



FRUITA COLORADO

2017 Financial Statements

*The best preparation
for tomorrow
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H. Jackson Brown, Jr.

Honor the Past ~ Envision the Future

325 East Aspen, Suite 155
Fruita, Colorado 81521

City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2017

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City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2017

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**INDEPENDENT AUDITOR'S REPORT**

June 14, 2018

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City Fruita, Colorado, as of and for the year ended December 31, 2017, 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, Colorado, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–25 and 73–74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, the supplemental budgetary comparison schedules, and the 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, the supplemental budgetary comparison schedules, and the schedule of receipts and expenditures for roads, bridges and streets, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Management's Discussion and Analysis

This discussion and analysis of the City of Fruita's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. Please read this in conjunction with the financial statements.

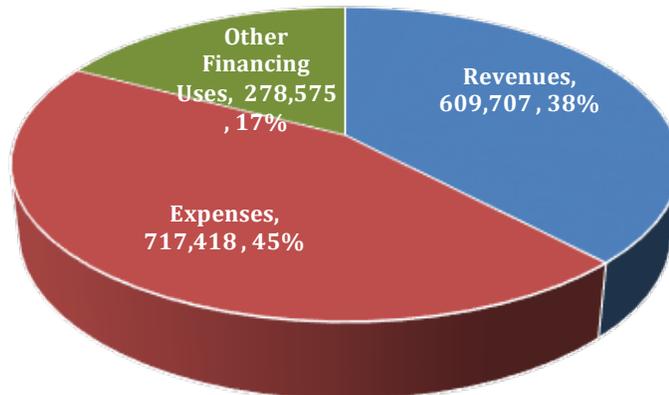
FINANCIAL HIGHLIGHTS

- At year end, the city's *net position* was \$87 million. Of this amount, 13% (\$11.3 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* increased 3% from the prior year. The *unrestricted net position* of governmental activities increased 3.7% and business-type activities increased 1.6%.
- Total fund balances of governmental funds of \$11.9 million increased 7% (\$764,738).
- Unassigned fund balance of \$5.2 million increased 31% (\$1,240,152) from the prior year.
- The budget for the General Fund had a positive variance of \$1.6 million.

General Fund Budget to Actual Highlights

<u>Description</u>	<u>Final Budget</u>	<u>Actual Revenue or Expense</u>	<u>Variance</u>	<u>% (Under) Over Budget</u>
Revenues	\$ 6,750,850	\$ 7,360,557	609,707	9%
Expenses	(7,201,650)	(6,484,232)	717,418	-10%
Other Financing Uses	(425,500)	(146,925)	278,575	-65%
Excess revenues (expenses)	\$ (876,300)	\$ 729,400	\$ 1,605,700	-183%

General Fund Budget to Actual Variance
\$1.6 million



Management's Discussion and Analysis

- ✚ Capital assets increased \$4.3 million in 2017 and included capital projects, equipment and donated assets. This includes \$3.4 million in governmental funds and \$886,282 in proprietary funds.
- ✚ The city retired \$813,910 in debt in 2017.
- ✚ The net position of the Sewer Fund increased 2% (\$431,447) and the unrestricted net position increased 1% (\$50,941).

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

- *The statement of net position* presents information on all of the city's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating. Components of the 2016 net position for governmental activities have been restated for comparative purposes to reflect the restriction of all net position for the Community Center Fund and Conservation Trust Fund.
- *The statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Management's Discussion and Analysis

Fund Financial Statements

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

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Totals for the 2016 fund balances for governmental funds have been restated for comparative purposes to reflect the restriction of all net position for the Community Center Fund and Conservation Trust Fund.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- **Proprietary funds.** Proprietary funds are generally used to account for services for which the city charges customers – either outside customers or internal departments of the city. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The city maintains the following two types of proprietary funds:

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

Internal service funds. Internal services funds are used by the city to account for the costs of operating and maintaining vehicles and equipment. Because this service predominantly benefits governmental rather than business-type functions, it is

Management's Discussion and Analysis

included within *governmental activities* in the government-wide financial statements.

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

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

Notes to the financial statements

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

Other information

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

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

- **Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table presents an analysis of the city's net position as of December 31, 2017.

Note: Components of the 2016 net position for governmental activities have been restated for comparative purposes to reflect the restriction of all net position for the Community Center Fund and Conservation Trust Fund.

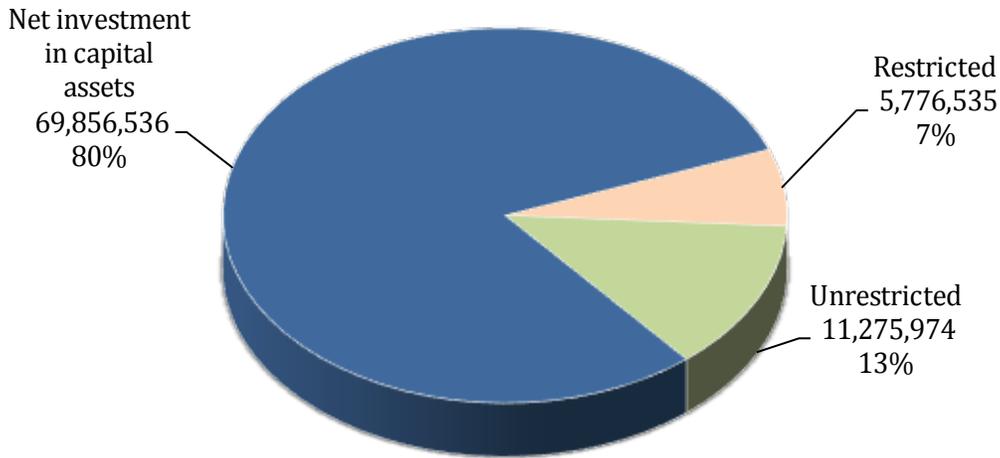
CITY OF FRUITA NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current and other assets	\$ 14,589,469	\$ 13,477,334	\$ 5,999,218	\$ 5,765,333	\$ 20,588,687	\$ 19,242,667
Capital assets	61,236,933	59,932,799	39,776,345	40,192,161	101,013,278	100,124,960
Total assets	75,826,402	73,410,133	45,775,563	45,957,494	121,601,965	119,367,627
LIABILITIES						
Current and other liabilities	1,954,279	1,614,035	1,271,334	1,090,456	3,225,613	2,704,491
Long term liabilities	12,323,703	12,432,884	17,992,194	18,772,339	30,315,897	31,205,223
Total liabilities	14,277,982	14,046,919	19,263,528	19,862,795	33,541,510	33,909,714
TOTAL DEFERRED INFLOWS OF RESOURCES						
	1,151,410	1,125,205	-	-	1,151,410	1,125,205
NET POSITION						
Net investment in capital assets	48,802,384	47,414,482	21,054,152	20,739,821	69,856,536	68,154,303
Restricted	4,906,322	4,818,307	870,213	842,553	5,776,535	5,660,860
Unrestricted	6,688,304	6,005,220	4,587,670	4,512,325	11,275,974	10,517,545
TOTAL NET POSITION	\$60,397,010	\$58,238,009	\$26,512,035	\$26,094,699	\$86,909,045	\$84,332,708

The following chart shows the components of net position as of December 31, 2017. The city's assets exceeded its liabilities and deferred inflow of resources by \$87 million.

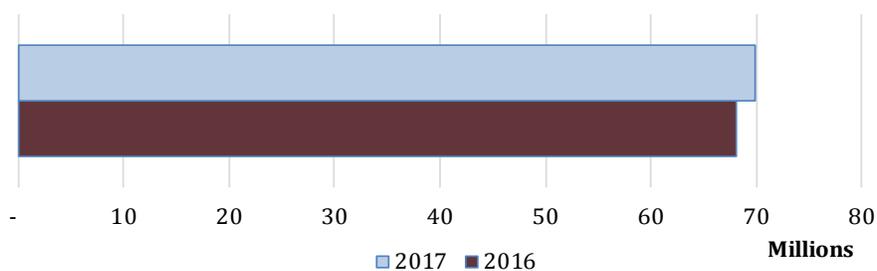
Management's Discussion and Analysis

Net Position - \$87 million



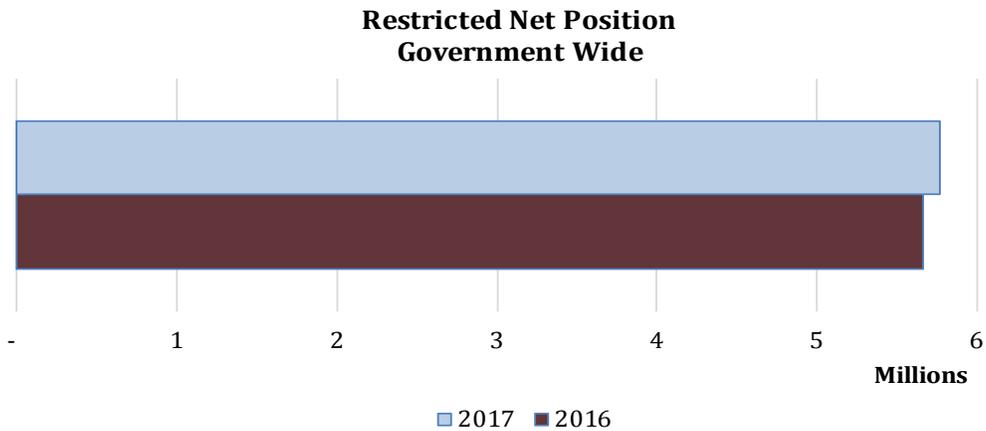
The largest portion of the city's net position (80%) reflect its investment of \$69.9 million in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure), less any related outstanding debt that was used to acquire those assets. The city uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's net investment in capital assets increased \$1.7 million (2.5%).

Net Investment in Capital Assets - Government Wide

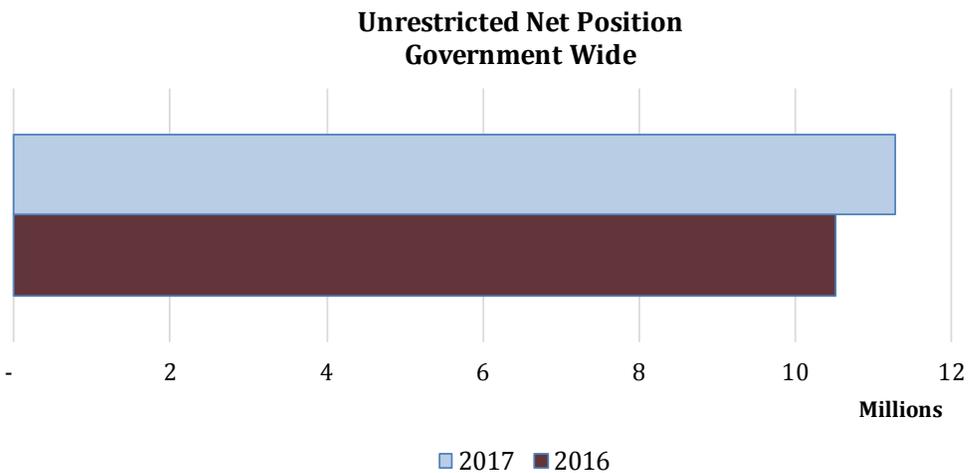


An additional portion of the city's net position of \$5.8 million (7%) represents resources that are subject to restrictions on how they may be used. Restricted net assets increased \$115,675 (2%).

Management's Discussion and Analysis



The remaining balance of \$11.3 million (13%) is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net assets increased \$758,429 (7%).



At the end of the current fiscal year, the city is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Management's Discussion and Analysis

Analysis of Changes in Net Position

The following table shows changes in net position for 2016 and 2017. The city's overall net position increased \$2.6 million (3%) from the prior fiscal year. This increase is explained in the governmental and business-type activities discussion following the table.

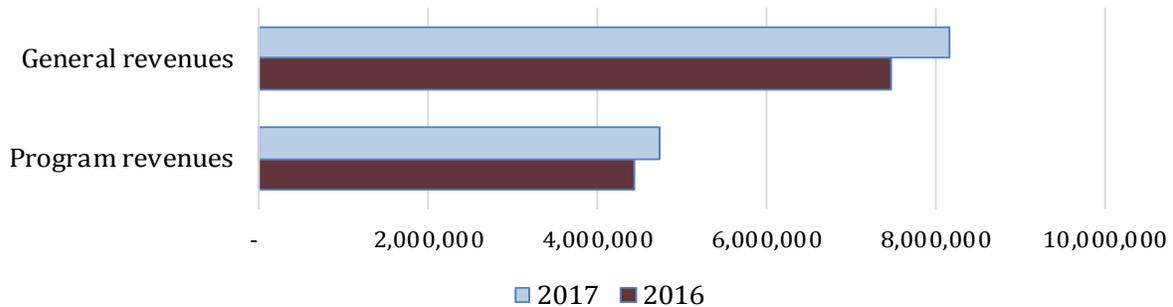
CHANGES IN NET POSITION						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
<u>Program revenues</u>						
Charges for services	\$ 1,953,250	\$ 1,776,766	\$ 4,224,434	\$ 4,090,693	\$ 6,177,684	\$ 5,867,459
Operating grants and contributions	321,903	306,873	-	-	321,903	306,873
Capital grants and contributions	2,456,370	2,349,770	163,250	20,301	2,619,620	2,370,071
<u>General revenues:</u>						
Property taxes	1,123,312	1,096,363	-	-	1,123,312	1,096,363
Sales and use taxes	5,816,106	5,292,447	-	-	5,816,106	5,292,447
Other taxes	1,133,347	1,081,988	-	-	1,133,347	1,081,988
Other	79,525	8,182	49,950	19,762	129,475	27,944
Total revenues	<u>12,883,813</u>	<u>11,912,389</u>	<u>4,437,634</u>	<u>4,130,756</u>	<u>17,321,447</u>	<u>16,043,145</u>
Expenses:						
General government	1,891,738	1,906,048	-	-	1,891,738	1,906,048
Marketing & promotion	127,769	98,976	-	-	127,769	98,976
Parks and recreation	3,301,371	3,172,282	-	-	3,301,371	3,172,282
Public works	2,432,380	2,577,859	-	-	2,432,380	2,577,859
Public safety	2,286,421	2,308,972	-	-	2,286,421	2,308,972
Interest on long-term debt	896,133	899,085	-	-	896,133	899,085
Sewer	-	-	3,020,849	2,898,904	3,020,849	2,898,904
Trash	-	-	646,909	623,778	646,909	623,778
Devils Canyon Center	-	-	38,937	37,551	38,937	37,551
Irrigation water	-	-	102,603	96,179	102,603	96,179
Total expenses	<u>10,935,812</u>	<u>10,963,222</u>	<u>3,809,298</u>	<u>3,656,412</u>	<u>14,745,110</u>	<u>14,619,634</u>
Increase (decrease) in net position before transfers	1,948,001	949,167	628,336	474,344	2,576,337	1,423,511
Transfers	211,000	230,304	(211,000)	(230,304)	-	-
Increase (decrease) in net position	2,159,001	1,179,471	417,336	244,040	2,576,337	1,423,511
Net position - beginning	<u>58,238,009</u>	<u>57,058,538</u>	<u>26,094,699</u>	<u>25,850,659</u>	<u>84,332,708</u>	<u>82,909,197</u>
Net position - ending	<u>\$60,397,010</u>	<u>\$58,238,009</u>	<u>\$26,512,035</u>	<u>\$26,094,699</u>	<u>\$86,909,045</u>	<u>\$84,332,708</u>

Governmental Activities. During the current fiscal year, net position for governmental activities of \$60.4 million reflect an increase of \$2.2 million (3.7%) from the prior fiscal year. Revenues exceeded expenses by \$1.9 million before transfers from business-type activities of \$211,000.

Management's Discussion and Analysis

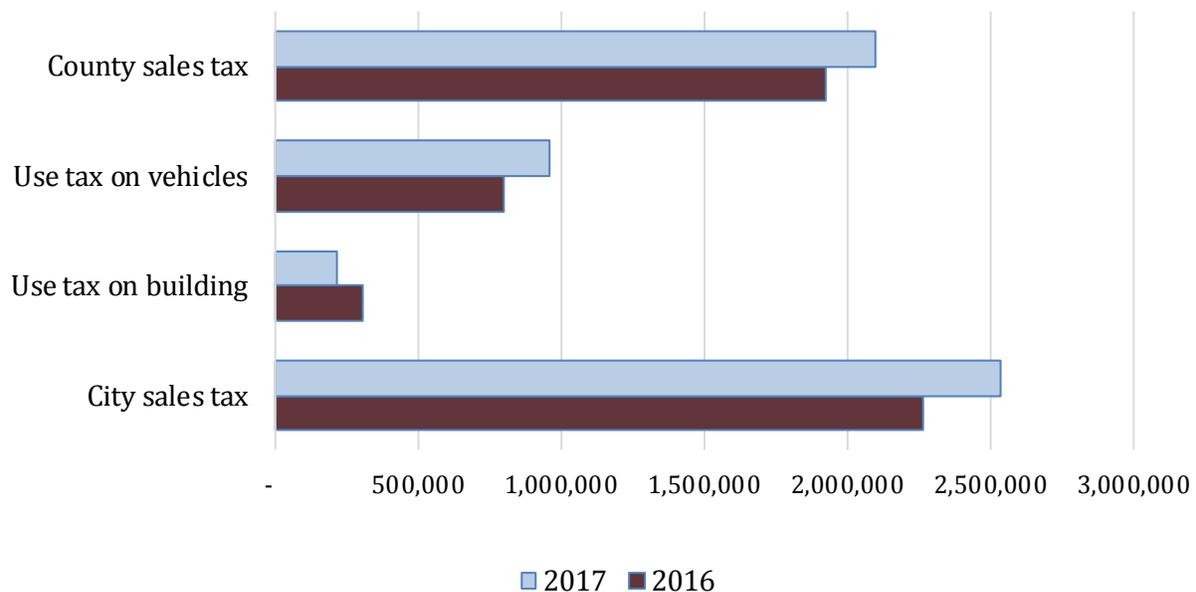
Revenues of \$12.9 million increased \$971,424 (8%) in 2017. Highlights of this increase follows:

Governmental Activity Revenues



General revenues of \$8.2 million consist primarily of taxes and increased \$673,310 (9%) from the prior year with increases in sales and use tax accounting for \$523,659 (78%) of this increase. The following chart shows the changes in sales and use tax revenue.

Sales and Use Tax Revenue

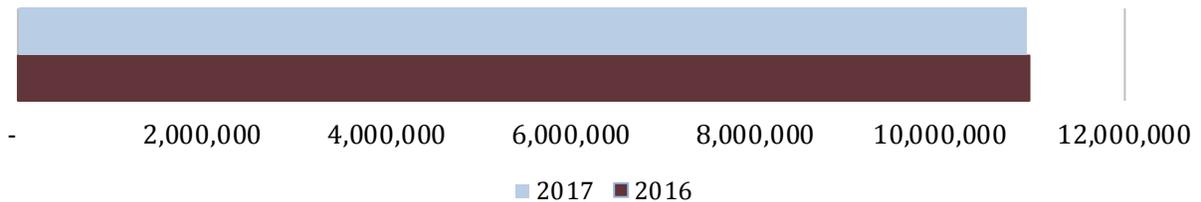


Program specific revenues of \$4.7 million consist of revenues attributed to specific governmental activities and increased \$298,114 (7%) in 2017. Of this amounts, capital grants and contributions increased \$106,600 (5%), charges for services increased \$176,484 (10%) and operating grants increased \$15,030 (5%).

Management's Discussion and Analysis

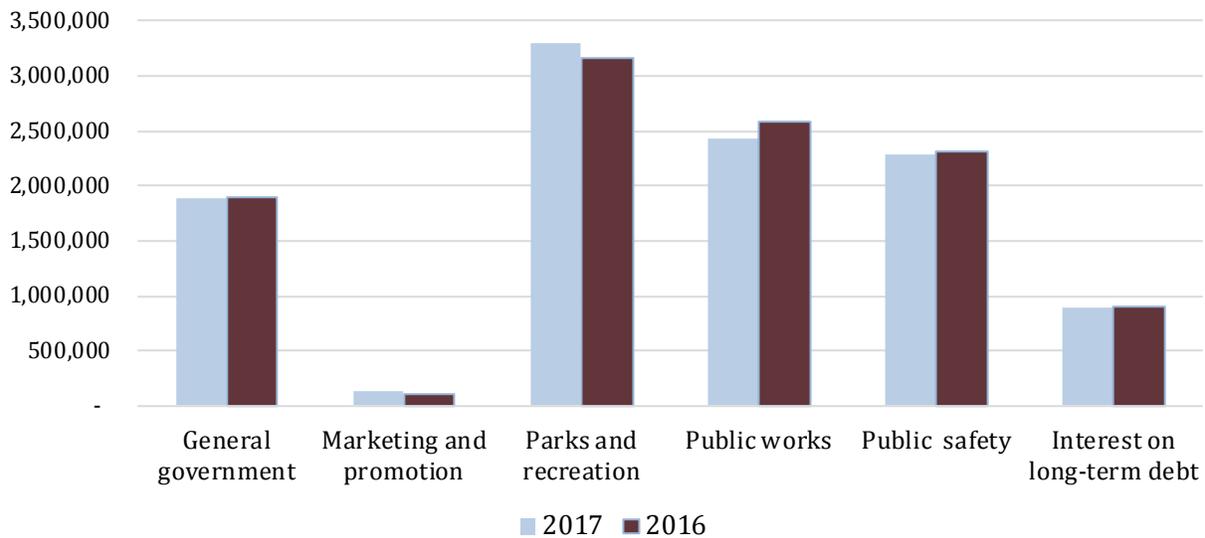
Expenses of \$11 million decreased \$27,410 (0.25%) in 2017.

Governmental Activity Expenses



Increases in expenses occurred in the Parks and Recreation program (\$129,089 – 4%) and Marketing and Promotion program (\$28,793 – 29%). All other program expenses decreased with the largest decrease in Public Works expenses (\$145,479 – 6%), and decreases of less than 1% in General Government and Public Safety expenses and interest on long term debt.

Governmental Activity Expenses by Program



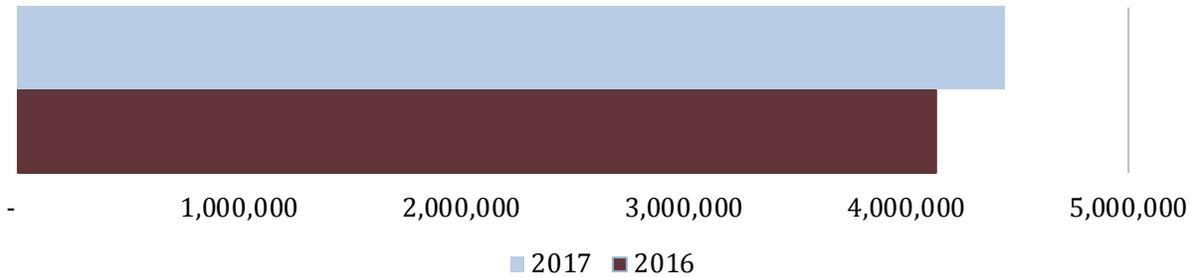
Transfers. Transfers from business-type activities to governmental activities of \$211,000 decreased \$19,304 (8%) from the prior year.

Business-type Activities. During the current fiscal year, net position for business type activities of \$26.5 million reflect an increase of \$417,336 (2%) from the prior fiscal year. Revenues exceeded expenses by \$628,336 before transfers to governmental funds of \$211,000.

Management's Discussion and Analysis

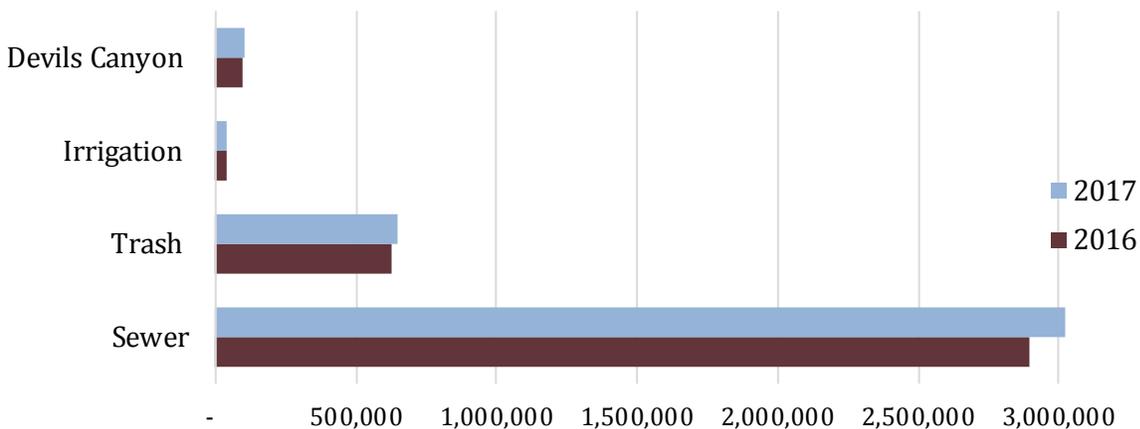
Revenues of \$4.4 million increased \$306,878 (7%) in 2017. Program specific revenues for business-type activities consist primarily of charges for services and increased \$276,690 (7%) in 2017. General revenues of \$49,950 increased \$30,188 (150%) but reflect less than 1% of the total revenues for business type activities.

Business-type Activity Revenues



Expenses of business-type activities of \$3.8 million increased \$152,886 (4%) in 2017. The following chart shows these expenses by activity with Sewer expenses accounting for 79% of the total expenses for business-type activities and the largest increase of \$121,945 (4%).

Business-type Activity Expenses by Program



Transfers. Transfers to governmental activities of \$211,000 decreased 8% over the prior year.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

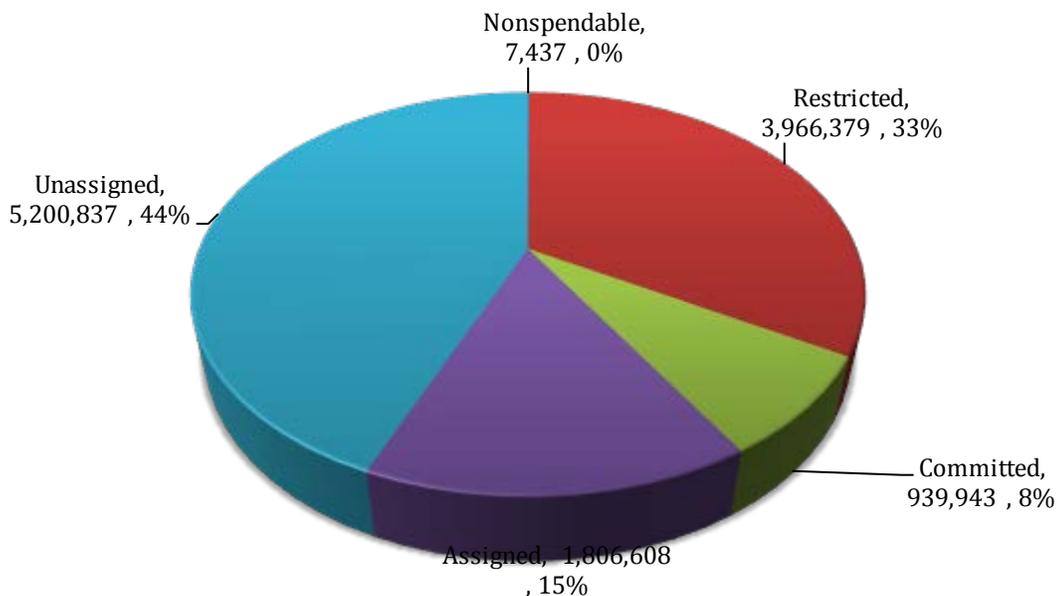
As noted earlier, the City of Fruita uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Fund Balances.

The City's governmental funds reported a combined year end fund balance of \$11.9 million.

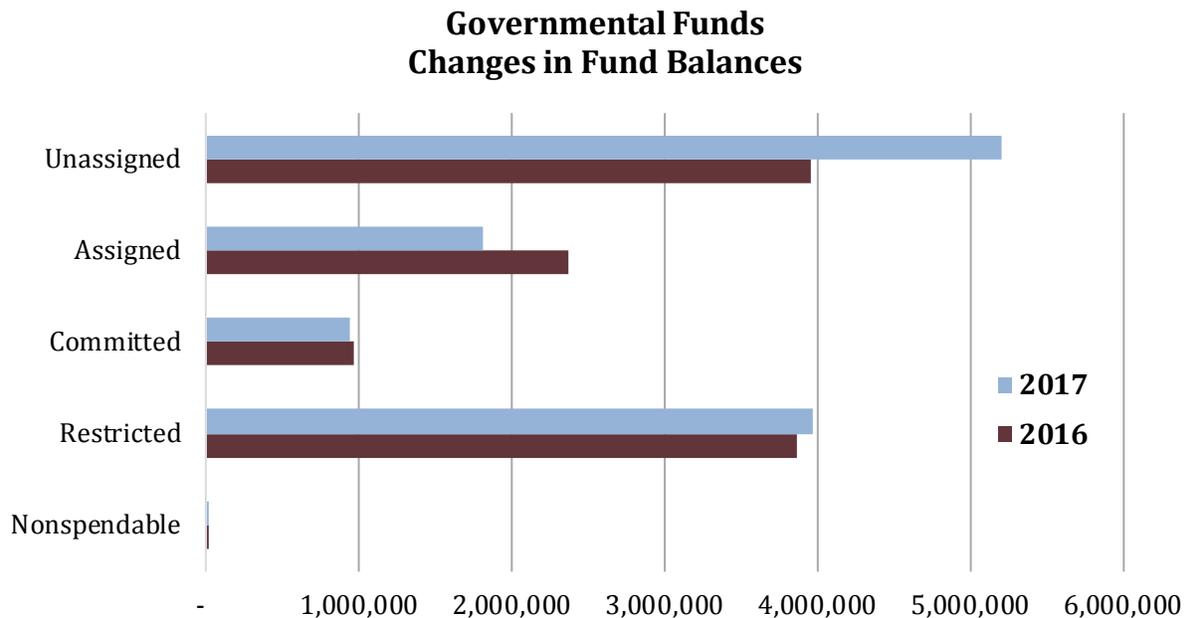
Fund Balance of Governmental Funds - \$11.9 million



Components of fund balance include non-spendable, restricted, committed, assigned and unassigned amounts. The following information highlights the \$764,738 (7%) increase in fund balance from the prior year.

Management's Discussion and Analysis

Note: Totals for the various components of the 2016 fund balances for governmental funds have been restated for comparative purposes to reflect the reclassification of restricted and committed fund balance for the Community Center Fund and Conservation Trust Fund.



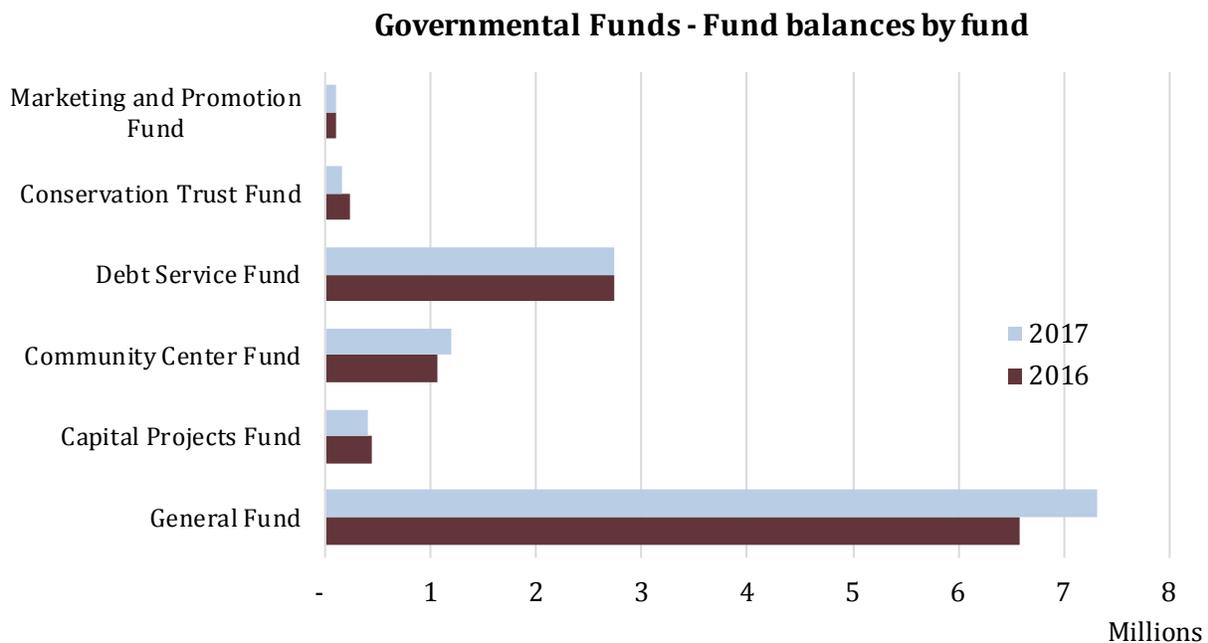
- Non-spendable fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of 7,437, an increase of \$2,658 (56%) from the prior year.
- Restricted fund balances of \$4.9 million (41% of the total fund balance) are amounts restricted for specific purposes by ordinance, state statute or constitutional or charter provisions. Special revenue funds report their balances as restricted for the purpose of that fund. Restricted fund balances increased \$88,015 (2%) from the prior year.
- Committed fund balance of \$939,943 (8% of the total fund balance) represents the amount in the Community Center Fund committed to the 25% operating reserve (\$403,939) and commitment of fund balance for Community Center building and equipment replacement (\$536,004).
- Assigned fund balances of \$1.8 million (15% of the total fund balance) are amounts assigned by the City Council or City Manager for specific purposes. The assigned fund balance decreased \$566,087 (24%) from the prior year. The following table shows the changes in assigned fund balances and reflects the use of or addition to these funds pursuant to budget policies of the city.

Management's Discussion and Analysis

Assigned Fund Balances				
	2017	2016	\$ Change	% Change
Capital projects	239,711	239,797	(86)	0%
Health insurance reserve	408,940	436,312	(27,372)	-6%
Replacement reserves	713,410	745,718	(32,308)	-4%
Subsequent year expenses	392,300	919,875	(527,575)	-57%
Other	52,247	30,993	21,254	69%
Total Assigned Balances	1,806,608	2,372,695	(566,087)	-24%

- Unassigned fund balances of \$5.2 million (44% of the total fund balance) are available for spending at the City's discretion. The unassigned fund balance increased \$1.2 million (31%) from the prior year.

The following chart shows the \$764,738 increase in fund balance by fund.



Proprietary funds

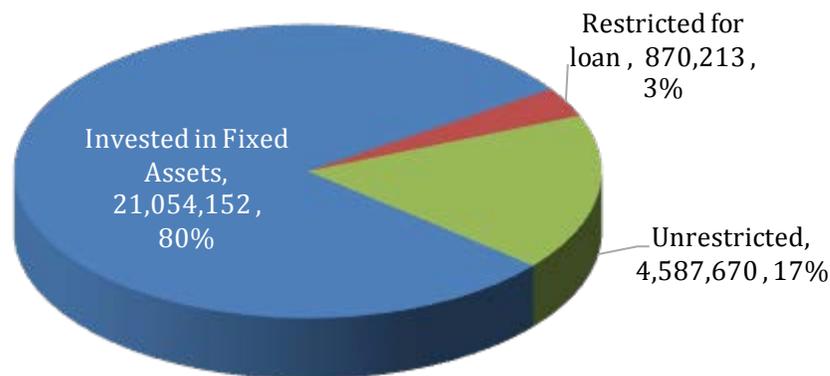
The city's proprietary fund statements provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The following is an analysis of the net position of the Sewer Fund.

Management's Discussion and Analysis

Net Position. The net position for business type activities of \$26.5 million reflects an increase of \$417,336 (2%) from the prior fiscal year.

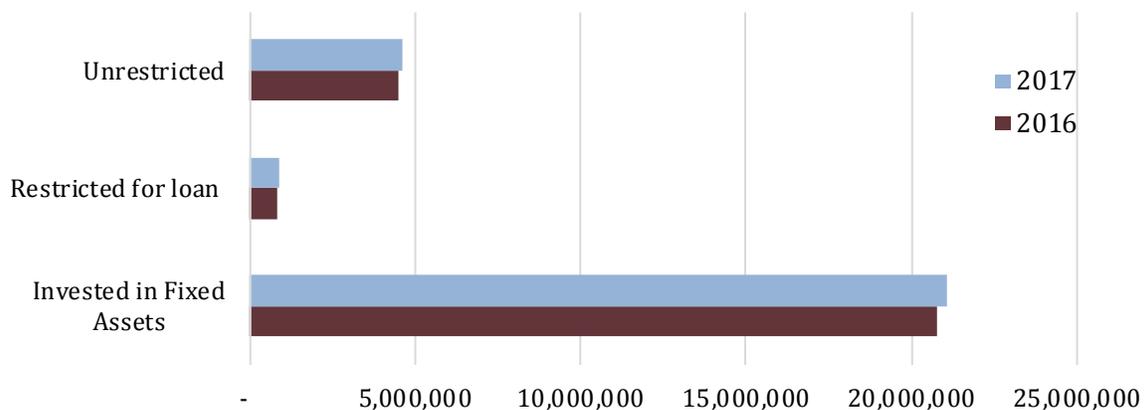
Components of net position include amounts invested in fixed assets (net of related debt), amounts restricted for loan covenants, and unrestricted amounts.

Net Position - Proprietary Funds



The following table shows the components of net position for the proprietary funds and highlights the \$417,336 increase (2%) in net position from the prior year.

Proprietary Funds - Net Position

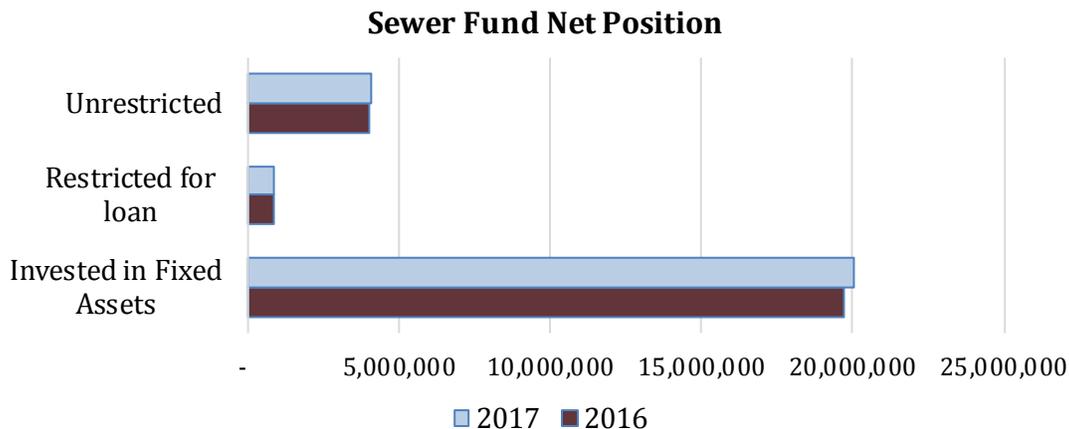


- Invested in fixed assets, net of related debt represents capital assets of \$21 million of the proprietary funds, net of depreciation and debt associated with specific capital assets and represents 79% of the net position of proprietary funds. The investment in capital assets increased \$314,331 (2%) in 2017.

Management's Discussion and Analysis

- Restricted for loan covenants represents funds restricted by loan covenant documents for the wastewater treatment facility loan in the amount of \$870,213 and represents 3% of the net position of proprietary funds. The amount restricted for loan covenants increased \$27,660 (3%) in 2017. Restricted amounts include a 25% operating reserve and a portion of the following years principal and interest payments on the loan.
- Unrestricted net position of \$4.6 million increased \$75,345 (2%) in 2017. Unrestricted net position is available for spending without restriction. As part of the unrestricted net position, \$1.4 million is designated for specific purposes. Designated amounts include \$158,677 for vehicle and equipment replacement and \$1,210,775 for wastewater treatment facility replacement equipment and improvements.

Sewer Fund. The total net position of the Sewer Fund of \$25 million increased \$431,447 (2%) from the prior year. The following chart shows the changes in net position.



- Investment in capital assets of \$20 million increased \$352,846 (2%) in 2017. This change is due to the difference in assets acquired in 2017, the depreciation of assets of the Sewer Fund and reduction in debt associated with capital assets.
- Unrestricted net position of \$4.1 million increased \$50,941 (1%).
- Restricted amounts of \$870,213 increased \$27,660 (3%) and reflects changes in amounts required by the WWTF loan covenants.

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

Management's Discussion and Analysis

Net Position by Fund				
	2017	2016	\$ Chg	% Chg
Sewer	24,989,413	24,557,966	431,447	2%
Trash	132,881	111,748	21,133	19%
Devils Canyon	1,103,719	1,140,705	(36,986)	-3%
Irrigation	286,022	284,280	1,742	1%
Total	26,512,035	26,094,699	417,336	2%

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The city's final budget differs from the original budget in that it includes carry-forward appropriations for various capital projects not completed in the prior year and other supplemental appropriations approved during the year. Amendments were made to the General Fund budget and revenues were increased \$53,725, operational expenses increased \$68,350, and other financing uses increased \$56,500.

Final budget compared to actual results.

Revenues of \$7.4 million received in 2017 were in excess of budgeted revenues of \$6.7 million by \$609,701 (9%). While revenues were ahead of budget, there were some variances in individual revenues which require further analysis to determine potential future trends and impacts. The following table shows the most significant differences between budgeted and actual tax revenues.

<u>Revenue Source</u>	<u>Budgeted</u> <u>revenues</u>	<u>Actual</u> <u>revenues</u>	<u>Variance</u>	<u>% Chg</u>
County sales tax	\$ 1,963,500	\$ 2,100,607	\$ 137,107	7%
City sales tax	1,525,000	1,691,420	166,420	11%
Use taxes	710,000	786,879	76,879	11%
Severance/Mineral Lease	50,000	132,805	82,805	166%
	<u>\$ 4,248,500</u>	<u>\$ 4,711,711</u>	<u>\$ 463,211</u>	<u>11%</u>

City sales tax revenue was over budgeted amounts by \$166,420 (11%) and 12% higher than the prior year indicating a significant improvement in the local economic conditions and a strong tourism component of the local economy and indicating that the more significant reductions seen in prior years due to declines in the oil and gas industry have stabilized.

County sales tax revenue was over budgeted amounts by \$137,107 (7%) and 9% higher than the prior year revenues. This increase in revenue indicates that the regional economy is beginning to improve as well.

Use tax revenues exceeded budget by \$76,879 (11%). This includes use tax on motor vehicles and building materials.

Management's Discussion and Analysis

Severance tax and mineral lease revenue were over budgeted amounts by \$82,805 (166%) but 3% less than the prior year's revenues. The difference between budget and actual revenues is due to conservative budgeting practices due to the volatility of this revenue source and oil and gas industry activity in the region.

Expenses of \$6.5 million were under the final budgeted amount of \$7.2 million by \$717,424 (10%). There were no expenses in excess of budget on a department wide basis. The following table shows the variances between budget and actual expenses by department.

General Fund Expenses - Budget to Actual						
<u>Department</u>		<u>Budgeted</u>		<u>Actual</u>		<u>% (Under)</u>
		<u>expenses</u>		<u>expenses</u>	<u>Difference</u>	<u>Over Budget</u>
General government	\$	360,775	\$	353,839	\$ (6,936)	-2%
Administration		649,600		630,744	(18,856)	-3%
Community development		261,150		223,330	(37,820)	-14%
Public safety		2,251,625		2,105,915	(145,710)	-6%
Public works		1,582,025		1,450,890	(131,135)	-8%
Parks and recreation		1,035,425		996,877	(38,548)	-4%
Non-departmental		536,250		268,729	(267,521)	-50%
Capital outlay		524,800		453,902	(70,898)	-14%
Total operating expenses	\$	7,201,650	\$	6,484,226	\$ (717,424)	-10%

Non-departmental expenses were under budget by \$267,521 (50%) and accounts for 37% of the total difference between budgeted and actual expenses. This included final budgeted contingency funds for general operations and economic development of \$248,850 which remained unspent at year end.

Public safety expenses were under budget by \$145,710 (6%) and accounts for 20% of the total difference between budgeted and actual expenses. This decrease in expenses was primarily related to savings in personnel costs due to personnel changes including vacant positions and salary savings.

Public works expenses were under budget by \$131,135 (8%) and accounts for 18% of the total difference between budgeted and actual expenses. This decrease in expenses was related to various factors including savings due to differences in the allocation of personnel costs between various funds, reductions in fleet maintenance charges and fuel costs

Capital outlay expenses were under budget by \$70,898 (14%) and accounts for 10% of the

Management's Discussion and Analysis

difference between budgeted and actual expenses. This difference is due to savings in capital equipment costs.

All other departments were individually under budget by 2% to 4% and cumulatively account for 15% of the difference between budgeted and actual expenses.

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds, insurance damage awards, proceeds from sale of capital assets and other special revenue or expense items. Other financing sources (uses) were under budget by \$278,575 (65%). This variance from budget to actual was primarily due to a reduction in transfers to the capital projects fund due to savings in capital project costs and timing of capital projects.

Other Financing Sources (Uses)

<u>Description</u>	<u>Budgeted</u> <u>expenses</u>	<u>Actual</u> <u>expenses</u>	<u>Difference</u>	<u>% (Under)</u> <u>Over Budget</u>
Transfers in	\$ 221,000	\$ 211,000	(10,000)	-5%
Transfers out	(646,500)	(367,946)	278,554	-43%
Insurance damage awards	-	18	18	N/A
Sale of capital assets	-	10,003	10,003	100%
Total other financing uses	<u>\$ (425,500)</u>	<u>\$ (146,925)</u>	<u>\$ 278,575</u>	<u>-65%</u>

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Fruita's investment in capital assets includes land, buildings, machinery, equipment, vehicles, park and recreation facilities, roads, highways, the wastewater treatment plant and sewer collection lines and irrigation distribution system.

Capital asset additions in 2017 of \$4.3 million include the following:

Capital Assets			
Governmental Funds		Proprietary Funds	
Kokopelli trail construction	\$ 1,033,475	WWTF improvements	\$ 318,959
Aspen alley infrastructure	227,814	Pabor/Laura Alley utilities	167,996
Overlays	249,731	I-70 secondary force main	179,048
LSWP land acquisition	201,646	Computer equipment	21,150
Misc. projects	13,838	Mobile equipment	29,709
Sidewalk improvements	41,765	Equipment/Furniture	6,170
Snooks Bottom ADA trail	23,432	Capital contributions	
Computer equipment	30,196	Adobe View North	85,560
Mobile equipment	420,970	Aspen Village	63,350
Equipment/Furniture	78,461	Brandon Estates	14,340
Capital contributions:			
Adobe View North	490,159		
Aspen Village	490,567		
Brandon Estates	125,976		
Other	21,380		
Total	\$ 3,449,410	Total	\$ 886,282

Depreciation expense of \$3.4 million included \$2.1 million in governmental activities and \$1.3 million in business type activities.

The City disposed of \$115,441 in capital assets with a book value of \$1,106. These disposals included 1 police cars and 5 trucks.

Long-term Debt. At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$31,156,747. Of this amount, \$18.7 million is a loan backed by user fees and charges of the sewer system, \$12.2 million in bonds is backed by a one cent city sales and use tax which is dedicated for the community center, \$191,250 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa, and \$147,887 is for compensated absences payable from future revenues of the City. The City of Fruita's total debt decreased by \$813,910 in 2017.

Management's Discussion and Analysis

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

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2018 Budget prioritizes the resources available to the city and sets a course of action to implement the goals set by the City Council. While striving to remain fiscally conservative, the city is fortunate to maintain focus and remain positive. Efforts of the past have paid off to sustain the City during down times and recent efforts are paying off for the future. The City's economy has stabilized faster than most on the western slope as Fruita continues to be a desirable community to live, play and work and outdoor enthusiasts continue to flock to the City. The 2018 budget continues to be conservative on both revenues and expenses to ensure that the city can sustain its' operations and continue to provide city services to the citizens of Fruita.

While revenues are budgeted conservatively in 2018, the City continues to see benefits from its reputation as a family friendly community and an outdoor recreation mecca for both local, regional and national visitors. The City's proximity to the Colorado National Monument, the Colorado River, numerous trails for biking and hiking and other amenities continue to draw tourists and visitors to the area, as well as permanent residents who value the quality of place and lifestyle that Fruita offers.

The following economic factors currently affect the City of Fruita and were considered in developing the 2018 fiscal year budget.

2018 General Fund Revenues. General Fund revenues for 2018 are budgeted to increase 9% from 2017 budgeted revenues and stay relatively flat with 2017 actual revenues.

Public Safety Tax. The 2018 budget includes the addition of a portion of the new County Public Safety sales tax to help offset costs of providing for public safety. This tax was originally discussed to help offset continual increases in the costs of emergency dispatch/communication services which have made it difficult to provide other necessary services to the city residents.

Capital investments. Past financial policies of the city have provided resources that allowed the city to maintain an aggressive capital improvements plan during the economic downturn. In the last ten years, the city has spent a significant amount of funds on capital projects and incurred \$34.4 million of debt. With declining funds available in fund balances, funding of capital projects has declined. However, the city is continuing to address funding of future capital projects by leveraging grant funds with city funds and continuing to set aside revenue on an annual basis for funding of future capital projects. The 2018 budget includes \$768,500 million of capital projects for governmental activities.

Economic development. The city continues its economic development efforts to attract and retain businesses, with a special emphasis and focus on businesses involved with outdoor recreation. These efforts have involved partnerships with private land owners of

Management's Discussion and Analysis

commercial property in the city, cooperative efforts with GJEP (a regional economic development group) to market the city and attract businesses, attendance at outdoor recreation tradeshows to market the city and its assets, and working with a number of public and private agencies and individuals to further these endeavors and work together for the betterment of the community. These efforts are producing interest and the city has received a number of positive inquiries and feedback. The city continues to place a high priority on these efforts in the 2018 Budget.

User fees and charges. User charges in the utility funds (sewer, trash and irrigation) are established to cover operating and capital costs. Rate increases went into effect on January 1, 2018 for these services. Monthly trash collection charges increased \$0.40 (3%) and reflects the increase allowed under the contract with the current provider of trash collections services. Sewer rates for residential customers were increased \$2.50 (6%) per month. The Fruita Community Center daily admission fee was increased by \$1.00 (17%). The annual increase of \$0.90 per hour in minimum wage (until 2020 when it reaches \$12.00 per hour and annual increases thereafter based on CPI) has, and will continue to have a significant impact on the Fruita Community Center. In addition, the increase in minimum wage results in compression issues in the pay plan and will need to be addressed with future budgets.

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

Management's Discussion and Analysis

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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City of Fruita, Colorado
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 8,001,493	\$ 4,526,760	\$ 12,528,253
Receivables	1,190,192	602,244	1,792,436
Intergovernmental receivable	2,194,088	-	2,194,088
Inventories	7,437	-	7,437
Restricted assets:			
Restricted cash	3,196,259	870,214	4,066,473
Capital assets (net of accumulated depreciation)			
Land	8,141,438	1,046,173	9,187,611
Source of supply	-	14,712	14,712
Buildings, net	16,159,562	685,992	16,845,554
Systems, net	27,652,961	37,387,139	65,040,100
Machinery and equipment, net	9,282,972	642,329	9,925,301
Total Assets	<u>75,826,402</u>	<u>45,775,563</u>	<u>121,601,965</u>
LIABILITIES			
Accounts payable and other current liabilities	507,459	302,470	809,929
Accrued interest payable	220,559	218,419	438,978
Compensated absences payable	127,442	20,445	147,887
Customer deposits payable	2,641	-	2,641
Unearned revenues	985,328	-	985,328
Noncurrent liabilities:			
Due within one year (bonds and notes)	110,850	730,000	840,850
Due in more than one year (bonds and notes, net)	12,323,703	17,992,194	30,315,897
Total Liabilities	<u>14,277,982</u>	<u>19,263,528</u>	<u>33,541,510</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,151,410	-	1,151,410
Total Deferred Inflows of Resources	<u>1,151,410</u>	<u>-</u>	<u>1,151,410</u>
NET POSITION			
Net investment in capital assets	48,802,384	21,054,152	69,856,536
Restricted for:			
Debt service	2,744,862	870,213	3,615,075
Marketing and promotion	106,762	-	106,762
Community center	1,187,871	-	1,187,871
Parks and open space	166,283	-	166,283
Streets and drainage	300,544	-	300,544
Emergency reserves	400,000	-	400,000
Unrestricted	6,688,304	4,587,670	11,275,974
Total Net Position	<u>\$ 60,397,010</u>	<u>\$ 26,512,035</u>	<u>\$ 86,909,045</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, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,891,738	\$ 209,094	\$ 4,375	\$ -	\$ (1,678,269)	\$ -	\$ (1,678,269)
Marketing and promotion	127,769	120,882	-	-	(6,887)	-	(6,887)
Parks and recreation	3,301,371	1,477,248	62,870	1,006,037	(755,216)	-	(755,216)
Public works	2,432,380	130,491	4,508	1,450,333	(847,048)	-	(847,048)
Public safety	2,286,421	2,576	1,750	-	(2,282,095)	-	(2,282,095)
Interest on long-term debt	896,133	12,959	248,400	-	(634,774)	-	(634,774)
Total governmental activities	<u>10,935,812</u>	<u>1,953,250</u>	<u>321,903</u>	<u>2,456,370</u>	<u>(6,204,289)</u>	<u>-</u>	<u>(6,204,289)</u>
BUSINESS-TYPE ACTIVITIES							
Sewer	3,020,849	3,399,294	-	163,250	-	541,695	541,695
Trash	646,909	708,956	-	-	-	62,047	62,047
Devils Canyon Center	38,937	1,385	-	-	-	(37,552)	(37,552)
Irrigation water	102,603	114,799	-	-	-	12,196	12,196
Total business-type activities	<u>3,809,298</u>	<u>4,224,434</u>	<u>-</u>	<u>163,250</u>	<u>-</u>	<u>578,386</u>	<u>578,386</u>
Total government	<u>\$ 14,745,110</u>	<u>\$ 6,177,684</u>	<u>\$ 321,903</u>	<u>\$ 2,619,620</u>	<u>(6,204,289)</u>	<u>578,386</u>	<u>(5,625,903)</u>
General Revenues:							
Property taxes					1,123,312	-	1,123,312
Sales and use taxes					5,816,106	-	5,816,106
Severance tax					132,805	-	132,805
Highway users tax					394,425	-	394,425
Franchise fees					399,815	-	399,815
Other shared taxes					206,302	-	206,302
Unrestricted investment earnings					69,522	37,337	106,859
Gain (loss) on sale of capital assets					10,003	12,613	22,616
Transfers					211,000	(211,000)	-
Total general revenues and transfers					<u>8,363,290</u>	<u>(161,050)</u>	<u>8,202,240</u>
Change in net position					2,159,001	417,336	2,576,337
Net position - beginning					<u>58,238,009</u>	<u>26,094,699</u>	<u>84,332,708</u>
Net position - ending					<u>\$ 60,397,010</u>	<u>\$ 26,512,035</u>	<u>\$ 86,909,045</u>

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	Major Funds			Nonmajor Funds		Total
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
ASSETS						
Cash and investments	\$ 5,936,363	\$ -	\$ 1,078,272	\$ 680,552	\$ 277,449	\$ 7,972,636
Accounts receivable	30,053	3,083	750	-	-	33,886
Taxes receivable	1,151,410	-	-	-	4,896	1,156,306
Due from other funds	667,435	-	-	-	-	667,435
Due from other governments	945,012	1,014,861	171,965	62,250	-	2,194,088
Inventories	7,437	-	-	-	-	7,437
Cash - restricted	134,412	1,059,787	-	2,002,060	-	3,196,259
Total Assets	8,872,122	2,077,731	1,250,987	2,744,862	282,345	15,228,047
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	232,993	193,604	61,595	-	11,837	500,029
Due to other funds	-	667,435	-	-	-	667,435
Deposits payable	1,120	-	1,521	-	-	2,641
Unearned revenues	176,604	808,724	-	-	-	985,328
Total Liabilities	410,717	1,669,763	63,116	-	11,837	2,155,433
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	1,151,410	-	-	-	-	1,151,410
Total deferred inflows of resources	1,151,410	-	-	-	-	1,151,410
Fund Balances:						
Nonspendable:	7,437	-	-	-	-	7,437
Restricted:						
Debt Service	-	-	-	2,744,862	-	2,744,862
Marketing	-	-	-	-	106,762	106,762
Community center	-	-	247,928	-	-	247,928
Parks and open space	-	2,537	-	-	163,746	166,283
Streets and drainage	2,019	298,525	-	-	-	300,544
Emergency reserve	400,000	-	-	-	-	400,000
Committed:	-	-	939,943	-	-	939,943
Assigned:						
Equipment replacement reserve	713,410	-	-	-	-	713,410
Subsequent year expenses	392,300	-	-	-	-	392,300
Health insurance reserve	408,940	-	-	-	-	408,940
Capital projects	132,805	106,906	-	-	-	239,711
Scholarship Program	26,058	-	-	-	-	26,058
Art Acquisition Fund	12,747	-	-	-	-	12,747
War memorial maintenance	8,897	-	-	-	-	8,897
Senior Programs	3,140	-	-	-	-	3,140
Court appointed counsel	1,405	-	-	-	-	1,405
Unassigned:						
Unassigned	3,579,781	-	-	-	-	3,579,781
Operating reserve	1,621,056	-	-	-	-	1,621,056
Total fund balances	7,309,995	407,968	1,187,871	2,744,862	270,508	11,921,204
Total liabilities, deferred inflows of resources and fund balances	\$ 8,872,122	\$ 2,077,731	\$ 1,250,987	\$ 2,744,862	\$ 282,345	\$ 15,228,047

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

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

Total fund balances of governmental funds	\$ 11,921,204
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$19,736).	61,236,933
Internal service funds are used to charge the costs of fleet maintenance to individual funds. The current assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	21,427
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts (\$4,371).	(12,782,554)
Net position of governmental activities	<u>\$ 60,397,010</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, 2017

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
REVENUES						
Taxes:						
Property	\$ 1,123,312	\$ -	\$ -	\$ -	\$ -	\$ 1,123,312
City sales	1,691,420	-	843,760	-	-	2,535,180
County sales	2,100,607	-	-	-	-	2,100,607
Use tax	786,879	-	393,440	-	-	1,180,319
Other	583,411	-	-	-	120,882	704,293
Licenses and permits	35,768	-	-	-	-	35,768
Intergovernmental revenues	605,140	1,309,026	-	248,400	125,598	2,288,164
Charges for services	248,581	-	1,148,765	-	314	1,397,660
Fines, forfeitures, assessments	32,538	-	-	-	-	32,538
Development impact fees	-	37,143	-	-	-	37,143
Investment earnings	50,704	10,885	1,520	17,699	271	81,079
Rents and royalties	38,124	-	43,505	-	-	81,629
Donations	50,216	-	1,900	-	500	52,616
Miscellaneous	13,857	-	1,385	-	-	15,242
Total revenues	<u>7,360,557</u>	<u>1,357,054</u>	<u>2,434,275</u>	<u>266,099</u>	<u>247,565</u>	<u>11,665,550</u>
EXPENDITURES						
Current:						
General government	353,840	-	-	-	-	353,840
Administration	630,744	-	-	-	-	630,744
Community development	223,330	-	-	-	-	223,330
Marketing and promotion	-	-	-	-	127,769	127,769
Public safety	2,105,917	-	-	-	-	2,105,917
Public works	1,450,889	39,911	-	-	-	1,490,800
Parks and recreation	996,882	-	1,615,755	-	26,000	2,638,637
Non-departmental	268,728	-	-	-	-	268,728
Debt service						
Principal retirement	-	-	-	75,000	-	75,000
Interest and fiscal charges	-	-	-	885,738	-	885,738
Capital outlay	453,902	1,784,622	82,806	-	-	2,321,330
Total expenditures	<u>6,484,232</u>	<u>1,824,533</u>	<u>1,698,561</u>	<u>960,738</u>	<u>153,769</u>	<u>11,121,833</u>
Excess (deficiency) of revenues over expenditures	<u>876,325</u>	<u>(467,479)</u>	<u>735,714</u>	<u>(694,639)</u>	<u>93,796</u>	<u>543,717</u>
OTHER FINANCING SOURCES (USES)						
Insurance rebates and awards	18	-	-	-	-	18
Sale of capital assets	10,003	-	-	-	-	10,003
Transfers in	211,000	433,144	95,000	704,700	12,000	1,455,844
Transfers (out)	(367,946)	-	(704,700)	-	(172,198)	(1,244,844)
Total other financing sources (uses)	<u>(146,925)</u>	<u>433,144</u>	<u>(609,700)</u>	<u>704,700</u>	<u>(160,198)</u>	<u>221,021</u>
Net change in fund position	<u>729,400</u>	<u>(34,335)</u>	<u>126,014</u>	<u>10,061</u>	<u>(66,402)</u>	<u>764,738</u>
Fund balances - beginning	<u>6,580,595</u>	<u>442,303</u>	<u>1,061,857</u>	<u>2,734,801</u>	<u>336,910</u>	<u>11,156,466</u>
Fund balances - ending	<u>\$ 7,309,995</u>	<u>\$ 407,968</u>	<u>\$ 1,187,871</u>	<u>\$ 2,744,862</u>	<u>\$ 270,508</u>	<u>\$ 11,921,204</u>

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, 2017

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

Net change in fund balances - total governmental funds	\$ 764,738
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.	178,682
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	1,127,963
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	85,433
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>2,185</u>
Change in net position of governmental activities	<u><u>\$ 2,159,001</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, 2017 (With comparative totals for 2016)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund		Non-Major Funds						Totals	Fleet Maintenance Internal Service Fund
	Sewer	Trash	Deviils Canyon Center		Irrigation Water		2017			
2017	2016	2017	2016	2017	2016	2017	2016	2017		
ASSETS										
Current assets:										
Cash and investments	\$ 4,011,095	\$ 3,851,822	\$ 125,177	\$ 101,644	\$ 230,119	\$ 229,554	\$ 160,369	\$ 156,567	\$ 4,526,760	\$ 28,857
Interest receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	482,781	465,330	116,475	114,477	-	-	2,988	3,386	602,244	-
Notes receivable	-	-	-	-	-	-	-	-	-	-
Total current assets	<u>4,493,876</u>	<u>4,317,152</u>	<u>241,652</u>	<u>216,121</u>	<u>230,119</u>	<u>229,554</u>	<u>163,357</u>	<u>159,953</u>	<u>5,129,004</u>	<u>28,857</u>
Non-current assets:										
Restricted cash:										
WWTF loan covenants	870,214	842,553	-	-	-	-	-	-	870,214	-
Customer deposits	-	-	-	-	-	-	-	-	-	-
Capital assets										
Land	764,010	764,010	-	-	225,514	225,514	56,649	56,649	1,046,173	-
Source of supply	-	-	-	-	-	-	14,712	14,712	14,712	-
Buildings, net	34,724	36,700	-	-	648,086	685,637	3,182	4,269	685,992	-
Systems, net	37,334,409	37,615,544	-	-	-	-	52,730	52,391	37,387,139	-
Equipment, net	640,384	734,574	-	-	-	-	1,945	2,161	642,329	19,736
Total capital assets, net	<u>38,773,527</u>	<u>39,150,828</u>	<u>-</u>	<u>-</u>	<u>873,600</u>	<u>911,151</u>	<u>129,218</u>	<u>130,182</u>	<u>39,776,345</u>	<u>19,736</u>
Total non-current assets	<u>39,643,741</u>	<u>39,993,381</u>	<u>-</u>	<u>-</u>	<u>873,600</u>	<u>911,151</u>	<u>129,218</u>	<u>130,182</u>	<u>40,646,559</u>	<u>19,736</u>
Total assets	<u>44,137,617</u>	<u>44,310,533</u>	<u>241,652</u>	<u>216,121</u>	<u>1,103,719</u>	<u>1,140,705</u>	<u>292,575</u>	<u>290,135</u>	<u>45,775,563</u>	<u>48,593</u>
LIABILITIES										
Current liabilities:										
Accounts Payable	189,010	54,272	108,771	104,373	-	-	4,689	3,994	302,470	7,430
Compensated absences	18,581	19,308	-	-	-	-	1,864	1,861	20,445	4,042
Notes payable - current maturity	425,833	396,667	-	-	-	-	-	-	425,833	-
Total current liabilities	<u>633,424</u>	<u>470,247</u>	<u>108,771</u>	<u>104,373</u>	<u>-</u>	<u>-</u>	<u>6,553</u>	<u>5,855</u>	<u>748,748</u>	<u>11,472</u>
Current liabilities payable from restricted assets:										
Accrued interest payable from restricted cash	218,419	226,648	-	-	-	-	-	-	218,419	-
Notes payable from restricted cash	304,167	283,333	-	-	-	-	-	-	304,167	-
Total current liabilities payable from restricted assets	<u>522,586</u>	<u>509,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,586</u>	<u>-</u>
Noncurrent liabilities:										
Notes payable (net of premium)	17,992,194	18,772,339	-	-	-	-	-	-	17,992,194	-
Total noncurrent liabilities	<u>17,992,194</u>	<u>18,772,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,992,194</u>	<u>-</u>
Total liabilities	<u>19,148,204</u>	<u>19,752,567</u>	<u>108,771</u>	<u>104,373</u>	<u>-</u>	<u>-</u>	<u>6,553</u>	<u>5,855</u>	<u>19,263,528</u>	<u>11,472</u>
NET POSITION										
Invested in capital assets, net of related debt	20,051,334	19,698,488	-	-	873,600	911,151	129,218	130,182	21,054,152	19,736
Restricted for loan covenants	870,213	842,553	-	-	-	-	-	-	870,213	-
Unrestricted:										
Designated for capital projects	-	350,000	-	-	-	-	-	-	-	-
Designated for health insurance reserve	-	-	-	-	-	-	-	-	-	-
Designated for equipment replacement	1,369,452	1,219,161	-	-	-	-	-	-	1,369,452	-
Other unrestricted	2,698,414	2,447,764	132,881	111,748	230,119	229,554	156,804	154,098	3,218,218	17,385
Total net position	<u>\$ 24,989,413</u>	<u>\$ 24,557,966</u>	<u>\$ 132,881</u>	<u>\$ 111,748</u>	<u>\$ 1,103,719</u>	<u>\$ 1,140,705</u>	<u>\$ 286,022</u>	<u>\$ 284,280</u>	<u>\$ 26,512,035</u>	<u>\$ 37,121</u>

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, 2017 (With comparative totals for 2016)

	Business-type Activities - Enterprise Funds								Governmental	
	Major Fund		Non-Major Funds						Fleet Maintenance	
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals	Internal Service
	2017	2016	2017	2016	2017	2016	2017	2016	2017	Fund
OPERATING REVENUES										
Charges for services	\$ 3,069,871	\$ 2,897,110	\$ 708,956	\$ 684,835	\$ 1,385	\$ -	\$ 114,799	\$ 106,190	\$ 3,895,011	\$ 260,472
Other revenues	144	679	-	-	-	-	-	-	144	-
Total operating revenues	<u>3,070,015</u>	<u>2,897,789</u>	<u>708,956</u>	<u>684,835</u>	<u>1,385</u>	<u>-</u>	<u>114,799</u>	<u>106,190</u>	<u>3,895,155</u>	<u>260,472</u>
OPERATING EXPENSES										
Personnel services	649,962	601,360	-	-	-	-	73,978	68,416	723,940	149,479
Purchased services	315,388	249,061	646,909	623,778	1,386	-	10,372	6,621	974,055	30,626
Supplies	312,505	319,865	-	-	-	-	12,109	13,933	324,614	77,855
Depreciation	1,257,413	1,173,644	-	-	37,551	37,551	6,144	7,209	1,301,108	2,512
Total operating expenses	<u>2,535,268</u>	<u>2,343,930</u>	<u>646,909</u>	<u>623,778</u>	<u>38,937</u>	<u>37,551</u>	<u>102,603</u>	<u>96,179</u>	<u>3,323,717</u>	<u>260,472</u>
Operating income (loss)	534,747	553,859	62,047	61,057	(37,552)	(37,551)	12,196	10,011	571,438	-
NONOPERATING REVENUES (EXPENSES)										
Investment income	36,609	19,562	86	-	566	-	76	-	37,337	-
System development contributions	163,250	19,801	-	-	-	-	-	-	163,250	-
Gain (Loss) on disposal of equipment	13,143	200	-	-	-	-	(530)	-	12,613	-
Interest expense and amortization	(485,581)	(554,974)	-	-	-	-	-	-	(485,581)	-
Total nonoperating revenues (expenses)	<u>(272,579)</u>	<u>(515,411)</u>	<u>86</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>(454)</u>	<u>-</u>	<u>(272,381)</u>	<u>-</u>
Income (Loss) before contributions and transfers	262,168	38,448	62,133	61,057	(36,986)	(37,551)	11,742	10,011	299,057	-
Capital contributions - tap fees	329,279	401,879	-	-	-	-	-	500	329,279	-
Transfers out	(160,000)	(169,304)	(41,000)	(51,000)	-	-	(10,000)	(10,000)	(211,000)	-
Change in net position	431,447	271,023	21,133	10,057	(36,986)	(37,551)	1,742	511	417,336	-
Net position - beginning	24,557,966	24,286,943	111,748	101,691	1,140,705	1,178,256	284,280	283,769	26,094,699	37,121
Net position - ending	<u>\$ 24,989,413</u>	<u>\$ 24,557,966</u>	<u>\$ 132,881</u>	<u>\$ 111,748</u>	<u>\$ 1,103,719</u>	<u>\$ 1,140,705</u>	<u>\$ 286,022</u>	<u>\$ 284,280</u>	<u>\$ 26,512,035</u>	<u>\$ 37,121</u>

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, 2017 (With comparative totals for 2016)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund Sewer		Trash		Non-Major Funds Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance Internal Service Fund
	2017	2016	2017	2016	2017	2016	2017	2016	2017	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	\$ 3,052,565	\$ 2,888,021	\$ 706,958	\$ 683,480	\$ 1,385	\$ -	\$ 115,196	\$ 106,075	\$ 3,876,104	\$ -
Cash from interfund services	-	-	-	-	-	-	-	-	-	260,472
Payments to suppliers	(625,677)	(567,565)	(642,511)	(625,647)	(1,386)	-	(20,835)	(18,626)	(1,290,409)	(114,010)
Payments to employees	(645,387)	(605,594)	-	-	-	-	(74,925)	(66,632)	(720,312)	(151,027)
Net cash provided by operating activities	1,781,501	1,714,862	64,447	57,833	(1)	-	19,436	20,817	1,865,383	(4,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Operating transfers	(160,000)	(169,304)	(41,000)	(51,000)	-	-	(10,000)	(10,000)	(211,000)	-
Net cash used by non-capital financing activities	(160,000)	(169,304)	(41,000)	(51,000)	-	-	(10,000)	(10,000)	(211,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital contributions - plant investment fees	329,279	409,231	-	-	-	-	-	500	329,279	-
Gain/loss on sale of equipment	13,143	200	-	-	-	-	460	-	13,603	-
Proceeds from special assessments	-	-	-	-	-	-	-	-	-	-
Principal paid on capital debt	(680,000)	(630,000)	-	-	-	-	-	-	(680,000)	-
Interest paid on capital debt	(493,810)	(562,844)	-	-	-	-	-	-	(493,810)	-
Purchase of capital assets	(589,642)	(595,695)	-	-	-	-	(6,170)	(2,161)	(595,812)	-
Net cash provided (used) by capital and related financing activities	(1,421,030)	(1,379,108)	-	-	-	-	(5,710)	(1,661)	(1,426,740)	-
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest received on investments	36,609	19,592	86	-	566	-	76	-	37,337	-
Net cash provided by investing activities	36,609	19,592	86	-	566	-	76	-	37,337	-
Net increase (decrease) in cash and cash equivalents	237,080	186,042	23,533	6,833	565	-	3,802	9,156	264,980	(4,565)
Cash and cash equivalents, January 1 (including \$842,553 in the Sewer Fund reported in restricted accounts)	4,694,375	4,508,333	101,644	94,811	229,554	229,554	156,567	147,411	5,182,140	33,422
Cash and cash equivalents, December 31 (including \$870,214 in the Sewer Fund reported in restricted accounts)	\$ 4,931,455	\$ 4,694,375	\$ 125,177	\$ 101,644	\$ 230,119	\$ 229,554	\$ 160,369	\$ 156,567	\$ 5,447,120	\$ 28,857

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, 2017 (With comparative totals for 2016)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Sewer		Trash		Non-Major Funds Deviils Canyon Center		Irrigation Water		Totals	Fleet Maintenance Internal Service Fund
	2017	2016	2017	2016	2017	2016	2017	2016	2017	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ 534,747	\$ 553,859	\$ 62,047	\$ 61,057	\$ (37,552)	\$ (37,551)	\$ 12,196	\$ 10,011	\$ 571,438	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization expense	1,257,413	1,173,644	-	-	37,551	37,551	6,144	7,209	1,301,108	2,512
(Increase) decrease in accounts receivable	(17,450)	(9,093)	(1,998)	(1,355)	-	-	397	(115)	(19,051)	-
Increase (decrease) in deposits payable	-	(675)	-	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	1,489	344	4,398	(1,869)	-	-	1,649	2,112	7,536	(5,858)
Increase (decrease) in compensation payable	5,302	(3,217)	-	-	-	-	(950)	1,600	4,352	(1,219)
Total adjustments	1,246,754	1,161,003	2,400	(3,224)	37,551	37,551	7,240	10,806	1,293,945	(4,565)
Net Cash Provided by (Used for) Operating Activities	\$ 1,781,501	\$ 1,714,862	\$ 64,447	\$ 57,833	\$ (1)	\$ -	\$ 19,436	\$ 20,817	\$ 1,865,383	\$ (4,565)
Schedule of non-cash capital and related financing activities										
Contributions of capital assets	163,250	19,801	-	-	-	-	-	-	163,250	-

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, 2017

	<u>Agency Fund</u>	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 17,275	\$ -	\$ -
Investments at fair value	-	2,963,939	1,624,031
Total assets	<u>17,275</u>	<u>2,963,939</u>	<u>1,624,031</u>
LIABILITIES			
Accounts payable	<u>17,275</u>	-	-
Total liabilities	<u>17,275</u>	-	-
NET POSITION			
Held in trust for:			
Pension benefits	-	2,963,939	1,624,031
Total net position	<u>\$ -</u>	<u>\$ 2,963,939</u>	<u>\$ 1,624,031</u>

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

City of +A1:H38Fruita, Colorado
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2017

	Money Purchase Plan and Trust Fund	Retirement Trust Fund
ADDITIONS		
Employer contributions	\$ 123,076	\$ 96,498
Plan member contributions	174,743	-
Total contributions	<u>297,819</u>	<u>96,498</u>
Investment Earnings		
Net investment gain (loss)	<u>366,371</u>	<u>223,291</u>
Total Additions	<u>664,190</u>	<u>319,789</u>
DEDUCTIONS		
Benefits	599,753	92,030
Administrative expenses	4,292	1,187
Total Deductions	<u>604,045</u>	<u>93,217</u>
Change in net position	60,145	226,572
Total net position - beginning	<u>2,903,794</u>	<u>1,397,459</u>
Total net position - ending	<u>\$ 2,963,939</u>	<u>\$ 1,624,031</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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

B. Government-wide financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Basis of presentation - government-wide financial statements

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as nonmajor funds in aggregate with the exception of the Debt Service Fund which is displayed in a separate column. Remaining enterprise funds are reported in individual columns under the Non-Major Funds heading to provide consistency in reporting.

The City reports the following major governmental funds:

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds. Revenue is primarily derived from transfers from the General Fund and grant revenues. Other sources of revenues include transfers from other funds and development impact fees.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

Internal Service Funds are established to account for services required by other funds on a cost reimbursement basis. The city has an internal service fund that accounts for fleet maintenance services provided to other departments or agencies of the City.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and 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.

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

F. Budgetary information

1. Budgetary basis of accounting

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

On or before the last day of August of each year, all departments of the City submit 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.

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

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

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

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

1. Cash and cash equivalents

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

2. Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investments include the external investment pool Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). CSAFE and COLOTRUST are local government investment pool trust funds registered with the Colorado Securities Commissioner pursuant to the Local Government Investment Pool Trust Fund Administration and Enforcement Act. They operate like 2a-7 external investment pools within the fair value

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hierarchy established by GASB Statement 72 and investments are value at \$1 net asset value (NAV) per share. The underlying investments held by CSAFE are valued at amortized cost which approximates fair value. The underlying investments held by COLOTRIST are valued at fair value. There are no limitations or restrictions on participant withdrawals.

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. Colotrust's financial statements are available on their website at www.colotrust.com.

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 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.

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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.

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

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balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is depleted first, followed by unassigned fund balance. Committed fund balance is applied last.

8. Fund balance policies

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

Restricted fund balance represent amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance represent amounts that can be used only for specific purposes as determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The committed fund balance in the Community Center Fund of \$939,943 includes a \$403,939 operating reserve which consists of 25% of the current year's expenditures, excluding transfers and capital expenses and a building/equipment replacement reserve in the amount of \$536,004.

Assigned fund balance represent amounts 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:

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- 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 program registrations used to fund *scholarships*, donations from the senior can collection program for *senior recreational programs and amenities* in the senior area of the Fruita Community Center, and donations and unspent appropriations for the year for the arts and culture board for *acquisition of art*, and revenues from the misdemeanor fee to offset costs associated with court appoint counsel.
- assign funds *appropriated for expenditure in the subsequent year*.

Unassigned fund balance represents amounts that are available for any purpose. The City Council has adopted a policy to designate a portion of unassigned fund balance in the general fund as an *operating reserve*. The designated portion of unassigned fund balance of \$1,621,056 represents the amounts set aside to serve as a financial cushion for use in emergency situations or when revenue shortages or budgetary imbalances arise pursuant to this policy. This amount represents approximately 25% of the current year's expenditures, excluding transfers, for the general fund.

H. Revenues and expenditures/expenses

1. Program revenues

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

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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 2017 taxes collectible in 2018 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

3. *Compensated absences*

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

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

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

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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 \$61,236,937 difference, including internal service fund capital assets of \$19,736 are as follows:

Land	8,141,438
Source of supply	-
Buildings, net	16,159,562
Systems, net	27,652,961
Machinery and equipment, net	<u>9,282,972</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 61,236,933</u></u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The current assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$21,427 difference are as follows:

Cash and investments	28,857
Accounts payable	<u>(7,430)</u>
Current assets and liabilities of the internal service fund	<u><u>\$ 21,427</u></u>

The final element of that reconciliation explains that “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds other than internal service fund amounts.” The details of this \$12,782,553 difference, including internal service fund long term liabilities of \$4,042 are as follows:

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Noncurrent liabilities	
Due within one year	(110,850)
Due in more than one year	<u>(12,323,703)</u>
Subtotal of bonds and notes payable - current and non-current	(12,434,553)
Accrued interest payable	(220,559)
Compensated absences payable	<u>(127,442)</u>
Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net position - governmental activities</i>	<u>\$ (12,782,554)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this \$178,681 difference are as follows:

Capital outlay reported in governmental funds	\$ 2,321,330
Less: Depreciation expense, net of internal service fund	<u>(2,142,648)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 178,682</u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.” The details of this \$1,127,963 difference are as follows:

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In the statement of activities, only the gain or <i>loss</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (116)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>1,128,079</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u><u>\$ 1,127,963</u></u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$85,433 difference are as follows:

Principal repayments on non-monetary performance obligation	\$ 10,433
Principal repayments on special revenue bonds	<u>75,000</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 85,433</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$2,185 difference are as follows:

Compensated absences	\$ 3,103
Accrued interest	750
Amortization of bond premiums	1,410
Amortization of bond discounts	<u>(3,078)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,185</u></u>

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III. DETAILED NOTES ON ALL FUNDS

A. Cash deposits with financial institutions

Custodial credit risk for deposits. The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to the custodial credit risk. The City's deposits are governed by Colorado Statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All deposits of the City are insured or collateralized with securities held by or for the entity. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2017, \$250,000 of the City's deposits were covered by FDIC insurance and \$6,095,606 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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The composition of all cash and investments held by the City at December 31, 2017 and 2016, including level under GASB 72 fair value hierarchy where applicable, is as follows:

	2017	2016
Cash on hand	\$ 1,600	\$ 1,600
Deposits:		
Cash in checking account(s)	2,700,672	2,595,184
Money market funds	3,577,091	3,567,189
Certificates of deposit	-	1,288,326
Investment pools:		
CSAFE	6,811,196	5,453,613
COLOTRUST	3,521,442	3,482,194
Retirement fund investments	4,587,970	4,301,253
Total cash, deposits and investments	\$ 21,199,971	\$ 20,689,359

Investment options of the retirement funds of the City are determined with a third party custodian. The plans offer a wide range of money market funds, mutual funds and real estate backed funds. Participation in investment options is solely the responsibility of the plan participant.

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

	2017	2016
Cash and investments	\$ 12,528,253	\$ 12,316,460
Restricted Cash	4,066,473	4,064,286
Cash in fiduciary funds	17,275	7,360
Investments in fiduciary funds	4,587,970	4,301,253
	\$ 21,199,971	\$ 20,689,359

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

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. More than five percent of

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the City's investments are in public entity investment pools. These investments are 48.7% of the City's total cash, deposits and investments at December 31, 2017.

C. Capital Assets

Capital asset activity for the year ended December 31, 2017 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	\$ 7,707,252	\$ 434,186	\$ -	\$ 8,141,438
Total capital assets not being depreciated	<u>7,707,252</u>	<u>434,186</u>	<u>-</u>	<u>8,141,438</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	21,126,556	23,621	-	21,150,177
Infrastructure	33,320,478	1,435,891	-	34,756,369
Machinery and equipment	13,287,646	1,555,709	(78,633)	14,764,722
Total capital assets being depreciated	<u>67,734,680</u>	<u>3,015,221</u>	<u>(78,633)</u>	<u>70,671,268</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(4,343,652)	(646,963)	-	(4,990,615)
Infrastructure	(6,235,947)	(867,461)	-	(7,103,408)
Machinery and equipment	(4,929,534)	(630,733)	78,517	(5,481,750)
Total accumulated depreciation	<u>(15,509,133)</u>	<u>(2,145,157)</u>	<u>78,517</u>	<u>(17,575,773)</u>
Total capital assets being depreciated, net	<u>52,225,547</u>	<u>870,064</u>	<u>(116)</u>	<u>53,095,495</u>
Governmental activities capital assets, net	<u>\$ 59,932,799</u>	<u>\$ 1,304,250</u>	<u>\$ (116)</u>	<u>\$ 61,236,933</u>

Assets for governmental activities include internal service fund capital assets of \$22,247 in internal service fund capital assets, net of depreciation. Decreases in net capital assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

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<u>Governmental activities</u>	
General government	\$ 120,295
Park and recreation	659,735
Public works	1,181,976
Public safety	180,641
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>2,510</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,145,157</u></u>

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Total capital assets not being depreciated	<u>1,060,885</u>	<u>-</u>	<u>-</u>	<u>1,060,885</u>
<u>Capital assets, being depreciated</u>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	28,066,958	340,109	-	28,407,067
Distribution and collection system	19,745,112	516,464	(4,956)	20,256,620
Machinery and equipment	1,668,640	29,709	(31,851)	1,666,498
Total capital assets being depreciated	<u>51,124,116</u>	<u>886,282</u>	<u>(36,807)</u>	<u>51,973,591</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(916,800)	(40,614)		(957,414)
Wastewater treatment facility	(3,481,396)	(704,932)	-	(4,186,328)
Distribution and collection system	(6,662,739)	(431,447)	3,966	(7,090,220)
Machinery and equipment	(931,905)	(124,115)	31,851	(1,024,169)
Total accumulated depreciation	<u>(11,992,840)</u>	<u>(1,301,108)</u>	<u>35,817</u>	<u>(13,258,131)</u>
Total capital assets being depreciated, net	<u>39,131,276</u>	<u>(414,826)</u>	<u>(990)</u>	<u>38,715,460</u>
Business-type activities capital assets, net	<u><u>\$ 40,192,161</u></u>	<u><u>\$ (414,826)</u></u>	<u><u>\$ (990)</u></u>	<u><u>\$ 39,776,345</u></u>

D. Unearned revenues

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

<u>General Fund</u>	<u>Unearned</u>
Impact fees for chipseal	\$ 132,394
Unallocated utility billing receipts	44,210
Total General Fund	176,604
<u>Capital Projects Fund</u>	
Impact fees for open space, road and drainage improvements	808,724
Total Capital Projects Fund	808,724
Total unavailable/unearned revenue for governmental funds	\$ 985,328

E. Long-Term Liabilities

1. Notes and loans payable

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

The City is obligated under the agreement to make semi-annual payments each March 1, and September 1 beginning September 1, 2010 and ending September 1, 2032. The loan agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$870,213 of net position for debt service. This includes \$347,628 for the three month operating reserve and \$522,585 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, 2017 was \$17,970,000. The unamortized premium on the loan for the wastewater treatment facility is \$752,194 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, 2017 was \$535,727 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 (Enoch's Lake).

The cost of improvements to the reservoirs was \$484,764 with interest

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

compounded annually at 4%. In lieu of payment the City agreed to provide irrigation water to the parties at \$185 per acre foot with a minimum credit of 100 acre feet per year (\$18,500) for a period of up to thirty years (30) years and exchange land and water rights with a predetermined value to be credited against the cost of improvements as soon as practical to compensate the parties. Credits for exchange of water rights and land were applied to the nonmonetary amortization schedule in 2016. The outstanding performance obligation balance on this note is \$191,250 at December 31, 2017. Future interest has been netted against future minimum water usage in the annual debt service requirements for governmental activities below.

Notes and loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
Wastewater treatment facility	2.50%	17,970,000
Governmental activities		
Reservoir improvements	4%	<u>\$ 191,250</u>
Total notes and loans payable		<u><u>\$ 18,161,250</u></u>

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

Year ended December 31	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	730,000	524,206	1,254,206
2019	780,000	503,540	1,283,540
2020	845,000	474,126	1,319,126
2021	910,000	442,544	1,352,544
2022	975,000	408,898	1,383,898
2023-2027	5,930,000	1,531,878	7,461,878
2028-2032	7,800,000	639,232	8,439,232
	<u>\$ 17,970,000</u>	<u>\$ 4,524,424</u>	<u>\$ 22,494,424</u>

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Year ended December 31	<u>Governmental Activities</u>		
	<u>Non-monetary performance obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Credit</u>
2018	10,850	7,650	18,500
2019	11,284	7,216	18,500
2020	11,735	6,765	18,500
2021	12,205	6,295	18,500
2022	12,693	5,807	18,500
2023-2027	71,500	21,001	92,501
2028-2031	60,983	5,799	66,782
	<u>\$ 191,250</u>	<u>\$ 60,533</u>	<u>\$ 251,783</u>

A credit of \$18,500 was applied to this obligation in 2017 for the conveyance of minimum water usage. The above table assumes minimum credits for water usage in future years and will be adjusted annually to reflect actual water use.

2. Special Revenue Bonds

During 2009 the City issued revenue bonds for the construction and operation of a community recreation center. With voter approval, a one cent increase in sales and use tax was implemented in January of 2009 with revenues generated from the tax to be used specifically for operation and debt service payments on bonds issued for construction of a community recreation center. The bonds were issued in the amount of \$12,565,000 in two series with \$2,440,000 in Series 2009A tax-exempt bonds and \$10,125,000 in Series 2009B taxable Build America Bonds. Bond proceeds in the amount of \$10,918,750 were deposited to the project construction fund and the remaining \$1,256,500 was deposited to the Debt Service Reserve Fund. In accordance with provisions of the bond ordinance, the City deposited an additional \$500,000 to a Supplemental Reserve Account. The Long Term Issuer Credit Rating published by Standard and Poor's is an AA Stable rating with insurance from Assured Guaranty Corp. with an underlying rating of A Stable 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 amount of these direct payments was initially equal to 35% of the taxable interest on the Taxable Series 2009B bonds. However, sequestration by the Federal Government has resulted in a reduction in the interest subsidy for taxable bonds. The Bipartisan Budget Act of 2013 also extended sequestration on interest subsidy payments for an additional two years, from ten years to twelve years. The sequestration rate, or

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

the amount by which the interest subsidy payments are reduced, will be set from time to time in the future.

In 2017, the sequestration percentage of 6.9% was applied to the interest subsidy payment. In 2018, the sequestration percentage of 6.6% will be applied to the interest payments.

At year end, the City had \$2,744,862 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, and an additional \$988,362 for future debt service payments.

Special revenue bonds currently outstanding are as follows:

<u>Series</u>	<u>Description</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
2009A	Tax exempt Sales and Use Tax Revenue Bonds	\$ 2,440,000	2039	1.72% - 5.75%	\$ 2,155,000
2009B	Taxable Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
Total					<u><u>\$12,280,000</u></u>

The unamortized premium and discount on the special revenue bonds is \$36,697 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount.

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Federal Direct Payment*</u>	<u>Total - Net of Federal Direct Payment</u>
2018	100,000	882,238	(266,595)	715,643
2019	125,000	877,988	(266,595)	736,393
2020	160,000	872,675	(266,595)	766,080
2021	190,000	860,803	(262,440)	788,363
2022	220,000	846,705	(257,506)	809,199
2023-2027	1,660,000	3,935,241	(1,183,127)	4,412,114
2028-2032	2,835,000	3,154,391	(909,831)	5,079,560
2033-2037	4,400,000	1,886,623	(490,564)	5,796,059
2038-2039	2,590,000	288,615	(78,677)	2,799,938
	<u>\$ 12,280,000</u>	<u>\$ 13,605,279</u>	<u>\$ (3,981,930)</u>	<u>\$ 21,903,349</u>

*The 2017 Federal Direct Payment has been reduced by the 6.9% sequestration rate for 2017. 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Special revenue bonds	\$12,355,000	\$ -	\$ (75,000)	\$12,280,000	\$ 100,000
Deferred amount for issuance discount	(70,803)	3,078	-	\$ (67,725)	-
Deferred amount for issuance premium	32,438	-	(1,410)	\$ 31,028	-
Total bonds payable	12,316,635	3,078	(76,410)	12,243,303	100,000
Performance obligation note	201,682	-	(10,432)	191,250	10,850
Compensated absences	130,875	191,014	(194,447)	127,442	-
Governmental activity long term liabilities	<u>\$12,649,192</u>	<u>\$ 194,092</u>	<u>\$ (281,289)</u>	<u>\$12,561,995</u>	<u>\$ 110,850</u>

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

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, \$4,042 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>Within One Year</u>
<u>Business-type activities:</u>					
Notes and loans	\$18,650,000	\$ -	\$ (680,000)	\$17,970,000	\$ 730,000
Deferred amount for issuance premium	802,340		(50,146)	\$ 752,194	50,146
Compensated absences	21,169	30,555	(31,279)	20,445	-
Business-type long term liabilities	<u>\$19,473,509</u>	<u>\$ 30,555</u>	<u>\$ (761,425)</u>	<u>\$18,742,639</u>	<u>\$ 780,146</u>

IV. RETIREMENT PLANS

A. Defined Contribution Plans

1. City of Fruita Retirement Plan

Effective January 1, 1974, the Fruita City Council adopted the City of Fruita Retirement Plan, a defined contribution retirement plan for full time employees. In January 2011, the contribution for full time police officers was transferred over to a separate 401 Defined Contribution Plan. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The City contributes 4 ½ percent of the amount of the employee's compensation as defined by the plan. The Plan may be amended by the City Council. As of December 31, 2017 the plan included 75 total participants with 51 active participants.

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures may be refunded to the City or used to offset future contributions and plan expenses. The City's payroll for all full time employees eligible for the plan in 2017 was \$2,293,193. The total contribution to allocate for the plan year of 2017, was \$103,194, net of administrative expenses of \$1,000. For the year ended December 31, 2017, forfeitures reduced the City's pension expense by \$7,696. Fair value of the plan investments at December 31, 2017 was \$1,624,031.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. *Fruita Police Department Retirement Plan*

The Colorado legislature established a statewide benefit plan for all policemen hired after April 7, 1978 and for those hired on or before April 7, 1978 who choose to participate. All 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 percent and the City makes a contribution of 8 percent of the employee's base salary, plus the 4 ½ percent retirement contribution previously made to the City of Fruita Retirement Plan. As of December 31, 2017 the plan included 21 total participants with 18 active participants.

The City's contribution for each employee becomes 20 percent vested at the completion of two years of service, 40 percent at the completion of three years of service, 60 percent at the completion of four years of service and 100 percent vested at the completion of five years of service. The employee is 100 percent vested in their contribution. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures may be refunded to the City or used to offset future contributions and plan expenses. The total payroll covered by the plan in 2017 was \$988,411. Contributions for the year ended December 31, 2017, were \$174,743 paid by the employees including roll ins and \$123,076 paid by the City. For the year ended December 31, 2017, there were no forfeitures used to reduce the City's pension expense. Fair value of the plan investments at December 31, 2016 was \$2,963,939.

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 2017 limit CIRSA's per occurrence exposure to \$500,000 for workers' compensation coverage for all claims made by employees other than police officers and \$750,000 for claims made by

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

police officers, \$1,000,000 for liability coverage, \$500,000 for property coverage, and \$150,000 for crime coverage, and provide coverage to specified upper limits.

As a member of CIRSA, the City owns a proportionate share of CIRSA's net position. The City's equity at December 31, 2017 in the property/casualty insurance pool is \$130,142 and \$218,829 in the workers' compensation pool.

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

VI. CONTINGENT LIABILITIES

A. Risk Management

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

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

B. Pending litigation

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

VII. CONDUIT DEBT OBLIGATIONS

The City sponsored Healthcare Revenue Bonds issued by the Lower Valley Hospital Association (LVHA) in 2017 for \$41,400,000 for the Colorado Canyons Hospital and Medical Center Project which included \$34,000,000 in tax-exempt bonds (Series 2017A)

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

VIII. OPERATING LEASE

The City entered into a ten-year operating lease as a lessor on January 1, 2015 with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. Rental payments of \$57,600 are to be made annually by the nonprofit corporation to the City except that the payments can be offset by various operating expenses including repairs and improvements to the building. In 2017 all rental payments were offset by operating expenses.

Information for the building on lease is as follows:

Cost of building	\$ 1,512,926
Accumulated depreciation	<u>864,840</u>
Carrying Amount	<u>\$ 648,086</u>

IX. 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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

spending (excluding bonded debt service). These emergency reserves are restricted in use. This reserve is noted as part of the restricted fund balance/net position of the City.

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

X. RESTRICTED NET POSITION AND SIMILAR FUND BALANCE LIMITATIONS

Restricted net position in the amount of \$5,776,535 has been classified into the following categories.

Debt service - Net position identified as Debt Service in the amount of \$3,615,075 is restricted by bond ordinances and loan agreements for future debt service.

Marketing and promotion - Net position identified as Marketing and promotion in the amount of \$106,762 represents amounts collected from lodging tax and is restricted by ordinance for the purposes of marketing and promoting the city.

Community center - Net position restricted for Community Center in the amount of \$1,187,871 represent amounts collected from the one percent (1%) sales and use tax and user fees and is restricted by ordinance for operations of the Community Center.

Parks and open space - Net position restricted for parks and open space in the amount of \$166,283 represents interest earnings on development impact fees collected for the purposes of parks and open space and restricted by ordinance as well as lottery funds which are restricted by state statute for specific parks, recreation and open space projects.

Streets - Net position restricted for streets in the amount of \$300,544 represents interest earnings on development impact fees collected for the purposes of street improvements and restricted by ordinance for street improvements.

Drainage - Net position restricted for drainage improvements in the amount of \$50,000 represents contributions from the Grand Valley Drainage District for the purposes of capital expenses for drainage improvements.

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

XI. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2017 is as follows:

	Transfers in:					
	General Fund	Nonmajor Governmental Funds	Community Center Fund	Capital Projects Fund	Debt Service Fund	Total transfers out
<u>Transfers out:</u>						
General Fund	\$ -	\$ 12,000	\$ 95,000	\$ 260,946	\$ -	\$ 367,946
Community Center	-	-	-	-	704,700	704,700
Nonmajor						
Governmental Funds	-	-	-	172,198	-	172,198
Sewer	160,000	-	-	-	-	160,000
Trash	41,000	-	-	-	-	41,000
Irrigation Water	10,000	-	-	-	-	10,000
Total transfers in	<u>\$211,000</u>	<u>\$ 12,000</u>	<u>\$ 95,000</u>	<u>\$ 433,144</u>	<u>\$ 704,700</u>	<u>\$1,455,844</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.

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,125,200	\$ 1,125,200	\$ 1,123,312	\$ (1,888)
City sales	1,525,000	1,525,000	1,691,420	166,420
County sales	1,963,500	1,963,500	2,100,607	137,107
Use tax	710,000	710,000	786,879	76,879
Other	554,350	554,350	583,411	29,061
Licenses and permits	30,500	30,500	35,768	5,268
Intergovernmental revenue	520,500	520,500	605,140	84,640
Charges for services	164,500	180,500	248,581	68,081
Fines and forfeitures	40,500	40,500	32,538	(7,962)
Investment earnings	15,000	15,000	50,704	35,704
Rents and royalties	31,300	43,300	38,124	(5,176)
Donations	13,775	39,500	50,216	10,716
Miscellaneous	3,000	3,000	13,857	10,857
Total revenues	<u>6,697,125</u>	<u>6,750,850</u>	<u>7,360,557</u>	<u>609,707</u>
EXPENDITURES				
Current:				
General government	342,975	360,775	353,840	6,935
Administration	646,900	649,600	630,744	18,856
Community development	260,050	261,150	223,330	37,820
Public safety	2,249,875	2,251,625	2,105,917	145,708
Public works	1,577,625	1,582,025	1,450,889	131,136
Parks and recreation	998,950	1,035,425	996,882	38,543
Non-departmental	539,250	536,250	268,728	267,522
Capital equipment	517,675	524,800	453,902	70,898
Total expenditures	<u>7,133,300</u>	<u>7,201,650</u>	<u>6,484,232</u>	<u>717,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(436,175)</u>	<u>(450,800)</u>	<u>876,325</u>	<u>1,327,125</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	221,000	221,000	211,000	(10,000)
Transfers out	(590,000)	(646,500)	(367,946)	278,554
Insurance rebates and damage awards	-	-	18	18
Sale of capital assets	-	-	10,003	10,003
Total other financing sources and (uses)	<u>(369,000)</u>	<u>(425,500)</u>	<u>(146,925)</u>	<u>278,575</u>
Change in fund balance - budgetary basis	<u>\$ (805,175)</u>	<u>\$ (876,300)</u>	<u>\$ 729,400</u>	<u>\$ 1,605,700</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, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
City sales	\$ 755,000	\$ 755,000	\$ 843,760	\$ 88,760
Use tax	343,000	343,000	393,440	50,440
Charges for services	1,054,500	1,057,000	1,148,765	91,765
Investment income	-	-	1,520	1,520
Rents and royalties	43,000	43,000	43,505	505
Donations	-	1,000	1,900	900
Miscellaneous	-	-	1,385	1,385
Total revenues	<u>2,195,500</u>	<u>2,199,000</u>	<u>2,434,275</u>	<u>235,275</u>
EXPENDITURES				
Current				
Recreation	1,579,675	1,615,175	1,615,755	(580)
Capital expenses	84,000	112,500	82,806	29,694
Total expenditures	<u>1,663,675</u>	<u>1,727,675</u>	<u>1,698,561</u>	<u>29,114</u>
Excess of revenues over expenditures	<u>531,825</u>	<u>471,325</u>	<u>735,714</u>	<u>264,389</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	95,000	95,000	-
Transfers out	<u>(704,700)</u>	<u>(704,700)</u>	<u>(704,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>(609,700)</u>	<u>(609,700)</u>	<u>(609,700)</u>	<u>-</u>
Change in fund balance - budgetary basis	<u>\$ (77,875)</u>	<u>\$ (138,375)</u>	<u>126,014</u>	<u>\$ 264,389</u>

See accompanying independent auditor's report.

Supplementary Information

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City of Fruita, Colorado
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds		Total
	Conservation Trust	Marketing and Promotion	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 163,746	\$ 113,703	\$ 277,449
Taxes receivable	-	4,896	4,896
Total Assets	\$ 163,746	\$ 118,599	\$ 282,345
LIABILITIES			
Accounts payable	-	11,837	11,837
Total Liabilities	-	11,837	11,837
FUND BALANCE			
Restricted	163,746	106,762	270,508
Assigned	-	-	-
Total Fund Balances	163,746	106,762	270,508
Total Liabilities and fund balance	\$ 163,746	\$ 118,599	\$ 282,345

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, 2017

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
REVENUES			
Taxes			
Lodger's tax	\$ -	\$ 120,882	\$ 120,882
Investment income	195	76	271
Intergovernmental revenue	125,598	-	125,598
Charges for services	-	314	314
Donations	-	500	500
Total revenues	<u>125,793</u>	<u>121,772</u>	<u>247,565</u>
EXPENDITURES			
Current			
Marketing and promotion	-	127,769	127,769
Parks and recreation	26,000		26,000
Capital outlay	-	-	-
Total expenditures	<u>26,000</u>	<u>127,769</u>	<u>153,769</u>
Excess (deficiency) of revenues over (under) expenditures	99,793	(5,997)	93,796
OTHER FINANCING SOURCES			
Transfers in	-	12,000	12,000
Transfers out	<u>(172,198)</u>	<u>-</u>	<u>(172,198)</u>
Change in fund balance - budgetary basis	<u>\$ (72,405)</u>	<u>\$ 6,003</u>	<u>\$ (66,402)</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, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 4,735,000	\$ 4,770,275	\$ 1,309,026	\$ (3,461,249)
Assessments and development impact fees	50,325	58,350	37,143	(21,207)
Donations	178,000	178,000	-	(178,000)
Investment earnings	-	-	10,885	10,885
Total revenues	<u>4,963,325</u>	<u>5,006,625</u>	<u>1,357,054</u>	<u>(3,649,571)</u>
EXPENDITURES				
Current:				
Downtown improvements design	-	39,925	39,911	14
Contingency	100,000	100,000	-	100,000
Capital Outlay				
Downtown improvements	265,000	265,000	227,814	37,186
Street improvements	465,000	486,425	291,496	194,929
Drainage improvements	72,525	72,525	-	72,525
Parks and recreation	4,895,500	4,980,325	1,265,312	3,715,013
Total expenditures	<u>5,798,025</u>	<u>5,944,200</u>	<u>1,824,533</u>	<u>4,119,667</u>
Deficiency of revenues under expenditures	(834,700)	(937,575)	(467,479)	470,096
OTHER FINANCING SOURCES				
Transfers in	745,000	822,875	433,144	(389,731)
Change in fund balance - budgetary basis	<u>\$ (89,700)</u>	<u>\$ (114,700)</u>	<u>\$ (34,335)</u>	<u>\$ 80,365</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, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental revenues	\$ 248,200	\$ 248,400	\$ 200
Investment earnings	10,700	17,699	6,999
Total revenues	<u>258,900</u>	<u>266,099</u>	<u>7,199</u>
EXPENDITURES			
Debt service			
Principal retirement	75,000	75,000	-
Interest and fiscal charges	<u>885,750</u>	<u>885,738</u>	<u>12</u>
Total expenditures	<u>960,750</u>	<u>960,738</u>	<u>12</u>
Deficiency of revenues under expenditures	(701,850)	(694,639)	7,211
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>704,700</u>	<u>704,700</u>	\$ -
Change in fund balance - budgetary basis	<u>\$ 2,850</u>	<u>\$ 10,061</u>	<u>\$ 7,211</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
CONSERVATION TRUST SPECIAL REVENUE FUND
For the year ended December 31, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 127,000	\$ 127,000	\$ 125,598	\$ (1,402)
Investment income	-	-	195	195
Total revenues	<u>127,000</u>	<u>127,000</u>	<u>125,793</u>	<u>(1,207)</u>
EXPENDITURES				
Current				
Culture and recreation	-	26,000	26,000	-
Capital outlay				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Change in net position - budgetary basis	127,000	101,000	99,793	(1,207)
OTHER FINANCING USES				
Transfers out	<u>(250,000)</u>	<u>(283,375)</u>	<u>(172,198)</u>	<u>111,177</u>
Change in fund balance - budgetary basis	<u><u>\$ (123,000)</u></u>	<u><u>\$ (182,375)</u></u>	<u><u>\$ (72,405)</u></u>	<u><u>\$ 109,970</u></u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
MARKETING AND PROMOTION SPECIAL REVENUE FUND
For the year ended December 31, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodger's tax	\$ 107,000	\$ 113,000	\$ 120,882	\$ 7,882
Investment income	-	-	76	76
Charges for services	-	-	314	314
Donations		500	500	-
Total revenues	<u>107,000</u>	<u>113,500</u>	<u>121,772</u>	<u>8,272</u>
EXPENDITURES				
Current				
Marketing and promotion	<u>107,000</u>	<u>130,500</u>	<u>127,769</u>	<u>2,731</u>
Total expenditures	<u>107,000</u>	<u>130,500</u>	<u>127,769</u>	<u>2,731</u>
Deficiency of revenues under expenditures	-	(17,000)	(5,997)	11,003
OTHER FINANCING SOURCES (USES)				
Transfers in		12,000	12,000	-
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ 6,003</u>	<u>\$ 11,003</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
SEWER FUND
For the year ended December 31, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 3,048,000	\$ 3,048,000	\$ 3,069,871	\$ 21,871
Investment income	10,100	10,100	36,609	26,509
Capital contributions - tap fees	300,000	300,000	329,279	29,279
Miscellaneous	100	100	144	44
Gain on sale of equipment	-	-	13,143	13,143
Total revenues	<u>3,358,200</u>	<u>3,358,200</u>	<u>3,449,046</u>	<u>90,846</u>
EXPENSES				
Personnel services	678,225	674,725	649,962	24,763
Purchased services	289,250	331,250	315,388	15,862
Supplies	346,900	329,400	312,505	16,895
Debt service:				
Principal retirement	680,000	680,000	680,000	-
Interest and fiscal charges	544,000	544,000	535,727	8,273
Capital expenses	1,017,800	1,157,800	716,862	440,938
Contingency	20,000	20,000	-	20,000
Transfers out	160,000	160,000	160,000	-
Total expenses	<u>3,736,175</u>	<u>3,897,175</u>	<u>3,370,444</u>	<u>526,731</u>
Change in net position - budgetary basis	<u>\$ (377,975)</u>	<u>\$ (538,975)</u>	\$ 78,602	<u>\$ 617,577</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,257,413)	
Add change in accrued interest payable			-	
Add change in compensation payable			-	
Add contributions from development			163,250	
Add principal retirement			680,000	
Add capital expenses			716,862	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ 431,447</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
TRASH FUND
For the year ended December 31, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Charges for services	\$ 688,000	\$ 708,956	\$ 20,956
Investment income	-	86	86
Total revenues	<u>688,000</u>	<u>709,042</u>	<u>21,042</u>
EXPENSES			
Purchased services	637,000	646,909	(9,909)
Transfers out	51,000	41,000	10,000
Total expenses	<u>688,000</u>	<u>687,909</u>	<u>91</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 21,133</u>	<u>\$ 21,133</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Change in net position - GAAP basis		<u>\$ 21,133</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
DEVILS CANYON CENTER FUND
For the year ended December 31, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Charges for services	\$ 1,450	\$ 1,385	\$ (65)
Investment income	-	566	566
Total revenues	<u>\$ 1,450</u>	<u>\$ 1,951</u>	<u>\$ 501</u>
EXPENSES			
Purchased services	1,450	1,386	64
Total expenses	<u>1,450</u>	<u>1,386</u>	<u>64</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 565</u>
Adjustments from budgetary basis to GAAP Basis to arrive at change in net position			
Deduct depreciation		<u>(37,551)</u>	
Change in net position - GAAP basis		<u>\$ (36,986)</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
IRRIGATION WATER FUND
For the year ended December 31, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 108,000	\$ 114,000	\$ 114,799	\$ 6,799
Investment income	-	-	76	76
Total revenues	<u>108,000</u>	<u>114,000</u>	<u>114,875</u>	<u>6,875</u>
EXPENSES				
Personnel services	69,575	75,575	73,978	(4,403)
Purchased services	10,275	10,275	10,372	(97)
Supplies	15,450	15,450	12,109	3,341
Capital equipment	13,400	13,400	6,170	7,230
Transfers out	10,000	10,000	10,000	-
Total expenses	<u>118,700</u>	<u>124,700</u>	<u>112,629</u>	<u>6,071</u>
Change in net position - budgetary basis	<u>\$ (10,700)</u>	<u>\$ (10,700)</u>	\$ 2,246	<u>\$ 12,946</u>
Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position				
Add capital expenses			6,170	
Deduct loss on disposal of assets			(530)	
Deduct depreciation			<u>(6,144)</u>	
Change in net position - GAAP basis			<u>\$ 1,742</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
FLEET MAINTENANCE FUND
For the year ended December 31, 2017

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 302,250	\$ 302,250	\$ 260,472	\$ (41,778)
Other revenues	-	-	-	-
Total revenues	<u>302,250</u>	<u>302,250</u>	<u>260,472</u>	<u>(41,778)</u>
EXPENDITURES				
Personnel services	184,750	184,750	149,479	35,271
Purchased services	27,700	35,700	30,626	5,074
Supplies	89,800	81,800	77,855	3,945
Total expenditures	<u>302,250</u>	<u>302,250</u>	<u>257,960</u>	<u>44,290</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 2,512	<u>\$ 2,512</u>
Adjustments from budgetary basis to GAAP basis				
to arrive at change in net position				
Deduct depreciation			<u>(2,512)</u>	
Change in net position - GAAP basis			<u>\$ -</u>	

See accompanying independent auditor's report.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Fruita
	YEAR ENDING : December 2017
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Margaret Sell Phone: 9708583663

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	342,888
3. Other local imposts (from page 2)	667,013
4. Miscellaneous local receipts (from page 2)	268,707
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	
7. Total (1 through 6)	1,278,608
B. Private Contributions	992,520
C. Receipts from State government (from page 2)	444,400
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	2,715,528

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	
A. Local highway disbursements:		
1. Capital outlay (from page 2)	1,245,524	
2. Maintenance:	483,614	
3. Road and street services:		
a. Traffic control operations	42,410	
b. Snow and ice removal	15,584	
c. Other	237,038	
d. Total (a. through c.)		
4. General administration & miscellaneous	289,810	
5. Highway law enforcement and safety	401,548	
6. Total (1 through 5)	2,715,528	
B. Debt service on local obligations:		
1. Bonds:		
a. Interest		
b. Redemption		
c. Total (a. + b.)	0	
2. Notes:		
a. Interest		
b. Redemption		
c. Total (a. + b.)	0	
3. Total (1.c + 2.c)	0	
C. Payments to State for highways		
D. Payments to toll facilities		
E. Total disbursements (A.6 + B.3 + C + D)		2,715,528

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,715,528	2,715,528		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2016	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	639,806	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	3,145	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	900
5. Specific Ownership &/or Other	24,062	g. Other Misc. Receipts	267,807
6. Total (1. through 5.)	667,013	h. Other	
c. Total (a. + b.)	667,013	i. Total (a. through h.)	268,707
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	394,425	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	49,975	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	49,975	g. Total (a. through f.)	
4. Total (1. + 2. + 3.f)	444,400	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs		163,200	163,200
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		585,641	585,641
(2). Capacity Improvements		0	0
(3). System Preservation		465,683	465,683
(4). System Enhancement & Operation		31,000	31,000
(5). Total Construction (1) + (2) + (3) + (4)	0	1,082,324	1,082,324
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,245,524	1,245,524
			(Carry forward to page 1)
Notes and Comments:			