

CITY OF GUNNISON, COLORADO

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2007

CITY OF GUNNISON, COLORADO

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CITY OF GUNNISON, COLORADO

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INTRODUCTORY SECTION

CITY OF GUNNISON, COLORADO

CITY COUNCIL, BOARDS, COMMISSIONS AND MANAGEMENT

Year Ended December 31, 2007

Council Members

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

Zoning Board of Adjustments and Appeals

Wesley Bailey, Jr. - Chair
Marla Larson - Vice Chair
Marian Hicks
Jennie Lazorchak
Carl E. Pickett

Planning and Zoning Commission

Diane Lothamer - Chair
Harvey Harriman - Vice Chair
Bob Beda
Delaney Keating
John Taliaferro
Jim Seitz
Ellen Harriman - Council Rep.

Election Commission

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

Building Board of Appeals

Jerry Greene - Chair
Steve Dorzweiler
David "Skip" Lewis
Carl Pickett
John Sloan

(Continued)

CITY OF GUNNISON, COLORADO

CITY COUNCIL, BOARDS, COMMISSIONS AND MANAGEMENT

Year Ended December 31, 2007

Firemen's Pension Board

Jim Miles - Chief
Dan Buffington - Fireman
Jim McDermott - District
Shane Rider - Fireman
Jim Perkins - District
Wendy Hanson - Finance Director
Stu Ferguson - Councilmember
Rick Miller - Councilmember

Gunnison Valley Land Preservation Board

Kai Allen
Sonja Chavez de Baca

City Management

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

Insurance Trustees

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

FINANCIAL SECTION

Honorable Mayor and Council Members
City of Gunnison, Colorado

INDEPENDENT AUDITORS' REPORT

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, 2007, which collectively comprise the City's Basic Financial Statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gunnison, Colorado, as of December 31, 2007, and the respective changes in financial position as cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's Basic Financial Statements. The budgetary comparison information for the General Fund and other major funds and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnson, Holscher & Company, P.C.

June 13, 2008

Basic Financial Statements

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CITY OF GUNNISON, COLORADO

STATEMENT OF NET ASSETS

December 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL 2007</u>
ASSETS			
CURRENT ASSETS			
Cash & Investments	\$ 3,551,363	\$ 4,412,007	\$ 7,963,370
Accounts and Taxes Receivable	647,026	1,358,270	2,005,296
Property Taxes Receivable	295,627	-	295,627
Inventories	-	512,272	512,272
Prepaid Expenses	24,428	354	24,782
TOTAL CURRENT ASSETS	<u>4,518,444</u>	<u>6,282,903</u>	<u>10,801,347</u>
NONCURRENT ASSETS			
Restricted Cash & Investments	-	8,313,235	8,313,235
Bond Issuance Costs	-	197,787	197,787
Capital Assets - Net	9,738,044	7,368,814	17,106,858
NONCURRENT ASSETS TOTAL	<u>9,738,044</u>	<u>15,879,836</u>	<u>25,617,880</u>
TOTAL ASSETS	<u>14,256,488</u>	<u>22,162,739</u>	<u>36,419,227</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	248,419	1,189,973	1,438,392
Claims Payable	60,360	36,953	97,313
Customer Deposits	101,860	82,899	184,759
Accrued Interest	-	2,897	2,897
Unearned Revenue	295,663	-	295,663
Current Portion of Debt	107,197	295,000	402,197
TOTAL CURRENT LIABILITIES	<u>813,499</u>	<u>1,607,722</u>	<u>2,421,221</u>
NONCURRENT LIABILITIES			
Compensated Absences	170,975	78,361	249,336
Environmental Remediation	-	771,220	771,220
Revenue Bonds Payable	-	8,687,350	8,687,350
Capital Leases Payable	304,287	55,431	359,718
TOTAL NONCURRENT LIABILITIES	<u>475,262</u>	<u>9,592,362</u>	<u>10,067,624</u>
TOTAL LIABILITIES	<u>1,288,761</u>	<u>11,200,084</u>	<u>12,488,845</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	9,433,757	(1,656,342)	7,777,415
Restricted	1,026,295	8,313,235	9,339,530
Unrestricted	2,507,675	4,305,762	6,813,437
TOTAL NET ASSETS	<u>\$ 12,967,727</u>	<u>\$ 10,962,655</u>	<u>\$ 23,930,382</u>

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

CITY OF GUNNISON, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

<u>FUNCTION/PROGRAM</u>	<u>PROGRAM REVENUES</u>			
	<u>EXPENDITURES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANT AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 760,897	\$ 90,322	\$ 19,588	\$ -
Public Safety	1,844,234	15,140	8,303	-
Public Works	859,520	-	266,091	-
Culture and Recreation	1,162,962	595,258	26,969	-
Grants and Contributions	183,964	-	46,347	-
Capital Outlay	1,457,088	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,268,665</u>	<u>700,720</u>	<u>367,298</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Electric	4,390,084	4,205,684	-	-
Water	656,196	616,986	-	172,000
Sewer	1,126,613	1,081,128	-	254,113
Refuse	415,622	464,663	-	2,560
Communications	491,870	525,470	-	-
Cranor Hill	13,029	4,667	-	-
Recreation	199,452	2,772	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>7,292,866</u>	<u>6,901,370</u>	<u>-</u>	<u>428,673</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,561,531</u>	<u>\$ 7,602,090</u>	<u>\$ 367,298</u>	<u>\$ 428,673</u>

GENERAL REVENUES

Property Taxes
 Specific Ownership Taxes
 Sales and Use Taxes
 Franchise Taxes
 Other Taxes
 Other Revenues
 Investment Earnings

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

**NET REVENUES (EXPENSES) AND
CHANGES IN NET ASSETS**

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (650,987)	\$ -	\$ (650,987)
(1,820,791)	-	(1,820,791)
(593,429)	-	(593,429)
(540,735)	-	(540,735)
(137,617)	-	(137,617)
<u>(1,457,088)</u>	<u>-</u>	<u>(1,457,088)</u>
<u>(5,200,647)</u>	<u>-</u>	<u>(5,200,647)</u>
-	(184,400)	(184,400)
-	132,790	132,790
-	208,628	208,628
-	51,601	51,601
-	33,600	33,600
-	(8,362)	(8,362)
<u>-</u>	<u>(196,680)</u>	<u>(196,680)</u>
<u>-</u>	<u>37,177</u>	<u>37,177</u>
<u>(5,200,647)</u>	<u>37,177</u>	<u>(5,163,470)</u>
229,616	-	229,616
36,353	-	36,353
4,823,400	723,647	5,547,047
363,592	-	363,592
188,799	-	188,799
46,588	-	46,588
143,893	-	143,893
<u>5,832,241</u>	<u>723,647</u>	<u>6,555,888</u>
631,594	760,824	1,392,418
<u>12,336,133</u>	<u>10,201,831</u>	<u>22,537,964</u>
<u>\$ 12,967,727</u>	<u>\$ 10,962,655</u>	<u>\$ 23,930,382</u>

CITY OF GUNNISON, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2007

With Comparative Totals for December 31, 2006

	<u>GENERAL FUND</u>	<u>CONSERVATION TRUST FUND</u>	<u>DITCH FUND</u>	<u>TOTAL 2007</u>	<u>TOTAL 2006</u>
ASSETS					
Cash & Investments	\$ 2,891,689	\$ 48,034	\$ 244,283	\$ 3,184,006	\$ 3,445,357
Accounts and Taxes Receivable	647,026	-	-	647,026	701,357
Property Taxes Receivable	295,627	-	-	295,627	219,785
Prepaid Expenses	<u>24,428</u>	<u>-</u>	<u>-</u>	<u>24,428</u>	<u>25,041</u>
TOTAL ASSETS	<u>\$ 3,858,770</u>	<u>\$ 48,034</u>	<u>\$ 244,283</u>	<u>\$ 4,151,087</u>	<u>\$ 4,391,540</u>
LIABILITIES					
Accounts Payable	\$ 226,001	\$ -	\$ -	\$ 226,001	\$ 311,011
Claims Payable	60,360	-	-	60,360	60,360
Customer Deposits	101,860	-	-	101,860	941,503
Unearned Revenue	295,663	-	-	295,663	218,791
Compensated Absences	<u>152,517</u>	<u>-</u>	<u>2,761</u>	<u>155,278</u>	<u>145,323</u>
TOTAL LIABILITIES	<u>836,401</u>	<u>-</u>	<u>2,761</u>	<u>839,162</u>	<u>1,676,988</u>
FUND EQUITY					
Reserved for Emergencies	156,882	-	-	156,882	156,882
Reserved - Other	869,413	-	-	869,413	869,413
Unreserved	<u>1,996,074</u>	<u>48,034</u>	<u>241,522</u>	<u>2,285,630</u>	<u>1,688,256</u>
TOTAL FUND EQUITY	<u>3,022,369</u>	<u>48,034</u>	<u>241,522</u>	<u>3,311,925</u>	<u>2,714,552</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,858,770</u>	<u>\$ 48,034</u>	<u>\$ 244,283</u>	<u>\$ 4,151,087</u>	<u>\$ 4,391,540</u>

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Fund Balances of Governmental Funds	\$ 3,311,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capitalized Assets	18,471,202
Accumulated Depreciation	(9,004,871)
Internal Service Funds are Collapsed into Governmental Activities	600,956
Capital lease payments and lease proceeds are revenues and expenditures in the governmental funds, but they change long-term liabilities in the statement of net assets and do not affect the statement of activities:	
Capital Leases Payable	<u>(411,485)</u>
Total Net Assets of Governmental Activities	<u>\$ 12,967,727</u>

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

CITY OF GUNNISON, COLORADO

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

Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

	GENERAL FUND	CONSERVATION TRUST FUND	DITCH FUND	TOTAL 2007	TOTAL 2006
REVENUES					
Taxes	\$ 5,499,237	\$ -	\$ -	\$ 5,499,237	\$ 4,979,897
Licenses and Permits	99,106	-	-	99,106	103,215
Charges for Services	369,208	-	-	369,208	231,948
Fines and Forfeits	36,634	-	-	36,634	32,610
Intergovernmental	561,818	26,969	98,292	687,079	738,391
Interest	131,653	582	11,658	143,893	126,217
Rents and Miscellaneous	65,100	-	-	65,100	21,269
TOTAL REVENUES	6,762,756	27,551	109,950	6,900,257	6,233,547
EXPENDITURES					
General Government	724,385	-	-	724,385	638,830
Public Safety	1,617,087	-	-	1,617,087	1,465,910
Public Works	802,105	-	-	802,105	852,795
Culture and Recreation	1,081,846	-	-	1,081,846	996,365
Grants and Contributions	183,964	-	-	183,964	185,286
Capital Outlay	1,856,302	37,195	-	1,893,497	1,676,535
TOTAL EXPENDITURES	6,265,689	37,195	-	6,302,884	5,815,721
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	497,067	(9,644)	109,950	597,373	417,826
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	-	-	-	-	141,960
Transfers In	-	-	-	-	14,270
Transfers (Out)	-	-	-	-	(17,270)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	138,960
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	497,067	(9,644)	109,950	597,373	556,786
FUND EQUITY, Beginning	2,525,302	57,678	131,572	2,714,552	2,157,766
FUND EQUITY, Ending	\$ 3,022,369	\$ 48,034	\$ 241,522	\$ 3,311,925	\$ 2,714,552

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ 597,373
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities:	
Capitalized Assets/Adjustments	439,984
Basis of Asset Disposals	(3,575)
Depreciation Expense	(482,706)
Internal Service Funds are Collapsed into Governmental Activities	(32,364)
Capital lease payments and lease proceeds are revenues and expenditures in the governmental funds, but they change long-term liabilities in the statement of net assets and do not affect the statement of activities:	
Capital Lease Principal	112,882
Change in Net Assets of Governmental Activities	\$ 631,594

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

CITY OF GUNNISON, COLORADO

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS

December 31, 2007

With Comparative Totals for December 31, 2006

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL 2007</u>	<u>TOTAL 2006</u>
ASSETS				
CURRENT ASSETS				
Cash & Investments	\$ 4,412,007	\$ 367,357	\$ 4,779,364	\$ 3,987,296
Accounts and Taxes Receivable	1,358,270	-	1,358,270	1,128,128
Inventories	512,272	-	512,272	512,272
Prepaid Expenses	354	-	354	178
TOTAL CURRENT ASSETS	<u>6,282,903</u>	<u>367,357</u>	<u>6,650,260</u>	<u>5,627,874</u>
NONCURRENT ASSETS				
Restricted Cash & Investments	8,313,235	-	8,313,235	136,000
Bond Issuance Costs	197,787	-	197,787	12,625
Fixed Assets	7,368,814	271,713	7,640,527	7,824,313
TOTAL NONCURRENT ASSETS	<u>15,879,836</u>	<u>271,713</u>	<u>16,151,549</u>	<u>7,972,938</u>
TOTAL ASSETS	<u>22,162,739</u>	<u>639,070</u>	<u>22,801,809</u>	<u>13,600,812</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	1,189,973	22,417	1,212,390	849,922
Claims Payable	36,953	-	36,953	99,783
Customer Deposits	82,899	-	82,899	82,724
Accrued Interest	2,897	-	2,897	2,897
Current Portion of Debt	295,000	-	295,000	115,000
TOTAL CURRENT LIABILITIES	<u>1,607,722</u>	<u>22,417</u>	<u>1,630,139</u>	<u>1,150,326</u>
NONCURRENT LIABILITIES				
Compensated Absences	78,361	15,697	94,058	95,856
Environmental Remediation	771,220	-	771,220	771,220
Revenue Bonds Payable	8,687,350	-	8,687,350	630,000
Capital Leases Payable	55,431	-	55,431	118,260
TOTAL NONCURRENT LIABILITIES	<u>9,592,362</u>	<u>15,697</u>	<u>9,608,059</u>	<u>1,615,336</u>
TOTAL LIABILITIES	<u>11,200,084</u>	<u>38,114</u>	<u>11,238,198</u>	<u>2,765,662</u>
NET ASSETS				
Invested in Capital Assets Net of Related Debt	(1,656,342)	271,713	(1,384,629)	6,046,692
Restricted	8,313,235	-	8,313,235	136,000
Unrestricted	4,305,762	329,243	4,635,005	4,652,452
TOTAL NET ASSETS	<u>\$ 10,962,655</u>	<u>\$ 600,956</u>	<u>\$ 11,563,611</u>	<u>\$ 10,835,150</u>

Amounts Reported as Net Assets for Business-Type Activities
in the Statement of Activities are Different Because:

Net Assets - Proprietary Funds	\$ 11,563,611
Internal Service Funds are Collapsed into Governmental Activities	<u>(600,956)</u>
Net Assets - Business-Type Activities	<u>\$ 10,962,655</u>

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

CITY OF GUNNISON, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS**

Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL 2007	TOTAL 2006
OPERATING REVENUES				
Sales Tax - City	\$ 682,350	\$ -	\$ 682,350	\$ -
Use Tax	41,297	-	41,297	-
Property Lease	-	-	-	1,480
Electricity Sales	4,053,146	-	4,053,146	3,911,662
Water Sales	537,090	-	537,090	500,728
Wastewater Collection Service	697,945	-	697,945	660,728
Dos Rio Waste Water Process	63,174	-	63,174	52,502
Lab Services	28,055	-	28,055	26,497
West Gunnison Sanitation	72,100	-	72,100	44,612
Commercial Dump Station	82,185	-	82,185	87,890
Collection Fees	447,742	-	447,742	430,592
Refunds	2,728	487	3,215	5,841
Charges for Services	507,798	-	507,798	479,288
Miscellaneous Revenue	49,575	61,314	110,889	110,572
Lift Tickets	4,667	-	4,667	6,038
Property Lease	-	-	-	1,480
Fleet Rental Revenue	-	323,122	323,122	316,937
TOTAL OPERATING REVENUES	7,269,852	384,923	7,654,775	6,636,847
OPERATING EXPENSES				
Direct Operating	900,248	-	900,248	833,044
Administration and General	360,396	-	360,396	328,044
Depreciation	517,418	32,174	549,592	534,119
Operations/Maintenance and Repair	1,089,553	-	1,089,553	891,708
Capital Outlay	445,331	-	445,331	278,541
Purchased Power	3,190,940	-	3,190,940	2,953,463
Sewer Waste Water Collection	765,135	-	765,135	735,347
Fleet Expenses	-	385,113	385,113	376,340
TOTAL OPERATING EXPENSES	7,269,021	417,287	7,686,308	6,930,606
OPERATING INCOME (LOSS)	831	(32,364)	(31,533)	(293,759)
OTHER REVENUE (EXPENSE)				
State Grants	2,560	-	2,560	405,328
Interest Income	213,401	-	213,401	162,624
Hook - Up Services	152,682	-	152,682	60,360
Tap Fees	426,113	-	426,113	523,000
Interest Expense	(34,763)	-	(34,763)	(45,636)
TOTAL OTHER REVENUE (EXPENSE)	759,993	-	759,993	1,105,676
NET INCOME (LOSS) BEFORE TRANSFERS	760,824	(32,364)	728,460	811,917
TRANSFERS IN	-	-	-	3,000
CHANGE IN NET ASSETS	760,824	(32,364)	728,460	814,917
NET ASSETS, Beginning	10,201,831	633,320	10,835,151	10,047,846
Prior Period Adjustment	-	-	-	(26,133)
NET ASSETS, Beginning, Restated	10,201,831	633,319	10,835,150	10,021,713
NET ASSETS, Ending	\$ 10,962,655	\$ 600,956	\$ 11,563,611	\$ 10,862,763

Amounts Reported as Changes in Net Assets for Business-Type Activities
in the Statement of Activities are Different Because:

Change in Net Assets - Proprietary Funds	\$ 728,460
Internal Service Funds are Collapsed into Governmental Activities	32,364
Change in Net Assets - Business-Type Activities	\$ 760,824

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

CITY OF GUNNISON, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	<u>ENTERPRISE FUND</u>	<u>INTERNAL SERVICE FUND</u>	<u>TOTAL 2007</u>	<u>TOTAL 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 7,539,777	\$ 384,923	\$ 7,924,700	\$ 6,346,787
Cash Payments to Supplies and Employees	(6,944,175)	(378,121)	(7,322,296)	(6,283,280)
Net Cash Provided (Used) by Operating Activities	<u>595,602</u>	<u>6,802</u>	<u>602,404</u>	<u>63,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tap Fees	426,113	-	426,113	523,000
Acquisition of Capital Assets	(567,616)	-	(567,616)	(1,382,236)
Hook-Up Services	152,682	-	152,682	60,360
Grant Income	2,560	-	2,560	405,328
Miscellaneous Income	-	-	-	3,001
Proceeds from Debt	8,167,186	-	8,167,186	-
Bond Issuance Costs	185,162	-	185,162	-
Payments on Debt	(177,830)	-	(177,830)	(105,000)
Interest Expense	(34,763)	-	(34,763)	(45,636)
Net Cash Provided (Used) by Related Financing Activities	<u>8,153,494</u>	<u>-</u>	<u>8,153,494</u>	<u>(541,183)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Transfers	-	-	-	3,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings	<u>213,401</u>	<u>-</u>	<u>213,401</u>	<u>162,623</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,962,497	6,802	8,969,299	(312,053)
CASH AND CASH EQUIVALENTS, Beginning	<u>3,762,745</u>	<u>360,555</u>	<u>4,123,300</u>	<u>4,435,353</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 12,725,242</u>	<u>\$ 367,357</u>	<u>\$ 13,092,599</u>	<u>\$ 4,123,300</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ 831</u>	<u>\$ (32,364)</u>	<u>\$ (31,533)</u>	<u>\$ (295,239)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	517,418	32,174	549,592	534,119
(Increase) Decrease in:				
Accounts and Taxes Receivable	269,751	-	269,751	(548,596)
Prepaid Expenses	(176)	-	(176)	95
Inventories	-	-	-	(53,235)
Increase (Decrease) In:				
Accounts Payable	355,979	6,484	362,463	125,689
Claims Payable	(62,830)	-	(62,830)	27,171
Customer Deposits	174	-	174	11,723
Accrued Interest	-	-	-	560
Due to/from	(483,240)	-	(483,240)	247,733
Compensated Absences	(2,305)	508	(1,797)	13,487
Total Adjustments	<u>594,771</u>	<u>39,166</u>	<u>633,937</u>	<u>358,746</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 595,602</u>	<u>\$ 6,802</u>	<u>\$ 602,404</u>	<u>\$ 63,507</u>

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

CITY OF GUNNISON, COLORADO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND - FIREMANS' PENSION

December 31, 2007

With Comparative Totals for December 31, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash & Investments	\$ 1,326,782	\$ 1,217,358
Accounts and Taxes Receivable	-	20,340
TOTAL ASSETS	<u>1,326,782</u>	<u>1,237,698</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	<u>22,500</u>	<u>22,500</u>
NET ASSETS		
Net Assets Held in Trust for Pension Benefits	<u>\$ 1,304,282</u>	<u>\$ 1,215,198</u>

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

CITY OF GUNNISON, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - FIREMANS' PENSION

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	<u>2007</u>	<u>2006</u>
ADDITIONS:		
Contributions	\$ 122,090	\$ 99,940
Investment Earnings	<u>65,367</u>	<u>81,850</u>
Total Additions	187,457	181,790
DEDUCTIONS:		
Benefits	<u>98,373</u>	<u>93,658</u>
CHANGE IN NET ASSETS	89,084	88,132
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Beginning	<u>1,215,198</u>	<u>1,127,066</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Ending	<u>\$ 1,304,282</u>	<u>\$ 1,215,198</u>

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

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended December 31, 2003, the City has adopted the provisions of GASB Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The primary new features of the Statements are:

Government-wide financial reporting, which provides a picture of the City as a single, unified entity;

Narrative overview and analysis, which provides financial statement users with a narrative introduction, overview and analysis of the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A);

Emphasis on the City's major funds; and

Expended budgetary reporting to show budgetary comparisons based on the City's original and final amended budget.

In addition, the financial statements are prepared in conformity with the following GASB statements:

GASB Statement No. 33 - Accounting and Financial Reporting for Nonexchange Transactions;

GASB Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus;

GASB Statement No. 38 - Certain Financial Statement Note Disclosures; and

GASB Statement No. 41 - Budgetary Comparison Schedules - Perspective Differences.

The more significant of the City's accounting policies are described on the following pages.

Definition of the Reporting Entity

The City was incorporated in 1880 and came under the Home Rule act in 1965. 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 generally accepted accounting principles, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments. In conformity with GASB 14, the City has no component units. All funds and account groups included in this report were included in last year's report.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The government-wide financial statement (i.e., the statement of net assets and the statement of changes in net assets) reports information on all of the activities of the City and any component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities (which normally are supported by taxes, charges for services, and intergovernmental revenues) are reported separately from business-type activities, which rely to a significant extent on user charges for support. Likewise, the City is reported separately from its legally separate component unit, in which the City has a financial interest.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for the general operations of the City, which includes the following departments: Legislative; Judicial; Administration; Public Safety-Police; Community Development; and Public Works.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The Conservation Trust Fund accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.

The Ditch Fund accounts for intergovernmental revenues used for public works.

The City reported one major business-type activity fund with the following departments:

The Electric Department accounts for the City's electrical system.

The Water Department accounts for the collection and disposition of the City's water system.

The Sewer Department accounts for the sewer distribution system.

The Refuse Department accounts for the collections of City refuse.

The Communication Department accounts for the City communication system.

Cranor Hill Department tracks miscellaneous enterprise ventures of the City.

Recreation Department tracks recreation enterprise ventures of the City.

The City has elected not to implement any FASB pronouncements issued after 1989.

Measurement Focus and Basis of Accounting

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt, which is recognized when due; and (2) compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available resources.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three (3) months or less.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make: (1) estimates and assumptions that affect the reported amounts of assets and liabilities; and (2) disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes for the current year are levied and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue in the governmental and enterprise funds.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the City as assets that have a useful life of one or more years and for which the initial, individual value equals or exceeds the following dollar amounts:

Assets Class	Dollar Value
Land	No Minimum
Buildings	\$ 5,000
Building and Other Improvements	5,000
Furniture and Equipment	5,000
Infrastructure	5,000

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Useful Life
Buildings	25 – 50 years
Building and Other Improvements	20 years
Water and Sewer Systems	25 – 50 years
Furniture and Equipment	5 – 30 years
Infrastructure	15 – 40 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets since their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities. Prior to GASB 34, governments were not required to report general infrastructure assets.

Long-Term Liabilities

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise fund type statement of net assets. Bond issuance costs, as well as applicable bond premium and discounts, are deferred and amortized over the term of the related debt using the straight-line method of amortization.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Liabilities (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

Accrued Liabilities for Compensated Absences

Compensated absences arise from policies concerning vacation and sick leave. Vacation and sick leave accumulates at specified rates for permanent full-time employees. Upon termination or retirement, all unused vacation pay must be paid to the employee. The portion determined not to be payable within the current year is considered a long-term liability and is shown as long-term debt. Accrued sick time is not reimbursed upon termination of an employee. Sick leave is not paid upon termination.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year-end, outstanding balances between funds are reported as "due to/from other funds". Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTE 2: BUDGETARY REQUIREMENTS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. The Enterprise funds adopt budgets on the Non-GAAP basis wherein: tap fees are recognized as revenue; principal payments on debt and capital expenditures are recognized as expenses; and depreciation expense is not budgeted. All annual appropriations lapse at fiscal year-end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 2: BUDGETARY REQUIREMENTS (Continued)

(1) In accordance with the City Charter, on or before October 15, the City Manager submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

(2) Public hearings are conducted to obtain taxpayer comment.

(3) On or before the first meeting in December, the budget is legally enacted through passage of an ordinance.

(4) The City Manager reports monthly to the City Council explaining any variance from the approved budget.

(5) The City Charter requires the adoption of a budget for proprietary funds. Depreciation expense is not a budgeted item.

(6) Appropriations lapse at the end of each year.

Budgets are not prepared for the Fiduciary Funds. Colorado Law states that total expenditures for each fund cannot exceed the amount appropriated. Any time after the adoption of the annual appropriation resolution and after at least one public notice, the City Council may adopt a supplemental budget appropriation ordinance.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances (total governmental funds and net assets) and governmental activities, as reported in the government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances and changes in net assets of governmental activities, as reported in the government-wide statement of activities. The enterprise fund statement of net assets and statement of revenues, expenses and changes in net assets also includes a reconciliation to the government-wide statement of net assets and activities.

These reconciliations detail items that require adjustments to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the government fund statements during the consolidation of governmental activities.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 4: CASH, DEPOSITS AND INVESTMENTS

Cash and Deposits

The City cash, deposits and investments at December 31, 2007 are:

Type	Rating	Carrying Value
Cash		
Demand deposits		\$ 12,788,616
Repurchase Agreement		1,153,799
Petty Cash		1,787
Investments		
ColoTrust	AAAm by S & P	1,724,999
CSAFE	AAAm by S & P	1,934,187
Total cash and investments		\$ 17,603,387
Reconciliation to Statement of Net Assets		
Cash and equivalents		\$ 7,963,370
Restricted cash and investments		9,640,017
Total cash and investments		\$ 17,603,387

The City maintains a cash pool that is available for use by all funds except the pension and deferred compensation plan. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash".

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

B. Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 4: CASH, DEPOSITS AND INVESTMENTS (Continued)

C. Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

D. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

The City invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

The City invests in two investment pools, the Colorado Liquid Assets Trust (COLOTRUST) and Colorado Surplus Asset Fund Trust (CSAFE). COLOTRUST and CSAFE operate under the Colorado Revised Statutes (24-75-701) and is overseen by Colorado Securities Commissioner. The pool invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include U.S. treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools are rated AAAM by the Standard & Poor's Corporation.

At December 31, 2007, the City had an investment of \$1,724,999 and \$1,934,187, market and carrying value, in COLOTRUST and CSAFE, respectively.

NOTE 5: RESTRICTED ASSETS

In accordance with the 1998 Sewer Refunding Revenue Bond agreement, the City is required to set aside money that is restricted to the payment of long-term debt principal and interest amounts maturing in future years. The balance of the reserve as of December 31, 2007 was \$139,558.

NOTE 6: PROPERTY TAXES

Property taxes are collected on behalf of the City by the County and then remitted to the City. The property tax is levied and certified in November of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year.

Secured property taxes are: (1) due in two equal installments on February 28 and June 15; and (2) delinquent after February 28 and June 15, respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, since they are not due until the following year. Property tax revenue is recognized when it is collected by the County.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 7: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended December 31, 2007:

	Balance January 1 2007	Additions	Adjustments	Balance December 31 2007
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,598,137	\$ -	\$ -	\$ 1,598,137
Capital assets being depreciated:				
Land Improvements	840,907	15,664	-	856,571
Construction	5,058,409	54,839	3,575	5,280,020
Infrastructure	6,553,837	-	-	6,553,837
Machinery & Equipment	2,394,120	305,392	-	2,699,511
Licensed Vehicle	2,460,607	64,089	-	2,524,697
	<u>17,477,648</u>	<u>439,984</u>	<u>3,575</u>	<u>17,914,636</u>
Less accumulated depreciation:				
Land Improvements	(405,954)	(36,933)	-	(442,887)
Construction	(989,223)	(128,102)	-	(1,117,325)
Infrastructure	(4,591,384)	(80,245)	-	(4,671,630)
Machinery & Equipment	(1,564,213)	(120,551)	-	(1,684,764)
Licensed Vehicle	(1,710,113)	(177,008)	-	(1,887,123)
	<u>(9,260,887)</u>	<u>(542,840)</u>	<u>-</u>	<u>(9,774,729)</u>
Capital assets being depreciated, net	8,216,761	(102,856)	3,575	8,139,907
Total Governmental Activities Capital Assets	<u>9,814,898</u>	<u>(102,856)</u>	<u>3,575</u>	<u>9,738,044</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 535,253	\$ -	\$ -	\$ 535,253
Capital assets being depreciated:				
Land Improvements	646,387	-	-	646,387
Construction	3,922,605	224,456	-	4,147,061
Infrastructure	6,271,088	-	-	6,271,088
Machinery & Equipment	8,087,081	69,684	-	8,156,765
Licensed Vehicle	1,650,154	71,664	-	1,721,818
	<u>20,577,314</u>	<u>365,804</u>	<u>-</u>	<u>20,943,119</u>
Less accumulated depreciation:				
Land Improvements	(292,521)	(30,091)	-	(322,612)
Construction	(2,840,464)	(135,933)	-	(2,976,397)
Infrastructure	(3,151,959)	(83,885)	-	(3,235,844)
Machinery & Equipment	(6,230,405)	(140,108)	-	(6,370,513)
Licensed Vehicle	(1,076,792)	(127,400)	-	(1,204,192)
	<u>(13,592,140)</u>	<u>(517,417)</u>	<u>-</u>	<u>(14,109,558)</u>
Capital assets being depreciated, net	6,985,174	(151,613)	-	6,833,561
Total Business-Type Activities Capital Assets	<u>\$ 7,520,427</u>	<u>\$ (151,613)</u>	<u>\$ -</u>	<u>\$ 7,368,814</u>

Depreciation by functional area was:

General Government	\$ 64,280
Public Safety	122,147
Public Works	275,297
Culture and Recreation	<u>81,116</u>
Total	<u>\$ 542,840</u>

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 8: LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended December 31, 2007, follows:

	Balance January 1 2007	Additions	Reductions	Balance December 31 2007	Due Within One Year
Governmental Activities					
Obligations under Capital Leases	\$ 524,366	\$ -	\$ 112,882	\$ 411,484	\$ 107,197
Business-type Activities					
Bonds:					
1998 Refunding Revenue Bonds	\$ 745,000	\$ -	\$ 115,000	\$ 630,000	\$ 115,000
2007 Sales & Use Tax Bonds	-	8,330,000	-	8,330,000	180,000
Premiums:					
2007 Sales & Use Tax Bonds		22,350	78	22,272	931
Issuance Costs:					
1998 Refunding Revenue Bonds	(13,025)	-	(2,605)	(10,420)	(2,623)
2007 Sales & Use Tax Bonds		(185,162)	(643)	(184,519)	(7,715)
Obligations under Capital Leases	255,283	-	192,557	62,726	62,726
	<u>\$ 774,137</u>	<u>\$ 8,167,188</u>	<u>\$ 304,387</u>	<u>\$ 8,850,059</u>	<u>\$ 348,319</u>

1998 Sewer Refunding Revenue Bonds

The annual requirements to amortize the bonded debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 295,000	\$ 370,328	\$ 665,328
2009	330,000	358,344	688,344
2010	345,000	344,951	689,951
2011	495,000	330,825	825,825
2012	235,000	309,428	544,428
2013-2017	1,315,000	1,406,400	2,721,400
2018-2022	1,595,000	699,158	2,294,158
2023-2027	1,950,000	340,095	2,290,095
2028-2031	2,400,000	65,250	2,465,250
	<u>\$ 8,960,000</u>	<u>\$ 4,224,778</u>	<u>\$ 13,184,778</u>

Interest is payable semi-annually on June 1 and December 1 based on the outstanding principal balance.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 8: LONG-TERM LIABILITIES (Continued)

Lease Purchase Agreements – Business-type Activities

In April, 2005, the City entered into a lease purchase agreement for the purchase of a Yard Loader with Control System and a Jet/Vac Truck. Two annual payments of \$134,329 are to be made. Interest is 3.63 percent. The total cost of the equipment was \$254,707.

In 2006 the City entered into a lease purchase agreement for a storage shed. The original cost was \$215,659, after initial payments of \$90,000 two additional payments of \$65,832 are to be made, interest is 4.954%.

The annual requirements are:

Obligations under Capital Lease

2008	\$ 65,832
Future minimum payments under capital leases	65,832
Less: Interest portion	<u>(3,106)</u>
Present value of future minimum lease payments	<u>\$ 62,726</u>

Lease Purchase Agreements – Governmental Activities

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

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 8: LONG-TERM LIABILITIES (Continued)

Lease Purchase Agreements – Governmental Activities (Continued)

In 2006 the City entered into a lease purchase agreement for a tandem drive motor grader. The original cost was \$141,960, after initial payment of \$66,500 two additional payments of \$37,792 are to be made, interest is 4.954%.

The future minimum lease payments at December 31, 2007 are as follows:

Governmental Activities

Obligations under Capital Leases

2008	\$ 122,633
2009	83,099
2010	83,099
2011	83,099
2012	<u>83,099</u>
Future minimum payments under capital leases	455,029
Less: Interest portion	<u>(43,545)</u>
Present value of future minimum lease payments	<u><u>\$ 411,484</u></u>

NOTE 9: PENSION PLANS

A. New Policemen Pension Plan

The City contributes to a defined contribution multiple-employer public employee retirement system on behalf of all full-time police officers employed. The City contributes 9.7 percent and employees contribute 9.7 percent of the employee's base salary. Employees vest in City contributions and interest earnings thereon immediately.

All of the New Police Pension Plan Investments at December 31, 2007, of \$1,387,954 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.

B. Volunteer Firefighters Pension Plan

The City has a single employer-defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statute. The Plan is included as a trust fund in the City's financial statements. The Volunteer Firefighters Pension Plan (the Plan) receives contributions from the City (in an amount not to exceed one-half mill of property tax revenue) and from the State of Colorado. The contributions are not actuarially determined.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 9: PENSION PLANS (Continued)

B. Volunteer Firefighters Pension Plan (Continued)

An actuary is used to determine the adequacy of contributions. The study indicated that the current level of contributions to the Fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan. In 2007, the City contributed \$27,100 to the Plan, the Fire Protection District contributed \$30,000, and the State contributed \$42,840. None of the City payroll is covered by the pension plan because the firefighters are volunteers.

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

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

An actuarial study was performed for the Plan at January 1, 2005. Significant actuarial assumptions at January 1, 2005 are detailed below:

Mortality - 1983 Group Annuity Mortality Table
Investment Yield - 6.0% per annum, compounded annually
Retirement Age - Age 50 and 20 years of service
Asset Valuation Method - Market value
Actuarial Cost Method - Individual entry-age-normal cost method

Pension Benefit Obligation:

Retirees and Beneficiaries Currently Receiving Benefits	\$ 742,322
Terminated Vested Employees Not Yet Receiving Benefits	51,429
Current Employees	518,884
Total Pension Benefit Obligation	<u>1,312,635</u>
Amount Allocated to Past Service	1,139,674
Net Assets Available for Benefits	<u>1,048,508</u>
Unfunded Actuarial Past Service Liability	<u>\$ 91,166</u>

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 9: PENSION PLANS (Continued)

C. General Employee Pension Plan

The City contributes to a defined contribution multiple-employer public employee retirement system on behalf of all full-time permanent employees with one or more service years.

Employee participation is mandatory. The City contributes three and one-half percent; employees contribute three and one-half percent of the employee's base salary. Employees vest in City contributions and interest earnings thereon immediately.

All of the General Employee Pension Plan investments, at December 31, 2007, of \$2,103,040 were managed by the Colorado County Officials and Employees Retirement Association (CCOERA). Separately issued financial statements for the fund may be obtained from CCOERA at 4949 South Syracuse St., Suite 400, Denver, Colorado 80237.

NOTE 10: DEFERRED COMPENSATION PLAN

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

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

For risks related to property, liability, and injuries to employees, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 11: RISK MANAGEMENT (Continued)

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. At December 31, 2007, the City share of CIRSA's surplus in the Property and Casualty pool was \$167,507, and the City's share of the Worker's Compensation pool deficit was \$75,875.

CIRSA is a separate legal entity and the City does not approve budgets nor does it have ability to significantly affect the operations of the unit.

The City self-insures a portion of its medical and dental insurance plans. The City funds these plans primarily by a contribution from the City. However, employees contribute 30 percent through payroll withholdings. The funds are placed in an escrow cash account that is administered by the plan administrator. The plan administrator pays claims and buys insurance premiums from this account. The City's maximum risk of loss is \$30,000 per employee per year. Commercial insurance pays any claims above that maximum amount, with a maximum exposure for 2007 of \$585,625.

The changes in claims payable for the year ended December 31, 2007, are as follows:

Claims payable December 31, 2006	\$ 95,623
Liability incurred	432,931
Claims paid	<u>(468,194)</u>
Claims payable December 31, 2007	<u>\$ 95,623</u>

NOTE 12: COMPLIANCE

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

CITY OF GUNNISON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

NOTE 13: FUND BALANCES

The reserved fund equity in the General Fund is as follows:

	<u>2007</u>
Canine Funds	\$ 13,616
Street and Alley	104,576
Street Improvement	623,072
Capital Improvement	96,801
Seizure Funds	5,044
Van Tuyl	50,588
DARE	236
Youth Council	1,808
Youth Assets	443
Recreational Advertising	(31,838)
Scholarships	6,432
Community Center Grants	11,264
Thornton Way	(16,627)
Law Enforcement	3,998
Emergency Reserve	<u>156,882</u>
	<u>\$ 1,026,295</u>

NOTE 14: CONTINGENCIES

Claims and Judgments 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, 2007, 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.

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Required Supplementary Information

CITY OF GUNNISON, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL 2007</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	<u>ACTUAL 2006</u>
REVENUES					
Taxes	\$ 5,138,719	\$ 5,138,719	\$ 5,499,237	\$ 360,518	\$ 4,979,897
Licenses and Permits	92,450	92,450	99,106	6,656	103,215
Charges for Services	311,367	311,367	369,208	57,841	231,948
Fines and Forfeits	34,100	34,100	36,634	2,534	32,610
Intergovernmental	327,902	327,902	561,818	233,916	598,076
Interest	103,562	103,562	131,653	28,091	119,381
Rents and Miscellaneous	70,250	70,250	65,100	(5,150)	23,272
TOTAL REVENUES	<u>6,078,350</u>	<u>6,078,350</u>	<u>6,762,756</u>	<u>684,406</u>	<u>6,088,399</u>
EXPENDITURES					
General Government	760,114	760,114	724,385	35,729	638,229
Public Safety	1,723,778	1,723,778	1,617,087	106,691	1,465,910
Public Works	820,769	820,769	802,105	18,664	759,577
Culture and Recreation	1,094,286	1,094,286	1,081,846	12,440	996,365
Grants and Contributions	207,823	207,823	183,964	23,859	185,286
Capital Outlay	1,624,267	2,113,852	1,856,302	257,550	1,658,997
TOTAL EXPENDITURES	<u>6,231,037</u>	<u>6,720,622</u>	<u>6,265,689</u>	<u>454,933</u>	<u>5,704,364</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(152,687)</u>	<u>(642,272)</u>	<u>497,067</u>	<u>1,139,339</u>	<u>380,582</u>
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	-	-	-	-	141,960
Transfers In	-	-	-	-	14,270
Transfers (Out)	-	-	-	-	(3,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,230</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(152,687)</u>	<u>(642,272)</u>	<u>497,067</u>	<u>1,139,339</u>	<u>533,813</u>
FUND EQUITY, Beginning	<u>3,184,144</u>	<u>3,184,144</u>	<u>2,525,302</u>	<u>(658,842)</u>	<u>1,991,489</u>
FUND EQUITY, Ending	<u>\$ 3,031,457</u>	<u>\$ 2,541,872</u>	<u>\$ 3,022,369</u>	<u>\$ 480,497</u>	<u>\$ 2,525,302</u>

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

CITY OF GUNNISON, COLORADO

BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND

Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
REVENUES				
Intergovernmental	\$ 25,000	\$ 26,969	\$ 1,969	\$ 43,541
Interest	<u>2,317</u>	<u>582</u>	<u>(1,735)</u>	<u>691</u>
TOTAL REVENUES	<u>27,317</u>	<u>27,551</u>	<u>234</u>	<u>44,232</u>
EXPENDITURES				
Capital Outlay	<u>34,860</u>	<u>37,195</u>	<u>(2,335)</u>	<u>17,538</u>
TOTAL EXPENDITURES	<u>34,860</u>	<u>37,195</u>	<u>(2,335)</u>	<u>17,538</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(7,543)	(9,644)	(2,101)	26,694
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,270)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,543)	(9,644)	(2,101)	12,424
FUND EQUITY, Beginning	<u>20,552</u>	<u>57,678</u>	<u>37,126</u>	<u>45,254</u>
FUND EQUITY, Ending	<u>\$ 13,009</u>	<u>\$ 48,034</u>	<u>\$ 35,025</u>	<u>\$ 57,678</u>

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

CITY OF GUNNISON, COLORADO
BUDGETARY COMPARISON SCHEDULE
DITCH FUND

Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
REVENUES				
Intergovernmental	\$ 60,000	\$ 98,292	\$ 38,292	\$ 100,510
Interest	2,000	11,658	9,658	6,145
Rents and Miscellaneous	-	-	-	(2,888)
TOTAL REVENUES	<u>62,000</u>	<u>109,950</u>	<u>47,950</u>	<u>103,767</u>
EXPENDITURES				
Public Works	-	-	-	93,218
Capital Outlay	100,000	-	100,000	-
TOTAL EXPENDITURES	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>93,218</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(38,000)	109,950	147,950	10,549
FUND EQUITY, Beginning	<u>104,684</u>	<u>131,572</u>	<u>26,888</u>	<u>121,023</u>
FUND EQUITY, Ending	<u>\$ 66,684</u>	<u>\$ 241,522</u>	<u>\$ 174,838</u>	<u>\$ 131,572</u>

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

Other Supplementary Information

CITY OF GUNNISON, COLORADO

STATEMENT OF NET ASSETS
ENTERPRISE DEPARTMENTS

December 31, 2007

With Comparative Totals for December 31, 2006

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>
ASSETS			
CURRENT ASSETS			
Cash & Investments	\$ 1,847,471	\$ 695,515	\$ 1,216,241
Accounts and Taxes Receivable	417,143	97,812	154,669
Inventories	349,763	115,007	47,502
Prepaid Expenses	-	-	-
TOTAL CURRENT ASSETS	<u>2,614,377</u>	<u>908,334</u>	<u>1,418,412</u>
NONCURRENT ASSETS			
Restricted Cash & Investments	-	-	139,558
Bond Issuance Costs	-	-	12,625
Fixed Assets	2,994,446	1,094,336	3,209,352
TOTAL NONCURRENT ASSETS	<u>2,994,446</u>	<u>1,094,336</u>	<u>3,361,535</u>
TOTAL ASSETS	<u>5,608,823</u>	<u>2,002,670</u>	<u>4,779,947</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	883,549	34,145	91,638
Claims Payable	-	36,953	-
Customer Deposits	82,899	-	-
Accrued Interest	-	-	2,897
Current Portion of Debt	-	-	115,000
TOTAL CURRENT LIABILITIES	<u>966,448</u>	<u>71,098</u>	<u>209,535</u>
NONCURRENT LIABILITIES			
Compensated Absences	16,073	12,322	29,149
Environmental Remediation	-	-	-
Revenue Bonds Payable	-	-	515,000
Capital Leases Payable	-	-	55,431
TOTAL NONCURRENT LIABILITIES	<u>16,073</u>	<u>12,322</u>	<u>599,580</u>
TOTAL LIABILITIES	<u>982,521</u>	<u>83,420</u>	<u>809,115</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	2,994,446	1,094,336	2,536,546
Restricted	-	-	139,558
Unrestricted	1,631,856	824,914	1,294,728
TOTAL NET ASSETS	<u>\$ 4,626,302</u>	<u>\$ 1,919,250</u>	<u>\$ 3,970,832</u>

See the Accompanying Independent Auditors' Report.

<u>REFUSE FUND</u>	<u>COMMUNICATION FUND</u>	<u>CRANOR HILL FUND</u>	<u>RECREATION FUND</u>	<u>TOTAL 2007</u>	<u>TOTAL 2006</u>
\$ 340,563	\$ 320,882	\$ (8,665)	\$ -	\$ 4,412,007	\$ 3,626,741
37,637	25,040	2,332	623,637	1,358,270	1,128,128
-	-	-	-	512,272	512,272
-	354	-	-	354	178
<u>378,200</u>	<u>346,276</u>	<u>(6,333)</u>	<u>623,637</u>	<u>6,282,903</u>	<u>5,267,319</u>
-	-	-	8,173,677	8,313,235	136,000
-	-	-	185,162	197,787	12,625
<u>28,820</u>	<u>41,860</u>	<u>-</u>	<u>-</u>	<u>7,368,814</u>	<u>7,520,427</u>
<u>28,820</u>	<u>41,860</u>	<u>-</u>	<u>8,358,839</u>	<u>15,879,836</u>	<u>7,669,052</u>
<u>407,020</u>	<u>388,136</u>	<u>(6,333)</u>	<u>8,982,476</u>	<u>22,162,739</u>	<u>12,936,371</u>
25,039	44,465	7,978	103,159	1,189,973	833,989
-	-	-	-	36,953	99,783
-	-	-	-	82,899	82,724
-	-	-	-	2,897	2,897
-	-	-	180,000	295,000	-
<u>25,039</u>	<u>44,465</u>	<u>7,978</u>	<u>283,159</u>	<u>1,607,722</u>	<u>1,019,393</u>
2,600	18,218	-	-	78,361	80,667
771,220	-	-	-	771,220	771,220
-	-	-	8,172,350	8,687,350	745,000
-	-	-	-	55,431	118,260
<u>773,820</u>	<u>18,218</u>	<u>-</u>	<u>8,172,350</u>	<u>9,592,362</u>	<u>1,715,147</u>
<u>798,859</u>	<u>62,683</u>	<u>7,978</u>	<u>8,455,509</u>	<u>11,200,084</u>	<u>2,734,540</u>
28,820	41,860	-	(8,352,350)	(1,656,342)	6,669,792
-	-	-	8,173,677	8,313,235	136,000
<u>(420,659)</u>	<u>283,593</u>	<u>(14,311)</u>	<u>705,640</u>	<u>4,305,762</u>	<u>3,396,039</u>
<u>\$ (391,839)</u>	<u>\$ 325,453</u>	<u>\$ (14,311)</u>	<u>\$ 526,967</u>	<u>\$ 10,962,655</u>	<u>\$ 10,201,831</u>

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE DEPARTMENTS

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>
OPERATING REVENUES				
Sales Tax - City	\$ -	\$ -	\$ -	\$ -
Use Tax	-	-	-	-
Property Lease	-	-	-	-
Electricity Sales	4,053,146	-	-	-
Water Sales	-	537,090	-	-
Wastewater Collection Service	-	-	697,945	-
Dos Rio Waste Water Process	-	-	63,174	-
Lab Services	-	-	28,055	-
West Gunnison Sanitation	-	-	72,100	-
Commercial Dump Station	-	-	82,185	-
Collection Fees	-	-	-	447,742
Refunds	781	335	681	692
Charges for Services	-	-	-	-
Miscellaneous Revenue	-	-	45,138	1,665
Lift Tickets	-	-	-	-
TOTAL OPERATING REVENUES	4,053,927	537,425	989,278	450,099
OPERATING EXPENSES				
Direct Operating	-	-	-	388,518
Administration and General	303,762	-	56,634	-
Depreciation	176,628	100,470	227,686	12,386
Distribution	592,186	497,367	-	-
Capital Outlay	126,568	58,359	42,395	14,718
Purchased Power	3,190,940	-	-	-
Sewer Waste Water Collection	-	-	765,135	-
TOTAL OPERATING EXPENSES	4,390,084	656,196	1,091,850	415,622
OPERATING INCOME (LOSS)	(336,157)	(118,771)	(102,572)	34,477
OTHER REVENUE (EXPENSE)				
State Grants	-	-	-	2,560
Interest Income	88,432	26,823	55,231	14,564
Hook - Up Services	63,325	52,738	36,619	-
Tap Fees	-	172,000	254,113	-
Interest Expense	-	-	(34,763)	-
TOTAL OTHER REVENUE (EXPENSE)	151,757	251,561	311,200	17,124
NET INCOME (LOSS) BEFORE TRANSFERS	(184,400)	132,790	208,628	51,601
TRANSFERS	-	-	-	-
CHANGE IN NET ASSETS	(184,400)	132,790	208,628	51,601
NET ASSETS, Beginning	4,810,702	1,786,460	3,762,204	(443,440)
Prior Period Adjustment	-	-	-	-
NET ASSETS, Beginning Restated	4,810,702	1,786,460	3,762,204	(443,440)
NET ASSETS, Ending	\$ 4,626,302	\$ 1,919,250	\$ 3,970,832	\$ (391,839)

See the Accompanying Independent Auditors' Report.

COMMUNICATION FUND	CRANOR HILL FUND	RECREATION FUND	TOTAL 2007	TOTAL 2006
\$ -	\$ -	\$ 682,350	\$ 682,350	\$ -
-	-	41,297	41,297	-
-	-	-	-	1,480
-	-	-	4,053,146	3,911,662
-	-	-	537,090	500,728
-	-	-	697,945	660,728
-	-	-	63,174	52,502
-	-	-	28,055	26,497
-	-	-	72,100	44,612
-	-	-	82,185	87,890
-	-	-	447,742	430,592
239	-	-	2,728	2,525
507,798	-	-	507,798	479,288
-	-	2,772	49,575	50,857
-	4,667	-	4,667	6,038
<u>508,037</u>	<u>4,667</u>	<u>726,419</u>	<u>7,269,852</u>	<u>6,255,399</u>
490,143	13,029	8,558	900,248	833,044
-	-	-	360,396	328,044
248	-	-	517,418	501,012
-	-	-	1,089,553	891,708
1,479	-	201,812	445,331	278,541
-	-	-	3,190,940	2,953,463
-	-	-	765,135	735,346
<u>491,870</u>	<u>13,029</u>	<u>210,370</u>	<u>7,269,021</u>	<u>6,521,158</u>
<u>16,167</u>	<u>(8,362)</u>	<u>516,049</u>	<u>831</u>	<u>(265,759)</u>
-	-	-	2,560	405,328
17,433	-	10,918	213,401	162,624
-	-	-	152,682	60,360
-	-	-	426,113	523,000
-	-	-	(34,763)	(45,636)
<u>17,433</u>	<u>-</u>	<u>10,918</u>	<u>759,993</u>	<u>1,105,676</u>
33,600	(8,362)	526,967	760,824	839,917
-	-	-	-	3,000
<u>33,600</u>	<u>(8,362)</u>	<u>526,967</u>	<u>760,824</u>	<u>842,917</u>
291,853	(5,949)	-	10,201,831	9,385,047
-	-	-	-	(26,133)
<u>291,853</u>	<u>(5,949)</u>	<u>-</u>	<u>10,201,831</u>	<u>9,358,914</u>
<u>\$ 325,453</u>	<u>\$ (14,311)</u>	<u>\$ 526,967</u>	<u>\$ 10,962,655</u>	<u>\$ 10,201,831</u>

CITY OF GUNNISON, COLORADO

STATEMENT OF NET ASSETS

Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

do not use

	<u>ELECTRIC DEPARTMENT</u>	<u>WATER DEPARTMENT</u>	<u>SEWER DEPARTMENT</u>	<u>REFUSE DEPARTMENT</u>	<u>COMMUNICATION DEPARTMENT</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 4,015,916	\$ 561,880	\$ 1,408,627	\$ 442,920	\$ 505,490
Cash Payments to Supplies and Employees	(3,930,903)	(672,654)	(865,604)	(410,110)	(467,263)
Net Cash Provided (Used) by Operating Activities	<u>85,013</u>	<u>(110,774)</u>	<u>543,023</u>	<u>32,810</u>	<u>38,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Contributions	-	172,000	254,113	-	-
Acquisition of Capital Assets	(81,281)	(124,622)	(120,647)	-	(39,254)
Hook-Up Services	63,325	52,738	36,619	-	-
Grant Income	-	-	-	2,560	-
Miscellaneous Income	-	-	-	-	-
Proceeds from Debt	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Payments on Debt	-	-	(177,830)	-	-
Interest Expense	-	-	(34,763)	-	-
Electric Related Financing Activities	<u>(17,956)</u>	<u>100,116</u>	<u>(42,508)</u>	<u>2,560</u>	<u>(39,254)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Transfers	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings	<u>88,432</u>	<u>26,823</u>	<u>55,231</u>	<u>14,564</u>	<u>17,433</u>
Net Increase (Decrease) in Cash and Cash Equivalents	155,489	16,165	555,746	49,934	16,406
CASH AND CASH EQUIVALENTS, Beginning	<u>1,691,982</u>	<u>679,350</u>	<u>800,053</u>	<u>290,629</u>	<u>304,476</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,847,471</u>	<u>\$ 695,515</u>	<u>\$ 1,355,799</u>	<u>\$ 340,563</u>	<u>\$ 320,882</u>
HIDE- DIFFERENCE	ok	ok	ok	0	ok
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	<u>\$ (336,157)</u>	<u>\$ (118,771)</u>	<u>\$ (102,572)</u>	<u>\$ 34,477</u>	<u>\$ 16,167</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	176,628	100,470	227,686	12,386	248
(Increase) Decrease in:					
Accounts and Taxes Receivable	(38,185)	24,455	419,349	(7,179)	(2,547)
Property Taxes Receivable	-	-	-	-	-
Prepaid Expenses	-	-	-	-	(176)
Inventories	-	-	-	-	-
Increase (Decrease) In:					
Accounts Payable	281,364	(51,597)	(1,718)	(5,918)	24,850
Claims Payable	-	(62,830)	-	-	-
Customer Deposits	174	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to/from					
Compensated Absences	1,189	(2,501)	278	(956)	(315)
Environmental Remediation	-	-	-	-	-
Total Adjustments	<u>421,170</u>	<u>7,997</u>	<u>645,595</u>	<u>(1,667)</u>	<u>22,060</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 85,013</u>	<u>\$ (110,774)</u>	<u>\$ 543,023</u>	<u>\$ 32,810</u>	<u>\$ 38,227</u>
HIDE - DIFFERENCE	ok	ok	ok	ok	ok

See the Accompanying Independent Auditors' Report.

CRANOR HILL DEPARTMENT	RECREATION DEPARTMENT	TOTAL 2007	TOTAL 2006
\$ 2,270	\$ 602,674	\$ 7,539,777	\$ 5,966,819
<u>(7,186)</u>	<u>(590,451)</u>	<u>(6,944,171)</u>	<u>(5,914,853)</u>
<u>(4,916)</u>	<u>12,223</u>	<u>595,606</u>	<u>51,966</u>

-	-	426,113	523,000
-	(201,812)	(567,616)	(1,382,236)
-	-	152,682	60,360
-	-	2,560	405,328
-	-	-	-
-	8,167,186	8,167,186	-
-	185,162	185,162	-
-	-	(177,830)	(105,000)
-	-	<u>(34,763)</u>	<u>(45,636)</u>
-	<u>8,150,536</u>	<u>8,153,494</u>	<u>(544,184)</u>

-	-	-	3,000
-	10,918	213,401	162,623

(4,916)	8,173,677	8,962,501	(326,595)
<u>(3,749)</u>	<u>-</u>	<u>3,762,741</u>	<u>4,089,336</u>
<u>\$ (8,665)</u>	<u>\$ 8,173,677</u>	<u>\$ 12,725,242</u>	<u>\$ 3,762,741</u>

ok ok 0 ok

<u>\$ (8,362)</u>	<u>\$ 516,049</u>	<u>\$ 831</u>	<u>\$ (265,760)</u>
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-	-	517,418	501,012
(2,397)	(123,745)	269,751	(548,596)
-	-	-	95
-	-	(176)	-
-	-	-	(53,235)
-	-	-	-
5,843	103,159	355,983	120,129
-	-	(62,830)	27,171
-	-	174	11,723
-	-	-	560
-	(483,240)	(483,240)	247,733
-	-	(2,305)	11,134
-	-	-	-
<u>3,446</u>	<u>(503,826)</u>	<u>594,775</u>	<u>317,726</u>

<u>\$ (4,916)</u>	<u>\$ 12,223</u>	<u>\$ 595,606</u>	<u>\$ 51,966</u>
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CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
ELECTRIC DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL 2007</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	<u>ACTUAL 2006</u>
OPERATING REVENUES					
Electricity Sales	\$ 4,064,130	\$ 4,064,130	\$ 4,053,146	\$ (10,984)	\$ 3,911,662
Refunds	1,000	1,000	781	(219)	1,100
TOTAL OPERATING REVENUES	<u>4,065,130</u>	<u>4,065,130</u>	<u>4,053,927</u>	<u>(11,203)</u>	<u>3,912,762</u>
OPERATING EXPENSES					
Distribution Expenses	617,880	617,880	592,186	25,694	436,864
Administration and General	326,293	326,293	303,762	22,531	291,126
Capital Outlay	159,465	230,550	207,849	22,701	163,742
Purchased Power	2,642,162	2,904,162	3,190,940	(286,778)	2,953,463
TOTAL OPERATING EXPENSES	<u>3,745,800</u>	<u>4,078,885</u>	<u>4,294,737</u>	<u>(215,852)</u>	<u>3,845,195</u>
OPERATING INCOME (LOSS)	<u>319,330</u>	<u>(13,755)</u>	<u>(240,810)</u>	<u>(227,055)</u>	<u>67,567</u>
OTHER REVENUE					
Interest Income	52,515	52,515	88,432	35,917	77,579
Hook - Up Services	25,000	25,000	63,325	38,325	6,175
TOTAL OTHER REVENUE	<u>77,515</u>	<u>77,515</u>	<u>151,757</u>	<u>74,242</u>	<u>83,754</u>
CHANGE IN NET ASSETS - Budgetary Basis	396,845	63,760	(89,053)	(152,813)	151,321
Adjustments to GAAP Basis:					
Depreciation	-	-	(176,628)	(176,628)	(178,240)
Capital Outlay	-	-	81,281	81,281	170,101
CHANGE IN NET ASSETS - GAAP Basis	396,845	63,760	(184,400)	(248,160)	143,182
NET ASSETS, Beginning	<u>1,555,126</u>	<u>1,555,126</u>	<u>4,810,702</u>	<u>3,255,576</u>	<u>4,667,520</u>
NET ASSETS, Ending	<u>\$ 1,951,971</u>	<u>\$ 1,618,886</u>	<u>\$ 4,626,302</u>	<u>\$ 3,007,416</u>	<u>\$ 4,810,702</u>

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
WATER DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
OPERATING REVENUES				
Water Sales	\$ 542,488	\$ 537,090	\$ (5,398)	\$ 500,728
TOTAL OPERATING REVENUES	<u>542,488</u>	<u>537,425</u>	<u>(5,063)</u>	<u>500,728</u>
OPERATING EXPENSES				
Distribution Expenses	526,137	497,367	28,770	454,844
Capital Outlay	<u>207,251</u>	<u>(158,829)</u>	<u>366,080</u>	<u>(240,391)</u>
TOTAL OPERATING EXPENSES	<u>733,388</u>	<u>338,538</u>	<u>394,850</u>	<u>214,453</u>
OPERATING INCOME (LOSS)	<u>(190,900)</u>	<u>198,887</u>	<u>389,787</u>	<u>286,275</u>
OTHER REVENUE (EXPENSE)				
Interest Income	28,977	26,823	(2,154)	17,277
Hook - Up Services	20,000	52,738	32,738	34,258
Tap Fees	100,000	172,000	72,000	165,000
Interest Expense	-	-	-	(2,636)
TOTAL OTHER REVENUE (EXPENSE)	<u>148,977</u>	<u>251,561</u>	<u>102,584</u>	<u>213,899</u>
CHANGE IN NET ASSETS, Budgetary Basis	(41,923)	450,448	492,371	500,174
Adjustments to GAAP Basis:				
Depreciation	-	(100,470)	(100,470)	(99,287)
Capital Outlay	-	<u>(217,188)</u>	<u>(217,188)</u>	<u>(381,495)</u>
Debt Principal				
CHANGE IN NET ASSETS - GAAP Basis	(41,923)	132,790	174,713	19,392
NET ASSETS, Beginning	<u>538,121</u>	<u>1,786,460</u>	<u>1,248,339</u>	<u>1,767,068</u>
NET ASSETS, Ending	<u>\$ 496,198</u>	<u>\$ 1,919,250</u>	<u>\$ 1,423,052</u>	<u>\$ 1,786,460</u>

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
SEWER DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
OPERATING REVENUES					
Wastewater Collection Service	\$ 681,412	\$ 681,412	\$ 697,945	\$ 16,533	\$ 660,728
Dos Rio Waste Water Process	56,049	56,049	63,174	7,125	52,502
Lab Services	22,000	22,000	28,055	6,055	26,497
West Gunnison Sanitation	44,970	44,970	72,100	27,130	44,612
Commercial Dump Station	75,000	75,000	82,185	7,185	87,890
Miscellaneous Revenue	32,360	32,360	45,138	12,778	45,283
Refunds	-	-	681	681	1,425
TOTAL OPERATING REVENUES	911,791	911,791	989,278	77,487	918,937
OPERATING EXPENSES					
Administration and General	48,947	48,947	56,634	(7,687)	36,918
Sewer Waste Water Collection	789,004	789,004	765,135	23,869	735,347
Capital Outlay	160,530	178,530	163,042	15,488	1,231,632
TOTAL OPERATING EXPENSES	998,481	1,016,481	984,811	31,670	2,003,897
OPERATING INCOME (LOSS)	(86,690)	(104,690)	4,467	109,157	(1,084,961)
OTHER REVENUE (EXPENSE)					
State Grants	-	-	-	-	400,000
Sale of Fixed Assets	5,000	5,000	-	(5,000)	-
Interest Income	44,443	44,443	55,231	10,788	41,130
Hook - Up Services	12,000	12,000	36,619	24,619	19,927
Tap Fees	210,000	210,000	254,113	44,113	358,000
Debt Service - Interest	(35,313)	(35,313)	(34,763)	(550)	(43,000)
Debt Service - Principal	(115,000)	(115,000)	(220,000)	105,000	(105,000)
TOTAL OTHER REVENUE (EXPENSE)	121,130	121,130	91,200	178,970	671,057
CHANGE IN NET ASSETS, Budgetary Basis	34,440	16,440	95,667	288,127	(413,904)
Adjustments to GAAP Basis:					
Depreciation	-	-	(227,686)	(227,686)	(210,935)
Capital Outlay	-	-	120,647	120,647	1,127,893
Debt Principal	-	-	220,000	220,000	105,000
CHANGE IN NET ASSETS - GAAP Basis	34,440	16,440	208,628	401,088	608,054
NET ASSETS, Beginning	851,471	851,471	3,762,204	2,910,733	3,180,283
Prior Period Adjustment	-	-	-	-	(26,133)
NET ASSETS, Beginning Restated	851,471	851,471	3,762,204	2,910,733	3,154,150
NET ASSETS, Ending	\$ 885,911	\$ 867,911	\$ 3,970,832	\$ 3,311,821	\$ 3,762,204

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
REFUSE DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
Property Lease	\$ -	\$ -	\$ -	\$ 1,480
Collection Fees	410,500	447,742	37,242	430,592
Miscellaneous	10,000	1,665	(8,335)	5,574
Refunds	-	692	692	-
TOTAL OPERATING REVENUES	420,500	450,099	29,599	437,646
OPERATING EXPENSES				
Non Capital Assets	20,677	14,718	5,959	37,139
Direct Operating	411,609	388,518	23,091	373,068
Capital Outlay	19,450	-	19,450	-
TOTAL OPERATING EXPENSES	431,059	388,518	58,649	373,068
OPERATING INCOME (LOSS)	(11,786)	46,863	58,649	27,439
OTHER REVENUE (EXPENSE)				
State Grants	-	2,560	2,560	5,328
Interest Income	11,186	14,564	3,378	10,453
TOTAL OTHER REVENUE (EXPENSE)	11,186	17,124	5,938	15,781
NET INCOME (LOSS) BEFORE TRANSFERS	(600)	63,987	64,587	43,220
TRANSFERS				
Transfers In	-	-	-	3,000
CHANGE IN NET ASSETS, Budgetary Basis	(600)	63,987	64,587	46,220
Adjustments to GAAP Basis:				
Depreciation	-	(12,386)	(12,386)	(12,386)
CHANGE IN NET ASSETS - GAAP Basis	(600)	51,601	52,201	33,834
NET ASSETS, Beginning	259,415	(443,440)	(702,855)	(477,274)
NET ASSETS, Ending	\$ 258,815	\$ (391,839)	\$ (650,654)	\$ (443,440)

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
COMMUNICATION DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
OPERATING REVENUES				
Charges for Services	\$ 516,075	\$ 507,798	\$ (8,277)	\$ 479,288
OPERATING EXPENSES				
Direct Operating	525,642	490,143	35,499	439,246
Capital Outlay	54,758	40,733	14,025	2,918
TOTAL OPERATING EXPENSES	580,400	530,876	49,524	442,164
OPERATING INCOME (LOSS)	(64,325)	(22,839)	41,486	37,124
OTHER REVENUE (EXPENSE)				
Interest Income	13,927	17,433	3,506	16,185
CHANGE IN NET ASSETS, Budgetary Basis	(50,398)	(5,406)	44,992	53,309
Adjustments to GAAP Basis:				
Depreciation	-	(248)	(248)	(164)
Debt Principal				
CHANGE IN NET ASSETS - GAAP Basis	(50,398)	33,600	83,998	53,145
NET ASSETS, Beginning	175,773	291,853	116,080	238,708
NET ASSETS, Ending	\$ 125,375	\$ 325,453	\$ 200,078	\$ 291,853

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
CRANOR HILL DEPARTMENT

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL 2007</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	<u>ACTUAL 2006</u>
OPERATING REVENUES				
Lift Tickets	\$ 8,000	\$ 4,668	\$ (3,332)	\$ 6,039
OPERATING EXPENSES				
Direct Operating	28,964	13,029	15,935	20,730
OPERATING INCOME (LOSS)	(20,964)	(8,361)	12,603	(14,691)
OTHER REVENUE (EXPENSE)				
Interest Income	66	-	(66)	-
CHANGE IN NET ASSETS - GAAP Basis	(20,898)	(8,361)	12,537	(14,691)
NET ASSETS, Beginning	19,095	(5,949)	(25,044)	8,742
NET ASSETS, Ending	<u>\$ (1,803)</u>	<u>\$ (14,310)</u>	<u>\$ (12,507)</u>	<u>\$ (5,949)</u>

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
RECREATION FUND

Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)
OPERATING REVENUES			
Sales Tax - City	\$ -	\$ 682,350	\$ 682,350
Use Tax	-	41,297	41,297
Miscellaneous Revenue	-	<u>2,772</u>	<u>2,772</u>
TOTAL OPERATING REVENUES	<u>-</u>	<u>726,419</u>	<u>726,419</u>
OPERATING EXPENSES			
Direct Operating	-	8,558	(8,558)
Capital Outlay	<u>868,992</u>	<u>201,812</u>	<u>667,180</u>
TOTAL OPERATING EXPENSES	<u>868,992</u>	<u>210,370</u>	<u>658,622</u>
OPERATING INCOME (LOSS)	<u>(868,992)</u>	<u>516,049</u>	<u>1,385,041</u>
OTHER REVENUE (EXPENSE)			
Proceeds from Bond Issue	-	8,352,350	8,352,350
Bond Issuance Costs	-	(185,162)	(185,162)
Interest Income	-	<u>10,917</u>	<u>10,917</u>
TOTAL OTHER REVENUE (EXPENSE)	<u>-</u>	<u>8,178,105</u>	<u>8,178,105</u>
CHANGE IN NET ASSETS, Budgetary Basis	(868,992)	8,694,154	9,563,146
Adjustments to GAAP Basis:			
Proceeds from Bond Issue	-	(8,352,350)	(8,352,350)
Bond Issuance Costs	-	185,162	185,162
Capital Outlay	-	<u>(201,812)</u>	<u>667,180</u>
CHANGE IN NET ASSETS - GAAP Basis	(868,992)	325,154	2,063,138
NET ASSETS, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, Ending	<u>\$ (868,992)</u>	<u>\$ 325,154</u>	<u>\$ 2,063,138</u>

See the Accompanying Independent Auditors' Report.

CITY OF GUNNISON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BASIS) AND ACTUAL
INTERNAL SERVICE - FLEET MANAGEMENT FUND

Year Ended December 31, 2007
 With Comparative Totals for the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGET	ACTUAL 2007	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL 2006
OPERATING REVENUES				
Monthly Repair Revenue	\$ 70,456	\$ 70,456	\$ -	\$ 65,847
Fleet Rental Revenue	253,343	252,666	-	251,090
Miscellaneous	61,314	61,314	-	59,715
Refunds	-	487	487	3,316
TOTAL OPERATING REVENUES	<u>385,113</u>	<u>384,923</u>	<u>487</u>	<u>379,968</u>
OPERATING EXPENSES				
Fleet Expenses	<u>385,113</u>	<u>385,113</u>	<u>-</u>	<u>376,340</u>
CHANGE IN NET ASSETS, Budgetary Basis	-	(191)	486	3,627
Adjustments to GAAP Basis:				
Depreciation	<u>-</u>	<u>(32,174)</u>	<u>(32,174)</u>	<u>(33,107)</u>
CHANGE IN NET ASSETS - GAAP Basis	-	(32,365)	(31,688)	(29,480)
NET ASSETS, Beginning	<u>-</u>	<u>633,318</u>	<u>633,318</u>	<u>662,798</u>
NET ASSETS, Ending	<u>\$ -</u>	<u>\$ 600,953</u>	<u>\$ 601,630</u>	<u>\$ 633,318</u>

See the Accompanying Independent Auditors' Report.

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COMPLIANCE SECTION

Honorable Mayor and Council Members
City of Gunnison, Colorado

INDEPENDENT AUDITORS' REPORT ON THE
LOCAL HIGHWAY FINANCE REPORT

We have audited the basic financial statements of the City of Gunnison, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 13, 2008. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Gunnison, taken as a whole. The accompanying local highway finance report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Johnson, Holscher & Company, P.C.

June 13, 2008

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 2007
This Information From The Records Of City of Gunnison	Prepared By: Phone:	Wendy Hanson 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)	1,238,949
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	568,701
		S&A Mtn (01-003)	610,632
		Less OT (4102)	29,421
		Less Cont Svc-Sno (01-0034-4360)	12,510
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations		b. Snow and ice removal	41,931
		OT (4102)	29,421
		Cont Svc.-Snow	12,510
3. Other local imposts (from page 2)	993,742	c. Other	0
4. Miscellaneous local receipts (from page 2)	8,965	d. Total (a. through c.)	41,931
5. Transfers from toll facilities	0	4. General administration & miscellaneous:	136,467
		S&A Admin (01-0033)	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	266,320
a. Bonds - Original Issues	0	Police (01-0020) * 20% Per Chief	
b. Bonds - Refunding Issues	0	6. Total (1 through 5)	2,252,368
c. Notes	0	B. Debt service on local obligations:	
d. Total (a. + b. + c.)	0	1. Bonds:	
7. Total (1 through 6)	1,002,707	a. Interest	0
B. Private Contributions	0	b. Redemption	0
C. Receipts from State government		c. Total (a. + b.)	0
(from page 2)	152,296	2. Notes:	
D. Receipts from Federal Government		a. Interest	0
(from page 2)	0	b. Redemption	0
E. Total receipts (A.7 + B + C + D)	1,155,002	c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	2,252,368

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursement	D. Ending Balance	E. Reconciliation
	0	1,155,002	2,252,368	(1,097,365)	

Notes and Comments:

FORM FHWA-536 (Rev.1-05)

PREVIOUS EDITIONS OBSOLETE

(Next Page)

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2007

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assesments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines (01-1000-3501)	8,965
1. Sales Taxes	993,742	c. Parking Garage Fees	0
City Sales Tax (01-1000-310)	3,715,693		
Use Tax (01-1000-3106)	259,274		
Total Sales & Use Tax	3,974,967		
x 25%	993,742		
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	0	g. Other Misc. Receipts	0
6. Total (1. through 5.)	993,742	h. Other	0
c. Total (a. + b.)	993,742	i. Total (a. through h.)	8,965
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes (01-1000-3307)	135,259	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registration (01-1000-3103)	17,036	d. Federal Transit Admin	0
d. Other (Specify)		e. U.S. Corps of Engineers	0
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	17,036	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	152,296	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			
(2). Capacity Improvements			0
(3). System Preservation		1,161,332	1,161,332
Material Crushing 01-0035 9201	17,367		
Gravel/Asphalt/Patching 01-0035 960	30,279		
Concrete 01-0035-9700	66,463		
Slurry Seal 01-0035-9801/9601	132,952		
Crack Seal 01-0035-9802	32,613		
Street Impvmt/Overlay 01-0035-990:	881,658		
(4). System Enhancement & Operator		77,617	77,617
Tree Program 01-0035-9602	28,893		
Tree Chipping 01-0035-9301	14,150		
Signs 01-0035-9604	12,558		
Dust Abatement 01-0035-9606	1,954		
Paint Striping 01-0035-9203	20,062		
(4). Total Construction (1)+(2)+(3)	0	1,238,949	1,238,949
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	0	1,238,949	1,238,949
			(Carry forward to page 1)

Notes and Comments: