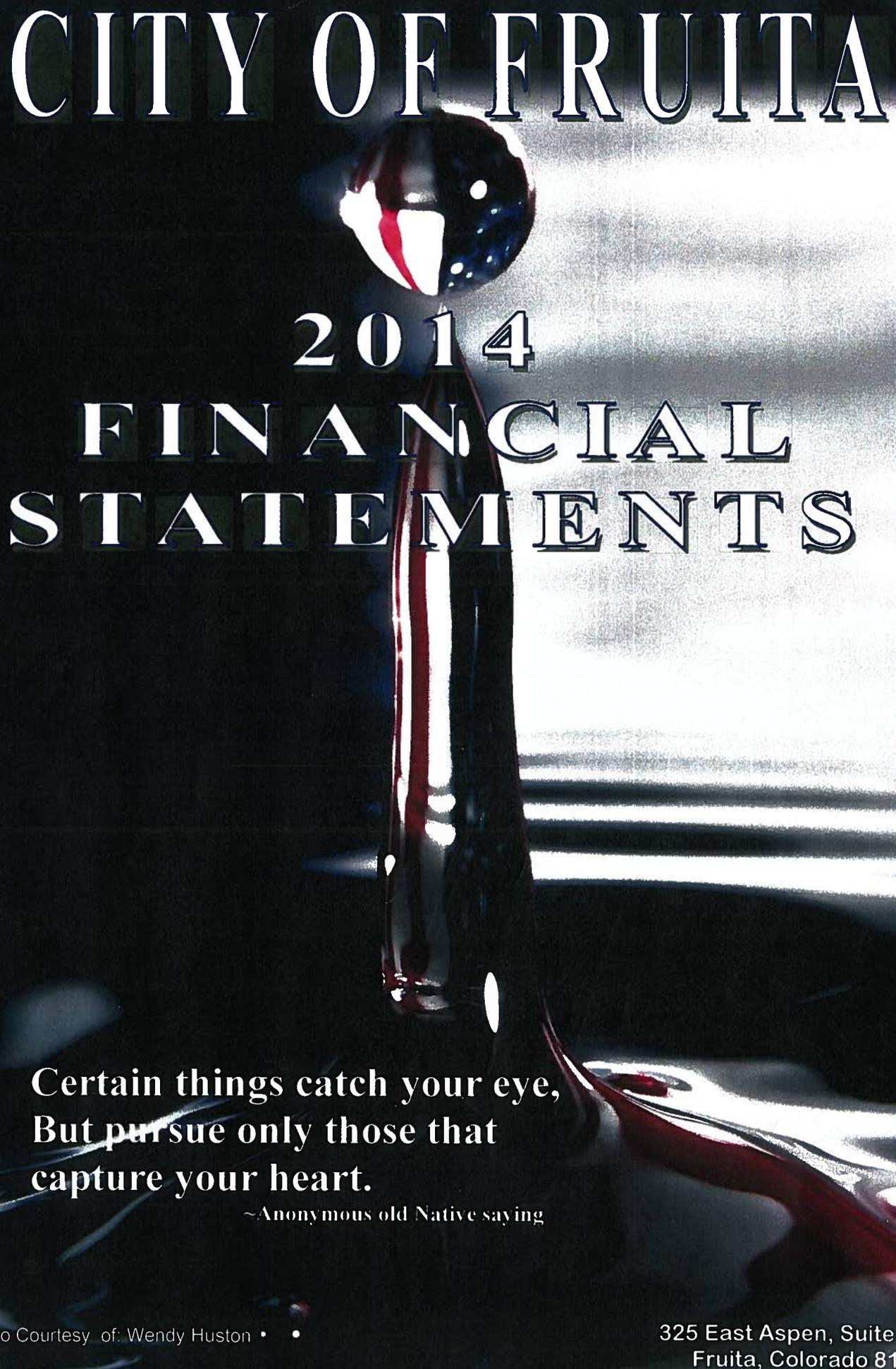


# CITY OF FRUITA



## 2014 FINANCIAL STATEMENTS

**Certain things catch your eye,  
But pursue only those that  
capture your heart.**

*~Anonymous old Native saying*

City of Fruita  
**General Purpose Financial Statements**  
 Fiscal Year Ended December 31, 2014

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City of Fruita  
**General Purpose Financial Statements**  
Fiscal Year Ended December 31, 2014

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DALBY, WENDLAND & CO., P.C.

Grand Junction

*CPAs and Business Advisors*

464 Main Street • P.O. Box 430 • Grand Junction, CO 81502  
Phone: (970) 243-1921 • Fax: (970) 243-9214

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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedule of receipts and expenditures for roads, bridges and streets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 19, 2015

# 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, 2014. Please read this in conjunction with the financial statements which begin on page 23.*

## FINANCIAL HIGHLIGHTS

---

- ✚ Net position represents the amount by which the assets of the City of Fruita exceeded its liabilities and deferred inflows of resources. At year end, the City's net position was \$82 million. Of this amount, 11% (\$9.2 million) represents unrestricted net position, which may be used to meet the City's ongoing obligations to the community. The City's unrestricted net position decreased 2% from the prior year. The unrestricted net position of governmental activities decreased 4% and business-type activities decreased 0.5%. These decreases in unrestricted net position reflect the use of funds for construction of capital projects in 2014.
- ✚ The General Fund had a positive variance to budget of \$1.5 million. This variance was due to positive variances in revenues of \$511,191, expenses of \$586,834, and in other financing sources and uses of \$397,698.
- ✚ Total fund balances of the General Fund of \$7.1 million remained unchanged from the prior year. The unassigned fund balance of the General Fund of \$2.14 million decreased 2% (\$49,629) from the prior year.
- ✚ General Fund Revenues increased 3% (\$203,147) and expenses decreased 5% (\$290,972) from the prior year.
- ✚ The Fruita Community Center Fund had a positive addition to fund balances of \$157,533 in 2014. Revenues increased 4% (\$76,997) over the prior year primarily due to increased tax revenues of \$52,916. At the same time, current expenditures increased 8% (\$107,455) over the prior year.
- ✚ The City invested \$3.1 million in capital projects and equipment in 2014. This includes \$2.7 million in governmental funds and \$0.4 million in proprietary funds.
- ✚ The City exchanged land and water rights on Pinyon Mesa for a credit of \$228,920 against the nonmonetary performance obligation debt for reservoir improvements.
- ✚ The unrestricted net position of the Sewer Fund of \$3.5 million remained unchanged from the prior year.

# Management's Discussion and Analysis

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

# Management's Discussion and Analysis

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. 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

# Management's Discussion and Analysis

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 proprietary fund budget comparison schedules can be found on pages 77 through 80.

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.

## **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**

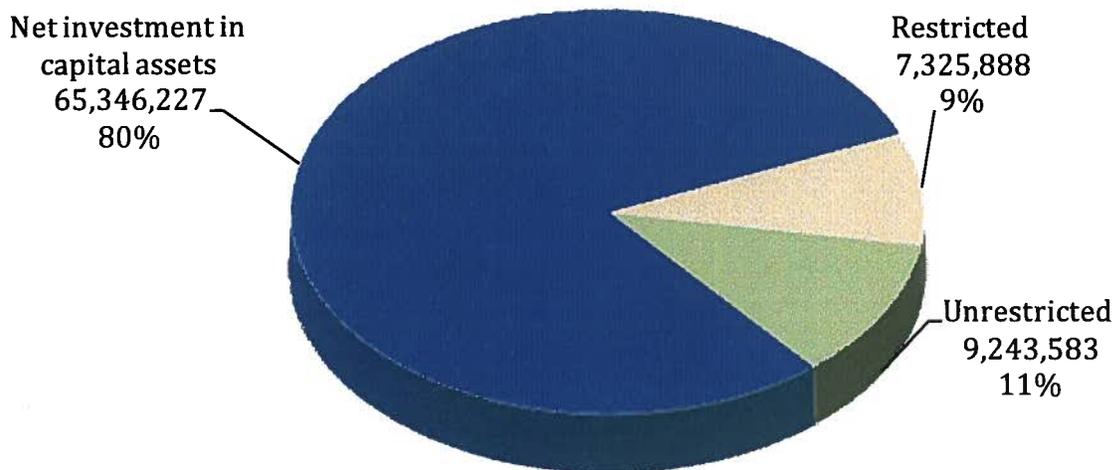
In addition to the basic financial statement and accompanying notes, this report also presents *required supplementary information* and other *supplementary information* including budget comparison schedules, combining statements and the annual financial report for the use of revenues from the state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

# Management's Discussion and Analysis

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fruita, assets exceeded liabilities and deferred inflow of resources by \$82 million at the close of 2014.

### Net Position - \$82 million



# Management's Discussion and Analysis

## CITY OF FRUITA NET POSITION

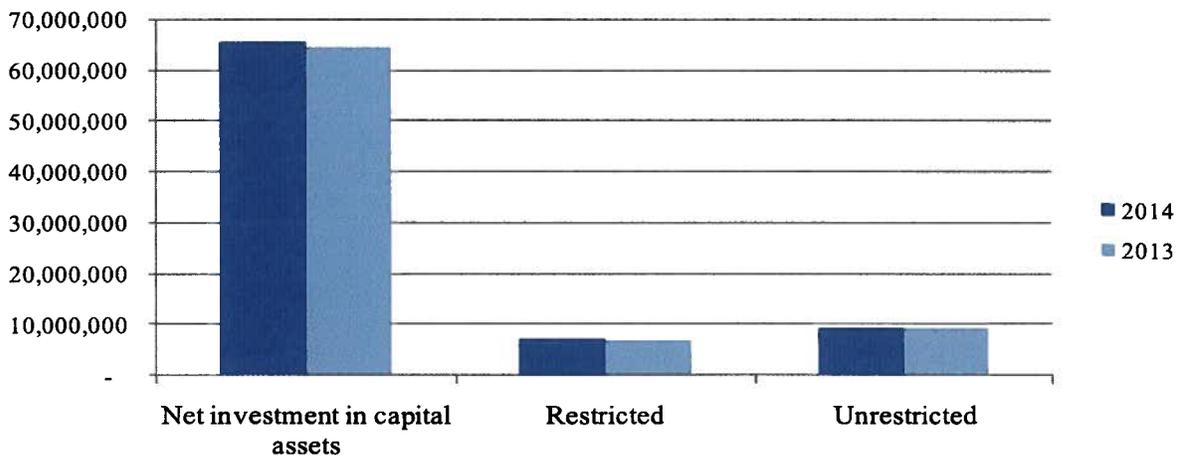
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current and other assets	\$ 14,377,610	\$ 14,055,770	\$ 5,622,948	\$ 5,663,517	\$ 20,000,558	\$ 19,719,287
Capital assets	56,792,197	55,968,720	41,972,696	42,820,195	98,764,893	98,788,915
Total assets	71,169,807	70,024,490	47,595,644	48,483,712	118,765,451	118,508,202
<b>LIABILITIES</b>						
Current and other liabilities	\$ 1,955,744	\$ 1,911,347	1,061,299	1,249,558	3,017,043	3,160,905
Long term liabilities	12,585,011	12,666,066	20,182,632	20,774,064	32,767,643	33,440,130
Total liabilities	14,540,755	14,577,413	21,243,931	22,023,622	35,784,686	36,601,035
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	1,065,067	1,059,433	-	-	1,065,067	1,059,433
<b>NET POSITION</b>						
Net investment in capital assets	44,147,539	43,062,536	21,198,688	21,445,413	65,346,227	64,507,949
Restricted	6,164,749	5,864,916	1,161,139	1,004,174	7,325,888	6,869,090
Unrestricted	5,251,697	5,460,192	3,991,886	4,010,503	9,243,583	9,470,695
<b>TOTAL NET POSITION</b>	\$ 55,563,985	\$ 54,387,644	\$ 26,351,713	\$ 26,460,090	\$ 81,915,698	\$ 80,847,734

# Management's Discussion and Analysis

The largest portion of the City of Fruita's net position of \$65.3 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 \$7.3 million (9%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$9.2 million (11%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fruita is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Net Position - Government Wide  
Fiscal years 2013 and 2014**



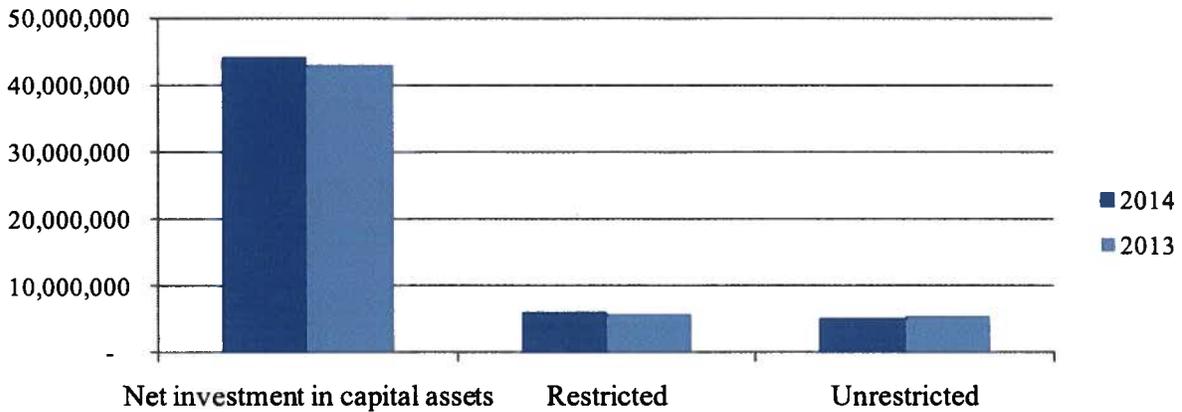
The City of Fruita's overall net position increased 1% from the prior fiscal year, increasing by \$1.1 million. The change in net position and its components is discussed in the following sections for governmental activities and business-type activities.

**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 \$55.6 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 unrestricted assets reflect a budgeted use of unrestricted assets to fund capital projects in 2014 with

# Management's Discussion and Analysis

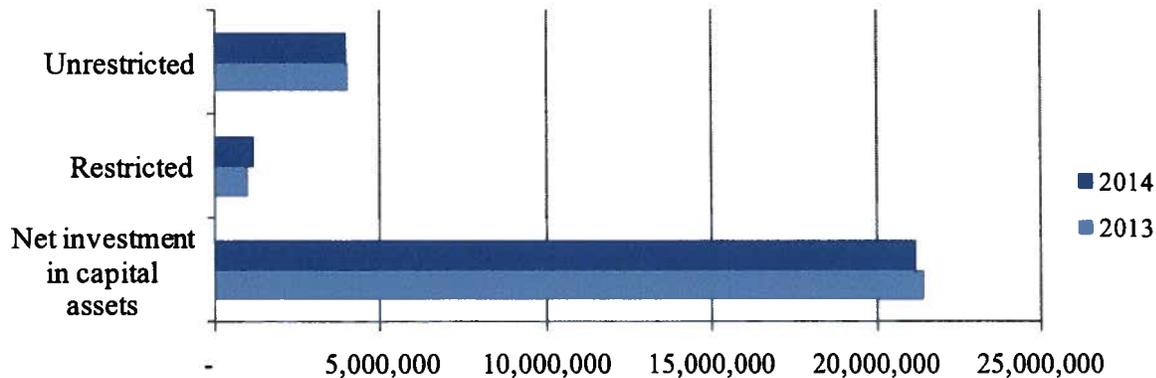
the increase in capital assets the result of this investment. Increases in restricted funds reflect the City's policies for funding vehicle and equipment replacement, capital project and health insurance reserves.

**Net Position - Governmental Activities  
Fiscal years 2013 and 2014**



**Business-type activities.** For the City of Fruita's business-type activities, net position decreased \$108,377 (0.4%) from the prior fiscal year for an ending balance of \$26.4 million. The decrease in the overall net position of business-type activities reflect a decrease in the net investment in capital assets and unrestricted assets and an increase in restricted assets. The decrease in unrestricted assets reflect a budgeted use of unrestricted assets to purchase land for the new Maintenance Facility in 2014. The \$246,725 (1.2%) decrease in net investment in capital assets is a result of depreciation expense. 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 2013 and 2014**



# Management's Discussion and Analysis

## CHANGES IN NET POSITION

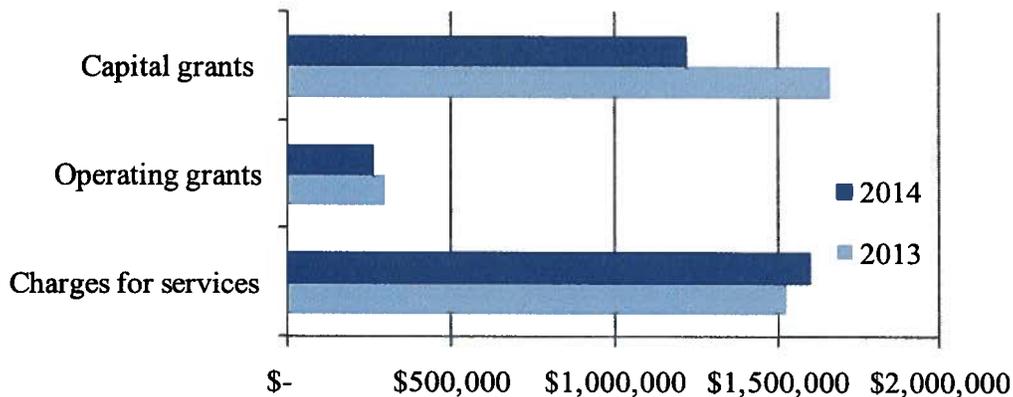
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<u>Program revenues</u>						
Charges for services	\$ 1,607,105	\$ 1,527,875	\$ 4,026,073	\$ 4,059,798	\$ 5,633,178	\$ 5,587,673
Operating grants and contributions	264,085	299,546	-	-	264,085	299,546
Capital grants and contributions	1,225,961	1,662,468	-	334,583	1,225,961	1,997,051
<u>General revenues:</u>						
Property taxes	1,078,635	1,145,456	-	-	1,078,635	1,145,456
Sales and use taxes	5,327,496	5,109,049	-	-	5,327,496	5,109,049
Other taxes	1,350,023	1,211,858	-	-	1,350,023	1,211,858
Other	317,746	195,503	6,382	6,639	324,128	202,142
<b>Total revenues</b>	<b>11,171,051</b>	<b>11,151,755</b>	<b>4,032,455</b>	<b>4,401,020</b>	<b>15,203,506</b>	<b>15,552,775</b>
<b>Expenses:</b>						
General government	1,354,547	1,199,664	-	-	1,354,547	1,199,664
Marking and promotion	104,202	108,743	-	-	104,202	108,743
Parks and recreation	3,662,530	3,590,099	-	-	3,662,530	3,590,099
Public works	2,264,871	2,263,093	-	-	2,264,871	2,263,093
Public safety	2,171,274	2,160,098	-	-	2,171,274	2,160,098
Interest on long-term debt	902,973	993,597	-	-	902,973	993,597
Sewer	-	-	2,891,766	2,394,443	2,891,766	2,394,443
Trash	-	-	614,323	584,787	614,323	584,787
Devils Canyon Center	-	-	65,463	51,289	65,463	51,289
Irrigation water	-	-	103,593	92,434	103,593	92,434
<b>Total expenses</b>	<b>10,460,397</b>	<b>10,315,294</b>	<b>3,675,145</b>	<b>3,122,953</b>	<b>14,135,542</b>	<b>13,438,247</b>
Increase (decrease) in net position before transfers	710,654	836,461	357,310	1,278,067	1,067,964	2,114,528
Transfers	465,687	229,000	(465,687)	(229,000)	-	-
Increase (decrease) in net position	1,176,341	1,065,461	(108,377)	1,049,067	1,067,964	2,114,528
Net position - beginning	54,387,644	53,322,183	26,460,090	25,411,023	80,847,734	78,733,206
<b>Net position - ending</b>	<b>\$ 55,563,985</b>	<b>\$ 54,387,644</b>	<b>\$ 26,351,713</b>	<b>\$ 26,460,090</b>	<b>\$ 81,915,698</b>	<b>\$ 80,847,734</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 \$1.1 million in 2014. The following is an analysis of the changes in revenues and expenses from 2013 to 2014.

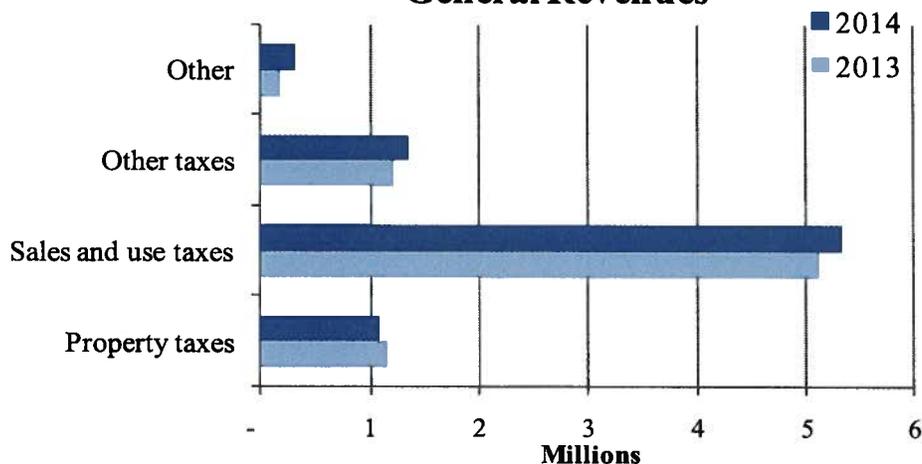
**Governmental Activities.** Net position of governmental activities increased \$1.2 million. Program revenues for governmental activities of \$3.1 million decreased 11% in 2014. This decrease is primarily due to a reduction in receipt of capital grants for specific projects constructed in 2013. Capital grants decreased 26%, operating grants decreased 12% and charges for services increased 5%.

## Governmental Activities Program Revenues



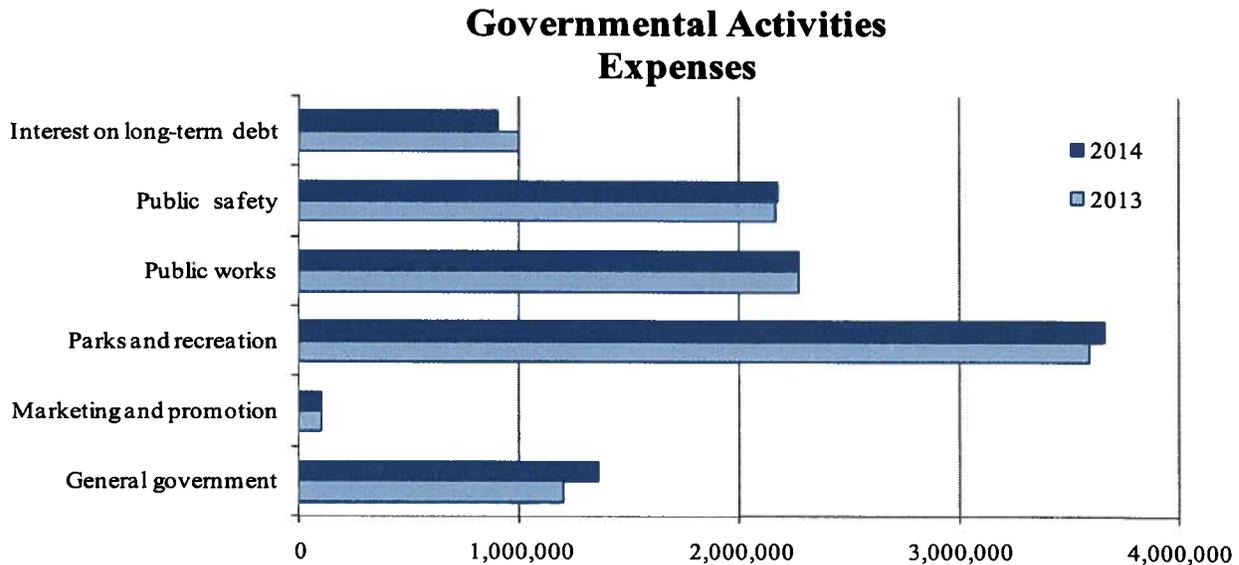
General revenues for governmental activities of \$8.1 million increased 5% in 2014. Sales and use taxes increased 4%, property tax revenues decreased 6%, other tax revenues increased 11%, and other general revenues increased 63%.

## Governmental Activities General Revenues



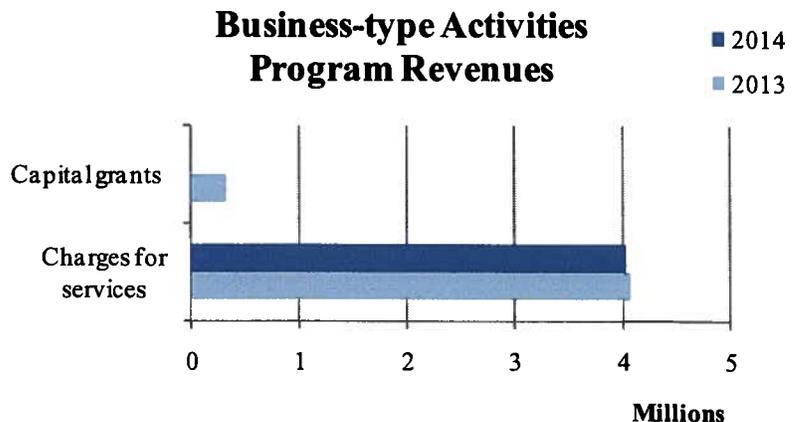
# Management's Discussion and Analysis

Expenses for governmental activities of \$10.5 million increased 1% in 2014.



**Business-type activities.** Net position of business-type activities decreased 0.4% from \$26.5 million in 2013 to \$26.4 million in 2014. Revenues of \$4.0 million exceeded expenses of \$3.7 million in 2014. However, an increase in transfers to other funds for construction of the Maintenance Facility expansion project of \$236,687 resulted in the overall decrease in net position.

Program revenues for business-type activities decreased 8% in 2014. Charges for services decreased 0.8%. This decrease is due to a reduction in sewer tap fees of 22% (\$99,000) and is offset by an increase in monthly utility charges for sewer and trash services. Revenue from capital grants decreased 100% in 2014. This decrease is specific to elimination of grant funds received for sewer capital projects in the prior year.



Expenses of \$4.1 million, including transfers to other funds, increased 23.5% from prior year expenses of \$3.4 million. This increase is primarily due to increased depreciation expense and transfers to the capital projects fund.

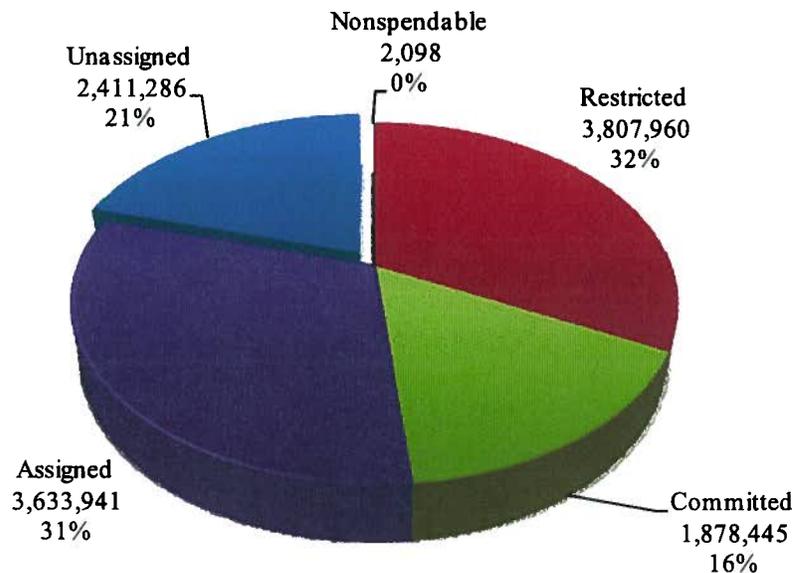
# Management's Discussion and Analysis

## 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 - \$11.7 million Fund Balance



The City's governmental funds reported a combined year end fund balance of \$11.7 million, an increase of 1% (\$97,174) from the prior year fund balance of \$11.6 million. Fund balance includes the following categories and changes from the prior fiscal year:

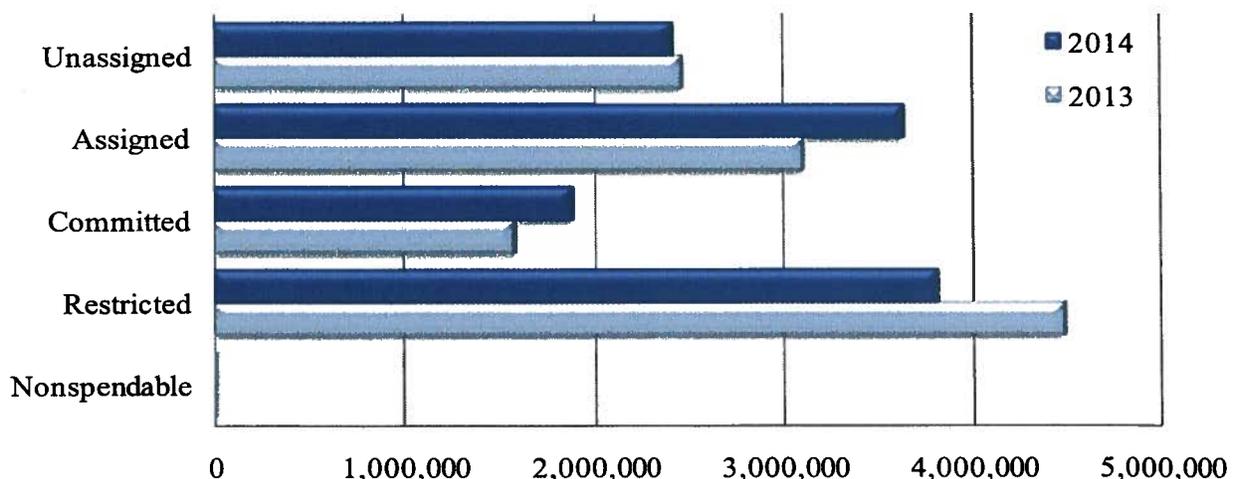
- **Non-spendable** fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of \$2,098, a decrease of 75% from the prior year.
- **Restricted** fund balances of \$3.8 million (32% of the total fund balance) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. This reflects an decrease of 15% (\$674,353) from the prior year

# Management's Discussion and Analysis

as a result of allocating a portion of the funds restricted for the Community Center to an operating reserve for the Community Center Fund. Restricted fund balance includes \$2.7 million for debt service, \$400,000 for the TABOR emergency reserve, \$285,499 for streets, \$230,823 for parks and open space, \$121,237 restricted for use for the Community Center, and \$75,495 for marketing and promotion.

- **Committed** fund balances of \$1.9 million (16% of the total fund balance) represent operating reserves and are in compliance with the City's operating reserve policy. This amount represents 25% of both the General Fund and Community Center Fund expenses, excluding transfers to other funds, for the 2014 fiscal year. Committed fund balance increased 19% (\$296,639) from the prior year with the addition of the Community Center Fund operating reserve in 2014.
- **Assigned** fund balances of \$3.6 million (31% of the total fund balance) are amounts assigned by the City Council or City Manager for specific purposes. The assigned fund balance increased 17% (\$530,621) from the prior year. Assigned fund balance includes \$1.3 million assigned for vehicle and equipment replacement reserves, \$1.3 million for 2015 capital project expenditures, \$573,084 in health insurance reserves, \$450,577 for the capital project reserves, and \$23,905 for specific use activities such as maintenance of the vietnam war memorial, recreation scholarship program and senior programs.
- **Unassigned** fund balance of \$2.4 million (21% of the total fund balance) is available for spending at the City's discretion. The unassigned fund balance decreased \$49,524 (2%).

**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 remained stable with a minimal increase of \$2,672 from the prior year.

The *unassigned fund balance* of \$2.1 million decreased 2% (\$49,629) from the prior year. 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 35% of 2014 general fund expenditures, excluding transfers to other funds.

The *committed fund balance* of \$1.5 million which represents the City's operating reserve of 25% of the 2014 expenses decreased 4% (\$62,660) from the prior year.

The *assigned fund balance* of \$3 million increased 4% from the prior year and includes \$1.2 million appropriated for expenses pursuant to the 2015 originally adopted budget, \$758,000 in the vehicle/equipment replacement reserve, \$555,219 in health insurance reserves, \$450,477 assigned for capital projects, and additional miscellaneous assignments in the amount of \$23,905.

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 \$544,267 decreased 24% (\$167,949) from the prior year.

The *unassigned fund balance* of \$268,365 remains unchanged from the prior year.

*Restricted fund balances* of \$275,902 represent investment earnings on development impact fees and are restricted for use for the same purpose for which the impact fee was paid.

The *assigned fund balance* of \$0 reflects a decrease of \$169,250 from the prior year.

Debt Service Fund Analysis. The debt service fund for governmental activities reported an ending fund balance of \$2.7 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 1% (\$34,483).

The *restricted fund balance* includes \$1,756,500 in bond reserves, and an additional \$938,406 for future debt service payments. This additional amount was accumulated from

# Management's Discussion and Analysis

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.

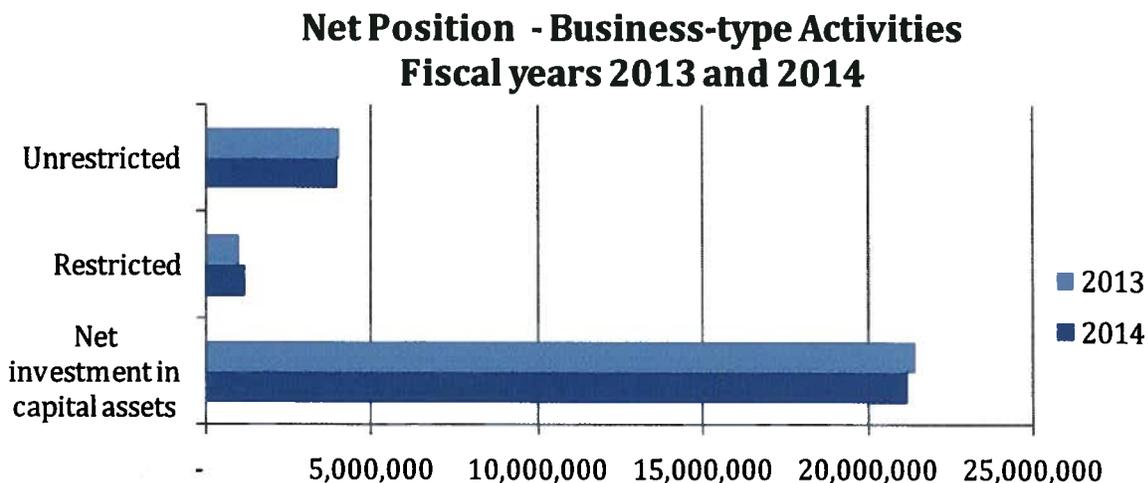
**Community Center Fund Analysis.** The community recreation center opened to the public in February 2011. This fund reported an ending fund balance of \$1 million, an increase of 18% (\$157,533) from the prior year.

*Restricted fund balance* of \$121,237 is restricted for community center activities. The restricted fund balance decreased 86% (\$733,516) from the prior year. This decrease is attributable to the creation of a new operational reserve and additions to the building and equipment replacement reserve.

The *committed fund balance* of \$359,299 consists of the operational reserve for the Community Center in the amount of 25% of the current years expenditures, excluding transfers to other funds and is newly established in 2014.

The *assigned fund balance* of \$563,713 is for building and equipment replacement reserves and health insurance reserve. This amount increased \$531,750 over the prior year and reflects the reassignment of funds from restricted fund balance to the building and equipment replacement reserve for the Community Center.

**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.



# Management's Discussion and Analysis

The City's proprietary funds reported a combined net position of \$26.4 million, a decrease of less than 0.5% (\$108,377) 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 of \$21.2 million, decreased 1% (\$246,725). This includes capital assets, net of accumulated depreciation, of \$42.0 million, less debt related to capital assets of \$20.8 million.

Restricted assets of \$1.1 million increased 16% (\$156,965). 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) in the amount of \$809,981; vehicle/equipment replacement reserves of \$330,775, and increase of 84% from the prior year; and health insurance reserve funds of \$20,383.

Unrestricted net position of \$4.0 million decreased less than 0.5% (\$18,617).

These changes in net position are primarily related to the Sewer Fund. The Trash and Irrigation Water Funds had minimal change in net position from the prior year and the net position for the Devils Canyon Center Fund decreased 0.5%.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year amendments were made to the General Fund Budget and revenues were increased \$13,025, operational expenses increased \$40,500, and other financing uses (primarily transfers to the Capital Projects Fund) increased \$317,150.

### Final budget compared to actual results.

Revenues exceeded the final budget amounts by 8% (\$511,191). 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>Variance</u>
County sales tax	1,858,400	1,913,811	55,411
City sales tax	1,447,775	1,569,025	121,250
Use taxes	557,000	706,764	149,764
Intergovernmental revenue	655,725	826,920	171,195

# Management's Discussion and Analysis

Expenses were under the final budget amounts by 8.8% (\$586,834). There were no expenses in excess of budget on a department wide basis for the current fiscal year. *Non-departmental* expenses included a budgeted contingency fund of \$200,000 of which no funds were spent in 2014 and this accounts for 3.1% of the 8.8% difference between budgeted and actual expenses. The following table shows the variances between budget and actual expenses by department.

<u>Expenditure Classification</u>	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>	<u>% of Difference</u>
General government	\$ 381,300	\$ 332,925	\$ (48,375)	-0.7%
Administration	625,675	597,037	(28,638)	-0.4%
Community development	253,200	218,132	(35,068)	-0.5%
Public safety	2,073,200	1,967,995	(105,205)	-1.6%
Public works	1,638,475	1,521,013	(117,462)	-1.8%
Parks and recreation	937,000	913,398	(23,602)	-0.4%
Non-departmental	476,900	272,685	(204,215)	-3.1%
Capital outlay	293,125	268,856	(24,269)	-0.4%
	<u>\$ 6,678,875</u>	<u>\$ 6,092,041</u>	<u>\$ (586,834)</u>	<u>-8.9%</u>

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds, funding of reserves and other special revenue or expense items. Other financing sources (uses) was under budget by 23.6% (\$397,698). This 23.6% reduction from budget to actual was primarily due to a 28.6% reduction in transfers to other funds related to capital projects, and was offset by an 8.6% increase in funding of capital project reserves based on increased revenues from severance and mineral lease taxes.

<u>Other Financing Sources (Uses)</u>	<u>Budgeted expenses</u>	<u>Actual expenses</u>	<u>Difference</u>	<u>% of Difference</u>
Transfers in	\$ 265,000	260,109	(4,891)	0.3%
Transfers out	(1,707,150)	(1,225,442)	481,708	-28.6%
Insurance rebates/damage a	15,000	79,128	64,128	-3.8%
Reserves	(254,600)	(399,249)	(144,649)	8.6%
Sale of capital assets	-	1,402	1,402	-0.1%
	<u>\$ (1,681,750)</u>	<u>\$ (1,284,052)</u>	<u>\$ 397,698</u>	<u>-23.6%</u>

# 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, 2014, is \$98.7 million (net of accumulated depreciation), a decrease of \$24,022. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park and recreation facilities, roads, highways, the wastewater treatment plant and sewer collection lines and irrigation distribution system.

	City of Fruita's Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,375,415	\$ 7,074,392	\$ 1,046,173	\$ 1,046,173	\$ 8,421,588	\$ 8,120,565
Source of supply	-	-	14,712	14,712	14,712	14,712
Buildings	16,433,458	15,597,860	807,836	848,452	17,241,294	16,446,312
Infrastructure	25,828,291	25,937,592	39,609,702	40,353,797	65,437,993	66,291,389
Machinery & equipment	7,155,033	7,358,876	494,273	557,061	7,649,306	7,915,937
	<u>\$ 56,792,197</u>	<u>\$ 55,968,720</u>	<u>\$ 41,972,696</u>	<u>\$ 42,820,195</u>	<u>\$ 98,764,893</u>	<u>\$ 98,788,915</u>

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

- Construction and land acquisition for expansion of the parks and public works maintenance facility (\$1.6 million)
- Overlays to various city streets (\$360,276)
- Completion of Pine Street improvement project (\$286,549)
- Acquisition of mobile equipment (\$226,289)
- Lift station upgrades and generators (\$143,056)
- Sewer line improvements (Cedar Street and SH340) (\$132,835)
- Completion of the Fruita Bike Park improvement project (\$94,319)

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.

**Long-term Debt.** At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$33,418,664. Of this amount, \$20,774,007 is debt backed by user fees and charges of the sewer system, \$12,423,298 is backed by a one cent city sales and use tax which is dedicated for the community center, and \$221,359 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa.

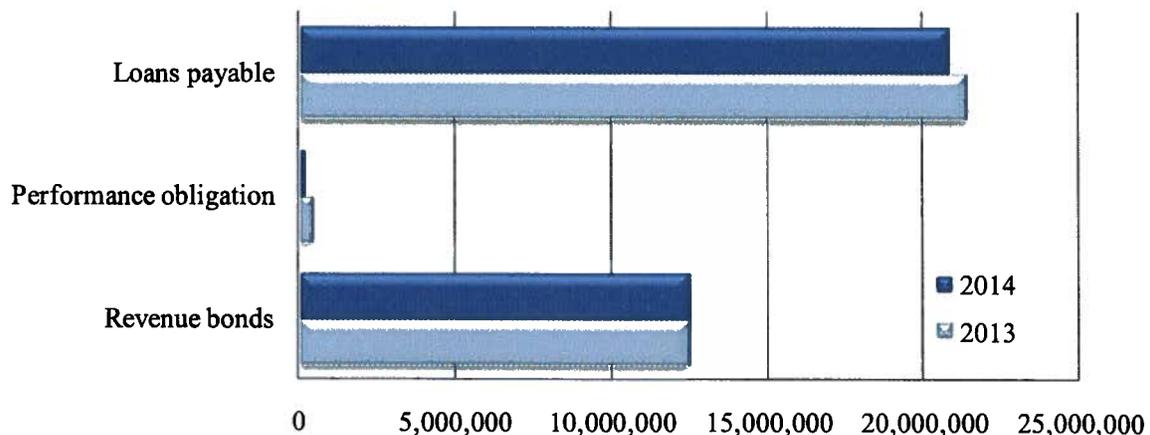
# Management's Discussion and Analysis

City of Fruita's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ 12,423,298	\$ 12,446,630	\$ -	\$ -	\$ 12,423,298	\$ 12,446,630
Performance obligation	221,359	459,554	-	-	221,359	459,554
Loans payable	-	-	20,774,007	21,374,781	20,774,007	21,374,781
<b>Total</b>	<b>\$ 12,644,657</b>	<b>\$ 12,906,184</b>	<b>\$ 20,774,007</b>	<b>\$ 21,374,781</b>	<b>\$ 33,418,664</b>	<b>\$ 34,280,965</b>

The City of Fruita's total debt decreased by \$862,301 during the current fiscal year. This decrease was due to regularly scheduled principal payments of \$624,106 on the outstanding debt, and a credit of \$238,195 for transfer of land and water rights; and irrigation water usage for nonmonetary performance obligation debt for improvements to the City's reservoirs.

Long term debt - 2014 vs 2013



Pursuant to the Fruita City Charter, there is no limit on the amount of general obligation debt that can be issued except that said issuance must be approved by the voters. The City of Fruita maintains an "AA/stable" rating from Standard and Poor's Rating for the revenue bonds. Additional information on the City of Fruita's long-term debt obligations can be found in the Notes to the Financial Statements.

# *Management's Discussion and Analysis*

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

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The 2015 Budget prioritizes the resources available to the City and sets a course of action to implement the goals set by the City Council. The following economic factors currently effect the City of Fruita and were considered in developing the 2015 fiscal year budget.

The City of Fruita continues to perform well financially compared to the larger surrounding area of Mesa County. Sales tax revenues increased 3.2% for Mesa County and 3.4% for the City of Grand Junction in 2014 over the prior year. During the same period, the City of Fruita sales tax revenue increased 6.5%. This performance is relative to the City of Fruita continuing to be a desirable community to live, work and play and reflects strong sales tax performance in the first three quarters of the year. However, we did experience a 2% decline in sales tax revenue in the last quarter of 2014 which we expect to see continue into the first half of 2015. This decrease in sales tax revenue is related most predominantly to the energy and utility sectors of the local economy. The 2015 Budget reflects this trend with modest growth predicted in sales tax revenue of 2% over the prior year.

Past financial policies of the City have provided resources that allowed the City to maintain an aggressive capital improvements plan during the economic downturn. Since 2008, the City has spent approximately \$69 million on capital projects, including two of the largest construction projects (Wastewater Treatment Facility and Fruita Community Recreation Center) in the City's history and incurred \$34.4 million of debt with the remaining \$34.6 million funded through grants and city funds. In 2014, the City spent approximately \$2.9 million on capital projects. The 2015 Budget, as amended, continues an aggressive program for capital projects of \$5.1 million. This level of funding of capital projects in 2015 is made possible by leveraging \$1 of city funds with \$1 in grant funds. However, not all grants included in the 2015 Budget are confirmed at this time and adjustments will be made to projects based on confirmed available funding. With declining funds available in fund balances, it is unrealistic to continue funding capital projects at the same level as we have in the past. The City hopes to address funding of future capital projects by continuing its' efforts to leverage grant funds with City funds and continuing to set aside revenue on an annual basis from designated sources (severance and mineral lease tax revenues) for future funding of capital projects.

The 2015 Budget reflects full funding of the vehicle and equipment replacement reserve from current year revenues.

The 2015 Budget for the Sewer Fund includes the designation of \$1.35 million of unrestricted net assets to reserves for future capital projects and building and equipment replacement for the Wastewater Treatment Facility.

# *Management's Discussion and Analysis*

The 2015 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 2015 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 rely on them for ongoing operational costs.

User charges in the utility funds (sewer, trash and irrigation) are set to cover operating and capital costs. A rate increase of \$0.30 per month went into effect on January 1, 2015 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 2015 Budget.

Salaries are budgeted to increase approximately 2% in 2015 in order to continue to be competitive with the market and to retain and recruit high quality personnel.

The 2015 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 capital projects. However, this practice also reduced the amount of current resources available to respond to current operational needs.

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 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**

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,259,150	\$ 4,260,680	\$ 12,519,830
Receivables	761,594	551,612	1,313,206
Intergovernmental receivable	2,110,180	-	2,110,180
Inventories	2,098	-	2,098
Restricted assets:			
Restricted cash	3,244,588	810,656	4,055,244
Capital assets (net of accumulated depreciation)			
Land	7,375,415	1,046,173	8,421,588
Source of supply	-	14,712	14,712
Buildings, net	16,433,458	807,836	17,241,294
Systems, net	25,828,291	39,609,702	65,437,993
Machinery and equipment, net	7,155,033	494,273	7,649,306
Total Assets	<u>71,169,807</u>	<u>47,595,644</u>	<u>118,765,451</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	605,957	211,304	817,261
Accrued interest payable	222,378	239,731	462,109
Compensated absences payable	109,847	18,214	128,061
Customer deposits payable	4,100	675	4,775
Unearned revenues	953,816	-	953,816
Defeased bonds payable	-	-	-
Noncurrent liabilities:			
Due within one year (bonds and notes)	59,646	591,375	651,021
Due in more than one year (bonds and notes, net)	12,585,011	20,182,632	32,767,643
Total Liabilities	<u>14,540,755</u>	<u>21,243,931</u>	<u>35,784,686</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,065,067	-	1,065,067
Total Deferred Inflows of Resources	<u>1,065,067</u>	<u>-</u>	<u>1,065,067</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,147,539	21,198,688	65,346,227
Restricted for:			
Debt service	2,694,906	809,981	3,504,887
Marketing and promotion	75,495	-	75,495
Community center	121,237	-	121,237
Parks and open space	230,823	-	230,823
Streets	285,499	-	285,499
Emergency reserves	400,000	-	400,000
Vehicle and equipment replacement	1,304,250	330,775	1,635,025
Other purposes	26,003	-	26,003
Health insurance risk	575,959	20,383	596,342
Capital Projects	450,577	-	450,577
Unrestricted	5,251,697	3,991,886	9,243,583
Total Net Position	<u>\$ 55,563,985</u>	<u>\$ 26,351,713</u>	<u>\$ 81,915,698</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, 2014

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	\$ 1,354,547	\$ 190,993	\$ -	\$ 158,588	\$ (1,004,966)	\$ -	\$ (1,004,966)
Marketing and promotion	104,202	92,718	-	-	(11,484)	-	(11,484)
Parks and recreation	3,662,530	1,158,621	16,751	193,086	(2,294,072)	-	(2,294,072)
Public works	2,264,871	141,370	-	867,811	(1,255,690)	-	(1,255,690)
Public safety	2,171,274	15,664	-	6,476	(2,149,134)	-	(2,149,134)
Interest on long-term debt	902,973	7,739	247,334	-	(647,900)	-	(647,900)
Total governmental activities	10,460,397	1,607,105	264,085	1,225,961	(7,363,246)	-	(7,363,246)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer	2,891,766	3,207,690	-	-	-	315,924	315,924
Trash	614,323	665,732	-	-	-	51,409	51,409
Devils Canyon Center	65,463	55,600	-	-	-	(9,863)	(9,863)
Irrigation water	103,593	97,051	-	-	-	(6,542)	(6,542)
Total business-type activities	3,675,145	4,026,073	-	-	-	350,928	350,928
Total government	\$ 14,135,542	\$ 5,633,178	\$ 264,085	\$ 1,225,961	(7,363,246)	350,928	(7,012,318)
<b>General Revenues:</b>							
Property taxes					1,078,635	-	1,078,635
Sales and use taxes					5,327,496	-	5,327,496
Severance tax					369,649	-	369,649
Highway users tax					378,531	-	378,531
Franchise fees					425,403	-	425,403
Other shared taxes					176,440	-	176,440
Unrestricted investment earnings					8,296	4,677	12,973
Gain (loss) on sale of capital assets					230,322	1,705	232,027
Miscellaneous					79,128	-	79,128
Transfers					465,687	(465,687)	-
Total general revenues and transfers					8,539,587	(459,305)	8,080,282
Change in net position					1,176,341	(108,377)	1,067,964
Net position - beginning					54,387,644	26,460,090	80,847,734
Net position - ending					\$ 55,563,985	\$ 26,351,713	\$ 81,915,698

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2014**

	General	Capital Projects	Debt Service	Community Center	Total Nonmajor Funds	Total
<b>ASSETS</b>						
Cash and investments	\$ 6,352,371	\$ -	\$ 641,745	\$ 936,690	\$ 308,545	\$ 8,239,351
Accounts receivable	6,088	-	-	-	-	6,088
Taxes receivable	1,065,067	-	-	145,369	4,402	1,214,838
Due from other funds	70,171	-	-	-	-	70,171
Due from other governments	892,402	696,663	61,783	-	-	1,650,848
Inventories	2,098	-	-	-	-	2,098
Cash - restricted	148,047	1,105,163	1,991,378	-	-	3,244,588
<b>Total Assets</b>	<b>8,536,244</b>	<b>1,801,826</b>	<b>2,694,906</b>	<b>1,082,059</b>	<b>312,947</b>	<b>14,427,982</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	203,932	358,127	-	37,035	2,004	601,098
Due to other funds	-	70,171	-	-	-	70,171
Deposits payable	3,325	-	-	775	-	4,100
Unearned revenues	124,555	829,261	-	-	-	953,816
<b>Total Liabilities</b>	<b>331,812</b>	<b>1,257,559</b>	<b>-</b>	<b>37,810</b>	<b>2,004</b>	<b>1,629,185</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property tax revenue	1,065,067	-	-	-	-	1,065,067
<b>Total deferred inflows of resources</b>	<b>1,065,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,065,067</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventories	2,098	-	-	-	-	2,098
<b>Restricted:</b>						
Debt Service	-	-	2,694,906	-	-	2,694,906
Marketing	-	-	-	-	75,495	75,495
Community center	-	-	-	121,237	-	121,237
Parks and open space	-	42,902	-	-	187,921	230,823
Streets	52,499	233,000	-	-	-	285,499
Emergency reserve	400,000	-	-	-	-	400,000
<b>Committed:</b>						
Operating reserve	1,519,146	-	-	359,299	-	1,878,445
<b>Assigned:</b>						
Capital projects	450,577	-	-	-	-	450,577
War memorial maintenance	10,223	-	-	-	-	10,223
Health insurance reserve	555,219	-	-	17,463	402	573,084
Scholarship Program	11,787	-	-	-	-	11,787
Senior Programs	1,895	-	-	-	-	1,895
Vehicle replacement reserve	758,000	-	-	546,250	-	1,304,250
Subsequent year expenses	1,235,000	-	-	-	47,125	1,282,125
<b>Unassigned:</b>	<b>2,142,921</b>	<b>268,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,411,286</b>
<b>Total fund balances</b>	<b>7,139,365</b>	<b>544,267</b>	<b>2,694,906</b>	<b>1,044,249</b>	<b>310,943</b>	<b>11,733,730</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,536,244</b>	<b>\$ 1,801,826</b>	<b>\$ 2,694,906</b>	<b>\$ 1,082,059</b>	<b>\$ 312,947</b>	<b>\$ 14,427,982</b>

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

City of Fruita, Colorado  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2014**

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

Total fund balances of governmental funds	\$ 11,733,730
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$26,397).	56,765,800
Internal service funds are used to charge the costs of fleet maintenance to individual funds. The current assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	37,121
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts (\$4,216).	(12,972,666)
Net position of governmental activities	<u>\$ 55,563,985</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, 2014**

	<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	\$ 1,078,635	\$ -	\$ -	\$ -	\$ -	\$ 1,078,635
City sales	1,569,025	-	-	784,513	-	2,353,538
County sales	1,913,811	-	-	-	-	1,913,811
Use tax	706,764	-	-	353,382	-	1,060,146
Other	594,571	-	-	-	92,719	687,290
Licenses and permits	26,636	-	-	-	-	26,636
Intergovernmental revenues	826,920	1,123,270	247,334	-	124,153	2,321,677
Charges for services	161,157	-	-	1,011,300	1,775	1,174,232
Fines and forfeitures, assessments	42,574	-	-	-	-	42,574
Development impact fees	-	-	-	-	-	-
Investment earnings	6,522	1,196	6,894	13	-	14,625
Rents and royalties	32,062	-	-	34,950	-	67,012
Donations	17,690	-	-	-	-	17,690
Miscellaneous	3,149	-	10,698	1,029	-	14,876
Total revenues	<u>6,979,516</u>	<u>1,124,466</u>	<u>264,926</u>	<u>2,185,187</u>	<u>218,647</u>	<u>10,772,742</u>
<b>EXPENDITURES</b>						
Current:						
General government	332,925	-	-	-	-	332,925
Administration	597,037	-	-	-	-	597,037
Community development	218,132	214,463	-	-	-	432,595
Marketing and promotion	-	-	-	-	104,202	104,202
Public safety	1,967,995	-	-	-	-	1,967,995
Public works	1,521,013	-	-	-	-	1,521,013
Parks and recreation	913,398	-	-	1,415,908	27,000	2,356,306
Non-departmental	272,685	-	-	-	-	272,685
Debt service						
Principal retirement	-	-	25,000	-	-	25,000
Interest and fiscal charges	-	-	890,888	-	-	890,888
Capital outlay	268,856	2,430,982	-	21,301	-	2,721,139
Total expenditures	<u>6,092,041</u>	<u>2,645,445</u>	<u>915,888</u>	<u>1,437,209</u>	<u>131,202</u>	<u>11,221,785</u>
Excess (deficiency) of revenues over expenditures	<u>887,475</u>	<u>(1,520,979)</u>	<u>(650,962)</u>	<u>747,978</u>	<u>87,445</u>	<u>(449,043)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance rebates and damage awards	79,128	-	-	-	-	79,128
Transfers in	260,109	1,353,030	685,445	95,000	-	2,393,584
Transfers (out)	(1,225,442)	-	-	(685,445)	(17,010)	(1,927,897)
Sale of capital assets	1,402	-	-	-	-	1,402
Total other financing sources (uses)	<u>(884,803)</u>	<u>1,353,030</u>	<u>685,445</u>	<u>(590,445)</u>	<u>(17,010)</u>	<u>546,217</u>
Net change in fund position	<u>2,672</u>	<u>(167,949)</u>	<u>34,483</u>	<u>157,533</u>	<u>70,435</u>	<u>97,174</u>
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 7,139,365</u>	<u>\$ 544,267</u>	<u>\$ 2,694,906</u>	<u>\$ 1,044,249</u>	<u>\$ 310,943</u>	<u>\$ 11,733,730</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, 2014**

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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	\$	97,174
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.		830,339
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.		225,773
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.		34,275
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.		(13,790)
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>2,570</u>
Change in net position of governmental activities	\$	<u><u>1,176,341</u></u>

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

City of Fruita, Colorado  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2014 (With comparative totals for 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Major Fund			Non-Major Funds			Totals	
	2014	2013		2014	2013	2013	2014	2014
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 3,815,418	\$ 3,832,477		\$ 87,658	\$ 89,046	\$ 224,754	\$ 240,265	\$ 4,260,680
Interest receivable	-	17		-	-	-	-	-
Accounts receivable	431,268	442,859		103,911	98,841	2,800	9,600	541,397
Special assessments receivable	821	6,574		-	-	-	-	821
Notes receivable	9,394	2,834		191,569	187,887	227,554	249,865	9,394
Total current assets	4,256,901	4,284,761		191,569	187,887	227,554	249,865	4,812,292
Non-current assets:								
Restricted cash:								
WWTF loan covenants	809,981	803,791		-	-	-	-	809,981
Customer deposits	675	675		-	-	-	-	675
Special assessments receivable	-	960		-	-	-	-	-
Capital assets								
Land	764,010	764,010		-	-	225,514	225,514	1,046,173
Source of supply	-	-		-	-	-	-	-
Buildings, net	40,653	42,630		-	-	56,649	56,649	14,712
Systems, net	39,542,890	40,272,391		-	-	760,740	798,292	807,836
Equipment, net	494,273	557,061		-	-	-	-	39,609,702
Total capital assets, net	40,841,826	41,636,092		-	-	986,254	1,023,806	494,273
Total non-current assets	41,652,482	42,441,518		191,569	187,887	1,213,808	1,273,671	41,972,696
Total assets	45,909,383	46,726,279		191,569	187,887	1,213,808	1,273,671	42,785,352
								26,397
								26,397
								26,397
								46,196
<b>LIABILITIES</b>								
Current liabilities:								
Accounts Payable	109,386	287,098		101,918	98,236	-	-	211,304
Accrued interest payable	5	26		-	-	-	-	5
Compensated absences	16,698	16,695		-	-	1,516	1,224	18,214
Notes payable - current maturity	345,542	323,544		-	-	-	-	345,542
Total current liabilities	471,631	627,363		101,918	98,236	-	-	575,065
Current liabilities payable from restricted assets:								
Customer deposits payable	675	675		-	-	-	-	675
Accrued interest payable from restricted cash	239,726	244,862		-	-	-	-	239,726
Notes payable from restricted cash	245,833	227,083		-	-	-	-	245,833
Total current liabilities payable from restricted assets	486,234	472,620		-	-	-	-	486,234
Noncurrent liabilities:								
Notes payable (net of premium)	20,182,632	20,824,154		-	-	-	-	20,182,632
Total noncurrent liabilities	20,182,632	20,824,154		-	-	-	-	20,182,632
Total liabilities	21,140,497	21,924,137		101,918	98,236	-	-	21,243,931
<b>NET POSITION</b>								
Invested in capital assets, net of related debt	20,067,819	20,261,311		-	-	986,254	1,023,806	21,198,688
Restricted for health insurance reserve	19,458	19,458		-	-	-	-	20,383
Restricted for loan covenants	809,981	803,791		-	-	-	-	809,981
Restricted for vehicle replacement	285,000	180,000		-	-	-	-	285,000
Restricted for WWTF equipment replacement	45,775	45,775		-	-	-	-	45,775
Unrestricted	3,540,853	3,537,582		89,651	89,651	227,554	249,865	3,991,886
Total net position	\$ 24,768,886	\$ 24,802,142		\$ 89,651	\$ 89,651	\$ 1,213,808	\$ 1,273,671	\$ 26,351,713

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

City of Fruita, Colorado  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the year ended December 31, 2014 (With comparative totals for 2013)**

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals			Fleet Maintenance Internal Service Fund
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
<b>OPERATING REVENUES</b>												
Charges for services	\$ 2,851,290	\$ 2,812,054	\$ 665,732	\$ 637,496	\$ 55,600	\$ 57,600	\$ 97,051	\$ 97,248	\$ 3,669,673	\$ 266,850		
Other revenues												
Total operating revenues	2,851,290	2,812,054	665,732	637,496	55,600	57,600	97,051	97,248	3,669,673	266,850		
<b>OPERATING EXPENSES</b>												
Personnel services	599,332	615,945	-	-	-	-	66,023	51,694	665,355	155,674		
Purchased services	209,238	214,686	614,323	584,787	2,911	13,737	8,590	10,313	835,062	1,370		
Supplies	339,121	358,908	-	-	-	-	13,299	11,500	352,420	119,880		
Special projects	-	-	-	-	25,000	-	-	-	25,000	-		
Depreciation and amortization	1,161,348	613,955	-	-	37,552	37,552	15,681	18,927	1,214,581	3,716		
Total operating expenses	2,309,039	1,803,494	614,323	584,787	65,463	51,289	103,593	92,434	3,092,418	280,640		
Operating income (loss)	542,251	1,008,560	51,409	52,709	(9,863)	6,311	(6,542)	4,814	577,255	(13,790)		
<b>NONOPERATING REVENUES (EXPENSES)</b>												
Intergovernmental	-	334,583	-	-	-	-	-	-	-	-		
Investment income	4,693	6,573	-	10	-	49	(16)	7	4,677	-		
Sale of equipment	1,705	-	-	-	-	-	-	-	1,705	-		
Interest expense	(582,727)	(590,949)	-	-	-	-	-	-	(582,727)	-		
Total nonoperating revenues (expenses) and transfers	(34,078)	758,767	51,409	52,719	(9,863)	6,360	(6,558)	4,821	910	(13,790)		
Capital contributions - tap fees	356,400	455,400	-	-	-	-	-	-	356,400	-		
Transfers out	(355,578)	(130,000)	(51,409)	(40,000)	(50,000)	(50,000)	(8,700)	(9,000)	(465,687)	-		
Change in net position	(33,256)	1,084,167	-	12,719	(59,863)	(43,640)	(15,258)	(4,179)	(108,377)	(13,790)		
Net position - beginning	24,802,142	23,717,975	89,651	76,932	1,273,671	1,317,311	294,626	298,805	26,460,090	50,911		
Net position - ending	\$ 24,768,886	\$ 24,802,142	\$ 89,651	\$ 89,651	\$ 1,213,808	\$ 1,273,671	\$ 279,368	\$ 294,626	\$ 26,351,713	\$ 37,121		

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

City of Fruita, Colorado  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the year ended December 31, 2014 (With comparative totals for 2013)

	Business-type Activities - Enterprise Funds										Governmental Activities	
	Sewer		Trash		Non-Major Funds Devils Canyon Center		Irrigation Water		Totals			Fleet Maintenance Internal Service Fund
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Receipts from customers	\$ 2,862,880	\$ 2,792,699	\$ 660,662	\$ 633,517	\$ 62,400	\$ 52,800	\$ 97,126	\$ 97,150	\$ 3,683,068	\$ 3,683,068	\$ 266,850	
Payments to suppliers	(497,157)	(563,066)	(610,641)	(532,089)	(27,911)	(13,737)	(21,889)	(23,321)	(1,157,598)	(1,157,598)	(123,596)	
Payments to employees	(598,745)	(611,230)	-	-	-	-	(65,756)	(51,836)	(664,501)	(664,501)	(154,002)	
Net cash provided by operating activities	1,766,978	1,618,403	50,021	101,428	34,489	39,063	9,481	21,993	1,860,969	1,860,969	(10,748)	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>												
Operating transfers	(355,578)	(130,000)	(51,409)	(40,000)	(50,000)	(50,000)	(8,700)	(9,000)	(465,687)	(465,687)	-	
Net cash used by non-capital financing activities	(355,578)	(130,000)	(51,409)	(40,000)	(50,000)	(50,000)	(8,700)	(9,000)	(465,687)	(465,687)	-	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Capital contributions - grants	-	478,205	-	-	-	-	-	-	-	-	-	
Capital contributions - plant investment fees	349,840	454,192	-	-	-	-	-	-	349,840	349,840	-	
Gain on sale of equipment	1,705	-	-	-	-	-	-	-	1,705	1,705	-	
Proceeds from special assessments	6,713	6,266	-	-	-	-	322	106	7,035	7,035	-	
Principal paid on capital debt	(550,627)	(511,063)	-	-	-	-	-	-	(550,627)	(550,627)	-	
Interest paid on capital debt	(587,884)	(574,580)	-	-	-	-	-	-	(587,884)	(587,884)	-	
Purchase of capital assets	(646,726)	(2,639,370)	-	-	-	-	-	-	(646,726)	(646,726)	-	
Net cash provided (used) by capital and related financing activities	(1,426,979)	(2,786,350)	-	-	-	-	322	106	(1,426,657)	(1,426,657)	-	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Interest received on investments	4,710	6,582	-	10	-	49	56	7	4,766	4,766	-	
Net cash provided by investing activities	4,710	6,582	-	10	-	49	56	7	4,766	4,766	-	
Net increase (decrease) in cash and cash equivalents	(10,869)	(1,291,365)	(1,388)	61,438	(15,511)	(10,888)	1,159	13,106	(26,609)	(26,609)	(10,748)	
Cash and cash equivalents, January 1 (including \$804,466 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	5,097,945	30,547	
Cash and cash equivalents, December 31 (including \$810,656 in the Sewer Fund reported in restricted accounts)	\$ 4,626,074	\$ 4,636,943	\$ 87,658	\$ 89,046	\$ 224,754	\$ 240,265	\$ 132,850	\$ 131,691	\$ 5,071,336	\$ 5,071,336	\$ 19,799	

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, 2014 (With comparative totals for 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities			
	Sewer		Trash		Non-Major Funds		Totals			
	2014	2013	2014	2013	Devils Canyon Center	Irrigation Water	2014	2013		
Operating income (loss)	\$ 542,251	\$ 1,008,560	\$ 51,409	\$ 52,709	\$ (9,863)	\$ 6,311	\$ (6,542)	\$ 4,814	\$ 577,255	\$ (13,790)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization expense	1,161,348	613,955	-	-	37,552	37,552	15,681	18,927	1,214,581	3,716
(Increase) decrease in accounts receivable	11,590	(19,355)	(5,070)	(3,979)	6,800	(4,800)	75	(98)	13,395	-
Increase (decrease) in accounts payable	51,202	10,528	3,682	52,698	-	-	292	(1,508)	55,176	(2,346)
Increase (decrease) in compensation payable	587	4,715	-	-	-	-	(25)	(142)	562	1,672
Total adjustments	1,224,727	609,843	(1,388)	48,719	44,352	32,752	16,023	17,179	1,283,714	3,042
Net Cash Provided by (Used for) Operating Activities	\$ 1,766,978	\$ 1,618,403	\$ 50,021	\$ 101,428	\$ 34,489	\$ 39,063	\$ 9,481	\$ 21,993	\$ 1,860,969	\$ (10,748)
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, 2014**

	<u>Agency Fund</u>	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,280	\$ -	\$ -
Investments at fair value	-	2,408,107	1,318,039
Accounts receivable	-	-	-
Total assets	<u>8,280</u>	<u>2,408,107</u>	<u>1,318,039</u>
<b>LIABILITIES</b>			
Accounts payable	<u>8,280</u>	-	-
Total liabilities	<u>8,280</u>	-	-
<b>NET POSITION</b>			
Held in trust for:			
Pension benefits	-	2,408,107	1,318,039
Total net position	<u>\$ -</u>	<u>\$ 2,408,107</u>	<u>\$ 1,318,039</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, 2014**

	<b>Money Purchase Plan and Trust Fund</b>	<b>Retirement Trust Fund</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 120,494	\$ 102,022
Plan member contributions	96,396	-
Roll over from Retirement Trust Fund	-	-
Total contributions	<u>216,890</u>	<u>102,022</u>
Investment Earnings		
Net investment gain (loss)	<u>101,253</u>	<u>50,545</u>
Total Additions	<u>318,143</u>	<u>152,567</u>
<b>DEDUCTIONS</b>		
Benefits	92,366	58,898
Roll over to Money Purchase Plan	-	-
Administrative expenses	<u>5,027</u>	<u>1,113</u>
Total Deductions	<u>97,393</u>	<u>60,011</u>
Change in net position	220,750	92,556
Total net position - beginning	<u>2,187,357</u>	<u>1,225,483</u>
Total net position - ending	<u>\$ 2,408,107</u>	<u>\$ 1,318,039</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, 2014

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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, 2014

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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.

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  
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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,

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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

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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.

**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.

**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

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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.

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.

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**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), 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.

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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 \$1,519,146 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 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

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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 2014 taxes collectible in 2015 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

### **3. Compensated absences**

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

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

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

**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 \$56,765,800 difference, net of internal service fund capital assets of \$26,397 are as follows:

Land	\$ 7,375,415 .
Buildings	19,544,126
Less: Accumulated depreciation - buildings	(3,110,668)
Machinery, equipment and vehicles	11,188,665
Less: Accumulated depreciation - machinery, equipment, and vehicles	(4,060,029)
Infrastructure systems	30,421,715
Less: Accumulated depreciation - infrastructure	<u>(4,593,424)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 56,765,800</u>

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$37,121 difference are as follows:

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Cash and investments	19,799
Capital assets	26,397
Accounts payable	(4,859)
Compensated absences payable	(4,216)
Net position of the internal service fund	\$ 37,121

The final element of that reconciliation explains that “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts.” The details of this \$12,972,666 difference are as follows:

Bonds payable	\$ (12,465,000)
Add: Issuance premium (to be amortized over life of debt)	76,960
Less: Issuance discount (to be amortized as interest expense)	(35,258)
Performance obligation note payable	(221,359)
Subtotal of bonds and notes payable - current and non-current	(12,644,657)
Accrued interest payable	(222,378)
Compensated absences	(105,631)
Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net assets - governmental activities</i>	\$ (12,972,666)

**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 \$830,339 difference are as follows:

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Capital outlay reported in:	
Capital Projects	\$ 2,430,982
General Fund	268,856
Community Center Fund	21,301
Total capital outlay reported in governmental funds	2,721,139
Less: Depreciation expense, net of internal service fund	(1,890,800)
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>	
	\$ 830,339

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$34,275 difference are as follows:

Principal repayments on non-monetary performance obligation	\$ 9,275
Principal repayments on special revenue bonds	25,000
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 34,275

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 \$2,570 difference are as follows:

Compensated absences	\$ 4,019
Accrued interest	219
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>	\$ 2,570

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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, 2014, \$803,336 of the City's deposits were covered by FDIC insurance and \$6,808,639 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, 2014, the City had \$8,962,446 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, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Cash on hand:	\$ 1,600	\$ 1,600
Deposits:		
Cash in checking account(s)	2,847,426	2,604,011
Money market funds	3,427,575	3,425,862
Certificates of deposit	<u>1,344,307</u>	<u>1,337,903</u>
Total deposits	7,619,308	7,367,776
Investment pools	<u>8,962,446</u>	<u>8,951,854</u>
Total cash, deposits and investments	<u>\$ 16,583,354</u>	<u>\$ 16,321,230</u>

This amount includes \$8,280 in checking accounts for the Agency Fund reflected on the Statement of Fiduciary Net Assets.

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

	<u>2014</u>	<u>2013</u>
Cash and investments	\$ 12,519,830	\$ 12,317,268
Restricted Cash	<u>4,055,244</u>	<u>4,003,962</u>
	<u>\$ 16,575,074</u>	<u>\$ 16,321,230</u>

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

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*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. More than five percent of the City's investments are in public entity investment pools. These investments are 54% of the City's total cash, deposits and investments at December 31, 2014.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2014 was as follows.

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 7,074,392	\$ 301,023	\$ -	\$ 7,375,415
Total capital assets not being depreciated	<u>7,074,392</u>	<u>301,023</u>	<u>-</u>	<u>7,375,415</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	18,202,205	1,354,595	(12,675)	19,544,125
Infrastructure	29,750,752	670,963	-	30,421,715
Machinery and equipment	10,436,176	394,558	(97,353)	10,733,381
Hospital equipment	500,000	-	-	500,000
Total capital assets being depreciated	<u>58,889,133</u>	<u>2,420,116</u>	<u>(110,028)</u>	<u>61,199,221</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(2,604,345)	(517,008)	10,686	(3,110,667)
Infrastructure	(3,813,160)	(780,264)	-	(4,593,424)
Machinery and equipment	(3,405,146)	(572,243)	96,196	(3,881,193)
Hospital equipment	(172,154)	(25,001)	-	(197,155)
Total accumulated depreciation	<u>(9,994,805)</u>	<u>(1,894,516)</u>	<u>106,882</u>	<u>(11,782,439)</u>
Total capital assets being depreciated, net	<u>48,894,328</u>	<u>525,600</u>	<u>(3,146)</u>	<u>49,416,782</u>
Governmental activities capital assets, net	<u>\$ 55,968,720</u>	<u>\$ 826,623</u>	<u>\$ (3,146)</u>	<u>\$ 56,792,197</u>

Assets for governmental activities include internal service fund capital assets of \$26,397 in internal service fund capital assets, net of depreciation. Decreases in net assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

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**Governmental activities**

General government	\$ 116,084
Park and recreation	600,257
Public works	964,264
Public safety	210,195
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>3,716</u>
<b>Total depreciation expense - governmental activities</b>	<b><u><u>\$ 1,894,516</u></u></b>

	Beginning Balance	Increase	Decrease	Ending Balance
<b><u>Business-type activities:</u></b>				
<b><u>Capital assets, not being depreciated</u></b>				
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>
<b><u>Capital assets, being depreciated</u></b>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	27,980,043	86,915	-	28,066,958
Distribution and collection system	19,122,107	295,891	-	19,417,998
Machinery and equipment	1,500,567	34,422	(33,554)	1,501,435
Total capital assets being depreciated	<u>50,246,123</u>	<u>417,228</u>	<u>(33,554)</u>	<u>50,629,797</u>
<b><u>Less accumulated depreciation for:</u></b>				
Buildings	(794,954)	(40,616)	-	(835,570)
Wastewater treatment facility	(1,368,812)	(702,717)	-	(2,071,529)
Distribution and collection system	(5,379,541)	(424,184)	-	(5,803,725)
Machinery and equipment	(943,506)	(97,210)	33,554	(1,007,162)
Total accumulated depreciation	<u>(8,486,813)</u>	<u>(1,264,727)</u>	<u>33,554</u>	<u>(9,717,986)</u>
Total capital assets being depreciated, net	<u>41,759,310</u>	<u>(847,499)</u>	<u>-</u>	<u>40,911,811</u>
Business-type activities capital assets, net	<u><u>\$ 42,820,195</u></u>	<u><u>\$ (847,499)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,972,696</u></u>

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**D. Unearned revenues**

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

<u>General Fund</u>	<u>Unearned</u>
Impact fees for chipseal	\$ 95,548
Unallocated utility billing receipts	29,007
Total General Fund	<u>124,555</u>
<u>Capital Projects Fund</u>	
Impact fees for open space, road and drainage improvements	<u>829,261</u>
Total unavailable/unearned revenue for governmental funds	<u><u>\$ 953,816</u></u>

**E. Long-Term Liabilities**

**1. Notes and loans payable**

During 1995 the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of \$155,435. This loan was for the construction of the Kingsview sewer line extension. The City is obligated under the agreement to make an initial payment of \$8,962 on March 1, 1996, and quarterly payments of \$2,980 each March 1, June 1, September 1 and December 1 beginning June 1, 1996 and ending March 1, 2015. The loan agreement requires compliance with specified covenants and obligations. In compliance with the requirements, the City has maintained a three-month operations and maintenance reserve, and has complied with the rate covenant. A surcharge on plant investment fees and monthly sewer charges is assessed on all properties in the basin served by the extension of the sewer line to cover the costs of annual debt service. Additional revenue collected above the amount owed is applied on an annual basis to the balance of the note. The outstanding balance on this note at December 31, 2014 was \$1,375 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.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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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 \$809,981 of net position for debt service. This includes \$324,422 for the three month operating reserve and \$485,559 as the pro rata amount reserved for the next principal and interest payments on the debt. The outstanding balance on this note at December 31, 2014 was \$19,870,000 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. Credits for exchange of water rights and land were applied to the nonmonetary amortization schedule in 2014 resulting in an outstanding performance obligation balance on this note of \$221,359 at December 31, 2014. 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>
<b>Business-type activities</b>		
Sewer line extensions	4.5 - 5.00%	\$ 1,375
Wastewater treatment facility	2.50%	<u>19,870,000</u>
		\$ 19,871,375
<b>Governmental activities</b>		
Reservoir improvements	4%	<u>\$ 221,359</u>
<b>Total notes and loans payable</b>		<u><u>\$ 20,092,734</u></u>

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
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Annual debt service requirements to maturity for notes and loans are as follows:

Year ended December 31	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	591,375	575,357	1,166,732
2016	630,000	562,844	1,192,844
2017	680,000	543,956	1,223,956
2018	730,000	524,206	1,254,206
2019	780,000	503,540	1,283,540
2020 - 2024	4,895,000	2,034,078	6,929,078
2025 - 2029	6,645,000	1,198,678	7,843,678
2030 - 2032	4,920,000	263,922	5,183,922
	<u>\$ 19,871,375</u>	<u>\$ 6,206,581</u>	<u>\$ 26,077,956</u>

The unamortized premium on the loan for the wastewater treatment facility is \$902,632 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, 2014 was \$582,727 in the Sewer Fund.

Year ended December 31	<u>Governmental Activities</u>		
	<u>Non-monetary performance obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Credit</u>
2015	9,646	8,854	18,500
2016	10,031	8,469	18,500
2017	10,433	8,067	18,500
2018	10,850	7,650	18,500
2019	11,284	7,216	18,500
2020 - 2024	63,563	28,937	92,500
2025 - 2029	77,334	15,166	92,500
2030 - 2031	28,218	1,564	29,782
	<u>\$ 221,359</u>	<u>\$ 85,923</u>	<u>\$ 307,282</u>

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

**2. Special Revenue Bonds**

During 2009 the City issued revenue bonds for the construction and operation of a community recreation center. With voter approval, a one cent increase in sales and use tax was implemented in January of 2009 with revenues generated from the tax

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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

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 2014, the sequestration percentage of 7.2% was applied to the interest subsidy payment. In 2015, the sequestration percentage of 7.3% will be applied to the interest payments.

At year end, the City had \$2,694,906 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, \$234,878 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 \$703,528 for future debt service payments.

Special revenue bonds currently outstanding are as follows:

City of Fruita, Colorado  
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December 31, 2014

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%	\$ 2,340,000
2009B	Taxable Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
<b>Total</b>					<b>\$12,465,000</b>

The unamortized premium and discount on the special revenue bonds is \$41,702 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
2015	50,000	889,513	(247,134)	692,379
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	125,000	877,988	(266,595)	736,393
2020-2024	1,115,000	4,222,024	(1,283,503)	4,053,521
2025-2029	2,085,000	3,673,686	(1,091,583)	4,667,103
2030-2034	3,425,000	2,708,055	(753,613)	5,379,442
2035-2039	5,430,000	1,241,288	(320,041)	6,351,247
	<b>\$ 12,465,000</b>	<b>\$ 16,267,668</b>	<b>\$ (4,762,254)</b>	<b>\$ 23,970,414</b>

\*The 2015 Federal Direct Payment has been reduced by the 7.3% sequestration rate for 2015. 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, 2014, was as follows:

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
Special revenue bonds	\$12,490,000	\$ -	\$ (25,000)	\$12,465,000	\$ 50,000
Deferred amount for issuance discount	(80,038)	3,078	-	(76,960)	-
Deferred amount for issuance premium	36,668	-	(1,410)	\$ 35,258	-
Total bonds payable	12,446,630	3,078	(26,410)	12,423,298	50,000
Performance obligation note	459,554	-	(238,195)	221,359	9,646
Compensated absences	113,677	179,912	(183,742)	109,847	-
Governmental activity long term liabilities	<u>\$13,019,861</u>	<u>\$ 182,990</u>	<u>\$ (448,347)</u>	<u>\$12,754,504</u>	<u>\$ 59,646</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, \$4,216 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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Business-type activities:</u></b>					
Notes and loans	\$20,422,003	\$ -	\$ (550,628)	19,871,375	\$ 591,375
Deferred amount for issuance premium	952,778	-	(50,146)	902,632	50,146
Compensated absences	17,919	28,201	(27,906)	18,214	-
Business-type long term liabilities	<u>\$21,392,700</u>	<u>\$ 28,201</u>	<u>\$ (628,680)</u>	<u>\$20,792,221</u>	<u>\$ 641,521</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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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January 2011, the contribution for police officers was transferred over to their Money Purchase Pension Plan. The statement of fiduciary net assets and statement of changes in fiduciary net assets for the Retirement Trust Fund include the financial statements of the retirement plan. The City contributes 4 ½ % of the amount of the employee's compensation as defined by the plan.

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The total contribution to allocate for the plan year of 2014, including administrative expenses, is \$102,022. The City's total payroll for all employees in 2014 was \$4,157,661 of which \$2,244,945 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, 2014 was \$1,318,039. 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 2014 was \$963,956. Total contributions for the year ended December 31, 2014, were \$96,396 paid by the employees and \$120,494 by the City. Fair value of the plan investments at December 31, 2014 was \$2,408,107. The investments consist of various funds offered by ICMA Retirement Corporation.

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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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 2014 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, 2014 in the property/casualty insurance pool is \$165,248 and \$105,082 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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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

**B. Pending litigation**

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

**VII. OPERATING LEASE**

The City entered into a ten-year operating lease with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. This lease is currently in the process of being renegotiated with a reduction in lease payment in 2015 from \$4,800 to \$2,800 and elimination of lease payments in 2016 subject to certain conditions including use of a portion of the property by another entity and ongoing maintenance and upkeep of the facility.

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

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

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

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

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

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**IX. FUND BALANCE**

The total fund balances for governmental funds \$11,733,730 of which \$2,098 is non-spendable, \$3,807,960 is restricted, \$1,878,445 is committed as an operating reserve in compliance with the City's policy, \$3,633,941 is assigned for various purposes and \$2,411,286 is unassigned.

**X. INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended December 31, 2014 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	\$ 1,130,442	\$ -	\$1,225,442
Community Center	-	-	-	685,445	685,445
Other governmental funds	-	-	17,010	-	17,010
Sewer	150,000	-	205,578	-	355,578
Trash	51,409	-	-	-	51,409
Devils Canyon Center	50,000	-	-	-	50,000
Irrigation Water	8,700	-	-	-	8,700
Total transfers in	<u>\$260,109</u>	<u>\$ 95,000</u>	<u>\$ 1,353,030</u>	<u>\$ 685,445</u>	<u>\$2,393,584</u>

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

City of Fruita, Colorado  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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**XI. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 19, 2015, 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, 2014

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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, 2014

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes:				
Property	\$ 1,059,425	\$ 1,059,425	\$ 1,078,635	\$ 19,210
City sales	1,447,775	1,447,775	1,569,025	121,250
County sales	1,858,400	1,858,400	1,913,811	55,411
Use tax	557,000	557,000	706,764	149,764
Other	573,500	573,500	594,571	21,071
Licenses and permits	27,750	27,750	26,636	(1,114)
Intergovernmental revenue	648,500	655,725	826,920	171,195
Charges for services	145,750	145,750	161,157	15,407
Fines and forfeitures	36,000	36,000	42,574	6,574
Development impact fees	50,000	50,000	-	(50,000)
Investment earnings	6,000	6,000	6,522	522
Rents and royalties	29,200	29,200	32,062	2,862
Donations	12,000	17,800	17,690	(110)
Miscellaneous	4,000	4,000	3,149	(851)
Total revenues	<u>6,455,300</u>	<u>6,468,325</u>	<u>6,979,516</u>	<u>511,191</u>
<b>EXPENDITURES</b>				
Current:				
General government	379,500	381,300	332,925	48,375
Administration	624,000	625,675	597,037	28,638
Community development	251,150	253,200	218,132	35,068
Public safety	2,076,150	2,073,200	1,967,995	105,205
Public works	1,639,400	1,638,475	1,521,013	117,462
Parks and recreation	932,750	937,000	913,398	23,602
Non-departmental	461,900	476,900	272,685	204,215
Capital equipment	273,525	293,125	268,856	24,269
Total expenditures	<u>6,638,375</u>	<u>6,678,875</u>	<u>6,092,041</u>	<u>586,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,075)</u>	<u>(210,550)</u>	<u>887,475</u>	<u>1,098,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	265,000	265,000	260,109	(4,891)
Transfers out	(1,375,000)	(1,707,150)	(1,225,442)	481,708
Insurance rebates and damage awards	-	15,000	79,128	64,128
Reserves	(254,600)	(254,600)	(399,249)	(144,649)
Sale of capital assets	-	-	1,402	1,402
Total other financing sources and (uses)	<u>(1,364,600)</u>	<u>(1,681,750)</u>	<u>(1,284,052)</u>	<u>397,698</u>
Change in net position - budgetary basis	<u>\$ (1,547,675)</u>	<u>\$ (1,892,300)</u>	<u>(396,577)</u>	<u>\$ 1,495,723</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position				
Add additions to reserves			<u>399,249</u>	
Change in net position - GAAP basis			<u>\$ 2,672</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended December 31, 2014**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 2,204,000	\$ 2,777,150	\$ 1,123,270	\$ (1,653,880)
Assessments and development impact fees	-	29,400	-	(29,400)
Investment earnings	-	-	1,196	1,196
<b>Total revenues</b>	<u>2,204,000</u>	<u>2,806,550</u>	<u>1,124,466</u>	<u>(1,682,084)</u>
<b>EXPENDITURES</b>				
Current:				
Downtown improvements design	-	80,000	55,875	24,125
Family Health West improvements	-	158,600	158,588	12
Capital Outlay				
Mountain water system	-	-	-	-
Downtown improvements	280,000	200,000	-	200,000
Streets	475,000	808,050	669,783	138,267
Drainage Improvements	-	100,000	-	100,000
Parks and recreation	1,248,250	1,399,225	130,574	1,268,651
Building improvements	2,000,000	2,936,500	1,630,625	1,305,875
<b>Total expenditures</b>	<u>4,003,250</u>	<u>5,682,375</u>	<u>2,645,445</u>	<u>3,036,930</u>
Deficiency of revenues under expenditures	(1,799,250)	(2,875,825)	(1,520,979)	1,354,846
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,630,000	2,546,750	1,353,030	(1,193,720)
Change in net position - budgetary basis	<u>\$ (169,250)</u>	<u>\$ (329,075)</u>	(167,949)	<u>\$ 161,126</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			-	
Change in net position - GAAP basis			<u>\$ (167,949)</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, 2014**

	<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	\$ 247,334	\$ (19,261)
Investment earnings	6,500	6,894	394
Miscellaneous revenues	-	10,698	10,698
Total revenues	<u>273,095</u>	<u>264,926</u>	<u>(8,169)</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	25,000	25,000	-
Interest and fiscal charges	<u>890,900</u>	<u>890,888</u>	<u>12</u>
Total expenditures	<u>915,900</u>	<u>915,888</u>	<u>12</u>
Deficiency of revenues under expenditures	(642,805)	(650,962)	(8,157)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>666,250</u>	<u>685,445</u>	<u>\$ 19,195</u>
Change in net position - budgetary basis	<u>\$ 23,445</u>	<u>34,483</u>	<u>\$ 11,038</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position		<u>-</u>	
Change in net position - GAAP basis		<u>\$ 34,483</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, 2014**

	<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	\$ 725,000	\$ 725,000	\$ 784,513	\$ 59,513
Use tax	300,000	308,000	353,382	45,382
Charges for services	962,000	977,000	1,011,300	34,300
Investment income	-	-	13	13
Rents and royalties	32,000	32,000	34,950	2,950
Miscellaneous	-	-	1,029	1,029
Total revenues	<u>2,019,000</u>	<u>2,042,000</u>	<u>2,185,187</u>	<u>143,187</u>
<b>EXPENDITURES</b>				
Current				
Recreation	1,421,600	1,444,600	1,415,908	28,692
Capital expenses	10,000	27,500	21,301	6,199
Total expenditures	<u>1,431,600</u>	<u>1,472,100</u>	<u>1,437,209</u>	<u>34,891</u>
Excess of revenues over expenditures	<u>587,400</u>	<u>569,900</u>	<u>747,978</u>	<u>178,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reserves	(25,000)	(5,800)	(5,800)	-
Transfers in	95,000	95,000	95,000	-
Transfers out	<u>(666,250)</u>	<u>(685,450)</u>	<u>(685,445)</u>	<u>5</u>
Total other financing sources (uses)	<u>(596,250)</u>	<u>(596,250)</u>	<u>(596,245)</u>	<u>5</u>
Change in net position - budgetary basis	<u>\$ (8,850)</u>	<u>\$ (26,350)</u>	151,733	<u>\$ 178,083</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position				
Add additions to reserves			<u>5,800</u>	
Change in net position - GAAP basis			<u>\$ 157,533</u>	

See accompanying independent auditor's report.

## **Other Supplementary Information**

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City of Fruita, Colorado  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2014**

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	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 223,871	\$ 84,674	\$ 308,545
Taxes receivable	-	4,402	4,402
<b>Total Assets</b>	<u><u>\$ 223,871</u></u>	<u><u>\$ 89,076</u></u>	<u><u>\$ 312,947</u></u>
<b>LIABILITIES</b>			
Accounts payable	-	2,004	2,004
<b>Total Liabilities</b>	<u><u>-</u></u>	<u><u>2,004</u></u>	<u><u>2,004</u></u>
<b>FUND BALANCE</b>			
Restricted	187,921	75,495	263,416
Assigned	35,950	11,577	47,527
<b>Total Fund Balances</b>	<u><u>223,871</u></u>	<u><u>87,072</u></u>	<u><u>310,943</u></u>
<b>Total Liabilities and fund balance</b>	<u><u>\$ 223,871</u></u>	<u><u>\$ 89,076</u></u>	<u><u>\$ 312,947</u></u>

See accompanying independent auditor's report.

City of Fruita, Colorado  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2014**

	<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	\$ -	\$ 92,719	\$ 92,719
Intergovernmental revenue	124,153	-	124,153
Charges for services	-	\$ 1,775	1,775
Total revenues	<u>124,153</u>	<u>94,494</u>	<u>218,647</u>
<b>EXPENDITURES</b>			
Current			
Marketing and promotion	-	104,202	104,202
Parks and recreation	27,000	-	27,000
Capital outlay			
Parks and recreation	-	-	-
Total expenditures	<u>27,000</u>	<u>104,202</u>	<u>131,202</u>
Excess (deficiency) of revenues over (under) expenditures	97,153	(9,708)	87,445
<b>OTHER FINANCING SOURCES</b>			
Transfers out	<u>(17,010)</u>	-	<u>(17,010)</u>
Change in net position (budgetary basis)	\$ 80,143	\$ (9,708)	\$ 70,435
Adjustments from budgetary basis to GAAP basis to arrive at change in net position	-	-	-
Change in net position (GAAP basis)	<u>\$ 80,143</u>	<u>\$ (9,708)</u>	<u>\$ 70,435</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, 2014**

	<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	\$ 2,775,000	\$ 2,791,150	\$ 2,851,290	\$ 60,140
Investment income	6,100	6,100	4,693	(1,407)
Sale of equipment	-	-	1,705	1,705
Capital contributions - tap fees	264,000	264,000	356,400	92,400
Miscellaneous	100	100	-	(100)
Total revenues	<u>3,045,200</u>	<u>3,061,350</u>	<u>3,214,088</u>	<u>152,738</u>
<b>EXPENSES</b>				
Personnel services	654,575	654,575	598,744	55,831
Purchased services	225,925	228,600	209,238	19,362
Supplies	435,125	411,250	339,121	72,129
Debt service:				
Principal retirement	550,575	550,650	550,628	22
Interest and fiscal charges	587,925	587,925	587,885	40
Capital expenses	308,000	479,000	417,228	61,772
Reserves	150,775	150,775	150,775	-
Transfers out	400,000	970,600	355,578	615,022
Total expenses	<u>3,312,900</u>	<u>4,033,375</u>	<u>3,209,197</u>	<u>824,178</u>
Change in net position - budgetary basis	<u>\$ (267,700)</u>	<u>\$ (972,025)</u>	<u>\$ 4,891</u>	<u>\$ 976,916</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,211,494)	
Add change in accrued interest payable			5,158	
Deduct change in compensation payable			(588)	
Add addition to reserves			150,775	
Add principal retirement			550,628	
Add capital expenses			417,228	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ (33,256)</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, 2014**

	<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	\$ 650,000	\$ 666,500	\$ 665,732	\$ (768)
Investment income	-	-	-	-
Total revenues	<u>650,000</u>	<u>666,500</u>	<u>665,732</u>	<u>(768)</u>
<b>EXPENSES</b>				
Purchased services	595,000	614,350	614,323	27
Transfers out	55,000	52,150	51,409	741
Total expenses	<u>650,000</u>	<u>666,500</u>	<u>665,732</u>	<u>768</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Adjustments from budgetary basis to GAAP Basis to				
Deduct depreciation			-	
Add capital expenses			-	
Change in net position - GAAP basis			<u>\$ -</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, 2014**

	<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	\$ 57,600	\$ 55,600	\$ (2,000)
Investment income	100	-	\$ (100)
Total revenues	<u>57,700</u>	<u>55,600</u>	<u>(2,100)</u>
<b>EXPENSES</b>			
Purchased services	9,200	2,911	6,289
Supplies	500	-	500
Special projects	25,000	25,000	-
Transfers out	50,000	50,000	-
Total expenses	<u>84,700</u>	<u>77,911</u>	<u>6,789</u>
Change in net position - budgetary basis	<u>\$ (27,000)</u>	<u>\$ (22,311)</u>	<u>\$ 4,689</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Deduct depreciation		(37,552)	
Add capital expenses		-	
Change in net position - GAAP basis		<u>\$ (59,863)</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, 2014**

	<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	\$ 95,500	\$ 96,800	\$ 97,051	\$ 251
Capital contributions - tap fees	-	-	-	-
Investment income	25	25	(16)	(41)
Total revenues	<u>95,525</u>	<u>96,825</u>	<u>97,035</u>	<u>210</u>
<b>EXPENSES</b>				
Personnel services	53,600	64,725	65,756	(1,031)
Purchased services	9,500	8,600	8,590	10
Supplies	14,750	13,500	13,299	201
Contingency	7,675	-	-	-
Reserves	-	-	-	-
Transfers out	10,000	10,000	8,700	1,300
Total expenses	<u>\$ 95,525</u>	<u>\$ 96,825</u>	<u>\$ 96,345</u>	<u>\$ 480</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 690	<u>\$ 690</u>
Adjustments from budgetary basis to GAAP Basis				
to arrive at change in net position				
Deduct depreciation			(15,681)	
Add compensation payable			(267)	
Change in net position - GAAP basis			<u>\$ (15,258)</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, 2014**

	<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	\$ 266,850	\$ 266,850	\$ 266,850	\$ -
Other revenues	-	-	-	-
Total revenues	<u>266,850</u>	<u>266,850</u>	<u>266,850</u>	<u>-</u>
<b>EXPENDITURES</b>				
Personnel services	159,550	158,550	154,002	4,548
Purchased services	2,900	1,400	1,370	30
Supplies	104,100	123,900	119,880	4,020
Reserves	-	-	-	-
Contingency	-	-	-	-
Capital equipment	-	-	-	-
Total expenditures	<u>266,550</u>	<u>283,850</u>	<u>275,252</u>	<u>8,598</u>
Change in net position - budgetary basis	<u>\$ 300</u>	<u>\$ (17,000)</u>	<u>\$ (8,402)</u>	<u>\$ 8,598</u>
Adjustments from budgetary basis to GAAP basis				
to arrive at change in net position				
Deduct depreciation			(3,716)	
Deduct compensation payable			(1,672)	
Change in net position - GAAP basis			<u>\$ (13,790)</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 2014
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This Information From The Records Of (example - City of _ or County of City of Fruita)	Prepared By: Phone:
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**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)	646,825
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	693,844
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	46,144
2. General fund appropriations	792,927	b. Snow and ice removal	14,410
3. Other local imposts (from page 2)	706,841	c. Other	225,563
4. Miscellaneous local receipts (from page 2)	114,463	d. Total (a. through c.)	286,117
5. Transfers from toll facilities		4. General administration & miscellaneous	100,601
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	383,111
a. Bonds - Original Issues		6. Total (1 through 5)	2,110,498
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)	1,614,231	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	496,267	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,110,498	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>	2,110,498

**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)				
<b>B. Notes (Total)</b>				0

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,110,498	2,110,498		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2014

**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	14,223
1. Sales Taxes	543,243	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	240
5. Specific Ownership &/or Other	163,598	g. Other Misc. Receipts	100,000
6. Total (1. through 5.)	706,841	h. Other	
c. Total (a. + b.)	706,841	i. Total (a. through h.)	114,463
	(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	378,531	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	47,199	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	70,537	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	117,736	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	496,267	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		286,549	286,549
(2). Capacity Improvements			0
(3). System Preservation		360,276	360,276
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	646,825	646,825
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	646,825	646,825
			(Carry forward to page 1)

Notes and Comments: