

City of Gunnison, Colorado

Financial Statements and Supplementary Information For the Year Ended December 31, 2010



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INTRODUCTORY SECTION

CITY OF GUNNISON, COLORADO

CITY COUNCIL, BOARDS, COMMISSIONS AND MANAGEMENT

Year Ended December 31, 2010

Council Members

Stu Ferguson – Mayor
Jonathan Houck – Mayor Pro-Tem
Ellen Harriman
Rick Miller
Bill Nesbitt

Zoning Board of Adjustments and Appeals

Wes Bailey, Jr. – Chair
Marla Larson – Vice Chair
Marian Hicks
Shawn McConnell
Carl E. Pickett

Planning and Zoning Commission

Bob Beda - Chair
Harvey Harriman – Vice Chair
Greg Larson
Maggie Lloyd
Carolyn Riggs
Dusty Syzmanski
Ellen Harriman – Council Representative

Election Commission

Marian Hicks
Thelma Reece
Wilma Duffy – Alternate
Gail Davidson – City Clerk

Building Board of Appeals

Jerry Greene-Chair
Steve Dorzweiler
Jerry Kowal
John Sloan
Jeff Wilkinson

Firemen's Pension Board

Jim Miles – Chief
Dan Buffington – Fireman
Nic Conroy – Fireman
Jim McDermott – District
Steve Williams – District
Stu Ferguson – Councilmember
Rick Miller – Councilmember
Wendy Hanson – Finance Director

Gunnison Valley Land Preservation Board

Sonja Chavez de Baca
(vacant position)

City Management

Ken Coleman – City Manager
Wendy Hanson – Director of Finance
Gail Davidson – City Clerk
Steve Westbay – Director of Community Development
Keith Robinson – Chief of Police
Dan Ampietro – Director of Parks/Recreation
Ken Bradford – Director of Public Works
Rod Landwehr – City Attorney

Insurance Trustees

Ken Coleman – City Manager
Wendy Hanson – Director of Finance
Dan Ampietro – Parks & Recreation Director
Keith Robinson – Chief of Police
Ken Bradford – Director of Public Works
Jonathan Houck - Councilmember

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
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, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison information for the General Fund on page 42, and schedule of funding progress on page 43, 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and state compliance section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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
July 26, 2011

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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, 2010. 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, 2010 by \$29,795,566 (net assets). Of this amount, \$9,436,315 (unrestricted net assets) 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 assets increased by \$2,265,998.

At the close of the fiscal year ended December 31, 2010, the City's governmental funds reported combined ending fund balance of \$4,413,149, an increase of \$21,904 in comparison with the prior year. Approximately 76 percent of the ending fund balance, \$4,185,753, is available for use within the City's policies (unrestricted, undesignated fund balance).

The unrestricted fund balance for the general fund was \$3,810,518 or 63 percent of the total general fund expenditures and other financing uses. This represents a \$55,808 increase from the prior fiscal year. The City's fund balance policy is to maintain a fund balance equal to at least 30 percent of the governmental fund operating appropriations.

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

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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).

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, insurance reserves, and ditches. The business type activities of the City include electric, water, sewer, refuse, communications, Cranor Hill, pool, rink, trails, 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

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

separated into the following major and nonmajor funds: general fund, conservation trust fund, and ditch fund.

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 - 20 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, Cranor Hill, pool, rink, and trail 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 nonmajor fund.

The basic proprietary fund financial statements can be found on pages 21 - 23 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 Volunteer Firefighters' 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 24 - 25 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 26-41 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 44 – 60 of this report.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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, Cranor, communications, pool, rink, trails	Instances in which the City administers resources on behalf of someone else
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
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 and liabilities, 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 and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, 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	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, 2010

		received and the related liability is due and payable	
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Government-Wide Financial Analysis

As noted earlier, over time, net assets may serve as a useful indicator of a government's financial position. In the case of the City of Gunnison, assets exceeded liabilities by \$29,795,566 at December 31, 2010, which is an increase of \$2,265,998 during the year. Further, the City is able to report positive balances in all three categories of net assets, for the government as a whole.

Condensed Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	5,617,808	5,390,546	6,834,574	5,584,815	12,452,382	10,975,361
Capital Assets - Net	9,358,321	9,577,085	18,373,757	17,928,418	27,732,078	27,505,503
Total Assets	14,976,129	14,967,631	25,208,331	23,513,233	40,184,460	38,480,864
Current Liabilities	1,067,646	888,915	654,511	1,099,599	1,722,157	1,988,514
Noncurrent Liabilities:						
Long-term Liabilities	157,566	232,234	8,509,171	8,730,549	8,666,737	8,962,783
Total Liabilities	1,225,212	1,121,149	9,163,682	9,830,148	10,388,894	10,951,297
Net Assets:						
Invested in capital assets net of related debt	9,200,755	9,344,851	10,635,806	9,969,089	19,836,561	19,313,940
Restricted	178,608	183,317	344,082	-	522,690	183,317
Unrestricted	4,371,554	4,318,314	5,064,761	3,713,996	9,436,315	8,032,310
Total Net Assets	13,750,917	13,846,482	16,044,649	13,683,085	29,795,566	27,529,567

The largest portion of the City's net assets, \$19,836,561 or 66.6%, 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 assets, \$522,428 or 1.8%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$9,436,577 or 31.6%, 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, 2010

City of Gunnison's Change in Net Assets				
	2010			2009
	Governmental Activities	Business-Type Activities	Total	Total
Revenues				
Program revenues:				
Charges for services	360,429	7,770,057	8,130,486	7,891,023
Operating grants and contributions	576,783	7,320	584,103	462,692
Capital grants and contributions	15,000	-	15,000	-
General revenues:				
Property taxes	336,162	-	336,162	299,368
Specific Ownership Taxes	15,115	-	15,115	15,713
Sales and Use Taxes	4,270,482	1,192,056	5,462,538	5,476,786
Franchise Taxes	375,923	-	375,923	376,642
Other Taxes	119,843	-	119,843	256,404
Other Revenue	47,932	1,425,378	1,473,310	1,287,842
Investment Earnings	36,174	37,027	73,201	157,218
Transfers	(707,701)	707,701	-	-
Gain on Sale of Capital Assets	4,901	-	4,901	-
Total Revenues	5,451,043	11,139,539	16,590,582	16,223,688
Expenses				
General Government	1,029,900	-	1,029,900	858,978
Public Safety	1,838,192	-	1,838,192	1,926,460
Public Works	1,611,214	-	1,611,214	1,294,000
Culture and Recreation	935,184	-	935,184	1,185,185
Grants and Contributions	93,420	-	93,420	109,377
Development/Housing	32,402	-	32,402	61,333
Fleet Maintenance	-	-	-	-
Gain on sale of capital assets	-	-	-	42,723
Interest on Long-Term Debt	6,296	-	6,296	8,072
Electric	-	4,710,311	4,710,311	4,732,182
Water	-	580,810	580,810	692,466
Sewer	-	1,215,862	1,215,862	1,160,815
Refuse	-	409,897	409,897	513,639
Communications	-	618,554	618,554	609,378
Cranor Hill	-	5,657	5,657	20,567
Recreation	-	1,236,885	1,236,885	1,128,700
Total Expenses	5,546,608	8,777,976	14,324,584	14,343,875
Subtotal	(95,565)	2,361,563	2,265,998	1,879,813
Prior Period Adjustments	-	-	-	167,203
Change in Net Assets	(95,565)	2,361,563	2,265,998	2,047,016
Net Assets Beginning of Year	13,846,482	13,683,086	27,529,568	25,482,552
Net Assets End of Year	13,750,917	16,044,649	29,795,566	27,529,568

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

Governmental activities. Governmental activities decreased the City's total net assets by \$95,565. Total governmental activities revenues decreased \$792,007. The most significant changes in revenue include decreases in community development licenses and permits, state severance taxes, fines and forfeitures, and moving all revenues associated with the City's Community Center and swimming pool to "business-type activities". Expenses associated with governmental activities increased by \$60,480, just over 1%. Due to lower budgeted revenues, most departments were able to lower operational expenses. Additional revenues received in 2009 were appropriated in fiscal year 2010 to complete street projects. State lottery revenues awarded through a GOCO grant were utilized for capital upgrades to the City's Legion Park.

Business-type activities. Business-type activities increased the City's total net assets by \$2,361,563. Total business-type activities revenues increased \$1,158,901. Funds were transferred from the governmental activities in the amount of \$707,701, and all revenues from the City's Community Center were recorded in business-type activities. Business-type activities expenses decreased \$79,771 due mostly to lower budgeted revenues.

Financial Analysis of the Government's Funds

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

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

As of the end of 2010, the City's governmental funds reported combined ending net assets of \$4,413,149, an increase of \$21,904 in comparison with the prior year. Expenditures for capital equipment and capital projects were \$308,129 and are reflected in the General, Conservation Trust, and Ditch funds. Combined ending fund balances for all governmental funds were \$4,413,149, of which 95%, or \$4,185,753 constitutes unreserved fund balance, which is available for appropriation at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is already committed to meet a state constitution mandated emergency reserve, \$178,608, and other restricted expenditures.

The City has one major governmental fund, the General Fund (including Insurance Reserve). The City has two nonmajor 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 unreserved fund balance to the

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

total fund operating expenditures. Unreserved fund balance represents 63.3% of the total 2010 expenditures. The fund equity of the City's General Fund increased by \$55,808 during 2010.

The Conservation Trust Fund had total fund equity at the end of 2010 of \$24,391. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. There was a decrease of \$8,865 in the Conservation Trust Fund equity from the prior year, due to a decrease in revenues and additional capital projects.

The Ditch Fund had total fund equity at the end of 2010 of \$350,844. This fund receives its funding source through State of Colorado Mineral Leasing funds, which are then utilized to provide capital improvements to the ditch system. There was a decrease of \$25,039 in the Ditch Fund equity from the prior year.

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; Emergency Communications Department; the Cranor Hill Department; and the Recreation Department. Unrestricted net assets of the enterprise fund, at the end of 2010, amount to \$5,064,761. A breakdown of these unrestricted net assets by department is: Electric Department, \$1,865,823; Water Department, \$1,045,802; Sewer Department, \$1,640,949; Refuse Fund, (\$439,941); Emergency Communications Department, \$202,825; Cranor Ski Hill Department, \$1,094; and Recreation Department, \$748,209. Total net assets increased by \$2,361,563 in comparison with the prior year.

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 \$314,001. This increase was a result of additional funds appropriated out of fund balance for expenses related to the replacement of auto belays on the City's climbing wall and unemployment claims, and to authorize the expenditure of funds received through the Gunnison County Persistent Drunk Driving Prevention Initiative, through the Colorado Division of Criminal Justice granting program, additional sales tax revenues, and for funds received through Great Outdoors Colorado for the Legion Park renovation.

Proprietary Funds: Differences between original budget and the final amended budget for Proprietary Fund activities resulted in an overall increase in appropriations

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

of \$962,302. This increase was a result of additional funds appropriated out of fund balances for expenses related to the installation of solar at the City swimming pool, a trail system and accompanying bridges, and the down-payment on a backup zamboni; and to authorize the expenditure of funds received through Nebraska Municipal Power Pool for an LED light study; funds received through additional capital improvement fees for the purchase of water rights; funds received for special events; and funds received through Great Outdoors Colorado for bridge projects.

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, 2010, amounts to \$27,732,078 an increase of \$226,575 from the prior year. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements and equipment.

Long term debt. At the end of 2010, long term debt outstanding was \$7,895,517. This debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds), and obligations under capital leases. At the end of 2010, 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 \$7,737,951. Obligations under capital leases total \$184,045 for the Community Center's heating, ventilation, and air-conditioning (HVAC) system.

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.
- Sales tax revenues are estimated to remain flat from fiscal year 2010.
- Street improvement expenses have been increased by \$378,820, of which \$250,000 is earmarked out of cash reserves for a downtown street plaza. Capital expenses in the general fund have been reduced by \$10,514.
- Enterprise fund revenues are projected to increase by \$159,029, while expenses are projected to increase by \$285,162. Cash reserves will be used to relocate underground utilities, to replace a backhoe, and to perform extensive pipe lining in the City's sewer system.
- No rate adjustments are anticipated for the electric, water, or sewer utility departments in 2011. Refuse rates have been tiered to encourage recycling by customers.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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 Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 4,736,037	\$ 4,274,983	\$ 9,011,020
Accounts and taxes receivable	877,019	1,455,703	2,332,722
Inventories	-	608,255	608,255
Prepaid expenses	4,752	2,825	7,577
Restricted cash and investments	-	344,082	344,082
Deferred charges	-	148,726	148,726
Capital assets, net of accumulated depreciation	9,358,321	18,373,757	27,732,078
Total assets	14,976,129	25,208,331	40,184,460
LIABILITIES			
Accounts payable	502,944	436,095	939,039
Customer deposits	-	73,126	73,126
Accrued expenses	31,510	-	31,510
Accrued interest payable	3,871	28,320	32,191
Unearned revenue	342,326	-	342,326
Noncurrent liabilities:			
Compensated absences payable	186,995	116,970	303,965
Due within one year	77,379	225,000	302,379
Due in more than one year	80,187	8,284,171	8,364,358
Total liabilities	1,225,212	9,163,682	10,388,894
NET ASSETS			
Invested in capital assets, net of related debt	9,200,755	10,635,806	19,836,561
Restricted	178,608	344,082	522,690
Unrestricted	4,371,554	5,064,761	9,436,315
Total net assets	\$ 13,750,917	\$ 16,044,649	\$ 29,795,566

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

City of Gunnison, Colorado
Statement of Activities
Year Ended December 31, 2010

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,029,900	\$ 31,124	\$ 42,296	\$ -
Public safety	1,838,192	86,016	10,315	-
Public works	1,611,214	69,900	352,007	-
Culture and recreation	935,184	173,389	172,165	15,000
Grants and contributions	93,420	-	-	-
Development and housing	32,402	-	-	-
Interest on long-term debt	6,296	-	-	-
<u>Total government activities</u>	<u>5,546,608</u>	<u>360,429</u>	<u>576,783</u>	<u>15,000</u>
Business-type activities:				
Electric	4,710,311	4,764,159	-	49,132
Water	580,810	539,572	-	68,639
Sewer	1,215,862	1,020,926	-	236,631
Refuse	409,897	505,226	7,320	-
Communications	618,554	597,178	-	-
Cranor Hill	5,657	664	-	-
Recreation	1,236,885	342,332	-	984,153
<u>Total business-type activities</u>	<u>8,777,976</u>	<u>7,770,057</u>	<u>7,320</u>	<u>1,338,555</u>
<u>Total primary government</u>	<u>\$ 14,324,584</u>	<u>\$ 8,130,486</u>	<u>\$ 584,103</u>	<u>\$ 1,353,555</u>

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

Changes in net assets

Net assets at beginning of year

Net assets at ending of year

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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (956,480)	\$ -	\$ (956,480)
(1,741,861)	-	(1,741,861)
(1,189,307)	-	(1,189,307)
(574,630)	-	(574,630)
(93,420)	-	(93,420)
(32,402)	-	(32,402)
(6,296)	-	(6,296)
<u>(4,594,396)</u>	<u>-</u>	<u>(4,594,396)</u>
-	102,980	102,980
-	27,401	27,401
-	41,695	41,695
-	102,649	102,649
-	(21,376)	(21,376)
-	(4,993)	(4,993)
-	89,600	89,600
<u>-</u>	<u>337,956</u>	<u>337,956</u>
<u>(4,594,396)</u>	<u>337,956</u>	<u>(4,256,440)</u>
336,162	-	336,162
15,115	-	15,115
4,270,482	1,192,056	5,462,538
375,923	-	375,923
119,843	-	119,843
47,932	86,823	134,755
4,901	-	4,901
<u>36,174</u>	<u>37,027</u>	<u>73,201</u>
5,206,532	1,315,906	6,522,438
<u>(707,701)</u>	<u>707,701</u>	<u>-</u>
<u>4,498,831</u>	<u>2,023,607</u>	<u>6,522,438</u>
(95,565)	2,361,563	2,265,998
<u>13,846,482</u>	<u>13,683,086</u>	<u>27,529,568</u>
<u>\$ 13,750,917</u>	<u>\$ 16,044,649</u>	<u>\$ 29,795,566</u>

City of Gunnison, Colorado
Balance Sheet
Governmental Funds
December 31, 2010

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in pooled cash and investments	\$ 4,019,586	\$ 375,235	\$ 4,394,821
Accounts receivable	539,491	-	539,491
Property tax receivable	337,281	-	337,281
Prepaid expenses	4,353	-	4,353
<u>Totals assets</u>	<u>\$ 4,900,711</u>	<u>\$ 375,235</u>	<u>\$ 5,275,946</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts payable	\$ 488,961	\$ -	\$ 488,961
Accrued expenses	31,510	-	31,510
Unearned revenue	342,326	-	342,326
<u>Total liabilities</u>	<u>862,797</u>	<u>-</u>	<u>862,797</u>
<u>Fund balances</u>			
Reserved for emergencies	178,608	-	178,608
Reserved for prepaid expenses	4,353	-	4,353
Unreserved, reported in:			
Designated in the general fund	44,435	-	44,435
Undesignated			
General fund	3,810,518	-	3,810,518
Special revenues funds	-	375,235	375,235
<u>Total fund balances</u>	<u>4,037,914</u>	<u>375,235</u>	<u>4,413,149</u>
<u>Total liabilities and fund balances</u>	<u>\$ 4,900,711</u>	<u>\$ 375,235</u>	<u>\$ 5,275,946</u>

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

Fund balances of governmental funds	\$ 4,413,149
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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	\$ 19,586,721
Less: accumulated depreciation	(10,415,989)
	9,170,732

Internal service funds are collapsed into governmental activities	498,471
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Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities on the fund financial statements.

Long-term liabilities at year-end consist of :

Capital leases payable	\$ 157,566	
Compensated absences	169,998	
Accrued interest payable	3,871	
		(331,435)

Total net assets of governmental activities	<u>\$ 13,750,917</u>
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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, 2010

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Taxes and fees	\$ 5,117,525	\$ -	\$ 5,117,525
Licenses and permits	85,070	-	85,070
Charges for services	234,621	-	234,621
Fines and forfeitures	40,738	-	40,738
Intergovernmental	493,544	98,239	591,783
Earnings on investments	30,686	2,836	33,522
Rents and miscellaneous	47,932	-	47,932
<u>Total revenues</u>	<u>6,050,116</u>	<u>101,075</u>	<u>6,151,191</u>
<u>Expenditures</u>			
Current:			
General government	999,035	-	999,035
Public safety	1,755,059	-	1,755,059
Public works	1,261,024	35,642	1,296,666
Culture and recreation	859,418	-	859,418
Grants and contributions	93,420	-	93,420
Development and housing	32,402	-	32,402
Debt service:			
Principal	74,668	-	74,668
Interest	8,430	-	8,430
Capital outlay	236,362	71,767	308,129
<u>Total expenditures</u>	<u>5,319,818</u>	<u>107,409</u>	<u>5,427,227</u>
<u>Excess of revenues over expenditures</u>	<u>730,298</u>	<u>(6,334)</u>	<u>723,964</u>
<u>Other financing sources (uses)</u>			
Proceeds from sale of capital assets	5,641	-	5,641
Transfers in	22,500	-	22,500
Transfers out	(702,631)	(27,570)	(730,201)
<u>Total other financing sources (uses)</u>	<u>(674,490)</u>	<u>(27,570)</u>	<u>(702,060)</u>
<u>Excess of revenues and other sources over expenditures and other uses</u>	<u>55,808</u>	<u>(33,904)</u>	<u>21,904</u>
<u>Fund balances at beginning of year</u>	<u>3,982,106</u>	<u>409,139</u>	<u>4,391,245</u>
<u>Fund balances at end of year</u>	<u>\$ 4,037,914</u>	<u>\$ 375,235</u>	<u>\$ 4,413,149</u>

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, 2010

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

Total net change in fund balance - governmental funds.	\$	21,904
<p>Capital outlays 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 assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Capital outlay	\$	308,129
Depreciation expense		<u>(500,603)</u>
		(192,474)
Internal service funds are collapsed into governmental activities.		(8,815)
Capital lease payments are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net assets and do not affect the statement of activities.		74,668
Decrease in accrued interest payable reflected against interest expense on the statement of activities and not reflected in the governmental fund statement of revenues, expenditures, and changes in fund balances.		2,134
Decrease in accrued compensated absences liability reflected against 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.		<u>7,018</u>
Change in net assets of governmental activities	\$	<u><u>(95,565)</u></u>

City of Gunnison, Colorado
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Enterprise Fund	Governmental Activities - Internal Service Fund
<u>ASSETS</u>		
<u>Current assets</u>		
Equity in pooled cash and investments	\$ 4,274,983	\$ 341,216
Accounts receivable	1,455,703	247
Inventories	608,255	-
Prepaid expenses	2,825	399
	6,341,766	341,862
<u>Total current assets</u>		
<u>Noncurrent assets</u>		
Restricted pooled cash and investments	344,082	-
Deferred charges	148,726	-
Capital assets, net of accumulated depreciation	18,373,757	187,589
	18,866,565	187,589
<u>Total noncurrent assets</u>		
	25,208,331	529,451
<u>Total assets</u>		
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities</u>		
Accounts payable	436,095	13,983
Customer deposits	73,126	-
Accrued interest payable	28,320	-
Current portion of bonds payable	225,000	-
	762,541	13,983
<u>Total current liabilities</u>		
<u>Noncurrent liabilities</u>		
Pollution remediation obligation	771,220	-
Compensated absences payable	116,970	16,997
Bonds payable	7,512,951	-
	8,401,141	16,997
<u>Total noncurrent liabilities</u>		
	9,163,682	30,980
<u>Total liabilities</u>		
<u>Net assets</u>		
Invested in capital assets, net of related debt	10,635,806	187,589
Restricted for debt service	344,082	-
Unrestricted	5,064,761	310,882
	16,044,649	498,471
<u>Total net assets</u>		
	\$ 16,044,649	\$ 498,471

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

City of Gunnison, Colorado
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2010

	Enterprise Fund	Governmental Activities - Internal Service Fund
<u>Operating revenues</u>		
Electricity sales	\$ 4,764,159	\$ -
Water sales	539,572	-
Sanitary sewer charges	1,020,926	-
Trash collection fees	505,226	-
Communication service	597,178	-
Recreation department charges	342,332	-
Lift tickets	664	-
Sales and use tax	1,192,056	-
Miscellaneous operating revenues	86,823	19,435
Fleet rental revenues	-	373,163
	<hr/>	<hr/>
<u>Total operating revenues</u>	9,048,936	392,598
	<hr/>	<hr/>
<u>Operating expenses</u>		
Cost of sales and services	3,444,553	-
Operations, maintenance and repair	3,270,326	-
Landfill closure expenses	12,906	-
Administration and general	821,542	-
Depreciation	693,354	25,550
Small equipment	223,500	-
Fleet expenses	-	377,775
	<hr/>	<hr/>
<u>Total operating expenses</u>	8,466,181	403,325
	<hr/>	<hr/>
<u>Operating income (loss)</u>	582,755	(10,727)
	<hr/>	<hr/>
<u>Nonoperating revenues (expenses)</u>		
Intergovernmental	1,006,473	-
Loss on sale of capital assets	-	(740)
Earnings on investments	37,027	2,652
Hook-up services	58,402	-
Interest expense	(311,795)	-
	<hr/>	<hr/>
<u>Total nonoperating revenues (expenses)</u>	790,107	1,912
	<hr/>	<hr/>
<u>Income (loss) before contributions and transfers</u>	1,372,862	(8,815)
	<hr/>	<hr/>
Capital contributions	281,000	-
Transfers in	707,701	-
	<hr/>	<hr/>
<u>Changes in net assets</u>	2,361,563	(8,815)
	<hr/>	<hr/>
<u>Net assets at beginning of year</u>	13,683,086	507,286
	<hr/>	<hr/>
<u>Net assets at end of year</u>	\$ 16,044,649	\$ 498,471
	<hr/> <hr/>	<hr/> <hr/>

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, 2010

	Enterprise Fund	Governmental Activities - Internal Service Fund
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 9,005,652	\$ 392,363
Cash payments to suppliers	(6,491,847)	(178,118)
Cash payments to employees	(1,801,438)	(205,777)
	<u>712,367</u>	<u>8,468</u>
<u>Cash flows from non-capital financing activities</u>		
Operating grants and contributions	7,320	-
Transfers in	707,701	-
	<u>715,021</u>	<u>-</u>
<u>Cash flows from capital and related financing activities</u>		
Capital grants and contributions	671,580	-
Acquisitions of capital assets	(1,138,693)	-
Change in restricted pooled cash and investments	(208,082)	-
Principal paid on long-term debt	(220,000)	-
Interest paid on long-term debt	(325,234)	-
	<u>(1,220,429)</u>	<u>-</u>
<u>Cash flows from investing activities</u>		
Earnings on investments	37,027	2,652
	<u>243,986</u>	<u>11,120</u>
<u>Net change in cash and cash equivalents</u>	<u>243,986</u>	<u>11,120</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>4,030,997</u>	<u>330,096</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$ 4,274,983</u>	<u>\$ 341,216</u>
 <u>Reconciliation of operating income (loss) to net cash flows from by operating activities</u>		
Operating income (loss)	\$ 582,755	\$ (10,727)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	693,354	25,550
(Increase) decrease in :		
Accounts receivable	(57,447)	(235)
Prepaid expenses	268	76
Inventories	(84,952)	-
Increase (decrease) in:		
Accounts payable	(438,938)	(7,958)
Customer deposits	14,163	-
Compensated absences payable	3,164	1,762
	<u>\$ 712,367</u>	<u>\$ 8,468</u>
<u>Net cash flows from by operating activities</u>	<u>\$ 712,367</u>	<u>\$ 8,468</u>

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

City of Gunnison, Colorado
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2010

	<u>ASSETS</u>	Volunteer Firefighters' Pension Fund
Cash and investments		<u>\$ 1,520,739</u>
Total assets		<u>1,520,739</u>
	<u>NET ASSETS</u>	
Net assets - held in trust for pension benefits		<u><u>\$ 1,520,739</u></u>

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

City of Gunnison, Colorado
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended December 31, 2010

<u>Additions</u>	<u>Volunteer Firefighters' Pension Fund</u>
Contributions	\$ 134,130
Earnings on investments	175,735
<u>Total additions</u>	309,865
<u>Deductions</u>	
Benefits	98,178
<u>Change in net assets</u>	211,687
<u>Net assets at beginning of year</u>	1,309,052
<u>Net assets at end of year</u>	\$ 1,520,739

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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 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 principles. The City also applies Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. 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.

The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, *The Financial Reporting Entity* ("GASB No. 14"), which defines the reporting entity as the primary government and those component units for which primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either A) the primary government must be able to impose its will, or B) the primary government may potentially benefit financially or be financially responsible for the component unit.

The financial statements of the City do not include any separately administered organizations as there were none as defined in the aforementioned paragraph.

Joint Ventures

The City participates in joint ventures created for special purposes, which are not part of the City's reporting entity. Additional information regarding the City's participation in the joint ventures is provided in Note 10. The following are descriptions of the joint ventures 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 ("Gunnison/Hinsdale Authority"). 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.

Investments in the joint venture are recorded as expenditures at the time the investment is made.

Complete financial statements of these joint ventures can be obtained from:

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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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, proprietary and fiduciary. 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 assets, financial position and cash flows and are classified as enterprise funds and 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, Communication, Cranor Hill 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 assets 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.

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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 enterprise 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 government 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 and all liabilities associated with the operations of the fund are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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.

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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

Deferred Revenue - Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred 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.

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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

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. 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, 2010:

	Original Budget	Total Revisions	Revised Budget
<u>Governmental funds:</u>			
General fund	\$ 5,462,420	\$ 314,001	\$ 5,776,421
Special revenue funds:			
Conservation trust fund	67,560	18,608	86,168
Ditch fund	379,990	-	379,990
Internal service fund:			
Fleet management fund	396,126	-	396,126
Enterprise fund (departments):			
Electric department	4,791,938	18,161	4,810,099
Water department	574,287	27,978	602,265
Sewer department	1,015,186	4,765	1,019,951
Refuse department	405,259	2,116	407,375
Communications department	729,944	5,961	735,905
Cranor Hill department	29,767	612	30,379
Recreation department	1,655,872	902,709	2,558,581
Fiduciary Fund:			
Volunteer Firefighters' Pension Fund	98,680	-	98,680
 Total funds	 \$ 15,607,029	 \$ 1,294,911	 \$ 16,901,940

Cash and 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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 in 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 revenue is recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue 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 assets and classified as due from other funds or due to other funds on the balance sheet.

Prepaid Expenses

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

Deferred Charges

Bond issue costs are recorded as deferred charges in the accounts of the Enterprise Funds. They are amortized over the term of the bond issues using the effective-interest method.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and furniture and fixtures, 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.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25 - 50 Years	N/A
Buildings and other improvements	20 Years	N/A
Infrastructure	15 - 40 Years	N/A
Furniture and equipment	5 - 30 Years	N/A
Utility systems	N/A	25 - 50 Years

Accrued 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Accrued Liabilities and Long-Term Obligations

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. Payment 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.

Fund Balance and Net Assets

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

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets – 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 Assets – This category represents the net assets of the City, which are 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 separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance – Indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriation.

Unreserved designated fund balance – Indicates that portion of fund equity for which the City has made tentative plans.

Unreserved undesignated fund balance or deficits – Indicates that portion of fund equity which is available for appropriation and expenditure in future periods. A deficit will require future funding.

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. Neither type of transaction occurred during fiscal year 2010.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 2 - Cash, Cash Equivalents and Investments

The composition of the City's cash and cash equivalents including restricted cash on December 31, 2010, is as follows:

	S & P Rating	S & P Rating	Fair Value	Weighted Average Maturity Date (in days)	Concentration of Credit Risk
Cash on hand	-	-	\$ 897	-	N/A
Cash in financial institution	-	-	2,889,108	-	N/A
Certificates of deposit	-	-	5,284,403	-	N/A
COLOTRUST	AAA	AAA	1,628,287	N/A	60.3%
CSAFE	AAA	AAA	1,073,146	N/A	39.7%
Total			\$ 10,875,841		

Cash and investments per Statement of Net Assets:

Government Wide Financial Statements:

Pooled cash and investments	\$ 9,011,020
Restricted pooled cash and investments	344,082

Fiduciary Fund Statements:

Pooled cash and investments	1,520,739
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Total	\$ 10,875,841
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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 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, 2010 all of the City's deposits were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

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, 2010, 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 2 - Cash, Cash Equivalents and Investments (Continued)

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, 2010, the City had invested \$2,701,433 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.

Note 3 - Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect then 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.

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
Governmental Funds:		
Major funds:		
General	\$ 22,500	\$ 702,631
	<u> </u>	<u> </u>
Total major funds	22,500	702,631
Nonmajor funds	-	27,570
	<u> </u>	<u> </u>
Total governmental funds	22,500	730,201
Enterprise Fund	707,701	-
	<u> </u>	<u> </u>
Total all funds	<u>\$ 730,201</u>	<u>\$ 730,201</u>

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 4 - Receivables and Interfund Loans

Receivables at December 31, 2010, consist of the following:

	Governmental Activities	Business- Type Activities	Total
Taxes	\$ 806,387	\$ 122,499	\$ 928,886
Trade accounts	-	583,643	583,643
Intergovernmental	19,568	696,335	715,903
Other	51,064	53,226	104,290
Total	\$ 877,019	\$ 1,455,703	\$ 2,332,722

Note 5 - Capital Assets

Governmental capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,739,137	\$ -	\$ -	\$ 1,739,137
Capital assets being depreciated:				
Land improvements	877,217	79,193	-	956,410
Building and improvements	5,449,789	71,156	-	5,520,945
Infrastructure	6,553,837	-	-	6,553,837
Machinery and equipment	2,962,957	125,971	(2,377)	3,086,551
Licensed vehicles	2,742,016	31,809	(25,519)	2,748,306
	<u>18,585,816</u>	<u>308,129</u>	<u>(27,896)</u>	<u>18,866,049</u>
Less accumulated depreciation:				
Land improvements	(518,328)	(39,627)	-	(557,955)
Building and improvements	(1,346,191)	(116,056)	-	(1,462,247)
Infrastructure	(4,808,476)	(64,171)	-	(4,872,647)
Machinery and equipment	(1,966,124)	(145,976)	1,637	(2,110,463)
Licensed vehicles	(2,108,749)	(160,323)	25,519	(2,243,553)
	<u>(10,747,868)</u>	<u>(526,153)</u>	<u>27,156</u>	<u>(11,246,865)</u>
Capital assets being depreciated, net	<u>7,837,948</u>	<u>(218,024)</u>	<u>(740)</u>	<u>7,619,184</u>
Total governmental activities capital assets	\$ 9,577,085	\$ (218,024)	\$ (740)	\$ 9,358,321

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 5 - Capital Assets (Continued)

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

General government	\$ 37,883
Public safety	83,133
Public works	329,371
Culture and recreation	<u>75,766</u>
 Total	 <u><u>\$ 526,153</u></u>

Business-type capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 535,253	\$ 25,000	\$ -	\$ 560,253
Construction in progress	361,189	-	-	361,189
Total capital assets not being depreciated	<u>896,442</u>	<u>25,000</u>	<u>-</u>	<u>921,442</u>
Capital assets being depreciated:				
Land improvements	646,387	778,818	-	1,425,205
Building and improvements	15,145,986	194,032	-	15,340,018
Infrastructure	6,322,726	-	-	6,322,726
Machinery and equipment	8,272,870	140,843	-	8,413,713
Licensed vehicles	1,875,554	-	-	1,875,554
	<u>32,263,523</u>	<u>1,113,693</u>	<u>-</u>	<u>33,377,216</u>
Less accumulated depreciation:				
Land improvements	(382,795)	(36,493)	-	(419,288)
Building and improvements	(3,393,400)	(291,975)	-	(3,685,375)
Infrastructure	(3,400,994)	(79,402)	-	(3,480,396)
Machinery and equipment	(6,685,484)	(151,926)	-	(6,837,410)
Licensed vehicles	(1,368,874)	(133,558)	-	(1,502,432)
	<u>(15,231,547)</u>	<u>(693,354)</u>	<u>-</u>	<u>(15,924,901)</u>
Capital assets being depreciated, net	<u>17,031,976</u>	<u>420,339</u>	<u>-</u>	<u>17,452,315</u>
Total business-type activities capital assets	<u><u>\$ 17,928,418</u></u>	<u><u>\$ 445,339</u></u>	<u><u>\$ -</u></u>	<u><u>\$18,373,757</u></u>

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

Electric	\$ 163,982
Water	101,057
Sewer	218,899
Trash	30,329
Dispatch	17,993
Recreation	<u>161,094</u>
	 <u><u>\$ 693,354</u></u>

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 6 - Long Term Debt

Governmental Activities

On April 27, 2005, the City entered into a capital lease for the construction of an HVAC system for the Community Center. The lease is for \$505,652 and bears interest at a 3.63 percent rate. The lease requires seven annual payments of \$83,098 beginning in April of 2007. This lease will be paid off as of April 2012.

Business-Type Activities

Sales and Use Tax Revenue Bonds, Series 2007, 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, 2010 is \$7,720,000.

A summary of changes in long-term debt for the year ended December 31, 2010, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Obligations under capital leases	\$ 232,234	\$ -	\$ 74,668	\$ 157,566	\$ 77,379
Business-type activities					
Bonds:					
2007 sales and use tax bonds	\$ 7,940,000	\$ -	\$ 220,000	\$ 7,720,000	\$ 225,000
Premiums:					
2007 sales and use tax bonds	19,329	-	1,378	17,951	-
	<u>\$ 7,959,329</u>	<u>\$ -</u>	<u>\$ 221,378</u>	<u>\$ 7,737,951</u>	<u>\$ 225,000</u>

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

Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 77,379	\$ 11,719	\$ 225,000	\$ 317,864
2012	80,187	8,911	235,000	309,428
2013	-	-	245,000	300,615
2014	-	-	250,000	291,428
2015	-	-	260,000	282,053
2016 - 2020	-	-	1,480,000	1,244,262
2021 - 2025	-	-	1,800,000	921,990
2026 - 2030	-	-	2,205,000	514,420
2031 - 2033	-	-	1,020,000	66,990
	<u>\$ 157,566</u>	<u>\$ 20,630</u>	<u>\$ 7,720,000</u>	<u>\$ 4,249,050</u>

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 6 - Long Term Debt (Continued)

Business-Type Activities (Continued)

The following is the book value of capital assets acquired through capital leases at December 31, 2010.

	Governmental Activities
Buildings and improvements	\$ 505,652
Accumulated depreciation	(149,065)
 Total	 \$ 356,587

Bond Covenant Violation

During 2010, the Surety's credit rating fell below the level required by the Series 2007 bond agreement, thereby requiring the City to establish, in a separate bank account, a debt service reserve to fund the subsequent year's debt service requirements. The City failed to establish a separate bank account, but has reserved cash balances of \$344,082 for this purpose, which are presented as restricted cash and investments in the accompanying statement of net assets. In June of 2011, the City remedied this violation, and has established a separate bank account to accumulate debt service reserve cash. There are no material financial consequences resulting from the City's failure to establish a separate bank account.

Note 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 Assets and the Statement of Activities. The total liability for landfill purposes is \$771,220.

These estimates are based on an independent evaluation of the cost to perform all closure and care. 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.

Note 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. The City contributes 11.2 percent and employees contribute 11.2 percent of the employee's base salary. Employees vest in City contributions and interest earnings thereon immediately.

All of the New Police Pension Plan investments at December 31, 2010, of \$1,995,699, 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 8 - Pension Plans (Continued)

Volunteer Firefighters Pension Plan

The City has a single employer-defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statute. The Plan is included as a trust fund in the City's financial statements. The Volunteer Firefighters Pension Plan (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.

An actuary is used to determine the adequacy of contributions. The study indicates that the current contributions to the Fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan. In 2010, the City contributed \$32,700 to the Plan, the Fire Protection District contributed \$31,500, and the State contributed \$69,930. None of the City payroll is covered by the pension plan because the firefighters are volunteers.

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 percent 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 amount shown below as "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected benefit increases, estimated to be payable in the future as a result of volunteer firefighter service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess: (1) the Plan's funding status on a going concern basis; and (2) progress made in accumulating sufficient assets to pay benefits when due.

An actuarial study was performed for the Plan at January 1, 2009. Significant actuarial assumptions at January 1, 2009 are detailed below:

- Mortality - 1994 Group Annuity Mortality Table
- Investment Yield - 6.0% per annum, compounded annually
- Retirement Age - Age 50 and 20 years of service
- Asset Valuation Method - Market value
- Actuarial Cost Method - Entry-age-normal cost method

Based on an amortization period of 20 years using the level dollar method on an open basis, the Plan's expected contributions are sufficient to eliminate the unfunded actuarial accrued liability. Trend information of the Plan follows:

Fiscal Year Funding	Annual Pension Costs	Actual Contribution	Net Pension Obligation
2008	\$ 32,700	100%	\$ -
2009	\$ 32,700	100%	\$ -
2010	\$ 32,700	100%	\$ -

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 8 - Pension Plans (Continued)

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. Employee participation is mandatory. The City and the employees each contribute five percent of the employee's base salary. Employees vest in City contributions and interest earnings thereon immediately.

All of the General Employee Pension Plan investments, at December 31, 2010, of \$3,363,451 were managed by the CCOERA. Separately issued financial statements for the fund may be obtained from CCOERA.

Note 9 - Deferred Compensation Plan

The City offers to employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. 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.

Note 10 - Joint Ventures

Gunnison/Hinsdale Combined Emergency Telephone Service Authority Board

At December 31, 2010 (date of latest available information), Gunnison/Hinsdale Authority had assets of \$557,753, liabilities of \$33,370 and \$524,383 in net assets. Total revenues for 2010 were \$234,160 and total expenses were \$165,293 resulting in a net change in fund balance of \$68,867. The amount of the City's share of these amounts is based upon the percentage of the county wide telephone accesses to be served.

Note 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 Authority carries commercial insurance to mitigate these risks of loss, including workers' compensation and employee health and accident insurance. 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.

Note 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, 2010, 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.

Note 13 - Compliance

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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2010

Note 14 - Designated /Reserved Fund Balance

The equity in the General Fund is designated as follows as of December 31, 2010:

Baseball field renovations	\$ 15,000
Seizure funds	6,458
Scholarships	10,623
Law enforcement	10,745
DARE	1,609
	<hr/>
	\$ 44,435
	<hr/> <hr/>

At December 31, 2010 the City has reserved \$178,608 in the General Fund for emergencies as defined under Article X, Section 20 of the Colorado Constitution.

Note 15 - Subsequent Events

The City evaluated subsequent events through July 26, 2011, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Gunnison, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund
Balances (Budget and Actual) - General Fund
Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Taxes and fees	\$ 4,893,741	\$ 4,893,741	\$ 5,117,525	\$ 223,784
Licenses and permits	57,700	57,700	85,070	27,370
Charges for services	175,993	175,993	234,621	58,628
Fines and forfeitures	37,700	37,700	40,738	3,038
Intergovernmental	227,949	227,949	493,544	265,595
Earnings on investments	26,600	26,600	30,686	4,086
Rents and miscellaneous	51,025	51,025	47,932	(3,093)
<u>Total revenues</u>	<u>5,470,708</u>	<u>5,470,708</u>	<u>6,050,116</u>	<u>579,408</u>
<u>Expenditures</u>				
Current:				
General government	750,918	791,928	999,035	(207,107)
Public safety	1,775,173	1,826,722	1,755,059	71,663
Public works	813,435	884,635	1,261,024	(376,389)
Culture and recreation	875,918	880,118	859,418	20,700
Grants and contributions	99,033	99,033	93,420	5,613
Development and housing	48,097	52,997	32,402	20,595
Debt service:				
Principal	-	-	74,668	(74,668)
Interest	-	-	8,430	(8,430)
Capital outlay	898,579	1,039,721	236,362	803,359
<u>Total expenditures</u>	<u>5,261,153</u>	<u>5,575,154</u>	<u>5,319,818</u>	<u>255,336</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>209,555</u>	<u>(104,446)</u>	<u>730,298</u>	<u>834,744</u>
<u>Other financing sources (uses)</u>				
Proceeds from sale of capital assets	-	-	5,641	5,641
Transfers in	-	18,608	22,500	3,892
Transfers out	(201,267)	(201,267)	(702,631)	(501,364)
<u>Total other financing sources (uses)</u>	<u>(201,267)</u>	<u>(182,659)</u>	<u>(674,490)</u>	<u>(491,831)</u>
<u>Excess (deficiency) of revenues and other sources over expenditures and other uses</u>	<u>\$ 8,288</u>	<u>\$ (287,105)</u>	<u>55,808</u>	<u>\$ 342,913</u>
<u>Fund balances at beginning of year</u>			<u>3,982,106</u>	
<u>Fund balances at end of year</u>			<u>\$ 4,037,914</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Funding Progress
Volunteer Firefighters' Pension Fund
(Unaudited)

Analysis of Funding Progress

Year	Actuarial Value of Assets	Actuarial Accrued Liability	Excess (Deficiency) of Assets Over AAL	Percent Funded	Annual Covered Payroll
2005	\$ 1,048,508	\$ 974,453	\$ 74,055	108%	N/A
2007	\$ 1,192,697	\$ 1,381,237	\$ (188,540)	86%	N/A
2009	\$ 1,065,012	\$ 1,353,533	\$ (288,521)	79%	N/A

* Date of latest actuarial study was January 1, 2009.

Revenues by Source

Year	City Contributions	District Contributions	State Contributions	Investment Income	Total
2008	\$ 32,700	\$ 45,000	\$ 63,630	\$ (284,083)	\$ (142,753)
2009	\$ 32,700	\$ 85,500	\$ 29,430	\$ 197,305	\$ 344,935
2010	\$ 32,700	\$ 31,500	\$ 69,930	\$ 175,735	\$ 309,865

Expenses by Source

Year	Benefits	Administrative Expenses	Total
2008	\$ 96,517	\$ -	\$ 96,517
2009	\$ 100,895	\$ -	\$ 100,895
2010	\$ 98,178	\$ -	\$ 98,178

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

**City of Gunnison, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010**

	<u>Conservation Trust Fund</u>	<u>Ditch Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 24,391	\$ 350,844	\$ 375,235
<u>Total assets</u>	<u>24,391</u>	<u>350,844</u>	<u>375,235</u>
 <u>FUND BALANCES</u>			
<u>Fund balances</u>			
Unreserved			
Undesignated	24,391	350,844	375,235
<u>Total fund balances</u>	<u>24,391</u>	<u>350,844</u>	<u>375,235</u>
<u>Total liabilities and fund balances</u>	<u>\$ 24,391</u>	<u>\$ 350,844</u>	<u>\$ 375,235</u>

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010

	Conservation Trust Fund	Ditch Fund	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Intergovernmental	\$ 36,796	\$ 61,443	\$ 98,239
Earnings on investments	214	2,622	2,836
<u>Total revenues</u>	<u>37,010</u>	<u>64,065</u>	<u>101,075</u>
<u>Expenditures</u>			
Current:			
Public works	18,305	17,337	35,642
Capital outlay	-	71,767	71,767
<u>Total expenditures</u>	<u>18,305</u>	<u>89,104</u>	<u>107,409</u>
<u>Excess (deficiency) of revenues over expenditures</u>	18,705	(25,039)	(6,334)
<u>Other financing uses</u>			
Transfers out	(27,570)	-	(27,570)
<u>Net change in fund balance</u>	(8,865)	(25,039)	(33,904)
<u>Fund balance at beginning of year</u>	<u>33,256</u>	<u>375,883</u>	<u>409,139</u>
<u>Fund balance at end of year</u>	<u>\$ 24,391</u>	<u>\$ 350,844</u>	<u>\$ 375,235</u>

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures, and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental	\$ 37,500	\$ 37,500	\$ 36,796	\$ (704)
Earnings on investments	243	243	214	(29)
<u>Total revenues</u>	<u>37,743</u>	<u>37,743</u>	<u>37,010</u>	<u>(733)</u>
<u>Expenditures</u>				
Current:				
Public works	40,060	40,060	18,305	21,755
Capital outlay	15,000	15,000	-	15,000
<u>Total expenditures</u>	<u>55,060</u>	<u>55,060</u>	<u>18,305</u>	<u>36,755</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>(17,317)</u>	<u>(17,317)</u>	<u>18,705</u>	<u>36,022</u>
<u>Other financing uses</u>				
Transfers out	(12,500)	(31,108)	(27,570)	3,538
<u>Net change in fund balance</u>	<u>\$ (29,817)</u>	<u>\$ (48,425)</u>	<u>(8,865)</u>	<u>\$ 39,560</u>
<u>Fund balance at beginning of year</u>			<u>33,256</u>	
<u>Fund balance at end of year</u>			<u>\$ 24,391</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Ditch Fund
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental	\$ -	\$ -	\$ 61,443	\$ 61,443
Earnings on investments	3,763	3,763	2,622	(1,141)
<u>Total revenues</u>	<u>3,763</u>	<u>3,763</u>	<u>64,065</u>	<u>60,302</u>
<u>Expenditures</u>				
Current				
Public works	11,000	11,000	17,337	(6,337)
Capital outlay	368,990	368,990	71,767	297,223
<u>Total expenditures</u>	<u>379,990</u>	<u>379,990</u>	<u>89,104</u>	<u>290,886</u>
<u>Deficiency of revenues over expenditures</u>	<u>\$ (376,227)</u>	<u>\$ (376,227)</u>	(25,039)	<u>\$ 351,188</u>
<u>Fund balance at beginning of year</u>			<u>375,883</u>	
<u>Fund balance at end of year</u>			<u>\$ 350,844</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Combining Statement of Net Assets
Departments of the Enterprise Fund
December 31, 2010

<u>ASSETS</u>	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Current assets</u>			
Equity in pooled cash and investments	\$ 1,509,252	\$ 887,836	\$ 1,572,779
Accounts and taxes receivable	432,875	48,570	97,074
Inventories	371,605	146,707	27,361
Prepaid expenses	656	284	574
<u>Total current assets</u>	<u>2,314,388</u>	<u>1,083,397</u>	<u>1,697,788</u>
<u>Non-current assets</u>			
Restricted pooled cash and investments	-	-	-
Deferred charges	-	-	-
Capital assets, net of accumulated depreciation	2,558,078	970,158	2,447,483
<u>Total non-current assets</u>	<u>2,558,078</u>	<u>970,158</u>	<u>2,447,483</u>
<u>Total assets</u>	<u>4,872,466</u>	<u>2,053,555</u>	<u>4,145,271</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current liabilities</u>			
Accounts payable	353,132	21,698	15,983
Customer deposits	73,126	-	-
Accrued interest payable	-	-	-
Current portion of revenue bonds payable	-	-	-
<u>Total current liabilities</u>	<u>426,258</u>	<u>21,698</u>	<u>15,983</u>
<u>Non-current liabilities</u>			
Pollution remediation obligation	-	-	-
Compensated absences	22,307	15,897	40,856
Revenue bonds payable	-	-	-
<u>Total non-current liabilities</u>	<u>22,307</u>	<u>15,897</u>	<u>40,856</u>
<u>Total liabilities</u>	<u>448,565</u>	<u>37,595</u>	<u>56,839</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	2,558,078	970,158	2,447,483
Restricted for debt service	-	-	-
Unrestricted	1,865,823	1,045,802	1,640,949
<u>Total net assets</u>	<u>\$ 4,423,901</u>	<u>\$ 2,015,960</u>	<u>\$ 4,088,432</u>

See accompanying Independent Auditors' Report.

<u>Refuse Department</u>	<u>Communication Department</u>	<u>Cranor Hill Department</u>	<u>Recreation Department</u>	<u>Total</u>
\$ 299,678	\$ 207,821	\$ 1,861	\$ (204,244)	\$ 4,274,983
47,513	29,368	-	800,303	1,455,703
-	-	-	62,582	608,255
371	76	-	864	2,825
<u>347,562</u>	<u>237,265</u>	<u>1,861</u>	<u>659,505</u>	<u>6,341,766</u>
-	-	-	344,082	344,082
-	-	-	148,726	148,726
214,407	144,653	-	12,038,978	18,373,757
<u>214,407</u>	<u>144,653</u>	<u>-</u>	<u>12,531,786</u>	<u>18,866,565</u>
<u>561,969</u>	<u>381,918</u>	<u>1,861</u>	<u>13,191,291</u>	<u>25,208,331</u>
13,968	7,329	767	23,218	436,095
-	-	-	-	73,126
-	-	-	28,320	28,320
-	-	-	225,000	225,000
<u>13,968</u>	<u>7,329</u>	<u>767</u>	<u>276,538</u>	<u>762,541</u>
771,220	-	-	-	771,220
2,315	27,111	-	8,484	116,970
-	-	-	7,512,951	7,512,951
<u>773,535</u>	<u>27,111</u>	<u>-</u>	<u>7,521,435</u>	<u>8,401,141</u>
<u>787,503</u>	<u>34,440</u>	<u>767</u>	<u>7,797,973</u>	<u>9,163,682</u>
214,407	144,653	-	4,301,027	10,635,806
-	-	-	344,082	344,082
(439,941)	202,825	1,094	748,209	5,064,761
<u>\$ (225,534)</u>	<u>\$ 347,478</u>	<u>\$ 1,094</u>	<u>\$ 5,393,318</u>	<u>\$ 16,044,649</u>

City of Gunnison, Colorado
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Departments of the Enterprise Fund
Year Ended December 31, 2010

	Electric Department	Water Department	Sewer Department
<u>Operating revenues</u>			
Electricity sales	\$ 4,764,159	\$ -	\$ -
Water sales	-	539,572	-
Sanitary sewer charges	-	-	1,020,926
Trash collection fees	-	-	-
Communication services	-	-	-
Recreation charges	-	-	-
Lift tickets	-	-	-
Sales and use tax	-	-	-
Miscellaneous operating revenues	13,572	194	24,437
<u>Total operating revenues</u>	<u>4,777,731</u>	<u>539,766</u>	<u>1,045,363</u>
<u>Operating expenses</u>			
Cost of sales and services	3,444,553	-	-
Operations, maintenance and repair	505,491	362,047	788,698
Landfill closure and HHW program	-	-	-
Administration and general	518,471	117,706	95,353
Depreciation	163,982	101,057	218,899
Small equipment	77,814	-	112,912
<u>Total operating expenses</u>	<u>4,710,311</u>	<u>580,810</u>	<u>1,215,862</u>
<u>Operating income (loss)</u>	<u>67,420</u>	<u>(41,044)</u>	<u>(170,499)</u>
<u>Other revenues (expenses)</u>			
Intergovernmental	15,000	-	-
Earnings on investments	12,841	6,605	11,252
Hook-up services	34,132	13,639	10,631
Interest expense	-	-	-
<u>Total other revenues (expenses)</u>	<u>61,973</u>	<u>20,244</u>	<u>21,883</u>
<u>Income (loss) before contributions and transfers</u>	<u>129,393</u>	<u>(20,800)</u>	<u>(148,616)</u>
Capital contributions	-	55,000	226,000
Transfers in (out)	-	-	-
<u>Change in net assets</u>	<u>129,393</u>	<u>34,200</u>	<u>77,384</u>
<u>Net assets at beginning of year</u>	<u>4,294,508</u>	<u>1,981,760</u>	<u>4,011,048</u>
<u>Net assets at end of year</u>	<u>\$ 4,423,901</u>	<u>\$ 2,015,960</u>	<u>\$ 4,088,432</u>

See accompanying Independent Auditors' Report.

Refuse Department	Communication Department	Cranor Hill Department	Recreation Department	Total
\$ -	\$ -	\$ -	\$ -	\$ 4,764,159
-	-	-	-	539,572
-	-	-	-	1,020,926
505,226	-	-	-	505,226
-	597,178	-	-	597,178
-	-	-	342,332	342,332
-	-	664	-	664
-	-	-	1,192,056	1,192,056
22,172	-	-	26,448	86,823
<u>527,398</u>	<u>597,178</u>	<u>664</u>	<u>1,560,836</u>	<u>9,048,936</u>
-	-	-	-	3,444,553
263,138	600,561	5,657	744,734	3,270,326
12,906	-	-	-	12,906
90,012	-	-	-	821,542
30,329	17,993	-	161,094	693,354
13,512	-	-	19,262	223,500
<u>409,897</u>	<u>618,554</u>	<u>5,657</u>	<u>925,090</u>	<u>8,466,181</u>
<u>117,501</u>	<u>(21,376)</u>	<u>(4,993)</u>	<u>635,746</u>	<u>582,755</u>
7,320	-	-	984,153	1,006,473
1,830	3,094	-	1,405	37,027
-	-	-	-	58,402
-	-	-	(311,795)	(311,795)
<u>9,150</u>	<u>3,094</u>	<u>-</u>	<u>673,763</u>	<u>790,107</u>
126,651	(18,282)	(4,993)	1,309,509	1,372,862
-	-	-	-	281,000
-	-	15,105	692,596	707,701
126,651	(18,282)	10,112	2,002,105	2,361,563
<u>(352,185)</u>	<u>365,760</u>	<u>(9,018)</u>	<u>3,391,213</u>	<u>13,683,086</u>
<u>\$ (225,534)</u>	<u>\$ 347,478</u>	<u>\$ 1,094</u>	<u>\$ 5,393,318</u>	<u>\$ 16,044,649</u>

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Electric Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Electricity sales	\$ 4,765,195	\$ 4,765,195	\$ 4,764,159	\$ (1,036)
Miscellaneous operating revenues	5,000	5,000	13,572	8,572
<u>Total operating revenues</u>	4,770,195	4,770,195	4,777,731	7,536
<u>Expenditures</u>				
Purchased power	3,625,000	3,625,000	3,444,553	180,447
Operations, maintenance and repair	576,341	576,341	505,491	70,850
Administration and general	521,997	525,158	518,471	6,687
Small equipment	68,600	83,600	77,814	5,786
<u>Total expenditures</u>	4,791,938	4,810,099	4,546,329	263,770
<u>Excess of operating revenues over expenditures</u>	(21,743)	(39,904)	231,402	271,306
<u>Other revenues</u>				
Intergovernmental	-	-	15,000	15,000
Earnings on investments	11,772	11,772	12,841	1,069
Hook-up services	10,000	10,000	34,132	24,132
<u>Total other revenues</u>	21,772	21,772	61,973	40,201
<u>Change in net assets - budgetary basis</u>	<u>\$ 29</u>	<u>\$ (18,132)</u>	293,375	<u>\$ 311,507</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(163,982)	
<u>Change in net assets - GAAP basis</u>			129,393	
<u>Net assets at beginning of year</u>			4,294,508	
<u>Net assets at end of year</u>			<u>\$ 4,423,901</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Water Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Water sales	\$ 539,498	\$ 539,498	\$ 539,572	\$ 74
Miscellaneous operating revenues	400	400	194	(206)
<u>Total operating revenues</u>	<u>539,898</u>	<u>539,898</u>	<u>539,766</u>	<u>(132)</u>
<u>Expenditures</u>				
Administration and general	126,177	127,864	117,706	10,158
Operations, maintenance and repair	399,110	400,401	362,047	38,354
Capital outlay	49,000	74,000	44,013	29,987
<u>Total expenditures</u>	<u>574,287</u>	<u>602,265</u>	<u>523,766</u>	<u>78,499</u>
<u>Excess (deficiency) of operating revenues over expenditures</u>	<u>(34,389)</u>	<u>(62,367)</u>	<u>16,000</u>	<u>78,367</u>
<u>Other revenues</u>				
Earnings on investments	7,384	7,384	6,605	(779)
Hook-up services	10,000	10,000	13,639	3,639
Tap fees	17,500	17,500	55,000	37,500
<u>Total other revenues</u>	<u>34,884</u>	<u>34,884</u>	<u>75,244</u>	<u>40,360</u>
<u>Change in net assets - budgetary basis</u>	<u>\$ 495</u>	<u>\$ (27,483)</u>	<u>91,244</u>	<u>\$ 118,727</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(101,057)	
Capital outlay			44,013	
<u>Change in net assets - GAAP basis</u>			<u>34,200</u>	
<u>Net assets at beginning of year</u>			<u>1,981,760</u>	
<u>Net assets at end of year</u>			<u>\$ 2,015,960</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Sewer Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Sanitary sewer services	\$ 953,565	\$ 953,565	\$ 1,020,926	\$ 67,361
Miscellaneous operating revenues	10,000	10,000	24,437	14,437
<u>Total operating revenues</u>	963,565	963,565	1,045,363	81,798
<u>Expenditures</u>				
Administration and general	90,131	94,896	95,353	(457)
Operations, maintenance and repair	822,055	822,055	788,698	33,357
Small equipment	103,000	103,000	112,912	(9,912)
<u>Total expenditures</u>	1,015,186	1,019,951	996,963	22,988
<u>Excess (deficiency) of operating revenues over expenditures</u>	(51,621)	(56,386)	48,400	104,786
<u>Other revenues</u>				
Earnings on investments	11,573	11,573	11,252	(321)
Hook-up services	6,000	6,000	10,631	4,631
Tap fees	65,000	65,000	226,000	161,000
<u>Total other revenues</u>	82,573	82,573	247,883	165,310
<u>Change in net assets - budgetary basis</u>	\$ 30,952	\$ 26,187	296,283	\$ 270,096
<u>Reconciliation to GAAP basis</u>				
Depreciation			(218,899)	
<u>Change in net assets - GAAP basis</u>			77,384	
<u>Net assets at beginning of year</u>			4,011,048	
<u>Net assets at end of year</u>			\$ 4,088,432	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Refuse Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Trash collections fees	\$ 472,348	\$ 472,348	\$ 505,226	\$ 32,878
Miscellaneous operating revenues	10,000	10,000	22,172	12,172
<u>Total operating revenues</u>	<u>482,348</u>	<u>482,348</u>	<u>527,398</u>	<u>45,050</u>
<u>Expenditures</u>				
Administration and general	97,562	99,678	90,012	9,666
Operations, maintenance and repair	292,197	292,197	263,138	29,059
Landfill closure expenses	6,500	6,500	12,906	(6,406)
Small equipment	9,000	9,000	13,512	(4,512)
Capital outlay	-	-	7,500	(7,500)
<u>Total expenditures</u>	<u>405,259</u>	<u>407,375</u>	<u>387,068</u>	<u>(12,012)</u>
<u>Excess of operating revenues over expenditures</u>	<u>77,089</u>	<u>74,973</u>	<u>140,330</u>	<u>33,038</u>
<u>Other revenues</u>				
Intergovernmental revenues	-	-	7,320	7,320
Lease proceeds	-	-	-	-
Earnings on investments	2,000	2,000	1,830	(170)
<u>Total other revenues</u>	<u>2,000</u>	<u>2,000</u>	<u>9,150</u>	<u>7,150</u>
<u>Change in net assets - budgetary basis</u>	<u>\$ 79,089</u>	<u>\$ 76,973</u>	<u>149,480</u>	<u>40,188</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(30,329)	
Capital outlay			7,500	
<u>Change in net assets - GAAP basis</u>			<u>126,651</u>	
<u>Net assets at beginning of year</u>			<u>(352,185)</u>	
<u>Net assets at end of year</u>			<u>\$ (225,534)</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Communication Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Charges for services	\$ 589,944	\$ 595,905	\$ 597,178	\$ 1,273
<u>Total operating revenues</u>	589,944	595,905	597,178	1,273
<u>Expenditures</u>				
Operations, maintenance and repair	589,944	595,905	600,561	(4,656)
Capital outlay	140,000	140,000	107,500	32,500
<u>Total expenditures</u>	729,944	735,905	708,061	27,844
<u>Deficiency of operating revenues over expenditures</u>	(140,000)	(140,000)	(110,883)	29,117
<u>Other revenues</u>				
Intergovernmental	140,000	140,000	-	(140,000)
Earnings on investments	2,433	2,433	3,094	661
<u>Total other revenues</u>	142,433	142,433	3,094	(139,339)
<u>Change in net assets - budgetary basis</u>	<u>\$ 2,433</u>	<u>\$ 2,433</u>	(107,789)	<u>\$ (110,222)</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(17,993)	
Capital outlay			107,500	
<u>Change in net assets - GAAP basis</u>			(18,282)	
<u>Net assets at beginning of year</u>			365,760	
<u>Net assets at end of year</u>			<u>\$ 347,478</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Cranor Hill Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Lift tickets	\$ 12,200	\$ 12,200	\$ 664	\$ (11,536)
<u>Expenditures</u>				
Operations, maintenance and repair	29,767	30,379	5,657	24,722
<u>Deficiency of operating revenues over expenditures</u>	(17,567)	(18,179)	(4,993)	13,186
Transfer in	-	-	15,105	15,105
<u>Change in net assets - GAAP basis</u>	<u>\$ (17,567)</u>	<u>\$ (18,179)</u>	10,112	<u>\$ 28,291</u>
<u>Net assets at beginning of year</u>			(9,018)	
<u>Net assets at end of year</u>			<u>\$ 1,094</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Recreation Department
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Sales tax	\$ 1,097,192	\$ 1,097,192	\$ 1,156,871	\$ 59,679
Use tax	38,120	38,120	35,185	(2,935)
Recreation charges	359,500	359,500	342,332	(17,168)
Miscellaneous operating revenues	3,500	3,500	26,448	22,948
<u>Total operating revenues</u>	<u>1,498,312</u>	<u>1,498,312</u>	<u>1,560,836</u>	<u>62,524</u>
<u>Expenditures</u>				
Operations, maintenance and repair	857,412	872,294	744,734	127,560
Small equipment	-	-	19,262	(19,262)
Capital outlay	251,400	1,139,227	985,810	153,417
<u>Total expenditures</u>	<u>1,108,812</u>	<u>2,011,521</u>	<u>1,749,806</u>	<u>261,715</u>
<u>Excess (deficiency) of operating revenues over expenditures</u>	<u>389,500</u>	<u>(513,209)</u>	<u>(188,970)</u>	<u>324,239</u>
<u>Other revenues (expenses)</u>				
Intergovernmental	333,751	333,751	984,153	650,402
Earnings on investments	931	931	1,405	474
Interest expense	(327,060)	(327,060)	(311,795)	15,265
Principal paid	(220,000)	(220,000)	(220,000)	-
<u>Total other revenues (expenses)</u>	<u>(212,378)</u>	<u>(212,378)</u>	<u>453,763</u>	<u>666,141</u>
<u>Net income (loss) before transfers</u>	<u>177,122</u>	<u>(725,587)</u>	<u>264,793</u>	<u>990,380</u>
Transfers in	183,700	1,086,409	895,167	(191,242)
Transfers out	-	-	(202,571)	(202,571)
<u>Change in net assets - budgetary basis</u>	<u>\$ 360,822</u>	<u>\$ 360,822</u>	<u>957,389</u>	<u>596,567</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(161,094)	
Capital outlay			985,810	
Principal paid			220,000	
<u>Change in net assets - GAAP basis</u>			<u>2,002,105</u>	
<u>Net assets at beginning of year</u>			<u>3,391,213</u>	
<u>Net assets at end of year</u>			<u>\$ 5,393,318</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget and Actual (Non-GAAP Basis)
Internal Service - Fleet Management Fund
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Monthly repair revenue	\$ 110,306	\$ 110,306	\$ 110,250	\$ (56)
Fleet rental revenue	263,647	263,647	262,913	(734)
Miscellaneous operating revenues	19,060	19,060	19,435	375
<u>Total operating revenues</u>	393,013	393,013	392,598	(415)
<u>Expenditures</u>				
Fleet expenses	396,126	396,126	377,775	18,351
<u>Excess (deficiency) of revenues over expenditures</u>	(3,113)	(3,113)	14,823	17,936
<u>Other revenues (expenses)</u>				
Earnings on investments	3,115	3,115	2,652	(463)
<u>Change in net assets - budgetary basis</u>	<u>\$ 2</u>	<u>\$ 2</u>	17,475	<u>\$ 17,473</u>
<u>Reconciliation to GAAP basis</u>				
Loss on sale of capital assets			(740)	
Depreciation			(25,550)	
<u>Change in net assets - GAAP basis</u>			(8,815)	
<u>Net assets at beginning of year</u>			507,286	
<u>Net assets at end of year</u>			<u>\$ 498,471</u>	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Changes in Fiduciary Net Assets
Budget and Actual
Volunteer Firefighters' Pension Fund
Year Ended December 31, 2010
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Additions</u>				
Contributions	\$ 141,330	\$ 141,330	\$ 134,130	\$ (7,200)
Earnings on investments	260,616	260,616	175,735	(84,881)
<u>Total additions</u>	401,946	401,946	309,865	(92,081)
<u>Deductions</u>				
Benefits	98,680	98,680	98,178	502
<u>Change in net assets</u>	<u>\$ 303,266</u>	<u>\$ 303,266</u>	211,687	<u>\$ (91,579)</u>
<u>Net assets at beginning of year</u>			<u>1,309,052</u>	
<u>Net assets at end of year</u>			<u>\$ 1,520,739</u>	

See accompanying Independent Auditors' 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 2010

This Information From The Records Of City of Gunnison

Prepared By: Wendy Hanson
Phone: 970-641-8162

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	424,029
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	523,447
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	129,400	b. Snow and ice removal	14,732
3. Other local imposts (from page 2)	1,072,843	c. Other	
4. Miscellaneous local receipts (from page 2)	9,990	d. Total (a. through c.)	14,732
5. Transfers from toll facilities	0	4. General administration & miscellaneous	134,463
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	289,788
a. Bonds - Original Issues		6. Total (1 through 5)	1,386,459
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)	1,212,233	b. Redemption	
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	174,226	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,386,459	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)	1,386,459

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	1,386,459	1,386,459	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2010

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	9,990
1. Sales Taxes	1,072,843	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.)	1,072,843	h. Other	0
c. Total (a. + b.)	1,072,843	i. Total (a. through h.)	9,990
	(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	156,597	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	17,629	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	17,629	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	174,226	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		375,197	375,197
(4). System Enhancement & Operation		48,832	48,832
(5). Total Construction (1) + (2) + (3) + (4)	0	424,029	424,029
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	424,029	424,029
			(Carry forward to page 1)

Notes and Comments: