



City of Gunnison, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2012



City of Gunnison, Colorado

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Introductory Section

CITY OF GUNNISON, COLORADO

CITY COUNCIL, BOARDS, COMMISSIONS AND MANAGEMENT

Year Ended December 31, 2012

Council Members

Jonathan Houck – Mayor
Ellen Harriman – Mayor Pro-Tem
Robert Drexel
Bill Nesbitt
Edmund Seymour

Zoning Board of Adjustments and Appeals

Marla Larson – Chair
Marian Hicks – Vice Chair
Wesley Bailey, Jr.
Stu Ferguson
Scott Frazier

Planning and Zoning Commission

Carolyn Riggs - Chair
Bob Beda
Erich Ferchau
Greg Larson
Erik Niemeyer
Andy Tocke
Edmund Seymour – Council Representative

Election Commission

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

Building Board of Appeals

Jerry Greene-Chair
Chris Klein
Jerry Kowal
John Sloan
Jeff Wilkinson

Firemen's Pension Board

Walt Cranor – Chief
Mike Bradfield – Fireman
Dennis Spritzer – Fireman
Dan McKenna – District
Steve Williams – District
Robert Drexel – Councilmember
Ellen Harriman – Councilmember
Wendy Hanson – Finance Director

Gunnison Valley Land Preservation Board

Sonja Chavez de Baca
Anthony Poponi

City Management

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

Financial Section



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gunnison, Colorado (the "City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The adoption



of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during 2012 due to the early adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities." The adoption of the standard required retrospective application resulting in a \$137,600 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, the budgetary comparison information on Page 47, and the schedule of funding progress on Page 48 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.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and state compliance section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken 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 23, 2013

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

As management of the City of Gunnison, Colorado (the "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, 2012. 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 and deferred inflows of resources at the close of the fiscal year ended December 31, 2012 by \$30,700,036 (net position). Of this amount, \$9,968,027 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below. The City's total net position decreased \$352,417.

At the close of the fiscal year ended December 31, 2012, the City's governmental funds reported combined ending fund balance of \$4,446,866, a decrease of \$377,474 in comparison with the prior year. Approximately 83% of the ending fund balance, \$3,675,771, is available for use within the City's policies (unassigned fund balance).

The unassigned fund balance for the general fund was \$3,675,771, or 53%, of the total general fund expenditures and other financing uses. This represents a \$517,473 decrease from the prior fiscal year. The City's fund balance policy is to maintain a fund balance equal to at least 30% 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 required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

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, and ditches. The business type activities of the City include electric, water, sewer, refuse, communications, recreation (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 separated into the following major and non-major funds: general fund (major), conservation trust fund (non-major), and ditch fund (non-major).

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

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

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Proprietary Funds: There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements, only in more detail. The City uses the enterprise fund to account for electric, water, sewer, refuse, communications, and recreation (pool, rink, 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 non-major fund.

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government such as pension funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The City has one trust fund, the Gunnison 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 26 - 27 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 28 - 46 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 47 - 66 of this report.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

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

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

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Government-wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the City of Gunnison, assets exceeded liabilities and deferred inflows of resources by \$30,700,036 at December 31, 2012, which is a decrease of \$352,417 during the year. The City is able to report positive balances in all categories of net position, for the government as a whole.

Condensed Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u> <u>(Restated)</u>	<u>2012</u>	<u>2011</u> <u>(Restated)</u>	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Current and other assets	\$ 5,295,035	\$ 5,654,451	\$ 6,809,530	\$ 7,133,046	\$ 12,104,565	\$ 12,787,497
Capital Assets - Net	9,702,940	9,405,555	17,586,740	17,849,574	27,289,680	27,255,129
Total Assets	14,997,975	15,060,006	24,396,270	24,982,620	39,394,245	40,042,626
Current Liabilities	179,907	191,548	604,679	490,202	784,586	681,750
Noncurrent Liabilities:						
Long-term Liabilities	230,960	362,655	7,383,122	7,636,573	7,614,082	7,999,228
Total Liabilities	410,867	554,203	7,987,801	8,126,775	8,398,668	8,680,978
Deferred inflows of resources	295,541	309,195	-	-	295,541	309,195
Net Position:						
Net investment in capital assets	9,663,014	9,246,700	10,311,439	10,337,965	19,974,453	19,584,665
Restricted	210,155	199,066	547,401	546,909	757,556	745,975
Unrestricted	4,418,398	4,750,842	5,549,629	5,970,971	9,968,027	10,721,813
Total Net Position	\$ 14,291,567	\$ 14,196,608	\$ 16,408,469	\$ 16,855,845	\$ 30,700,036	\$ 31,052,453

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

The largest portion of the City's net position, \$19,974,453 or 65%, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A small portion of the City's net position, \$757,556, or approximately 3%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$9,968,027, or 32%, 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, 2012

**City of Gunnison's Change in Net
Position**

	2012			2011
	Governmental Activities	Business-Type Activities	Total	(Restated) Total
Revenues				
Program revenues:				
Charges for services	\$ 428,702	\$ 7,490,967	\$ 7,919,669	\$ 8,014,938
Operating grants and contributions	383,879	10,826	394,705	463,143
Capital grants and contributions	342,386	84,202	426,588	333,318
General revenues:				
Property taxes	297,821	-	297,821	337,554
Specific Ownership Taxes	14,506	-	14,506	14,018
Sales and Use Taxes	4,186,534	1,209,848	5,396,382	5,371,467
Franchise Taxes	441,553	-	441,553	468,974
Other Taxes	189,391	-	189,391	170,124
Other Revenues	153,801	82,477	236,278	195,462
Gain on Sale of Capital Assets	10,336	-	10,336	27,500
Earnings on Investments	23,227	30,046	53,273	68,184
Reduction of pollution remediation liability	-	-	-	756,220
Transfers	(38,972)	38,972	-	-
Total Revenues	6,433,164	8,947,338	15,380,502	16,220,902
Expenses				
General Government	840,965	-	840,965	1,052,580
Public Safety	1,856,367	-	1,856,367	1,861,439
Public Works	2,339,686	-	2,339,686	1,685,745
Culture and Recreation	1,047,799	-	1,047,799	1,006,292
Grants and Contributions	127,916	-	127,916	87,120
Development/Housing	123,055	-	123,055	24,500
Interest on Long-Term Debt	2,417	-	2,417	143,125
Electric	-	5,171,683	5,171,683	4,539,680
Water	-	614,737	614,737	661,705
Sewer	-	1,201,989	1,201,989	1,370,513
Refuse	-	400,972	400,972	410,729
Communications	-	604,464	604,464	615,305
Recreation	-	1,400,869	1,400,869	1,594,763
Total Expenses	6,338,205	9,394,714	15,732,919	15,053,496
Subtotal	94,959	(447,376)	(352,417)	1,167,406
Prior Period Adjustments	-	-	-	89,481
Change in Net Position	94,959	(447,376)	(352,417)	1,256,887
Net Position Beginning of Year	14,196,608	16,855,845	31,052,453	29,795,566
Net Position End of Year	\$ 14,291,567	\$ 16,408,469	\$ 30,700,036	\$ 31,052,453

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Governmental Activities: Governmental activities increased the City's total net position by \$94,959. Total governmental activities revenues increased \$265,366. The most significant changes in revenues include an increase in program revenues of \$202,009, and a decrease in taxes of \$27,227. Other governmental activities revenues increased \$90,584. Expenses associated with governmental activities increased by \$615,004, primarily due to aggressive street overlay projects.

Business-type Activities: Business-type activities decreased the City's total net position by \$447,376. Total business-type activities revenues decreased \$1,105,766. The most significant changes in revenues include a decrease in program revenues of \$272,446. Other business-type activities revenues decreased \$833,320 due mostly to an adjustment in 2011 for a reduction of the liability for pollution remediation.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012, the City's governmental funds reported combined ending fund balance of \$4,446,866, a decrease of \$377,474 in comparison with the prior year. Expenditures for capital equipment and capital projects were \$2,398,113 and are reflected in the General, Conservation Trust, and Ditch funds. Combined ending fund balances for all governmental funds were \$4,446,866, of which 83%, or \$3,675,771, constitutes unassigned fund balance, which is available for appropriation at the City's discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is not available for new spending because it is already committed to meet a state constitution mandated emergency reserve, \$194,527, restricted for parks and recreation, \$15,628, nonspendable, \$63,536, and other assigned purposes, \$497,404.

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

The General Fund is the primary operating fund for the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund operating expenditures. Unassigned fund balance represents 53% of the total 2012 expenditures. The fund balance of the City's General Fund decreased by \$421,136 during 2012.

The Conservation Trust Fund had total fund balance at the end of 2012 of \$15,628. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. There was an increase of \$988 in the Conservation Trust Fund balance from the prior year.

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

The Ditch Fund had total fund balance at the end of 2012 of \$386,358. This fund receives its funding source through State of Colorado Mineral Leasing funds, which are then utilized to provide maintenance of and capital improvements to the ditch system. There was an increase of \$42,674 in the Ditch Fund balance from the prior year, due to an increase of mineral leasing fund revenues.

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

The City has one enterprise fund consisting of the following departments: the Electric Department, Water Department, Sewer Department, Refuse (Solid Waste) Department; Communications Department; and the Recreation Department. Unrestricted net position of the enterprise fund, at the end of 2012, amounted to \$5,549,629. A breakdown of the unrestricted net position by department is: Electric Department, \$1,709,577; Water Department, \$981,156; Sewer Department, \$1,372,470; Refuse Department, \$736,690; Communications Department, \$194,933; and Recreation Department, \$554,803. Total net position decreased by \$584,976 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 \$1,816,611. This increase was a result of additional funds appropriated out of fund balance for expenses related to additional street overlay projects, expanding fiber optics to City buildings, purchasing land for a future public safety facility, and for emergency repairs to the City Hall heating system; for funds received for the sponsorship of City Fest, through Great Outdoors Colorado for the expansion of a skate park, and for funds from a property developer for a highway access plan.

Proprietary Funds: Differences between original budget and the final amended budget for Proprietary Fund activities resulted in an overall increase in appropriations of \$499,506. This increase was a result of additional funds appropriated out of fund balances for expenses related to uncollectible utility accounts; additional purchased power; emergency repairs to the City's electric sub-station, water wells and pool equipment; installation of storm water drain infrastructure; and professional fees to plan for a new public safety facility.

Capital Asset and Debt Administration

Capital Assets: The City's net investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$27,289,680, an increase of \$34,551 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 2012, long term debt outstanding was \$7,609,082. This debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds), obligations under capital leases, and accrued compensated absences. At

City of Gunnison, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

the end of 2012, 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 \$7,260,000. Obligations under capital leases total \$39,926 for a 2009 Sterling dump truck.

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 2012.
- Street improvement expenses have been reduced by \$447,671. Capital expenses in the General Fund have been increased by \$94,535 for the construction of a new public safety facility. A \$650,000 Department of Local Affairs Energy Impact Assistance grant application has been made for the facility as well.
- Proprietary fund revenues are projected to increase by \$101,927, while expenses are projected to increase by \$501,096. Cash reserves will be used to offset a portion of the increasing purchased power costs; for an aggressive water meter replacement program, replacing older, slowing meters; for additional slip-lining of aging sewer lines; to purchase a newer automated-refuse truck; and to assist with the building of a new public safety facility.
- A five percent rate adjustment is anticipated for the electric department due to increased costs of purchased power and less availability of hydro-produced power. No rate adjustments are anticipated for the water, sewer, or refuse utility departments in 2013.

Request for Information

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

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

Basic Financial Statements

City of Gunnison, Colorado
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 4,165,243	\$ 4,751,570	\$ 8,916,813
Accounts and taxes receivable	1,027,087	801,404	1,828,491
Inventories	-	745,569	745,569
Prepaid items	63,856	2,435	66,291
Restricted pooled cash and investments	-	547,401	547,401
Internal balances	38,849	(38,849)	-
Capital assets, net of accumulated depreciation	9,702,940	17,586,740	27,289,680
Total assets	14,997,975	24,396,270	39,394,245
Liabilities			
Accounts payable	105,485	472,736	578,221
Customer deposits	-	56,945	56,945
Accrued expenses	73,685	49,947	123,632
Accrued interest payable	737	25,051	25,788
Noncurrent liabilities:			
Compensated absences payable	191,034	102,821	293,855
Pollution remediation obligation	-	5,000	5,000
Due within one year	39,926	245,000	284,926
Due in more than one year	-	7,030,301	7,030,301
Total liabilities	410,867	7,987,801	8,398,668
Deferred inflows of resources			
Unearned revenue - property taxes	295,541	-	295,541
Total deferred inflows of resources	295,541	-	295,541
Net Position			
Net investment in capital assets	9,663,014	10,311,439	19,974,453
Restricted	210,155	547,401	757,556
Unrestricted	4,418,398	5,549,629	9,968,027
Total net position	\$ 14,291,567	\$ 16,408,469	\$ 30,700,036

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

City of Gunnison, Colorado
Statement of Activities
Year Ended December 31, 2012

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 840,965	\$ 29,197	\$ 38,909	\$ -
Public safety	1,856,367	195,122	11,133	-
Public works	2,339,686	18,800	290,386	66,584
Culture and recreation	1,170,854	185,583	43,451	275,802
Grants and contributions	127,916	-	-	-
Interest on long-term debt	2,417	-	-	-
Total governmental activities	6,338,205	428,702	383,879	342,386
Business-type activities:				
Electric	5,171,683	4,550,412	-	26,569
Water	614,737	553,000	-	7,633
Sewer	1,201,989	986,466	-	50,000
Refuse	400,972	513,953	10,826	-
Communications	604,464	586,511	-	-
Recreation	1,400,869	300,625	-	-
Total business-type activities	9,394,714	7,490,967	10,826	84,202
Total primary government	\$ 15,732,919	\$ 7,919,669	\$ 394,705	\$ 426,588
General revenues				
Property taxes				
Specific ownership taxes				
Sales and use taxes				
Franchise taxes				
Other taxes				
Other revenues				
Gain on sale of capital assets				
Earnings on investments				
Total general revenues				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as previously reported				
Cumulative effect of change in accounting principle				
Net position at end of year				

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (772,859)	\$ -	\$ (772,859)
(1,650,112)	-	(1,650,112)
(1,963,916)	-	(1,963,916)
(666,018)	-	(666,018)
(127,916)	-	(127,916)
(2,417)	-	(2,417)
(5,183,238)	-	(5,183,238)
-	(594,702)	(594,702)
-	(54,104)	(54,104)
-	(165,523)	(165,523)
-	123,807	123,807
-	(17,953)	(17,953)
-	(1,100,244)	(1,100,244)
-	(1,808,719)	(1,808,719)
(5,183,238)	(1,808,719)	(6,991,957)
297,821	-	297,821
14,506	-	14,506
4,186,534	1,209,848	5,396,382
441,553	-	441,553
189,391	-	189,391
153,801	82,477	236,278
10,336	-	10,336
23,227	30,046	53,273
5,317,169	1,322,371	6,639,540
(38,972)	38,972	-
5,278,197	1,361,343	6,639,540
94,959	(447,376)	(352,417)
14,196,608	16,993,445	31,190,053
-	(137,600)	(137,600)
\$ 14,291,567	\$ 16,408,469	\$ 30,700,036

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

City of Gunnison, Colorado
Balance Sheet
Governmental Funds
December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 3,375,617	\$ 401,954	\$ 3,777,571
Accounts receivable	731,524	-	731,524
Property tax receivable	295,541	-	295,541
Interfund advance to the Enterprise Fund	38,849	-	38,849
Prepaid items	63,504	32	63,536
Totals assets	\$ 4,505,035	\$ 401,986	\$ 4,907,021
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 95,396	\$ -	\$ 95,396
Accrued expenses	69,218	-	69,218
Total liabilities	164,614	-	164,614
Deferred inflows of resources			
Unearned revenue - property taxes	295,541	-	295,541
Total deferred inflows of resources	295,541	-	295,541
Fund balances			
Nonspendable	63,504	32	63,536
Restricted	194,527	15,628	210,155
Assigned	111,078	386,326	497,404
Unassigned	3,675,771	-	3,675,771
Total fund balances	4,044,880	401,986	4,446,866
Total liabilities, deferred inflows of resources and fund balances	\$ 4,505,035	\$ 401,986	\$ 4,907,021

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

City of Gunnison, Colorado
Reconciliation of the Governmental Funds Balance Sheet
With the Government-wide Statement of Net Position
Year Ended December 31, 2012

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

Fund balances of governmental funds		\$ 4,446,866
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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	\$ 20,904,134	
Less: accumulated depreciation	<u>(11,370,190)</u>	9,533,944

Internal service funds are collapsed into governmental activities.		528,984
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Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities at year-end consist of:

Capital leases payable	\$ (39,926)	
Compensated absences payable	(177,564)	
Accrued interest payable	<u>(737)</u>	<u>(218,227)</u>

Total net position of governmental activities		\$ 14,291,567
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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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and fees	\$ 5,129,805	\$ -	\$ 5,129,805
Licenses and permits	28,688	-	28,688
Charges for services	363,951	-	363,951
Fines and forfeitures	36,063	-	36,063
Intergovernmental	616,230	110,035	726,265
Earnings on investments	19,432	1,939	21,371
Rents and miscellaneous	153,801	-	153,801
Total revenues	6,347,970	111,974	6,459,944
Expenditures			
Current:			
General government	715,044	-	715,044
Public safety	1,711,133	-	1,711,133
Public works	724,514	23,794	748,308
Culture and recreation	983,981	-	983,981
Grants and contributions	127,916	-	127,916
Debt service:			
Principal	118,929	-	118,929
Interest	5,358	-	5,358
Capital outlay	2,377,773	20,340	2,398,113
Total expenditures	6,764,648	44,134	6,808,782
Excess (deficiency) of revenues over expenditures	(416,678)	67,840	(348,838)
Other financing sources (uses)			
Proceeds from sale of capital assets	10,336	-	10,336
Transfers in	140,834	-	140,834
Transfers out	(155,628)	(24,178)	(179,806)
Total other financing sources (uses)	(4,458)	(24,178)	(28,636)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(421,136)	43,662	(377,474)
Fund balances at beginning of year	4,466,016	358,324	4,824,340
Fund balances at end of year	\$ 4,044,880	\$ 401,986	\$ 4,446,866

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, 2012

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

Total net change in fund balance - governmental funds. \$ (377,474)

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

Cost of capital assets	\$ 850,174	
Depreciation expense	<u>(546,351)</u>	303,823

Internal service funds are collapsed into governmental activities. 36,734

Capital lease payments are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities. 118,929

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. 2,941

Decrease in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances. 10,006

Change in net position of governmental activities \$ 94,959

City of Gunnison, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Equity in pooled cash and investments	\$ 4,751,570	\$ 387,672
Accounts and taxes receivable	801,404	22
Inventories	745,569	-
Prepaid items	2,435	320
Total current assets	6,300,978	388,014
Noncurrent assets		
Restricted pooled cash and investments	547,401	-
Capital assets, net of accumulated depreciation	17,586,740	168,996
Total noncurrent assets	18,134,141	168,996
Total assets	24,435,119	557,010
Liabilities and net position		
Current liabilities		
Accounts payable	472,736	10,089
Accrued expenses	49,947	4,467
Customer deposits	56,945	-
Accrued interest payable	25,051	-
Interfund advance from the General Fund	38,849	-
Current portion of bonds payable	245,000	-
Total current liabilities	888,528	14,556
Noncurrent liabilities		
Pollution remediation obligation	5,000	-
Compensated absences payable	102,821	13,470
Bonds payable	7,030,301	-
Total noncurrent liabilities	7,138,122	13,470
Total liabilities	8,026,650	28,026
Net position		
Net investment in capital assets	10,311,439	168,996
Restricted for debt service	547,401	-
Unrestricted	5,549,629	359,988
Total net position	\$ 16,408,469	\$ 528,984

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

City of Gunnison, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
Operating revenues		
Electricity sales	\$ 4,550,412	\$ -
Water sales	553,000	-
Sanitary sewer charges	986,466	-
Trash collection fees	513,953	-
Communication service	586,511	-
Recreation department charges	300,625	-
Miscellaneous operating revenues	82,477	15,631
Fleet rental revenues	-	375,653
Total operating revenues	7,573,444	391,284
Operating expenses		
Cost of sales and services	3,747,136	-
Operations, maintenance and repair	3,173,937	-
Landfill closure expenses	10,000	-
Administration and general	887,564	-
Depreciation	755,229	6,437
Small equipment	513,313	-
Fleet expenses	-	349,969
Total operating expenses	9,087,179	356,406
Operating income (loss)	(1,513,735)	34,878
Nonoperating revenues (expenses)		
Sales and use tax	1,209,848	-
Intergovernmental	10,826	-
Earnings on investments	30,046	1,856
Interest expense	(307,535)	-
Total nonoperating revenues (expenses)	943,185	1,856
Income (loss) before contributions and transfers	(570,550)	36,734
Capital contributions	57,500	-
Hook-up services	26,702	-
Transfers in	169,806	-
Transfers out	(130,834)	-
Change in net position	(447,376)	36,734
Net position at beginning of year, previously reported	16,993,445	492,250
Cumulative effect of change in accounting principle	(137,600)	-
Net position at end of year	\$ 16,408,469	\$ 528,984

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, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities		
Cash received from customers	\$ 7,467,211	\$ 391,273
Cash payments to suppliers	(6,146,240)	(121,348)
Cash payments to employees	(2,099,073)	(222,516)
Net cash flows from operating activities	(778,102)	47,409
Cash flows from non-capital financing activities		
Sales and use tax	1,209,848	-
Operating grants and contributions	10,826	-
Transfers in	169,806	-
Transfers out	(130,834)	-
Net cash flows from non-capital financing activities	1,259,646	-
Cash flows from capital and related financing activities		
Capital grants and contributions	106,252	-
Acquisitions of capital assets	(492,395)	-
Change in restricted pooled cash and investments	(492)	-
Principal paid on long-term debt	(235,000)	-
Interest paid on long-term debt	(309,577)	-
Net cash flows from capital and related financing activities	(931,212)	-
Cash flows from investing activities		
Net purchases of investments	(36,560)	(84,945)
Earnings on investments	30,046	1,856
Net cash flows from investing activities	(6,514)	(83,089)
Net change in cash and cash equivalents	(456,182)	(35,680)
Cash and cash equivalents at beginning of year	805,233	64,551
Cash and cash equivalents at end of year	349,041	28,871
Investments at end of year	4,402,529	358,801
Cash and investments at end of year	\$ 4,751,570	\$ 387,672

Continued

City of Gunnison, Colorado
Statement of Cash Flows
Proprietary Funds
(Continued)
Year Ended December 31, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (1,513,735)	\$ 34,878
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	755,229	6,437
(Increase) decrease in :		
Accounts receivable	23,830	(11)
Prepaid expenses	505	91
Inventories	(11,165)	-
General Fund advances	(130,834)	-
Increase (decrease) in:		
Accounts payable	108,265	4,307
Accrued expenses	6,175	-
Pollution remediation liability	(10,000)	-
Customer deposits	771	-
Compensated absences payable	(7,143)	1,707
Net cash flows from operating activities	\$ (778,102)	\$ 47,409

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

City of Gunnison, Colorado
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2012

	Volunteer Firefighters' Pension Fund
Assets	
Cash and investments	\$ 1,775,654
Total assets	1,775,654
Net position	
Net position - held in trust for pension benefits	\$ 1,775,654

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

City of Gunnison, Colorado
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2012

	Volunteer Firefighters' Pension Fund
<hr/>	
Additions	
Contributions	\$ 130,830
Earnings on investments	198,385
Total additions	329,215
<hr/>	
Deductions	
Benefits	98,993
Expenses	3,873
Total deductions	102,866
<hr/>	
Change in net position	226,349
Net position at beginning of year	1,549,305
<hr/>	
Net position at end of year	\$ 1,775,654

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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies

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

Reporting Entity

The City was incorporated in 1880 and adopted its Home Rule Charter during 1962. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; sanitation; health and social services; culture - recreation; education; public improvements; planning and zoning; and general administrative services. The City's basic financial statements include the accounts of all City operations. As required by GAAP, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, "*The Financial Reporting Entity*", which defines the reporting entity as the primary government and those component units for which the 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 a joint venture created for special purposes, which are not part of the City's reporting entity. Additional information regarding the City's participation in the joint venture is provided in Note 11. The following is a description of the joint venture in which the City participates:

Gunnison/Hinsdale Combined Emergency Telephone Service Authority - The City is one of 10 local governments which are members of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority ("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.

The investment in the joint venture was recorded as an expenditure at the time the investment was 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, 2012

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 position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has one major enterprise fund, which is used to account for the activities of the following departments: Electric, Water, Sewer, Refuse, Communication, and Recreation. The internal service fund accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Fleet Management Fund, a nonmajor fund.

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

Basis of Presentation

Government-wide Financial Statements

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

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, 2012

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

Fund Financial Statements

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

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

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return,

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

include property taxes, grants, intergovernmental revenues and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, intergovernmental revenues and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

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

Expenses/Expenditures

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

Accounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. The principal operating revenues of the government’s enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year. The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets for the year ended December 31, 2012:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General fund	\$ 5,929,707	\$ 1,816,611	\$ 7,746,318
Special revenue funds:			
Conservation trust fund	43,500	10,000	53,500
Ditch fund	43,316	-	43,316
Internal service fund:			
Fleet management fund	392,328	-	392,328
Enterprise fund (departments):			
Electric department	4,890,035	184,379	5,074,414
Water department	578,371	12,854	591,225
Sewer department	1,152,909	142,611	1,295,520
Refuse department	423,064	1,720	424,784
Communications department	599,700	17,570	617,270
Recreation department	1,463,214	140,372	1,603,586
Fiduciary Fund:			
Volunteer Firefighters' Pension Fund	98,470	4,523	102,993
Total funds	\$ 15,614,614	\$ 2,330,640	\$ 17,945,254

Cash, Cash Equivalents and Temporary Investments

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

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

City of Gunnison, Colorado
Notes to Financial Statements
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Property Taxes

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

Short-Term Inter-fund Receivables/Payables

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

Prepaid Items

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

Capital Assets

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

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

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

Compensated Absences Payable

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

City of Gunnison, Colorado
Notes to Financial Statements
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absences are reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

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

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

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

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

Fund Balance and Net Position

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

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

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

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

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City.

City of Gunnison, Colorado
Notes to Financial Statements
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Commitments may be established, modified, or rescinded only through resolutions approved by City Council.

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

Unassigned - all other spendable amounts.

As of December 31, 2012, fund balances are composed of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 63,504	\$ 32	\$ 63,536
Restricted:			
Emergency reserve	194,527	-	194,527
Parks and recreation (conservation trust fund)	-	15,628	15,628
Assigned:			
Special revenue funds	-	386,326	386,326
Special purposes (Note 15)	111,078	-	111,078
Unassigned	3,675,771	-	3,675,771
Total	\$ 4,044,880	\$ 401,986	\$ 4,446,866

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

Contribution of Capital

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

Interfund Transactions

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council, and

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items during 2012.

Use of Estimates

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

2. New Accounting Pronouncements

During 2012, the City implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, which do not conflict with or contradict GASB Pronouncements. This statement had no impact to the City's financial statements.

During 2012, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "Elements of Financial Statements" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

During 2012, the City early implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the implementation of this statement, the calculation of deferred loss on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and debt issuance costs should be recognized as an expense in the period incurred. In addition, the deferred revenue for property taxes is now classified as a deferred inflow of resources instead of a liability. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at the beginning of the year by \$137,600 in the business-type activities, which is the amount of unamortized bond issuance costs in the prior year as of December 31, 2011.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

3. Cash, Cash Equivalents and Investments

The composition of the City's cash and cash equivalents including restricted cash on December 31, 2012, was as follows:

	S & P Rating	Fair Value	Concentration of Credit Risk
Cash on hand	N/A	\$ 1,118	N/A
Cash in financial institutions	N/A	2,390,122	N/A
Certificates of deposit	N/A	6,539,237	73.9%
COLOTRUST	AAAm	1,633,280	18.5%
CSAFE	AAAm	676,111	7.6%
Total		\$11,239,868	

Cash and investments per statement of net position:

Government-wide Financial Statements:		
Equity in pooled cash and investments		\$ 8,916,813
Restricted pooled cash and investments		547,401
Fiduciary Fund Statements:		
Cash and investments		1,775,654
Total		\$ 11,239,868

Custodial Credit Risk - Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City's deposit policy is in accordance with Colorado Revised Statutes ("CRS") 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance limits must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2012, 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, 2012, 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, 2012

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, 2012, the City had invested \$2,309,391 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.

4. Interfund Transactions

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

The following table summarizes interfund transfers for the year ended December 31, 2012:

Transfers Out:	Transfers In		
	General Fund	Enterprise Fund	Totals
Governmental Funds:			
General Fund	\$ -	\$ 155,628	\$ 155,628
Nonmajor funds	10,000	14,178	24,178
Total governmental funds	10,000	169,806	179,806
Enterprise Fund	130,834	-	130,834
Total all funds	\$ 140,834	\$ 169,806	\$ 310,640

City of Gunnison, Colorado
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The General Fund recorded an Interfund advance due to the Enterprise Fund (receivable) of \$38,849 on the Balance Sheet and the Enterprise Fund recorded an offsetting interfund advance from the General Fund (payable) on the Statement of Net Position. This was the result of a cash advance from the General Fund.

5. Receivables

Receivables at December 31, 2012, consist of the following:

	General Fund	Enterprise Fund	Internal Service fund	Total
Taxes	\$ 755,732	\$ 124,926	\$ -	880,658
Trade accounts	-	591,988	-	591,988
Intergovernmental	248,216	53,428	-	301,644
Other	23,117	31,062	22	54,201
Total	\$ 1,027,065	\$ 801,404	\$ 22	\$ 1,828,491

6. Capital Assets

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,739,137	\$ 201,860	\$ -	\$ 1,940,997
Capital assets being depreciated:				
Land improvements	1,332,792	304,496	-	1,637,288
Buildings and improvements	5,520,945	-	-	5,520,945
Infrastructure	6,553,837	103,309	-	6,657,146
Machinery and equipment	3,118,218	179,332	(1,801)	3,295,749
Licensed vehicles	2,911,966	61,177	(119,002)	2,854,141
	19,437,758	648,314	(120,803)	19,965,269
Less accumulated depreciation:				
Land improvements	(604,326)	(68,707)	-	(673,033)
Buildings and improvements	(1,580,612)	(118,914)	-	(1,699,526)
Infrastructure	(4,933,091)	(57,781)	-	(4,990,872)
Machinery and equipment	(2,268,287)	(154,597)	1,801	(2,421,083)
Licensed vehicles	(2,385,025)	(152,789)	119,002	(2,418,812)
	(11,771,341)	(552,788)	120,803	(12,203,326)
Capital assets being depreciated, net	7,666,417	95,526	-	7,761,943
Total governmental activities capital assets	\$ 9,405,554	\$ 297,386	\$ -	\$ 9,702,940

City of Gunnison, Colorado
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Depreciation for governmental activities has been allocated to various activities as follows:

General government	\$ 39,801
Public safety	87,341
Public works	346,045
Culture and recreation	79,601
Total	\$ 552,788

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 560,253	\$ -	\$ -	\$ 560,253
Capital assets being depreciated:				
Land improvements	1,544,451	120,702	-	1,665,153
Building and improvements	15,655,341	20,572	-	15,675,913
Infrastructure	6,330,227	164,639	-	6,494,866
Machinery and equipment	8,493,232	105,402	-	8,598,634
Licensed vehicles	1,917,854	81,080	-	1,998,934
	33,941,105	492,395	-	34,433,500
Less accumulated depreciation:				
Land improvements	(501,649)	(84,490)	-	(586,139)
Building and improvements	(4,175,610)	(290,821)	-	(4,466,431)
Infrastructure	(3,557,588)	(77,966)	-	(3,635,554)
Machinery and equipment	(6,952,991)	(180,529)	-	(7,133,520)
Licensed vehicles	(1,463,946)	(121,423)	-	(1,585,369)
	(16,651,784)	(755,229)	-	(17,407,013)
Capital assets being depreciated, net	17,289,321	(262,834)	-	17,026,487
Total business-type activities capital assets	\$ 17,849,574	\$ (262,834)	\$ -	\$17,586,740

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

Electric	\$ 175,964
Water	89,549
Sewer	84,948
Refuse	34,332
Communications	25,987
Recreation	344,449
Total	\$ 755,229

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

7. 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 was for \$505,652 and bore interest at 3.63%. The lease required seven annual payments of \$83,098 beginning in April of 2007. This lease was fully repaid in April 2012.

On April 22, 2011, the City entered into a capital lease for the purchase of a 2009 Sterling Truck. The lease is for \$78,668 and bears interest at 3.13%. The lease requires two annual payments of \$41,189 beginning in April of 2012. The lease will be fully repaid in April 2013.

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, 2012, is \$7,260,000.

A summary of changes in long-term debt for the year ended December 31, 2012, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Obligations under					
capital leases	\$ 158,855	\$ -	\$ (118,929)	\$ 39,926	\$ 39,926
Compensated absences	203,800	229,327	(242,093)	191,034	-
	\$ 362,655	\$ 229,327	\$ (361,022)	\$ 230,960	\$ 39,926
Business-type activities					
Bonds:					
2007 sales and use					
tax bonds	\$ 7,495,000	\$ -	\$ (235,000)	\$ 7,260,000	\$ 245,000
Premiums:					
2007 sales and use					
tax bonds	16,608	-	(1,307)	15,301	-
Compensated absences	109,964	105,404	(112,547)	102,821	-
	\$ 7,621,572	\$ 105,404	\$ (348,854)	\$ 7,378,122	\$ 245,000

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

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

Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 39,926	\$ 1,249	\$ 245,000	\$ 300,615
2014	-	-	250,000	291,428
2015	-	-	260,000	282,053
2016	-	-	275,000	271,653
2017	-	-	285,000	260,653
2018-2022	-	-	1,595,000	1,123,498
2023-2027	-	-	1,950,000	770,640
2028-2032	-	-	2,400,000	321,220
Total	\$ 39,926	\$ 1,249	\$ 7,260,000	\$ 3,621,760

The following is the book value of capital assets acquired through capital leases at December 31, 2012:

	Governmental Activities
Licensed vehicles	\$ 124,041
Accumulated depreciation	(30,343)
Total	\$ 93,698

Bond Covenant

As required by the Series 2007 bond agreement, the City is required to establish, in a separate bank account, a debt service reserve to fund the subsequent year's debt service requirements. The City has restricted investments of \$547,401 for this purpose, which are presented as restricted pooled cash and investments in the accompanying statement of net position.

8. Pollution Remediation Obligation

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

During 2011, the City determined that the City has fulfilled its remediation of the landfill, with the exception of reseeded at the landfill site. Therefore, the total liability in 2011 for the landfill was reduced to \$15,000, which is the estimated cost of the reseeded. In 2012, the City further reduced the liability to \$5,000 to account for additional testing that may be required before the remediation is closed out. 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.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

9. Pension Plans

New Policemen Pension Plan

The City contributes to a defined contribution agent multiple-employer public employee retirement system on behalf of all full-time police officers employed. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City and the employees each contribute 11.2% of the employee's base salary. This contribution rate and other provisions are established and may be amended by City Council. Employees vest in City contributions and interest earnings thereon immediately. During the year ended December 31, 2012, employees and the City made the required contributions to the plan of \$82,515 and \$82,515, respectively.

All of the New Police Pension Plan investments at December 31, 2012, of \$2,228,311, are managed by the Colorado County Officials and Employees Retirement Association ("CCOERA"). Separately issued financial statements for the plan may be obtained from CCOERA at 4949 South Syracuse St., Suite 400, Denver, Colorado 80237.

Volunteer Firefighters Pension Plan

The City has a single employer-defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statutes. 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 Plan are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan. In 2012, the City contributed \$32,700 to the Plan, the Fire Protection District contributed \$32,700, and the State contributed \$65,430. 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% 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 "Net Pension 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, 2011. Significant actuarial assumptions at January 1, 2011 are detailed below:

Mortality - 1994 Group Annuity Mortality Table, Static
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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

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 Required Contributions	Percentage or ARC Contribution	Net Pension Obligation
2010	\$ 32,700	100%	\$ -
2011	\$ 32,700	100%	\$ -
2012	\$ 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.

General Employee Pension Plan

The City contributes to a defined contribution multiple-employer public employee retirement system on behalf of all full-time permanent employees with one or more service years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employee participation is mandatory. The City and the employees each contribute 5% of the employee's base salary. This contribution rate and other provisions are established and may be amended by City Council. Employees vest in City contributions and interest earnings thereon immediately. During the year ended December 31, 2012, employees and the City made the required contributions to the plan of \$152,442 and \$152,442, respectively.

All of the General Employee Pension Plan investments, at December 31, 2012, of \$4,103,563 were managed by the CCOERA. Separately issued financial statements for the fund may be obtained from CCOERA.

10. Deferred Compensation Plan

The City offers to employees two different deferred compensation plans created in accordance with Internal Revenue Code Section 457. The non-police employee plan is administered by the International City Managers Association Retirement Corporation ("ICMA") and the police employee plan is administered by CCOERA. The Plans permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust for the benefit of the employee and therefore not reflected on the financial statements of the City. The City's contributions to the plans for the year ending December 31, 2012, were \$11,941 to the ICMA 457 plan and \$35,991 to the CCOERA 457 plan.

11. Joint Ventures

Gunnison/Hinsdale Combined Emergency Telephone Service Authority Board

At December 31, 2012 (date of latest available information), Gunnison/Hinsdale Authority had assets of \$632,934, liabilities of \$31,364 and \$601,570 in net position. Total revenues for 2012 were \$218,137 and total expenses were \$186,745 resulting in a net change in fund balance of \$31,392. The amount of the City's share of these amounts is based upon the percentage of the county wide telephone accesses to be served.

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

12. Risk Management

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

13. 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, 2012, 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.

14. Compliance

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

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

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, excludes economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). At December 31, 2012 the City has restricted \$194,527 in the General Fund for emergencies as defined under Article X, Section 20 of the Colorado Constitution.

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

City of Gunnison, Colorado
Notes to Financial Statements
December 31, 2012

15 - Assigned Fund Balance

The fund balance in the General Fund is assigned as follows as of December 31, 2012:

Youth Council	\$ 350
Annexation - Gunnison Rising	82,863
Seizure funds	6,457
Scholarships	9,175
Law enforcement	10,745
DARE	1,488
	<hr/>
	\$ 111,078

16. Subsequent Events

The City evaluated subsequent events through July 23, 2013, the date these financial statements were available to be issued. In April 2013, the City was awarded a \$650,000 grant from the Colorado Department of Local Affairs for the construction of the Public Safety Center. The construction started in July 2013. There were no additional 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 Balance (Budget and Actual)
General Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes and fees	\$ 4,968,985	\$ 4,968,985	\$ 5,129,805	\$ 160,820
Licenses and permits	24,730	24,730	28,688	3,958
Charges for services	190,013	190,013	363,951	173,938
Fines and forfeitures	27,190	27,190	36,063	8,873
Intergovernmental	376,066	376,066	616,230	240,164
Earnings on investments	28,000	28,000	19,432	(8,568)
Rents and miscellaneous	76,000	76,000	153,801	77,801
Total revenues	5,690,984	5,690,984	6,347,970	656,986
Expenditures				
Current:				
General government	754,641	758,482	715,044	43,438
Public safety	1,750,992	1,750,992	1,711,133	39,859
Public works	769,275	769,275	724,514	44,761
Culture and recreation	955,601	1,030,021	983,981	46,040
Grants and contributions	283,003	283,003	127,916	155,087
Debt service:				
Principal	-	-	118,929	(118,929)
Interest	-	-	5,358	(5,358)
Capital outlay	1,260,567	2,998,917	2,377,773	621,144
Total expenditures	5,774,079	7,590,690	6,764,648	826,042
Deficiency of revenues over expenditures	(83,095)	(1,899,706)	(416,678)	1,483,028
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	10,336	10,336
Transfers in	157,677	167,677	140,834	(26,843)
Transfers out	(155,628)	(155,628)	(155,628)	-
Total other financing sources (uses)	2,049	12,049	(4,458)	(16,507)
Deficiency of revenues and other sources over expenditures and other uses	\$ (81,046)	\$ (1,887,657)	(421,136)	\$ 1,466,521
Fund balance at beginning of year			4,466,016	
Fund balance at end of year			\$ 4,044,880	

See accompanying Independent Auditor's Report.

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

Analysis of Funding Progress

Year	Actuarial Value of Assets	Actuarial Accrued Liability	Excess (Deficiency) of Assets Over AAL	Percent Funded	Annual Covered Payroll
2007	\$ 1,192,697	\$ 1,381,237	\$ (188,540)	86%	N/A
2009	\$ 1,065,012	\$ 1,353,533	\$ (288,521)	79%	N/A
2011*	\$ 1,520,739	\$ 1,516,769	\$ 3,970	100%	N/A

* Date of latest actuarial study was January 1, 2011.

Revenues by Source

Year	City Contributions	District Contributions	State Contributions	Investment Income (Loss)	Total
2010	\$ 32,700	\$ 31,500	\$ 69,930	\$ 175,735	\$ 309,865
2011	\$ 32,700	\$ 40,000	\$ 57,780	\$ (2,930)	\$ 127,550
2012	\$ 32,700	\$ 32,700	\$ 65,430	\$ 198,385	\$ 329,215

Expenses by Source

Year	Benefits	Administrative Expenses	Total
2010	\$ 98,178	\$ -	\$ 98,178
2011	\$ 93,060	\$ 5,924	\$ 98,984
2012	\$ 98,993	\$ 3,873	\$ 102,866

See accompanying Independent Auditor's Report.

Other Supplementary Information

City of Gunnison, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Conservation Trust Fund	Ditch Fund	Total Nonmajor Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 15,628	\$ 386,326	\$ 401,954
Prepaid items	-	32	32
Total assets	\$ 15,628	\$ 386,358	\$ 401,986
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances			
Nonspendable		32	32
Restricted	15,628	-	15,628
Assigned	-	386,326	386,326
Total fund balances	15,628	386,358	401,986
Total liabilities and fund balances	\$ 15,628	\$ 386,358	\$ 401,986

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2012

	Conservation Trust Fund	Ditch Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 43,451	\$ 66,584	\$ 110,035
Earnings on investments	91	1,848	1,939
Total revenues	43,542	68,432	111,974
Expenditures			
Current:			
Public works	-	23,794	23,794
Capital outlay	18,376	1,964	20,340
Total expenditures	18,376	25,758	44,134
Excess of revenues over expenditures	25,166	42,674	67,840
Other financing uses			
Transfers out	(24,178)	-	(24,178)
Net change in fund balance	988	42,674	43,662
Fund balance at beginning of year	14,640	343,684	358,324
Fund balance at end of year	\$ 15,628	\$ 386,358	\$ 401,986

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 37,500	\$ 37,500	\$ 43,451	\$ 5,951
Earnings on investments	-	-	91	91
Total revenues	37,500	37,500	43,542	6,042
Expenditures				
Capital outlay	31,000	31,000	18,376	12,624
Total expenditures	31,000	31,000	18,376	12,624
Excess of revenues over expenditures	6,500	6,500	25,166	18,666
Other financing uses				
Transfers out	(12,500)	(22,500)	(24,178)	(1,678)
Net change in fund balance	\$ (6,000)	\$ (16,000)	988	\$ 16,988
Fund balance at beginning of year			14,640	
Fund balance at end of year			\$ 15,628	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Ditch Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 66,584	\$ 16,584
Earnings on investments	1,753	1,753	1,848	95
Total revenues	51,753	51,753	68,432	16,679
Expenditures				
Current				
Public works	33,316	33,316	23,794	9,522
Capital outlay	10,000	10,000	1,964	8,036
Total expenditures	43,316	43,316	25,758	17,558
Excess of revenues over expenditures	\$ 8,437	\$ 8,437	42,674	\$ 34,237
Fund balance at beginning of year			343,684	
Fund balance at end of year			\$ 386,358	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Net Position
Departments of the Enterprise Fund
December 31, 2012

	Electric Department	Water Department	Sewer Department
Assets			
Current assets			
Equity in pooled cash and investments	\$ 1,356,063	\$ 867,865	\$ 1,228,117
Accounts and taxes receivable	441,816	34,893	106,347
Inventories	420,776	104,391	93,106
Prepaid items	400	317	671
Total current assets	2,219,055	1,007,466	1,428,241
Non-current assets			
Restricted pooled cash and investments	-	-	-
Capital assets, net of accumulated depreciation	2,445,244	877,005	2,336,308
Total non-current assets	2,445,244	877,005	2,336,308
Total assets	4,664,299	1,884,471	3,764,549
Liabilities and net position			
Current liabilities			
Accounts payable	415,346	8,184	8,227
Accrued expenses	15,262	3,817	9,459
Customer deposits	56,945	-	-
Accrued interest payable	-	-	-
Interfund advance from the General Fund	-	-	-
Current portion of revenue bonds payable	-	-	-
Total current liabilities	487,553	12,001	17,686
Non-current liabilities			
Pollution remediation obligation	-	-	-
Compensated absences payable	21,925	14,309	38,085
Revenue bonds payable	-	-	-
Total non-current liabilities	21,925	14,309	38,085
Total liabilities	509,478	26,310	55,771
Net position			
Net investment in capital assets	2,445,244	877,005	2,336,308
Restricted for debt service	-	-	-
Unrestricted	1,709,577	981,156	1,372,470
Total net position	\$ 4,154,821	\$ 1,858,161	\$ 3,708,778

Refuse Department	Communication Department	Recreation Department	Total
\$ 653,894	\$ 201,705	\$ 443,926	\$ 4,751,570
50,132	28,623	139,593	801,404
59,383	-	67,913	745,569
449	67	531	2,435
<u>763,858</u>	<u>230,395</u>	<u>651,963</u>	<u>6,300,978</u>
-	-	547,401	547,401
178,278	113,250	11,636,655	17,586,740
<u>178,278</u>	<u>113,250</u>	<u>12,184,056</u>	<u>18,134,141</u>
<u>942,136</u>	<u>343,645</u>	<u>12,836,019</u>	<u>24,435,119</u>
17,645	3,742	19,592	472,736
2,309	10,239	8,861	49,947
-	-	-	56,945
-	-	25,051	25,051
-	-	38,849	38,849
-	-	245,000	245,000
<u>19,954</u>	<u>13,981</u>	<u>337,353</u>	<u>888,528</u>
5,000	-	-	5,000
2,214	21,481	4,807	102,821
-	-	7,030,301	7,030,301
<u>7,214</u>	<u>21,481</u>	<u>7,035,108</u>	<u>7,138,122</u>
<u>27,168</u>	<u>35,462</u>	<u>7,372,461</u>	<u>8,026,650</u>
178,278	113,250	4,361,354	10,311,439
-	-	547,401	547,401
736,690	194,933	554,803	5,549,629
<u>\$ 914,968</u>	<u>\$ 308,183</u>	<u>\$ 5,463,558</u>	<u>\$ 16,408,469</u>

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Combining Statement of Revenues, Expenses and Changes in Net Position
Departments of the Enterprise Fund
Year Ended December 31, 2012

	Electric Department	Water Department	Sewer Department
Operating revenues			
Electricity sales	\$ 4,550,412	\$ -	\$ -
Water sales	-	553,000	-
Sanitary sewer charges	-	-	986,466
Trash collection fees	-	-	-
Communication services	-	-	-
Recreation department charges	-	-	-
Miscellaneous operating revenues	13,539	-	19,628
Total operating revenues	4,563,951	553,000	1,006,094
Operating expenses			
Cost of sales and services	3,747,136	-	-
Operations, maintenance and repair	509,625	336,140	803,006
Landfill closure expenses	-	-	-
Administration and general	570,244	127,527	99,486
Depreciation	175,964	89,549	84,948
Small equipment	168,714	61,521	214,549
Total operating expenses	5,171,683	614,737	1,201,989
Operating income (loss)	(607,732)	(61,737)	(195,895)
Nonoperating revenues (expenses)			
Sales and use tax	-	-	-
Intergovernmental	-	-	-
Earnings on investments	8,941	4,327	7,314
Interest expense	-	-	-
Total other revenues (expenses)	8,941	4,327	7,314
Income (loss) before contributions and transfers	(598,791)	(57,410)	(188,581)
Capital contributions	-	7,500	50,000
Hook-up services	26,569	133	-
Transfers in	-	-	-
Transfers (out)	-	-	-
Change in net position	(572,222)	(49,777)	(138,581)
Net position at beginning of year, previously reported	4,727,043	1,907,938	3,847,359
Cumulative effect of change in accounting principle	-	-	-
Net position at end of year	\$ 4,154,821	\$ 1,858,161	\$ 3,708,778

Refuse Department	Communications Department	Recreation Department	Total
\$ -	\$ -	\$ -	\$ 4,550,412
-	-	-	553,000
-	-	-	986,466
513,953	-	-	513,953
-	586,511	-	586,511
-	-	300,625	300,625
33,703	-	15,607	82,477
547,656	586,511	316,232	7,573,444
-	-	-	3,747,136
253,109	578,477	693,580	3,173,937
10,000	-	-	10,000
90,307	-	-	887,564
34,332	25,987	344,449	755,229
13,224	-	55,305	513,313
400,972	604,464	1,093,334	9,087,179
146,684	(17,953)	(777,102)	(1,513,735)
-	-	1,209,848	1,209,848
10,826	-	-	10,826
3,069	1,698	4,697	30,046
-	-	(307,535)	(307,535)
13,895	1,698	907,010	943,185
160,579	(16,255)	129,908	(570,550)
-	-	-	57,500
-	-	-	26,702
-	-	169,806	169,806
-	-	(130,834)	(130,834)
160,579	(16,255)	168,880	(447,376)
754,389	324,438	5,432,278	16,993,445
-	-	(137,600)	(137,600)
\$ 914,968	\$ 308,183	\$ 5,463,558	\$ 16,408,469

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Electric Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Electricity sales	\$ 4,888,935	\$ 4,888,935	\$ 4,550,412	\$ (338,523)
Miscellaneous operating revenues	7,000	7,000	13,539	6,539
Total operating revenues	4,895,935	4,895,935	4,563,951	(331,984)
Expenditures				
Purchased power	3,517,731	3,652,205	3,747,136	(94,931)
Operations, maintenance and repair	553,524	586,749	509,625	77,124
Administration and general	572,880	589,560	570,244	19,316
Small equipment	181,900	181,900	168,714	13,186
Capital outlay	64,000	64,000	56,886	7,114
Total expenditures	4,890,035	5,074,414	5,052,605	21,809
Excess (deficiency) of operating revenues over expenditures	5,900	(178,479)	(488,654)	(310,175)
Other revenues				
Earnings on investments	11,000	11,000	8,941	(2,059)
Hook-up services	10,000	10,000	26,569	16,569
Total other revenues	21,000	21,000	35,510	14,510
Change in net position - budgetary basis	\$ 26,900	\$ (157,479)	(453,144)	\$ (295,665)
Reconciliation to GAAP basis				
Capital outlay			56,886	
Depreciation			<u>(175,964)</u>	
Change in net position - GAAP basis			(572,222)	
Net position at beginning of year			<u>4,727,043</u>	
Net position at end of year			<u>\$ 4,154,821</u>	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Water sales	\$ 549,867	\$ 549,867	\$ 553,000	\$ 3,133
Miscellaneous operating revenues	500	500	-	(500)
Total operating revenues	550,367	550,367	553,000	2,633
Expenditures				
Operations, maintenance and repair	367,131	379,985	336,140	43,845
Administration and general	131,741	131,741	127,527	4,214
Small equipment	50,000	50,000	61,521	(11,521)
Capital outlay	29,499	29,499	29,499	-
Total expenditures	578,371	591,225	554,687	36,538
Deficiency of operating revenues over expenditures	(28,004)	(40,858)	(1,687)	39,171
Other revenues				
Earnings on investments	7,384	7,384	4,327	(3,057)
Hook-up services	1,200	1,200	133	(1,067)
Tap fees	2,500	2,500	7,500	5,000
Total other revenues	11,084	11,084	11,960	876
Change in net position - budgetary basis	\$ (16,920)	\$ (29,774)	10,273	\$ 40,047
Reconciliation to GAAP basis				
Capital outlay			29,499	
Depreciation			(89,549)	
Change in net position - GAAP basis			(49,777)	
Net position at beginning of year			1,907,938	
Net position at end of year			\$ 1,858,161	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sewer Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Sanitary sewer charges	\$ 967,221	\$ 967,221	\$ 986,466	\$ 19,245
Miscellaneous operating revenues	12,000	12,000	19,628	7,628
Total operating revenues	979,221	979,221	1,006,094	26,873
Expenditures				
Operations, maintenance and repair	821,635	962,932	803,006	159,926
Administration and general	98,274	99,588	99,486	102
Small equipment	233,000	233,000	214,549	18,451
Capital outlay	-	-	135,140	(135,140)
Total expenditures	1,152,909	1,295,520	1,252,181	43,339
Deficiency of operating revenues over expenditures	(173,688)	(316,299)	(246,087)	70,212
Other revenues				
Earnings on investments	11,573	11,573	7,314	(4,259)
Tap fees	11,000	11,000	50,000	39,000
Total other revenues	22,573	22,573	57,314	34,741
Change in net position - budgetary basis	\$ (151,115)	\$ (293,726)	(188,773)	\$ 104,953
Reconciliation to GAAP basis				
Capital outlay			135,140	
Depreciation			(84,948)	
Change in net position - GAAP basis			(138,581)	
Net position at beginning of year			3,847,359	
Net position at end of year			\$ 3,708,778	

See accompanying Independent Auditors' Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Refuse Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Trash collections fees	\$ 477,933	\$ 477,933	\$ 513,953	\$ 36,020
Miscellaneous operating revenues	23,800	23,800	33,703	9,903
Total operating revenues	501,733	501,733	547,656	45,923
Expenditures				
Operations, maintenance and repair	270,521	270,521	253,109	17,412
Administration and general	92,543	94,263	90,307	3,956
Landfill closure expenses	5,000	5,000	10,000	(5,000)
Small equipment	55,000	55,000	13,224	41,776
Capital outlay	-	-	29,294	(29,294)
Total expenditures	423,064	424,784	395,934	28,850
Excess of operating revenues over expenditures	78,669	76,949	151,722	74,773
Nonoperating revenues				
Intergovernmental revenues	5,000	5,000	10,826	5,826
Earnings on investments	1,700	1,700	3,069	1,369
Total other revenues	6,700	6,700	13,895	7,195
Change in net position - budgetary basis	\$ 85,369	\$ 83,649	165,617	\$ 81,968
Reconciliation to GAAP basis				
Depreciation			(34,332)	
Capital outlay			29,294	
Change in net position - GAAP basis			160,579	
Net position at beginning of year			754,389	
Net position at end of year			\$ 914,968	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Communications Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Communication services	\$ 585,920	\$ 585,920	\$ 586,511	\$ 591
Total operating revenues	585,920	585,920	586,511	591
Expenditures				
Operations, maintenance and repair	599,700	617,270	578,477	38,793
Capital outlay	-	-	20,571	(20,571)
Total expenditures	599,700	617,270	599,048	18,222
Deficiency of operating revenues over expenditures	(13,780)	(31,350)	(12,537)	18,813
Other revenues				
Earnings on investments	1,119	1,119	1,698	579
Total other revenues	1,119	1,119	1,698	579
Change in net position - budgetary basis	\$ (12,661)	\$ (30,231)	(10,839)	\$ 19,392
Reconciliation to GAAP basis				
Depreciation			(25,987)	
Capital outlay			20,571	
Change in net position - GAAP basis			(16,255)	
Net position at beginning of year			324,438	
Net position at end of year			\$ 308,183	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Recreation Department
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Recreation department charges	\$ 316,800	\$ 316,800	\$ 300,625	\$ (16,175)
Miscellaneous operating revenues	-	-	15,607	15,607
Total operating revenues	316,800	316,800	316,232	(568)
Expenditures				
Operations, maintenance and repair	732,577	765,906	693,580	72,326
Small equipment	186,050	186,050	55,305	130,745
Capital outlay	-	107,043	221,005	(113,962)
Total expenditures	918,627	1,058,999	969,890	89,109
Excess of operating revenues over expenditures	(601,827)	(742,199)	(653,658)	88,541
Other revenues (expenses)				
Sales tax	1,156,862	1,156,862	1,175,656	18,794
Use tax	35,185	35,185	34,192	(993)
Earnings on investments	791	791	4,697	3,906
Interest expense	(309,587)	(309,587)	(307,535)	2,052
Principal paid	(235,000)	(235,000)	(235,000)	-
Total other revenues (expenses)	648,251	648,251	672,010	23,759
Net income (loss) before transfers	46,424	(93,948)	18,352	112,300
Transfers in	187,936	187,936	169,806	(18,130)
Transfers out	(177,485)	(177,485)	(130,834)	46,651
Change in net position - budgetary basis	\$ 56,875	\$ (83,497)	57,324	\$ 140,821
Reconciliation to GAAP basis				
Depreciation			(344,449)	
Capital outlay			221,005	
Principal paid			235,000	
Change in net position - GAAP basis			168,880	
Net position at beginning of year - as previously reported			5,432,278	
Cumulative effect of change in accounting principle			(137,600)	
Net position at end of year			\$ 5,463,558	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Internal Service - Fleet Management Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues				
Monthly repair revenue	\$ 110,945	\$ 110,945	\$ 110,945	\$ -
Fleet rental revenue	264,708	264,708	264,708	-
Miscellaneous operating revenues	15,200	15,200	15,631	431
Total operating revenues	390,853	390,853	391,284	431
Expenditures				
Fleet expenses	392,328	392,328	349,969	42,359
Excess (deficiency) of revenues over expenditures	(1,475)	(1,475)	41,315	42,790
Other revenues				
Earnings on investments	1,678	1,678	1,856	178
Change in net position - budgetary basis	\$ 203	\$ 203	43,171	\$ 42,968
Reconciliation to GAAP basis				
Depreciation			<u>(6,437)</u>	
Change in net position - GAAP basis			36,734	
Net position at beginning of year			<u>492,250</u>	
Net position at end of year			<u>\$ 528,984</u>	

See accompanying Independent Auditor's Report.

City of Gunnison, Colorado
Schedule of Changes in Fiduciary Net Position
Budget and Actual (Non-GAAP Basis)
Volunteer Firefighters' Pension Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Contributions	\$ 133,130	\$ 133,130	\$ 130,830	\$ (2,300)
Earnings on investments	80,000	80,000	198,385	118,385
Total additions	213,130	213,130	329,215	116,085
Deductions				
Benefits	94,470	98,993	98,993	-
Expenses	4,000	4,000	3,873	127
Total deductions	98,470	102,993	102,866	127
Change in net position	\$ 114,660	\$ 110,137	226,349	\$ 116,212
Net position at beginning of year			<u>1,549,305</u>	
Net position at end of year			<u>\$ 1,775,654</u>	

See accompanying Independent Auditor's Report.

State Compliance Section

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

LOCAL HIGHWAY FINANCE REPORT

City or County:
City of Gunnison
YEAR ENDING :
December 2012

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)	1,425,870
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	521,374
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	1,099,742	b. Snow and ice removal	7,044
3. Other local imposts (from page 2)	1,088,798	c. Other	
4. Miscellaneous local receipts (from page 2)	13,015	d. Total (a. through c.)	7,044
5. Transfers from toll facilities		4. General administration & miscellaneous	133,826
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	284,931
a. Bonds - Original Issues		6. Total (1 through 5)	2,373,045
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,201,555	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	171,490	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,373,045	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)	
			2,373,045

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	2,373,045	2,373,045	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

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	
b. Other local imposts:		b. Traffic Fines & Penalties	13,015
1. Sales Taxes	1,088,798	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	1,088,798	h. Other	
c. Total (a. + b.)	1,088,798	i. Total (a. through h.)	13,015
	(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	154,148	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	17,342	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	17,342	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	171,490	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		1,377,059	1,377,059
(4). System Enhancement & Operation		48,811	48,811
(5). Total Construction (1) + (2) + (3) + (4)	0	1,425,870	1,425,870
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,425,870	1,425,870
			(Carry forward to page 1)

Notes and Comments: