



City of Gunnison, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2014

City of Gunnison, Colorado

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Introductory Section

CITY OF GUNNISON, COLORADO

CITY COUNCIL, BOARDS, COMMISSIONS AND MANAGEMENT

AS OF DECEMBER 31, 2014

City Council

Bob Drexel – Mayor
Stu Ferguson – Mayor Pro-Tem
Richard Hagan
Carolyn Riggs
Anne Steinbeck

Building Board of Appeals

Jerry Kowal - Chair
Jerry Greene
Chris Klein
Jody Reeser
Matt Ventura

Firemen's Pension Board

Dennis Spritzer, Chief
Jim Miles, Fireman
Ernie Young III, Fireman
Mark Selkee, District Board
Steve Williams, District Board
Wendy Collins, Finance Director
Bob Drexel, Councilmember
Stu Ferguson, Councilmember

Gunnison Valley Land Preservation Board

Sonja Chavez de Baca
Vacant

Zoning Board of Adjustments and Appeals

Marla Larson, Chair
Marian Hicks, Vice Chair
Wesley Bailey Jr.
Scott Frazier
Ellen Harriman

Election Commission

Gail Davidson, City Clerk
Marian Hicks
Thelma Reece

Planning and Zoning Commission

Greg Larson, Chair

Bob Beda, Vice Chair

Sharon Cave

Erich Ferchau

Erik Niemeyer

Andy Tocke

Stu Ferguson, Council Representative

City Management

Ken Colman, City Manager

Gail Davidson, City Clerk

Steve Westbay, Director of Community Development

Wendy Collins, Director of Finance

Dan Ampietro, Director of Parks & Recreation

Keith Robinson, Chief of Police

Ken Bradford, Director of Public Works

Kathleen Fogo, City Attorney

City Group Health Plan Trustees

Ken Coleman, City Manager

Anne Steinbeck, City Council

Wendy Collins, Finance Director

Dan Ampietro, Parks & Recreation Director

Keith Robinson, Police Chief

Ken Bradford, Public Works Director

Financial Section



Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Gunnison, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gunnison, Colorado (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gunnison as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, the budgetary comparison on page 49, the Schedule of Changes in Net Position Liability and Related Ratios - Volunteer Firefighters' Pension Fund on page 50, the Schedule of Employer Contributions - Volunteer Firefighters' Pension Fund on page 51, and the Schedule of Investment Returns - Volunteer Firefighters' Pension Fund on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and state compliance section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Anton Collins Mitchell LLP

Greeley, Colorado
May 18, 2016

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the City of Gunnison.

Background Information

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

Financial Highlights

The assets of the City exceeded its liabilities at the close of the fiscal year ended December 31, 2014 by \$31,803,052 (net position). Of this amount, \$10,528,247 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below. The City's total net position increased \$193,334.

At the close of the fiscal year ended December 31, 2014, the City's governmental funds reported combined ending fund balance of \$4,784,007, an increase of \$121,742 in comparison with the prior year. Approximately 87% of the ending fund balance, \$4,178,161, is available for use within the City's policies (unassigned fund balance).

The unassigned fund balance for the general fund was \$4,178,161 or 61% of the total general fund expenditures and other financing uses. This represents a \$199,474 increase from the prior fiscal year. The City's fund balance policy is to maintain a fund balance equal to at least 33% of the governmental fund operating appropriations, but no more than 40% on a budgetary basis.

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 are comprised of three components: (1) government-wide financial statements; (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, *governmental activities*, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, *business type activities*. The governmental activities of the City include general government, public safety, public works, parks and recreation, grants and contributions, capital outlay, conservation trust, and ditches. The business type activities of the City include electric, water, sewer, refuse, communications, recreation (pool, rink, trails, and other recreation improvements), and internal service funds.

The government-wide financial statements can be found on pages 15 - 17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts 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 two categories: governmental funds and proprietary 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 current sources and uses 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 effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds are separated into the following major and non-major funds: general fund (major), conservation trust fund (non-major), and ditch fund (non-major).

In accordance with the Charter of the City of Gunnison, an annual appropriated budget is adopted for all governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 18 - 21 of this report.

Proprietary Funds: There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements, only in more detail. The City uses the enterprise fund to account for electric, water, sewer, refuse, communications, and recreation (pool, rink, trail, and other recreation improvements) operations. The City uses an internal service fund to account for fleet services provided to departments on a cost reimbursement basis. The proprietary fund statements provide separate information for the enterprise fund and the internal service fund. The Enterprise Fund is considered to be a major fund, and the Fleet Service Fund is a non-major fund.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

The basic proprietary fund financial statements can be found on pages 22 - 25 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government such as pension funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The City has one trust fund, the Gunnison Firemen's Pension Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26 - 27 of this report.

Notes to Basic 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 basic financial statements can be found on pages 28-48 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds and budgetary comparisons for other funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 53 - 68 of this report.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Table 1
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Fund
Scope	Entire City (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: electric, water, sewer, trash, communications, recreation (pool, rink, trails)	Instances in which the City administers resources on behalf of someone else
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets, deferred outflows of resources, liabilities, and deferred inflows or resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the City of Gunnison, assets exceeded liabilities and deferred inflows of resources by \$31,803,052 at December 31, 2014, which is an increase of \$193,334 during the year. The City is able to report positive balances in all categories of net position, for the government as a whole.

Condensed Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	5,901,609	5,787,728	7,735,835	7,139,297	13,637,444	12,927,025
Capital Assets - Net	10,879,603	10,682,917	16,399,862	17,172,813	27,279,465	27,855,730
Total Assets	16,781,212	16,470,645	24,135,697	24,312,110	40,916,909	40,782,755
Current Liabilities	430,951	446,251	1,166,351	1,054,411	1,597,302	1,500,662
Long-term Liabilities	223,983	122,034	7,024,655	7,283,842	7,248,638	7,405,876
Total Liabilities	654,934	568,285	8,191,006	8,338,253	8,845,940	8,906,538
Deferred inflows of resources	267,917	266,502	-	-	267,917	266,502
Net Position:						
Net investment in capital assets	10,879,603	10,682,917	9,595,542	10,121,683	20,475,145	20,804,600
Restricted	251,356	243,974	548,304	547,787	799,660	791,761
Unrestricted	4,727,402	4,708,967	5,800,845	5,304,387	10,528,247	10,013,354
Total Net Position	15,858,361	15,635,858	15,944,691	15,973,857	31,803,052	31,609,715

The largest portion of the City's net position, \$20,475,145 or 64%, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A small portion of the City's net position, \$799,660, or approximately 2%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$10,528,247 or 34%, may be used to meet the government's ongoing obligations.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

City of Gunnison's Change in Net Position

	2014		2013	
	Governmental Activities	Business-Type Activities	Total	Total
Revenues				
Program revenues:				
Charges for services	377,079	8,060,781	8,437,860	8,327,755
Operating grants and contributions	858,767	11,684	870,451	1,116,770
Capital grants and contributions	61,231	123,155	184,386	235,352
General revenues:				
Property taxes	259,786	-	259,786	296,649
Specific Ownership Taxes	16,049	-	16,049	15,870
Sales and Use Taxes	4,781,635	1,392,400	6,174,035	5,895,408
Franchise Taxes	492,758	-	492,758	473,445
Other Taxes	242,279	-	242,279	204,453
Other Revenues	98,034	80,318	178,352	165,405
Gain on Sale of Capital Assets	12,182	-	12,182	-
Earnings on Investments	26,893	32,046	58,939	17,522
Transfers	(93,510)	93,510	-	-
Total Revenues	7,133,183	9,793,894	16,927,077	16,748,629
Expenses				
General Government	1,033,525	-	1,033,525	823,669
Public Safety	2,045,998	-	2,045,998	1,795,392
Public Works	2,393,406	-	2,393,406	2,153,357
Culture and Recreation	1,205,251	-	1,205,251	1,082,382
Grants and Contributions	232,499	-	232,499	122,802
Interest on Long-Term Debt	-	-	-	526
Electric	-	5,508,113	5,508,113	5,426,759
Water	-	677,987	677,987	709,891
Sewer	-	1,091,934	1,091,934	1,195,522
Refuse	-	502,188	502,188	483,350
Communications	-	607,514	607,514	639,846
Recreation	-	1,435,327	1,435,327	1,405,451
Total Expenses	6,910,679	9,823,063	16,733,742	15,838,947
Subtotal	222,504	(29,169)	193,335	909,682
Change in Net Position	222,504	(29,169)	193,335	909,682
Net Position Beginning of Year	15,635,858	15,973,860	31,609,718	30,700,036
Net Position End of Year	15,858,362	15,944,691	31,803,052	31,609,718

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Governmental Activities: Governmental activities increased the City's total net position by \$222,503. Total governmental activities revenues decreased by \$189,236. The most significant changes in revenues include a decrease in operating grants and contributions of \$248,172, an increase in taxes of \$232,264, and a decrease of incoming transfers of \$272,660 since there was a large transfer in 2013 from Communications to the General Fund for the dispatch share of the Public Safety Center. In total, governmental activities revenues decreased \$189,236. Expenses associated with governmental activities increased by \$932,551.

Business-type Activities: Business-type activities increased the City's total net position by \$363,217. Total business-type activities operating revenues increased by \$71,943.

Financial Analysis of the City's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

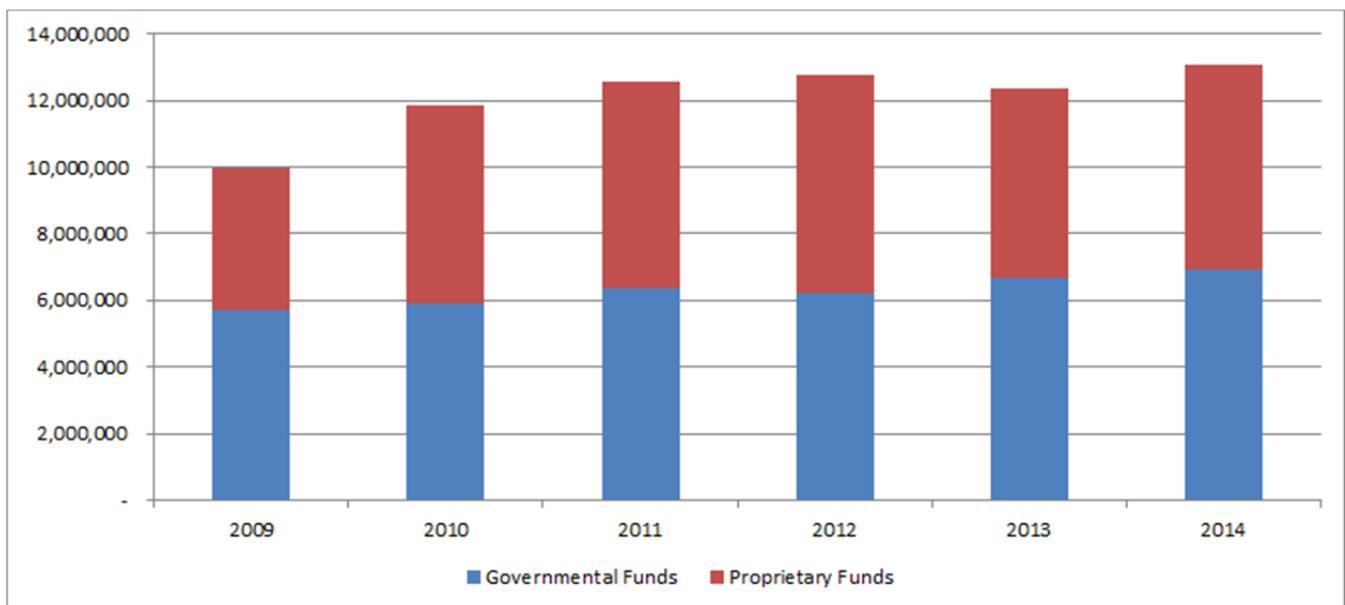
Available resources is defined as current assets minus current liabilities. Such information is useful in assessing the City's financing requirements by focusing on near term inflows, outflows, and balances of spendable resources. In particular, unreserved available resources (or fund balance in governmental 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 2014 is charted below:

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

	Beginning Available Resources	Increase (Decrease)	Ending Available Resources	2014 Expenditures	% of EAR to Expenditures
Governmental Funds					
General Fund	4,288,286	199,759	4,488,045	6,924,938	65%
Conservation Trust Fund	28,760	5,109	33,869	39,230	86%
Ditch Fund	345,219	(83,123)	262,096	146,418	179%
Firemen's Pension Fund	2,022,388	105,983	2,128,371	137,522	1548%
Business Type Funds:					
Enterprise Fund					
Electric Division	1,576,609	(281,877)	1,294,732	5,337,571	24%
Water Division	935,156	(63,195)	871,961	624,854	140%
Waste Water Division	1,428,958	141,710	1,570,668	1,008,195	156%
Refuse Division	624,132	144,969	769,101	411,196	187%
Communications Division	64,675	60,613	125,288	589,219	21%
Recreation Division	635,469	467,443	1,102,912	1,353,196	82%
Internal Service Fund:					
Fleet Management	397,360	7,539	404,899	362,454	112%
	12,347,012	704,928	13,051,941	16,934,794	77%

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



City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Governmental Funds: The focus of government funds is to provide information on near term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2014, the City's governmental funds reported combined ending fund balance of \$4,784,007, an increase of \$121,742 in comparison with the prior year. Expenditures for capital equipment and capital projects were \$2,183,108 and are reflected in the General, Conservation Trust, and Ditch funds. Of the \$4,784,007 ending fund balance, 87%, or \$4,178,161, constitutes unreserved fund balance, which is available for appropriation at the City's discretion. The remainder of the fund balance is non-spendable, restricted or assigned to indicate that it is not available for new spending because it is already committed to meet a state constitution mandated emergency reserve, \$217,487, restricted for parks and recreation, \$33,869, and other assigned purposes, \$262,052.

The City has one major governmental fund, the General Fund. The City has two non-major governmental funds, the Conservation Trust and Ditch Funds.

The General Fund is the primary operating fund for the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund operating expenditures. Unassigned fund balance represents 60% of the total 2014 expenditures. The fund balance of the City's General Fund increased by \$199,757 during 2014.

The Conservation Trust Fund had total fund equity at the end of 2014 of \$33,869. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. There was an increase of \$5,109 in the Conservation Trust Fund equity from the prior year.

The Ditch Fund had total fund equity at the end of 2014 of \$262,095. This fund receives its funding source through State of Colorado Mineral Leasing funds, which are then utilized to provide maintenance of and capital improvements to the ditch system. There was a decrease of \$83,124 in the Ditch Fund equity from the prior year, due to significant main ditch repairs.

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

The City has one enterprise fund consisting of the following departments: the Electric Department, Water Department, Sewer Department, Refuse (Solid Waste) Department; Communications Department; and the Recreation Department. Unrestricted net position of the enterprise fund, at the end of 2014, amounted to \$6,193,231. A breakdown of the unrestricted net position by department is: Electric Department, \$1,204,765; Water Department, \$852,892; Sewer Department, \$1,526,626; Refuse Department, \$760,404; Communications Department, \$100,383; and Recreation Department, \$1,355,775. The City also has one internal service fund to account for fleet management activities. Unrestricted net position for the Fleet Management Fund was \$404,899. The City's proprietary funds increased unrestricted net position for proprietary funds by \$518,558- in comparison with the prior year.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Budgetary Highlights:

General Fund: Differences between original budget and the final amended budget for General Fund activities resulted in an overall increase in appropriations of \$726,670. This increase was a result of the establishment of a new law enforcement victim advocate program which is supplemented by grant funds and governmental contributions, additional street improvements, city hall remodel costs, and fire gear.

Proprietary Funds: Differences between original budget and the final amended budget for Proprietary Fund activities resulted in an overall increase in appropriations of \$187,454. This increase was primarily a result of additional funds appropriated out of fund balances for expenses related to additional purchase of electrical power as well as repair of vehicles and the pool's dehumidification system.

Capital Asset and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$27,279,465, a decrease of \$576,265 from the prior year. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, equipment and infrastructure.

Long - Term Debt: At the end of 2014, long term debt outstanding was \$7,243,638. This debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds), obligations according to a settlement related to a Service Schedule Power Contract, and accrued compensated absences. At the end of 2014, the only outstanding bonded debt was secured by a one-percent sales tax revenue dedicated to the City's recreation department for the purpose of constructing the City's pool facility and the Jorgensen Event Center, amounting to \$6,765,000.

Economic Factors and Next Year's Budget and Rates

- The City continues to maintain a healthy financial position, with reserves above the 30% target amount. The 2015 budget contemplates significant use of fund balance for a variety of capital projects in order to meet the 40% fund balance ceiling established by the City's new fund balance policy.
- Sales tax revenues are estimated to increase by 1.9% from fiscal year 2014.
- Street improvement expenses have been increased by \$104,594 or 12.5%. Other improvements slated for one-time use of General Fund resources include:
 - Fire truck
 - City Hall remodel
 - Senior addition to the Community Center
 - Taylor Mountain Park and Legion Park restrooms
 - Old city shop demolition
- Electric and water rates were increased by 5% and sewer rates were increased by 3%. Refuse customers saw a 5% rate decrease.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

Request for Information

This financial report is designed to provide a general overview of the City's finances for those interested. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

Finance Director
City of Gunnison
201 West Virginia Avenue
Gunnison, CO 81230

Basic Financial Statements

City of Gunnison, Colorado
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 4,665,742	\$ 5,473,629	\$ 10,139,371
Accounts and taxes receivable	1,142,854	836,911	1,979,765
Inventories	-	871,396	871,396
Prepaid items	93,013	5,595	98,608
Restricted pooled cash and investments	-	548,304	548,304
Capital assets:			
Non depreciable	2,030,279	560,253	2,590,532
Depreciable, net of accumulated depreciation	8,849,324	15,839,609	24,688,933
Total assets	16,781,212	24,135,697	40,916,909
Liabilities			
Accounts payable	257,461	1,020,023	1,277,484
Customer deposits	-	55,350	55,350
Accrued expenses	112,860	67,473	180,333
Accrued interest payable	-	23,505	23,505
Unearned revenue	60,630	-	60,630
Noncurrent liabilities:			
Compensated absences payable	223,983	131,347	355,330
Pollution remediation obligation	-	5,000	5,000
Due within one year	-	286,520	286,520
Due in more than one year	-	6,601,788	6,601,788
Total liabilities	654,934	8,191,006	8,845,940
Deferred inflows of resources			
Unearned revenue - property taxes	267,917	-	267,917
Total deferred inflows of resources	267,917	-	267,917
Net Position			
Net investment in capital assets	10,879,603	9,595,542	20,475,145
Restricted	251,356	548,304	799,660
Unrestricted	4,727,402	5,800,845	10,528,247
Total net position	\$ 15,858,361	\$ 15,944,691	\$ 31,803,052

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

City of Gunnison, Colorado
Statement of Activities
Year Ended December 31, 2014

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,033,525	\$ -	\$ 169,658	\$ -
Public safety	2,045,998	377,079	29,610	-
Public works	2,393,406	-	547,813	61,231
Culture and recreation	1,205,251	-	111,686	-
Grants and contributions	232,500	-	-	-
Total governmental activities	6,910,680	377,079	858,767	61,231
Business-type activities:				
Electric	5,508,113	4,996,963	-	33,860
Water	677,987	530,845	-	21,053
Sewer	1,091,934	1,053,445	-	68,242
Refuse	502,188	502,934	11,684	-
Communications	607,514	649,010	-	-
Recreation	1,435,327	327,584	-	-
Total business-type activities	9,823,063	8,060,781	11,684	123,155
Total primary government	\$ 16,733,743	\$ 8,437,860	\$ 870,451	\$ 184,386
General revenues				
Property taxes				
Specific ownership taxes				
Sales and use taxes				
Franchise taxes				
Other taxes				
Other revenues				
Gain on sale of capital assets				
Earnings on investments				
Total general revenues				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (863,867)	\$ -	\$ (863,867)
(1,639,309)	-	(1,639,309)
(1,784,362)	-	(1,784,362)
(1,093,565)	-	(1,093,565)
(232,500)	-	(232,500)
(5,613,603)	-	(5,613,603)
-	(477,290)	(477,290)
-	(126,089)	(126,089)
-	29,753	29,753
-	12,430	12,430
-	41,496	41,496
-	(1,107,743)	(1,107,743)
-	(1,627,443)	(1,627,443)
(5,613,603)	(1,627,443)	(7,241,046)
259,786	-	259,786
16,049	-	16,049
4,781,635	1,392,400	6,174,035
492,758	-	492,758
242,279	-	242,279
98,034	80,318	178,352
12,182	-	12,182
26,893	32,046	58,939
5,929,616	1,504,764	7,434,380
(93,510)	93,510	-
5,836,106	1,598,274	7,434,380
222,503	(29,169)	193,334
15,635,858	15,973,860	31,609,718
\$ 15,858,361	\$ 15,944,691	\$ 31,803,052

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

City of Gunnison, Colorado
Balance Sheet
Governmental Funds
December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 3,919,921	\$ 297,261	\$ 4,217,182
Accounts receivable	874,799	31	874,830
Property tax receivable	267,917	-	267,917
Prepaid items	92,395	43	92,438
Totals assets	\$ 5,155,032	\$ 297,335	\$ 5,452,367
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 231,696	\$ 1,371	\$ 233,067
Accrued expenses	106,746	-	106,746
Unearned revenue	60,630	-	60,630
Total liabilities	399,072	1,371	400,443
Deferred inflows of resources			
Unearned revenue - property taxes	267,917	-	267,917
Total deferred inflows of resources	267,917	-	267,917
Fund balances			
Nonspendable	92,395	43	92,438
Restricted	217,487	33,869	251,356
Assigned	-	262,052	262,052
Unassigned	4,178,161	-	4,178,161
Total fund balances	4,488,043	295,964	4,784,007
Total liabilities, deferred inflows of resources and fund balances	\$ 5,155,032	\$ 297,335	\$ 5,452,367

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

City of Gunnison, Colorado
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position
Year Ended December 31, 2014

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

Fund balances of governmental funds		\$ 4,784,007
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.

Capital assets	\$ 23,087,863	
Less: accumulated depreciation	<u>(12,364,592)</u>	10,723,271

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.		561,231
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Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities at year-end consist of:

Compensated absences payable	\$ (210,148)	(210,148)
Total net position of governmental activities		\$ 15,858,361

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
Year Ended December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and fees	\$ 5,792,507	\$ -	\$ 5,792,507
Licenses and permits	105,015	-	105,015
Charges for services	240,887	-	240,887
Fines and forfeitures	31,177	-	31,177
Intergovernmental	814,532	105,466	919,998
Earnings on investments	22,088	2,167	24,255
Rents and miscellaneous	98,034	-	98,034
Total revenues	7,104,240	107,633	7,211,873
Expenditures			
Current:			
General government	807,218	-	807,218
Public safety	1,972,016	-	1,972,016
Public works	728,225	25,850	754,075
Culture and recreation	1,068,166	-	1,068,166
Grants and contributions	232,499	-	232,499
Capital outlay	2,043,200	139,908	2,183,108
Total expenditures	6,851,324	165,758	7,017,082
Excess (deficiency) of revenues over expenditures	252,916	(58,125)	194,791
Other financing sources (uses)			
Proceeds from sale of capital assets	20,461	-	20,461
Transfers out	(73,620)	(19,890)	(93,510)
Total other financing sources (uses)	(53,159)	(19,890)	(73,049)
Net changes in fund balances	199,757	(78,015)	121,742
Fund balances at beginning of year	4,288,286	373,979	4,662,265
Fund balances at end of year	\$ 4,488,043	\$ 295,964	\$ 4,784,007

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

City of Gunnison, Colorado
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
with the Government-wide Statement of Activities
Year Ended December 31, 2014

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

Total net change in fund balance - governmental funds. \$ 121,742

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Cost of capital assets	\$ 870,206	
Depreciation expense	(658,859)	
Net book value of assets disposed	(8,279)	203,068

Internal service funds are used by management to charge the cost of services to individual funds. The net revenue of the internal service funds are included in governmental activities in the statement of activities. 1,157

Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances. (103,464)

Change in net position of governmental activities \$ 222,503

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

City of Gunnison, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2014

	Enterprise Fund	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Equity in pooled cash and investments	\$ 5,473,629	\$ 448,560
Accounts and taxes receivable	836,911	107
Inventories	871,396	-
Prepaid items	5,595	575
Total current assets	7,187,531	449,242
Noncurrent assets		
Restricted pooled cash and investments	548,304	-
Capital assets		
Nondepreciable	560,253	-
Depreciable, net of accumulated depreciation	15,839,609	156,332
Total noncurrent assets	16,948,166	156,332
Total assets	24,135,697	605,574
Liabilities and net position		
Current liabilities		
Accounts payable	1,020,023	24,394
Accrued expenses	67,473	6,114
Customer deposits	55,350	-
Accrued interest payable	23,505	-
Current portion of long-term debt	286,520	-
Total current liabilities	1,452,871	30,508
Noncurrent liabilities		
Pollution remediation obligation	5,000	-
Compensated absences payable	131,347	13,835
MEAN payable	83,988	-
Bonds payable	6,517,800	-
Total noncurrent liabilities	6,738,135	13,835
Total liabilities	8,191,006	44,343
Net position		
Net investment in capital assets	9,595,542	156,332
Restricted for debt service	548,304	-
Unrestricted	5,800,845	404,899
Total net position	\$ 15,944,691	\$ 561,231

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

City of Gunnison, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2014

	Enterprise Fund	Governmental Activities - Internal Service Fund
Operating revenues		
Electricity sales	\$ 4,996,963	\$ -
Water sales	530,845	-
Sanitary sewer charges	1,053,445	-
Trash collection fees	502,934	-
Communication services	649,010	-
Recreation department charges	327,584	-
Miscellaneous revenues	80,318	15,065
Fleet rental revenues	-	352,291
Total operating revenues	8,141,099	367,356
Operating expenses		
Cost of sales and services	4,075,147	-
Operations, maintenance and repair	3,301,701	-
Administration and general	961,535	-
Depreciation	796,459	6,383
Small equipment	398,656	-
Fleet expenses	-	362,454
Total operating expenses	9,533,498	368,837
Operating income (loss)	(1,392,399)	(1,481)
Nonoperating revenues (expenses)		
Sales and use tax	1,392,400	-
Intergovernmental	11,684	-
Earnings on investments	32,046	2,638
Interest expense	(289,565)	-
Total nonoperating revenues (expenses)	1,146,565	2,638
Income (loss) before contributions and transfers	(245,834)	1,157
Capital contributions	85,900	-
Hook-up services	37,255	-
Transfers in	93,510	-
Transfers out	-	-
Change in net position	(29,169)	1,157
Net position at beginning of year	15,973,860	560,074
Net position at end of year	\$ 15,944,691	\$ 561,231

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

City of Gunnison, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2014

	Enterprise Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities		
Cash received from customers	\$ 8,140,516	\$ 367,294
Cash payments to suppliers	(7,027,887)	(181,662)
Cash payments to employees	(1,728,546)	(169,153)
Net cash flows from operating activities	(615,917)	16,479
Cash flows from non-capital financing activities		
Sales and use tax	1,392,400	-
Operating grants and contributions	11,684	-
Transfers in	93,510	-
Transfers out	-	-
Net cash flows from non-capital financing activities	1,497,594	-
Cash flows from capital and related financing activities		
Capital grants and contributions	123,155	-
Acquisitions of capital assets	(23,505)	-
Change in restricted pooled cash and investments	(517)	-
Principal paid on long-term debt	(250,000)	-
Interest paid on long-term debt	(291,575)	-
Net cash flows from capital and related financing activities	(442,442)	-
Cash flows from investing activities		
Proceeds from sale or maturity of investments	427,385	11,531
Earnings on investments	32,046	2,638
Net cash flows from investing activities	459,431	14,169
Net change in cash and cash equivalents	898,666	30,648
Cash and cash equivalents at beginning of year	244,264	7,607
Cash and cash equivalents at end of year	1,142,930	38,255
Investments at end of year	4,330,699	410,305
Cash and investments at end of year	\$ 5,473,629	\$ 448,560

Continued

City of Gunnison, Colorado
Statement of Cash Flows
Proprietary Funds
(Continued)

	Enterprise Fund	Governmental Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (1,392,399)	\$ (1,481)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	796,459	6,383
(Increase) decrease in operating assets :		
Accounts receivable	10,921	(62)
Prepaid expenses	(5,418)	(575)
Inventories	(112,922)	-
Increase (decrease) in operating liabilities:		
Accounts payable	102,121	12,717
Accrued expenses	11,428	-
General Fund advances	(17,320)	-
MEAN Payable	(22,102)	-
Customer deposits	(830)	-
Compensated absences payable	14,145	(503)
Net cash flows from operating activities	\$ (615,917)	\$ 16,479

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

City of Gunnison, Colorado
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2014

	Volunteer Firefighters' Pension Fund
<hr/>	
Assets	
Cash and investments	\$ 2,128,371
Total assets	2,128,371
<hr/>	
Net position	
Net position - held in trust for pension benefits	\$ 2,128,371

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

City of Gunnison, Colorado
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2014

	Volunteer Firefighters' Pension Fund
Additions	
Contributions	
City	\$ 32,700
District	32,700
State	64,773
Earnings on investments	113,332
Total additions	243,505
Deductions	
Benefits	125,100
Expenses	12,422
Total deductions	137,522
Change in net position	105,983
Net position at beginning of year	2,022,388
Net position at end of year	\$ 2,128,371

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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

1. Summary of Significant Accounting Policies

The financial statements of the City of Gunnison, Colorado (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City was incorporated in 1880 and adopted its Home Rule Charter during 1962. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: 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 basic financial statements include the accounts of all City operations. As required by GAAP, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the application of these criteria, there are no component units included in the City's reporting entity.

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 10. 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

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

Fund Accounting

The City uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the capital projects fund. The following are the City's major and non-major governmental funds:

General Fund - The General Fund (a major fund) is the City's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales tax, franchise tax and other intergovernmental revenues. Expenditures include all costs associated with the daily operations of general government, public safety, public works, parks and recreation and community development.

The other governmental funds (non-major funds) are Special Revenue Funds (Conservation Trust and Ditch) and are established to account for revenues derived from state lottery revenues or other earmarked revenue sources which finance specific activities as required by law or administrative action.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has one major enterprise fund, which is used to account 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 internal service fund, the Fleet Management Fund, a nonmajor fund.

The City has one fiduciary fund, the Volunteer Firefighters' Pension Fund, which accounts for retirement benefits for the volunteer firefighters.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations, with a brief explanation, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

Cigarette taxes, sales taxes, auto use taxes, taxpayer-assessed taxes, earnings on investments and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations of the fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Revenues - Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, intergovernmental revenues and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, intergovernmental revenues and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: sales taxes and other intergovernmental revenues.

Unearned Revenue

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Accounts 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. 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 the proprietary funds principal ongoing operations. The principal operating revenues of the government's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Budgets and Budgetary Accounting

An annual budget and appropriation ordinance is adopted by the City Council in accordance with the City Charter. The budget is prepared on a basis consistent with GAAP for all governmental and proprietary funds, except that for proprietary funds, principal payments of long-term liabilities and purchases of capital assets are budgeted as expenditures, and the issuance of long-term liabilities are budgeted as other financing sources.

On, or about October 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Also, public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments. Prior to December 15, the budget is legally adopted by the City Council.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations.

All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year. The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets for the year ended December 31, 2014:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General fund	\$ 6,655,403	\$ 726,670	\$ 7,382,073
Special revenue funds:			
Conservation trust fund	34,000	7,390	41,390
Ditch fund	194,609	-	194,609
Internal service fund:			
Fleet management fund	360,285	8,919	369,204
Enterprise fund (departments):			
Electric department	5,424,035	117,899	5,541,934
Water department	661,289	-	661,289
Sewer department	1,254,552	-	1,254,552
Refuse department	470,371	15,283	485,654
Communications department	661,403	-	661,403
Recreation department	1,613,266	45,353	1,658,619
Fiduciary fund:			
Volunteer Firefighters" Pension Fund	144,000	-	144,000
Total funds	\$ 17,473,213	\$ 921,514	\$ 18,394,727

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Cash, Cash Equivalents and Temporary Investments

Cash, cash equivalents and temporary investments include cash on hand, demand deposits, certificates of deposit and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in pooled cash and investments" on the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow of resources is recognized as revenue and the receivable is reduced.

Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the balance sheet.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance.

Capital Assets

Capital assets, which include land, buildings and other improvements, infrastructure, machinery and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental	Business-Type
Land improvements	15 - 25 Years	15 - 25 Years
Buildings and other improvements	15 - 50 Years	15 - 50 Years
Infrastructure	15 - 65 Years	33 - 65 Years
Machinery and equipment	5 - 30 Years	5 - 30 Years
Licensed vehicles	5 - 8 Years	5 - 8 Years

Compensated Absences Payable

In accordance with the provisions of the GASB Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. Compensated absences are reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expenditure/expense during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums on the debt issuance are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City, which is not restricted for any project or other purpose. A deficit will require future funding.

In the governmental fund financial statements, fund balances are classified in five separate categories. The categories, and their general meanings, are as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

As of December 31, 2014, fund balances are composed of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 92,395	\$ 43	\$ 92,438
Restricted:			
Emergency reserve	217,487	-	217,487
Parks and recreation (conservation trust fund)	-	33,869	33,869
Assigned:			
Special revenue funds	-	262,052	262,052
Unassigned	4,178,161	-	4,178,161
Total	\$ 4,488,043	\$ 295,964	\$ 4,784,007

City of Gunnison, Colorado
Notes to Financial Statements
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When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources to be used for capital acquisition and construction.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council, and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items during 2014.

New Accounting Pronouncements

The City has implemented GASB Statement No. 67, Financing Reporting for Pension Plans; an amendment of GASB Statement No. 25, as of the December 31, 2014 financial statements. This Statement replaces the requirements of Statements No. 25 and No.50 related to pension plans that are administered through trusts or equivalent arrangements. This statement is to improve financial reporting of pension plans through enhanced financial note disclosures and expanded Required Supplementary Information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

2. Cash, Cash Equivalents and Investments

The composition of the City's cash, cash equivalents and investments, including restricted cash, on December 31, 2014 was as follows:

	S & P Rating	Fair Value	Concentration of Credit Risk
Cash on hand	N/A	\$ 1,425	N/A
Cash in financial institutions	N/A	1,362,676	N/A
Certificates of deposit	N/A	5,538,131	48.4%
COLOTRUST	AAAm	836,183	7.3%
CSAFE	AAAm	677,763	5.9%
Mutual funds	NR	389,210	3.4%
Collective funds	NR	1,611,115	14.1%
FNMA	NR to AA+	1,902,136	16.6%
FFCB	AA+	497,407	4.3%
Total		\$12,816,046	

Cash and investments per statement of net position:

Government-wide Financial Statements:	
Equity in pooled cash and investments	\$ 10,139,371
Restricted pooled cash and investments	548,304
Fiduciary Fund Statements:	
Cash and investments	2,128,371
Total	\$ 12,816,046

Custodial Credit Risk - Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City's deposit policy is in accordance with Colorado Revised Statutes ("CRS") 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance limits must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2014, the City had deposits with financial institutions and certificates of deposits with carrying amounts of \$6,900,807. The bank balances with the financial institutions were \$7,115,385, of which \$628,046 was covered by federal depository insurance. The remaining balance of \$6,487,339 was collateralized with securities held by the financial institutions' agents but not in the City's name.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2014, the City had no investments exposed to custodial credit risk outside of its investment in the Colorado Secure Assets Fund ("CSAFE") and COLOTRUST discussed below.

Credit Risk - Investments

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

Local Government Investment Pools

At December 31, 2014, the City had invested \$1,513,946 in CSAFE and COLOTRUST, local government investment pools established in Colorado to pool surplus funds for investment purposes. These funds operate similarly to a money market fund and each share is equal in value to \$1.00. The designated custodial bank of the pooled investments provides safekeeping and depository services in connection with the direct investment and withdrawal functions of the pooled investments. All securities owned by pooled investments are held by the Federal Reserve Bank in the account maintained for the custodial banks. Investments of pooled investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The final maturity of any and all securities purchased by pooled investments may not exceed one year. The investment policy of CSAFE and COLOTRUST does not include investing in derivatives.

Interest Rate Risk

Colorado Revised Statutes and the City's investment policies limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from changing interest rates.

3. Interfund Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Contributed capital between the governmental funds and proprietary funds is shown within the transfer line for financial statement presentation.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

The following table summarizes interfund transfers for the year ended December 31, 2014:

Transfers Out:	Transfers In		Totals
	General Fund	Enterprise Fund	
Governmental Funds:			
General Fund	\$ -	\$ 73,620	\$ 73,620
Nonmajor funds	-	19,890	19,890
Total all funds	\$ -	\$ 93,510	\$ 93,510

4. Receivables

Receivables at December 31, 2014, consist of the following:

	General Fund	Enterprise Fund	Internal Service Fund	Total
Taxes	\$ 901,611	\$ 165,595	\$ -	\$ 1,067,206
Trade accounts	-	564,663	-	564,663
Intergovernmental	219,936	42,455	-	262,391
Other	21,200	64,198	107	85,505
Total	\$ 1,142,747	\$ 836,911	\$ 107	\$ 1,979,765

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

5. Capital Assets

Governmental capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,940,997	\$ 89,282	\$ -	\$ 2,030,279
Capital assets being depreciated:				
Land improvements	1,647,552	43,947	-	1,691,499
Buildings and improvements	6,603,061	490,669	-	7,093,730
Infrastructure	6,683,260	-	-	6,683,260
Machinery and equipment	3,638,689	122,436	(123,339)	3,637,786
Licensed vehicles	2,931,296	123,873	(101,728)	2,953,441
	21,503,858	780,925	(225,067)	22,059,716
Less accumulated depreciation:				
Land improvements	(760,504)	(89,351)	-	(849,855)
Buildings and improvements	(1,818,475)	(167,188)	-	(1,985,663)
Infrastructure	(5,050,064)	(61,335)	-	(5,111,399)
Machinery and equipment	(2,574,164)	(214,442)	115,060	(2,673,546)
Licensed vehicles	(2,558,731)	(132,926)	101,728	(2,589,929)
	(12,761,938)	(665,242)	216,788	(13,210,392)
Capital assets being depreciated, net	8,741,920	115,683	(8,279)	8,849,324
Total governmental activities capital assets	\$ 10,682,917	\$ 204,965	\$ (8,279)	\$10,879,603

Depreciation for governmental activities has been allocated to various activities as follows:

General government	\$ 41,312
Public safety	24,880
Public works	552,949
Culture and recreation	46,101
Total	\$ 665,242

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Business-type capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 560,253	\$ -	\$ -	\$ 560,253
Capital assets being depreciated:				
Land improvements	1,665,153	-	-	1,665,153
Building and improvements	15,675,913	-	-	15,675,913
Infrastructure	6,494,866	11,035	-	6,505,901
Machinery and equipment	8,688,524	12,470	-	8,700,994
Licensed vehicles	2,270,390	-	(74,785)	2,195,605
	34,794,846	23,505	(74,785)	34,743,566
Less accumulated depreciation:				
Land improvements	(675,236)	(89,097)	-	(764,333)
Building and improvements	(4,748,525)	(282,436)	-	(5,030,961)
Infrastructure	(3,717,241)	(81,312)	-	(3,798,553)
Machinery and equipment	(7,305,832)	(192,117)	-	(7,497,949)
Licensed vehicles	(1,735,449)	(151,497)	74,785	(1,812,161)
	(18,182,283)	(796,459)	74,785	(18,903,957)
Capital assets being depreciated, net	16,612,563	(772,954)	-	15,839,609
Total business-type activities capital assets	\$ 17,172,816	\$ (772,954)	\$ -	\$16,399,862

Depreciation for business type activities has been allocated to various activities as follows:

Electric	\$ 190,173
Water	60,642
Sewer	79,030
Refuse	90,815
Communications	20,269
Recreation	355,530
Total	\$ 796,459

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

6. Long Term Debt

Business-Type Activities

Sales and Use Tax Revenue Bonds, Series 2007

These bonds are due serially on December 1, with interest from 3.75% to 4.35% payable semiannually. XL Capital Assurance Inc., a New York stock insurance company (the "Surety"), in consideration for the payment of a premium and subject to the terms of the insurance policy, has unconditionally and irrevocably agreed to pay the trustee or the paying agent for the benefit of the owners of the bonds that portion of the principal and interest on the bonds that shall become due for payment but shall be unpaid by reason of nonpayment by the City. Bonds maturing after December 1, 2018 are callable prior to maturity. The principal balance due as of December 31, 2014 is \$6,765,000.

Municipal Energy Agency of Nebraska Regulatory ISO Transmission Adjustment (MEAN Payable)

During 2013, the City was notified of a settlement between the Municipal Energy Agency of Nebraska ("MEAN") and a third party. The City has a Service Schedule Power Contract with MEAN and each service schedule participant is required to pay for its allocation of the settlement. The City's allocation of the settlement was determined to be \$132,610 and amounts will be paid monthly at \$2,210 starting in April 2014 through April 2019. Interest is not accrued on this allocation and imputed interest is not considered material.

A summary of changes in long-term debt for the year ended December 31, 2014, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	122,034	376,252	(274,303)	223,983	-
Total	\$ 122,034	\$ 376,252	\$ (274,303)	\$ 223,983	\$ -
Business-type activities					
Bonds:					
2007 sales and use tax bonds	\$7,015,000	\$ -	\$ (250,000)	\$ 6,765,000	\$ 260,000
Premiums:					
2007 sales and use tax bonds	14,030	-	(1,230)	12,800	-
MEAN Payable	132,610	-	(22,102)	110,508	26,520
Compensated absences	117,202	110,645	(96,500)	131,347	-
Total	\$7,278,842	\$ 110,645	\$ (369,832)	\$ 7,019,655	\$ 286,520

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

The annual requirements to amortize all outstanding debts are as follows:

Year	Business-Type Activities	
	Principal	Interest
2015	\$ 286,520	\$ 282,053
2016	301,520	271,653
2017	311,520	260,653
2018	321,520	249,252
2019	309,428	237,453
2020-2024	1,730,000	992,263
2025-2029	2,115,000	604,150
2030-2034	1,500,000	132,240
Total	\$ 6,875,508	\$ 3,029,717

Bond Covenant

As required by the Series 2007 bond agreement, the City is required to establish, in a separate bank account, a debt service reserve to fund the subsequent year's debt service requirements. The City has restricted investments of \$548,304 for this purpose, which are presented as restricted pooled cash and investments in the accompanying statement of net position.

7. 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 postclosure 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 postclosure 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 2014, the City maintained the liability of \$5,000. 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.

8. Pension Plans

New Policemen 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, 2014, employees and the City made the required contributions to the plan of \$94,605 and \$94,605, respectively.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

All of the New Police Pension Plan investments at December 31, 2014 of \$2,479,750 are managed by the Colorado County Officials and Employees Retirement Association (“CCOERA”). Separately issued financial statements for the plan may be obtained from CCOERA at 4949 South Syracuse St., Suite 400, Denver, Colorado 80237.

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, 2014, the Plan had 29 active non-retired members, and 38 retired members, for a total of 67 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 2014, the City contributed \$32,700 to the Plan, the Fire Protection District contributed \$32,700, and the State contributed \$64,773. None of the City’s payroll is covered by the pension plan because the firefighters are volunteers.

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:

	Maximum %	Minimum %	Strategic Target
Equity	60%	40%	50%
Fixed-Income	57%	37%	47%
Cash (or equivalents)	5%	0%	3%

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Concentrations. As of December 31, 2014, the pension fund held no concentrations of investments with individual organizations equaling or exceeding 5 percent of the pension plan's fiduciary net position.

Net Pension Liability. The components of the net pension liability of the Plan at December 31, 2014 are as follows:

Total pension liability	\$ 2,401,273
Fiduciary net position	2,128,371
Net pension liability	\$ 272,902
Net Position as a % of Total Pension Liability	88.6%
Covered payroll	N/A
Net pension liability as a % of covered payroll	N/A

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions applied to all periods included in the measurement.

- Actuarial Cost Method - Entry-age actuarial cost method
- Asset Valuation Method - Market value
- Actuarial Funding Discount Rate - 6.0% per annum compounded annually
- Expense Loading - None
- Mortality Rates - 1994 GAM rates - Modified
- Turnover Rates - Graduated rates by attained age
- 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 participants 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.

Actuarial funding discount rates are set by consensus between the Board of Trustees, the actuary and the investment advisor.

Discount rate. 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

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	\$521,979	\$272,902	\$64,395

General Employee Pension Plan

The City contributes to a defined contribution multiple-employer public employee retirement system on behalf of all full-time permanent employees with one or more service years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employee participation is mandatory. 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, 2014, employees and the City made the required contributions to the plan of \$158,174 and \$158,174, respectively.

All of the General Employee Pension Plan investments at December 31, 2014 of \$4,334,453 were managed by the CCOERA. Separately issued financial statements for the fund may be obtained from CCOERA.

9. Deferred Compensation Plan

The City offers to employees two different deferred compensation plans created in accordance with Internal Revenue Code Section 457. The non-police employee plan is administered by the International City Managers Association Retirement Corporation (“ICMA”) and the police employee plan is administered by CCOERA. The Plan permits 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. The plan assets are held in trust for the benefit of the employee and therefore not reflected on the financial statements of the City. The City’s contributions to the plans for the year ended December 31, 2014, were \$16,006 to the ICMA 457 plan and \$38,730 to the CCOERA 457 plan.

10. Joint Ventures

Gunnison/Hinsdale Combined Emergency Telephone Service Authority Board

At December 31, 2014 (date of latest available information), Gunnison/Hinsdale Authority had assets of \$251,235, liabilities of \$40,317 and \$210,918 in net position. Total revenues for 2014 were \$215,032 and total expenses were \$281,808 resulting in a net change in fund balance of \$(66,776). The amount of the City’s share of these amounts is based upon the percentage of the county wide telephone accesses to be served.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to mitigate these risks of loss, including workers’ compensation and employee health and accident insurance.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage from coverage in the prior year.

12. Contingencies

Grants and Contributions

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2014, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

Litigation

At times, the City may be subject to various claims and legal proceeding covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the City.

13. Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the City under specified voting requirements by the entire electorate.

On May 9, 1995, the City's electorate approved Proposition No. 2. As a result, the City is authorized to collect and increase fiscal year spending such that the full revenues generated during 1994 and each subsequent year thereafter by its existing taxes and from all other sources other than municipal taxes, may be expended without limitation under Article X, Section 20, of the Colorado Constitution. Tax rates may be increased only if approved by a majority of voters.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). At December 31, 2014 the City has restricted \$217,487 in the General Fund for emergencies as defined under Article X, Section 20 of the Colorado Constitution.

The City believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2014

14. Subsequent Events

The City evaluated subsequent events through May 18, 2016, the date these financial statements were available to be issued. In July 2015, the City committed to purchase real property in the amount of approximately \$996,000 for the use of the City. No other transactions or events that would require adjustment to the financial statements or note disclosures were identified.

Required Supplementary Information

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
General Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 5,351,075	\$ 5,351,075	\$ 5,792,507	\$ 441,432
Licenses and permits	25,025	25,025	105,015	79,990
Charges for services	241,692	241,692	240,887	(805)
Fines and forfeitures	27,600	27,600	31,177	3,577
Intergovernmental	255,003	279,397	814,532	535,135
Earnings on investments	15,000	15,000	22,088	7,088
Rents and miscellaneous	54,200	69,952	98,034	28,082
Total revenues	5,969,595	6,009,741	7,104,240	1,094,499
Expenditures				
Current:				
General government	855,217	864,538	807,218	57,320
Public safety	1,971,148	2,009,327	1,972,016	37,311
Public works	730,102	743,501	728,225	15,276
Culture and recreation	962,947	983,463	1,068,166	(84,703)
Grants and contributions	339,714	363,137	232,499	130,638
Capital outlay	1,722,655	2,344,487	2,043,200	301,287
Total expenditures	6,581,783	7,308,453	6,851,324	457,129
Excess (deficiency) of revenues over expenditures	(612,188)	(1,298,712)	252,916	1,551,628
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	20,461	20,461
Transfers in	17,321	17,321	-	(17,321)
Transfers out	(73,620)	(73,620)	(73,620)	-
Total other financing sources (uses)	(56,299)	(56,299)	(53,159)	3,140
Net change in fund balance	\$ (668,487)	\$ (1,355,011)	199,757	\$ 1,554,768
Fund balance at beginning of year			4,288,286	
Fund balance at end of year			\$ 4,488,043	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Changes in Net Pension Liability and Related Ratios
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2014

	2014
Total Pension Liability	
Service Cost	\$ 28,497
Interest Cost	123,133
Changes in Plan Benefits	288,476
Actuarial Variations	-
Changes in Assumptions	-
Benefits Paid	(125,100)
Net Change in Pension Liability	315,006
Total pension liability - beginning	2,086,267
Total pension liability - ending	\$ 2,401,273
Plan Fiduciary Net Position	
City Contribution	\$ 47,415
District Contribution	47,415
Pension Plan Net Investment Income	113,332
Benefit Payments	(125,100)
Pension Plan Administrative Expenses	(12,422)
State of Colorado Supplemental Discretionary Payment	64,773
Net Change in Plan Fiduciary Net Position	135,413
Plan Fiduciary Net Position - Beginning	1,992,958
Plan Fiduciary Net Position - Ending	\$ 2,128,371
Net Pension Liability - Ending	\$ 272,902
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.6%
Covered Employee Payroll	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A
Information for the prior nine years was not available to report.	
<i>See accompanying Independent Auditor's Report.</i>	

City of Gunnison, Colorado
Schedule of Contributions
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2014

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	18,976	130,830	(111,854)	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

Information for the prior six fiscal years was not available to report.

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Investments Returns
Volunteer Firefighters' Pension Fund (Unaudited)
December 31, 2014

Fiscal Year Ending December 31,	Net Money-Weighted Rate of Return
2014	-0.19%
2013	13.15%
2012	14.48%
2011	5.73%

Information for the prior six fiscal years was not available to report.

See accompanying Independent Auditor's Report.

Other Supplementary Information

City of Gunnison, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Conservation Trust Fund	Ditch Fund	Total Nonmajor Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 35,176	\$ 262,085	\$ 297,261
Receivables	-	31	31
Prepaid items	-	43	43
Total assets	\$ 35,176	\$ 262,159	\$ 297,335
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,307	\$ 64	\$ 1,371
Total liabilities	1,307	64	1,371
Fund balances			
Nonspendable	-	43	43
Restricted	33,869	-	33,869
Assigned	-	262,052	262,052
Total fund balances	33,869	262,095	295,964
Total liabilities and fund balances	\$ 35,176	\$ 262,159	\$ 297,335

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2014

	Conservation Trust Fund	Ditch Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 44,235	\$ 61,231	\$ 105,466
Earnings on investments	104	2,063	2,167
Total revenues	44,339	63,294	107,633
Expenditures			
Current:			
Public works	-	25,850	25,850
Capital outlay	19,340	120,568	139,908
Total expenditures	19,340	146,418	165,758
Excess (Deficiency) of revenues over expenditures	24,999	(83,124)	(58,125)
Other financing uses			
Transfers out	(19,890)	-	(19,890)
Net change in fund balances	5,109	(83,124)	(78,015)
Fund balances at beginning of year	28,760	345,219	373,979
Fund balances at end of year	\$ 33,869	\$ 262,095	\$ 295,964

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 37,500	\$ 37,500	\$ 44,235	\$ 6,735
Earnings on investments	75	75	104	29
Total revenues	37,575	37,575	44,339	6,764
Expenditures				
Capital outlay	21,500	21,500	19,340	2,160
Total expenditures	21,500	21,500	19,340	2,160
Excess of revenues over expenditures	16,075	16,075	24,999	8,924
Other financing uses				
Transfers out	(12,500)	(19,890)	(19,890)	-
Net change in fund balance	\$ 3,575	\$ (3,815)	5,109	\$ 8,924
Fund balance at beginning of year			28,760	
Fund balance at end of year			\$ 33,869	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Ditch Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 42,900	\$ 42,900	\$ 61,231	\$ 18,331
Earnings on investments	1,251	1,251	2,063	812
Total revenues	44,151	44,151	63,294	19,143
Expenditures				
Current				
Public works	33,609	33,609	25,850	7,759
Capital outlay	161,000	161,000	120,568	40,432
Total expenditures	194,609	194,609	146,418	48,191
Net change in fund balance	\$ (150,458)	\$ (150,458)	(83,124)	\$ 67,334
Fund balance at beginning of year			345,219	
Fund balance at end of year			\$ 262,095	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Net Position
Departments of the Enterprise Fund
December 31, 2014

	Electric Department	Water Department	Sewer Department
Assets			
Current assets			
Equity in pooled cash and investments	\$ 1,449,673	\$ 754,896	\$ 1,393,402
Accounts and taxes receivable	440,423	30,340	83,682
Inventories	473,100	103,734	110,404
Prepaid items	744	486	1,250
Total current assets	2,363,940	889,456	1,588,738
Non-current assets			
Restricted pooled cash and investments	-	-	-
Capital assets			
Nondepreciable	8,843	50,000	501,410
Depreciable, net of accumulated depreciation	2,130,220	710,295	1,682,234
Total non-current assets	2,139,063	760,295	2,183,644
Total assets	4,503,003	1,649,751	3,772,382
Liabilities and net position			
Current liabilities			
Accounts payable	968,834	11,959	5,266
Accrued expenses	18,504	5,538	12,803
Customer deposits	55,350	-	-
Accrued interest payable	-	-	-
Current portion of long-term debt	26,520	-	-
Total current liabilities	1,069,208	17,497	18,069
Non-current liabilities			
Pollution remediation obligation	-	-	-
Compensated absences payable	32,499	19,067	44,043
MEAN payable	83,988	-	-
Revenue bonds payable	-	-	-
Total non-current liabilities	116,487	19,067	44,043
Total liabilities	1,185,695	36,564	62,112
Net position			
Net investment in capital assets	2,112,543	760,295	2,183,644
Restricted for debt service	-	-	-
Unrestricted	1,204,765	852,892	1,526,626
Total net position	\$ 3,317,308	\$ 1,613,187	\$ 3,710,270

Refuse Department	Communication Department	Recreation Department	Total
\$ 668,977	\$ 116,197	\$ 1,090,484	\$ 5,473,629
41,466	27,168	213,832	836,911
74,245	-	109,913	871,396
778	1,501	836	5,595
<u>785,466</u>	<u>144,866</u>	<u>1,415,065</u>	<u>7,187,531</u>
-	-	548,304	548,304
-	-	-	560,253
277,999	70,868	10,967,993	15,839,609
<u>277,999</u>	<u>70,868</u>	<u>11,516,297</u>	<u>16,948,166</u>
<u>1,063,465</u>	<u>215,734</u>	<u>12,931,362</u>	<u>24,135,697</u>
13,034	1,924	19,006	1,020,023
3,331	17,655	9,642	67,473
-	-	-	55,350
-	-	23,505	23,505
-	-	260,000	286,520
<u>16,365</u>	<u>19,579</u>	<u>312,153</u>	<u>1,452,871</u>
5,000	-	-	5,000
3,697	24,904	7,137	131,347
-	-	-	83,988
-	-	6,517,800	6,517,800
<u>8,697</u>	<u>24,904</u>	<u>6,524,937</u>	<u>6,738,135</u>
<u>25,062</u>	<u>44,483</u>	<u>6,837,090</u>	<u>8,191,006</u>
277,999	70,868	4,190,193	9,595,542
-	-	548,304	548,304
760,404	100,383	1,355,775	5,800,845
<u>\$ 1,038,403</u>	<u>\$ 171,251</u>	<u>\$ 6,094,272</u>	<u>\$ 15,944,691</u>

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenses and Changes in Net Position
Departments of the Enterprise Fund
Year Ended December 31, 2014

	Electric Department	Water Department	Sewer Department
Operating revenues			
Electricity sales	\$ 4,996,963	\$ -	\$ -
Water sales	-	530,845	-
Sanitary sewer charges	-	-	1,053,445
Trash collection fees	-	-	-
Communication services	-	-	-
Recreation department charges	-	-	-
Miscellaneous operating revenues	16,063	5,215	20,395
Total operating revenues	5,013,026	536,060	1,073,840
Operating expenses			
Cost of sales and services	4,075,147	-	-
Operations, maintenance and repair	454,857	363,326	842,042
Administration and general	623,950	136,361	105,164
Depreciation	190,173	60,642	79,030
Small equipment	163,986	117,658	65,698
Total operating expenses	5,508,113	677,987	1,091,934
Operating income (loss)	(495,087)	(141,927)	(18,094)
Nonoperating revenues (expenses)			
Sales and use tax	-	-	-
Intergovernmental	-	-	-
Earnings on investments	8,808	4,545	7,824
Interest expense	-	-	-
Total other revenues (expenses)	8,808	4,545	7,824
Income (loss) before contributions and transfers	(486,279)	(137,382)	(10,270)
Capital contributions	-	19,500	66,400
Hook-up services	33,860	1,553	1,842
Transfers in	-	-	-
Change in net position	(452,419)	(116,329)	57,972
Net position at beginning of year	3,769,727	1,729,516	3,652,298
Net position at end of year	\$ 3,317,308	\$ 1,613,187	\$ 3,710,270

Refuse Department	Communications Department	Recreation Department	Total
\$ -	\$ -	\$ -	\$ 4,996,963
-	-	-	530,845
-	-	-	1,053,445
502,934	-	-	502,934
-	649,010	-	649,010
-	-	327,584	327,584
38,022	-	623	80,318
540,956	649,010	328,207	8,141,099
-	-	-	4,075,147
301,188	587,245	753,043	3,301,701
96,060	-	-	961,535
90,815	20,269	355,530	796,459
14,125	-	37,189	398,656
502,188	607,514	1,145,762	9,533,498
38,768	41,496	(817,555)	(1,392,399)
-	-	1,392,400	1,392,400
11,684	-	-	11,684
3,526	821	6,522	32,046
-	-	(289,565)	(289,565)
15,210	821	1,109,357	1,146,565
53,978	42,317	291,802	(245,834)
-	-	-	85,900
-	-	-	37,255
-	-	93,510	93,510
53,978	42,317	385,312	(29,169)
984,425	128,934	5,708,960	15,973,860
\$ 1,038,403	\$ 171,251	\$ 6,094,272	\$ 15,944,691

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Electric Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Electricity sales	\$ 5,207,500	\$ 5,207,500	\$ 4,996,963	\$ (210,537)
Miscellaneous operating revenues	13,000	13,000	16,063	3,063
Total operating revenues	5,220,500	5,220,500	5,013,026	(207,474)
Expenditures				
Purchased power	3,900,000	3,900,000	4,075,147	(175,147)
Operations, maintenance and repair	514,222	646,322	454,857	191,465
Administration and general	630,313	766,612	623,950	142,662
Small equipment	379,500	229,000	163,986	65,014
Total expenditures	5,424,035	5,541,934	5,317,940	223,994
Excess (deficiency) of operating revenues over expenditures	(203,535)	(321,434)	(304,914)	16,520
Other revenues				
Earnings on investments	4,600	4,600	8,808	4,208
Hook-up services	20,000	20,000	33,860	13,860
Total other revenues	24,600	24,600	42,668	18,068
Change in net position - budgetary basis	\$ (178,935)	\$ (296,834)	(262,246)	\$ 34,588
Reconciliation to GAAP basis				
Depreciation			(190,173)	
Change in net position - GAAP basis			(452,419)	
Net position at beginning of year			3,769,727	
Net position at end of year			\$ 3,317,308	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Water sales	\$ 549,367	\$ 549,367	\$ 530,845	\$ (18,522)
Miscellaneous operating revenues	1,250	1,250	5,215	3,965
Total operating revenues	550,617	550,617	536,060	(14,557)
Expenditures				
Operations, maintenance and repair	383,213	383,213	363,326	19,887
Administration and general	143,576	143,576	136,361	7,215
Small equipment	134,500	134,500	117,658	16,842
Capital outlay	-	-	11,036	(11,036)
Total expenditures	661,289	661,289	628,381	32,908
Deficiency of operating revenues over expenditures	(110,672)	(110,672)	(92,321)	18,351
Other revenues				
Earnings on investments	2,500	2,500	4,545	2,045
Hook-up services	750	750	1,553	803
Tap fees	7,500	7,500	19,500	12,000
Total other revenues	10,750	10,750	25,598	14,848
Change in net position - budgetary basis	\$ (99,922)	\$ (99,922)	(66,723)	\$ 33,199
Reconciliation to GAAP basis				
Capital outlay			11,036	
Depreciation			<u>(60,642)</u>	
Change in net position - GAAP basis			(116,329)	
Net position at beginning of year			<u>1,729,516</u>	
Net position at end of year			<u>\$ 1,613,187</u>	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sewer Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Sanitary sewer charges	\$ 1,013,172	\$ 1,013,172	\$ 1,053,445	\$ 40,273
Miscellaneous operating revenues	15,000	15,000	20,395	5,395
Total operating revenues	1,028,172	1,028,172	1,073,840	45,668
Expenditures				
Operations, maintenance and repair	848,234	878,234	842,042	36,192
Administration and general	104,818	104,818	105,164	(346)
Small equipment	301,500	271,500	65,698	205,802
Total expenditures	1,254,552	1,254,552	1,012,904	241,648
Deficiency of operating revenues over expenditures	(226,380)	(226,380)	60,936	287,316
Other revenues				
Earnings on investments	3,600	3,600	7,824	4,224
Hook-up services	-	-	1,842	1,842
Tap fees	24,000	24,000	66,400	42,400
Total other revenues	27,600	27,600	76,066	48,466
Change in net position - budgetary basis	\$ (198,780)	\$ (198,780)	137,002	\$ 335,782
Reconciliation to GAAP basis				
Depreciation			(79,030)	
Change in net position - GAAP basis			57,972	
Net position at beginning of year			3,652,298	
Net position at end of year			\$ 3,710,270	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Refuse Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues				
Trash collections fees	\$ 508,000	\$ 508,000	\$ 502,934	\$ (5,066)
Miscellaneous operating revenues	23,850	23,850	38,022	14,172
Total operating revenues	531,850	531,850	540,956	9,106
Expenditures				
Operations, maintenance and repair	313,074	313,074	301,188	11,886
Administration and general	102,297	117,580	96,060	21,520
Landfill closure expenses	10,000	10,000	-	10,000
Small equipment	45,000	45,000	14,125	30,875
Total expenditures	470,371	485,654	411,373	74,281
Excess (deficiency) of operating revenues over expenditures	61,479	46,196	129,583	83,387
Nonoperating revenues				
Intergovernmental revenues	5,000	5,000	11,684	6,684
Earnings on investments	2,000	2,000	3,526	1,526
Total other revenues	7,000	7,000	15,210	8,210
Change in net position - budgetary basis	\$ 68,479	\$ 53,196	144,793	\$ 91,597
Reconciliation to GAAP basis				
Depreciation			(90,815)	
Change in net position - GAAP basis			53,978	
Net position at beginning of year			984,425	
Net position at end of year			\$ 1,038,403	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Communications Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues				
Communication services	\$ 663,017	\$ 663,017	\$ 649,010	\$ (14,007)
Total operating revenues	663,017	663,017	649,010	(14,007)
Expenditures				
Operations, maintenance and repair	646,403	646,403	587,245	59,158
Capital outlay	15,000	15,000	-	15,000
Total expenditures	661,403	661,403	587,245	74,158
Excess (deficiency) of operating revenues over expenditures	1,614	1,614	61,765	60,151
Other revenues				
Earnings on investments	368	368	821	453
Intergovernmental revenue	15,000	15,000	-	(15,000)
Total other revenues	15,368	15,368	821	(14,547)
Change in net position - budgetary basis	\$ 16,982	\$ 16,982	62,586	\$ 45,604
Reconciliation to GAAP basis				
Depreciation			(20,269)	
Change in net position - GAAP basis			42,317	
Net position at beginning of year			128,934	
Net position at end of year			\$ 171,251	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Recreation Department
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Recreation department charges	\$ 349,000	\$ 349,000	\$ 327,584	\$ (21,416)
Miscellaneous operating revenues	1,560	1,560	623	(937)
Total operating revenues	350,560	350,560	328,207	(22,353)
Expenditures				
Operations, maintenance and repair	759,668	801,019	753,043	47,976
Small equipment	35,700	30,874	37,189	(6,315)
Capital outlay	259,000	267,828	12,470	255,358
Total expenditures	1,054,368	1,099,721	802,702	297,019
Excess (deficiency) of operating revenues over expenditures	(703,808)	(749,161)	(474,495)	274,666
Other revenues (expenses)				
Sales tax	1,246,580	1,246,580	1,339,960	93,380
Use tax	40,329	40,329	52,440	12,111
Earnings on investments	3,189	3,189	6,522	3,333
Interest expense	(291,577)	(291,577)	(289,565)	2,012
Principal paid	(250,000)	(250,000)	(250,000)	-
Total other revenues (expenses)	748,521	748,521	859,357	110,836
Net income before transfers	44,713	(640)	384,862	385,502
Transfers in	86,120	93,510	93,510	-
Transfers out	(17,321)	(17,321)	-	17,321
Change in net position - budgetary basis	\$ 113,512	\$ 75,549	478,372	\$ 402,823
Reconciliation to GAAP basis				
Depreciation			(355,530)	
Capital outlay			12,470	
Principal paid			250,000	
Change in net position - GAAP basis			385,312	
Net position at beginning of year			5,708,960	
Net position at end of year			\$ 6,094,272	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Internal Service - Fleet Management Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues				
Monthly repair revenue	\$ 108,643	\$ 108,643	\$ 108,643	\$ -
Fleet rental revenue	243,648	243,648	243,648	-
Miscellaneous operating revenues	7,600	7,600	15,065	7,465
Total operating revenues	359,891	359,891	367,356	7,465
Expenditures				
Fleet expenses	360,285	369,204	362,454	6,750
Excess of revenues over expenditures	(394)	(9,313)	4,902	14,215
Other revenues				
Earnings on investments	1,586	1,586	2,638	1,052
Change in net position - budgetary basis	\$ 1,192	\$ (7,727)	7,540	\$ 15,267
Reconciliation to GAAP basis				
Depreciation			(6,383)	
Change in net position - GAAP basis			1,157	
Net position at beginning of year			560,074	
Net position at end of year			\$ 561,231	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Changes in Fiduciary Net Position
Budget and Actual
Volunteer Firefighters' Pension Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Additions				
Contributions:				
City	\$ 32,700	\$ 32,700	\$ 32,700	\$ -
District	32,700	32,700	32,700	-
State	67,730	67,730	64,773	(2,957)
Earnings on investments	111,791	111,791	113,332	1,541
Total additions	244,921	244,921	243,505	1,541
Deductions				
Benefits	126,000	126,000	125,100	900
Expenses	18,000	18,000	12,422	5,578
Total deductions	144,000	144,000	137,522	6,478
Change in net position	\$ 100,921	\$ 100,921	105,983	\$ 8,019
Net position at beginning of year			<u>2,022,388</u>	
Net position at end of year			<u>\$ 2,128,371</u>	

See accompanying Independent Auditor's Report.

State Compliance Section

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
		YEAR ENDING : December 2014
This Information From The Records Of City Of Gunnison:	Prepared By: Phone:	Ben Cowan, Finance Director 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)	838,906
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	491,525
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	400,942	b. Snow and ice removal	25,717
3. Other local imposts (from page 2)	1,244,696	c. Other	0
4. Miscellaneous local receipts (from page 2)	14,535	d. Total (a. through c.)	25,717
5. Transfers from toll facilities	0	4. General administration & miscellaneous	148,362
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	327,059
a. Bonds - Original Issues	0	6. Total (1 through 5)	1,831,569
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,660,173	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	171,396	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,831,569	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,831,569

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,831,569	1,831,569	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2014

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	14,535
1. Sales Taxes	1,244,696	c. Parking Garage Fees	0
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.)	1,244,696	h. Other	0
c. Total (a. + b.)	1,244,696	i. Total (a. through h.)	14,535
	(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	153,210	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	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	18,186	d. Federal Transit Admin	
d. Other (Specify)	0	e. U.S. Corps of Engineers	
e. Other (Specify)	0	f. Other Federal	
f. Total (a. through e.)	18,186	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	171,396	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
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		794,970	794,970
(4). System Enhancement & Operation		43,936	43,936
(5). Total Construction (1) + (2) + (3) + (4)	0	838,906	838,906
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	838,906	838,906
			(Carry forward to page 1)

Notes and Comments: