

CITY OF FRUITA 2016 FINANCIAL STATEMENTS



**“The road to success is not
a path you find
but a trail you blaze.”**

Robert Brault



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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, 2016

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City of Fruita
General Purpose Financial Statements
Fiscal Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

June 15, 2017

Honorable Mayor and City Council
City of Fruita
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 of Fruita (the City) as of and for the year ended December 31, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, as of December 31, 2016, 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.



City of Fruita
June 15, 2017

Other Matters

Report on Comparative Prior Year Information

The City of Fruita's 2015 financial statements were audited by other auditors, and they expressed an unmodified audit opinion on those audited financial statements in their report dated May 4, 2016. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–20 and 67–68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fruita's basic financial statements. The combining and individual nonmajor fund financial statements, the budget to actual schedules for the capital fund and the non-major funds, and schedule of receipts and expenditures for roads, bridges, and streets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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



City of Fruita
June 15, 2017

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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, 2016. Please read this in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- ✦ At year end, the city's net position was \$84.3 million. Of this amount, 14% (\$11.6 million) represents unrestricted net position, which may be used to meet the city's ongoing obligations to the community. The city's unrestricted net position decreased 1% from the prior year. The unrestricted net position of governmental activities decreased 5.6% and business-type activities increased 6.9%.
- ✦ Total fund balances of governmental funds of \$11.2 million decreased 3% (\$392,823) which reflect planned use of fund balance. The unassigned fund balance of 4.4 million increased 25% (\$868,694) from the prior year.
- ✦ The budget for the General Fund had a positive variance of \$970,569. Revenues of \$6.9 million exceeded budget by 2.3% (\$156,596). Expenses of \$6.8 million were under budget by 8.2% (\$603,534) and other financing sources and uses were reflect a positive variance of 38.5% (\$210,439).
- ✦ Major sources of revenues including sales and use taxes and severance tax/mineral lease revenues, while individually were under or over budgeted amounts, came in on budget with an overall negative variance of \$3,390.
- ✦ The city invested \$4.2 million in capital projects and equipment in 2016. This includes \$3.6 million in governmental funds and \$522,456 in proprietary funds.
- ✦ The city retired \$700,032 in debt in 2016.
- ✦ The net position of the Sewer Fund increased 1% (\$271,023) and the unrestricted net position increased 7% (\$274,018).

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.

Management's Discussion and Analysis

Government-wide Financial Statements

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

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

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

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,

Management's Discussion and Analysis

governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

Management's Discussion and Analysis

Notes to the financial statements

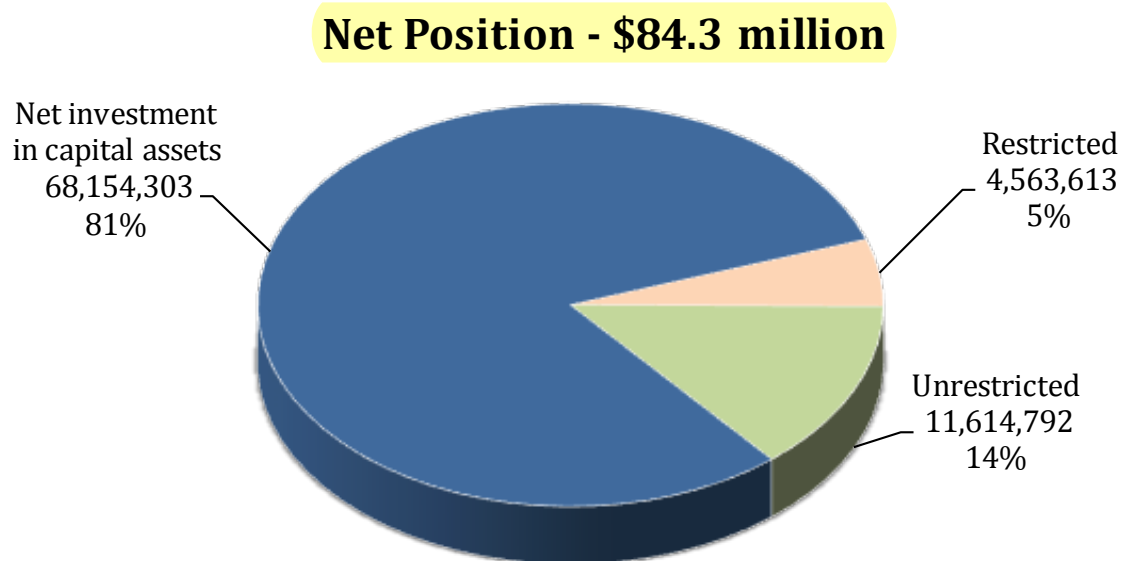
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table presents an analysis of the city's net position as of December 31, 2016. The city's assets exceeded its liabilities and deferred inflow of resources by \$84 million at the close of the current fiscal year.



Management's Discussion and Analysis

CITY OF FRUITA NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
<u>ASSETS</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 13,477,334	\$ 14,040,223	\$ 5,765,333	\$ 5,560,120	\$ 19,242,667	\$ 19,600,343
Capital assets	59,932,799	58,421,184	40,192,161	40,938,255	100,124,960	99,359,439
Total assets	73,410,133	72,461,407	45,957,494	46,498,375	119,367,627	118,959,782
<u>LIABILITIES</u>						
Current and other liabilities	1,614,035	1,788,720	1,090,456	1,145,230	2,704,491	2,933,950
Long term liabilities	12,432,884	12,516,649	18,772,339	19,502,486	31,205,223	32,019,135
Total liabilities	14,046,919	14,305,369	19,862,795	20,647,716	33,909,714	34,953,085
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>1,125,205</u>	<u>1,097,500</u>	<u>-</u>	<u>-</u>	<u>1,125,205</u>	<u>1,097,500</u>
<u>NET POSITION</u>						
Net investment in capital assets	47,414,482	45,834,504	20,739,821	20,805,769	68,154,303	66,640,273
Restricted	3,721,060	3,702,459	842,553	822,199	4,563,613	4,524,658
Unrestricted	7,102,467	7,521,575	4,512,325	4,222,691	11,614,792	11,744,266
TOTAL NET POSITION	\$58,238,009	\$57,058,538	\$ 26,094,699	\$25,850,659	\$ 84,332,708	\$ 82,909,197

The largest portion of the city's net position (81%) reflect its investment of \$68.1 million in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure), less any related outstanding debt that was used to acquire those assets. The city uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the city's net position of \$4.6 million (5%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$11.6 million (14%) is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the city 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. Net investment in capital assets increased \$1.5 million (2%) from the prior year. The two most significant capital projects contributing to this increase in 2016 included the construction of the Lower Little Salt Wash Trail (\$1.2 million) and the 2016 Road Overlay project (\$442,217).

Management's Discussion and Analysis

There was also significant investment in mobile equipment (\$913,485) including the purchase of street sweeper, dump truck and vector truck. Restricted net position of \$4.6 million increased 1% (\$38,955) from the prior year. Unrestricted net position of \$11.6 million decreased 1% (\$129,474) from the prior year.

Analysis of Changes in Net Position

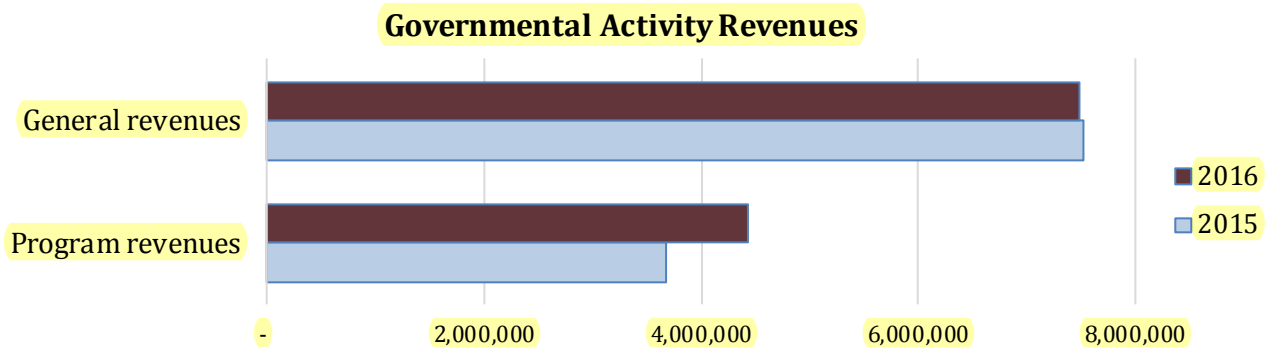
The following table shows changes in net position for 2015 and 2016. The city's overall net position increased \$1.4 million (1.7%) from the prior fiscal year. This increase is explained in the governmental and business-type activities discussion following the table.

CHANGES IN NET POSITION						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
<u>Program revenues</u>						
Charges for services	\$ 1,776,766	\$ 1,613,287	\$ 4,090,693	\$ 3,985,668	\$ 5,867,459	\$ 5,598,955
Operating grants and contributions	306,873	272,735	-	-	306,873	272,735
Capital grants and contributions	2,349,770	1,792,382	20,301	-	2,370,071	1,792,382
<u>General revenues:</u>						
Property taxes	1,096,363	1,062,935	-	-	1,096,363	1,062,935
Sales and use taxes	5,292,447	5,162,104	-	-	5,292,447	5,162,104
Other taxes	1,081,988	1,272,029	-	-	1,081,988	1,272,029
Other	8,182	31,099	19,762	5,998	27,944	37,097
Total revenues	11,912,389	11,206,571	4,130,756	3,991,666	16,043,145	15,198,237
Expenses:						
General government	1,906,048	1,877,459	-	-	1,906,048	1,877,459
Marketing & promotion	98,976	105,152	-	-	98,976	105,152
Parks and recreation	3,172,282	3,014,137	-	-	3,172,282	3,014,137
Public works	2,577,859	2,376,046	-	-	2,577,859	2,376,046
Public safety	2,308,972	2,277,057	-	-	2,308,972	2,277,057
Interest on long-term debt	899,085	901,477	-	-	899,085	901,477
Sewer	-	-	2,898,904	2,894,941	2,898,904	2,894,941
Trash	-	-	623,778	634,266	623,778	634,266
Devils Canyon Center	-	-	37,551	39,252	37,551	39,252
Irrigation water	-	-	96,179	84,951	96,179	84,951
Total expenses	10,963,222	10,551,328	3,656,412	3,653,410	14,619,634	14,204,738
Increase (decrease) in net position before transfers	949,167	655,243	474,344	338,256	1,423,511	993,499
Transfers	230,304	839,310	(230,304)	(839,310)	-	-
Increase (decrease) in net position	1,179,471	1,494,553	244,040	(501,054)	1,423,511	993,499
Net position - beginning	57,058,538	55,563,985	25,850,659	26,351,713	82,909,197	81,915,698
Net position - ending	\$58,238,009	\$57,058,538	\$26,094,699	\$25,850,659	\$84,332,708	\$82,909,197

Management's Discussion and Analysis

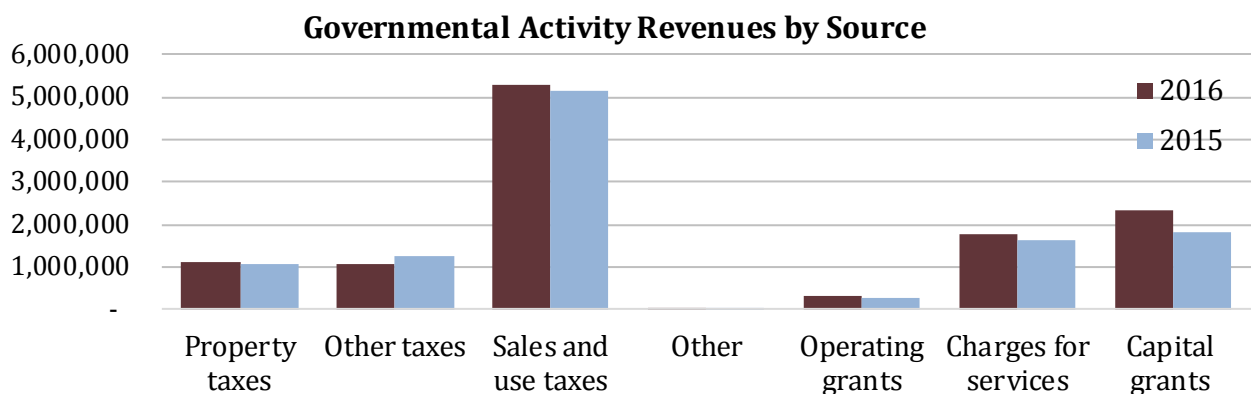
Governmental Activities. During the current fiscal year, net position for governmental activities of \$58.2 million reflect an increase of \$1.2 million (2%) from the prior fiscal year. Revenues exceeded expenses by \$949,167 before transfers from business-type activities of \$230,304.

Revenues of \$12 million increased \$705,818 (6%) in 2016. An explanation of this increase follows:



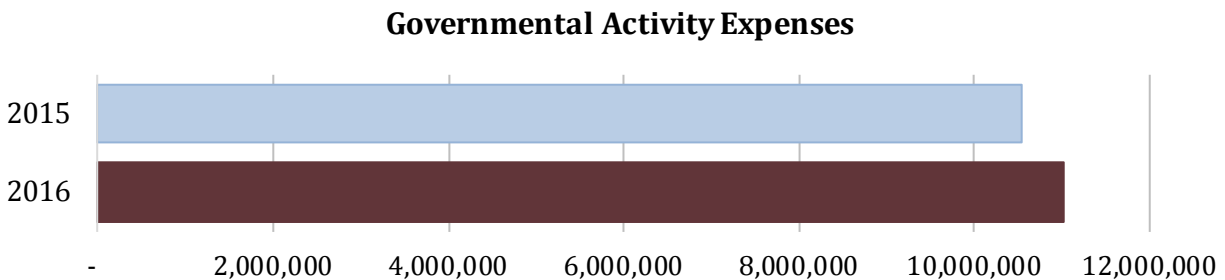
General revenues of \$7.5 million decreased \$49,187 (1%) from the prior year. Sales and use taxes increased \$130,343 (3%) and property taxes increased \$33,428 (3%). These increases were offset by a \$190,041 (15%) decrease in other taxes (primarily severance tax and franchise fees) and a \$22,917 (74%) decrease in other revenues.

Program specific revenues of \$4.4 million increased \$755,005 (21%) in 2016. Of this amounts, capital grants and contributions of \$2.3 million reflect an increase of \$557,388 (31%), charges for services increased \$163,479 (10%) and operating grants of \$306,873 increased \$34,138 (13%).

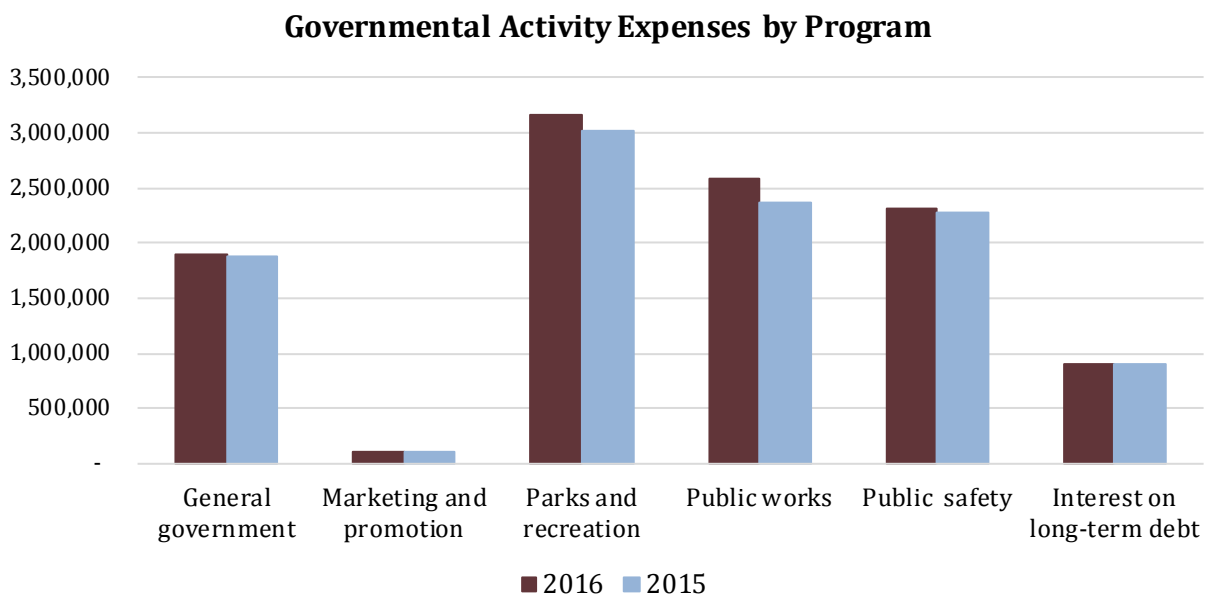


Management's Discussion and Analysis

Expenses of \$11 million increased \$480,401 (5%) in 2016.



Public works program expenses increased 8%, parks and recreation expenses increased 5%, general government increased 2%, public safety expenses increased 1%, marketing and promotion expenses decreased 6% and interest on debt remained unchanged.



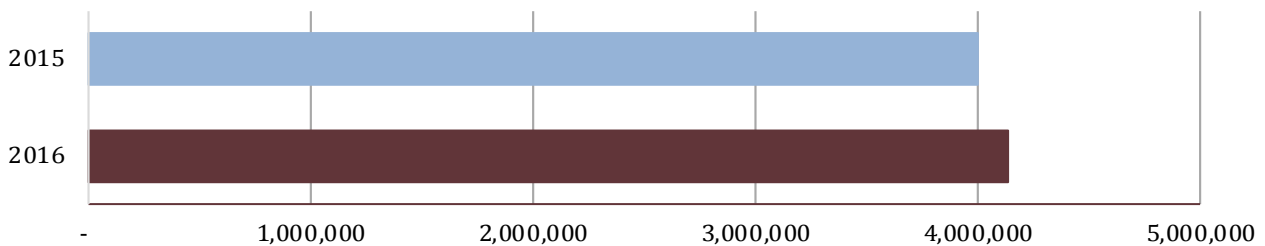
Transfers. Transfers from business-type activities to governmental activities of \$230,304 decreased \$609,006 (72.6%) from the prior year due to the completion of the first phase of the public works and parks maintenance facility expansion capital project funded, in part, with a transfer from the Sewer Fund in 2015.

Management's Discussion and Analysis

Business-type Activities. During the current fiscal year, net position for business type activities of \$26.1 million reflect an increase of \$244,040 (1%) from the prior fiscal year. Revenues exceeded expenses by \$474,344 before transfers to governmental funds of \$230,304.

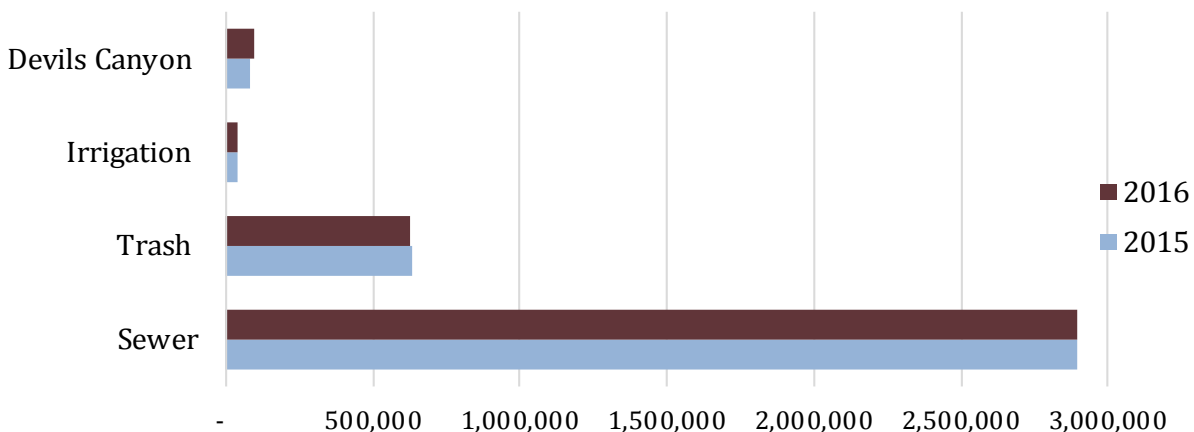
Revenues of \$4.1 million increased \$139,090 (3%) in 2016. Program specific revenues of \$4.1 million for business-type activities consist primarily of charges for services and increased \$125,326 (3%) in 2016. General revenues of \$19,762 increased \$13,764 (229%) but only reflect 0.5% of the total revenues for business type activities.

Business-type Activity Revenues



Expenses of business-type activities in 2016 of \$3.7 million remained relatively flat compared to the prior year expenses with a total increase of \$3,002.

Business-type Activity Expenses by Program



Transfers. Transfers to governmental activities of \$230,304 decreased 73% over the prior year. This decrease was primarily due to a 2015 transfer from the Sewer Fund to the Capital Projects fund for a portion of the cost of the expansion of the Public Works and Parks Maintenance Facility which was not necessary in 2016.

Management's Discussion and Analysis

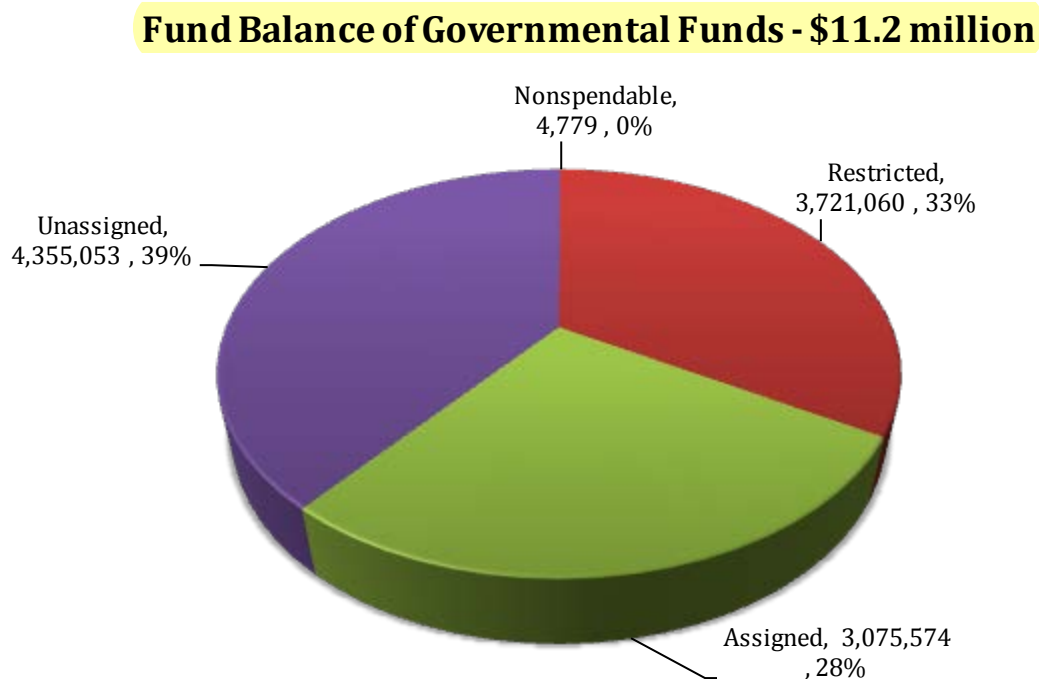
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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.

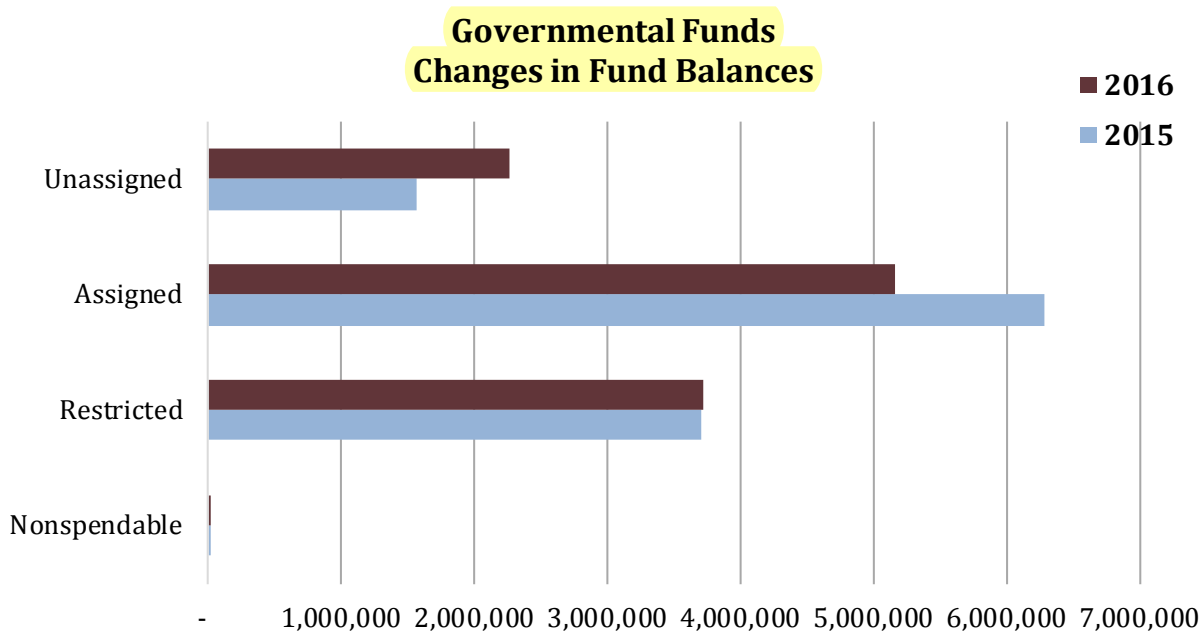
Fund Balances.

The City's governmental funds reported a combined year end fund balance of \$11.2 million,



Components of fund balance include non-spendable, restricted, assigned and unassigned amounts. The following information highlights the \$392,923 decrease (3%) in fund balance from the prior year.

Management's Discussion and Analysis

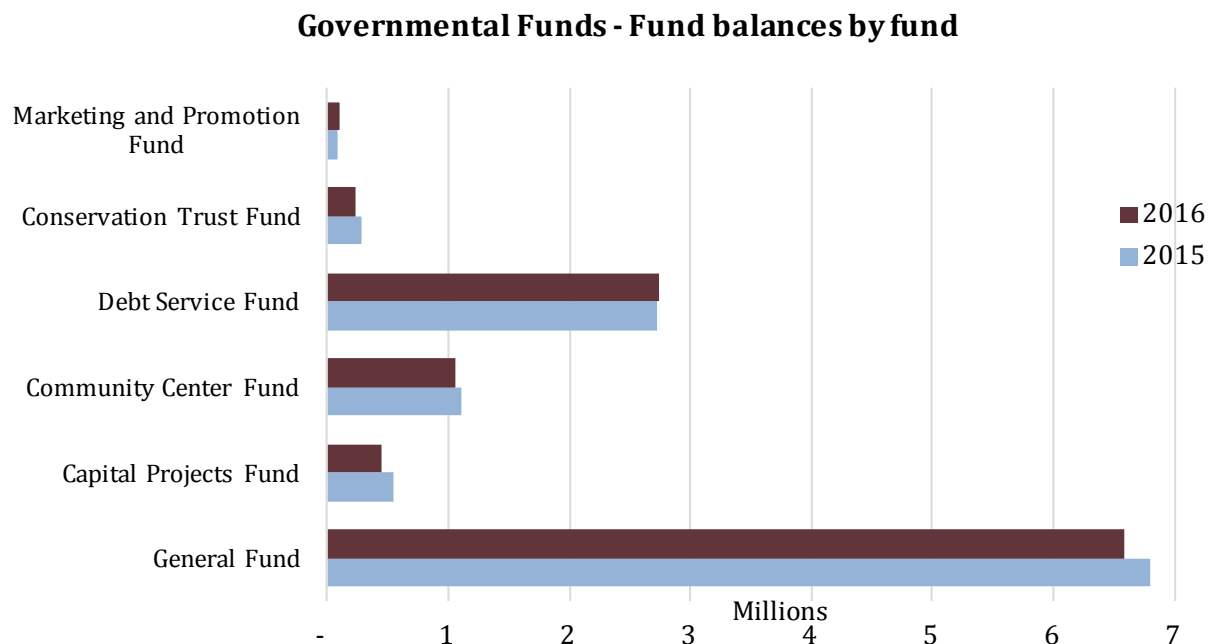


- Non-spendable fund balance includes the inventory of fuel (less than 1% of the fund balance) in the amount of \$4,779, an increase of \$505 (12%) from the prior year.
- Restricted fund balances of \$3.7 million (33% of the total fund balance) are amounts restricted for specific purposes by ordinance, 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 \$18,601 (1%) from the prior year due.**
- Assigned fund balances of \$3.1 million (28% of the total fund balance) are amounts assigned by the City Council or City Manager for specific purposes. **The assigned fund balance decreased \$1,280,623 (29%) 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.
- Unassigned fund balances of \$4.4 million (39% of the total fund balance) are available for spending at the City's discretion. **The unassigned fund balance increased 25% from the prior year (\$868,694)** and reflects the use of assigned fund balances as noted in the above table prior to assigned fund balances pursuant to budget policies.

Management's Discussion and Analysis

Assigned Fund Balances				
	2016	2015	\$ Change	% Change
Capital projects	239,797	748,943	(509,146)	-68%
Health insurance reserve	436,312	500,902	(64,590)	-13%
Replacement reserves	1,231,722	1,487,005	(255,283)	-17%
Subsequent year expenses	1,120,750	1,599,225	(478,475)	-30%
Other	46,993	20,122	26,871	134%
Total Assigned Balances	3,075,574	4,356,197	(1,280,623)	-29%

The following chart shows the \$392,823 decrease 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.

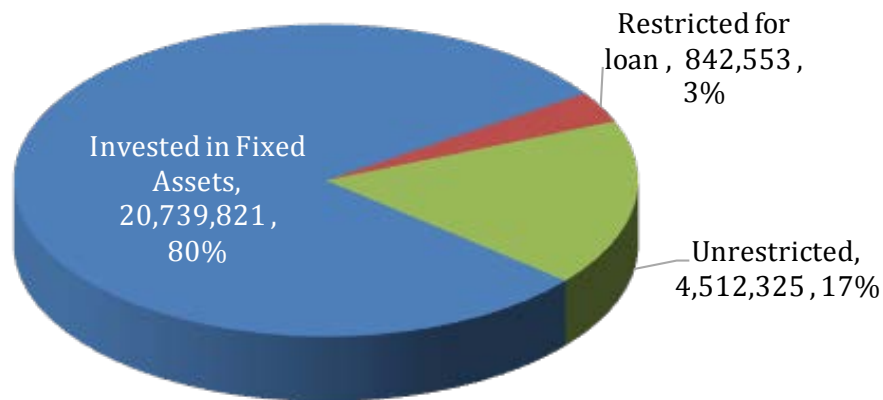
Net Position. The net position for business type activities of \$26.1 million reflect an increase of \$244,040 (1%) from the prior fiscal year. The following table shows the change in net position by fund.

Management's Discussion and Analysis

Net Position by Fund				
	2016	2015	\$ Chg	% Chg
Sewer	24,557,966	24,286,943	271,023	1%
Trash	111,748	101,691	10,057	10%
Devils Canyon	1,140,705	1,178,256	(37,551)	-3%
Irrigation	284,280	283,769	511	0%
Total	26,094,699	25,850,659	244,040	1%

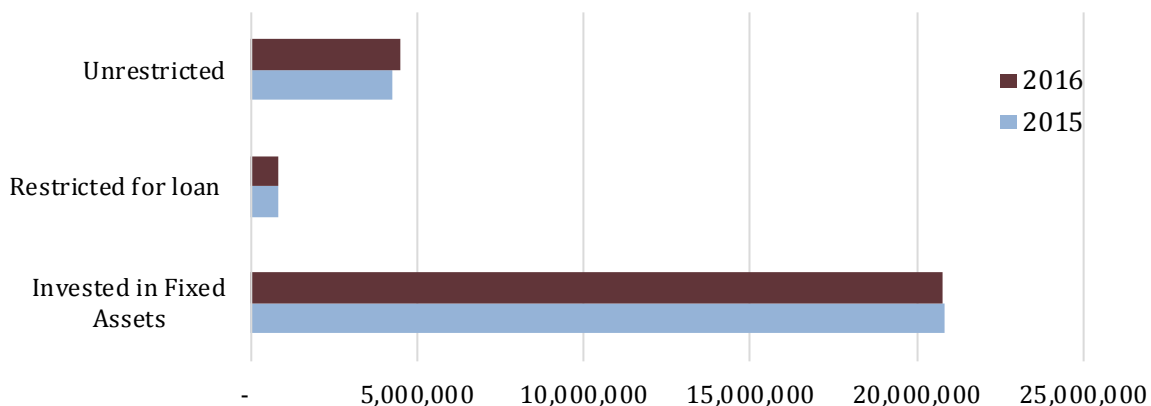
Components of net position include amounts invested in fixed assets (net of related debt), amounts restricted for loan covenants, and unrestricted amounts.

Net Position - Proprietary Funds



The following table shows the components of net position for the proprietary funds and highlights the \$244,010 increase (1%) in net position from the prior year.

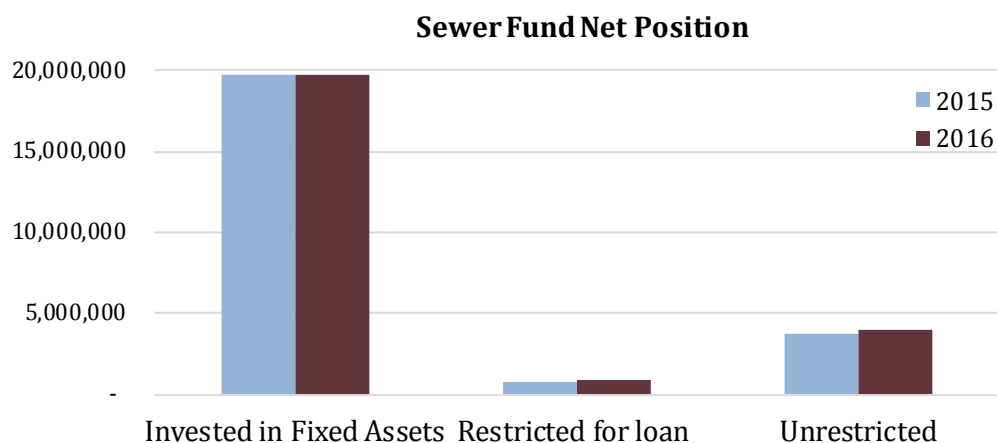
Proprietary Funds - Net Position



Management's Discussion and Analysis

- Invested in fixed assets, net of related debt represents capital assets of \$20.7 million of the proprietary funds, net of depreciation and debt associated with specific capital assets and 80% of the net position of proprietary funds. The investment in capital assets decreased \$65,948 (0.3%) in 2016. This decrease is related to depreciation of capital assets and minimal additions to capital assets in 2016.
- Restricted for loan covenants represents funds restricted by loan covenant documents for the wastewater treatment facility loan in the amount of \$842,553 and represents 3% of the net position of proprietary funds. The amount restricted for loan covenants increased \$20,354 (2%) in 2016. 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 \$4.5 million increased \$289,634 (7%) in 2016. Unrestricted net position is available for spending without restriction. As part of the unrestricted net position, \$1.6 million is designated for specific purposes. Designated amounts include \$350,000 for future capital projects, \$83,386 for vehicle and equipment replacement and \$1,135,775 for wastewater treatment facility replacement equipment and improvements.

Sewer Fund. The total net position of the Sewer Fund of \$24.6 million increased \$271,023 (1%) from the prior year. The following chart shows the changes in net position.



- Investment in capital assets of \$19.7 million remained relatively unchanged (decrease of \$23,349). This change is due to the difference in assets acquired in 2016, the depreciation of assets of the Sewer Fund and reduction in debt associated with capital assets.

Management's Discussion and Analysis

- Unrestricted net position of \$4.0 million increased \$274,018 (7%).
- Restricted amounts of \$842,553 increased \$20,354 (2%) and reflects changes in amounts required by the WWTF loan covenants.

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 \$46,850, operational expenses increased \$250,675, and other financing uses increased \$105,625.

Final budget compared to actual results.

Revenues of \$6.9 million received in 2016 were in excess of budgeted revenues of \$6.7 million by \$156,596 (2.3%). 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 revenues</u>	<u>Actual revenues</u>	<u>Variance</u>	<u>% Chg</u>
County sales tax	2,040,000	1,924,355	(115,645)	-6%
City sales tax	1,525,000	1,508,961	(16,039)	-1%
Use taxes	595,000	736,433	141,433	24%
Severance/Mineral Lease	150,000	136,861	(13,139)	-9%
	4,310,000	4,306,610	(3,390)	0%

City sales tax revenue was under budgeted amounts by \$16,039 (1%) but 3% higher than the prior year indicating an improvement in the local economic conditions 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 short of budgeted amounts by \$115,645 (6%) and \$55,196 (3%) less than the prior year revenues. This reduction in revenue indicates that the regional economy is still seeing the negative effects of the reduction and oil and gas industry and its trickle down effect on the rest of the economy.

Management's Discussion and Analysis

Use tax revenues exceeded budget by \$141,433 (24%). However, use tax on motor vehicles declined \$19,864 (3.6%) from the prior year and use tax on building materials increased \$98,346 (94%) from the prior year. The increase in building material use tax also indicates that the local economy is improving with modest increases in new construction in both the residential and commercial areas.

Severance tax and mineral lease revenue were under budgeted amounts by \$13,139 (9%) and \$164,051 (55%) less than the prior year's revenues and indicates the reduction in oil and gas industry activity in the region.

Expenses of \$6.8 million were under the final budgeted amount of \$7.4 million by \$603,534 (8%). 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					
Department		<u>Budgeted</u> <u>expenses</u>		<u>Actual</u> <u>expenses</u>	<u>% (Under)</u> <u>Over Budget</u>
General government	\$	399,900	\$	345,148	\$ (54,752) -14%
Administration		652,000		624,371	(27,629) -4%
Community development		271,275		259,290	(11,985) -4%
Public safety		2,223,175		2,116,774	(106,401) -5%
Public works		1,731,475		1,641,458	(90,017) -5%
Parks and recreation		1,015,230		961,495	(53,735) -5%
Non-departmental		450,600		265,562	(185,038) -41%
Capital outlay		646,270		572,293	(73,977) -11%
Total operating expenses	\$	7,389,925	\$	6,786,391	\$ (603,534) -8%

Non-departmental expenses were under budget by \$185,038 (41%) and accounts for 30% of the total difference between budgeted and actual expenses. This included an adjusted final budgeted contingency fund of \$165,000 which remained unspent at year end.

General government expenses were under budget by \$54,752 (14%) and accounts for 9% of the total difference between budgeted and actual expenses. This included an economic development budget amount of \$41,500 of which only \$14,808 was spent in 2016. Other areas significantly under budget included election expenses and legal expenses.

Management's Discussion and Analysis

Capital outlay expenses were under budget by \$73,977 (11%) and accounts for 12% of the difference between budgeted and actual expenses. This difference is due to savings in capital equipment costs.

All other departments were individually under budget by 4% to 5% and cumulatively account for 48% 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 \$210,439 (38%). 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)					
Description		<u>Budgeted</u> <u>expenses</u>	<u>Actual</u> <u>expenses</u>	<u>Difference</u>	<u>% (Under)</u> <u>Over Budget</u>
Transfers in	\$	281,000	\$ 221,000	(60,000)	-21%
Transfers out		(830,800)	(569,447)	261,353	-31%
Insurance damage awards		2,675	8,319	5,644	211%
Sale of capital assets		-	3,442	3,442	100%
Total other financing uses	\$	(547,125)	\$ (336,686)	\$ 210,439	-38%

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 2016 of \$4.2 million include the following:

- Lower Little Salt Wash Trail construction (\$1,230,666)
- Mobile equipment purchases (\$913,485)
- Overlays (\$442,217)
- J.2 Road improvements (\$259,116)
- Donation of property - 32.76 acres (\$245,700)
- City Shops Facility Expansion - Phase 2 interior finishing (\$224,304)
- Contributions of public improvements from development - (\$222,236)
- Kokopelli Trail design (\$215,969)

Management's Discussion and Analysis

- Miscellaneous park and recreation improvements (\$108,429)
- Furniture and equipment (\$103,479)
- Sewer line improvements on Mulberry and Roberson (\$88,880)
- Computer and network improvements (\$48,540)
- Sidewalk repair/replacement (\$31,453)
- Downtown improvements (\$22,604)

Depreciation expense of \$3.3 million included \$2 million in governmental activities and \$1.3 million in business type activities.

The City disposed of \$497,299 in capital assets with a book value of \$68,507. These disposals included 3 police cars, 1 street sweeper, 1 truck, 1 sewer vacuum truck and other miscellaneous equipment.

Long-term Debt. At the end of the current fiscal year, the City of Fruita had total debt outstanding of \$31,970,656. Of this amount, \$19,452,339 is a loan backed by user fees and charges of the sewer system, \$12,316,635 in bonds is backed by a one cent city sales and use tax which is dedicated for the community center, and \$201,682 is backed by a performance obligation of the City to provide future irrigation water on Pinyon Mesa.

The City of Fruita's total debt decreased by \$748,510 in 2016. This decrease was due to regularly scheduled principal payments of \$738,478 on the outstanding debt, and a credit of \$10,032 for irrigation water usage for nonmonetary performance obligation debt for improvements to the City's reservoirs.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2017 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 continues to have a bright future and is a desirable community to live, work and play. The 2017 budget is 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.

Management's Discussion and Analysis

While revenues are budgeted conservatively in 2017, the City continues to see benefits from its reputation as an outdoor recreation mecca for both local, regional and national visitors. The 2017 budget includes continued marketing efforts with emphasis on family friendly vacation opportunities with a focus on outdoor recreation. 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 2017 fiscal year budget.

General Fund revenues for 2017 are budgeted to decrease 3% from 2016 actual revenues. The 2017 budget makes the assumption that tightening of the regions energy production that has contributed to declines in sales tax revenue in recent years will have less of an impact in 2017, but that the decline in severance tax and mineral lease payments will continue. The following are projections included in the 2017 budget as compared to 2016 actual revenues.

- County sales tax increase of 2%
- City sales tax increase of 1%
- Use tax decrease of 3.6%
- Severance tax decrease of 67%

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 2017 budget includes \$5.8 million of capital projects for governmental activities with \$4.7 million of the funds coming from grant revenues.

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 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 tradeshow to market the city and it's 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 2017 Budget.

Management's Discussion and Analysis

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, 2017 for these services. Monthly trash collection charges increased \$0.25 (2%) and reflects the increase allowed under the contract with the current provider of trash collections services. Irrigation maintenance fees were increased \$10 (8%) per year to cover increased costs associated with provide these services. Sewer rates for residential customers were increased \$2.20 (5%) per month.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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City of Fruita, Colorado
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 7,976,873	\$ 4,339,587	\$ 12,316,460
Receivables	1,148,796	583,193	1,731,989
Intergovernmental receivable	1,125,153	-	1,125,153
Inventories	4,779	-	4,779
Restricted assets:			
Restricted cash	3,221,733	842,553	4,064,286
Capital assets (net of accumulated depreciation)			
Land	7,707,252	1,046,173	8,753,425
Source of supply	-	14,712	14,712
Buildings, net	16,782,904	726,606	17,509,510
Systems, net	27,084,531	37,667,935	64,752,466
Machinery and equipment, net	8,358,112	736,735	9,094,847
Total Assets	<u>73,410,133</u>	<u>45,957,494</u>	<u>119,367,627</u>
LIABILITIES			
Accounts payable and other current liabilities	305,378	162,639	468,017
Accrued interest payable	221,309	226,648	447,957
Compensated absences payable	130,875	21,169	152,044
Customer deposits payable	2,225	-	2,225
Unearned revenues	868,815	-	868,815
Noncurrent liabilities:			
Due within one year (bonds and notes)	85,433	680,000	765,433
Due in more than one year (bonds and notes, net)	12,432,884	18,772,339	31,205,223
Total Liabilities	<u>14,046,919</u>	<u>19,862,795</u>	<u>33,909,714</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,125,205	-	1,125,205
Total Deferred Inflows of Resources	<u>1,125,205</u>	<u>-</u>	<u>1,125,205</u>
NET POSITION			
Net investment in capital assets	47,414,482	20,739,821	68,154,303
Restricted for:			
Debt service	2,734,801	842,553	3,577,354
Marketing and promotion	100,759	-	100,759
Community center	103,610	-	103,610
Parks and open space	140,598	-	140,598
Streets	241,292	-	241,292
Emergency reserves	400,000	-	400,000
Unrestricted	7,102,467	4,512,325	11,614,792
Total Net Position	<u>\$ 58,238,009</u>	<u>\$ 26,094,699</u>	<u>\$ 84,332,708</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, 2016

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	\$ 1,906,048	\$ 234,769	\$ 10,625	\$ -	\$ (1,660,654)	\$ -	\$ (1,660,654)
Marketing and promotion	98,976	110,917	-	-	11,941	-	11,941
Parks and recreation	3,172,282	1,250,136	41,020	1,178,596	(702,530)	-	(702,530)
Public works	2,577,859	156,557	-	1,162,579	(1,258,723)	-	(1,258,723)
Public safety	2,308,972	13,327	6,828	8,595	(2,280,222)	-	(2,280,222)
Interest on long-term debt	899,085	11,060	248,400	-	(639,625)	-	(639,625)
Total governmental activities	10,963,222	1,776,766	306,873	2,349,770	(6,529,813)	-	(6,529,813)
BUSINESS-TYPE ACTIVITIES							
Sewer	2,898,904	3,299,668	-	19,801	-	420,565	420,565
Trash	623,778	684,835	-	-	-	61,057	61,057
Devils Canyon Center	37,551	-	-	-	-	(37,551)	(37,551)
Irrigation water	96,179	106,190	-	500	-	10,511	10,511
Total business-type activities	3,656,412	4,090,693	-	20,301	-	454,582	454,582
Total government	\$ 14,619,634	\$ 5,867,459	\$ 306,873	\$ 2,370,071	(6,529,813)	454,582	(6,075,231)
General Revenues:							
					1,096,363	-	1,096,363
					5,292,447	-	5,292,447
					136,861	-	136,861
					389,172	-	389,172
					381,556	-	381,556
					174,399	-	174,399
					40,088	19,562	59,650
					(65,065)	200	(64,865)
					33,159	-	33,159
					230,304	(230,304)	-
					7,709,284	(210,542)	7,498,742
					1,179,471	244,040	1,423,511
					57,058,538	25,850,659	82,909,197
					\$ 58,238,009	\$ 26,094,699	\$ 84,332,708

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

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

	Major Funds			Nonmajor Funds		
					Other	
	General	Capital Projects	Community Center	Debt Service	Nonmajor Funds	Total
ASSETS						
Cash and investments	\$ 5,961,711	\$ -	\$ 971,254	\$ 676,191	\$ 334,296	\$ 7,943,452
Accounts receivable	19,583	-	-	-	-	19,583
Taxes receivable	1,125,205	-	-	-	4,009	1,129,214
Due from other governments	830,071	90,065	142,966	62,050	-	1,125,152
Inventories	4,779	-	-	-	-	4,779
Cash - restricted	117,073	1,108,100	-	1,996,560	-	3,221,733
Total Assets	<u>8,058,422</u>	<u>1,198,165</u>	<u>1,114,220</u>	<u>2,734,801</u>	<u>338,305</u>	<u>13,443,913</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	194,902	43,342	51,563	-	1,395	291,202
Deposits payable	1,425	-	800	-	-	2,225
Unearned revenues	156,295	712,520	-	-	-	868,815
Total Liabilities	<u>352,622</u>	<u>755,862</u>	<u>52,363</u>	<u>-</u>	<u>1,395</u>	<u>1,162,242</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	1,125,205	-	-	-	-	1,125,205
Total deferred inflows of resources	<u>1,125,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125,205</u>
Fund Balances:						
Nonspendable:						
Inventories	4,779	-	-	-	-	4,779
Restricted:						
Debt Service	-	-	-	2,734,801	-	2,734,801
Marketing	-	-	-	-	100,759	100,759
Community center	-	-	103,610	-	-	103,610
Parks and open space	-	43,447	-	-	97,151	140,598
Streets	802	240,490	-	-	-	241,292
Emergency reserve	400,000	-	-	-	-	400,000
Assigned:						
Equipment replacement reserve	745,718	-	486,004	-	-	1,231,722
Subsequent year expenses	805,175	114,700	77,875	-	123,000	1,120,750
Health insurance reserve	436,312	-	-	-	-	436,312
Capital projects	196,131	43,666	-	-	-	239,797
Scholarship Program	16,061	-	-	-	-	16,061
Conservation Easements	-	-	-	-	16,000	16,000
War memorial maintenance	8,927	-	-	-	-	8,927
Art Acquisition Fund	3,505	-	-	-	-	3,505
Senior Programs	2,135	-	-	-	-	2,135
Court appointed counsel	365	-	-	-	-	365
Unassigned:						
Unassigned	2,264,087	-	-	-	-	2,264,087
Operating reserve	1,696,598	-	394,368	-	-	2,090,966
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,058,422</u>	<u>\$ 1,198,165</u>	<u>\$ 1,114,220</u>	<u>\$ 2,734,801</u>	<u>\$ 338,305</u>	<u>\$ 13,443,913</u>

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	\$ 11,156,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds other than internal service fund amounts (\$22,247).	59,932,799
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.	19,245
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).	(12,870,501)
Net position of governmental activities	<u>\$ 58,238,009</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, 2016

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Capital Projects	Community Center	Debt Service	Other Nonmajor Funds	
REVENUES						
Taxes:						
Property	\$ 1,096,363	\$ -	\$ -	\$ -	\$ -	\$ 1,096,363
City sales	1,508,961	-	754,480	-	-	2,263,441
County sales	1,924,355	-	-	-	-	1,924,355
Use tax	736,433	-	368,217	-	-	1,104,650
Other	534,037	-	-	-	110,845	644,882
Licenses and permits	31,212	-	-	-	-	31,212
Intergovernmental revenues	632,678	1,514,598	2,000	248,400	141,499	2,539,175
Charges for services	212,689	-	1,065,847	-	72	1,278,608
Fines, forfeitures, assessments	32,411	-	-	-	-	32,411
Development impact fees	-	233,386	-	-	-	233,386
Investment earnings	30,612	6,054	619	12,453	-	49,738
Rents and royalties	34,428	-	43,660	-	-	78,088
Donations	29,420	8,394	2,100	-	-	39,914
Miscellaneous	96,022	-	1,479	-	-	97,501
Total revenues	6,899,621	1,762,432	2,238,402	260,853	252,416	11,413,724
EXPENDITURES						
Current:						
General government	345,148	-	-	-	-	345,148
Administration	624,371	-	-	-	-	624,371
Community development	259,290	-	-	-	-	259,290
Marketing and promotion	-	-	-	-	98,976	98,976
Public safety	2,116,774	-	-	-	-	2,116,774
Public works	1,641,458	48,281	-	-	-	1,689,739
Parks and recreation	961,495	-	1,577,472	-	-	2,538,967
Non-departmental	265,562	-	-	-	-	265,562
Debt service						
Principal retirement	-	-	-	60,000	-	60,000
Interest and fiscal charges	-	-	-	888,138	-	888,138
Capital outlay	572,293	2,524,822	89,371	-	-	3,186,486
Total expenditures	6,786,391	2,573,103	1,666,843	948,138	98,976	12,073,451
Excess (deficiency) of revenues over expenditures	113,230	(810,671)	571,559	(687,285)	153,440	(659,727)
OTHER FINANCING SOURCES (USES)						
Insurance rebates and awards	8,319	-	24,839	-	-	33,158
Sale of capital assets	3,442	-	-	-	-	3,442
Transfers in	221,000	706,726	95,000	695,350	-	1,718,076
Transfers (out)	(569,447)	-	(734,741)	-	(183,584)	(1,487,772)
Total other financing sources (uses)	(336,686)	706,726	(614,902)	695,350	(183,584)	266,904
Net change in fund position	(223,456)	(103,945)	(43,343)	8,065	(30,144)	(392,823)
Fund balances - beginning	6,804,051	546,248	1,105,200	2,726,736	367,054	11,549,289
Fund balances - ending	\$ 6,580,595	\$ 442,303	\$ 1,061,857	\$ 2,734,801	\$ 336,910	\$ 11,156,466

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, 2016**

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

Net change in fund balances - total governmental funds	\$ (392,823)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, net of the internal service fund, in the current period.	1,134,499
The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.	379,628
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.	70,032
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>(11,865)</u>
Change in net position of governmental activities	<u><u>\$ 1,179,471</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, 2016 (With comparative totals for 2015)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund		Non-Major Funds						Totals 2016	Fleet Maintenance Internal Service Fund
	Sewer		Trash		Devils Canyon Center		Irrigation Water			
	2016	2015	2016	2015	2016	2015	2016	2015		
ASSETS										
Current assets:										
Cash and investments	\$ 3,851,822	\$ 3,685,459	\$ 101,644	\$ 94,811	\$ 229,554	\$ 229,554	\$ 156,567	\$ 147,411	\$ 4,339,587	\$ 33,422
Interest receivable	-	30	-	-	-	-	-	-	-	-
Accounts receivable	465,330	456,237	114,477	113,122	-	-	3,386	3,270	583,193	-
Notes receivable	-	7,352	-	-	-	-	-	-	-	-
Total current assets	4,317,152	4,149,078	216,121	207,933	229,554	229,554	159,953	150,681	4,922,780	33,422
Non-current assets:										
Restricted cash:										
WWTF loan covenants	842,553	822,199							842,553	
Customer deposits	-	675	-	-	-	-	-	-	-	-
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	36,700	38,677	-	-	685,637	723,188	4,269	5,356	726,606	-
Systems, net	37,615,544	38,635,859	-	-	-	-	52,391	58,513	37,667,935	-
Equipment, net	734,574	415,777	-	-	-	-	2,161	-	736,735	22,247
Total capital assests, net	39,150,828	39,854,323	-	-	911,151	948,702	130,182	135,230	40,192,161	22,247
Total non-current assets	39,993,381	40,677,197	-	-	911,151	948,702	130,182	135,230	41,034,714	22,247
Total assets	44,310,533	44,826,275	216,121	207,933	1,140,705	1,178,256	290,135	285,911	45,957,494	55,669
LIABILITIES										
Current liabilities:										
Accounts Payable	54,272	151,328	104,373	106,242	-	-	3,994	466	162,639	14,177
Compensated absences	19,308	20,325	-	-	-	-	1,861	1,676	21,169	4,371
Notes payable - current maturity	396,667	367,500	-	-	-	-	-	-	396,667	-
Total current liabilities	470,247	539,153	104,373	106,242	-	-	5,855	2,142	580,475	18,548
Current liabilities payable from restricted assets:										
Customer deposits payable	-	675	-	-	-	-	-	-	-	-
Accrued interest payable from restricted cash	226,648	234,518	-	-	-	-	-	-	226,648	-
Notes payable from restricted cash	283,333	262,500	-	-	-	-	-	-	283,333	-
Total current liabilities payable from restricted assets	509,981	497,693	-	-	-	-	-	-	509,981	-
Noncurrent liabilities:										
Notes payable (net of premium)	18,772,339	19,502,486	-	-	-	-	-	-	18,772,339	-
Total noncurrent liabilities	18,772,339	19,502,486	-	-	-	-	-	-	18,772,339	-
Total liabilities	19,752,567	20,539,332	104,373	106,242	-	-	5,855	2,142	19,862,795	18,548
NET POSITION										
Invested in capital assets, net of related debt	19,698,488	19,721,837	-	-	911,151	948,702	130,182	135,230	20,739,821	22,247
Restricted for loan covenants	842,553	822,199	-	-	-	-	-	-	842,553	-
Unrestricted:										
Designated for capital projects	350,000	350,000	-	-	-	-	-	-	350,000	-
Designated for health insurance reserve	-	19,458	-	-	-	-	-	925	-	-
Designated for equipment replacement	1,219,161	1,480,775	-	-	-	-	-	-	1,219,161	-
Other unrestricted	2,447,764	1,892,674	111,748	101,691	229,554	229,554	154,098	147,614	2,943,164	14,874
Total net position	\$ 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

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, 2016 (With comparative totals for 2015)

	Business-type Activities - Enterprise Funds									Governmental Activities
	Major Fund		Non-Major Funds							Fleet Maintenance
	Sewer		Trash		Devils Canyon Center		Irrigation Water		Totals	Internal Service Fund
	2016	2015	2016	2015	2016	2015	2016	2015	2016	
OPERATING REVENUES										
Charges for services	\$ 2,897,110	\$ 2,882,510	\$ 684,835	\$ 693,006	\$ -	\$ 30,800	\$ 106,190	\$ 99,352	\$ 3,688,135	\$ 285,382
Other revenues	679	4,390	-	-	-	-	-	-	679	794
Total operating revenues	2,897,789	2,886,900	684,835	693,006	-	30,800	106,190	99,352	3,688,814	286,176
OPERATING EXPENSES										
Personnel services	601,360	623,897	-	-	-	-	68,416	56,373	669,776	167,498
Purchased services	249,061	218,890	623,778	634,266	-	1,700	6,621	7,185	879,460	24,078
Supplies	319,865	307,937	-	-	-	-	13,933	12,008	333,798	92,088
Depreciation and amortization	1,173,644	1,174,073	-	-	37,551	37,552	7,209	9,385	1,218,404	2,512
Total operating expenses	2,343,930	2,324,797	623,778	634,266	37,551	39,252	96,179	84,951	3,101,438	286,176
Operating income (loss)	553,859	562,103	61,057	58,740	(37,551)	(8,452)	10,011	14,401	587,376	-
NONOPERATING REVENUES (EXPENSES)										
Investment income	19,562	5,998	-	-	-	-	-	-	19,562	-
System development contributions	19,801	57,810	-	-	-	-	-	-	19,801	-
Gain (Loss) on disposal of equipment	200	-	-	-	-	-	-	-	200	-
Interest expense	(554,974)	(570,144)	-	-	-	-	-	-	(554,974)	-
Total nonoperating revenues (expenses)	(515,411)	(506,336)	-	-	-	-	-	-	(515,411)	-
Income (Loss) before contributions and transfers	38,448	55,767	61,057	58,740	(37,551)	(8,452)	10,011	14,401	71,965	-
Capital contributions - tap fees	401,879	217,800	-	-	-	-	500	-	402,379	-
Transfers out	(169,304)	(755,510)	(51,000)	(46,700)	-	(27,100)	(10,000)	(10,000)	(230,304)	-
Change in net position	271,023	(481,943)	10,057	12,040	(37,551)	(35,552)	511	4,401	244,040	-
Net postion - beginning	24,286,943	24,768,886	101,691	89,651	1,178,256	1,213,808	283,769	279,368	25,850,659	37,121
Net position - ending	\$ 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

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, 2016 (With comparative totals for 2015)

	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
	2016	2015	2016	2015	2016	2015	2016	2015	2016	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	\$ 2,888,021	\$ 2,861,931	\$ 683,480	\$ 683,795	\$ -	\$ 33,600	\$ 106,075	\$ 99,500	\$ 3,677,576	\$ 794
Cash from interfund services	-	-	-	-	-	-	-	-	-	285,382
Payments to suppliers	(567,565)	(586,584)	(625,647)	(629,942)	-	(1,700)	(18,626)	(19,193)	(1,211,838)	(109,350)
Payments to employees	(605,594)	(613,771)	-	-	-	-	(66,632)	(55,746)	(672,226)	(169,643)
Net cash provided by operating activities	1,714,862	1,661,576	57,833	53,853	-	31,900	20,817	24,561	1,793,512	7,183
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Operating transfers	(169,304)	(755,510)	(51,000)	(46,700)	-	(27,100)	(10,000)	(10,000)	(230,304)	-
Net cash used by non-capital financing activities	(169,304)	(755,510)	(51,000)	(46,700)	-	(27,100)	(10,000)	(10,000)	(230,304)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital contributions - plant investment fees	409,231	219,842	-	-	-	-	500	-	409,731	-
Gain on sale of equipment	200	-	-	-	-	-	-	-	200	-
Proceeds from special assessments	-	821	-	-	-	-	-	-	-	-
Principal paid on capital debt	(630,000)	(591,375)	-	-	-	-	-	-	(630,000)	-
Interest paid on capital debt	(562,844)	(575,357)	-	-	-	-	-	-	(562,844)	-
Purchase of capital assets	(595,695)	(83,706)	-	-	-	-	(2,161)	-	(597,856)	-
Net cash provided (used) by capital and related financing activities	(1,379,108)	(1,029,775)	-	-	-	-	(1,661)	-	(1,380,769)	-
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest received on investments	19,592	5,968	-	-	-	-	-	-	19,592	-
Net cash provided by investing activities	19,592	5,968	-	-	-	-	-	-	19,592	-
Net increase (decrease) in cash and cash equivalents	186,042	(117,741)	6,833	7,153	-	4,800	9,156	14,561	202,031	7,183
Cash and cash equivalents, January 1 (including \$822,874 in the Sewer Fund reported in restricted accounts)	4,508,333	4,626,074	94,811	87,658	229,554	224,754	147,411	132,850	4,980,109	26,239
Cash and cash equivalents, December 31 (including \$842,553 in the Sewer Fund reported in restricted accounts)	<u>\$ 4,694,375</u>	<u>\$ 4,508,333</u>	<u>\$ 101,644</u>	<u>\$ 94,811</u>	<u>\$ 229,554</u>	<u>\$ 229,554</u>	<u>\$ 156,567</u>	<u>\$ 147,411</u>	<u>\$ 5,182,140</u>	<u>\$ 33,422</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, 2016 (With comparative totals for 2015)

	Business-type Activities - Enterprise Funds								Governmental Activities	
			Non-Major Funds						Totals 2016	Fleet Maintenance Internal Service Fund
	Sewer		Trash		Devils Canyon Center		Irrigation Water			
	2016	2015	2016	2015	2016	2015	2016	2015		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ 553,859	\$ 562,103	\$ 61,057	\$ 58,740	\$ (37,551)	\$ (8,452)	\$ 10,011	\$ 14,401	\$ 587,376	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization expense	1,173,644	1,174,073	-	-	37,551	37,552	7,209	9,385	1,218,404	2,512
(Increase) decrease in accounts receivable	(9,093)	(24,969)	(1,355)	(9,211)	-	2,800	(115)	148	(10,563)	-
Increase (decrease) in deposits payable	(675)									
Increase (decrease) in accounts payable	344	(56,130)	(1,869)	4,324	-	-	2,112	161	587	4,970
Increase (decrease) in compensation payable	(3,217)	6,499	-	-	-	-	1,600	466	(1,617)	(299)
Total adjustments	1,161,003	1,099,473	(3,224)	(4,887)	37,551	40,352	10,806	10,160	1,206,136	7,183
Net Cash Provided by (Used for)										
Operating Activities	\$ 1,714,862	\$ 1,661,576	\$ 57,833	\$ 53,853	\$ -	\$ 31,900	\$ 20,817	\$ 24,561	\$ 1,793,512	\$ 7,183
Schedule of non-cash capital and related financing activities										
Contributions of capital assets	19,801	-	-	-	-	-	-	-	19,801	-

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, 2016

	<u>Agency Fund</u>	<u>Money Purchase Plan and Trust Fund</u>	<u>Retirement Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 7,360	\$ -	\$ -
Investments at fair value	-	2,903,794	1,397,459
Total assets	<u>7,360</u>	<u>2,903,794</u>	<u>1,397,459</u>
 LIABILITIES			
Accounts payable	7,360	-	-
Total liabilities	<u>7,360</u>	<u>-</u>	<u>-</u>
 NET POSITION			
Held in trust for:			
Pension benefits	-	2,903,794	1,397,459
Total net position	<u>\$ -</u>	<u>\$ 2,903,794</u>	<u>\$ 1,397,459</u>

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

City of Fruita, Colorado
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2016

	Money Purchase Plan and Trust Fund	Retirement Trust Fund
ADDITIONS		
Employer contributions	\$ 106,814	\$ 29,143
Plan member contributions	99,685	-
Total contributions	<u>206,499</u>	<u>29,143</u>
Investment Earnings		
Net investment gain (loss)	<u>153,826</u>	<u>82,807</u>
Total Additions	<u>360,325</u>	<u>111,950</u>
DEDUCTIONS		
Benefits	24,862	62,614
Administrative expenses	<u>4,155</u>	<u>1,162</u>
Total Deductions	<u>29,017</u>	<u>63,776</u>
Change in net position	331,308	48,174
Total net position - beginning	<u>2,572,486</u>	<u>1,349,285</u>
Total net position - ending	<u><u>\$ 2,903,794</u></u>	<u><u>\$ 1,397,459</u></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, 2016

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, 2016

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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

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

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

On or before the 1st day of October, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted not later than December 15 in order to meet the statutory deadline for certification of the mill levy to the County.

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

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

Transfers of appropriations between departments 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

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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 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.

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.

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

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

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

5. *Deferred outflows/inflows of resources*

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

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

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

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

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*.
- 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 and the community center fund as an *operating reserve*. The designated portion of unassigned fund balance of \$2,090,966 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 and 25% of the current year's expenditures, excluding transfers and capital expenses for the community center fund.

H. Revenues and expenditures/expenses

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1. *Program revenues*

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

2. *Property taxes*

Property taxes as set by the City Council are collected by the County Treasurer. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2016 taxes collectible in 2017 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

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funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$59,932,799 difference, including internal service fund capital assets of \$22,247 are as follows:

Land	7,707,252
Source of supply	-
Buildings, net	16,782,904
Systems, net	27,084,531
Machinery and equipment, net	<u>8,358,112</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 59,932,799</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 \$19,425 difference are as follows:

Cash and investments	33,422
Accounts payable	<u>(14,177)</u>
Current assets and liabilities of the internal service fund	<u><u>\$ 19,245</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 \$12,870,501 difference, including internal service fund long term liabilities of \$4,371 are as follows:

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Noncurrent liabilities	
Due within one year	(85,433)
Due in more than one year	<u>(12,432,884)</u>
Subtotal of bonds and notes payable - current and non-current	(12,518,317)
Accrued interest payable	(221,309)
Compensated absences payable	<u>(130,875)</u>
Net long term liabilities adjustment to decrease <i>fund balance - total governmental funds</i> , to arrive at <i>net position - governmental activities</i>	<u><u>\$ (12,870,501)</u></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 \$1,134,499 difference are as follows:

Capital outlay reported in governmental funds	\$ 3,186,486
Less: Depreciation expense, net of internal service fund	<u>(2,051,987)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 1,134,499</u></u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net position.” The details of this \$379,628 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.	\$ (68,507)
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>448,135</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u><u>\$ 379,628</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 \$70,032 difference are as follows:

Principal repayments on non-monetary performance obligation	\$ 10,032
Principal repayments on special revenue bonds	<u>60,000</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 70,032</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 (\$11,865) difference are as follows:

Compensated absences	\$ (10,796)
Accrued interest	600
Amortization of bond premiums	1,410
Amortization of bond discounts	<u>(3,079)</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>\$ (11,865)</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, 2016, \$500,000 of the City's deposits were covered by FDIC insurance and \$6,909,565 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

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- Certain money market funds

The composition of all cash and investments held by the City at December 31, 2016 and 2015, including level under GASB 72 fair value hierarchy where applicable, is as follows:

	2016	2015
Cash on hand	\$ 1,600	\$ 1,600
Deposits:		
Cash in checking account(s)	2,595,184	2,717,673
Money market funds	3,567,189	3,507,543
Certificates of deposit	1,288,326	1,278,676
Investment pools:		
CSAFE	5,453,613	5,508,861
COLOTRUST	3,482,194	3,459,579
Retirement fund investments	4,301,253	3,921,771
Total cash, deposits and investments	<u>\$ 20,689,359</u>	<u>\$ 20,395,703</u>

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:

	2016	2015
Cash and investments	\$ 12,316,460	\$ 12,347,161
Restricted Cash	4,064,286	4,126,771
Cash in fiduciary funds	7,360	-
Investments in fiduciary funds	4,301,253	3,921,771
	<u>\$ 20,689,359</u>	<u>\$ 20,395,703</u>

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

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no

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limit on the amount the City may invest in any one issuer. More than five percent of the City's investments are in public entity investment pools. These investments are 54.5% of the City's total cash, deposits and investments at December 31, 2016.

C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows.

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 7,423,113	\$ 284,139	\$ -	\$ 7,707,252
Total capital assets not being depreciated	<u>7,423,113</u>	<u>284,139</u>	<u>-</u>	<u>7,707,252</u>
<u>Capital assets, being depreciated</u>				
Buildings and other structures	20,850,698	275,858	-	21,126,556
Infrastructure	32,408,484	911,994	-	33,320,478
Machinery and equipment	11,365,162	2,162,631	(240,147)	13,287,646
Total capital assets being depreciated	<u>64,624,344</u>	<u>3,350,483</u>	<u>(240,147)</u>	<u>67,734,680</u>
<u>Less accumulated depreciation for:</u>				
Buildings and other structures	(3,703,317)	(640,335)	-	(4,343,652)
Infrastructure	(5,389,978)	(845,969)	-	(6,235,947)
Machinery and equipment	(4,532,978)	(568,195)	171,639	(4,929,534)
Total accumulated depreciation	<u>(13,626,273)</u>	<u>(2,054,499)</u>	<u>171,639</u>	<u>(15,509,133)</u>
Total capital assets being depreciated, net	<u>50,998,071</u>	<u>1,295,984</u>	<u>(68,508)</u>	<u>52,225,547</u>
Governmental activities capital assets, net	<u>\$ 58,421,184</u>	<u>\$ 1,580,123</u>	<u>\$ (68,508)</u>	<u>\$ 59,932,799</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 assets represent the sale and disposal of unused assets. Depreciation expense was charged to functions/programs of governmental activities as follows:

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Governmental activities

General government	\$ 134,090
Park and recreation	618,787
Public works	1,107,381
Public safety	191,729
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	<u>2,512</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,054,499</u></u>

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Total capital assets not being depreciated	<u>1,060,885</u>	<u>-</u>	<u>-</u>	<u>1,060,885</u>
<u>Capital assets, being depreciated</u>				
Buildings	1,643,406	-	-	1,643,406
Wastewater treatment facility	28,066,958	-	-	28,066,958
Distribution and collection system	19,636,431	108,681	-	19,745,112
Machinery and equipment	1,512,017	413,775	(257,152)	1,668,640
Total capital assets being depreciated	<u>50,858,812</u>	<u>522,456</u>	<u>(257,152)</u>	<u>51,124,116</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(876,185)	(40,615)	-	(916,800)
Wastewater treatment facility	(2,776,463)	(704,933)	-	(3,481,396)
Distribution and collection system	(6,232,554)	(430,185)	-	(6,662,739)
Machinery and equipment	(1,096,240)	(92,817)	257,152	(931,905)
Total accumulated depreciation	<u>(10,981,442)</u>	<u>(1,268,550)</u>	<u>257,152</u>	<u>(11,992,840)</u>
Total capital assets being depreciated, net	<u>39,877,370</u>	<u>(746,094)</u>	<u>-</u>	<u>39,131,276</u>
Business-type activities capital assets, net	<u><u>\$ 40,938,255</u></u>	<u><u>\$ (746,094)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,192,161</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:

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<u>General Fund</u>	<u>Unearned</u>
Impact fees for chipseal	\$ 116,271
Unallocated utility billing receipts	40,024
Total General Fund	<u>156,295</u>
<u>Capital Projects Fund</u>	
Impact fees for open space, road and drainage improvements	<u>712,520</u>
Total Capital Projects Fund	<u>712,520</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 868,815</u>

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 \$842,553 of net position for debt service. This includes \$332,571 for the three month operating reserve and \$509,982 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, 2016 was \$18,650,000 and is included in the Sewer Fund.

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

The cost of improvements to the reservoirs was \$484,764 with interest compounded annually at 4%. In lieu of payment the City agreed to provide irrigation water to the parties at \$185 per acre foot with a minimum credit of 100 acre feet per year (\$18,500) for a period of up to thirty years (30) years and exchange land and water rights with a predetermined value to be credited against

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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 resulting in an outstanding performance obligation balance on this note of \$201,682 at December 31, 2016. 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%	18,650,000
Governmental activities		
Reservoir improvements	4%	\$ 201,682
Total notes and loans payable		<u>\$ 18,851,682</u>

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

Year ended December 31	Business-type Activities		
	Principal	Interest	Total
2017	680,000	543,956	1,223,956
2018	730,000	524,206	1,254,206
2019	780,000	503,540	1,283,540
2020	845,000	474,126	1,319,126
2021	910,000	442,544	1,352,544
2022-2026	5,580,000	1,699,066	7,279,066
2027-2031	7,400,000	835,506	8,235,506
2032	1,725,000	45,436	1,770,436
	<u>\$ 18,650,000</u>	<u>\$ 5,068,380</u>	<u>\$ 23,718,380</u>

The unamortized premium on the loan for the wastewater treatment facility is \$802,339 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, 2016 was \$554,974 in the Sewer Fund.

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Year ended December 31	<u>Governmental Activities</u>		
	Non-monetary performance obligation		
	Principal	Interest	Total Credit
2017	10,433	8,067	18,500
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
2022-2026	68,749	23,751	92,500
2027-2031	76,426	8,856	85,282
	<u>\$ 201,682</u>	<u>\$ 68,600</u>	<u>\$ 270,282</u>

A credit of \$18,500 was applied to this obligation in 2016 for the conveyance of the 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 bonds are rate AAA by Standard and Poor's with insurance from Assured Guaranty Corp. with an underlying rating of BBB+ from Standard and Poor's. Final maturity of the bonds is 2039.

Interest subsidy payments, also referred to as the Federal Direct Payments, are received from the United States Treasury for the Taxable Build America Bonds, Series 2009B, upon timely receipt of Form 8038-CP. The 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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

additional two years, from ten years to twelve years. The sequestration rate, or the amount by which the interest subsidy payments are reduced, will be set from time to time in the future.

In 2016, the sequestration percentage of 6.8% was applied to the interest subsidy payment. In 2017, the sequestration percentage of 6.9% will be applied to the interest payments.

At year end, the City had \$2,734,801 in fund balance restricted for debt service on these bonds. This includes \$1,756,500 in reserve and supplemental reserve funds, and an additional \$978,301 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%	\$ 2,230,000
2009B	Taxable Sales and Use Tax Revenue Bonds	10,125,000	2039	7.42% - 7.62%	10,125,000
Total					<u>\$12,355,000</u>

The unamortized premium and discount on the special revenue bonds is \$38,365 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, 2016

	Principal	Interest	Federal Direct Payment*	Total - Net of Federal Direct Payment
2017	75,000	885,238	(248,200)	712,038
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
2022-2026	1,465,000	4,043,944	(1,221,174)	4,287,770
2027-2031	2,570,000	3,346,270	(976,988)	4,939,282
2032-2036	4,045,000	2,177,558	(576,191)	5,646,367
2037-2039	3,625,000	543,803	(145,352)	4,023,451
	<u>\$ 12,355,000</u>	<u>\$ 14,490,517</u>	<u>\$ (4,230,130)</u>	<u>\$ 22,615,387</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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Special revenue bonds	\$12,415,000	\$ -	\$ (60,000)	\$12,355,000	\$ 75,000
Deferred amount for issuance discount	(73,882)	3,078	-	(70,803)	-
Deferred amount for issuance premium	33,848	-	(1,410)	\$ 32,438	-
Total bonds payable	12,374,966	3,078	(61,410)	12,316,635	75,000
Performance obligation note	211,714	-	(10,032)	201,682	10,433
Compensated absences	121,925	188,883	(179,933)	130,875	-
Governmental activity long term liabilities	<u>\$12,708,605</u>	<u>\$ 191,961</u>	<u>\$ (251,375)</u>	<u>\$12,649,192</u>	<u>\$ 85,433</u>

The internal service fund predominately serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$4,371 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.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016 the plan included 73 total participants with 62 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 2016 was \$2,240,934. The total contribution to allocate for the plan year of 2016, was \$100,842. For the year ended December 31, 2016, forfeitures reduced the City's pension expense by \$72,700. Fair value of the plan investments at December 31, 2016 was \$1,397,459.

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, 2016 the plan included 21 total participants with 18 active participants.

The City's contribution for each employee becomes 20 percent vested at the

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 2016 was \$996,850. Contributions for the year ended December 31, 2016, were \$99,685 paid by the employees and \$124,606 paid by the City. For the year ended December 31, 2016, forfeitures reduced the City's pension expense by \$17,793. Fair value of the plan investments at December 31, 2016 was \$2,903,794.

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 2016 limit CIRSA's per occurrence exposure to \$500,000 for workers' compensation coverage for all claims made by employees other than police officers and \$750,000 for claims made by police officers, \$1,000,000 for liability coverage, \$500,000 for property coverage, and \$150,000 for crime coverage, and provide coverage to specified upper limits.

As a member of CIRSA, the City owns a proportionate share of CIRSA's net assets. The City's equity at December 31, 2016 in the property/casualty insurance pool is \$125,436 and \$183,014 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).

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 Hospital Revenue Bonds issued by the Lower Valley Hospital Association in 2008 for \$28,000,000 to fund construction of a new hospital and consolidate all long-term debt previously owed by the Lower Valley Hospital Association. As of December 31, 2016, there was a principal amount payable of \$26,740,000. 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 2016 all rental payments were offset by operating expenses.

Information for the building on lease is as follows:

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Cost of building	\$ 1,512,926
Accumulated depreciation	<u>827,289</u>
Carrying Amount	<u><u>\$ 685,637</u></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 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 \$4,563,613 has been classified into the following categories.

Debt service - Net position identified as Debt Service in the amount of \$3,577,354 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 \$100,759 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 \$103,610 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.

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Parks and open space - Net position restricted for parks and open space in the amount of \$140,598 represent 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 \$241,292 represent interest earnings on development impact fees collected for the purposes of street improvements and restricted by ordinance for street 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.

XI. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

	Transfers in:				
	General Fund	Community Center Fund	Capital Projects Fund	Debt Service Fund	Total transfers out
<u>Transfers out:</u>					
General Fund	\$ -	\$ 95,000	\$ 474,447	\$ -	\$ 569,447
Community Center	-	-	39,391	695,350	734,741
Other governmental funds	-	-	183,584	-	183,584
Sewer	160,000	-	9,304	-	169,304
Trash	51,000	-	-	-	51,000
Irrigation Water	10,000	-	-	-	10,000
Total transfers in	<u>\$221,000</u>	<u>\$ 95,000</u>	<u>\$ 706,726</u>	<u>\$ 695,350</u>	<u>\$1,718,076</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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes:				
Property	\$ 1,097,500	\$ 1,097,500	\$ 1,096,363	\$ (1,137)
City sales	1,525,000	1,525,000	1,508,961	(16,039)
County sales	2,040,000	2,040,000	1,924,355	(115,645)
Use tax	595,000	595,000	736,433	141,433
Other	561,600	561,600	534,037	(27,563)
Licenses and permits	30,000	30,000	31,212	1,212
Intergovernmental revenue	603,750	624,125	632,678	8,553
Charges for services	147,525	157,625	212,689	55,064
Fines and forfeitures	42,000	42,000	32,411	(9,589)
Investment earnings	8,000	8,000	30,612	22,612
Rents and royalties	30,800	30,800	34,428	3,628
Donations	12,000	28,375	29,420	1,045
Miscellaneous	3,000	3,000	96,022	93,022
Total revenues	<u>6,696,175</u>	<u>6,743,025</u>	<u>6,899,621</u>	<u>156,596</u>
EXPENDITURES				
Current:				
General government	368,400	399,900	345,148	54,752
Administration	646,500	652,000	624,371	27,629
Community development	265,275	271,275	259,290	11,985
Public safety	2,215,300	2,223,175	2,116,774	106,401
Public works	1,690,050	1,731,475	1,641,458	90,017
Parks and recreation	992,000	1,015,230	961,495	53,735
Non-departmental	496,600	450,600	265,562	185,038
Capital equipment	465,125	646,270	572,293	73,977
Total expenditures	<u>7,139,250</u>	<u>7,389,925</u>	<u>6,786,391</u>	<u>603,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(443,075)</u>	<u>(646,900)</u>	<u>113,230</u>	<u>760,130</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	281,000	281,000	221,000	(60,000)
Transfers out	(722,500)	(830,800)	(569,447)	261,353
Insurance rebates and damage awards	-	2,675	8,319	5,644
Sale of capital assets	-	-	3,442	3,442
Total other financing sources and (uses)	<u>(441,500)</u>	<u>(547,125)</u>	<u>(336,686)</u>	<u>210,439</u>
Change in fund balance - budgetary basis	<u>\$ (884,575)</u>	<u>\$ (1,194,025)</u>	<u>\$ (223,456)</u>	<u>\$ 970,569</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, 2016

	<u>Budget</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes				
City sales	\$ 762,500	\$ 762,500	\$ 754,480	\$ (8,020)
Use tax	297,500	314,500	368,217	53,717
Intergovernmental revenue	2,000	2,000	2,000	-
Charges for services	1,029,500	1,046,500	1,065,847	19,347
Investment income	-	-	619	619
Rents and royalties	38,000	40,000	43,660	3,660
Donations	500	1,700	2,100	400
Miscellaneous	-	-	1,479	1,479
Total revenues	<u>2,130,000</u>	<u>2,167,200</u>	<u>2,238,402</u>	<u>71,202</u>
EXPENDITURES				
Current				
Recreation	1,529,850	1,591,525	1,577,472	14,053
Capital expenses	90,000	108,400	89,371	19,029
Total expenditures	<u>1,619,850</u>	<u>1,699,925</u>	<u>1,666,843</u>	<u>33,082</u>
Excess of revenues over expenditures	<u>510,150</u>	<u>467,275</u>	<u>571,559</u>	<u>104,284</u>
OTHER FINANCING SOURCES (USES)				
Insurance rebates and damage awards	-	24,800	24,839	39
Transfers in	95,000	95,000	95,000	-
Transfers out	<u>(723,350)</u>	<u>(738,200)</u>	<u>(734,741)</u>	<u>3,459</u>
Total other financing sources (uses)	<u>(628,350)</u>	<u>(618,400)</u>	<u>(614,902)</u>	<u>3,498</u>
Change in fund balance - budgetary basis	<u>\$ (118,200)</u>	<u>\$ (151,125)</u>	<u>(43,343)</u>	<u>\$ 107,782</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, 2016

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marketing and Promotion</u>	
ASSETS			
Cash and cash equivalents	\$ 236,151	\$ 98,145	\$ 334,296
Taxes receivable	-	4,009	4,009
Total Assets	<u>\$ 236,151</u>	<u>\$ 102,154</u>	<u>\$ 338,305</u>
LIABILITIES			
Accounts payable	-	1,395	1,395
Total Liabilities	<u>-</u>	<u>1,395</u>	<u>1,395</u>
FUND BALANCE			
Restricted	97,151	100,759	197,910
Assigned	139,000	-	139,000
Total Fund Balances	<u>236,151</u>	<u>100,759</u>	<u>336,910</u>
Total Liabilities and fund balance	<u>\$ 236,151</u>	<u>\$ 102,154</u>	<u>\$ 338,305</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Conservation Trust	Marketing and Promotion	
REVENUES			
Taxes			
Lodger's tax	\$ -	\$ 110,845	\$ 110,845
Intergovernmental revenue	141,499	-	141,499
Charges for services	-	\$ 72	72
Total revenues	<u>141,499</u>	<u>110,917</u>	<u>252,416</u>
EXPENDITURES			
Current			
Marketing and promotion	-	98,976	98,976
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>98,976</u>	<u>98,976</u>
Excess (deficiency) of revenues over (under) expenditures	141,499	11,941	153,440
OTHER FINANCING SOURCES			
Transfers out	<u>(183,584)</u>	<u>-</u>	<u>(183,584)</u>
Change in fund balance - budgetary basis	<u><u>\$ (42,085)</u></u>	<u><u>\$ 11,941</u></u>	<u><u>\$ (30,144)</u></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, 2016

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 385,000	\$ 1,471,800	\$ 1,514,598	\$ 42,798
Assessments and development impact fees	-	236,150	233,386	(2,764)
Donations	-	8,500	8,394	(106)
Investment earnings	-	-	6,054	6,054
Total revenues	<u>385,000</u>	<u>1,716,450</u>	<u>1,762,432</u>	<u>45,982</u>
EXPENDITURES				
Current:				
Downtown improvements design	50,000	50,000	11,020	38,980
I-70/SH 340 Gateway Enhancement	-	38,300	37,261	1,039
Contingency	92,500	62,500	-	62,500
Capital Outlay				
Downtown improvements	-	20,000	22,604	(2,604)
Street improvements	470,000	853,400	732,786	120,614
Parks and recreation	258,000	1,630,000	1,545,128	84,872
Building improvements	200,000	224,450	224,304	146
Total expenditures	<u>1,070,500</u>	<u>2,878,650</u>	<u>2,573,103</u>	<u>305,547</u>
Deficiency of revenues under expenditures	(685,500)	(1,162,200)	(810,671)	351,529
OTHER FINANCING SOURCES				
Transfers in	685,500	972,200	706,726	(265,474)
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ (190,000)</u>	<u>\$ (103,945)</u>	<u>\$ 86,055</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, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Intergovernmental revenues	\$ 248,450	\$ 248,400	\$ (50)
Investment earnings	4,350	12,453	8,103
Total revenues	<u>252,800</u>	<u>260,853</u>	<u>8,053</u>
EXPENDITURES			
Debt service			
Principal retirement	60,000	60,000	-
Interest and fiscal charges	<u>888,150</u>	<u>888,138</u>	<u>12</u>
Total expenditures	<u>948,150</u>	<u>948,138</u>	<u>12</u>
Deficiency of revenues under expenditures	(695,350)	(687,285)	8,065
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>695,350</u>	<u>695,350</u>	<u>\$ -</u>
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ 8,065</u>	<u>\$ 8,065</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, 2016

	<u>Budget</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental revenue	\$ 120,000	\$ 120,000	\$ 141,499	\$ 21,499
Investment income	-	-	-	-
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>141,499</u>	<u>21,499</u>
EXPENDITURES				
Current				
Culture and recreation	26,000	26,000	-	26,000
Capital outlay				
Culture and recreation	-	-	-	-
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>-</u>	<u>26,000</u>
Change in net position - budgetary basis	94,000	94,000	141,499	47,499
OTHER FINANCING USES				
Transfers out	(30,000)	(184,100)	(183,584)	516
Change in fund balance - budgetary basis	<u>\$ 64,000</u>	<u>\$ (90,100)</u>	<u>(42,085)</u>	<u>\$ 48,015</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, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Lodger's tax	\$ 101,500	\$ 110,845	\$ 9,345
Investment income	-	-	-
Charges for services	-	72	72
Total revenues	<u>101,500</u>	<u>110,917</u>	<u>9,417</u>
EXPENDITURES			
Current			
Marketing and promotion	107,125	98,976	8,149
Total expenditures	<u>107,125</u>	<u>98,976</u>	<u>8,149</u>
Change in fund balance - budgetary basis	<u>\$ (5,625)</u>	11,941	<u>\$ 17,566</u>

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SEWER FUND
For the year ended December 31, 2016

	Budget			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 2,873,000	\$ 2,873,000	\$ 2,897,110	\$ 24,110
Investment income	4,300	4,300	19,562	15,262
Capital contributions - tap fees	165,000	165,000	401,879	236,879
Miscellaneous	100	100	679	579
Gain on sale of equipment	-	-	200	200
Total revenues	<u>3,042,400</u>	<u>3,042,400</u>	<u>3,319,430</u>	<u>277,030</u>
EXPENSES				
Personnel services	674,800	674,800	605,595	69,205
Purchased services	285,975	293,700	249,061	44,639
Supplies	373,050	365,325	319,865	45,460
Debt service:				
Principal retirement	630,000	630,000	630,000	-
Interest and fiscal charges	562,850	562,850	562,844	6
Capital expenses	242,150	674,400	500,494	173,906
Special projects	30,000	30,000	-	30,000
Transfers out	160,000	169,450	169,304	146
Total expenses	<u>2,958,825</u>	<u>3,400,525</u>	<u>3,037,163</u>	<u>363,362</u>
Change in net position - budgetary basis	<u>\$ 83,575</u>	<u>\$ (358,125)</u>	<u>\$ 282,267</u>	<u>\$ 640,392</u>
Adjustments from budgetary basis to GAAP				
Deduct depreciation			(1,223,790)	
Add change in accrued interest payable			7,870	
Add change in compensation payable			4,235	
Add contributions from development			19,801	
Add principal retirement			630,000	
Add capital expenses			500,494	
Add premium on bonds			50,146	
Change in net position - GAAP basis			<u>\$ 271,023</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
TRASH FUND
For the year ended December 31, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES				
Charges for services	\$ 671,000	\$ 677,000	\$684,835	\$ 7,835
Investment income	-	-	-	-
Total revenues	<u>671,000</u>	<u>677,000</u>	<u>684,835</u>	<u>7,835</u>
EXPENSES				
Purchased services	620,000	626,000	623,778	2,222
Transfers out	51,000	51,000	51,000	-
Total expenses	<u>671,000</u>	<u>677,000</u>	<u>674,778</u>	<u>2,222</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,057</u>	<u>\$ 10,057</u>
Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position				
Change in net position - GAAP basis			<u>\$ 10,057</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEVILS CANYON CENTER FUND
For the year ended December 31, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENSES			
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position - budgetary basis	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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><u>\$ (37,551)</u></u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
IRRIGATION WATER FUND
For the year ended December 31, 2016

	<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	\$ 103,525	\$ 103,525	\$ 106,190	\$ 2,665
Capital contributions - tap fees	-	-	500	500
Total revenues	<u>103,525</u>	<u>103,525</u>	<u>106,690</u>	<u>3,165</u>
EXPENSES				
Personnel services	68,925	68,925	66,632	2,293
Purchased services	9,700	7,525	6,621	3,079
Supplies	14,900	14,900	13,933	967
Capital equipment	-	2,175	2,161	(2,161)
Transfers out	10,000	10,000	10,000	-
Total expenses	<u>103,525</u>	<u>103,525</u>	<u>99,347</u>	<u>4,178</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 7,343	<u>\$ 7,343</u>
Adjustments from budgetary basis to GAAP				
Basis to arrive at change in net position				
Add capital expenses			2161	
Deduct depreciation			(7,209)	
Deduct compensation payable			(1,784)	
Change in net position - GAAP basis			<u>\$ 511</u>	

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FLEET MAINTENANCE FUND
For the year ended December 31, 2016

	<u>Budget</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Charges for services	\$ 290,375	\$ 290,375	\$ 285,382	\$ (4,993)
Other revenues	-	-	794	794
Total revenues	<u>290,375</u>	<u>290,375</u>	<u>286,176</u>	<u>(4,199)</u>
EXPENDITURES				
Personnel services	174,375	169,375	169,642	(267)
Purchased services	22,700	25,200	24,078	1,122
Supplies	93,300	95,800	92,088	3,712
Total expenditures	<u>290,375</u>	<u>290,375</u>	<u>285,808</u>	<u>4,567</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 368	<u>\$ 368</u>
Adjustments from budgetary basis to GAAP basis to arrive at change in net position				
Deduct depreciation			(2,512)	
Add compensation payable			2,144	
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 2016
This Information From The Records Of (example - City of _ or County of _) Prepared By: _____ Phone: _____	

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	861,043
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	915,541
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	40,381
2. General fund appropriations	916,913	b. Snow and ice removal	16,630
3. Other local imposts (from page 2)	904,954	c. Other	244,815
4. Miscellaneous local receipts (from page 2)	315,206	d. Total (a. through c.)	301,826
5. Transfers from toll facilities		4. General administration & miscellaneous	268,873
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	387,878
a. Bonds - Original Issues		6. Total (1 through 5)	2,735,162
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	3
7. Total (1 through 6)	2,137,073	b. Redemption	
B. Private Contributions	159,710	c. Total (a. + b.)	3
C. Receipts from State government		2. Notes:	
(from page 2)	438,379	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	2,735,162	3. Total (1.c + 2.c)	3
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,735,165

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
		2,735,162	2,735,165		(3)

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	11,677
1. Sales Taxes	533,323	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	208,174	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	840
5. Specific Ownership &/or Other	163,457	g. Other Misc. Receipts	302,689
6. Total (1. through 5.)	904,954	h. Other	
c. Total (a. + b.)	904,954	i. Total (a. through h.)	315,206
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	389,172	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	49,207	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.)	49,207	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	438,379	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		26,800	26,800
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		127,110	127,110
(2). Capacity Improvements			0
(3). System Preservation		701,333	701,333
(4). System Enhancement & Operation		5,800	5,800
(5). Total Construction (1) + (2) + (3) + (4)	0	834,243	834,243
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	861,043	861,043
			(Carry forward to page 1)
Notes and Comments:			

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Single Audit

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

June 15, 2017

Honorable Mayor and City Council
City of Fruita
Fruita, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Fruita's basic financial statements, and have issued our report thereon dated June 15, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fruita's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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



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

June 15, 2017

Honorable Mayor and City Council
City of Fruita
Fruita, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Fruita's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fruita's major federal programs for the year ended December 31, 2016. The City of Fruita's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Fruita complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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



City of Fruita
June 15, 2017

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

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

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

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

City of Fruita, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Award Amount	Amount of Award Expended
Federal Highway Administration			
Passed through Colorado Department of Transportation			
Transportation Equity Act of the 21st Century	20.205	\$ 160,000	\$ 144,188
Safe, Accountable, Flexible, Efficient Transportation Equity Act			
Surface Transportation Improvement Program			
Transportation Enhancement Activities	20.205	654,000	654,000
Total U.S. Department of Transportation		<u>\$ 814,000</u>	<u>\$ 798,188</u>
 Total Federal Expenditures			 <u><u>\$ 798,188</u></u>

The accompanying notes are an integral part of this schedule.

City of Fruita

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

NOTE A – GENERAL

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

NOTE B – BASIS OF ACCOUNTING

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

City of Fruita

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ yes ✓ none reported

Noncompliance material to financial statements
noted?

_____ yes ✓ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ yes ✓ none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified Opinion

Any audit findings disclosed that are required
to be reported in accordance with
the Uniform Guidance?

_____ yes ✓ no

Identification of major programs:

CFDA
Number(s)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes ✓ no

City of Fruita

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year ended December 31, 2016

SECTION II – FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

There are no findings under Generally Accepted Government Auditing Standards.

SECTION III – FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs for Federal awards as defined in the Uniform Guidance.

City of Fruita

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2016

A single audit was not required in the prior year.