

City of Fruita

2020 Financial Statements

Fiscal Year Ending December 31, 2020



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

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

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**INDEPENDENT AUDITOR'S REPORT**

July 13, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, Colorado (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Fruita, Colorado's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, Colorado, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-20 and 63-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

Management's Discussion and Analysis

This discussion and analysis of the City of Fruita's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2020. Please read this in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

Management's Discussion and Analysis

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

- *The statement of net position* presents information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.
- *The statement of activities* presents information showing how the government's net

Management's Discussion and Analysis

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

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

Fund Financial Statements

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

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

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

Management's Discussion and Analysis

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

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

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

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

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

The City of Fruita maintains one fiduciary fund. The Private purpose trust fund is used to report resources held in trust for Mesa County School District #51.

Notes to the financial statements

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

Other information

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

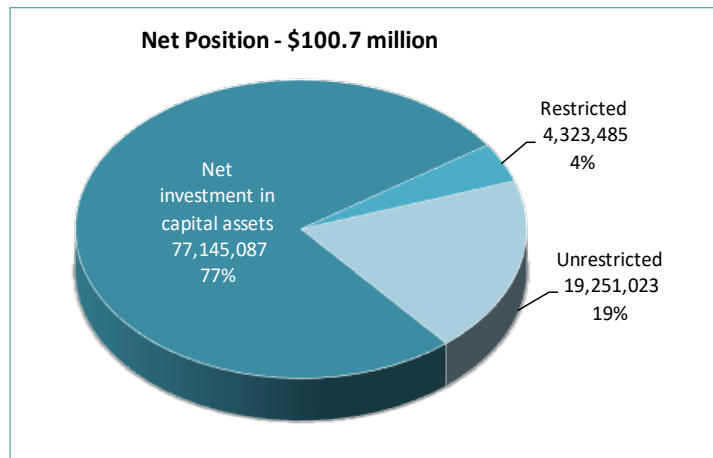
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Government-wide. As noted earlier, *Net Position* may serve over time as a useful indicator of a government's financial position. The city's assets exceeded its liabilities and deferred inflow of resources by \$100.7 million at December 31, 2020.

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

The largest portion of the city's net position (77%) is the investment of \$77.1 million in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure), less any related outstanding debt that was used to acquire those assets. The city uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to



Management's Discussion and Analysis

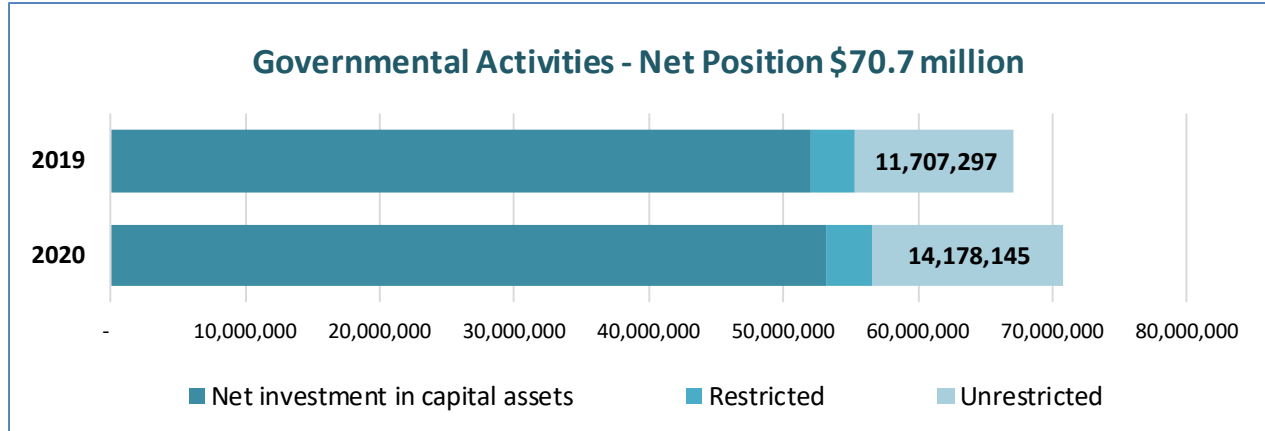
liquidate these liabilities. The City's net investment in capital assets increased \$2.75 million (4%) from the prior year.

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

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

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

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



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

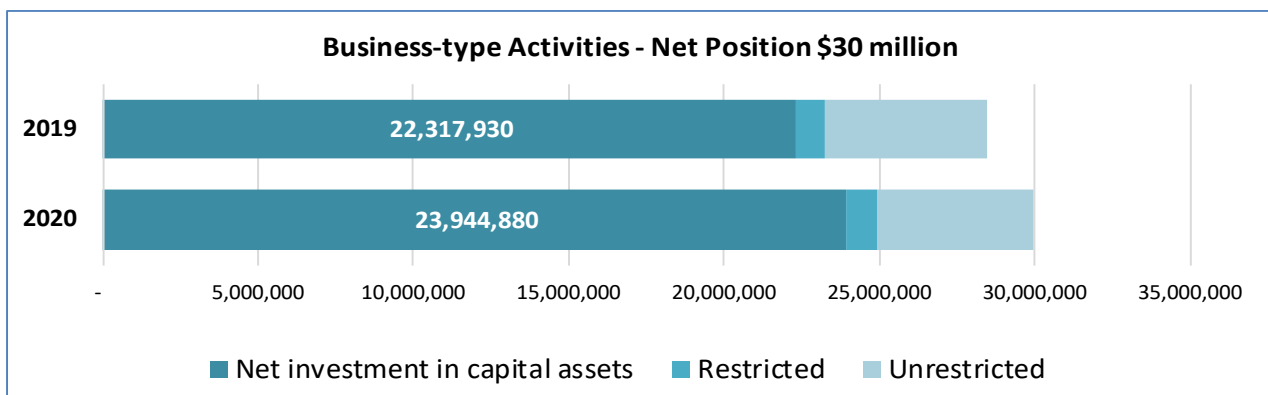
- **Pandemic.** A national and state emergency was declared in early 2020 due to the outbreak of a novel corona virus (COVID-19). A number of health and safety measures were put into place to protect the general public including stay-at-home orders, business closures, and social distancing requirements.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

Management's Discussion and Analysis

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

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

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



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

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

Management's Discussion and Analysis

CHANGES IN NET POSITION

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

Changes in Net Position - Governmental Activities

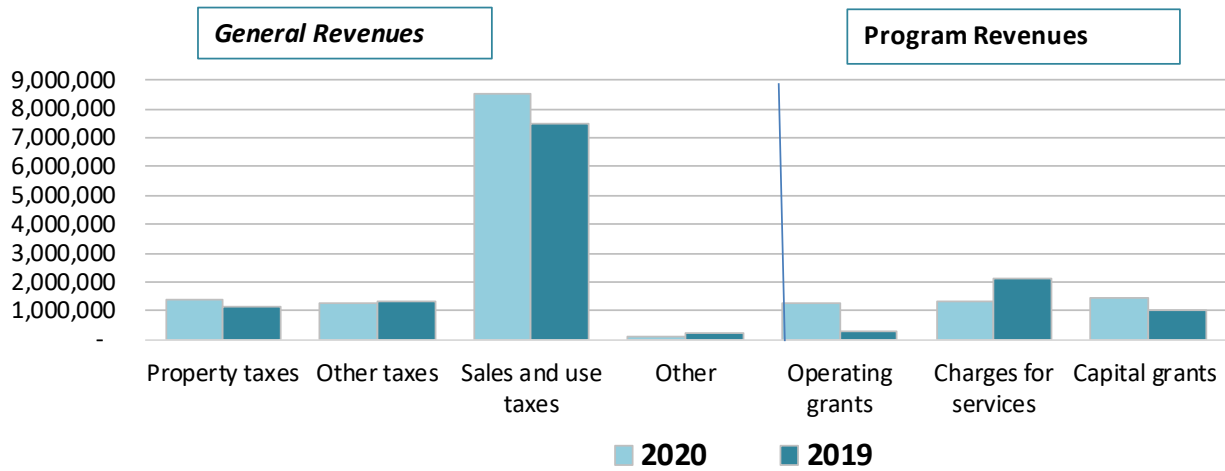
Revenues. Total revenues for governmental activities increased 12.5% (\$1.7 million) in 2020.

Factors contributing to this increase included:

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

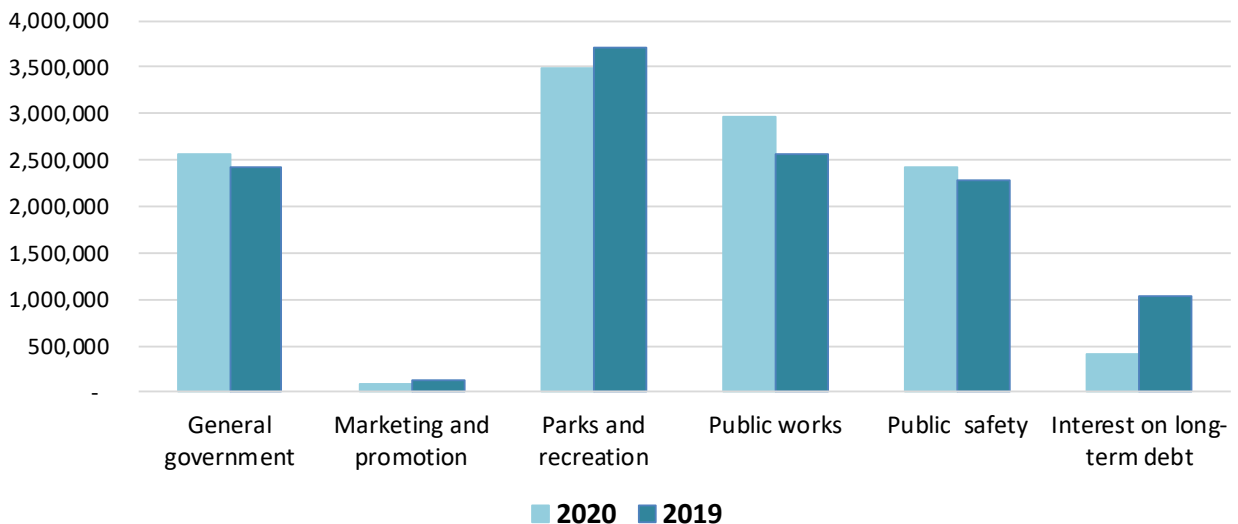
Management's Discussion and Analysis

Governmental Activity Revenues by Source



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

Governmental Activity Expenses

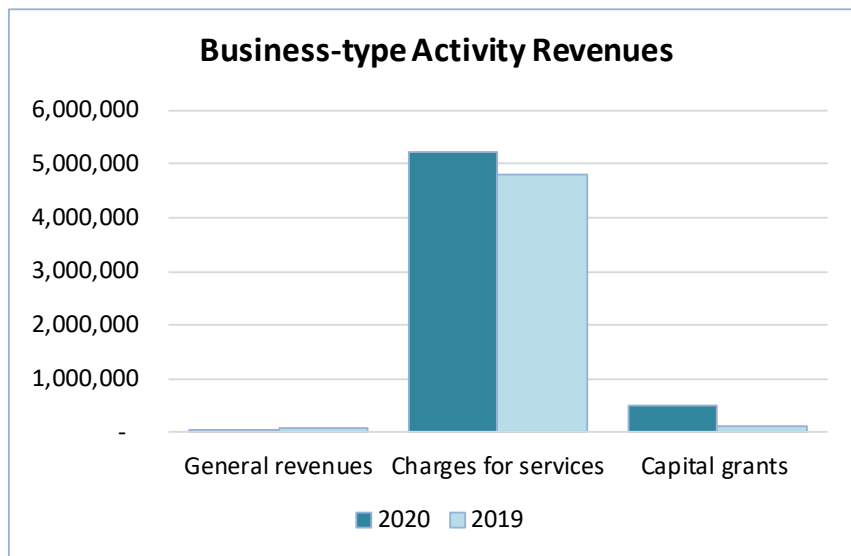


Management's Discussion and Analysis

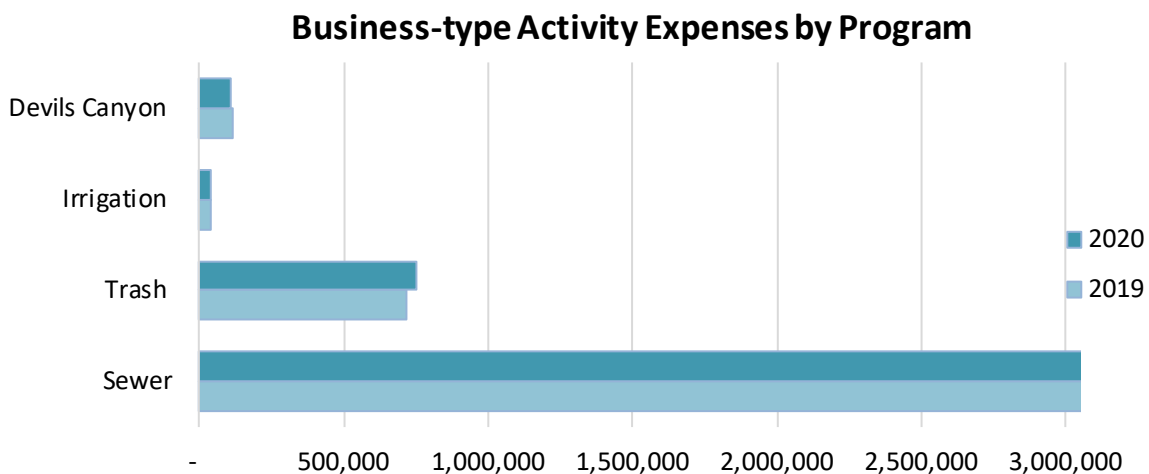
Changes in Net Position – Business-type Activities

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

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



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



Management's Discussion and Analysis

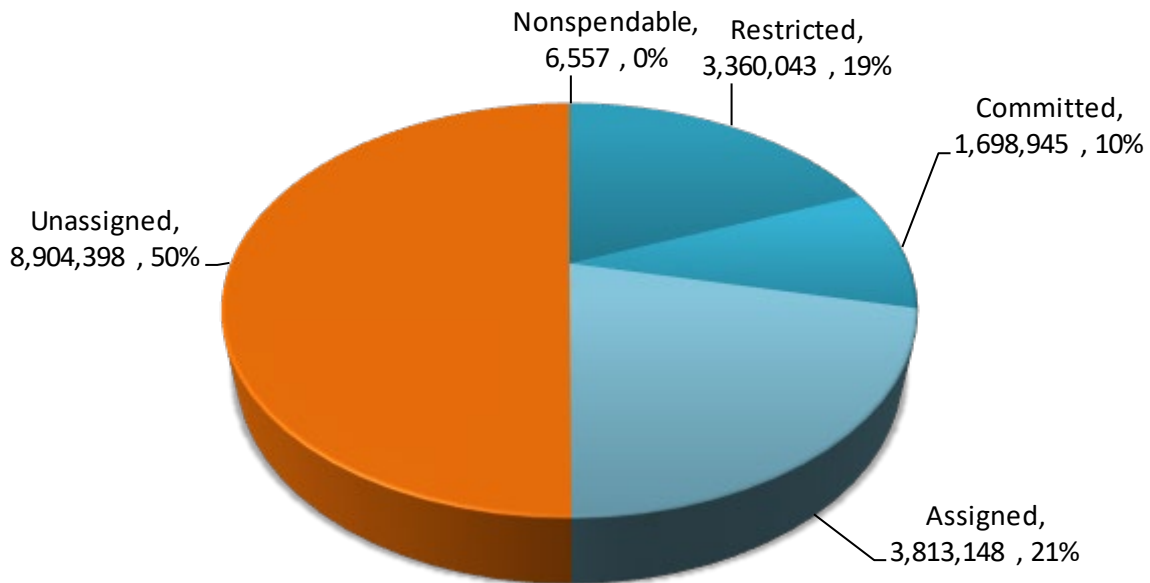
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

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

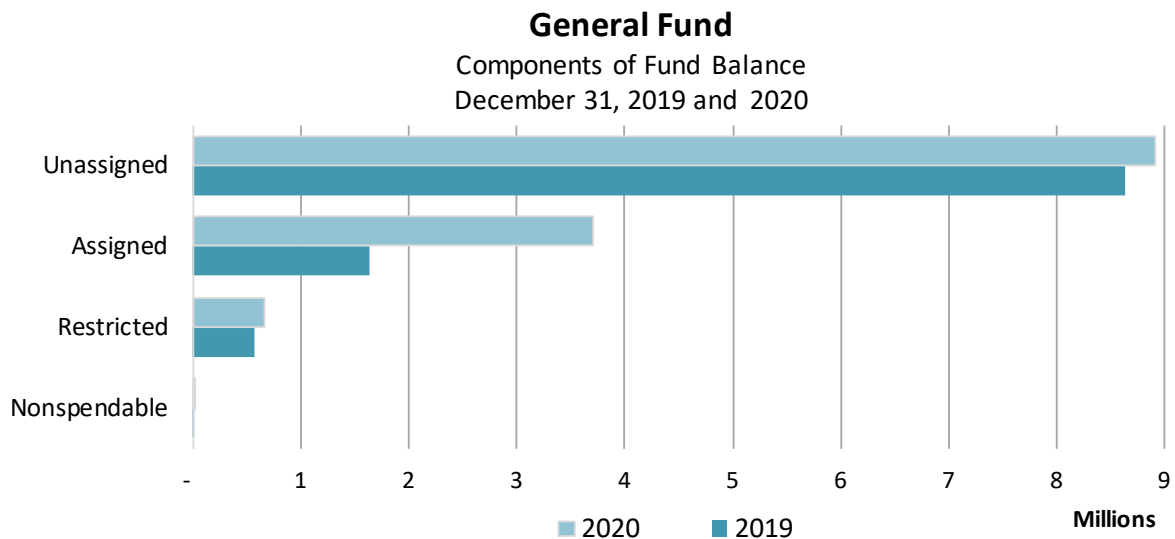
Fund Balance of Governmental Funds - \$17.8 million



Management's Discussion and Analysis

Analysis of Individual Funds

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



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

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

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

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

Management's Discussion and Analysis

sales tax revenues between 2019 and 2020.

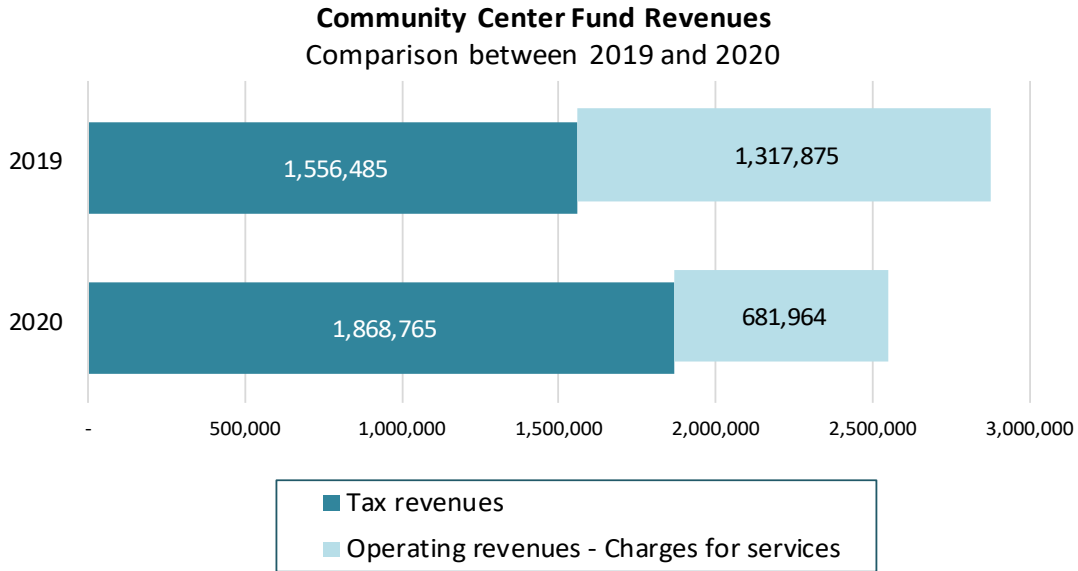
Sales and Use Tax Revenues by Category (2%) 2019 thru 2020				
Description	2019	2020	1 yr % Chg	1 yr \$ Chg
Sales taxes				
Other Services	37,774	42,867	13%	5,093
Other Miscellaneous	53,679	78,699	47%	25,020
Manufacturing	41,664	69,529	67%	27,865
Wholesale Trade	63,848	88,401	38%	24,553
Rental and Leasing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

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

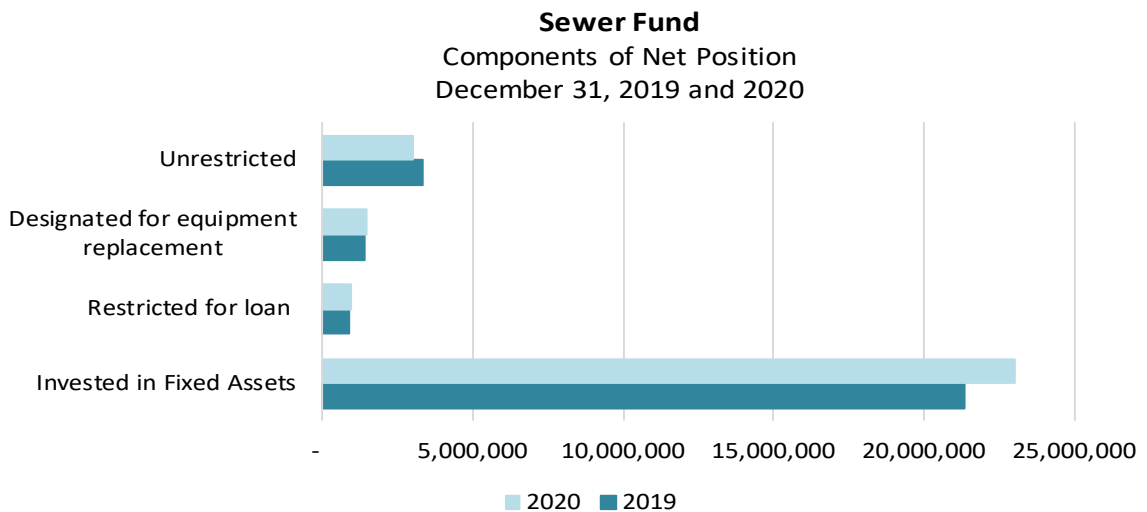
Revenues were down \$323,631 (13%) in 2020 from the prior year. This decrease was a combination of reductions in non-tax revenues (charges for services) of \$635,911 (71%) from the prior year and increases in city sales and use tax revenues of \$312,280 (17%).

Management's Discussion and Analysis

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



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



Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

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

Management's Discussion and Analysis

Final budget compared to actual results.

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

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

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

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

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

Management's Discussion and Analysis

Significant Variations Final Budgeted Expenses vs Actual Expenses

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

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

Other Financing Sources (Uses) include special transactions which are not considered operating revenues and expenses. These include transfers to and from other funds, insurance damage awards, proceeds from sale of capital assets and other special revenue or expense items. Other financing sources (uses) had a favorable budget variance of \$314,886 (41%). This variance from budget to actual was primarily due to a reduction in transfers to the capital projects fund due to timing of capital projects.

Other Financing Sources (Uses) - Final Budget vs Actuals

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

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

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

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

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

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

Management's Discussion and Analysis

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

Management's Discussion and Analysis

REQUESTS FOR INFORMATION

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



Economic Health

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



Basic Financial Statements

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

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

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

City of Fruita, Colorado
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

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

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

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

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

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

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

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

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

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

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

For the year ended December 31, 2020

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2020

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

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of the internal service fund, in the current period.

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

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

(12,350)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

1,119,516

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where these amounts are amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:

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

Some expenses reported in the statement of activities do not require the use of

current financial resources and therefore are not reported as expenditures in governmental funds.

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

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

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

City of Fruita, Colorado
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2020 (With comparative totals for 2019)

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Major Fund		Non-Major Funds						Totals	Fleet Maintenance Internal Service Fund
	Sewer		Trash		Devils Canyon Center		Irrigation Water			
	2020	2019 (Restated)	2020	2019	2020	2019	2020	2019	2020	
ASSETS										
Current assets:										
Cash and investments	\$ 4,238,191	\$ 4,481,352	\$ 164,134	\$ 154,129	\$ 218,268	\$ 234,864	\$ 190,540	\$ 178,832	\$ 4,811,133	\$ 30,322
Interest receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	554,310	522,220	135,174	124,240	-	-	3,271	2,676	692,755	-
Intergovernmental receivable	-	454	-	-	-	-	-	-	-	-
Total current assets	<u>4,792,501</u>	<u>5,004,026</u>	<u>299,308</u>	<u>278,369</u>	<u>218,268</u>	<u>234,864</u>	<u>193,811</u>	<u>181,508</u>	<u>5,503,888</u>	<u>30,322</u>
Non-current assets:										
Restricted cash:										
WWTF loan covenants	963,442	917,736	-	-	-	-	-	-	963,442	-
Customer deposits	-	-	-	-	-	-	-	-	-	-
Capital assets										
Land	764,010	764,010	-	-	225,514	225,514	56,649	56,649	1,046,173	-
Source of supply	-	-	-	-	-	-	14,712	14,712	14,712	-
Buildings, net	28,885	30,771	-	-	581,363	620,833	11	1,008	610,259	-
Systems, net	38,021,913	37,118,349	-	-	-	-	36,467	41,864	38,058,380	-
Equipment, net	430,815	516,704	-	-	-	-	1,296	1,512	432,111	19,515
Construction in progress	-	-	-	-	-	-	-	-	-	-
Total capital assets, net	<u>39,245,623</u>	<u>38,429,834</u>	<u>-</u>	<u>-</u>	<u>806,877</u>	<u>846,347</u>	<u>109,135</u>	<u>115,745</u>	<u>40,161,635</u>	<u>19,515</u>
Total non-current assets	<u>40,209,065</u>	<u>39,347,570</u>	<u>-</u>	<u>-</u>	<u>806,877</u>	<u>846,347</u>	<u>109,135</u>	<u>115,745</u>	<u>41,125,077</u>	<u>19,515</u>
Total assets	<u>45,001,566</u>	<u>44,351,596</u>	<u>299,308</u>	<u>278,369</u>	<u>1,025,145</u>	<u>1,081,211</u>	<u>302,946</u>	<u>297,253</u>	<u>46,628,965</u>	<u>49,837</u>
LIABILITIES										
Current liabilities:										
Accounts Payable	98,312	67,458	126,509	120,117	-	-	1,086	6,091	225,907	8,251
Compensated absences	18,995	20,550	-	-	-	-	1,714	1,733	20,709	4,465
Notes payable - current maturity	530,833	492,917	-	-	-	-	-	-	530,833	-
Total current liabilities	<u>648,140</u>	<u>580,925</u>	<u>126,509</u>	<u>120,117</u>	<u>-</u>	<u>-</u>	<u>2,800</u>	<u>7,824</u>	<u>777,449</u>	<u>12,716</u>
Current liabilities payable from restricted assets:										
Accrued interest payable from restricted cash	184,394	197,553	-	-	-	-	-	-	184,394	-
Notes payable from restricted cash	379,167	352,083	-	-	-	-	-	-	379,167	-
Total current liabilities payable from restricted assets	<u>563,561</u>	<u>549,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>563,561</u>	<u>-</u>
Noncurrent liabilities:										
Notes payable (net of premium)	15,306,755	16,266,901	-	-	-	-	-	-	15,306,755	-
Total noncurrent liabilities	<u>15,306,755</u>	<u>16,266,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,306,755</u>	<u>-</u>
Total liabilities	<u>16,518,456</u>	<u>17,397,462</u>	<u>126,509</u>	<u>120,117</u>	<u>-</u>	<u>-</u>	<u>2,800</u>	<u>7,824</u>	<u>16,647,765</u>	<u>12,716</u>
NET POSITION										
Invested in capital assets, net of related debt	23,028,868	21,317,933	-	-	806,877	846,347	109,135	115,745	23,944,880	19,515
Restricted for loan covenants	963,442	917,736	-	-	-	-	-	-	963,442	-
Unrestricted:										
Designated for capital projects	-	-	-	-	-	-	-	-	-	-
Designated for health insurance reserve	-	-	-	-	-	-	-	-	-	-
Designated for equipment replacement	1,483,566	1,383,566	-	-	-	-	-	-	1,483,566	-
Other unrestricted	3,007,234	3,334,899	172,799	158,252	218,268	234,864	191,011	173,684	3,589,312	17,606
Total net position	<u>\$ 28,483,110</u>	<u>\$ 26,954,134</u>	<u>\$ 172,799</u>	<u>\$ 158,252</u>	<u>\$ 1,025,145</u>	<u>\$ 1,081,211</u>	<u>\$ 300,146</u>	<u>\$ 289,429</u>	<u>\$ 29,981,200</u>	<u>\$ 37,121</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2020 (With comparative totals for 2019)

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

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

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

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

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

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

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

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

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

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

City of Fruita, Colorado
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2020

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

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

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Quality of Place

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



Notes to Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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The City of Fruita, Colorado is a municipal corporation which was established in 1884 and operates under a City Council Manager Home Rule form of government with six elected council members, an elected mayor and an appointed manager.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

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

B. Description of Government-wide Financial Statements

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

C. Basis of Presentation – Government-wide financial statements

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

D. Basis of Presentation – Fund financial statements

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

The City of Fruita reports the following major governmental funds:

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

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition and construction of the City’s major capital facilities, other than those financed by proprietary funds.

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

The City of Fruita reports the following major proprietary funds:

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

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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only when cash is received by the City.

F. Budgetary Information

1) Budgetary basis of accounting

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

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

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

2) Excess of Expenditures Over Appropriations

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

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

1) Cash and investments.

The City's cash and investments includes cash on hand, deposits with banks, and other financial institutions. Investments are reported at fair value. The City Charter authorizes the City to invest in any manner that is permitted by Colorado State Statutes.

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2) Inventories.

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

3) Capital assets.

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

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

Land, source of supply (water shares) and construction in progress are not depreciated. All other assets are depreciated using the straight-line method over the following estimated useful lives:

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

4) Deferred outflows/inflows of resources.

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

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any items under this category for the current fiscal year.

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

5) Net position.

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

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

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

6) Fund balance

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

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

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

H. Revenues and expenditure/expenses

1) Program revenues.

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

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

2) Property taxes

Property taxes attach as an enforceable lien on real property. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2020 taxes collectible in 2021 and are shown as a deferred inflow of resources. Liens on property for delinquent utilities and weed removal must be filed with the Mesa County Treasurer by November 1 for collection in the following fiscal year.

3) Compensated absences.

Vacation Leave.

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

Sick Leave.

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

4) Proprietary funds operating and nonoperating revenues and expenses.

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

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revenue of the Devils Canyon Center Fund is lease revenues for use of the facility. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2. ACCOUNTING CHANGES

A. Adoption of New Accounting Pronouncements

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

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

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

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

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

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

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

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

1) Cash Deposits with financial institutions

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

2) Investments.

Colorado statutes specify investments meeting defined rating and risk criteria in which local government may invest which include the following investments with terms of five years or less:

- Obligations of the United States and certain U.S. government agency securities

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

As of December 31, 2020, the City had \$11,326,909 invested in local government investment pools.

The City's investments include the external investment pool Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). CSAFE and COLOTRUST are local government investment pool trust funds registered with the Colorado Securities Commissioner pursuant to the Local Government Investment Pool Trust Fund Administration and Enforcement Act. Financial statements for each pool are available on their websites: (CSAFE) www.csafe.org and (COLOTRUST) www.colotruster.com.

The CSAFE Cash investments are valued at \$1 net asset value (NAV) per share and is calculated on an amortized cost basis which approximates fair value as provided for by GASB Statement 79. There are no limitations or restrictions on participant withdrawals. The CSAFE Cash Fund is rated AAAM by Standard & Poor's Global which is the highest principal stability fund rating assigned by S & P Global Ratings. As of December 31, 2020, the City had \$2,361,610 in CSAFE Cash investments.

The CSAFE Colorado CORE's investments are valued at \$2 NAV per share with a slightly longer weighted average maturity than the CSAFE Cash investments and is calculated on a fair value basis as provided for by GASB Statements 31 and 72. Participants are limited to three redemptions per month per account in this investment. Colorado CORE Fund is rated AAAsf/S1 by Fitch which indicates the highest underlying credit quality for a fixed-income fund. As of December 31, 2020, the City had 1,945,977 shares with a value of \$3,891,954 in CSAFE CORE investments.

The COLOTRUST investments are valued at \$1 net asset value (NAV) per share and is calculated on the most recent bid price or yield equivalent as obtained from one or more market makers for securities for which market quotations are readily available with all other securities and assets valued at fair market value determined in good faith. A twenty-four hour notice period is required on withdrawals of one million dollars or more and suspension or postponement of payment may be imposed in the event of certain conditions such as a state of war or any financial emergency situation. There are no limitations or other restrictions on participant withdrawals. COLOTRUST PLUS+ is rated AAAM by Standard & Poor's Global which is the highest principal stability fund rating assigned by S & P Global

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

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

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

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

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

B. Unrestricted and Restricted Cash and Investments

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

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

Restricted cash and investments are recorded for the following purposes:

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

C. Capital Assets

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

Governmental Activities

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

City of Fruita, Colorado
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Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities

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

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

Business-type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Capital assets, not being depreciated</u>				
Land	\$ 1,046,173	\$ -	\$ -	\$ 1,046,173
Source of supply	14,712	-	-	14,712
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,060,885	-	-	1,060,885
<u>Capital assets, being depreciated</u>				
Buildings	1,691,256	-	-	1,691,256
Wastewater treatment facility	29,008,400	374,874	-	29,383,274
Distribution and collection system	21,829,163	1,774,134	-	23,603,297
Machinery and equipment	1,696,067	-	(14,732)	1,681,335
Total capital assets being depreciated	54,224,886	2,149,008	(14,732)	56,359,162
<u>Less accumulated depreciation for:</u>				
Buildings	(1,038,644)	(42,353)	-	(1,080,997)
Wastewater treatment facility	(5,670,710)	(767,334)	-	(6,438,044)
Distribution and collection system	(8,006,640)	(483,507)	-	(8,490,147)
Machinery and equipment	(1,177,851)	(86,105)	14,732	(1,249,224)
Total accumulated depreciation	(15,893,845)	(1,379,299)	14,732	(17,258,412)
Total capital assets being depreciated, net	38,331,041	769,709	-	39,100,750
Business-type activities capital assets, net	\$ 39,391,926	\$ 769,709	\$ -	\$ 40,161,635

City of Fruita, Colorado
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D. Unearned Revenues

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

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

E. Long-term Liabilities

1) Revenue Bonds

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

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

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

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

2) Loans Payable

The City entered into a loan agreement in 2010 with the Colorado Water Resources and Power Development Authority to finance construction of a new wastewater treatment facility in the amount of \$21,830,000 at a net effective interest rate of 3.53%. The loan was issued with a premium of \$1,128,290 which covered costs of issuance and the underwriter's discount of \$158,290 with the remaining \$970,000 deposited to the project construction fund for a total project construction fund of \$22,800,000. The net revenues of the sewer system are pledged as security for this loan.

The City is obligated under the agreement to make semi-annual payments each March 1, and September 1 beginning September 1, 2010 and ending September 1, 2032. The loan agreement requires compliance with specified covenants and obligations. In compliance with these requirements, the City has restricted \$963,442 of net position. This includes \$399,882 for the three-month operating reserve and \$563,560 as the pro rata amount reserved for the next principal and interest payments on the debt.

The outstanding balance on this note at December 31, 2020 was \$15,615,000. The unamortized premium on the loan for the wastewater treatment facility is \$601,755 and the outstanding notes and loans reported in the Statement of Net Position is reported net of this amount. Interest expense on loans payable for the year ended December 31, 2020 was \$460,968 in the Sewer Fund.

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Year ended December 31	Business-type Activities		
	Principal	Interest	Total
2021	910,000	442,544	1,352,544
2022	975,000	408,898	1,383,898
2023	1,045,000	373,208	1,418,208
2024	1,120,000	335,302	1,455,302
2025	1,185,000	306,138	1,491,138
2026-2030	7,015,000	1,022,340	8,037,340
2031-2032	3,365,000	134,122	3,499,122
	<u>\$ 15,615,000</u>	<u>\$ 3,022,552</u>	<u>\$ 18,637,552</u>

3) Non-monetary Performance Obligation Note Payable

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

The cost of improvements to the reservoirs was \$484,764 with interest compounded annually at 4%. In lieu of payment the City agreed to provide irrigation water to the parties at \$185 per acre foot with a minimum credit of 100 acre feet per year (\$18,500) for a period of up to thirty years (30) years and exchange land and water rights with a predetermined value to be credited against the cost of improvements as soon as practical to compensate the parties. Credits for exchange of water rights and land were applied to the nonmonetary amortization schedule in 2016. A credit of \$11,458 was applied to this obligation in 2020 for the conveyance of water. The following table assumes minimum credits for water usage in future years and will be adjusted annually to reflect actual water use. The outstanding performance obligation balance on this note was \$164,616 at December 31, 2020.

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

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

4) Changes in Long-term Liabilities.

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

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

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

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

F. Fund Balance

1) Minimum fund balance policy.

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

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

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

2) Committed fund balance.

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

G. Interfund Transfers

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

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

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

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

H. Pension Plans

The City of Fruita maintains three defined contribution retirement plans for various classes of employees. In a defined contribution plan, benefits depend solely on amounts contributed on the participants behalf plus investment gains and/or losses. There is no liability for benefits under the plan beyond the City's contributions. All plan assets are held by the ICMA Retirement Corporation. Investments are managed by the plan's trustee under various investment options. The plan members choose from the available investment options. Plan provisions and contribution requirements are established and may be amended by the City Council.

1) City of Fruita Money Purchase Plan

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

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

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years.

Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to offset future contributions and plan expenses. For the year ended December 31, 2020, forfeitures of \$18,380 were used to offset contributions.

2) Fruita Police Pension Plan

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

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

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

City of Fruita, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

3) Fruita Executive Pension Plan

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

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

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

4) Deferred Compensation Other Employee Benefit Plan

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

NOTE 4. RISK MANAGEMENT

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

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

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

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

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

NOTE 5. CONTINGENCIES

A. Risk Management

The City is self-insured for property and liability insurance. As discussed in Note 4, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). The ultimate liability to the City resulting from claims not covered by CIRSA is not presently determinable. Management and the City's attorney are of the opinion that the outcome of such claims, if any, will not have a material adverse effect on the City's financial statements.

B. Pending Litigation

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

C. TABOR Amendment

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

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

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

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

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

In addition, an election was held in April 2018 and voters again approved a measure to allow the City to keep and retain all revenues, including grants, in excess of the fiscal year spending limit for the purpose of implementing the City's capital improvement plan, including the maintenance of capital improvements until December 31, 2024.

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

NOTE 6. CONDUIT DEBT OBLIGATIONS

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

NOTE 7. OPERATING LEASES

The City entered into a ten-year operating lease as a lessor on January 1, 2015 with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality

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

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

Information for the building on lease is as follows:

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

NOTE 8. SUBSEQUENT EVENTS

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

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

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



Lifestyle

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



Required Supplementary Information

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

For the year ended December 31, 2020

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

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
COMMUNITY RECREATION CENTER SPECIAL REVENUE FUND
For the year ended December 31, 2020

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

See accompanying independent auditor's report.



Core Services

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

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



Supplementary Information

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

City of Fruita, Colorado
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2020

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodger's tax	\$ 135,000	\$ 135,000	\$ 89,502	\$ (45,498)
Intergovernmental revenues		\$ 2,800	\$ 2,761	(39)
Investment income	-	-	57	57
Charges for services	-	-	160	160
Total revenues	<u>135,000</u>	<u>137,800</u>	<u>92,480</u>	<u>(45,320)</u>
EXPENDITURES				
Current				
Marketing and promotion	<u>147,000</u>	<u>149,800</u>	<u>94,803</u>	<u>54,997</u>
Total expenditures	<u>147,000</u>	<u>149,800</u>	<u>94,803</u>	<u>54,997</u>
Deficiency of revenues under expenditures	(12,000)	(12,000)	(2,323)	9,677
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,677</u>	<u>\$ 9,677</u>

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

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

See accompanying independent auditor's report.

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

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 805,000	\$ 818,500	\$ 826,127	\$ 7,627
Investment income	-	-	64	64
Total revenues	<u>805,000</u>	<u>818,500</u>	<u>826,191</u>	<u>7,691</u>
EXPENSES				
Purchased services	746,000	759,500	752,644	6,856
Transfers out	59,000	59,000	59,000	-
Total expenses	<u>805,000</u>	<u>818,500</u>	<u>811,644</u>	<u>6,856</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ 14,547	<u>\$ 14,547</u>
Adjustments from budgetary basis to GAAP Basis				
to arrive at change in net position			-	
Change in net position - GAAP basis			<u>\$ 14,547</u>	

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

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

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	3,324,687	3,324,687		(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2020

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	700,679	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	160,038	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	1,530
5. Specific Ownership & County RB T	236,047	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,096,764	h. Other	
c. Total (a. + b.)	1,096,764	i. Total (a. through h.)	1,530
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	383,045	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	55,007	d. Federal Transit Admin	
d. Other (Specify) - CDOT Grant	14,304	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	69,310	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	452,355	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		131,440	131,440
b. Engineering Costs	21,985	0	21,985
c. Construction:			
(1). New Facilities		554,283	554,283
(2). Capacity Improvements			0
(3). System Preservation		803,526	803,526
(4). System Enhancement & Operation		37,626	37,626
(5). Total Construction (1) + (2) + (3) + (4)	0	1,395,435	1,395,435
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	21,985	1,526,875	1,548,860
			(Carry forward to page 1)

Notes and Comments:

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Core Values

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

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

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

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

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

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

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

Single Audit

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

July 13, 2021

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fruita, Colorado’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fruita, Colorado’s major federal programs for the year ended December 31, 2020. The City of Fruita, Colorado’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Fruita, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City of Fruita, Colorado, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing



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

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

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

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

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

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

City of Fruita, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		<u>Unmodified Opinion</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	<u>✓</u>	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	<u>✓</u>	no
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Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	_____ yes <u>✓</u> no

City of Fruita, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2020

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

City of Fruita, Colorado

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2020

There were no prior year audit findings.

City of Fruita, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2020

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

The accompanying notes are an integral part of this schedule.

City of Fruita
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2020

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Fruita. The City's reporting entity is defined in Note 1A to the City's basic financial statements. All federal financial awards received by the City directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

NOTE B – BASIS OF PRESENTATION

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

NOTE C – INDIRECT COST RATE

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

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