

**City of Gunnison
Gunnison, Colorado**

**Financial Statements
December 31, 2019**



**City of Gunnison, Colorado
Financial Report
December 31, 2019**

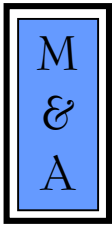
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INDEPENDENT AUDITOR'S REPORT

**To the Mayor and City Council
City of Gunnison**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Gunnison (the "City"), as of and for the year ended December 31, 2019, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Gunnison as of December 31, 2019, 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining non-major fund financial statements, individual fund budgetary comparison information found in Section F, and the *Local Highway Finance Report* listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements, individual fund budgetary comparison information found in Section F, and the *Local Highway Finance Report* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section are presented for the purpose 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 ("Uniform Guidance"), and are not a required part of the City's financial statements. Such information has been subjected to the auditing procedures applied audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

**To the Mayor and City Council
City of Gunnison**

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
Avon, Colorado
July 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Gunnison, Colorado

Management's Discussion and Analysis December 31, 2019

As management of the City of Gunnison ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

Background Information

The City was incorporated in 1880. The predominant fund approach for the City is comprised of seven basic funds: the General Fund, three Special Revenue Funds, one Enterprise Fund, one Internal Service Fund and a Fiduciary Fund.

Financial Highlights

- The City had an increase in net position of \$4,404,582. The was attributable to accumulation of resources in the Enterprise Fund for future planned projects and significant increase in sewer and tap connection fees due to a strong construction economy.
- The City's governmental funds combined fund balances increased by \$1,390,979 due to a variety of planned capital projects for which significant resources were saved. These projects include basketball court renovations, a broadband project, match for several street and sidewalk infrastructure grant projects, and miscellaneous parks and recreation facility improvements. Notably, the City has been unable to secure reasonable unit costs for asphalt due to a regional monopoly that exists and did not enter into its typical contracts for street projects. The City is contemplating the purchase of its own asphalt plant to manage street improvement costs in the future.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include 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.

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 City assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. 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). The governmental activities of the City include general government, public safety, streets, and parks and recreation. The business-type activities of the City include electric, water, sewer, refuse, communications and recreation services.

Overview of the Financial Statements (continued)

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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, proprietary 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 government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for all funds to demonstrate compliance with the State budget statutes.

Proprietary funds: The City reports two categories of proprietary funds - Internal Service and Enterprise. The Fleet Service Fund, an internal service fund, provides vehicle and equipment replacement and maintenance services to the City's governmental and enterprise activities. 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 water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the City, each of which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages C7 through C9 of this report. The City also presents a budgetary comparison for its proprietary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in section D of this report.

Overview of the Financial Statements (continued)

Government-wide Financial Analysis: The largest portion of the City's assets is reflected in the investment in capital assets (i.e. land, buildings, improvements, and equipment). Capital assets account for 69% of the total assets. The City uses these assets to provide services to its citizens. Accordingly, these assets are not an available source for payment of future spending. Of the remaining net position, the City's restricted net position has changed as follows:

	1/1/19	Additions	Deletions	12/31/19
<i>General Fund:</i>				
Emergency reserves	\$ 268,000	\$ -	\$ 19,000	249,000
Road and bridge	216,825	577,219	-	794,044
<i>Conservation Trust:</i>				
Recreation	51,128	8,711	-	59,839
<i>Marijuana Mitigation:</i>				
Other	289,246	48,502	-	337,748
	<u>\$ 825,199</u>	<u>\$ 634,432</u>	<u>\$ 19,000</u>	<u>1,440,631</u>

The following graphs show the City's net position for 2018 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 9,230,305	7,502,235	\$ 19,896,276	\$ 8,963,840	\$ 29,126,581	\$ 16,466,075
Capital assets	15,024,535	13,662,857	22,506,282	16,440,773	37,530,817	30,103,630
Total Assets	<u>24,254,840</u>	<u>21,165,092</u>	<u>42,402,558</u>	<u>25,404,613</u>	<u>66,657,398</u>	<u>46,569,705</u>
Liabilities:						
Other liabilities	753,186	586,639	3,300,559	889,715	4,053,745	1,476,354
Long-term liabilities	1,196,103	323,426	17,567,445	5,463,254	18,763,548	5,786,680
Total Liabilities	<u>1,949,289</u>	<u>910,065</u>	<u>20,868,004</u>	<u>6,352,969</u>	<u>22,817,293</u>	<u>7,263,034</u>
Deferred Inflow of Resources:						
Unavailable property tax revenue	388,056	292,539	-	-	388,056	292,539
Unavailable revenue - Other	117,005	71,895	4,634	16,409	121,639	88,304
Total deferred inflow of resources	<u>505,061</u>	<u>364,434</u>	<u>4,634</u>	<u>16,409</u>	<u>509,695</u>	<u>380,843</u>
Net Position:						
Net investment in capital assets	14,180,059	13,662,857	11,928,160	11,145,773	26,108,219	24,808,630
Restricted	1,440,631	825,199	-	-	1,440,631	825,199
Unrestricted	6,179,800	5,402,537	9,601,760	7,889,462	15,781,560	13,291,999
Total Net Position	<u>\$ 21,800,490</u>	<u>\$ 19,890,593</u>	<u>\$ 21,529,920</u>	<u>\$ 19,035,235</u>	<u>\$ 43,330,410</u>	<u>\$ 38,925,828</u>

Overview of the Financial Statements (continued)

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same report can be made for the prior year.

The following chart is a summary of the City's Change in Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,920,587	\$ 1,801,778	\$ 11,292,363	\$ 10,176,174	\$ 13,212,950	\$ 11,977,952
Operating grants & contributions	197,340	704,012	-	-	197,340	704,012
Capital grants & contributions	-	-	1,392,315	461,500	1,392,315	461,500
General revenues:						
Property taxes	285,601	284,983	-	-	285,601	284,983
Sales and use taxes	7,129,935	6,858,348	1,943,871	1,896,680	9,073,806	8,755,028
Other taxes	1,235,109	875,307	-	-	1,235,109	875,307
Investment earnings and other revenue	510,481	72,331	364,128	472,954	874,609	545,285
Total Revenues	11,279,053	10,596,759	14,992,677	13,007,308	26,271,730	23,604,067
Expenses:						
General government	2,132,358	1,772,722	-	-	2,132,358	1,772,722
Public safety	3,098,358	2,959,453	-	-	3,098,358	2,959,453
Streets	2,095,530	2,349,870	-	-	2,095,530	2,349,870
Parks & recreation	1,627,736	1,535,957	-	-	1,627,736	1,535,957
Economic development	394,927	335,609	-	-	394,927	335,609
Electric	-	-	5,144,939	5,436,881	5,144,939	5,436,881
Water	-	-	1,126,217	862,379	1,126,217	862,379
Sewer	-	-	2,669,951	1,829,661	2,669,951	1,829,661
Refuse	-	-	776,966	589,279	776,966	589,279
Communications	-	-	919,935	846,222	919,935	846,222
Recreation	-	-	1,880,231	1,709,019	1,880,231	1,709,019
Total Expenses	9,348,909	8,953,611	12,518,239	11,273,441	21,867,148	20,227,052
Change in Net Position before transfers						
	1,930,144	1,643,148	2,474,438	1,733,867	4,404,582	3,377,015
Transfers	(20,247)	(27,733)	20,247	27,733	-	-
Change in Net Position	1,909,897	1,615,415	2,494,685	1,761,600	4,404,582	3,377,015
Net Position - Beginning	19,890,593	18,275,178	19,035,235	17,273,635	38,925,828	35,548,813
Net Position - Ending	\$ 21,800,490	\$ 19,890,593	\$ 21,529,920	\$ 19,035,235	\$ 43,330,410	\$ 38,925,828

Governmental activities: Governmental activities increased the City's net position by \$1,909,897. Key elements of this increase are as follows:

- Sales tax revenues increased due to a flourishing tourism economy and the receipt taxes from vendors without physical presence due to the South Dakota vs Wayfair supreme court decision.
- Severance tax increased about \$256,000 from prior year
- There was an increase in charges for services due to an increase in fleet rental services revenues.

Overview of the Financial Statements (continued)

Business-type activities: Business-type activities increased the City's net position by \$2,494,685. Key elements of this change are as follows:

- City received a million dollar grant for wastewater but project wasn't complete at year end.
- 2019 saw increased electric sales revenues.

Financial Analysis of the City's Funds

As mentioned on page B1 of this analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Available Resources: Available resources is defined as current assets minus current liabilities. Such information is useful in assessing the City's financing requirements by focusing on near term inflows, outflows, and balances of spendable resources. In particular, unreserved available resources (or fund balance in governmental funds) may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

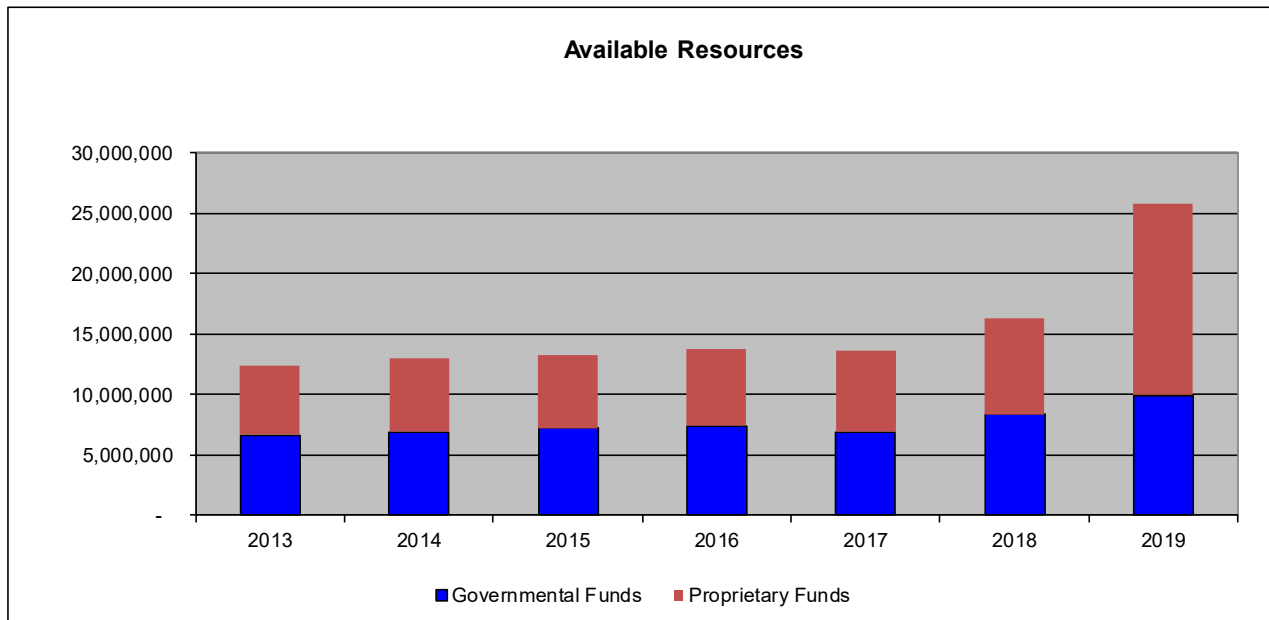
The City's available resources for 2019 is charted below:

	<u>Beginning Available Resources</u>	<u>Increase (Decrease)</u>	<u>Ending Available Resources</u>	<u>2019 Expenditures</u>	<u>% of EAR to Expenditures</u>
Governmental Funds:					
General Fund	5,344,036	1,251,062	6,595,098	8,927,116	74%
Conservation Trust Fund	51,128	8,711	59,839	47,707	125%
Ditch Fund	506,556	44,086	550,642	54,727	1006%
Risk Management Fund	64,084	38,618	102,702	226,776	45%
Marijuana Mitigation Fund	289,246	48,502	337,748	232,924	145%
Firefighters' Pension Fund	2,159,505	247,763	2,407,268	258,500	931%
Business-Type Funds:					
Enterprise Fund:					
Electric Department	2,312,934	1,400,117	3,713,051	5,461,893	68%
Water Department	1,227,913	(91,453)	1,136,460	1,222,348	93%
Waste Water Department	1,300,525	6,276,870	7,577,395	8,791,370	86%
Refuse Department	428,987	(95,459)	333,528	747,332	45%
Communications Department	132,352	20,547	152,899	913,017	17%
Recreation Department	2,310,005	529,866	2,839,871	2,475,285	115%
Internal Service Fund:					
Fleet Management	296,118	(169,086)	127,032	2,200,666	6%
	<u>16,423,389</u>	<u>9,510,144</u>	<u>25,933,533</u>	<u>31,559,661</u>	<u>82%</u>

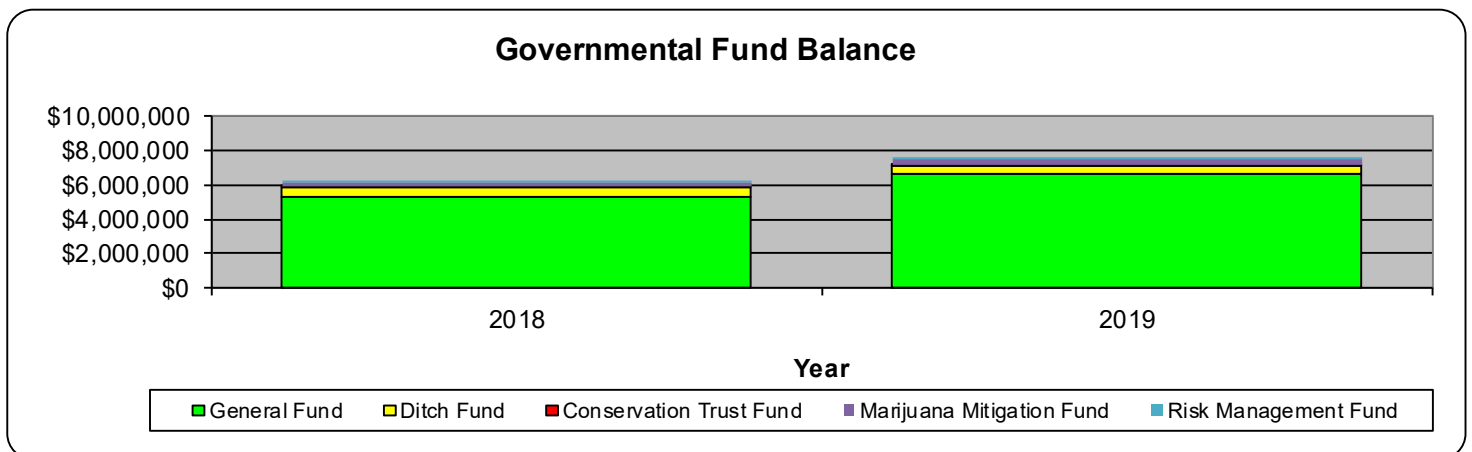
Financial Analysis of the City's Funds (continued)

Available Resources (continued):

The following chart represents the City's available resources for the past several years:



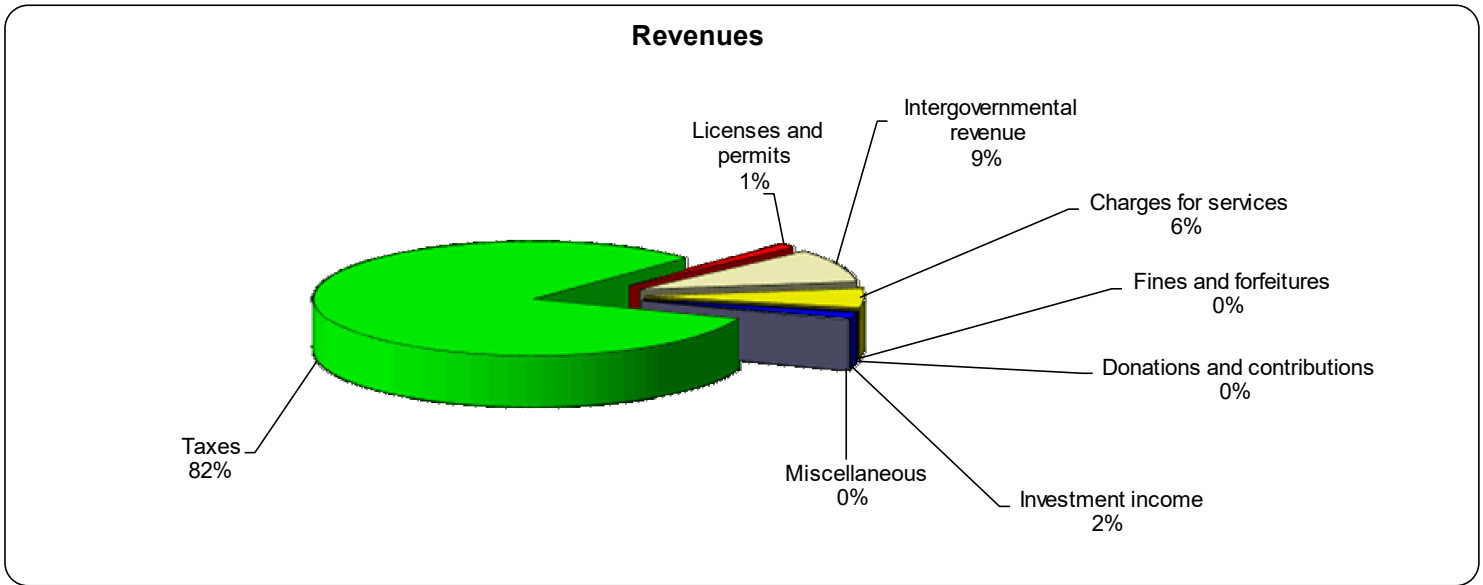
Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,646,029, an increase of \$1,390,979 from the prior year ending fund balances. The City's fund balances for past two years are presented in graph format below.



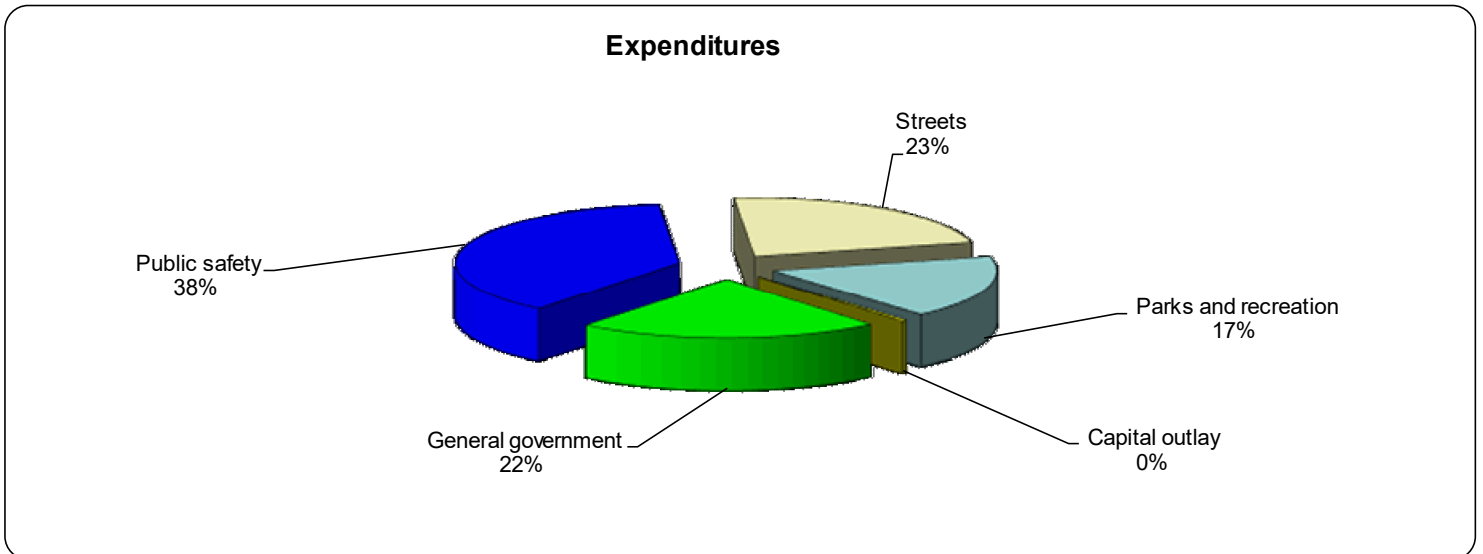
Financial Analysis of the City's Funds (continued)

Governmental funds (continued):

The City's total governmental funds' revenues were from the following sources:



The following is a graph of the City's governmental funds' expenditures by function for 2019:



Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Financial Analysis of the City's Funds (continued)

Budget variances in the General Fund: The City's significant General Fund budget variances are detailed as follows:

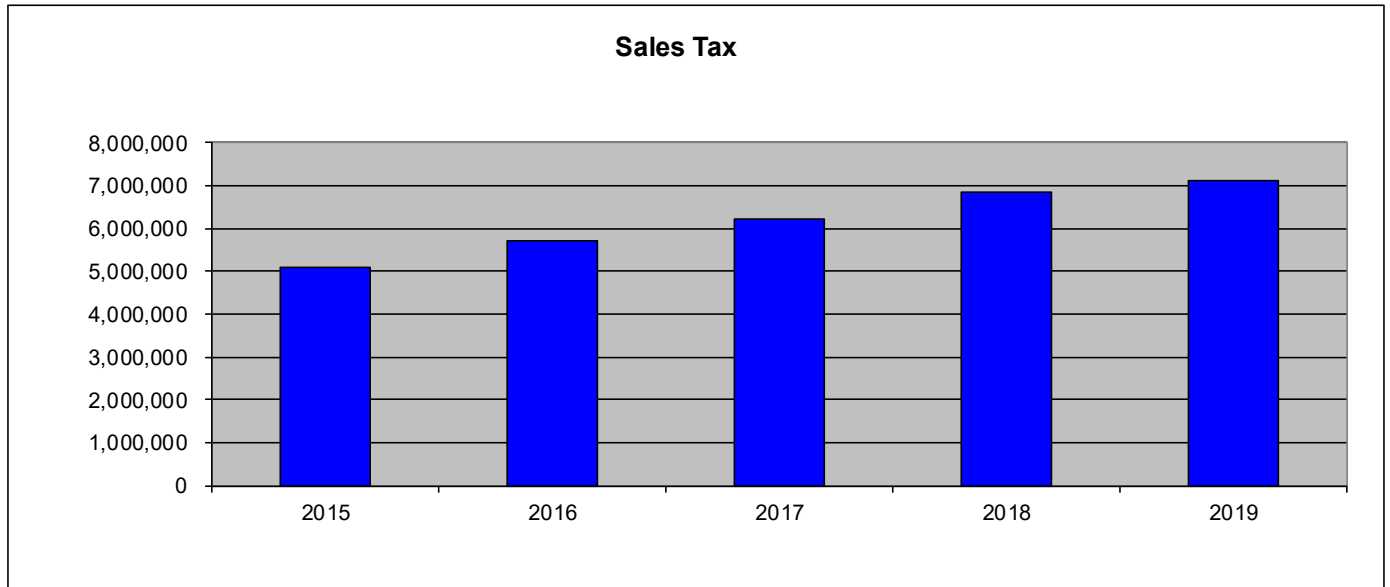
	Final Budget	Actual	Variance	Reason
Revenues:				
Sales & use tax	\$6,513,086	\$6,872,528	\$ 359,442	Increased sales tax in 2019, conservative budget.
Other taxes	199,650	532,015	332,365	Severance tax increased by \$256k. This line item is difficult to budget
Grant revenue	835,143	427,341	(407,802)	Originally planned on the receipt of a Safe Routes to School Grant for \$385k. The planning process took longer than expected. This project is now underway in 2020.
Total Revenues	9,403,927	9,951,797	547,870	
Expenditures:				
Street improvements	1,765,587	366,699	1,398,888	The street improvements budget has been getting poor bids. We rolled the 2018 funds to 2019 in hopes of getting a larger project and lower unit costs for asphalt and concrete projects. We still got enormously expensive bids and this same tactic will be used in 2020 to get quantities up and combine with other valley governments on a joint project to get competitive bids.
Safe routes to school	543,200	84,581	458,619	The planning process took longer than expected. This project is now underway in 2020.

Capital assets: The City's government-wide capital assets, net of accumulated depreciation, decreased due to depreciation in the current year. Additional information as well as a detailed classification of the City's net capital assets can be found in the Notes to the Financial Statements on pages D14 and D15 of this report.

Long-term debts: As of the end of the current fiscal year, the City had \$18,255,461 in total long-term debts. This is composed of the 2015 sales and use tax revenue bonds, the 2019 Green Reserve Loan, the 2019 Sewer Revolving Loan and the 2019 Lease Payable. Additional information regarding the City's debt can be found on pages D16 through D17.

Financial Analysis of the City's Funds (continued)

Sales and Use Tax: The City has 4% sales and use tax that is used to fund its governmental operations. The increase in sales tax from 2018 was \$271,587 or 3.8%. The following chart indicates changes in the sales tax over the past five years. The chart does not take into account revenue sharing agreements.



Next year's budget and rates: The City's General Fund balance at the end of the current fiscal year was \$6,595,098. The City's 2020 budget anticipates an ending General Fund balance of \$4,059,652.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 239, Gunnison, Colorado 81230.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Gunnison, Colorado
Statement of Net Position
December 31, 2019

	Governmental Activities	Business type Activities	Total
Assets:			
Current assets:			
Cash and investments - Unrestricted	6,891,905	7,467,543	14,359,448
Cash and investments - Restricted	-	6,832,863	6,832,863
Accounts, taxes, and interest receivable	1,294,553	5,018,323	6,312,876
Due from other governments	471,331	-	471,331
Prepaid expenses	174,491	14,709	189,200
Internal balances	398,025	(398,025)	-
Inventory	-	960,863	960,863
Total current assets	<u>9,230,305</u>	<u>19,896,276</u>	<u>29,126,581</u>
Capital assets:			
Land	2,818,836	560,253	3,379,089
Construction in progress	-	5,857,217	5,857,217
Land improvements	3,244,981	-	3,244,981
Buildings and improvements	7,963,820	25,627,407	33,591,227
Infrastructure	7,242,680	-	7,242,680
Vehicles	3,937,894	-	3,937,894
Machinery and equipment	4,128,565	11,521,818	15,650,383
Less accumulated depreciation	(14,312,241)	(21,060,413)	(35,372,654)
Total capital assets (net of accumulated depr.)	<u>15,024,535</u>	<u>22,506,282</u>	<u>37,530,817</u>
Total assets	<u>24,254,840</u>	<u>42,402,558</u>	<u>66,657,398</u>
Liabilities:			
Current liabilities:			
Accounts payable	667,978	3,220,157	3,888,135
Accrued payroll	48,503	26,340	74,843
Accrued expenses	33,555	1,101	34,656
Bond interest	-	27,261	27,261
Deposits	3,150	25,700	28,850
Total current liabilities	<u>753,186</u>	<u>3,300,559</u>	<u>4,053,745</u>
Noncurrent liabilities:			
Compensated absences	351,627	151,460	503,087
Accrued expenses	-	5,000	5,000
Bonds payable:			
Due within one year	-	355,000	355,000
Due in more than one year	-	4,595,000	4,595,000
Loans payable:			
Due within one year	-	482,879	482,879
Due in more than one year	-	11,978,106	11,978,106
Leases payable:			
Due within one year	199,001	-	199,001
Due in more than one year	645,475	-	645,475
Total noncurrent liabilities	<u>1,196,103</u>	<u>17,567,445</u>	<u>18,763,548</u>
Total liabilities	<u>1,949,289</u>	<u>20,868,004</u>	<u>22,817,293</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	388,056	-	388,056
Unavailable revenue - Other	117,005	4,634	121,639
Total deferred inflow of resources	<u>505,061</u>	<u>4,634</u>	<u>509,695</u>
Net Position:			
Net Investment in capital assets	14,180,059	11,928,160	26,108,219
Restricted	1,440,631	-	1,440,631
Unrestricted	<u>6,179,800</u>	<u>9,601,760</u>	<u>15,781,560</u>
Total Net Position	<u>21,800,490</u>	<u>21,529,920</u>	<u>43,330,410</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Statement of Activities
December 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	2,132,358	843,940	-	-	(1,288,418)	-	(1,288,418)
Public safety	3,098,358	54,649	61,453	-	(2,982,256)	-	(2,982,256)
Streets	2,095,530	782,512	60,285	-	(1,252,733)	-	(1,252,733)
Parks and recreation	1,627,736	203,811	75,602	-	(1,348,323)	-	(1,348,323)
Economic development	394,927	35,675	-	-	(359,252)	-	(359,252)
Total Governmental Activities	9,348,909	1,920,587	197,340	-	(7,230,982)	-	(7,230,982)
Business-type activities:							
Electric	5,144,939	6,839,481	-	-	-	1,694,542	1,694,542
Water	1,126,217	916,150	-	155,000	-	(55,067)	(55,067)
Sewer	2,669,951	1,703,525	-	1,237,315	-	270,889	270,889
Refuse	776,966	640,964	-	-	-	(136,002)	(136,002)
Communications	919,935	768,166	-	-	-	(151,769)	(151,769)
Recreation	1,880,231	424,077	-	-	-	(1,456,154)	(1,456,154)
Total Business-type Activities	12,518,239	11,292,363	-	1,392,315	-	166,439	166,439
Total Primary Government	21,867,148	13,212,950	197,340	1,392,315	(7,230,982)	166,439	(7,064,543)
General Revenues:							
Property tax, levied for general purposes					285,601	-	285,601
Specific ownership tax					21,952	-	21,952
General sales and use tax					7,129,935	1,943,871	9,073,806
Franchise tax					698,921	-	698,921
Other miscellaneous taxes					514,236	-	514,236
Investment earnings					104,252	124,924	229,176
Unrealized gains (losses)					62,173	75,809	137,982
Grants and contributions not restricted to any program					365,036	160,153	525,189
Gain (loss) on disposal of assets					(20,980)	3,242	(17,738)
Transfers					(20,247)	20,247	-
Total General Revenues, Special Items, and Transfers					9,140,879	2,328,246	11,469,125
Change in Net Position					1,909,897	2,494,685	4,404,582
Net Position - Beginning					19,890,593	19,035,235	38,925,828
Net Position - Ending					21,800,490	21,529,920	43,330,410

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**City of Gunnison, Colorado
Balance Sheet
Governmental Funds
December 31, 2019**

	<u>General</u>	<u>Ditch Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments - Unrestricted	5,471,864	556,701	461,549	6,490,114
Receivables, net of allowance for uncollectibles	879,951	9	26,436	906,396
Property tax receivable	388,056	-	-	388,056
Due from other governments	453,086	-	18,245	471,331
Due from other funds	398,025	-	-	398,025
Prepaid expenses	174,491	-	-	174,491
Total Assets	<u>7,765,473</u>	<u>556,710</u>	<u>506,230</u>	<u>8,828,413</u>
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	616,744	6,068	5,941	628,753
Accrued payroll	46,151	-	-	46,151
Accrued expenses	3,089	-	-	3,089
Deposits	3,150	-	-	3,150
Total Liabilities	<u>669,134</u>	<u>6,068</u>	<u>5,941</u>	<u>681,143</u>
Deferred inflow of resources:				
Unavailable property tax revenue	388,056	-	-	388,056
Unavailable revenue - other	113,185	-	-	113,185
Total deferred inflow of resources	<u>501,241</u>	<u>-</u>	<u>-</u>	<u>501,241</u>
Fund Balances:				
Unspendable	174,491	-	-	174,491
Spendable:				
Restricted for emergencies	249,000	-	-	249,000
Restricted for road and bridge	794,044	-	-	794,044
Restricted for recreation	-	-	59,839	59,839
Restricted - other	-	-	337,748	337,748
Assigned	-	550,642	102,702	653,344
Unassigned	5,377,563	-	-	5,377,563
Total Fund Balances	<u>6,595,098</u>	<u>550,642</u>	<u>500,289</u>	<u>7,646,029</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>7,765,473</u>	<u>556,710</u>	<u>506,230</u>	<u>8,828,413</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
December 31, 2019

Governmental Funds Total Fund Balance	7,646,029
Add:	
Capital assets used in governmental activities (excluding internal service fund) are not considered current financial resources and, therefore, not reported in the governmental funds.	26,369,272
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,816,918
Less:	
Accumulated depreciation (excluding internal service fund) is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(13,705,284)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This is the amount of compensated absences payable.	(326,445)
Governmental Activities Net Position	<u><u>21,800,490</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	<u>General</u>	<u>Ditch Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	8,432,858	-	274,672	8,707,530
Licenses and permits	125,870	-	-	125,870
Intergovernmental revenue	857,068	84,389	55,151	996,608
Charges for services	314,011	-	260,356	574,367
Fines and forfeitures	28,319	-	-	28,319
Investment income	84,993	8,555	8,042	101,590
Unrealized gains (losses)	50,882	5,081	5,017	60,980
Donations and contributions	18,359	788	-	19,147
Miscellaneous	39,437	-	-	39,437
Total Revenues	<u>9,951,797</u>	<u>98,813</u>	<u>603,238</u>	<u>10,653,848</u>
Expenditures:				
General government	1,568,067	-	226,776	1,794,843
Public safety	3,024,457	-	70,000	3,094,457
Public works	1,792,414	54,727	-	1,847,141
Culture and recreation	1,429,788	-	-	1,429,788
Economic development	394,927	-	-	394,927
Capital outlay	-	-	29,462	29,462
Total Expenditures	<u>8,209,653</u>	<u>54,727</u>	<u>326,238</u>	<u>8,590,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,742,144</u>	<u>44,086</u>	<u>277,000</u>	<u>2,063,230</u>
Other Financing Sources (Uses):				
Sale of asset	24,069	-	-	24,069
Transfers in	202,312	-	-	202,312
Transfers (out)	(717,463)	-	(181,169)	(898,632)
Total Other Financing Sources (Uses)	<u>(491,082)</u>	<u>-</u>	<u>(181,169)</u>	<u>(672,251)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>1,251,062</u>	<u>44,086</u>	<u>95,831</u>	<u>1,390,979</u>
Fund Balances - Beginning	<u>5,344,036</u>	<u>506,556</u>	<u>404,458</u>	<u>6,255,050</u>
Fund Balances - Ending	<u>6,595,098</u>	<u>550,642</u>	<u>500,289</u>	<u>7,646,029</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Reconciliation of Revenues, Expenditures and Changes in Fund
Balances (Deficit) of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2019

Governmental Funds Changes in Fund Balances	1,390,979
Add:	
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 of capitalized assets during the year.	745,782
Less:	
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 depreciation expense for the year.	(673,495)
Changes in the City employees' accrued compensated absences are considered changes in long-term liabilities. This is the amount that accrued compensated absences decreased.	(25,989)
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net income or loss of the internal service funds are included in the governmental statement of activities.	577,457
Assets disposed of prior to being fully depreciated are charged off upon disposition. This represents the assets disposed of during the year.	(104,837)
Governmental Activities Change in Net Position	1,909,897

The accompanying notes are an integral part of these financial statements.

**City of Gunnison
Statement of Net Position
Proprietary Funds
December 31, 2019**

	Enterprise Fund	Internal Service Fund
Assets:		
Current assets:		
Cash and investments - unrestricted	7,467,543	397,976
Cash and investments - restricted	6,832,863	-
Accounts receivables, net of allowance for uncollectibles	5,018,323	101
Inventories	960,863	-
Prepaid expenses	14,709	-
Total current assets	20,294,301	398,077
Non-current assets:		
Land	560,253	-
Construction in progress	5,857,217	-
Building and improvements	25,627,407	295,618
Machinery and equipment	11,521,818	2,671,887
Less: Accumulated depreciation	(21,060,413)	(606,957)
Total non-current assets	22,506,282	2,360,548
Total Assets	42,800,583	2,758,625
Liabilities:		
Current liabilities:		
Accounts payable	3,220,157	39,225
Accrued payroll	26,340	2,353
Accrued expenses	1,101	30,466
Long term debt interest payable	27,261	-
Deposits held	25,700	-
Due to other funds	398,025	-
Deferred revenue	4,634	-
Non-current liabilities due within one year:		
Capital leases	-	199,001
Bonds	355,000	-
Loans	482,879	-
Total current liabilities	4,541,097	271,045
Non-current liabilities:		
Accrued compensated absences	151,460	25,187
Accrued expenses	5,000	-
Non-Current Liabilities - due longer than one year:		
Capital leases	-	645,475
Bonds	4,595,000	-
Loans	11,978,106	-
Total non-current liabilities	16,729,566	670,662
Total Liabilities	21,270,663	941,707
Net Position:		
Net Investment in capital assets	11,928,160	1,516,072
Unrestricted	9,601,760	300,846
Total Net Position	21,529,920	1,816,918

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenue:		
Utility sales	11,216,576	641,043
Other revenue	75,787	16
Operating Revenue	<u>11,292,363</u>	<u>641,059</u>
Operating Expenses:		
Salaries and employee benefits	3,035,248	-
Purchased power	3,451,701	-
Purchased services	2,566,983	-
Operations and maintenance	2,100,070	-
Supplies	447,144	-
Depreciation and amortization	725,736	128,051
Fleet expenditures	-	639,605
Operating Expenses	<u>12,326,882</u>	<u>767,656</u>
Operating income (loss)	(1,034,519)	(126,597)
Non-Operating Revenues (Expenses):		
Taxes	1,943,871	-
Interest revenue	124,924	3,480
Interest expense	(191,357)	(36,933)
Unrealized gain (loss)	75,809	1,646
Grants and contributions	1,552,468	-
Sale of fixed assets	3,242	59,788
Total Non-Operating Revenues (Expenses)	<u>3,508,957</u>	<u>27,981</u>
Income (Loss) Before Contributions and Transfers	2,474,438	(98,616)
Transfers in	64,435	676,073
Transfers (out)	(44,188)	-
Change in Net Position	<u>2,494,685</u>	<u>577,457</u>
Total Net Position - Beginning	<u>19,035,235</u>	<u>1,239,461</u>
Total Net Position - Ending	<u><u>21,529,920</u></u>	<u><u>1,816,918</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from customers for services	7,139,512	640,994	7,780,506
Other cash received	469,035	16	469,051
Cash paid for goods and services	(6,246,558)	(582,260)	(6,828,818)
Cash paid for employment services	(3,127,242)	(5,196)	(3,132,438)
Net Cash Provided (Used) by Operating Activities	<u>(1,765,253)</u>	<u>53,554</u>	<u>(1,711,699)</u>
Cash Flows From Non-Capital Financing Activities:			
Grants and contributions	1,552,470	-	1,552,470
Transfers (out)	(44,188)	-	(44,188)
Transfers in	64,435	676,073	740,508
Net Cash Provided by Non-Capital Financing Activities	<u>1,572,717</u>	<u>676,073</u>	<u>2,248,790</u>
Cash Flows From Capital Financing Activities:			
Purchase of fixed assets	(6,788,005)	(1,462,492)	(8,250,497)
Debt proceeds	12,541,520	1,070,403	13,611,923
Taxes levied for operations	1,943,871	-	1,943,871
Interest paid	(191,357)	(36,933)	(228,290)
Principal paid	(425,535)	(225,927)	(651,462)
Net Cash (Used) by Capital Financing Activities	<u>7,080,494</u>	<u>(654,949)</u>	<u>6,425,545</u>
Cash Flows From Investing Activities:			
Interest received	200,733	5,126	205,859
Net Cash Provided by Investing Activities	<u>200,733</u>	<u>5,126</u>	<u>205,859</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,088,691	79,804	7,168,495
Cash and Cash Equivalents - Beginning	7,211,715	318,172	7,529,887
Cash and Cash Equivalents - Ending	<u>14,300,406</u>	<u>397,976</u>	<u>14,698,382</u>
Reconciliation of Operating (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating (loss)	(1,034,519)	(126,597)	(1,161,116)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	725,736	128,051	853,787
(Increase) decrease in accounts receivable	(3,679,039)	(49)	(3,679,088)
(Increase) decrease in inventories	(169,141)	-	(169,141)
(Increase) decrease in prepaid expenses	4,431	-	4,431
Increase (decrease) in accounts payable	2,484,048	57,345	2,541,393
Increase (decrease) in compensated absences	(11,795)	2,211	(9,584)
Increase (decrease) in deposits	7,000	-	7,000
Increase (decrease) in deferred revenue	(11,775)	-	(11,775)
Increase (decrease) in accrued wages	(80,199)	(7,407)	(87,606)
Total Adjustments	<u>(730,734)</u>	<u>180,151</u>	<u>(550,583)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,765,253)</u>	<u>53,554</u>	<u>(1,711,699)</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2019

	<u>Volunteer Firefighters' Pension Fund</u>
Assets	
Cash and investments	2,372,047
Accounts receivable	<u>35,221</u>
Total Assets	<u>2,407,268</u>
Net Position	
Net position - held in trust for pension benefits	<u><u>2,407,268</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2019

	<u>Volunteer Firefighters' Pension Fund</u>
Additions	
Contributions	
City	40,510
District	40,510
State	54,662
Earnings on investments	<u>370,581</u>
Total Additions	<u>506,263</u>
Deductions	
Benefits	241,500
Expenses	<u>17,000</u>
Total Deductions	<u>258,500</u>
Change in net position	247,763
Net position at beginning of year	<u>2,159,505</u>
Net position at end of year	<u><u>2,407,268</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

City of Gunnison
Notes to the Financial Statements
December 31, 2019

I. Summary of Significant Accounting Policies

The City of Gunnison (the "City"), was incorporated in 1880 and adopted its Home Rule Charter during 1962. The City operates under a Council-Manager form of government. The City's major operations include public safety (police and fire); highways and streets; sanitation; health and social services; culture - recreation; education; public improvements; planning and zoning; and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the City are discussed below.

A. Reporting Entity

The reporting entity consists of the primary government and component units. Component units are legally separate entities that are included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has not included any component units.

B. Joint Venture

The City participates in a joint venture created for special purposes, which are not part of the City's reporting entity. Additional information regarding the City's participation in the joint venture is provided in Note V. The following is a description of the joint venture in which the City participates:

Gunnison/Hinsdale Combined Emergency Telephone Service Authority - The City is one of 10 local governments which are members of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Gunnison/Hinsdale Authority"). The Gunnison/Hinsdale Authority is an organization created by intergovernmental agreement in 1998 solely to provide for the operation of the emergency telephone service programs. Gunnison/Hinsdale Authority is governed by a seven (7) member board selected as defined in Article III of the agreement. The governing board is autonomous as to budgeting and fiscal matters.

The investment in the joint venture was recorded as an expenditure at the time the investment was made. Complete financial statements of the joint venture can be obtained from:

Gunnison/Hinsdale Combined Emergency
Telephone Service Authority
P.O. Box 239
Gunnison, Colorado 81230

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, road maintenance, culture and recreation, and administration are classified as governmental activities. The City's water and sewer utilities are classified as business activities.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—net investment in capital assets; restricted; and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, highways and streets, utilities, etc.). The functions are also supported by general government revenues (property and sales taxes, intergovernmental revenue, fines and permits, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, roads, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property and sales taxes, interest income, etc.).

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

2. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note I (C) (3) below.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements (continued)

3. Fund Balance Disclosure

The City classifies governmental fund balances as follows:

Unspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is City Board. The City's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the City Board platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to City Board via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after City Board approval, must be presented via a public process and again approval by City Board.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Board or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy. However, the City's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to City Board.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements (continued)

4. Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. The City reports the following major governmental funds:

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

The *Ditch Fund* accounts for revenues derived from mineral leasing revenues or other earmarked revenue sources which finance specific activities as required by law or administrative action.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The City reports the following non-major special revenue funds:

The *Conservation Trust Fund* accounts for revenues derived from state lottery revenues or other earmarked revenue sources which finance specific activities as required by law or administrative action.

The *Marijuana Mitigation Fund* accounts for revenues derived from marijuana sales taxes which finance specific activities as required by law.

The *Risk Management Fund* accounts for revenues derived from insurance contributions which finance specific activities as required by law or administrative action.

Proprietary Funds

The City reports the following proprietary or business-type funds:

The *Enterprise Fund* accounts for the activities of the following departments: Electric, Water, Sewer, Refuse, Communications and Recreation.

The *Internal Service Fund* accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one non-major internal service fund, the Fleet Management Fund.

Fiduciary Fund

The *Volunteer Firefighters' Pension Fund* accounts for retirement benefits for the volunteer firefighters.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise 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 non-operating revenues and expenses.

E. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the City.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

1. Cash, Cash Equivalents and Investments (continued)

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The City's investment policy permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Certain Money Market Mutual Funds

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

3. Prepaid expenses

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

4. Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased on the fund financial statements.

5. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

6. Capital Assets

Capital assets, which include land, buildings and other improvements, machinery and equipment, infrastructure and vehicle assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities. Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	15 - 65
Buildings and improvements	15 - 50
Land improvements	15 - 25
Machinery and equipment	5 - 30
Licensed vehicles	5 - 8

7. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City doesn't have any items that qualify for reporting in this category at December 31, 2019.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Accordingly, these items, unavailable property tax revenue, and unavailable revenue, are deferred and recognized as inflows of resources in the period that the amounts become available.

8. Compensated Absences

Earned but unused vacation benefits of governmental funds are accrued when incurred in the governmental activities column in the government-wide financial statements. Earned but unused vacation benefits of the proprietary funds are accrued when incurred as an expense and liability of the proprietary fund where the payroll is paid.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are recorded as assets when purchased and depreciated over the life of the assets. Net capital assets (excluding internal service fund) of \$12,663,988 represents capitalized costs of \$26,369,272 and accumulated depreciation of \$13,705,284.

Another element of that reconciliation states that "Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position." The result in an increase in net position of \$1,816,918 within governmental activities.

Another element of that reconciliation states that "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The amount of compensated absences payable is \$326,445.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between *net change in fund balances of governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense". The details of the net difference are net capital outlay of \$745,782 less depreciation expense of \$673,495.

Another element of that reconciliation states that "Changes in the City employees' accrued compensated absences are considered changes in long-term liabilities". The amount that accrued compensated absences decreased is \$25,989.

Another element of that reconciliation states that "Internal service funds are used by management to charge costs of various activities to the general and other funds. The net income or loss of the internal service funds are included in the governmental activities statement of activities." The net income of \$577,457 is included in the governmental statement of activities.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year end.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

As required by Colorado Statutes, the City followed the required timetable noted below in preparing, approving, and enacting its budget for 2019.

1. For the 2019 budget year, prior to August 25, 2018 (revised November 30), the County Assessor sent to the City an assessed valuation of all taxable property within the City's boundaries.
2. The City Finance Director submitted to the Board, on or before October 15, 2018, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.
3. Prior to December 15, 2018, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the City may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

During the year the City approved the following budget amendments:

Fund	Original Budget	Final Budget	Amendment
General Fund	\$ 9,872,028	\$ 11,519,345	\$ 1,647,317
Electric Department	\$ 6,023,214	\$ 6,513,214	\$ 490,000
Sewer Department	\$ 14,368,978	\$ 15,890,072	\$ 1,521,094
Communication Department	\$ 935,905	\$ 969,185	\$ 33,280
Recreation Department	\$ 2,817,398	\$ 3,221,610	\$ 404,212
Volunteer Firefighters' Pension Fund	\$ 254,500	\$ 259,500	\$ 5,000

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$249,000, which is the approximate required reserve at December 31, 2019.

The City's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on All Funds

A. Deposits and Investments

The City' deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the City's demand deposits was \$7,533,672 at year end. Petty cash totaled \$4,840.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At December 31, 2019, the City had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 6,432,764	6,432,764	-	-
United States Treasuries	495,975	495,975	-	-
United States Agencies	3,692,327	3,692,327	-	-
Investments Measured at Net Asset Value				
COLOTRUST	1,266,680			
Investments Measured at Amortized Cost				
CSAFE	1,365,954			

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices.

The Investment Pool represents investments in COLOTRUST and C-SAFE. The fair value of the pool is determined by the pool's share price. The City has no regulatory oversight for the pool. At December 31, 2019, the City's investments in COLOTRUST and C-SAFE were 10% and 10% of the City's investment portfolio, respectively.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the City has limited its interest rate risk.

Credit Risk. State law and City policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The City diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding City funds must provide the City with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2019, unrealized gains were \$133,354 which reflect changes in the fair market value of investments. At year end, the City had the following cash and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than one year	One to five years
<i>Petty cash:</i>	Not Rated	\$ 4,840	\$ 4,840	\$ -
<i>Demand Deposits:</i>				
Checking	Not Rated	1,094,468	1,094,468	-
Savings & money market	Not Rated	6,440	6,440	-
Certificates of deposit	Not Rated	6,432,764	750,000	5,682,764
<i>Investments:</i>				
Cash with fiscal agent	Not Rated	6,832,863	6,832,863	-
United States Agencies	AA+	3,692,327	1,247,493	2,444,834
United States Treasuries	AA+	495,975	-	495,975
Investment Pools	AAAm	2,632,634	2,632,634	-
Total Cash and Investments		<u>\$ 21,192,311</u>	<u>\$ 12,568,738</u>	<u>\$ 8,623,573</u>
<i>Reconciliation to Statement of Net Position:</i>				
Cash and investments - Unrestricted		\$ 14,359,448		
Cash and investments - Restricted		<u>6,832,863</u>		
Total Cash and Investments		<u>\$ 21,192,311</u>		

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the City's governmental funds, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Total
	General	Ditch Fund	Other Governmental Funds	
Receivables:				
Taxes	\$ 388,056	\$ -	\$ -	\$ 388,056
Accounts and other receivable	879,951	9	26,436	906,396
Due from other governments	453,086	-	-	453,086
Gross receivables	<u>1,721,093</u>	<u>9</u>	<u>26,436</u>	<u>1,747,538</u>
Less: allowance for uncollectible	-	-	-	-
Net Receivables	<u>\$ 1,721,093</u>	<u>\$ 9</u>	<u>\$ 26,436</u>	<u>\$ 1,747,538</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This includes property taxes levied in 2019 but not available until 2020.

Receivables as of year-end for the City's enterprise funds, including applicable allowances for uncollectible accounts, are as follows:

	Enterprise Funds						Total
	Electric Department	Water Department	Wastewater Department	Refuse Department	Communications Department	Recreation Department	
Receivables:							
Accounts receivable	\$ 631,011	\$ 56,635	\$ 4,206,947	\$ 53,012	\$ 40,447	\$ 10,674	\$ 4,998,726
Other receivables	-	-	-	-	-	19,597	19,597
Gross receivables	<u>631,011</u>	<u>56,635</u>	<u>4,206,947</u>	<u>53,012</u>	<u>40,447</u>	<u>30,271</u>	<u>5,018,323</u>
Less: allowance for uncollectible	-	-	-	-	-	-	-
Net Receivables	<u>\$ 631,011</u>	<u>\$ 56,635</u>	<u>\$ 4,206,947</u>	<u>\$ 53,012</u>	<u>\$ 40,447</u>	<u>\$ 30,271</u>	<u>\$ 5,018,323</u>

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,818,836	\$ -	\$ -	\$ 2,818,836
Construction in progress	835,135	-	(835,135)	-
Capital assets, being depreciated:				
Land improvements	2,246,760	1,103,616	(105,395)	3,244,981
Buildings and improvements	8,055,570	72,644	(164,394)	7,963,820
Infrastructure	7,242,680	-	-	7,242,680
Machinery and equipment	2,744,058	1,504,000	(119,493)	4,128,565
Vehicles	3,648,935	428,936	(139,977)	3,937,894
Total capital assets being depreciated	<u>27,591,974</u>	<u>3,109,196</u>	<u>(1,364,394)</u>	<u>29,336,776</u>
Less accumulated depreciation for:				
Land improvements	(1,109,989)	(126,492)	100,285	(1,136,196)
Buildings and improvements	(2,702,540)	(185,786)	105,625	(2,782,701)
Infrastructure	(5,416,437)	(75,388)	-	(5,491,825)
Machinery and equipment	(2,058,996)	(206,302)	78,535	(2,186,763)
Vehicles	(2,641,155)	(207,578)	133,977	(2,714,756)
Total accumulated depreciation	<u>(13,929,117)</u>	<u>(801,546)</u>	<u>418,422</u>	<u>(14,312,241)</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,662,857</u>	<u>\$ 2,307,650</u>	<u>\$ (945,972)</u>	<u>\$ 15,024,535</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 560,253	\$ -	\$ -	\$ 560,253
Construction in progress	28,745	5,857,217	(28,745)	5,857,217
Total Capital Assets, Not Depreciated	<u>588,998</u>	<u>5,857,217</u>	<u>(28,745)</u>	<u>6,417,470</u>
Capital assets, being depreciated:				
Building and improvements	25,485,763	141,644	-	25,627,407
Machinery and equipment	10,813,846	836,823	(128,851)	11,521,818
Total Capital Assets Being Depreciated	<u>36,299,609</u>	<u>978,467</u>	<u>(128,851)</u>	<u>37,149,225</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,262,144)	(478,923)	-	(11,741,067)
Machinery and equipment	(9,185,690)	(246,813)	113,157	(9,319,346)
Total Accumulated Depreciation	<u>(20,447,834)</u>	<u>(725,736)</u>	<u>113,157</u>	<u>(21,060,413)</u>
Business-type activities capital assets, net	<u>\$ 16,440,773</u>	<u>\$ 6,109,948</u>	<u>\$ (44,439)</u>	<u>\$ 22,506,282</u>

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

The City had the following capital outlay and depreciation expense for the following functions:

	Depreciation Expense	Capital Outlay
Governmental activities:		
General government	\$ 118,882	\$ -
Public safety	135,709	-
Public works	351,299	2,258,374
Parks and recreation	195,656	15,687
Total - Governmental Activities	\$ 801,546	\$ 2,274,061
Business-type activities:		
Electric Department	\$ 113,468	\$ 465,005
Water Department	60,903	119,466
Wastewater Department	110,772	6,110,161
Refuse Department	43,994	13,952
Communications Department	3,095	-
Recreation Department	393,504	98,355
Total - Business-type Activities	\$ 725,736	\$ 6,806,939

D. Transfers

At December 31, 2019, the City had the following transfers:

	In	Out
<i>Governmental Funds:</i>		
General Fund	\$ 202,312	\$ (717,463)
Other Governmental Funds	-	(181,169)
<i>Internal Service Funds:</i>		
Fleet Fund	676,073	-
<i>Proprietary Funds:</i>		
Recreation Department	64,435	(44,188)
Total	\$ 942,820	\$ (942,820)

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

E. Other Liabilities

1. Sales and Use Tax Revenue Bonds, Series 2015

On September 8, 2015, the City issued of \$5,945,000 of sales and use tax Revenue bonds to refund the 2007 Sales and Use Tax Revenue Bonds that were not callable until 2017. The interest rate is 2.75%, payable on June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2031. The principal outstanding at December 31, 2019 was \$4,950,000. The refunding was undertaken to reduce total debt service payments over fifteen years by \$1,409,144 and resulted in an economic gain of \$682,682.

2. 2019 Sewer Revolving Fund Loan

On May 1, 2019, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority (the "Authority") for the amount of \$9,541,520. The funds were used for improvements at the existing wastewater treatment facility. The interest rate is 1.69% and the payments are due August 1 and February 1 beginning August 1, 2019 and ending on August 1, 2039. The principal outstanding at December 31, 2019 was \$9,460,985.

3. 2019 Green Reserve Loan

On May 22, 2019, the City entered into a loan agreement with the Authority for the amount of \$3,000,000. The funds will be used for improvements at the existing wastewater treatment facility. The interest rate will be 0.5% annually if the finally constructed project is certified by the Colorado Department of Public Health and the Environment, Water Quality Control Division ("WQCD") as a Green Project or 2.5% if the project is not certified as a Green Project. The payments are due May 1 and November 1 beginning May 1, 2020 and ending on November 1, 2039. At the discretion of the Authority, the loan may be forgiven in an amount up to 100% of the principal amount of the loan. The principal outstanding at December 31, 2019 was \$3,000,000.

4. Lease Agreement

During 2019, the City entered into a lease agreement with Community First National Bank for the amount of \$1,070,403. The funds were used to purchase an aerial fire truck. The interest rate is 3.95% annually and the payments are due February 1 beginning February 1, 2019 and ending on February 1, 2023. The principal outstanding at December 31, 2019 was \$844,476.

5. Accrued Compensated Absences

Earned but unused compensated absence (e.g. paid time off) benefits amounted to \$503,087 at December 31, 2019. Unused compensated absences are shown as long-term debt on the Government-wide Statement of Net Position. Unused compensated absences of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

E. Other Liabilities

6. Debt Schedule

The following payments are required:

Year	Governmental Activities Debt		
	Principal	Interest	Total
2020	\$ 199,001	\$ 33,394	\$ 232,395
2021	206,870	25,525	232,395
2022	215,050	17,344	232,394
2023	223,555	8,840	232,395
Total	\$ 844,476	\$ 85,103	\$ 929,579

Year	Business-Type Activities Debt		
	Principal	Interest	Total
2020	\$ 837,879	\$ 248,245	\$ 1,086,124
2021	913,665	235,405	1,149,070
2022	934,074	216,271	1,150,345
2023	953,400	196,970	1,150,370
2024	975,843	177,642	1,153,485
2025 - 2029	5,154,320	596,881	5,751,201
2030 - 2034	4,141,393	174,006	4,315,399
2035 - 2039	3,500,411	41,260	3,541,671
Total	\$ 17,410,985	\$ 1,886,680	\$ 19,297,665

7. Changes in Debt

The City had the following changes in debt for the year ended December 31, 2019:

	1/1/19	Additions	Deletions	12/31/19	Due within one year
Governmental Activities Debt:					
Compensated absences	\$ 323,426	\$ 368,770	\$ 340,569	\$ 351,627	\$ -
2019 Lease Payable	-	1,070,403	225,927	844,476	199,001
Enterprise Debt:					
Accrued expenses	5,000	-	-	5,000	-
2015 Sales and Use Tax Bonds	5,295,000	-	345,000	4,950,000	355,000
2019 Green Reserve	-	3,000,000	-	3,000,000	84,940
2019 Sewer Revolving Loan	-	9,541,520	80,535	9,460,985	397,939
Compensated absences	163,254	176,986	188,780	151,460	-
Total	\$ 5,786,680	\$ 14,157,679	\$ 1,180,811	\$ 18,763,548	\$ 1,036,880

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

F. Pollution Remediation Obligation

State and federal laws and regulations require the City to place a final cover on all its land-fill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post closure care costs will be paid only near, or after, the date the landfill stops accepting waste, the City is required to report a portion of these closure and post closure care costs as an expense in the government-wide financial statements. This expense is based on landfill capacity used at the reporting date. The current year expenditures of the landfills are reported in the Refuse Department of the enterprise fund, business-type activities. The long term liability and expense are reported in the statement of net position and the statement of activities.

During 2012, the City determined that the City has fulfilled its remediation of the landfill, with the exception of additional testing that may be required before the remediation is closed out. In 2019, the City maintained the liability of \$844,476. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Closure and care financial requirements are expected to be met by the operations of the enterprise fund.

G. Pension Plans

1. Police Officer's Pension Plan

The City contributes to a defined contribution agent multiple-employer public employee retirement system on behalf of all full-time police officers employed. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City and the employees each contribute 11.2% of the employee's base salary. This contribution rate and other provisions are established and may be amended by City Council. Employees vest in City contributions and interest earnings thereon immediately. During the year ended December 31, 2019, employees and the City made the required contributions to the plan of \$144,116 and \$144,116, respectively.

All of the Police Officer's Pension Plan investments at December 31, 2019 of \$4,749,335 are managed by the Colorado Retirement Association ("CRA"). Separately issued financial statements for the plan may be obtained from CRA at 4949 South Syracuse St., Suite 400, Denver, Colorado 80237.

2. General Employee Pension Plan

The City contributes to a defined contribution agent multiple-employer public employee retirement system on behalf of all full-time general employees with one or more service years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City and the employees each contribute 5% of the employee's base salary. This contribution rate and other provisions are established and may be amended by City Council. Employees vest in City contributions and interest earnings thereon immediately. During the year ended December 31, 2019, employees and the City made the required contributions to the plan of \$258,603 and \$258,603, respectively.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

G. Pension Plans (continued)

2. General Employee Pension Plan (continued)

All of the General Employee Pension Plan investments at December 31, 2019 of \$7,119,763 are managed CRA. Separately issued financial statements for the plan may be obtained from CRA at 4949 South Syracuse St., Suite 400, Denver, Colorado 80237.

3. Volunteer Firefighters' Pension Plan

Plan Description. The City has a single employer-defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statutes. The Volunteer Firefighters' Pension Plan (the "Plan") is administered by the Gunnison Firemen's Pension Fund Board of Trustees ("Board of Trustees"). The Board of Trustees consists of the Fire Chief of the Gunnison Volunteer Fire Department, two members of the Gunnison City Council, two members of the Gunnison Volunteer Fire Department, and two members of the Gunnison County Fire Protection District Board of Directors.

As of December 31, 2019, the Plan had 38 active non-retired members, and 41 retired members, for a total of 79 participants. This plan does not issue separate stand-alone financial statements.

An actuary is used to determine the adequacy of contributions. The study indicates that the current contributions to the Plan are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan.

Benefits provided. Any firefighter who has attained the age of fifty and has also completed twenty years of active service shall be eligible for a monthly pension. A firefighter who is disabled in the line of duty and whose disability is considered permanent shall be compensated in an amount determined by the Pension Board to be reasonable and proper considering the financial condition of the Fund. The Plan also provides for a 50% spousal benefit upon the death of a retired firefighter, or a payment to be determined by the Pension Board if the death occurs prior to retirement. The Plan Board of Trustees has the authority to establish or amend benefit terms.

Contributions. The Plan receives contributions from the City (in an amount not to exceed one-half mill of property tax revenue) and from the State of Colorado. The contributions are not actuarially determined. In 2019, the City contributed \$40,510 to the Plan, the Fire Protection District contributed \$40,510, and the State contributed \$54,662. None of the City's payroll is covered by the pension plan because the firefighters are volunteers.

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

G. Pension Plans (continued)

3. Volunteer Firefighters' Pension Plan (continued)

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Emphasis is on balance between current income and longer-term capital appreciation. Assets are primarily invested in equity and fixed-income securities with a moderate to strong emphasis on capital appreciation and current income. The account's investment objective includes an average risk tolerance and intermediate to longer term time horizon. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2013:

	<u>Maximum %</u>	<u>Minimum %</u>	<u>Strategic Target</u>
Equity	60%	40%	50%
Fixed-income	57%	37%	47%
Cash (or equivalents)	5%	0%	3%

Concentrations. As of December 31, 2019, the pension fund held no concentrations of investments with individual organizations equaling or exceeding 5 percent of the pension plan's fiduciary net position.

Money-weighted rate of return. This rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The components of the net pension liability of the Plan at December 31, 2019 are as follows:

Total pension liability	\$ 3,322,432
Fiduciary net position	2,407,268
Net pension liability	<u>\$ 915,164</u>

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

G. Pension Plans (continued)

3. Volunteer Firefighters' Pension Plan (continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions applied to all periods included in the measurement.

Actuarial cost method	Entry-age
Asset valuation method	Market value
Real rate of investment return	3.25% per annum compounded annually
Inflation rate	2.75% per annum compounded annually
Actuarial funding discount rate	6.0% per annum compounded annually
Expense loading	Actuarial funding discount rate is net of expenses
Valuation census	Closed group of lives as of the valuation date
Mortality rates	1994 GAM rates - modified
Turnover rates	Graduated rates by attained age
Disability rates	None used
Retirement age	Age 50, after 20 years of service
Age difference	Males assumed to be 3 years older than females
Marital status	80% of all members are married

An actuarial experience study was not performed as the census data is too small to yield credible results. Demographic assumptions were selected using standard mortality and turnover tables that produce reasonable results for this group of lives. Mortality rates and disability rates for ages before 65 are assumed to be zero to recognize that mortality or disability for this group is virtually non-existent before that particular age.

Discount rate. Actuarial funding discount rates are set by consensus between the Board of Trustees, the actuary and the investment advisor. The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in actuarial discount rate. The following presents the net pension liability calculated using the discount rate of 6.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.0 percent) or 1-percentage point higher (7.0 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Net pension liability	\$ 1,276,252	\$ 915,164	\$ 613,680

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

IV. Detailed Notes on All Funds (continued)

H. Deferred Compensation Plan – Section 457

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries.

Plan investment purchases are determined by the plan participant and therefore, the plan's investment concentration varies between participants. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City is neither the trustee nor the administrator for the plans.

The general employee plan is administered by the International City Managers Association Retirement Corporation ("ICMA") and the police employee plan is administered by CRA. The City's contributions to the plans for the year ended December 31, 2019 were to the ICMA plan and \$52,324 to the CRA plan.

I. Restricted Fund Balance

The City had the following restrictions on fund balances at December 31, 2019:

	<u>1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/19</u>
<i>General Fund:</i>				
Emergency reserves	\$ 268,000	\$ -	\$ 19,000	249,000
Road and bridge	216,825	577,219	-	794,044
<i>Conservation Trust:</i>				
Recreation	51,128	8,711	-	59,839
<i>Marijuana Mitigation:</i>				
Other	289,246	48,502	-	337,748
	<u>\$ 825,199</u>	<u>\$ 634,432</u>	<u>\$ 19,000</u>	<u>1,440,631</u>

J. Assigned Fund Balance

The City had the following assigned on fund balances at December 31, 2019:

	<u>1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/19</u>
<i>Special Revenue Funds:</i>				
Ditch fund	\$ 506,556	\$ 44,086	\$ -	\$ 550,642
Risk management fund	64,084	38,618	-	102,702
	<u>\$ 570,640</u>	<u>\$ 82,704</u>	<u>\$ -</u>	<u>\$ 653,344</u>

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

V. Other Information

A. Joint Venture

At December 31, 2019, Gunnison/Hinsdale Authority had assets of \$197,515 liabilities of \$43,097 and \$154,418 in net position. Total revenues for 2019 were \$216,091 and total expenses were \$256,947 resulting in a net change in fund balance of \$40,856. The amount of the City's share of these amounts is based upon the percentage of the county wide telephone accesses to be served.

B. Risk Management

The City is exposed to various risks of loss related to workers' compensation and general liability. The City has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage. The City is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. To address such risks, the City is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency ("CIRSA").

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$250,000 per claim or occurrence for property, \$1,000,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the City may be liable for any losses in excess of this coverage, the City does not anticipate such losses at December 31, 2019. Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds.

The City's share of CIRSA's fund equity as of December 31, 2019, is:

Fund:	Property and Casualty Pool Equity Ratio	Worker's Compensation Pool Equity Ratio
Loss Fund	0.468%	2.051%
Operating Fund	0.120%	0.042%
Excess Fund	1.913%	0.176%
Reserve Fund	0.102%	0.283%

CIRSA's combined financial information for the year ended December 31, 2019, is summarized as follows:

Assets:	
Cash and investments	\$ 35,120,192
Other assets	52,234,653
Total Assets	<u>\$ 87,354,845</u>
Total liabilities	<u>\$ 37,380,157</u>
Net position	<u>\$ 49,974,688</u>
Total Revenues	\$ 29,379,298
Total Expenses	(29,949,103)
Change in Net Position	<u>\$ (569,805)</u>

City of Gunnison
Notes to the Financial Statements
December 31, 2019
(continued)

V. Other Information (continued)

C. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

D. Construction Commitments

The City had the following contractual commitments at year end:

Fund	Project	Vendor	Contract Commitment	Completed	Retainage	Remaining
Wastewater	Wastewater facility	J.R. Filanc Construction	\$12,374,994	\$(5,755,013)	\$287,751	\$6,907,732
Wastewater	Wastewater facility	Tetra Tech Inc.	\$1,513,878	\$(1,266,268)	-	\$267,610
Total			\$13,888,872	\$(7,021,281)	\$287,751	\$7,175,342

E. Subsequent Events – COVID-19

The spread of COVID-19 may have operational, economic and financial impacts on the City. The significance and duration of the potential impacts cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes:					
General property taxes	286,329	286,329	285,601	(728)	284,983
Specific ownership tax	41,200	41,200	43,793	2,593	40,704
Sales & use tax	6,513,086	6,513,086	6,872,528	359,442	6,644,536
Franchise tax	601,968	601,968	698,921	96,953	595,609
Other taxes	199,650	199,650	532,015	332,365	278,323
Total Taxes	7,642,233	7,642,233	8,432,858	790,625	7,844,155
Licenses and Permits:					
Other licenses and permits	119,242	119,242	125,870	6,628	208,104
Intergovernmental Revenue:					
Grant revenue	129,946	835,143	427,341	(407,802)	7,024
State highway users tax	162,026	162,026	207,581	45,555	204,438
Other intergovernmental revenue	172,092	172,092	222,146	50,054	177,793
Total Intergovernmental Revenue	464,064	1,169,261	857,068	(312,193)	389,255
Charges for Services:					
Recreation revenue	232,831	232,831	210,954	(21,877)	220,057
Other charges for services	44,106	44,106	43,859	(247)	47,472
Rents	60,976	60,976	59,198	(1,778)	48,318
Total Charges for Services	337,913	337,913	314,011	(23,902)	315,847
Fines and Forfeitures:					
Traffic fines	21,669	21,669	28,319	6,650	22,675
Miscellaneous Revenue:					
Investment income	34,650	34,650	84,993	50,343	59,172
Unrealized gains (losses)	6,000	-	50,882	50,882	(243)
Donations and contributions	18,895	21,795	18,359	(3,436)	13,953
Other income	27,500	57,164	39,437	(17,727)	35,230
Total Miscellaneous Revenue	87,045	113,609	193,671	80,062	108,112
Total Revenues	8,672,166	9,403,927	9,951,797	547,870	8,888,148
Expenditures:					
General Government:					
City council	26,648	36,648	37,373	(725)	65,337
Municipal court	116,600	116,600	106,092	10,508	110,449
City attorney	53,270	53,270	41,024	12,246	36,694
City manager	190,428	183,355	174,965	8,390	159,956
City clerk	99,407	99,407	84,370	15,037	84,095
Finance	331,633	340,366	313,335	27,031	265,783
General services	213,204	240,336	270,056	(29,720)	237,649
Community development	554,224	571,297	540,852	30,445	385,964
Total General Government	1,585,414	1,641,279	1,568,067	73,212	1,345,927

(continued on E2)

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			Final Budget Variance Positive (Negative)	<u>2018</u>
	Original Budget	Final Budget	Actual		Actual
Expenditures: (continued)					
Public Safety:					
Police	2,616,727	2,643,391	2,544,975	98,416	2,253,439
Building inspection	166,948	166,948	146,236	20,712	138,985
Fire department	246,889	246,889	223,601	23,288	321,069
Hazardous material	28,599	28,599	17,860	10,739	21,888
LE Victim Advocate Program	24,709	24,709	15,840	8,869	55,381
Victims of Crime Act Grant	109,199	71,820	53,477	18,343	-
Victims of Crime Act Grant Match	-	37,379	22,468	14,911	-
Total Public Safety	<u>3,193,071</u>	<u>3,219,735</u>	<u>3,024,457</u>	<u>195,278</u>	<u>2,790,762</u>
Public Works:					
Facilities maintenance	36,962	(10,538)	(25,979)	15,441	-
City hall	84,767	84,767	66,026	18,741	61,729
Public Works Administration	110,725	110,725	57,420	53,305	-
City shop	7,865	55,365	46,985	8,380	45,505
Street administration	-	-	-	-	53,255
Street maintenance	587,674	587,674	629,423	(41,749)	525,539
Street improvements	1,588,900	1,765,587	366,699	1,398,888	723,933
Hwy 59 pedestrian crossings	-	618,348	565,866	52,482	-
Safe routes to school	-	543,200	84,581	458,619	-
Ohio Avenue safe walk	-	143,500	1,393	142,107	-
Total Public Works	<u>2,416,893</u>	<u>3,898,628</u>	<u>1,792,414</u>	<u>2,106,214</u>	<u>1,409,961</u>
Culture and Recreation:					
Cranor Hill	41,110	41,110	25,859	15,251	9,441
Senior programming	20,729	32,517	24,253	8,264	-
Recreation administration	413,577	413,577	422,784	(9,207)	380,219
Recreation programs	219,324	219,324	204,123	15,201	209,703
Parks	789,895	840,595	703,218	137,377	657,718
Van Tuyl Ranch	31,603	31,603	28,731	2,872	3,844
Lazy K	4,536	4,536	18,778	(14,242)	41,150
Next50 senior grant	-	15,604	2,042	13,562	-
Total Culture and Recreation	<u>1,520,774</u>	<u>1,598,866</u>	<u>1,429,788</u>	<u>169,078</u>	<u>1,302,075</u>
Economic Development:					
Public service grants	70,183	70,183	68,933	1,250	63,892
Economic development grants	23,817	23,817	23,817	-	24,808
Strategic partnerships	190,256	190,256	159,506	30,750	134,286
Events	154,157	159,118	142,671	16,447	112,623
Total Economic Development	<u>438,413</u>	<u>443,374</u>	<u>394,927</u>	<u>48,447</u>	<u>335,609</u>
Capital Outlay:					
Capital outlay and repairs	-	-	-	-	4,122
Total Expenditures	<u>9,154,565</u>	<u>10,801,882</u>	<u>8,209,653</u>	<u>2,592,229</u>	<u>7,188,456</u>
Excess (Deficiency) of Revenues over Expenditures	(482,399)	(1,397,955)	1,742,144	3,140,099	1,699,692
Other Financing Sources (Uses):					
Transfer in	538,494	666,494	202,312	(464,182)	79,676
Transfer (out)	(717,463)	(717,463)	(717,463)	-	(724,995)
Sale of assets	2,000	2,000	24,069	22,069	11,001
Total Other Financing Sources (Uses)	<u>(176,969)</u>	<u>(48,969)</u>	<u>(491,082)</u>	<u>(442,113)</u>	<u>(634,318)</u>
Net Change in Fund Balance	<u>(659,368)</u>	<u>(1,446,924)</u>	1,251,062	<u>2,697,986</u>	1,065,374
Fund Balance - Beginning			5,344,036		4,278,662
Fund Balance - Ending			<u>6,595,098</u>		<u>5,344,036</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Ditch Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Intergovernmental revenue:					
Mineral leasing	50,000	50,000	84,389	34,389	63,059
State grants	-	-	-	-	440,589
Investment income	1,500	1,500	8,555	7,055	1,084
Unrealized gains (losses)	-	-	5,081	5,081	(658)
Donations and contributions	-	-	788	788	147,000
Total Revenues	51,500	51,500	98,813	47,313	651,074
Expenditures:					
Public works	66,497	66,497	54,727	11,770	205,428
Total Expenditures	66,497	66,497	54,727	11,770	205,428
Net Change in Fund Balance	(14,997)	(14,997)	44,086	59,083	445,646
Fund Balance - Beginning			506,556		60,910
Fund Balance - Ending			550,642		506,556

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Schedule of Changes in Net Pension Liability and Related Ratios
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service cost	34,522	25,739	20,432	19,739	28,211	28,497
Interest cost	197,908	169,664	151,455	134,458	141,346	123,133
Changes in plan benefits	332,243	-	323,200	323,808	-	288,476
Actuarial variations	(53,186)	147,019	9,540	(11,699)	(118,110)	-
Changes in assumptions	-	14,848	-	-	-	-
Benefits paid	(241,500)	(213,625)	(199,300)	(168,128)	(147,425)	(125,100)
Net Change in Pension Liability	<u>269,987</u>	<u>143,645</u>	<u>305,327</u>	<u>298,178</u>	<u>(95,978)</u>	<u>315,006</u>
Total Pension Liability - Beginning	<u>3,052,445</u>	<u>2,908,800</u>	<u>2,603,473</u>	<u>2,305,295</u>	<u>2,401,273</u>	<u>2,086,267</u>
Total Pension Liability - Ending	<u>3,322,432</u>	<u>3,052,445</u>	<u>2,908,800</u>	<u>2,603,473</u>	<u>2,305,295</u>	<u>2,401,273</u>
Plan Fiduciary Net Position						
City contribution	40,510	40,510	35,022	32,700	32,700	47,415
District contribution	40,510	40,510	35,022	32,700	32,700	47,415
Pension plan net investment income	370,581	(89,479)	267,561	145,397	(4,268)	113,332
Benefit payments	(241,500)	(213,625)	(199,300)	(164,128)	(147,425)	(125,100)
Pension plan administrative expenses	(17,000)	(17,000)	(17,000)	(16,961)	(16,420)	(12,422)
State of Colorado supplemental discretionary payment	54,662	50,960	53,238	58,860	58,860	64,773
Net Change in Plan Fiduciary Net Position	<u>247,763</u>	<u>(188,124)</u>	<u>174,543</u>	<u>88,568</u>	<u>(43,853)</u>	<u>135,413</u>
Plan Fiduciary Net Position - Beginning	<u>2,159,505</u>	<u>2,347,629</u>	<u>2,173,086</u>	<u>2,084,518</u>	<u>2,128,371</u>	<u>1,992,958</u>
Plan Fiduciary Net Position - Ending	<u>2,407,268</u>	<u>2,159,505</u>	<u>2,347,629</u>	<u>2,173,086</u>	<u>2,084,518</u>	<u>2,128,371</u>
Net Pension Liability - Ending	915,164	892,940	561,171	430,387	220,777	272,902
Plan Fiduciary Net Position as a Percentage of Total Pension Lial	72.5%	70.7%	80.7%	83.5%	90.4%	88.6%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Information for the prior five years was not available to report.

City of Gunnison
Schedule of Contributions
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2019

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	12,928	130,480	(117,552)	N/A	N/A
2012	17,861	130,830	(112,969)	N/A	N/A
2013	47,616	101,400	(53,784)	N/A	N/A
2014	34,892	159,603	(124,711)	N/A	N/A
2015	46,915	124,260	(77,345)	N/A	N/A
2016	34,870	124,260	(89,390)	N/A	N/A
2017	49,929	123,282	(73,353)	N/A	N/A
2018	64,200	131,980	(67,780)	N/A	N/A
2019	95,721	135,682	(39,961)	N/A	N/A

Information for the 2010 fiscal year was not available to report.

City of Gunnison
Schedule of Investment Returns
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2019

FY Ending December 31,	Net Money- Weighted Rate of Return
2011	-0.50%
2012	12.88%
2013	13.58%
2014	5.19%
2015	-1.00%
2016	6.38%
2017	12.02%
2018	-4.73%
2019	17.25%

Information for the 2010 fiscal year was not available to report.

SUPPLEMENTARY INFORMATION

City of Gunnison, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Conservation Trust</u>	<u>Marijuana Mitigation Fund</u>	<u>Risk Management Fund</u>	
Assets:				
Cash and investments - Unrestricted	42,179	316,360	103,010	461,549
Receivables, net of allowance for uncollectibles	1	21,388	5,047	26,436
Due from other governments	18,245	-	-	18,245
Total Assets	<u>60,425</u>	<u>337,748</u>	<u>108,057</u>	<u>506,230</u>
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	586	-	5,355	5,941
Total Liabilities	<u>586</u>	<u>-</u>	<u>5,355</u>	<u>5,941</u>
Fund Balances:				
Spendable:				
Restricted for recreation	59,839	-	-	59,839
Restricted - other	-	337,748	-	337,748
Assigned	-	-	102,702	102,702
Total Fund Balances	<u>59,839</u>	<u>337,748</u>	<u>102,702</u>	<u>500,289</u>
Total Liabilities and Fund Balances	<u>60,425</u>	<u>337,748</u>	<u>108,057</u>	<u>506,230</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	Conservation Trust	Marijuana Mitigation Fund	Risk Management Fund	
Revenues:				
Taxes	-	274,672	-	274,672
Intergovernmental revenue	55,151	-	-	55,151
Charges for services	-	-	260,356	260,356
Investment income	815	4,264	2,963	8,042
Unrealized gains (losses)	452	2,490	2,075	5,017
Total Revenues	<u>56,418</u>	<u>281,426</u>	<u>265,394</u>	<u>603,238</u>
Expenditures:				
General government	-	-	226,776	226,776
Public safety	-	70,000	-	70,000
Capital outlay and repairs	29,462	-	-	29,462
Total Expenditures	<u>29,462</u>	<u>70,000</u>	<u>226,776</u>	<u>326,238</u>
Excess (Deficiency) of Revenues Over Expenditures	26,956	211,426	38,618	277,000
Other Financing Sources (Uses):				
Transfers (out)	(18,245)	(162,924)	-	(181,169)
Total Other Financing Sources (Uses)	<u>(18,245)</u>	<u>(162,924)</u>	<u>-</u>	<u>(181,169)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	8,711	48,502	38,618	95,831
Fund Balances - Beginning	<u>51,128</u>	<u>289,246</u>	<u>64,084</u>	<u>404,458</u>
Fund Balances - Ending	<u><u>59,839</u></u>	<u><u>337,748</u></u>	<u><u>102,702</u></u>	<u><u>500,289</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Conservation Trust Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2018</u>
	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Intergovernmental revenue:					
State lottery funds	45,000	45,000	55,151	10,151	62,134
Investment income	350	350	815	465	464
Unrealized gains (losses)	-	-	452	452	(3)
Total Revenues	<u>45,350</u>	<u>45,350</u>	<u>56,418</u>	<u>11,068</u>	<u>62,595</u>
Expenditures:					
Capital outlay and repairs	38,500	38,500	29,462	9,038	25,284
Total Expenditures	<u>38,500</u>	<u>38,500</u>	<u>29,462</u>	<u>9,038</u>	<u>25,284</u>
Excess (Deficiency) of Revenues Over Expenditures	6,850	6,850	26,956	20,106	37,311
Other Financing Sources (Uses):					
Transfers (out)	(15,000)	(15,000)	(18,245)	(3,245)	(14,920)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(18,245)</u>	<u>(3,245)</u>	<u>(14,920)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)			8,711		22,391
Fund Balance - Beginning			<u>51,128</u>		<u>28,737</u>
Fund Balance - Ending			<u><u>59,839</u></u>		<u><u>51,128</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Risk Management Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			Final Budget Variance Positive (Negative)	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Charges for services	284,833	284,833	260,356	(24,477)	240,464
Investment income	1,500	1,500	2,963	1,463	1,776
Unrealized gains (losses)	-	-	2,075	2,075	(458)
Total Revenues	<u>286,333</u>	<u>286,333</u>	<u>265,394</u>	<u>(20,939)</u>	<u>241,782</u>
Expenditures:					
Insurance premiums	168,845	168,845	174,572	(5,727)	152,718
Insurance claims	40,000	80,000	47,204	32,796	51,604
Professional services	5,000	5,000	5,000	-	443
Total Expenditures	<u>213,845</u>	<u>253,845</u>	<u>226,776</u>	<u>27,069</u>	<u>204,765</u>
Excess (Deficiency) of Revenues Over Expenditures	72,488	32,488	38,618	6,130	37,017
Fund Balance - Beginning			<u>64,084</u>		<u>27,067</u>
Fund Balance - Ending			<u><u>102,702</u></u>		<u><u>64,084</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Marijuana Mitigation Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			Final Budget Variance Positive (Negative)	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Taxes:					
Sales and use	220,480	220,480	274,672	54,192	232,959
Investment income	1,200	1,200	6,754	5,554	2,592
Total Revenues	<u>221,680</u>	<u>221,680</u>	<u>281,426</u>	<u>59,746</u>	<u>235,551</u>
Expenditures:					
Public safety	70,000	70,000	70,000	-	99,099
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>99,099</u>
Excess (Deficiency) of Revenues over Expenditures	151,680	151,680	211,426	59,746	136,452
Other Financing Sources (Uses):					
Transfer (out)	(162,924)	(162,924)	(162,924)	-	(53,886)
Total Other Financing Sources (Uses)	<u>(162,924)</u>	<u>(162,924)</u>	<u>(162,924)</u>	<u>-</u>	<u>(53,886)</u>
Net Change in Fund Balance			48,502		82,566
Fund Balance - Beginning			<u>289,246</u>		<u>206,680</u>
Fund Balance - Ending			<u><u>337,748</u></u>		<u><u>289,246</u></u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Combining Statement of Net Position
Departments of the Enterprise Fund
For the Year Ended December 31, 2019

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Refuse Department</u>	<u>Communication Department</u>	<u>Recreation Department</u>	<u>Total</u>
Assets:							
Current assets:							
Cash and cash equivalents	2,804,379	1,073,429	201	286,176	119,140	3,184,218	7,467,543
Cash and cash equivalents - restricted	-	-	6,832,863	-	-	-	6,832,863
Accounts receivables, net of allowance for uncollectibles	631,011	56,635	4,206,947	53,012	40,447	30,271	5,018,323
Inventories	725,601	100,264	86,678	31,345	-	16,975	960,863
Prepaid expenses	2,750	1,324	7,091	149	1,507	1,888	14,709
Total current assets	<u>4,163,741</u>	<u>1,231,652</u>	<u>11,133,780</u>	<u>370,682</u>	<u>161,094</u>	<u>3,233,352</u>	<u>20,294,301</u>
Non-current assets:							
Land	8,843	50,000	501,410	-	-	-	560,253
Construction in progress	-	76,939	5,780,278	-	-	-	5,857,217
Building and improvements	2,802,672	1,825,497	7,012,451	315,188	20,571	13,651,028	25,627,407
Machinery and equipment	4,853,039	1,417,082	3,724,526	964,704	161,777	400,690	11,521,818
Less: Accumulated depreciation	<u>(5,683,173)</u>	<u>(2,536,439)</u>	<u>(8,449,680)</u>	<u>(684,650)</u>	<u>(154,766)</u>	<u>(3,551,705)</u>	<u>(21,060,413)</u>
Total non-current assets:	<u>1,981,381</u>	<u>833,079</u>	<u>8,568,985</u>	<u>595,242</u>	<u>27,582</u>	<u>10,500,013</u>	<u>22,506,282</u>
Total Assets	<u>6,145,122</u>	<u>2,064,731</u>	<u>19,702,765</u>	<u>965,924</u>	<u>188,676</u>	<u>13,733,365</u>	<u>42,800,583</u>
Liabilities:							
Current liabilities:							
Accounts payable	420,452	92,963	2,654,591	30,763	971	20,417	3,220,157
Accrued payroll	4,538	2,229	4,787	1,757	7,224	5,805	26,340
Accrued expenses	-	-	-	-	-	1,101	1,101
Long term debt interest payable	-	-	16,103	-	-	11,158	27,261
Due to other funds	-	-	398,025	-	-	-	398,025
Deferred revenue	-	-	-	4,634	-	-	4,634
Deposits held	25,700	-	-	-	-	-	25,700
Non-current liabilities due within one year:							
Bonds	-	-	-	-	-	355,000	355,000
Loans	-	-	482,879	-	-	-	482,879
Total current liabilities:	<u>450,690</u>	<u>95,192</u>	<u>3,556,385</u>	<u>37,154</u>	<u>8,195</u>	<u>393,481</u>	<u>4,541,097</u>
Non-current liabilities:							
Accrued compensated absences	40,144	12,055	32,659	13,899	40,219	12,484	151,460
Accrued expenses	-	-	-	5,000	-	-	5,000
Non-Current Liabilities - due longer than one year:							
Bonds	-	-	-	-	-	4,595,000	4,595,000
Loans	-	-	11,978,106	-	-	-	11,978,106
Total non-current liabilities	<u>40,144</u>	<u>12,055</u>	<u>12,010,765</u>	<u>18,899</u>	<u>40,219</u>	<u>4,607,484</u>	<u>16,729,566</u>
Total Liabilities	<u>490,834</u>	<u>107,247</u>	<u>15,567,150</u>	<u>56,053</u>	<u>48,414</u>	<u>5,000,965</u>	<u>21,270,663</u>
Net Position:							
Net investment in capital assets	1,981,381	833,079	2,940,863	595,242	27,582	5,550,013	11,928,160
Unrestricted	3,672,907	1,124,405	1,194,752	314,629	112,680	3,182,387	9,601,760
Total Net Position	<u>5,654,288</u>	<u>1,957,484</u>	<u>4,135,615</u>	<u>909,871</u>	<u>140,262</u>	<u>8,732,400</u>	<u>21,529,920</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenses and Changes in Net Position
Departments of the Enterprise Fund
For the Year Ended December 31, 2019

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Refuse Department</u>	<u>Communication Department</u>	<u>Recreation Department</u>	<u>Total</u>
Operating Revenue:							
Sales	6,811,310	908,901	1,680,300	629,830	767,764	418,471	11,216,576
Other revenue	28,173	7,249	23,224	11,134	402	5,605	75,787
Operating Revenue	<u>6,839,483</u>	<u>916,150</u>	<u>1,703,524</u>	<u>640,964</u>	<u>768,166</u>	<u>424,076</u>	<u>11,292,363</u>
Operating Expenses:							
Salaries and employee benefits	567,699	250,648	551,067	218,132	803,819	643,883	3,035,248
Purchased power	3,451,701	-	-	-	-	-	3,451,701
Purchased services	140,895	267,011	1,384,438	240,241	56,679	477,719	2,566,983
Operations and maintenance	1,010,033	304,951	372,267	240,728	51,811	120,280	2,100,070
Supplies	(138,858)	242,705	206,593	33,870	4,533	98,301	447,144
Depreciation and amortization	113,468	60,903	110,772	43,994	3,095	393,504	725,736
Operating Expenses	<u>5,144,938</u>	<u>1,126,218</u>	<u>2,625,137</u>	<u>776,965</u>	<u>919,937</u>	<u>1,733,687</u>	<u>12,326,882</u>
Operating income (loss)	1,694,545	(210,068)	(921,613)	(136,001)	(151,771)	(1,309,611)	(1,034,519)
Non-Operating Revenues (Expenses):							
Taxes	-	-	-	-	-	1,943,871	1,943,871
Interest revenue	41,499	16,678	8,553	5,499	3,948	48,747	124,924
Interest expense	-	-	(44,813)	-	-	(146,544)	(191,357)
Unrealized gains (losses)	25,116	10,326	5,039	3,620	2,608	29,100	75,809
Grants and contributions	-	155,000	1,237,315	-	158,903	1,250	1,552,468
Sale of fixed assets	(1,000)	-	19,911	22	-	(15,691)	3,242
Total Non-Operating Revenues (Expenses)	<u>65,615</u>	<u>182,004</u>	<u>1,226,005</u>	<u>9,141</u>	<u>165,459</u>	<u>1,860,733</u>	<u>3,508,957</u>
Income (Loss) Before Contributions and Transfers	1,760,160	(28,064)	304,392	(126,860)	13,688	551,122	2,474,438
Transfers in	-	-	-	-	-	64,435	64,435
Transfers (out)	-	-	-	-	-	(44,188)	(44,188)
Change in Net Position	1,760,160	(28,064)	304,392	(126,860)	13,688	571,369	2,494,685
Total Net Position - Beginning	3,894,128	1,985,548	3,831,223	1,036,731	126,574	8,161,031	19,035,235
Total Net Position - Ending	<u>5,654,288</u>	<u>1,957,484</u>	<u>4,135,615</u>	<u>909,871</u>	<u>140,262</u>	<u>8,732,400</u>	<u>21,529,920</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Electric Department
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Operating Revenue:					
Sales	6,487,057	6,487,057	6,811,310	324,253	6,038,233
Other revenue	27,900	27,900	28,173	273	38,525
Operating Revenue	<u>6,514,957</u>	<u>6,514,957</u>	<u>6,839,483</u>	<u>324,526</u>	<u>6,076,758</u>
Operating Expenses:					
Salaries and employee benefits	579,066	579,066	567,699	11,367	655,670
Purchased power	3,723,058	3,823,058	3,451,701	371,357	3,542,396
Purchased services	209,046	209,046	140,895	68,151	148,014
Operations and maintenance	1,261,064	1,491,064	1,010,033	481,031	954,546
Supplies	234,500	394,500	(138,858)	533,358	15,676
Capital outlay	-	-	465,005	(465,005)	14,467
Operating Expenses	<u>6,006,734</u>	<u>6,496,734</u>	<u>5,496,475</u>	<u>1,000,259</u>	<u>5,330,769</u>
Operating income (loss)	508,223	18,223	1,343,008	1,324,785	745,989
Non-Operating Revenues (Expenses):					
Interest Revenue	6,000	6,000	41,499	35,499	19,678
Debt service - principal	-	-	-	-	(30,942)
Unrealized gains (losses)	-	-	25,116	25,116	835
Sale of fixed assets	-	-	(1,000)	(1,000)	-
Total Non-Operating Revenues (Expenses)	<u>6,000</u>	<u>6,000</u>	<u>65,615</u>	<u>59,615</u>	<u>(10,429)</u>
Income (Loss) Before Contributions and Transfers	514,223	24,223	1,408,623	1,384,400	735,560
Transfers (out)	(16,480)	(16,480)	-	16,480	(8,783)
Change in Net Position - Budgetary Basis	<u>497,743</u>	<u>7,743</u>	<u>1,408,623</u>	<u>1,400,880</u>	<u>726,777</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Depreciation			(113,468)		(120,579)
Capital outlay			465,005		14,467
Debt service - Principal			-		30,942
Total Adjustments			<u>351,537</u>		<u>(75,170)</u>
Total Net Position - Beginning			<u>3,894,128</u>		<u>3,242,521</u>
Total Net Position - Ending			<u>5,654,288</u>		<u>3,894,128</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Water Department
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Operating Revenue:					
Sales	809,500	809,500	908,901	99,401	905,419
Other revenue	9,500	9,500	7,249	(2,251)	18,090
Operating Revenue	<u>819,000</u>	<u>819,000</u>	<u>916,150</u>	<u>97,150</u>	<u>923,509</u>
Operating Expenses:					
Salaries and employee benefits	252,000	252,000	250,648	1,352	292,358
Purchased services	452,129	452,129	267,011	185,118	231,825
Operations and maintenance	279,829	279,829	304,951	(25,122)	234,098
Supplies	304,300	304,300	242,705	61,595	41,243
Capital outlay	-	-	119,466	(119,466)	42,318
Operating Expenses	<u>1,288,258</u>	<u>1,288,258</u>	<u>1,184,781</u>	<u>103,477</u>	<u>841,842</u>
Operating income (loss)	(469,258)	(469,258)	(268,631)	200,627	81,667
Non-Operating Revenues (Expenses):					
Interest revenue	5,500	5,500	16,678	11,178	13,454
Unrealized gains (losses)	-	-	10,326	10,326	(118)
Grants and contributions	35,000	35,000	155,000	120,000	134,500
Sale of fixed assets	-	-	-	-	(1,384)
Total Non-Operating Revenues (Expenses)	<u>40,500</u>	<u>40,500</u>	<u>182,004</u>	<u>141,504</u>	<u>146,452</u>
Income (Loss) Before Contributions and Transfers	(428,758)	(428,758)	(86,627)	342,131	228,119
Transfers (out)	(81,870)	(81,870)	-	81,870	(5,855)
Change in Net Position - Budgetary Basis	<u>(510,628)</u>	<u>(510,628)</u>	<u>(86,627)</u>	<u>424,001</u>	<u>222,264</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Depreciation			(60,903)		(62,854)
Capital outlay			119,466		42,318
Total Adjustments			<u>58,563</u>		<u>(20,536)</u>
Total Net Position - Beginning			<u>1,985,548</u>		<u>1,783,820</u>
Total Net Position - Ending			<u>1,957,484</u>		<u>1,985,548</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Sewer Department
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			Final Budget Variance Positive (Negative)	<u>2018</u>
	Original Budget	Final Budget	Actual		Actual
Operating Revenue:					
Sales	1,657,301	1,657,301	1,680,300	22,999	1,462,827
Other revenue	16,000	16,000	23,224	7,224	21,964
Operating Revenue	<u>1,673,301</u>	<u>1,673,301</u>	<u>1,703,524</u>	<u>30,223</u>	<u>1,484,791</u>
Operating Expenses:					
Salaries and employee benefits	610,633	610,633	551,067	59,566	593,924
Purchased services	2,422,759	14,186,316	1,384,438	12,801,878	756,899
Operations and maintenance	1,415,927	426,893	372,267	54,626	254,654
Supplies	9,837,789	505,650	206,593	299,057	134,402
Capital outlay	-	-	6,110,161	(6,110,161)	305,451
Operating Expenses	<u>14,287,108</u>	<u>15,729,492</u>	<u>8,624,526</u>	<u>7,104,966</u>	<u>2,045,330</u>
Operating income (loss)	(12,613,807)	(14,056,191)	(6,921,002)	7,135,189	(560,539)
Non-Operating Revenues (Expenses):					
Interest revenue	11,000	11,000	8,553	(2,447)	18,272
Debt service - principal	-	(80,535)	(80,535)	-	-
Interest expense	-	(28,710)	(44,813)	(16,103)	-
Unrealized gains (losses)	-	-	5,039	5,039	(866)
Grants and contributions	1,070,000	1,370,000	1,237,315	(132,685)	327,000
Sale of fixed assets	-	-	19,911	19,911	15,816
Bond proceeds	11,393,890	12,900,000	12,541,520	(358,480)	-
Total Non-Operating Revenues (Expenses)	<u>12,474,890</u>	<u>14,171,755</u>	<u>13,686,990</u>	<u>(484,765)</u>	<u>360,222</u>
Income (Loss) Before Contributions and Transfers	(138,917)	115,564	6,765,988	6,650,424	(200,317)
Transfers (out)	(81,870)	(131,870)	-	131,870	(8,783)
Change in Net Position - Budgetary Basis	<u>(220,787)</u>	<u>(16,306)</u>	<u>6,765,988</u>	<u>6,782,294</u>	<u>(209,100)</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Bond proceeds			(12,541,520)		-
Capital outlay			6,110,161		305,451
Debt service - Principal			80,535		-
Depreciation			(110,772)		(89,782)
Total Adjustments			<u>(6,461,596)</u>		<u>215,669</u>
Total Net Position - Beginning			<u>3,831,223</u>		<u>3,824,654</u>
Total Net Position - Ending			<u>4,135,615</u>		<u>3,831,223</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Refuse Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			Final Budget Variance Positive (Negative)	<u>2018</u>
	Original Budget	Final Budget	Actual		Actual
Operating Revenue:					
Sales	578,000	578,000	629,830	51,830	602,781
Other revenue	-	-	11,134	11,134	23
Operating Revenue	<u>578,000</u>	<u>578,000</u>	<u>640,964</u>	<u>62,964</u>	<u>602,804</u>
Operating Expenses:					
Salaries and employee benefits	209,482	209,482	218,132	(8,650)	181,607
Purchased services	270,385	270,385	240,241	30,144	213,012
Operations and maintenance	232,705	232,705	240,728	(8,023)	111,042
Supplies	18,900	18,900	33,870	(14,970)	32,511
Capital outlay	-	-	13,952	(13,952)	109,102
Operating Expenses	<u>731,472</u>	<u>731,472</u>	<u>746,923</u>	<u>(15,451)</u>	<u>647,274</u>
Operating income (loss)	(153,472)	(153,472)	(105,959)	47,513	(44,470)
Non-Operating Revenues (Expenses):					
Interest revenue	1,500	1,500	5,499	3,999	4,648
Unrealized gains (losses)	-	-	3,620	3,620	(300)
Sale of fixed assets	-	-	22	22	2,500
Total Non-Operating Revenues (Expenses)	<u>1,500</u>	<u>1,500</u>	<u>9,141</u>	<u>7,641</u>	<u>6,848</u>
Income (Loss) Before Contributions and Transfers	(151,972)	(151,972)	(96,818)	55,154	(37,622)
Transfers (out)	(81,870)	(81,870)	-	81,870	-
Change in Net Position - Budgetary Basis	<u>(233,842)</u>	<u>(233,842)</u>	<u>(96,818)</u>	<u>137,024</u>	<u>(37,622)</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Capital outlay			13,952		109,102
Depreciation			(43,994)		(51,107)
Total Adjustments			(30,042)		57,995
Total Net Position - Beginning			<u>1,036,731</u>		<u>1,016,358</u>
Total Net Position - Ending			<u>909,871</u>		<u>1,036,731</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Communication Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Original and Final Budget	Actual		Actual
Operating Revenue:					
Sales	778,151	778,151	767,764	(10,387)	721,476
Other revenue	-	-	402	402	377
Operating Revenue	<u>778,151</u>	<u>778,151</u>	<u>768,166</u>	<u>(9,985)</u>	<u>721,853</u>
Operating Expenses:					
Salaries and employee benefits	820,273	820,273	803,819	16,454	760,347
Purchased services	58,174	91,454	56,679	34,775	39,933
Operations and maintenance	51,953	51,953	51,811	142	38,652
Supplies	5,505	5,505	4,533	972	5,606
Capital outlay	-	-	-	-	15,903
Operating Expenses	<u>935,905</u>	<u>969,185</u>	<u>916,842</u>	<u>52,343</u>	<u>860,441</u>
Operating income (loss)	(157,754)	(191,034)	(148,676)	42,358	(138,588)
Non-Operating Revenues (Expenses):					
Interest revenue	3,000	3,000	3,948	948	2,755
Unrealized gains (losses)	(500)	(500)	2,608	3,108	104
Grants and contributions	165,255	165,255	158,903	(6,352)	149,666
Total Non-Operating Revenues (Expenses)	<u>167,755</u>	<u>167,755</u>	<u>165,459</u>	<u>(2,296)</u>	<u>152,525</u>
Income (Loss) Before Contributions and Transfers	<u>10,001</u>	<u>(23,279)</u>	<u>16,783</u>	<u>40,062</u>	<u>13,937</u>
Change in Net Position - Budgetary Basis	<u>10,001</u>	<u>(23,279)</u>	<u>16,783</u>	<u>40,062</u>	<u>13,937</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Capital outlay			-		15,903
Depreciation			(3,095)		(1,683)
Total Adjustments			<u>(3,095)</u>		<u>14,220</u>
Total Net Position - Beginning			<u>126,574</u>		<u>98,417</u>
Total Net Position - Ending			<u>140,262</u>		<u>126,574</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Proprietary Funds
Recreation Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
Operating Revenue:					
Sales	365,315	365,315	418,471	53,156	361,028
Other revenue	4,000	4,000	5,606	1,606	5,432
Operating Revenue	<u>369,315</u>	<u>369,315</u>	<u>424,077</u>	<u>54,762</u>	<u>366,460</u>
Operating Expenses:					
Salaries and employee benefits	646,957	646,957	643,883	3,074	559,991
Purchased services	476,264	637,191	477,720	159,471	462,394
Operations and maintenance	329,444	291,444	120,280	171,164	42,987
Supplies	102,100	188,458	98,301	90,157	106,221
Capital outlay	-	-	98,354	(98,354)	369,880
Operating Expenses	<u>1,554,765</u>	<u>1,764,050</u>	<u>1,438,538</u>	<u>325,512</u>	<u>1,541,473</u>
Operating Income (Loss)	(1,185,450)	(1,394,735)	(1,014,461)	380,274	(1,175,013)
Non-Operating Revenues (Expenses):					
Taxes	1,862,859	1,862,859	1,943,871	81,012	1,896,680
Interest revenue	10,775	10,775	48,747	37,972	30,121
Debt service - principal	(362,710)	(362,710)	(345,000)	17,710	(335,000)
Interest expense	(128,253)	(128,253)	(146,544)	(18,291)	(154,362)
Unrealized gains (losses)	-	-	29,100	29,100	(1,622)
Grants and contributions	-	-	1,250	1,250	220,504
Sale of fixed assets	-	-	-	-	500
Total Non-Operating Revenues (Expenses)	<u>1,382,671</u>	<u>1,382,671</u>	<u>1,531,424</u>	<u>148,753</u>	<u>1,656,821</u>
Income (Loss) Before Contributions and Transfers	197,221	(12,064)	516,963	529,027	481,808
Transfers in	731,060	847,987	553,308	(294,679)	502,261
Transfers (out)	(771,670)	(966,597)	(533,061)	433,536	(451,108)
Change in Net Position - Budgetary Basis	<u>156,611</u>	<u>(130,674)</u>	<u>537,210</u>	<u>667,884</u>	<u>532,961</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Depreciation			(393,504)		(383,064)
Capital outlay			98,354		369,880
Gain (loss) on disposal of assets			(15,691)		(1,611)
Debt service - principal			345,000		335,000
Total Adjustments			<u>34,159</u>		<u>320,205</u>
Total Net Position - Beginning			8,161,031		7,307,865
Total Net Position - Ending			<u>8,732,400</u>		<u>8,161,031</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Schedule of Revenues and Expenditures Budget (Non-GAAP Basis)
and Actual With Reconciliation to GAAP Basis
Internal Service
Fleet Management Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	2019			2018	
	Original Budget	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Operating Revenue:					
Charges for services	624,198	624,198	641,043	16,845	522,421
Other revenue	-	-	16	16	52
Operating Revenue	<u>624,198</u>	<u>624,198</u>	<u>641,059</u>	<u>16,861</u>	<u>522,473</u>
Operating Expenses:					
Fleet expenses	1,431,325	1,431,325	639,605	791,720	540,697
Capital outlay	-	-	1,528,280	(1,528,280)	625,831
Operating Expenses	<u>1,431,325</u>	<u>1,431,325</u>	<u>2,167,885</u>	<u>(736,560)</u>	<u>1,166,528</u>
Operating income (loss)	(807,127)	(807,127)	(1,526,826)	(719,699)	(644,055)
Non-Operating Revenues (Expenses):					
Interest revenue	2,500	2,500	3,480	980	5,894
Interest expense	-	-	(36,933)	(36,933)	-
Unrealized gains (losses)	-	-	1,646	1,646	(185)
Sale of fixed assets	35,000	35,000	59,788	24,788	(21,050)
Total Non-Operating Revenues (Expenses)	<u>37,500</u>	<u>37,500</u>	<u>27,981</u>	<u>(9,519)</u>	<u>(15,341)</u>
Income (Loss) Before Contributions and Transfers	(769,627)	(769,627)	(1,498,845)	(729,218)	(659,396)
Capital contributions	-	-	-	-	-
Transfers in	676,073	676,073	676,073	-	686,393
Transfers (out)	16,480	16,480	-	(16,480)	-
Change in Net Position - Budgetary Basis	<u>(77,074)</u>	<u>(77,074)</u>	<u>(822,772)</u>	<u>(745,698)</u>	<u>26,997</u>
Reconciliation to GAAP Basis:					
Adjustments:					
Depreciation			(128,051)		(40,882)
Capital outlay			1,528,280		625,831
Total Adjustments			<u>1,400,229</u>		<u>584,949</u>
Total Net Position - Beginning			<u>1,239,461</u>		<u>627,515</u>
Total Net Position - Ending			<u>1,816,918</u>		<u>1,239,461</u>

The accompanying notes are an integral part of these financial statements.

City of Gunnison
Statement of Changes in Fiduciary Net Position
Budget and Actual
Volunteer Firefighters' Pension Fund
For the Year Ended December 31, 2019
(With Comparative Actual Amounts For the Year Ended 2018)

	<u>2019</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2018</u>
	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Additions					
Contributions	153,926	153,926	135,682	(18,244)	131,980
Earnings on investments	65,000	65,000	370,581	305,581	(89,479)
Total Additions	<u>218,926</u>	<u>218,926</u>	<u>506,263</u>	<u>287,337</u>	<u>42,501</u>
Deductions					
Benefits	234,000	239,000	241,500	(2,500)	213,625
Expenses	20,500	20,500	17,000	3,500	17,000
Total Deductions	<u>254,500</u>	<u>259,500</u>	<u>258,500</u>	<u>1,000</u>	<u>230,625</u>
Change in Net Position - Budgetary Basis	<u>(35,574)</u>	<u>(40,574)</u>	247,763	<u>286,337</u>	(188,124)
Total Net Position - Beginning			<u>2,159,505</u>		<u>2,347,629</u>
Total Net Position - Ending			<u>2,407,268</u>		<u>2,159,505</u>

**ANNUAL SCHEDULE OF REVENUES AND EXPENDITURES
FOR ROADS, BRIDGES AND STREETS**

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

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Gunnison
This Information From The Records Of City of Gunnison		YEAR ENDING : December 2019
Prepared By:		Ben Cowan
Phone:		970-641-8162

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)	223,525
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	584,436
		S&A Mtnc (01-402)	624,754
		Less OT (4102)	22,167
		Less Cont Svc-Snc (01-4034-4360)	18,152
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations	0	b. Snow and ice removal	40,319
(calculate so that cell E67 = 0)		OT (4102)	22,167
		Cont Svc.-Snow (4360)	18,152
3. Other local imposts (from page 2)	1,749,484	c. Other	0
4. Miscellaneous local receipts (from page 2)	11,180	d. Total (a. through c.)	40,319
5. Transfers from toll facilities	0	4. General administration & miscellaneous	57,169
		PW Admin (01-4031)	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	507,419
a. Bonds - Original Issues	0	Police (01-4020) * 20% Per Chief	
b. Bonds - Refunding Issues	0	6. Total (1 through 5)	1,412,867
c. Notes	0	B. Debt service on local obligations:	
d. Total (a. + b. + c.)	0	1. Bonds:	
7. Total (1 through 6)	1,760,664	a. Interest	0
B. Private Contributions	0	b. Redemption	0
C. Receipts from State government		c. Total (a. + b.)	0
(from page 2)	229,422	2. Notes:	
D. Receipts from Federal Government		a. Interest	0
(from page 2)	0	b. Redemption	0
E. Total receipts (A.7 + B + C + D)	1,990,086	c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	1,412,867

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 Disbursement	D. Ending Balance	E. Reconciliation
	216,826	1,990,086	1,412,867	794,044	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2019

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 Assesments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines (01-3501)	11,180
1. Sales Taxes	1,749,484	c. Parking Garage Fees	0
City Sales Tax (01-3104)	5,472,852		
Use Tax (01-3106)	358,761		
Total Sales & Use Tax	5,831,613		
x 30%	1,749,484		
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	0	g. Other Misc. Receipts	0
6. Total (1. through 5.)	1,749,484	h. Other	0
c. Total (a. + b.)	1,749,484	i. Total (a. through h.)	11,180
	(Carry forward to page 1)		(Carry forward to page 1)

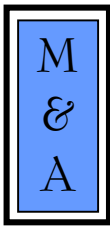
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes (01-3307)	207,581	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registration (01-3103)	21,841	d. Federal Transit Admin	0
d. Other (Specify)		e. U.S. Corps of Engineers	0
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	21,841	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	229,422	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	0		0
b. Engineering Costs	22,904	22,904	22,904
c. Construction:			
(1). New Facilities			
(2). Capacity Improvements	0		0
(3). System Preservation	0	109,184	109,184
Material Crushing 01-4035 9103	38,813	0	
Gravel/Asphalt/Patching 01-4035 91	3,119	0	
Concrete 01-4035-9108; 9112	125	0	
Slurry Seal 01-4035-9109	48,380	0	
Crack Seal 01-4035-9110	104	0	
Street Impvmt/Overlay 01-4035-911	18,644	0	
(4). System Enhancement & Operation	0	91,437	91,437
Tree Program 01-4035-9101	8,496	0	
Tree Chipping 01-4035-9102	10,000	0	
Signs 01-4035-9105	32,948	0	
Paint Striping 01-4035-9104	39,993	0	
(4). Total Construction (1)+(2)+(3)	0	200,621	200,621
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	0	223,525	223,525
			(Carry forward to page 1)

Notes and Comments:

STATUTORY INFORMATION



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**City Council
City of Gunnison, Colorado**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gunnison (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 24, 2020.

Internal Control Over Financial Reporting

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

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

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

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INDEPENDENT AUDITOR'S REPORT
City Council
City of Gunnison

Compliance and Other Matters

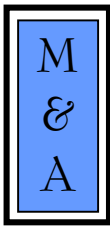
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 24, 2020



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**City Council
City of Gunnison, Colorado**

Report on Compliance for Each Major Program

We have audited the City of Gunnison's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the "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'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 on the City's compliance with those requirements.

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INDEPENDENT AUDITOR's REPORT
City Council
City of Gunnison

Opinion on Each Major Federal Program

In our opinion, the City 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, 2019.

Report on Internal Control Over Compliance

Management of the City 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, we considered the City's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine our 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'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 or 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 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 the 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 in 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.

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
Avon, Colorado
July 24, 2020

City of Gunnison, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Part I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:

Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	No

Major programs:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
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Dollar threshold used to identify Type A from Type B programs:	\$750,000
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Identified as low-risk auditee	No
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Part II – Findings Related to Financial Statements

Findings related to financial statements as required by <i>Government Auditing Standards</i>	None noted
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Auditor-assigned reference number	Not applicable
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Part III – Findings Related to Federal Awards

Internal control findings	None noted
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Compliance findings	None noted
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Questioned costs	None noted
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Auditor-assigned reference number	Not applicable
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City of Gunnison
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

There were no findings for the fiscal year ended December 31, 2018.

City of Gunnison
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Local Grant Project Number</u>	<u>Expenditures</u>
Environmental Protection Agency			
Passed through Colorado Water Resources & Power Development Authority			
Capitalization grant for Clean Water State Revolving Loan Funds	66.458	W19AX421	\$ 2,562,911 A
Total Environmental Protection Agency			<u>2,562,911</u>
Department of the Interior			
Passed through the Colorado Department of Local Affairs			
Energy & Mineral Impact Assistance Program (EIAF)	15.437	F19MLG8864	635,667
Total Department of the Interior			<u>635,667</u>
Federal Highway Administration			
Passed through the Colorado Department of Transportation			
Highway Planning and Construction	20.205	-	315,844 B
Total Department of Transportation			<u>315,844</u>
Department of Justice			
Patrick Leahy Bulletproof Vest Partnership (BVP)	16.607	-	900
Passed through the Colorado Department of Criminal Justice:			
Crime Victim Assistance	16.575	-	53,382
Total Department of Justice			<u>54,282</u>
Total			<u>\$ 3,568,704</u>
Additional Information for Clusters:			
A Clean Water State Revolving Fund Cluster	\$ 2,562,911		
B Highway Planning and Construction Cluster	\$ 315,844		

Notes to the Schedule of Expenditures of Federal Awards for the year ended December 31, 2019

Note 1. Basis of Presentation:

The 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 this schedule is presented in accordance with the requirements on of Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Note 2. Determining the Value of Non-cash Awards Expended:

Fair market value of assistance at the time of disbursement to the recipient, or the assessed value provided by the state or federal agency.

Note 3. Sub-recipients:

The City provided no funds to sub-recipients.

Note 4. Indirect Facilities and Administration costs:

The City does not use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, indirect (F & A) costs.