563,066)	(510,232)	(532,089)	(544,358)	(13,737)	(6,400)	(23,321)	(20,952)	(1,132,213)	(113,294)		
Payments to employees	(611,230)	(617,174)	-	-	-	-	(51,836)	(39,500)	(663,066)	(152,069)		
Net cash provided by operating activities	1,618,403	1,605,100	101,428	48,750	39,063	51,200	21,993	35,594	1,780,887	7,825		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>												
Operating transfers	(130,000)	(159,342)	(40,000)	(40,000)	(50,000)	(50,000)	(9,000)	(9,000)	(229,000)	-		
Net cash used by non-capital financing activities	(130,000)	(159,342)	(40,000)	(40,000)	(50,000)	(50,000)	(9,000)	(9,000)	(229,000)	-		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Capital contributions - grants	478,205	-	-	-	-	-	-	-	478,205	-		
Capital contributions - plant investment fees	454,192	436,389	-	-	-	-	-	500	454,192	-		
Gain on sale of equipment	-	2,100	-	-	-	-	-	-	-	-		
Proceeds from special assessments	6,266	6,021	-	-	-	-	106	1,044	6,372	-		
Principal paid on capital debt	(511,063)	(491,724)	-	-	-	-	-	-	(511,063)	-		
Interest paid on capital debt	(574,580)	(613,596)	-	-	-	-	-	-	(574,580)	-		
Purchase of capital assets	(2,639,370)	(3,739,013)	-	-	-	-	-	-	(2,639,370)	(12,481)		
Net cash provided (used) by capital and related financing activities	(2,786,350)	(4,399,823)	-	-	-	-	106	1,544	(2,786,244)	(12,481)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Interest received on investments	6,582	9,969	10	19	49	109	7	35	6,648	-		
Net cash provided by investing activities	6,582	9,969	10	19	49	109	7	35	6,648	-		
Net increase (decrease) in cash and cash equivalents	(1,291,365)	(2,944,096)	61,438	8,769	(10,888)	1,309	13,106	28,173	(1,227,709)	(4,656)		
Cash and cash equivalents, January 1 (including \$653,333 in the Sewer Fund reported in restricted accounts)	5,928,308	8,872,404	27,608	18,839	251,153	249,844	118,585	90,412	6,325,654	35,203		
Cash and cash equivalents, December 31 (including \$779,220 in the Sewer Fund reported in restricted accounts)	\$ 4,636,943	\$ 5,928,308	\$ 89,046	\$ 27,608	\$ 240,265	\$ 251,153	\$ 131,691	\$ 118,585	\$ 5,097,945	\$ 30,547		

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, 2013 (With comparative totals for 2012)

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals		Fleet Maintenance	Internal Service Fund
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
Operating income (loss)	\$ 1,008,560	\$ 220	\$ 52,709	\$ 51,114	\$ 6,311	\$ 13,650	\$ 4,814	\$ 15,524	\$ 1,072,394	\$	\$ 16,426	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:												
Depreciation and amortization expense	613,955	1,609,613	-	-	37,552	37,550	18,927	18,941	670,434		2,884	
(Increase) decrease in accounts receivable	(19,355)	(15,962)	(3,979)	(2,769)	(4,800)	-	(98)	319	(28,232)		-	
Increase (decrease) in accounts payable	10,528	8,723	52,698	405	-	-	(1,508)	1,335	61,718		(11,292)	
Increase (decrease) in compensation payable	4,715	2,506	-	-	-	-	(142)	(525)	4,573		(193)	
Total adjustments	609,843	1,604,880	48,719	(2,364)	32,752	37,550	17,179	20,070	708,493		(8,601)	
Net Cash Provided by (Used for) Operating Activities	\$ 1,618,403	\$ 1,605,100	\$ 101,428	\$ 48,750	\$ 39,063	\$ 51,200	\$ 21,993	\$ 35,594	\$ 1,780,887	\$	\$ 7,825	

**Schedule of non-cash capital and related financing activities**

Contributions of capital assets

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, 2013**

	<b>Money Purchase Plan and Trust Fund</b>	<b>Retirement Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments at fair value	2,187,357	1,225,483
Accounts receivable	-	-
Total assets	<u>2,187,357</u>	<u>1,225,483</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust for:		
Pension benefits	2,187,357	1,225,483
Total net position	<u>\$ 2,187,357</u>	<u>\$ 1,225,483</u>

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

City of Fruita, Colorado  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the year ended December 31, 2013**

	<b>Money Purchase Plan and Trust Fund</b>	<b>Retirement Trust Fund</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 117,579	\$ 101,009
Plan member contributions	94,063	-
Roll over from Retirement Trust Fund	49,821	-
Total contributions	<u>261,463</u>	<u>101,009</u>
Investment Earnings		
Net investment gain (loss)	<u>251,587</u>	<u>183,279</u>
Total Additions	<u>513,050</u>	<u>284,288</u>
<b>DEDUCTIONS</b>		
Benefits	-	21,375
Roll over to Money Purchase Plan	-	49,821
Administrative expenses	<u>4,974</u>	<u>1,114</u>
Total Deductions	<u>4,974</u>	<u>72,310</u>
Change in net position	508,076	211,978
Total net position - beginning	<u>1,679,281</u>	<u>1,013,505</u>
Total net position - ending	<u>\$ 2,187,357</u>	<u>\$ 1,225,483</u>

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

# **Notes to Financial Statements**

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City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

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

**B. Government-wide financial statements**

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

**C. Basis of presentation - government-wide financial statements**

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

**D. Basis of presentation - fund financial statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

The agency fund is used to account for custodial functions for collecting and forwarding fees paid on new developments in lieu of dedication of land to the local school district. There were no balances or activity associated with this fund for the year ending December 31, 2013.

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

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

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

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

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

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

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

## **F. Budgetary information**

### **1. Budgetary basis of accounting**

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

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

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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short-term notes.

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

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

***2. Excess of expenditures over appropriations***

For the year ended December 31, 2013, the Marketing and Promotion Fund expenditures exceeded appropriations by \$3,843 at the fund level.

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

***1. Cash and cash equivalents***

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

***2. Investments***

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

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

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

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**3. Inventories**

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

**4. Capital assets**

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

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

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

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

**5. Deferred outflows/inflows of resources**

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

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**6. *Net position flow assumption***

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

**7. *Fund balance flow assumptions***

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

**8. *Fund balance policies***

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

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

Restricted fund balance represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government),

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through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amount that can be used only for the specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The City Council has adopted a financial policy to maintain a minimum level of fund balance in the general fund as an *operating reserve*. The committed fund balance of \$1,581,806 represents the amount set aside to serve as a financial cushion for use in emergency situations or when revenue shortages or budgetary imbalances arise pursuant to this policy. This amount represents approximately 25% of the current year's general fund expenditures, excluding transfers.

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

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

- assign funds for *future capital projects* with a portion of funds received from mineral lease and severance tax payments.
- assign funds for *replacement of vehicles and equipment*. This amount is determined on an annual basis and is based on the estimated cost to replace vehicles and equipment over a ten year period with the difference between the actual cost for replacement in the current year and the target balance added to (or deducted from) the vehicle replacement reserve. The intent of this reserve is to even out funding requirements on an annual basis for acquisition of capital equipment.
- assign funds for *health insurance* with funds generated through health insurance cost savings and refunds of health insurance premiums based on actual loss experience. These funds are assigned to help level out increases in health insurance costs, provide funds for health insurance risk payments, and

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provide funds for future self insurance and reduce the impact of health insurance costs on employees resulting from increases in health insurance deductibles.

- assign funds for *specific activities* which are usually associated with donations for specific purposes such as *war memorial maintenance*, a fee on recreation program registrations used to fund *scholarships*, and donations from the senior can collection program for *senior recreational programs and amenities* in the senior area of the Fruita Community Center.
- assign funds *appropriated for expenditure in the subsequent year*.

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

## **H. Revenues and expenditures/expenses**

### **1. Program revenues**

Amounts reported as *program revenues* include 1)charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2)grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### **2. Property taxes**

Property taxes as set by the City Council are collected by the County Treasurer. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2013 taxes collectible in 2014 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

### **3. Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. An employee may accumulate and carry forward one

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund, trash fund, irrigation fund and fleet maintenance fund are charges to customers for sales and services. The principal operating revenue of the devils canyon center fund is lease revenues for use of the facility. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$55,938,607 difference, net of internal service fund capital assets of \$30,113, are as follows:

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Land	\$ 7,074,392
Construction in progress	-
<b>Buildings</b>	<b>18,202,206</b>
Less: Accumulated depreciation - buildings	(2,604,346)
Machinery, equipment and vehicles	10,891,460
Less: Accumulated depreciation - machinery, equipment, and vehicles	(3,562,697)
Infrastructure systems	29,750,752
Less: Accumulated depreciation - infrastructure	<u>(3,813,160)</u>
 Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u><u>\$ 55,938,607</u></u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$50,911 difference are as follows:

Cash and investments	30,547
Capital assets	30,113
Accounts payable	(5,722)
Compensated absences payable	<u>(4,027)</u>
Net position of the internal service fund	<u><u>\$ 50,911</u></u>

The final element of that reconciliation explains that “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts.” The details of this \$13,238,430 difference are as follows:

Bonds payable	\$ (12,490,000)
Add: Issuance premium (to be amortized over life of debt)	80,039
Less: Issuance discount (to be amortized as interest expense)	(36,669)
Performance obligation note payable	<u>(459,553)</u>
Subtotal of bonds and notes payable - current and non-current	(12,906,183)
Accrued interest payable	(222,597)
Compensated absences	<u>(109,650)</u>
 Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net assets - governmental activities</i>	 <u><u>\$ (13,238,430)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this \$1,598,314 difference are as follows:

Capital outlay reported in:	
Capital Projects	\$ 2,928,808
General Fund	428,145
Community Center Fund	29,822
Total capital outlay reported in governmental funds	3,386,775
Less: Depreciation expense, net of internal service fund	(1,788,461)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 1,598,314

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$117,064) difference are as follows:

Compensated absences	\$ (16,578)
Accrued interest	204
Interest expense on Tipping note, net of water used	(99,022)
Amortization of bond premiums	1,410
Amortization of bond discounts	(3,078)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (117,064)

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**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash deposits with financial institutions**

*Custodial credit risk for deposits.* The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to the custodial credit risk. The City's deposits are governed by Colorado Statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All deposits of the City are insured or collateralized with securities held by or for the entity. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2013, \$564,034 of the City's deposits were covered by FDIC insurance and \$6,832,931 were collateralized under the PDPA.

**B. Investments**

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

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

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As of December 31, 2013, the City had \$8,951,854 in governmental and business type funds in several local government investment pools established for local governments in Colorado to pool surplus funds (CSAFE and Colotrust). These pools operate similarly to a money market fund and each share is equal in value to \$1.00. Investments of these pools consist of U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities. Each pool is rated AAAM by Standard and Poor's. To obtain financial statements for CSAFE you may visit their website at [www.csafe.org](http://www.csafe.org). Colotrust's financial statements are available on their website at [www.colotrust.com](http://www.colotrust.com).

The composition of all cash and investments held by the City at December 31, 2013 and 2012 is as follows:

	2013	2012
Cash on hand:	\$ 1,600	\$ 1,700
Deposits:		
Cash in checking account(s)	2,604,011	2,934,094
Money market funds	3,425,862	6,230,315
Certificates of deposit	1,337,903	2,583,489
Total deposits	7,367,776	11,747,898
Investment pools	8,951,854	7,687,118
Total cash, deposits and investments	\$ 16,321,230	\$ 19,436,716

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

	2013	2012
Cash and investments	\$ 12,317,268	\$ 15,169,138
Restricted Cash	4,003,962	4,267,578
	\$ 16,321,230	\$ 19,436,716

*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

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limit on the amount the City may invest in any one issuer. More than five percent of the City's investments are in public entity investment pools. These investments are 55% of the City's total cash, deposits and investments at December 31, 2013.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2013 was as follows.

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Capital assets, not being depreciated</u></b>				
Land	\$ 7,073,891	\$ 501	\$ -	\$ 7,074,392
Construction in progress	20,948	-	(20,948)	-
Total capital assets not being depreciated	<u>7,094,839</u>	<u>501</u>	<u>(20,948)</u>	<u>7,074,392</u>
<b><u>Capital assets, being depreciated</u></b>				
Buildings and other structures	17,532,513	675,703	(6,011)	18,202,205
Infrastructure	27,719,101	2,031,651	-	29,750,752
Machinery and equipment	9,369,345	1,075,269	(8,438)	10,436,176
Hospital equipment	500,000	-	-	500,000
Total capital assets being depreciated	<u>55,120,959</u>	<u>3,782,623</u>	<u>(14,449)</u>	<u>58,889,133</u>
<b><u>Less accumulated depreciation for:</u></b>				
Buildings and other structures	(2,112,675)	(497,681)	6,011	(2,604,345)
Infrastructure	(3,064,713)	(748,447)	-	(3,813,160)
Machinery and equipment	(2,893,370)	(520,214)	8,438	(3,405,146)
Hospital equipment	(147,154)	(25,000)	-	(172,154)
Total accumulated depreciation	<u>(8,217,912)</u>	<u>(1,791,342)</u>	<u>14,449</u>	<u>(9,994,805)</u>
Total capital assets being depreciated, net	<u>46,903,047</u>	<u>1,991,281</u>	<u>-</u>	<u>48,894,328</u>
Governmental activities capital assets, net	<u>\$ 53,997,886</u>	<u>\$ 1,991,782</u>	<u>\$ (20,948)</u>	<u>\$ 55,968,720</u>

Assets for governmental activities include an addition of \$12,481 in internal service fund capital assets, with a total of \$30,113 in internal service fund capital assets, net of depreciation and an addition of \$2,387 in donated assets. Decreases in net assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

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<u>Governmental activities</u>		\$ 105,677
General government		588,859
Park and recreation		926,159
Public works		167,763
Public safety		
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets		<u>2,884</u>
<b>Total depreciation expense - governmental activities</b>		<b><u>\$ 1,791,342</u></b>

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Total capital assets not being depreciated	<u>1,060,885</u>	<u>-</u>	<u>-</u>	<u>1,060,885</u>
<u>Capital assets, being depreciated</u>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	27,973,730	6,313	-	27,980,043
Distribution and collection system	16,448,790	2,673,317	-	19,122,107
Machinery and equipment	1,515,431	1,152	(16,016)	1,500,567
Total capital assets being depreciated	<u>47,581,357</u>	<u>2,680,782</u>	<u>(16,016)</u>	<u>50,246,123</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(754,339)	(40,615)	-	(794,954)
Wastewater treatment facility	(1,138,370)	(230,442)	-	(1,368,812)
Distribution and collection system	(5,046,713)	(332,828)	-	(5,379,541)
Machinery and equipment	(842,827)	(116,695)	16,016	(943,506)
Total accumulated depreciation	<u>(7,782,249)</u>	<u>(720,580)</u>	<u>16,016</u>	<u>(8,486,813)</u>
Total capital assets being depreciated, net	<u>39,799,108</u>	<u>1,960,202</u>	<u>-</u>	<u>41,759,310</u>
Business-type activities capital assets, net	<u>\$ 40,859,993</u>	<u>\$ 1,960,202</u>	<u>\$ -</u>	<u>\$ 42,820,195</u>

**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:

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<u>General Fund</u>	<u>Unearned</u>
Impact fees for chipseal	\$ 95,548
Unallocated utility billing receipts	26,175
Total General Fund	121,723
<u>Capital Projects Fund</u>	
Impact fees for open space, road and drainage improvements	780,871
Total unavailable/unearned revenue for governmental funds	\$ 902,594

**E. Long-Term Liabilities**

**1. Notes and loans payable**

During 1995 the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of \$155,435. This loan was for the construction of the Kingsview sewer line extension. The City is obligated under the agreement to make an initial payment of \$8,962 on March 1, 1996, and quarterly payments of \$2,980 each March 1, June 1, September 1 and December 1 beginning June 1, 1996 and ending March 1, 2015. The loan agreement requires compliance with specified covenants and obligations. In compliance with the requirements, the City has maintained a three-month operations and maintenance reserve, and has complied with the rate covenant. A surcharge on plant investment fees and monthly sewer charges is assessed on all properties in the basin served by the extension of the sewer line to cover the costs of annual debt service. Additional revenue collected above the amount owed is applied on an annual basis to the balance of the note. The outstanding balance on this note at December 31, 2013 was \$7,003 and is included in the Sewer Fund.

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

The City is obligated under the agreement to make semi-annual payments each March 1, and September 1 beginning September 1, 2010 and ending September 1, 2032. The loan agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$803,791 of net position for debt service. This includes \$331,846 for the three month operating reserve and \$471,945 as the pro rata amount reserved for the next principal and interest payments on the debt. The outstanding balance on this note at

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December 31, 2013 was \$20,415,000 and is included in the Sewer Fund.

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

The cost of improvements to the reservoirs was \$484,764 with interest compounded annually at 4%. In lieu of payment the City agreed to provide irrigation water to the parties at \$185 per acre foot with a minimum credit of 100 acre feet per year (\$18,500) for a period of up to thirty years (30) years and exchange land and water rights with a predetermined value to be credited against the cost of improvements as soon as practical to compensate the parties. Interest expense, retroactive to the date of improvements as well as retroactive credits for use of irrigation water have been applied to the nonmonetary amortization schedule from 2008 through 2013 resulting in an outstanding performance obligation balance on this note of \$459,554 at December 31, 2013. Future interest has been netted against future minimum water usage in the annual debt service requirements for governmental activities below.

Notes and loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
Sewer line extensions	4.5 - 5.00%	\$ 7,003
Wastewater treatment facility	2.50%	<u>20,415,000</u>
		\$ 20,422,003
Governmental activities		
Reservoir improvements	4%	<u>\$ 459,554</u>
Total notes and loans payable		<u><u>\$ 20,881,557</u></u>

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

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Year ended December 31	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	550,571	587,890	1,138,461
2015	591,432	575,358	1,166,790
2016	630,000	562,844	1,192,844
2017	680,000	543,956	1,223,956
2018	730,000	524,206	1,254,206
2019 - 2023	4,555,000	2,202,316	6,757,316
2024 - 2028	6,285,000	1,364,950	7,649,950
2029 - 2032	6,400,000	432,952	6,832,952
	<u>\$ 20,422,003</u>	<u>\$ 6,794,472</u>	<u>\$ 27,216,475</u>

The unamortized premium on the loan for the wastewater treatment facility is \$952,778 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. Interest expense on notes and loans payable for the year ended December 31, 2013 was \$590,949 in the Sewer Fund.

Governmental Activities

Non-monetary performance obligation

Year ended December 31	<u>Future minimum credit, net of interest</u>
2014	215,118
2015	8,723
2016	9,071
2017	9,434
2018	9,812
2019 - 2023	55,269
2024 - 2028	67,243
2029 - 2033	81,812
2034	3,072
	<u>\$ 459,554</u>

The above table assumes the transfer of land and water rights to the parties in 2014 and minimum credits for water usage in future years. This table will be adjusted annually to reflect actual water use and conveyance of land and water rights.

**2. Special Revenue Bonds**

During 2009 the City issued revenue bonds for the construction and operation of a community recreation center. With voter approval, a one cent increase in sales and use tax was implemented in January of 2009 with revenues generated from the tax to be used specifically for operation and debt service payments on bonds issued for construction of a community recreation center. The bonds were issued in the

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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amount of \$12,565,000 in two series with \$2,440,000 in Series 2009A tax-exempt bonds and \$10,125,000 in Series 2009B taxable Build America Bonds. Bond proceeds in the amount of \$10,918,750 were deposited to the project construction fund and the remaining \$1,256,500 was deposited to the Debt Service Reserve Fund. In accordance with provisions of the bond ordinance, the City deposited an additional \$500,000 to a Supplemental Reserve Account. The bonds are rate AAA by Standard and Poor's with insurance from Assured Guaranty Corp. with an underlying rating of BBB+ from Standard and Poor's. Final maturity of the bonds is 2039.

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

In 2013, the sequestration percentage of 8.7% was applied to the October interest payment of \$133,298, reducing the amount received by \$11,597. In 2014, the sequestration percentage of 7.2% will be applied to both the April and October interest payments for a total reduction of \$19,195.

At year end, the City had \$2,660,423 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, \$166,996 in the principal and interest sub-accounts which is the pro rata portion of the amount coming due on the bonds on the next principal and interest payment dates, net of the interest payment subsidy receivable at December 31, and an additional \$736,927 for future debt service payments.

Special revenue bonds and performance currently outstanding are as follows:

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

Series	Description	Issue Amount	Maturity Date	Interest Rate	Outstanding Balance
2009A	Tax exempt Sales and Use Tax Revenue Bonds	\$ 2,440,000	2039	1.72% - 5.75%	\$ 2,365,000
2009B	Taxable Build America Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
<b>Total</b>					<b><u>\$12,490,000</u></b>

The unamortized premium and discount on the special revenue bonds is \$43,370 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount.

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

	Principal	Interest	Federal Direct Payment*	Total - Net of Federal Direct Payment
2014	25,000	890,388	(247,400)	667,988
2015	50,000	889,513	(266,595)	672,918
2016	60,000	887,638	(266,595)	681,043
2017	75,000	885,238	(266,595)	693,643
2018	100,000	882,238	(266,595)	715,643
2019-2023	950,000	4,288,552	(1,304,928)	3,933,624
2024-2028	1,865,000	3,812,069	(1,140,017)	4,537,052
2029-2033	3,120,000	2,942,169	(835,553)	5,226,616
2034-2038	4,775,000	1,575,156	(405,500)	5,944,656
2039	1,470,000	105,095	(29,337)	1,545,758
	<b><u>\$ 12,490,000</u></b>	<b><u>\$ 17,158,056</u></b>	<b><u>\$ (5,029,115)</u></b>	<b><u>\$ 24,618,941</u></b>

\*The 2014 Federal Direct Payment has been reduced by the 7.2% sequestration rate for 2014. Future federal direct payments have not been adjusted and reflect the original letter of credit amounts.

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

Long-term liability activity for the year ended December 31, 2013, was as follows:

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental activities:</u></b>					
Special revenue bonds	\$ 12,515,000	\$ -	\$ (25,000)	\$ 12,490,000	\$ 25,000
Deferred amount for issuance discount	(83,117)	3,079	-	(80,038)	-
Deferred amount for issuance premium	38,079	-	(1,411)	\$ 36,668	-
Total bonds payable	12,469,962	3,079	(26,411)	12,446,630	25,000
Performance obligation note	-	459,554	-	459,554	215,118
Compensated absences	97,339	16,338	-	113,677	-
Governmental activity long term liabilities	<u>\$ 12,567,301</u>	<u>\$ 478,971</u>	<u>\$ (26,411)</u>	<u>\$ 13,019,861</u>	<u>\$ 240,118</u>

The internal service fund predominately serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$4,027 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Business-type activities:</u></b>					
Notes and loans	\$20,933,065	\$ -	\$ (511,062)	20,422,003	\$550,571
Deferred amount for issuance premium	1,002,925	-	(50,147)	952,778	50,146
Compensated absences	17,846	73	-	17,919	-
Business-type long term liabilities	<u>\$21,953,836</u>	<u>\$ 73</u>	<u>\$ (561,209)</u>	<u>\$21,392,700</u>	<u>\$600,717</u>

#### **IV. RETIREMENT PLANS**

##### **A. Defined Contribution Plans**

###### **1. City of Fruita Retirement Plan**

Effective January 1, 1974, the City of Fruita adopted a defined contribution retirement plan (City of Fruita Employee's Retirement Plan) for full time employees with six months continuous service, excluding elected officials. Beginning in January 2011, the contribution for police officers was transferred over to their

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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Money Purchase Pension Plan. The statement of fiduciary net assets and statement of changes in fiduciary net assets for the Retirement Trust Fund include the financial statements of the retirement plan. The City contributes 4 ½ % of the amount of the employee's compensation as defined by the plan.

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The total contribution to allocate for the plan year of 2013, including administrative expenses, is \$101,009. The City's total payroll for all employees in 2013 was \$4,049,519 of which \$2,229,576 was subject to this plan. The plan uses the accrual method of accounting similar to the method used for the proprietary funds. Fair value of the plan investments at December 31, 2013 was \$1,225,483. The investments consist of various funds offered by ICMA Retirement Corporation.

**2. *Fruita Police Department Money Purchase Pension Plan***

The Colorado legislature established a statewide benefit plan for all policemen hired after April 7, 1978 and for those hired on or before April 7, 1978 who choose to participate. All of the City's police employees were covered by the plan administered by the State until January 1, 1989, when the funds were transferred to a defined contribution plan. In January 2011 these funds were transferred to the ICMA Retirement Corporation. Police officers are eligible to participate from the date of employment. The employee makes a contribution of 10% and the City makes a contribution of 8% of the employee's base salary, plus the 4.5% retirement contribution previously made to the City of Fruita Retirement Plan.

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

The total payroll covered by the plan in 2013 was \$940,635. Total contributions for the year ended December 31, 2013, were \$94,063 paid by the employees, \$117,579 by the City and \$49,821 in contributions rolled over from the City of Fruita Retirement Plan. Fair value of the plan investments at December 31, 2013 was \$2,187,357. The investments consist of various funds offered by ICMA Retirement Corporation.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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**V. PUBLIC ENTITY RISK POOL**

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

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

As a member of CIRSA, the City owns a proportionate share of CIRSA's net assets. The City's equity at December 31, 2013 in the property/casualty insurance pool is \$146,734 and \$60,564 in the workers' compensation pool.

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

**VI. CONTINGENT LIABILITIES**

**A. Risk Management**

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

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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City's financial statements.

**B. Pending litigation**

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

**VII. OPERATING LEASE**

The City entered into a ten-year operating lease with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. According to the lease terms, the City will receive escalating amounts of base rents from \$4,200 per month to \$4,800 per month. In addition to the base rent, if 10% of admissions receipts exceed the base rent, then the larger amount will be received. The percentage rent shall be increased to 12.5% following any year in which the total attendance exceeds 100,000 visitors and 15% following any year in which total attendance exceeds 150,000 visitors. The lease is renewable by lessee for four additional five-year periods at base rents as stipulated in the lease agreement. At the fifth anniversary date of the initial term, the date of expiration of the initial term or the date of expiration of each renewal term the lessee has an option to purchase. The commencement date of the lease was July 1, 2000.

**VIII. TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

The amendment is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the amendment. However, the City has made

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2013

certain interpretations for the amendment's language in order to determine its compliance.

**IX. FUND BALANCE**

The total fund balances for governmental funds \$11,636,556 of which \$8,307 in non-spendable, \$4,482,313 is restricted, \$1,581,806 is committed as an operating reserve in compliance with the City's policy, \$3,103,320 is assigned for various purposes and \$2,460,810 is unassigned.

**X. INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended December 31, 2013 is as follows:

	<b>Transfers in:</b>				
	General Fund	Community Center Fund	Capital Projects Fund	Debt Service Fund	Total transfers out
<b><u>Transfers out:</u></b>					
General Fund	\$ -	\$ 95,000	\$ 1,368,065	\$ -	\$ 1,463,065
Community Center	-	-	-	692,782	692,782
Other governmental funds	-	-	67,328	-	67,328
Sewer	130,000	-	-	-	130,000
Trash	40,000	-	-	-	40,000
Devils Canyon Center	50,000	-	-	-	50,000
Irrigation Water	9,000	-	-	-	9,000
Total transfers in	<u>\$ 229,000</u>	<u>\$ 95,000</u>	<u>\$ 1,435,393</u>	<u>\$ 692,782</u>	<u>\$ 2,452,175</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 3) move funds to the capital projects fund for various capital projects.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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**XI. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 7, 2014, which is the date the financial statements were available to be issued and determined that no events have occurred that require disclosure.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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## **Required Supplementary Information**

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City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the year ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,148,900	\$ 1,143,000	\$ 1,145,456	\$ 2,456
City sales	1,457,825	1,457,825	1,473,646	15,821
County sales	1,929,100	1,935,000	1,854,112	(80,888)
Use tax	550,000	550,000	696,312	146,312
Other	558,900	558,900	579,060	20,160
Licenses and permits	29,000	29,000	30,875	1,875
Intergovernmental revenue	739,750	744,750	684,755	(59,995)
Charges for services	146,550	148,550	165,071	16,521
Fines and forfeitures	39,500	39,500	46,695	7,195
Development impact fees	67,000	67,000	30,507	(36,493)
Investment earnings	20,000	20,000	6,974	(13,026)
Rents and royalties	22,000	22,000	28,296	6,296
Donations	12,000	17,000	20,254	3,254
Miscellaneous	4,000	4,000	14,356	10,356
Total revenues	<u>6,724,525</u>	<u>6,736,525</u>	<u>6,776,369</u>	<u>39,844</u>
<b>EXPENDITURES</b>				
Current:				
General government	375,325	388,625	359,642	28,983
Administration	583,300	587,425	567,680	19,745
Community development	242,875	292,875	273,227	19,648
Public safety	2,073,000	2,071,850	1,983,266	88,584
Public works	1,640,025	1,666,600	1,633,555	33,045
Parks and recreation	927,000	941,985	875,872	66,113
Non-departmental	456,900	411,300	261,626	149,674
Capital equipment	434,800	465,865	428,145	37,720
Total expenditures	<u>6,733,225</u>	<u>6,826,525</u>	<u>6,383,013</u>	<u>443,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,700)</u>	<u>(90,000)</u>	<u>393,356</u>	<u>483,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	229,000	229,000	229,000	-
Transfers out	(1,283,050)	(1,894,200)	(1,463,065)	431,135
Insurance rebates and damage awards	-	23,000	166,763	143,763
Reserves	(356,250)	(356,250)	(290,179)	66,071
Sale of capital assets	-	-	1,338	1,338
Total other financing sources and (uses)	<u>(1,410,300)</u>	<u>(1,998,450)</u>	<u>(1,356,143)</u>	<u>642,307</u>
Net change in fund balance*	<u>(1,419,000)</u>	<u>(2,088,450)</u>	<u>(962,787)</u>	<u>1,125,663</u>
Fund balances - beginning	7,809,301	7,809,301	7,809,301	-
Fund balances - ending	<u>\$ 6,390,301</u>	<u>\$ 5,720,851</u>	<u>\$ 6,846,514</u>	<u>\$ 1,125,663</u>

Adjustments from budgetary basis to GAAP Basis to arrive at change in net position

Add additions to reserves	290,179
Change in net position - GAAP basis	<u>\$ 7,136,693</u>

\*The net change in fund balances was included in the budget as an appropriation of fund balance.  
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, 2013**

	<u>Budget</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget- Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 1,925,050	\$ 2,650,850	\$ 1,478,185	\$ (1,172,665)
Assessments and development impact fees	-	65,500	37,536	(27,964)
Investment earnings	-	-	1,408	1,408
<b>Total revenues</b>	<u>1,925,050</u>	<u>2,716,350</u>	<u>1,517,129</u>	<u>(1,199,221)</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	-	6,225	6,225	-
Family Health West improvements	-	200,000	41,412	158,588
Capital Outlay				
Mountain water system	110,000	110,000	96,881	13,119
Downtown improvements	100,000	64,450	-	64,450
Streets	1,340,000	1,897,325	1,538,596	358,729
Drainage Improvements	100,000	100,000	-	100,000
Parks and recreation	1,658,350	1,804,250	588,582	1,215,668
Building improvements	60,000	841,700	704,749	136,951
<b>Total expenditures</b>	<u>3,368,350</u>	<u>5,023,950</u>	<u>2,976,445</u>	<u>2,047,505</u>
Deficiency of revenues under expenditures	(1,443,300)	(2,307,600)	(1,459,316)	848,284
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,274,050	1,969,550	1,435,393	(534,157)
Net change in fund balance	(169,250)	(338,050)	(23,923)	314,127
Fund balances - beginning	736,139	736,139	736,139	-
Fund balances - ending	<u>\$ 566,889</u>	<u>\$ 398,089</u>	<u>\$ 712,216</u>	<u>\$ 314,127</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, 2013**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 266,595	\$ 250,199	\$ (16,396)
Investment earnings	6,500	6,465	\$ (35)
Total revenues	<u>273,095</u>	<u>256,664</u>	<u>(16,431)</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	25,000	25,000	-
Interest and fiscal charges	891,700	891,700	-
Total expenditures	<u>916,700</u>	<u>916,700</u>	<u>-</u>
Deficiency of revenues under expenditures	(643,605)	(660,036)	(16,431)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	681,150	692,782	\$ 11,632
Net change in fund balance	37,545	32,746	(4,799)
Fund balances - beginning	2,627,677	2,627,677	-
Fund balances - ending	<u>\$ 2,665,222</u>	<u>\$ 2,660,423</u>	<u>\$ (4,799)</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, 2013**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
City sales	\$ 719,000	\$ 719,000	\$ 736,823	\$ 17,823
Use tax	272,500	272,500	348,156	75,656
Charges for services	930,900	969,900	985,002	15,102
Rents and royalties	40,000	40,000	34,655	(5,345)
Fines and forfeitures	-	-	1,464	1,464
Miscellaneous	-	-	2,090	2,090
Total revenues	<u>1,962,400</u>	<u>2,001,400</u>	<u>2,108,190</u>	<u>106,790</u>
<b>EXPENDITURES</b>				
Current				
Recreation	1,340,300	1,398,125	1,299,932	98,193
Capital expenses	31,500	32,675	29,822	2,853
Total expenditures	<u>1,371,800</u>	<u>1,430,800</u>	<u>1,329,754</u>	<u>101,046</u>
Excess of revenues over expenditures	<u>590,600</u>	<u>570,600</u>	<u>778,436</u>	<u>207,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance payments	-	20,000	17,911	(2,089)
Reserves	(20,450)	(20,450)	(20,450)	-
Transfers in	95,000	95,000	95,000	-
Transfers out	(681,150)	(681,150)	(692,782)	(11,632)
Total other financing sources (uses)	<u>(606,600)</u>	<u>(586,600)</u>	<u>(600,321)</u>	<u>(13,721)</u>
Net change in fund balance	(16,000)	(16,000)	178,115	194,115
Fund balances - beginning	<u>688,151</u>	<u>688,151</u>	<u>688,151</u>	<u>-</u>
Fund balances - ending	<u>\$ 672,151</u>	<u>\$ 672,151</u>	<u>\$ 866,266</u>	<u>\$ 194,115</u>
Adjustments from budgetary basis to GAAP				
Add additions to reserves			20,450	
Change in net position - GAAP basis			<u>\$ 886,716</u>	

See accompanying independent auditor's report.

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## **Other Supplementary Information**

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City of Fruita, Colorado  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2013**

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 143,728	\$ 83,098	\$ 226,826
Taxes receivable	-	14,207	14,207
Total Assets	<u>\$ 143,728</u>	<u>\$ 97,305</u>	<u>\$ 241,033</u>
<b>LIABILITIES</b>			
Accounts payable	-	525	525
Total Liabilities	<u>-</u>	<u>525</u>	<u>525</u>
<b>FUND BALANCE</b>			
Restricted	143,728	96,378	240,106
Assigned	-	402	402
Total Fund Balances	<u>143,728</u>	<u>96,780</u>	<u>240,508</u>
Total Liabilities and fund balance	<u>\$ 143,728</u>	<u>\$ 97,305</u>	<u>\$ 241,033</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, 2013**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
<b>REVENUES</b>			
Taxes			
Lodger's tax	\$ -	\$ 99,646	\$ 99,646
Intergovernmental revenue	138,190	-	138,190
Investment income	17	31	48
Miscellaneous	-	806	806
<b>Total revenues</b>	<u>138,207</u>	<u>100,483</u>	<u>238,690</u>
<b>EXPENDITURES</b>			
Current			
Marketing and promotion	-	108,743	108,743
Parks and recreation	57,000	-	57,000
Capital outlay			
Parks and recreation	-	-	-
<b>Total expenditures</b>	<u>57,000</u>	<u>108,743</u>	<u>165,743</u>
Excess (deficiency) of revenues over (under) expenditures	81,207	(8,260)	72,947
<b>OTHER FINANCING SOURCES</b>			
Transfers out	(67,329)	-	(67,329)
Net change in fund balance	13,878	(8,260)	5,618
Fund balances - beginning	129,850	105,040	234,890
Fund balances - ending	<u>\$ 143,728</u>	<u>\$ 96,780</u>	<u>\$ 240,508</u>

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**SEWER FUND**  
**For the year ended December 31, 2013**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 2,713,000	\$ 2,713,000	\$ 2,812,054	\$ 99,054
Intergovernmental revenue	-	-	334,583	334,583
Investment income	8,100	8,100	6,573	(1,527)
Sale of equipment	-	-	-	-
Capital contributions - tap fees	264,000	264,000	455,400	191,400
Miscellaneous	100	100	-	(100)
Total revenues	<u>2,985,200</u>	<u>2,985,200</u>	<u>3,608,610</u>	<u>623,410</u>
<b>EXPENSES</b>				
Personnel services	632,800	632,800	615,945	16,855
Purchased services	216,775	272,675	214,686	57,989
Supplies	431,025	407,525	358,908	48,617
Debt service:				
Principal retirement	510,650	511,075	511,062	13
Interest and fiscal charges	600,400	599,975	574,579	25,396
Capital expenses	465,000	3,045,200	2,680,782	364,418
Reserves	100,375	100,375	100,375	-
Transfers out	130,000	183,125	130,000	53,125
Total expenses	<u>3,087,025</u>	<u>5,752,750</u>	<u>5,186,337</u>	<u>566,413</u>
Change in net position - budgetary basis	<u>\$ (101,825)</u>	<u>\$ (2,767,550)</u>	<u>\$ (1,577,727)</u>	<u>\$ 1,189,823</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(664,101)	
Deduct change in accrued interest payable			(16,370)	
Add addition to reserves			100,375	
Add principal retirement			511,062	
Add capital expenses			2,680,782	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ 1,084,167</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**TRASH FUND**  
**For the year ended December 31, 2013**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 625,000	\$ 637,496	\$ 12,496
Investment income	-	10	10
Total revenues	<u>625,000</u>	<u>637,506</u>	<u>12,506</u>
<b>EXPENSES</b>			
Purchased services	585,000	584,787	213
Transfers out	40,000	40,000	-
Total expenses	<u>625,000</u>	<u>624,787</u>	<u>213</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 12,719</u>	<u>\$ 12,719</u>
Adjustments from budgetary basis to GAAP Basis to			
Deduct depreciation		-	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ 12,719</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**DEVILS CANYON CENTER FUND**  
**For the year ended December 31, 2013**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>			
Charges for services	\$ 57,600	\$ 57,600	\$ -
Investment income	100	49	\$ (51)
Total revenues	<u>57,700</u>	<u>57,649</u>	<u>(51)</u>
<b>EXPENSES</b>			
Purchased services	14,200	13,737	463
Supplies	500	-	500
Transfers out	50,000	50,000	-
Total expenses	<u>64,700</u>	<u>63,737</u>	<u>963</u>
Change in net position - budgetary basis	\$ (7,000)	\$ (6,088)	<u>\$ 912</u>
Adjustments from budgetary basis to GAAP Basis to			
Deduct depreciation		(37,552)	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ (43,640)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**IRRIGATION WATER FUND**  
**For the year ended December 31, 2013**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 96,500	\$ 96,500	\$ 97,248	\$ 748
Capital contributions - tap fees	-	-	-	-
Investment income	25	25	7	(18)
Total revenues	<u>96,525</u>	<u>96,525</u>	<u>97,255</u>	<u>730</u>
<b>EXPENSES</b>				
Personnel services	55,125	55,125	51,694	3,431
Purchased services	10,900	10,900	10,313	587
Supplies	14,150	14,150	11,500	2,650
Contingency	6,425	6,425	-	6,425
Reserves	925	925	925	-
Transfers out	9,000	9,000	9,000	-
Total expenses	<u>\$ 96,525</u>	<u>\$ 96,525</u>	<u>\$ 83,432</u>	<u>\$ 13,093</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 13,823	<u>\$ 13,823</u>
Adjustments from budgetary basis to GAAP Basis				
to arrive at change in net position				
Deduct depreciation			(18,927)	
Add reserves for health insurance			925	
Change in net position - GAAP basis			<u>\$ (4,179)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FLEET MAINTENANCE FUND**  
**For the year ended December 31, 2013**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 263,775	\$ 263,775	\$ 263,775	\$ -
Other revenues	-	6,100	9,413	3,313
Total revenues	<u>263,775</u>	<u>269,875</u>	<u>273,188</u>	<u>3,313</u>
<b>EXPENDITURES</b>				
Personnel services	150,000	152,325	151,876	449
Purchased services	5,750	1,425	1,453	(28)
Supplies	86,100	100,750	100,549	201
Reserves	2,875	2,875	2,875	-
Contingency	6,950	-	-	-
Capital equipment	12,100	12,500	12,481	19
Total expenditures	<u>263,775</u>	<u>269,875</u>	<u>269,234</u>	<u>641</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 3,954	<u>\$ 3,954</u>
Adjustments from budgetary basis to GAAP basis to arrive at change in net position				
Deduct depreciation			(2,884)	
Add reserves for health insurance			2,875	
Add capital expenses			12,481	
Change in net position - GAAP basis			<u>\$ 16,426</u>	

See accompanying independent auditor's report.

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Fruita
	YEAR ENDING : December 2013
This Information From The Records Of (example - City of _ or County of _) City of Fruita	Prepared By: Margaret Sell Phone: 970 858-3663

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

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,511,708
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	635,446
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	41,825
2. General fund appropriations	817,798	b. Snow and ice removal	21,164
3. Other local imposts (from page 2)	722,350	c. Other	260,189
4. Miscellaneous local receipts (from page 2)	168,835	d. Total (a. through c.)	323,178
5. Transfers from toll facilities		4. General administration & miscellaneous	74,092
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	366,894
a. Bonds - Original Issues		6. Total (1 through 5)	2,911,318
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,708,983	b. Redemption	
<b>B. Private Contributions</b>	11,098	c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	1,191,237	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,911,318	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,911,318

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,911,318	2,911,318		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2013

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	19,206
1. Sales Taxes	502,244	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	56,945	d. Parking Meter Fees	
3. Liens	0	e. Sale of Surplus Property	
4. Licenses	0	f. Charges for Services	90
5. Specific Ownership &/or Other	163,162	g. Other Misc. Receipts	149,539
6. Total (1. through 5.)	722,350	h. Other	
c. Total (a. + b.)	722,350	i. Total (a. through h.)	168,835
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	370,744	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	45,138	d. Federal Transit Admin	
d. Other (Specify)	775,355	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	820,493	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	1,191,237	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		1,375,919	1,375,919
(2). Capacity Improvements			0
(3). System Preservation		135,789	135,789
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,511,708	1,511,708
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,511,708	1,511,708
			(Carry forward to page 1)

Notes and Comments: