

TOWN OF LIMON, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2005

Gary L. Woodward

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and the Board of Trustees
Town of Limon
Limon, Colorado

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Limon, Colorado as of and for the year ended December 31, 2005, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Limon, Colorado as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2006, on my consideration of Town of Limon's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Limon, Colorado basic financial statements. The combining and individual nonmajor fund financial statements and schedules, along with the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements of Town of Limon, Colorado. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Town of Limon, Colorado. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gary L. Woodward, CPA

Eads, Colorado
April 27, 2006

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TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

For the December 31, 2005 financial statements, the Town is in the second year of reporting a major new reporting format in compliance with the Governmental Accounting Standards Board Statement Number 34 also known as GASB34.

In compliance with this reporting requirement, we present this report titled Management's Discussion and Analysis, or MD&A. Please read the MD&A in conjunction with the financial statements and notes to the financial statements, which begin on page 16. The GASB34 statements are listed and described below with additional information in the accompanying text:

- Statements of Net Assets, the balance sheet that combines all funds on a Town-wide basis.
- Statement of Activities, the income statement that combines all funds on a Town-wide basis.
- Statements for Governmental funds, which combines Governmental funds such as the General, Conservation Trust, Cemetery Perpetual Care, Head Start and other funds.
- Statements for Business-type funds, the label for the Town's Proprietary funds such as Utility, Recreation Area, Ambulance and Airport Fuel.

As stated above, the purpose of the MD&A is to provide, in lay terms, an explanation of the effect on the Town's financial position of factors such as local economic and business factors, and to explain the reasons for changes in the financial position of the Town. It will closely resemble the MD&A produced for decades by private industry and publicly traded companies. This discussion starts with a summary of the economic factors affecting the Town during this past year, and then moves on to a more detailed discussion of fund statements and funds.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by \$1,045,246 or 10.64% during the year. The governmental net assets increased by \$661,107 or 17.37%, and the business-type net assets increased by \$384,139, or 6.38%.
- The governmental activities revenue changed from \$3,145,826 in 2004 to \$3,368,185 in 2005 an increase of \$222,359 or 7.07%.
- The governmental activities expenditures changed from \$2,639,138 in 2004 to \$2,707,078 in 2005 an increase of \$67,940 or 2.57%.
- The business-type activities revenue changed from \$1,636,501 in 2004 to \$1,718,051 in 2005 an increase of \$81,550 or 4.98%.
- The business-type activities expenditures changed from \$1,231,625 in 2004 to \$1,333,912 in 2005 a increase of \$102,287 or 8.31%

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports an increase of \$317,085 or 59.78% in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds.

Basic financial statements - include two kinds of statements that present different views of the Town.

- **Government-wide financial statements** provide both long-term and short-term information about the Town's overall financial status. The required financial statements include statement of net assets, and statement of activities. The measurement focus is on economic resources and accrual accounting is used. Assets and liabilities include both financial and capital and are reported as short and long term. Revenues and expenses are included regardless of when cash is received or paid.
- **Fund Financial Statements** focus on the individual parts of the Town reporting in more detail the Town's operations.
 1. **Governmental Funds** show how general government services like public safety, public works, recreation, and general government administration were financed in the short term and what remains for future spending. The required financial statements are a balance sheet and statement of revenues, expenditures and changes in fund balance. Only assets expected to be used and liabilities that come due during the year or soon thereafter are included. Capital assets are not included as assets. The measurement focus is on current financial resources and modified accrual accounting is used to report revenues and expenses that are received during the year or soon thereafter.
 2. **Proprietary Funds** include activities, such as the water, water treatment and sewer systems, the Municipal Recreation, Airport Fuel, and Ambulance Service, are operated similar to private business with an economic resource focus and accrual accounting. The required financial statements include Statement of Net Assets, Statement of Revenues, expenses, and changes in Net Assets, and Statement of cash flows. All assets and liabilities, both financial and capital, long and short-term are provided and all revenues and expenses are included regardless of when cash is received or paid.
 3. **Fiduciary Funds** include the Fireman's Pension Fund and the Employee's Pension Fund. The Town is responsible for the assets in these funds and for reporting. The

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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above funds are reported in separate statements of Fiduciary Net Assets and Change in Fiduciary Net Assets. They have been excluded from the Town's government-wide financial statements because the Town cannot use these funds to service its operations.

Notes to the basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information includes budgetary comparison schedules for the General Fund and major special revenue funds.

Other Supplementary Information includes combining statements for nonmajor governmental funds and budget comparison schedules for all nonmajor special revenue funds, capital project funds, and proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets-the difference between the Town's assets and liabilities- is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, additional non-financial factors need to be considered, such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into two categories:

Governmental Activities – Most of the Town's basic services are included here, such as police, streets, parks and recreation departments, and general administration. Sales taxes, property taxes, franchise taxes, and charges for services finance most of these activities.

Business-type Activities – The Town charges fees to customers to recover most of the costs of certain activities. The Town's water system is included here.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds – not the Town as a whole. Funds are accounting devices that a Town uses to account for specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants, such as the Conservation Trust Fund.

The Town has two kinds of funds:

- **Governmental Funds** – Most of the Town's basic services are included in the governmental funds, which focus on the flow of cash in and out and how balances remaining at the end of the year are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine the change in financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page that explains the differences between them.
- **Proprietary Funds** – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Town's Utility, Recreation Area, Airport Fuel, and Ambulance Service Funds are proprietary funds, accounting for its water distribution and sewage collection, golfing, airplane fuel sales, and ambulance service activities, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town uses fund accounting to comply with finance-related legal requirements.

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements. For example, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

A summary of the Town's net assets for the year is as follows:

**TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current assets	\$ 1,031,915	\$ 792,628	\$ 642,625	\$ 582,155	\$ 1,674,540	\$ 1,374,783
Restricted Assets	255,833	571,802	1,908,124	893,289	2,163,957	1,465,091
Other Non-current Assets	128,245	463,915	421,303	403,460	549,548	867,375
Capital assets-net	3,653,840	4,014,032	8,096,384	9,315,881	11,750,224	13,329,913
Total assets	<u>5,069,833</u>	<u>5,842,377</u>	<u>11,068,436</u>	<u>11,194,785</u>	<u>16,138,269</u>	<u>17,037,162</u>
Current Liabilities	740,271	597,703	461,201	388,774	1,201,472	986,477
Non-current Liabilities	523,620	777,625	4,590,284	4,404,921	5,113,904	5,182,546
Total liabilities	<u>1,263,891</u>	<u>1,375,328</u>	<u>5,051,485</u>	<u>4,793,695</u>	<u>6,315,376</u>	<u>6,169,023</u>
Net assets	<u>\$ 3,805,942</u>	<u>\$ 4,467,049</u>	<u>\$ 6,016,951</u>	<u>\$ 6,401,090</u>	<u>\$ 9,822,893</u>	<u>\$ 10,868,139</u>
Net assets consist of:						
Invested in capital assets	3,082,001	3,180,407	4,867,275	4,784,506	7,949,276	7,964,913
Restricted net assets	120,336	403,518	109,468	114,874	229,804	518,392
Unrestricted net assets	603,605	883,124	1,040,208	1,501,710	1,643,813	2,384,834
Net assets	<u>\$ 3,805,942</u>	<u>\$ 4,467,049</u>	<u>\$ 6,016,951</u>	<u>\$ 6,401,090</u>	<u>\$ 9,822,893</u>	<u>\$ 10,868,139</u>

The net assets of the Town's governmental funds as of December 31, 2005 was \$4,467,049 of which \$883,124 was unrestricted and is available for spending at the government's discretion. The remainder is invested in capital assets, net of related debt (\$3,180,407), reserved for Emergency Reserve (\$85,072), Bond Reserve (\$242,106) and Loan Reserve (\$76,340).

The General Fund is the main operating fund of the Town. As of December 31, 2005, the General Fund balance was \$847,509 of which \$254,981 was unreserved. Unreserved fund balance represents 13.00% of 2005 General Fund expenditures.

**TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

A summary of the Town's change in net assets for the year is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program revenues:						
Operating Grants and Contributions	\$ 997,615	\$ 996,674	\$ 29,793	\$ 60,347	\$ 1,027,408	\$ 1,057,021
Capital Grants and Contributions	399,431	264,161	339,314	282,680	738,745	546,841
Charges for services	459,283	769,790	1,177,263	1,245,647	1,636,546	2,015,437
Total Program Revenue	1,856,329	2,030,625	1,546,370	1,588,674	3,402,699	3,619,299
General Revenues:						
Taxes	1,258,142	1,285,087			1,258,142	1,285,087
Investment earnings	9,036	21,041	38,577	51,944	47,613	72,985
Other	22,319	22,004			22,319	22,004
Total General Revenue	1,289,497	1,328,132	38,577	51,944	1,328,074	1,380,076
Total Revenue	\$ 3,145,826	\$ 3,358,757	\$ 1,584,947	\$ 1,640,618	\$ 4,730,773	\$ 4,999,375
Expenses						
General government	443,341	445,681			443,341	445,681
Airport	36,070	13,598			36,070	13,598
Public safety	539,155	394,448			539,155	394,448
Highways and streets	56,011	470,093			56,011	470,093
Public Works - Sanitation	391,557	154,276			391,557	154,276
Public Health - Cemetery	39,097	54,241			39,097	54,241
Culture and recreation	234,327	237,722			234,327	237,722
Head Start Program	609,833	619,056			609,833	619,056
Rural Development	215,312	170,177			215,312	170,177
Rural Health		42,000				42,000
Water			386,334	435,030	386,334	435,030
Water Treatment Plant			234,208	247,976	234,208	247,976
Sewer			236,986	250,363	236,986	250,363
Municipal Recreation Area			147,920	173,031	147,920	173,031
Airport Fuel Fund			18,234	28,020	18,234	28,020
Ambulance Service Fund			203,643	199,492	203,643	199,492
Interest and fiscal charges	22,881	28,353			22,881	28,353
Total expenses	2,587,584	2,629,645	1,227,325	1,333,912	3,814,909	3,963,557
Change in net assets before transfers and special items	558,242	729,112	357,622	306,706	915,864	1,035,818
Transfers	(51,554)	(77,433)	51,554	77,433		-
Gain(loss) on sale of assets		9,428	(4,300)		(4,300)	9,428
Change in net assets	506,688	661,107	404,876	384,139	911,564	1,045,246
Beginning net assets	3,299,254	3,805,942	5,612,075	6,016,951	8,911,329	9,822,893
Ending net assets	\$ 3,805,942	\$ 4,467,049	\$ 6,016,951	\$ 6,401,090	\$ 9,822,893	\$ 10,868,139

Governmental Activities revenues in the amount of \$3,368,185 were greater than expenses and transfers of \$2,707,078 by \$661,107 partially due to an increase in charges for services and partially due to grants received and used to purchase fixed assets. Business-type activities revenues and

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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transfers in the amount of \$1,718,051 were greater than expenses and disposal of assets of \$1,333,912 by \$384,139 mostly due to grants received and used to purchase fixed assets.

BUDGETARY HIGHLIGHTS

The budget was amended on December 27, 2005 to include the following increases for expenditures not anticipated at the time of adoption of the original budget on December 2, 2004. The additional expenditures were funded by unanticipated revenue and/or the prior year's fund balance. Funds with appropriation increases:

<u>Fund</u>	<u>Original Budget</u>	<u>New Budget</u>	<u>Increase</u>
General Fund	\$ 2,043,275	\$ 2,063,275	\$ 20,000
Municipal Recreation Area	\$ 144,511	\$ 195,000	\$ 50,489
Airport Fuel Fund	\$ 22,000	\$ 34,000	\$ 12,000
Conservation Trust Fund	\$ 32,950	\$ 40,000	\$ 7,050
Capital Projects Fund	\$ -	\$ 350,000	\$ 350,000
Head Start Fund	\$ 584,948	\$ 620,588	\$ 35,640
Employee's Pension Fund	\$ 27,000	\$ 70,000	\$ 43,000
Firemen's Pension Fund	\$ 19,300	\$ 31,982	\$ 12,682

- Changes in the General Fund Budget are attributable to the creation of Limon Special Improvement District No. 2-2005(a)(b)(c).
- Changes in the Recreation Area Fund Budget include increased usage costs and capital expenditures.
- Changes in the Capital Projects Fund Budget are due to the airport runway construction project that extended into 2005 from 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2005, Limon investment in capital assets for its governmental and business type activities net of accumulated depreciation was \$13,329,913. This included infrastructure assets acquired since January 1, 2004. Capital assets including land, buildings, streets, utility systems and equipment are as follows:

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	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ 1,339,838	\$ 1,277,569	\$ 243,476	\$ 243,476	\$ 1,583,314	\$ 1,521,045
Buildings and Water & Sewer Systems	2,270,681	2,270,681	8,480,627	10,287,418	10,751,308	12,558,099
Construction In Progress			349,546		349,546	-
Equipment	1,551,516	1,578,153	1,008,859	1,077,494	2,560,375	2,655,647
Other Capital Assets			1,048,995	1,048,995	1,048,995	1,048,995
Infrastructure	495,291	1,035,711			495,291	1,035,711
Total	\$ 5,657,326	\$ 6,162,114	\$ 11,131,503	\$ 12,657,383	\$ 16,788,829	\$ 18,819,497
Accumulated Depreciation	(2,003,486)	(2,148,082)	(3,035,119)	(3,341,502)	(5,038,605)	(5,489,584)
Capital Assets, Net	\$ 3,653,840	\$ 4,014,032	\$ 8,096,384	\$ 9,315,881	\$ 11,750,224	\$ 13,329,913

This year's major capital asset additions included:

- Improvements to the airport, specifically runway improvements in the amount of \$312,275.
- Improvements to the Water System including a one million gallon storage tank, new well field transmission line and replacement main on Main Street in the amount of \$1,406,452.
- Improvements to Sixth Street including asphalt and sidewalk curb and gutter in the amount of \$123,516.

Long-term Debt

As of December 31, 2005 the Town had \$5,427,956 in outstanding debt.

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	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue Bonds	\$ 375,000	\$ 335,000			\$ 375,000	\$ 335,000
Special Assessment Bonds	100,000	410,000			100,000	410,000
Capital Leases	96,839	88,625			96,839	88,625
Bonds Payable:						
2004 Water Revenue			2,220,000	2,175,000	2,220,000	2,175,000
2001 Water G.O.			555,000	520,000	555,000	520,000
2000 Water Revenue			1,213,313	1,159,147	1,213,313	1,159,147
1974 Mun. Rec. Area			91,000	82,000	91,000	82,000
Loans Payable:						
Colorado Water						
Conservation Board			407,508	387,286	407,508	387,286
Colorado Severance						
Tax Fund			9,175	-	9,175	-
Capital Lease			240,661	221,375	240,661	221,375
Colorado Maintenance Fee			45,475	49,523	45,475	49,523
	<u>\$ 571,839</u>	<u>\$ 833,625</u>	<u>\$ 4,782,132</u>	<u>\$ 4,594,331</u>	<u>\$ 5,353,971</u>	<u>\$ 5,427,956</u>

- Special Assessment Bonds in the amount of \$310,000 were issued which provide for payment of the Bond from Special Assessments imposed on property within Limon Special Improvement District No. 2005-2a, 2005-2b and 2005-2c.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax revenues budgeted for 2006 is \$795,000 that is \$683 more than 2005 actual.
- The property tax revenue budgeted for 2006 is \$339,872 that is \$16,996 more than 2005 actual.
- Governmental funds revenues were budgeted at \$2,861,846, which is a decrease of 16.40% from the 2005 actual revenues. Governmental revenue and expenditures included direct pass-through grants to other entities. The 2006 budgeted direct pass-through amounts are \$967,088, which is an increase of \$135,855 over the 2005 actual amounts of \$831,233. The 2006 budgeted expenditures for governmental activities are projected to be \$2,844,235, which is an 11.19% decrease from the 2005 actual.
- Proprietary funds revenues were budgeted at \$2,081,279, which is an increase of 20.44% from the 2005 actual revenues. Improvements of \$754,324 are budgeted for wastewater system improvements. Budgeted expenditures of \$2,080,411 represent a decrease under 2005 actual of 24.30%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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REQUESTS FOR INFORMATION

This financial report is designed to provide the citizens, taxpayers, customers and investors and creditors of the Town of Limon, Colorado a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about this report or need additional financial information, contact the Town of Limon, Town Clerk, P. O. Box 9, Limon, Colorado 80828.

TOWN OF LIMON, COLORADO
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Current Assets:			
Cash and Cash Equivalents	\$ 188,695	\$ 346,394	\$ 535,089
Investments	9,058	15,662	24,720
Current Portion Note Receivable		10,721	10,721
Accounts Receivable	48,581	181,432	230,013
Allowance for Doubtful Accounts	(923)	(61,132)	(62,055)
Intergovernmental Receivable	179,812	29,599	209,411
Accrued Interest Receivable		2,128	2,128
Special Assessment Receivable, Current Portion	6,807		6,807
Property Taxes Receivable	339,872		339,872
Inventory	20,726	47,351	68,077
Prepaid Expenses		10,000	10,000
Total Current Assets	<u>792,628</u>	<u>582,155</u>	<u>1,374,783</u>
Restricted Assets:			
Emergency Reserve	85,072		85,072
Loan & Bond Reserves	76,340		76,340
Bond & Emergency Reserve	242,106	236,293	478,399
Water Plant Reserve		31,674	31,674
Water Revenue Bonds		404,399	404,399
Sewer Line Maint. Reserve		49,803	49,803
Special Green Fee Fund		17,501	17,501
Equipment Reserve	168,284	153,619	321,903
Total Restricted Assets	<u>571,802</u>	<u>893,289</u>	<u>1,465,091</u>
Non-Current Assets:			
Special Assessment Receivable, Net of Current Portion	413,860		413,860
Notes Receivable, Net of Current Portion		303,604	303,604
Bond Issue Costs	61,299	119,199	180,498
Accumulated Amortization	(11,244)	(19,343)	(30,587)
Capital Assets			
Land	1,277,569	243,476	1,521,045
Buildings and water and sewer systems	2,270,681	10,287,418	12,558,099
Equipment	1,578,153	1,077,494	2,655,647
Infrastructure	1,035,711		1,035,711
Other capital assets		1,048,995	1,048,995
Accumulation Depreciation	(2,148,082)	(3,341,502)	(5,489,584)
Total Non-Current Assets	<u>4,477,947</u>	<u>9,719,341</u>	<u>14,197,288</u>
TOTAL ASSETS	<u>5,842,377</u>	<u>11,194,785</u>	<u>17,037,162</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long Term Debt	56,000	189,410	245,410
Accounts Payable	193,247	62,114	255,361
Accrued Interest Payable		62,320	62,320
Compensated Absences	4,465	2,552	7,017
Contingent Construction		72,378	72,378
Deferred Revenue - Grants	4,119		4,119
Deferred Revenue - Property Taxes	339,872		339,872
Total Current Liabilities	<u>597,703</u>	<u>388,774</u>	<u>986,477</u>
Non-Current Liabilities:			
Long Term Debt	777,625	4,404,921	5,182,546
Total Non-Current Liabilities	<u>777,625</u>	<u>4,404,921</u>	<u>5,182,546</u>
TOTAL LIABILITIES	<u>1,375,328</u>	<u>4,793,695</u>	<u>6,169,023</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,180,407	4,771,073	7,951,480
Restricted for:			
Emergency Reserve	85,072	70,000	155,072
Loan Reserve	76,340		76,340
Bond Reserve	242,106	44,874	286,980
Unrestricted:	883,124	1,515,143	2,398,267
TOTAL NET ASSETS	<u>\$ 4,467,049</u>	<u>\$ 6,401,090</u>	<u>\$ 10,868,139</u>

The accompanying accountant's report and notes are integral parts of the financial statements

TOWN OF LIMON, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>FUNCTIONS / PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 445,681	\$ 421,457	\$ 14,902	
Airport	13,598	4,352		231,535
Public Works - Streets	470,093	93,721	130,213	
Public Works - Sanitation	154,276	189,562		
Public Safety - Police and Fire	394,448	800		32,626
Public Health - Cemetery	54,241	5,118		
Culture and recreation	237,722	54,780	20,326	
Head Start Program	619,056		619,056	
Rural Development	170,177		170,177	
Rural Health	42,000		42,000	
Interest on Long Term Debt	28,353			
Total Governmental Activities	<u>2,629,645</u>	<u>769,790</u>	<u>996,674</u>	<u>264,161</u>
Business-Type Activities:				
Water	435,030	512,211		280,640
Water Treatment Plant	247,976	256,538	19,941	
Sewer	250,363	160,621		2,040
Municipal Recreation Area	173,031	111,081	29,221	
Airport Fuel Fund	28,020	29,073		
Ambulance Service Fund	199,492	176,123	11,185	
Total Business-Type Activities	<u>1,333,912</u>	<u>1,245,647</u>	<u>60,347</u>	<u>282,680</u>
Total Primary Government	<u>\$ 3,963,557</u>	<u>\$ 2,015,437</u>	<u>\$ 1,057,021</u>	<u>\$ 546,841</u>
		Property Taxes		
		Franchise Taxes		
		Sales Taxes		
		Motor Vehicle		
		Cigarette Tax		
		Use Tax		
		Interest Income		
		Special item -gain(loss) on sale of assets		
		Transfers		
		Other		
		Total general revenues		
		Change in net assets		
		Net assets beginning		
		Net assets ending		

The accompanying accountant's report and notes are integral parts of the financial statements

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
PRIMARY GOVERNMENT

<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
\$ (9,322)		\$ (9,322)
222,289		222,289
(246,159)		(246,159)
35,286		35,286
(361,022)		(361,022)
(49,123)		(49,123)
(162,616)		(162,616)
-		-
-		-
-		-
(28,353)		(28,353)
<u>(599,020)</u>	<u>-</u>	<u>(599,020)</u>
	357,821	357,821
	28,503	28,503
	(87,702)	(87,702)
	(32,729)	(32,729)
	1,053	1,053
	<u>(12,184)</u>	<u>(12,184)</u>
<u>-</u>	<u>254,762</u>	<u>254,762</u>
<u>\$ (599,020)</u>	<u>\$ 254,762</u>	<u>\$ (344,258)</u>
\$ 322,876		\$ 322,876
99,965		99,965
794,317		794,317
53,761		53,761
10,569		10,569
3,599		3,599
21,041	\$ 51,944	72,985
9,428		9,428
(77,433)	77,433	-
22,004		22,004
<u>1,260,127</u>	<u>129,377</u>	<u>1,389,504</u>
661,107	384,139	1,045,246
<u>3,805,942</u>	<u>6,016,951</u>	<u>9,822,893</u>
<u>\$ 4,467,049</u>	<u>\$ 6,401,090</u>	<u>\$ 10,868,139</u>

TOWN OF LIMON, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

ASSETS	<u>GENERAL</u>	<u>HEAD START FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
Cash	\$ 136,342		\$ 52,353	\$ 188,695
Investments	9,058			9,058
Accounts Receivable	46,767	\$ 1,814		48,581
Allowance for Doubtful Accounts	(923)			(923)
Intergovernmental Receivable	68,461	88,494	22,857	179,812
Special Assessment Receivable	420,667			420,667
Property Tax Receivable	339,872			339,872
Due From Other Funds	109,647			109,647
Inventories	20,726			20,726
Restricted Cash				
Equipment Reserve	168,284			168,284
Emergency Reserve	85,072			85,072
Loan & Bond Reserves	76,340			76,340
Bond Proceeds	242,106			242,106
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,722,419</u>	<u>\$ 90,308</u>	<u>\$ 75,210</u>	<u>\$ 1,887,937</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 107,822		\$ 79,995	\$ 187,817
Due To Other Funds	5,430	\$ 90,308	19,339	115,077
Deferred Revenues Grants	1,119		3,000	4,119
Deferred Revenue Special Assessment	420,667			420,667
Deferred Revenues Taxes	339,872			339,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>874,910</u>	<u>90,308</u>	<u>102,334</u>	<u>1,067,552</u>
 FUND BALANCES				
Reserved for:				
Inventories	20,726			20,726
Equipment Replacement	168,284			168,284
Emergency Reserve	85,072			85,072
Loan & Bond Reserves	76,340			76,340
Bond Proceeds	242,106			242,106
Unreserved-Designated for Subsequent				
Year Budget, reported in:				
Special Revenue Funds			14,500	14,500
Unreserved-Undesignated, reported in:				
General Fund	254,981			254,981
Capital Projects Fund			(75,386)	(75,386)
Special Revenue Funds			33,762	33,762
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>847,509</u>	<u>-</u>	<u>(27,124)</u>	<u>820,385</u>
Total Liabilities and Fund Balances	<u>\$ 1,722,419</u>	<u>\$ 90,308</u>	<u>\$ 75,210</u>	<u>\$ 1,887,937</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total Fund Balances - Total Governmental Funds	\$	820,385
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The following amounts reported for governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.

Governmental Capital assets		6,162,114
Accumulated Depreciation		(2,148,082)

Long term liabilities are not due and payable in the current period and therefore are not reported in governmental funds. Long term debt was adjusted as follows:

Revenue Bonds		(335,000)
Special Assessment Bonds		(410,000)
Capital Lease		(88,625)
Compensated Absences		(4,465)

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds and recognized as revenue in the statement of activities.

420,667

Bond issue costs to be amortized over the life of the debt.
Accumulated amortization on bond issue costs.

61,299
(11,244)

Net Assets of Governmental Activities

\$ 4,467,049

**TOWN OF LIMON, COLORADO
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>GENERAL</u>	<u>HEAD START FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES:				
Taxes	\$ 1,285,086			\$ 1,285,086
Fines, Licenses and Permits	38,445			38,445
Intergovernmental:				
Local	140,113		\$ 236,299	376,412
Federal	33,157	\$ 619,056	226,929	879,142
Charges for Services	409,719		1,200	410,919
Interest	20,574		467	21,041
Donated	5,281			5,281
Miscellaneous	22,004			22,004
TOTAL REVENUES	<u>1,954,379</u>	<u>619,056</u>	<u>464,895</u>	<u>3,038,330</u>
EXPENDITURES:				
Current:				
Administration	420,144			420,144
Airport	10,138			10,138
Public Works - Streets	424,924			424,924
Public Works - Sanitation	146,659			146,659
Public Safety - Police & Fire	357,656			357,656
Public Health - Cemetery	53,539			53,539
Culture & Recreation	203,195		10,314	213,509
Head Start Program		619,056		619,056
Rural Development			170,177	170,177
Rural Health			42,000	42,000
Capital Outlay	268,997		319,275	588,272
Debt Service:				
Principal - Lease Purchase	7,714			7,714
Principal - Bonded Debt	40,000			40,000
Interest	28,353			28,353
TOTAL EXPENDITURES	<u>1,961,319</u>	<u>619,056</u>	<u>541,766</u>	<u>3,122,141</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(6,940)	-	(76,871)	(83,811)
OTHER FINANCING SOURCES (USES)				
Proceeds Sale of Bonds	310,000			310,000
Sale of Fixed Assets	71,792			71,792
Operating Transfers In	3,078			3,078
Operating Transfer (Out)	(60,845)		(19,666)	(80,511)
NET CHANGE IN FUND BALANCE	317,085	-	(96,537)	220,548
FUND BALANCES, BEGINNING	<u>530,424</u>		<u>69,413</u>	<u>599,837</u>
FUND BALANCES, ENDING	<u>\$ 847,509</u>	<u>\$ -</u>	<u>\$ (27,124)</u>	<u>\$ 820,385</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

**TOWN OF LIMON, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds	\$ 220,548
Amounts reported for governmental activities in the statement of net Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$588,272 exceeded depreciation \$165,216 in the current period.	423,056
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	7,714
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	40,000
This is the current-period decrease in the liability for compensated absences	1,007
Revenues in the governmental funds that provide current financial resources, but have been included in the statement of activities in prior years.	(1,571)
Bond proceeds are a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(310,000)
The statement of activities reports a gain or loss on the disposal of assets based on the net book value at the time of the disposal. This is the net book value of assets disposed.	(62,864)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	322,498
Bond issuance costs are an expenditure in the governmental funds, but these amounts are reported on the statement of net assets as a deferred charge and amortized over the life of the debt. This is the amount by which current period bond issue costs exceed current period amortization.	<u>20,719</u>
Change in net assets of governmental activitie	<u><u>\$ 661,107</u></u>

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS	UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS
Current Assets:					
Cash	\$ 266,958	\$ 11,185	\$ 2,610	\$ 65,641	\$ 346,394
Investments				15,662	15,662
Current Portion of Note Receivable	10,721				10,721
Accounts Receivable	67,768		932	112,732	181,432
Allowances For Doubtful Accounts	(8,857)			(52,275)	(61,132)
Intergovernmental Receivable	29,599				29,599
Accrued Interest Receivable	2,128				2,128
Inventories	34,124	1,987	11,240		47,351
Prepaid Expense				10,000	10,000
Total Current Assets	<u>402,441</u>	<u>13,172</u>	<u>14,782</u>	<u>151,760</u>	<u>582,155</u>
Restricted Assets:					
Water Plant Reserve	31,674				31,674
Water Revenue Bonds	404,399				404,399
Sewer Line Maint. Reserve	49,803				49,803
Bond & Emergency Reserve Funds	212,865	23,428			236,293
Special Green Fee Fund		17,501			17,501
Equipment Reserve	92,641			60,978	153,619
Total Restricted Assets	<u>791,382</u>	<u>40,929</u>	<u>-</u>	<u>60,978</u>	<u>893,289</u>
Non-Current Assets:					
Notes Receivable, Net of Current Portion	303,604				303,604
Bond Issue Costs	103,699			15,500	119,199
Accumulated Amortization	(17,276)			(2,067)	(19,343)
Capital Assets:					
Water System	7,531,928				7,531,928
Sewer System and Plant	2,359,306				2,359,306
Water Rights	1,048,995				1,048,995
Land	187,444	11,000		45,032	243,476
Buildings				180,129	180,129
Recreation Area Facilities		216,055			216,055
Equipment	463,923	120,028		493,543	1,077,494
Accumulated Depreciation	(2,825,272)	(218,829)		(297,401)	(3,341,502)
Total Non-Current Assets	<u>9,156,351</u>	<u>128,254</u>	<u>-</u>	<u>434,736</u>	<u>9,719,341</u>
TOTAL ASSETS	<u>10,350,174</u>	<u>182,355</u>	<u>14,782</u>	<u>647,474</u>	<u>11,194,785</u>
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	160,410	9,000		20,000	189,410
Accounts Payable	42,017	3,416	9,623	5,278	60,334
Accrued Interest Payable	58,663			3,657	62,320
Due to Other Funds	1,170	224		386	1,780
Compensated Absences	2,006	546			2,552
Contingent Construction	72,378				72,378
Total Current Liabilities	<u>336,644</u>	<u>13,186</u>	<u>9,623</u>	<u>29,321</u>	<u>388,774</u>
Non-Current Liabilities:					
Deposit - State of Colo. For Sewer Line Maintenance	49,523				49,523
Long-Term Debt - Net of Current Portion	4,081,023	73,000		201,375	4,355,398
Total Non-Current Liabilities	<u>4,130,546</u>	<u>73,000</u>	<u>-</u>	<u>201,375</u>	<u>4,404,921</u>
TOTAL LIABILITIES	<u>4,467,190</u>	<u>86,186</u>	<u>9,623</u>	<u>230,696</u>	<u>4,793,695</u>
NET ASSETS					
Investment in Fixed Assets, Net of Related Debt	4,524,891	46,254		199,928	4,771,073
Restricted for Emergency Reserve	70,000				70,000
Restricted for Bond Reserve	31,674	13,200			44,874
Unrestricted	1,256,419	36,715	5,159	216,850	1,515,143
TOTAL NET ASSETS	<u>\$ 5,882,984</u>	<u>\$ 96,169</u>	<u>\$ 5,159</u>	<u>\$ 416,778</u>	<u>\$ 6,401,090</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>UTILITY FUND</u>			
	<u>WATER</u>	<u>WATER</u>	<u>SEWER</u>	
	<u>DEPARTMENT</u>	<u>TREATMENT</u>	<u>DEPARTMENT</u>	<u>TOTAL</u>
OPERATING REVENUES				
Sales	\$ 497,440	\$ 256,538	\$ 159,935	\$ 913,913
Less, Contractual Adjustments and Bad Debts	212		114	326
Net Sales	497,228	256,538	159,821	913,587
Other User Charges	14,152		800	14,952
Miscellaneous	831			831
 Total Operating Revenues	 <u>512,211</u>	 <u>256,538</u>	 <u>160,621</u>	 <u>929,370</u>
OPERATING EXPENSES				
Cost of Resale Items				
Maintenance	18,129	8,343	25,584	52,056
Insurance	3,441	7,070	5,303	15,814
Utilities	36,640	31,086	53,402	121,128
Testing	1,218		16,833	18,051
Salaries and Benefits	64,097	35,762	60,703	160,562
Other Expenses	13,417	11,812	13,848	39,077
Administration	22,123	2,000	8,465	32,588
Amortization	5,572			5,572
Depreciation	114,414	84,205	66,225	264,844
 Total Operating Expenses	 <u>279,051</u>	 <u>180,278</u>	 <u>250,363</u>	 <u>709,692</u>
 Income (Loss) From Operations	 <u>233,160</u>	 <u>76,260</u>	 <u>(89,742)</u>	 <u>219,678</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	45,303	3,955		49,258
Donations				
Intergovernmental - Local	275,720			275,720
Intergovernmental - Federal		19,941		19,941
Interest Expense	(155,979)	(67,698)		(223,677)
Total Non-Operating Revenues (Expenses)	<u>165,044</u>	<u>(43,802)</u>	<u>-</u>	<u>121,242</u>
 Net Income Before Contributions and Transfers	 398,204	 32,458	 (89,742)	 340,920
Capital Contributions	4,920		2,040	6,960
Transfers In (Out)				
 CHANGE IN NET ASSETS	 <u>\$ 403,124</u>	 <u>\$ 32,458</u>	 <u>\$ (87,702)</u>	 347,880
 NET ASSETS, BEGINNING OF YEAR				 <u>5,535,104</u>
 NET ASSETS, END OF YEAR				 <u>\$ 5,882,984</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

<u>MUNICIPAL RECREATION AREA</u>	<u>AIRPORT FUND</u>	<u>AMBULANCE SERVICE FUND</u>	<u>TOTALS</u>
\$ 101,393	\$ 29,073	\$ 362,364	\$ 1,406,743
		192,726	193,052
<u>101,393</u>	<u>29,073</u>	<u>169,638</u>	<u>1,213,691</u>
8,935			23,887
<u>753</u>		<u>6,485</u>	<u>8,069</u>
<u>111,081</u>	<u>29,073</u>	<u>176,123</u>	<u>1,245,647</u>
11,191	25,311		36,502
7,172	518	9,835	69,581
3,509		5,778	25,101
16,982		13,882	151,992
	610		18,661
99,166		51,739	311,467
15,622	1,581	58,862	115,142
			32,588
		1,550	7,122
<u>14,839</u>		<u>46,369</u>	<u>326,052</u>
<u>168,481</u>	<u>28,020</u>	<u>188,015</u>	<u>1,094,208</u>
<u>(57,400)</u>	<u>1,053</u>	<u>(11,892)</u>	<u>151,439</u>
392		2,294	51,944
29,221		240	29,461
		10,945	286,665
			19,941
<u>(4,550)</u>		<u>(11,477)</u>	<u>(239,704)</u>
<u>25,063</u>	<u>-</u>	<u>2,002</u>	<u>148,307</u>
(32,337)	1,053	(9,890)	299,746
			6,960
<u>64,670</u>		<u>12,763</u>	<u>77,433</u>
32,333	1,053	2,873	384,139
<u>63,836</u>	<u>4,106</u>	<u>413,905</u>	<u>6,016,951</u>
<u>\$ 96,169</u>	<u>\$ 5,159</u>	<u>\$ 416,778</u>	<u>\$ 6,401,090</u>

**TOWN OF LIMON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts From Customers	\$ 950,461	\$ 111,081	\$ 27,345	\$ 161,515	\$ 1,250,402
Payments to Suppliers for Goods and Services	(330,622)	(54,312)	(24,735)	(95,012)	(504,681)
Payments to Employees	(161,046)	(100,028)		(51,695)	(312,769)
Net Cash Provided (Used) By Operating Activities	458,793	(43,259)	2,610	14,808	432,952
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Donations		29,221		240	29,461
Intergovernmental Grants				10,945	10,945
Transfer From (To) Other Fund		64,670		12,763	77,433
Net Cash Provided By Non-Capital Financing Activities	-	93,891	-	23,948	117,839
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:					
State of Colorado - Sewer Line Maintenance	6,016				6,016
Tap Fees	6,960				6,960
Intergovernmental Grant	237,320				237,320
Sewer Line Maintenance Paid Colo. Reserve Account	(1,968)				(1,968)
Transfer From (To) Restricted Assets	1,004,420	(3,079)		13,494	1,014,835
Purchase of Assets	(1,506,569)	(23,767)		(15,213)	(1,545,549)
Interest Paid	(206,116)	(4,550)		(11,795)	(222,461)
Debt Principal Payments	(163,563)	(9,000)		(19,286)	(191,849)
Note - Frazier Farms	10,168				10,168
Net Cash (Used) By Capital and Financing Activities	(613,332)	(40,396)	-	(32,800)	(686,528)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments				(15,662)	(15,662)
Interest Revenue	51,469	392		2,294	54,155
Net Cash Provided By Investing Activities	51,469	392	-	(13,368)	38,493
Net Increase (Decrease) in Cash and Cash Equivalents	(103,070)	10,628	2,610	(7,412)	(97,244)
CASH AND CASH EQUIVALENTS					
Beginning of Year	370,028	557	-	73,053	443,638
End of Year	\$ 266,958	\$ 11,185	\$ 2,610	\$ 65,641	\$ 346,394
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities					
Net Operating Income (Loss)	\$ 219,678	\$ (57,400)	\$ 1,053	\$ (11,892)	\$ 151,439
Depreciation	264,844	14,839		46,369	326,052
Amortization	5,572			1,550	7,122
(Increase) Decrease in Accounts Receivable, Net	21,091		(686)	(14,608)	5,797
(Increase) Decrease in Inventory	8,046	(305)	(5,331)		2,410
(Increase) Decrease in Prepaid Expense				(10,000)	(10,000)
Increase (Decrease) in Accounts Payable	(59,954)	469	8,616	3,345	(47,524)
Increase (Decrease) in Due to Other Funds	(1,092)	(878)	(1,042)	44	(2,968)
Increase (Decrease) in Compensated Absences	608	16			624
Net Cash Provided (Used) By Operating Activities	\$ 458,793	\$ (43,259)	\$ 2,610	\$ 14,808	\$ 432,952
Noncash capital financing activities:					
Interest subsidy	\$ 19,941				

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u>PLAN</u>	<u>PLAN</u>	<u>TOTALS</u>
ASSETS:			
Cash	\$ 43,315		\$ 43,315
Due From Other Funds	7,210		7,210
Property Tax Receivable		\$ 8,215	8,215
Investments - Stocks, Bonds and Mutual Funds - At Fair Market Value:			
U.S. Government & Agency Obligations	307,870		307,870
Domestic Stocks	383,599		383,599
International Stocks	16,289		16,289
Mutual Funds	250,713		250,713
Other Investments - Fire and Police Pension Association		319,448	319,448
TOTAL ASSETS	<u>1,008,996</u>	<u>327,663</u>	<u>1,336,659</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Deferred Property Tax Revenue		8,215	8,215
TOTAL LIABILITIES	<u>-</u>	<u>8,215</u>	<u>8,215</u>
 NET ASSETS	 <u>\$ 1,008,996</u>	 <u>\$ 319,448</u>	 <u>\$ 1,328,444</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Employee Contribution	\$ 40,800		\$ 40,800
Employer Contribution	7,210		7,210
Interest Income	359	\$ 4,152	4,511
Investment Income (Loss), Net of Expenses	48,737	25,871	74,608
Property Taxes		7,599	7,599
Intergovernmental		6,770	6,770
Miscellaneous Income	<u>5,600</u>		<u>5,600</u>
Total Additions	<u>102,706</u>	<u>44,392</u>	<u>147,098</u>
 DEDUCTIONS:			
Benefit Payments	37,424	27,475	64,899
Administrative Expenses	<u>5,588</u>	<u>3,313</u>	<u>8,901</u>
Total Deductions	<u>43,012</u>	<u>30,788</u>	<u>73,800</u>
 CHANGE IN PLAN NET ASSETS	 59,694	 13,604	 73,298
 PLAN NET ASSETS, BEGINNING OF YEAR	 <u>949,302</u>	 <u>305,844</u>	 <u>1,255,146</u>
PLAN NET ASSETS, END OF YEAR	<u><u>\$ 1,008,996</u></u>	<u><u>\$ 319,448</u></u>	<u><u>\$ 1,328,444</u></u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

(1) Summary of Significant Accounting Policies

The Town of Limon operates under a council-mayor form of government and maintains accounting policies to conform to generally accepted accounting principles as applicable to governments. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

A. Reporting Entity

The Town has no component units using the criteria as set forth in generally accepted accounting principles. The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board (GASB) Statement-14. GASB Statement-14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either A) the primary government must be able to impose its will, or B) the primary government may potentially benefit financially or be financially responsible for the component unit.

B. Related Organizations

The Town's Board of Trustees is responsible for appointing the members of the board of the Limon Housing Authority, but the Town's financial responsibility for this organization does not extend beyond making the appointments. Therefore, it is not included in these financial statements.

The financial statements of the authority may be obtained from: Director, Limon Housing Authority, 1880 Circle lane, Limon, Co 80828.

C. Fund Accounting

The accounts of the Town 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. The Town reports the following major governmental funds:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

General Fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Head Start Fund – This fund accounts for a Federal Head Start grant, which is passed through to the local child-care center.

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or service to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

The Town of Limon operates the Water and Sewer Utilities, the Municipal Recreation Fund (primarily golfing activities), the Airport Fuel Fund (for the sale of fuel to airplane operators) and the Ambulance Service Fund on this basis.

Additionally, the Town reports the following fiduciary fund types:

Employees' Pension Plan and Volunteer Fireman's Pension Plan, as more fully described in Note 6.

D. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity 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 customers or applicants who purchases, 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 as general revenues.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

E. Measurement focus, basis of accounting , and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales tax collected and held by vendors at year end on behalf of the Town is also recognized as revenue if collected within 60 days after year end. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

As a Phase 3 government, as defined in GASB 34, the Town has elected to not report major general infrastructure retroactively; therefore, the government-wide financial statements do not reflect infrastructure assets completed prior to January 1, 2004.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

Streets, sidewalk, curb, & gutter	25 to 30 years
Buildings and Improvements	20 to 40 years
Water and Sewer Systems	50 years
Water and Sewer Plants	20 to 50 years
Recreation Area Improvements	20 to 25 years
Equipment	5 to 15 years
Water Wells	20 years

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

G. Long-term Obligations

In the government-wide financial statements, and proprietary 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 proprietary fund type statement of net assets.

H. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to October 15, the Town Administrator submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to January 1, the budget is legally enacted through the passage of an ordinance. Amendments can be made until year end. On December 27, 2005, the Board approved a resolution appropriating additional sums of money for the year 2005. The original and amended appropriation amounts are presented in the budgetary data in the financial statements.

Budgets for governmental and pension funds are adopted on a basis consistent with generally accepted accounting principles. Budgets for the Proprietary funds are adopted to fulfill statutory requirements and are prepared on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, loans and reimbursements received, note receivable principal, capital expenditures and bond principal payments, but does not provide for depreciation and amortization.

For 2005 the Board of Trustees budgeted all funds and appropriated spending limits by fund. Therefore, the comparisons of actual and budget amounts relating to legal requirements shown in the financial statements is based on “total expenditures” plus “operating transfers to other funds” in the various fund types. All appropriations lapse at year end.

I. Encumbrances

The Town does not employ the method of encumbrance accounting that reserves specific appropriations for purchase orders and other commitments. Encumbrances outstanding at year end, when material, are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005

J. Cash and Investments

Cash includes interest-bearing demand deposits (checking and money-market accounts), as well as short-term investments with a maturity date within three months of the date acquired.

Investments are stated at cost, except for marketable debt and equity security investments of the two pension trusts, which are valued at market. State statutes authorize the allowable type of investments, which are detailed in Note 2.

K. Property Taxes

Annual property taxes are levied and assessed on January 1 and are certified to the County by December 15 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits the collections on a monthly basis to the Town.

The Town recognizes a receivable for property tax levies upon certification by the County Treasurer. A deferred revenue liability is recorded in the same amount since the taxes are not available at year end to fund expenditures of the current year. They are recognized as revenue when collected in the following year.

Property taxes are computed using mills, where one mill is equal to \$1 of \$1,000 of assessed value. The mill levy for 2005 was 22.172.

L. Inventories

Inventories of items in the following funds were valued at cost:

General Fund - Dumpsters and polycarts	
held for resale and street supplies	\$20,726
Utility - Treatment supplies, meters and parts	34,124
Municipal Recreation Area - Merchandise & Concessions	1,987
Airport Fuel Fund - Airplane fuel	<u>11,240</u>
Total Inventories	<u>\$68,077</u>

M. Compensated Absences

By ordinance, the Town's policy regarding vacation time is to not let it accumulate beyond one year, although some exceptions are made upon approval of management. Any unused vacation time is paid upon termination. Also by ordinance, any employee accumulating sick leave beyond 60 days shall continue to accrue sick leave at the rate of one-half day per month

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

and shall have the additional leave added to vacation leave for the following year. The liability for vacation pay included in these financial statements includes such sick leave accrued to December 31, 2005.

N. Compliance with Colorado Contraband Forfeiture Act

Contraband funds collected and related disbursements are included in the financial statements.

O. Bond Discounts and Issuance Costs

Utility Fund bond discount and issuance costs of \$103,699 for the 2000 to 2004 issues are being amortized over the term of the bonds (15 to 20 years) on the straight-line method. Ambulance Fund loan costs of \$15,500 are being amortized over the 10 year term of the loan on the straight-line method. Costs of Proprietary Funds' issues prior to 1989 were either expensed or added to the cost of the related assets. Bond issue and loan costs of \$61,299 on debt not related to Proprietary Funds are being amortized over their term (10 to 20 years) on the straight-line method in the government-wide financial statements, but expensed currently in the governmental funds financial statements.

(2) Cash and Investments

For the purpose of the statement of cash flows, the Town considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Cash Deposits – The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a policy of limiting custodial credit risks by assuring that deposits are only made in eligible public depositories. As of December 31, 2005, none of the Town's deposits are deemed to be exposed to custodial credit risk.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005

The Town's deposits as of December 31, 2005 are shown below.

The Town's cash deposits at December 31, 2005 was \$2,068,215 which include cash, investments, and restricted assets in the primary government Statement of Net Assets and cash in the Employee's Pension Plan in the Statement of Fiduciary Net Assets. Cash on hand was \$554 and the remaining \$2,067,661 is explained below:

Cash balances and certificates of deposit:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC)	\$ 302,627	\$ 302,627
Collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name	<u>1,913,715</u>	<u>1,765,034</u>
Total cash and certificates of deposit	<u>\$2,216,342</u>	<u>\$2,067,661</u>

The difference between the bank balance and carrying balance is \$148,681, which were outstanding items that had not cleared the banks as of December 31, 2005.

Investments - Colorado statutes specify in which instruments the local government may invest, which include:

1. Repurchase agreements in obligations of the United States;
2. Obligations of the United States or obligations unconditionally guaranteed by the United States;
3. General obligation or revenue bonds of any state, District of Columbia, US territory or any of their subdivisions, with certain limitations;
4. Bankers acceptance issued by a state or national bank, with certain limitations;
5. Commercial paper, with certain limitations;
6. Any obligation, certificate of participation or lease/purchase of the investing public entity;
7. Money market funds, with certain limitations, which invest in the types of securities listed above;

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

8. Guaranteed investment contracts, with other certain limitations;
9. Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments. These trusts are "Colotrust", "Jefftrust" and "CSafe".

Other than in the Employees' and Volunteer Fireman's Pension Plans the Town's only investments are in bank savings and money market accounts and certificates of deposit, which are included in cash deposits preceding.

Colorado statutes also specify in which instruments a municipal retirement board may participate in the following types of retirement plans:

1. A plan administered by a qualified insurance company;
2. Establish a trust with a bank or trust company;
3. Belong to Colorado's Public Employees Retirement Association (PERA);
4. Invest in the same manner as PERA is authorized. It is authorized to make a broad range of investments, with these limitations on common or preferred stock:
 1. The aggregate amount of moneys invested in corporate stocks or corporate bonds, notes, or debentures which are convertible into corporate stock or in investment trust shares shall not exceed 65% of the then book value of the fund.
 2. No investment of the fund in common or preferred stock, or both, of any single corporation shall be of an amount which exceeds 5% of the then book value of the fund, nor shall the fund acquire more than 12% of the outstanding stock or bonds of any single corporation.

The Employee's and Volunteer Fireman's Pension Plan investments at December 31, 2005 are reported at fair market value. The Employees' and Volunteer Fireman's Pension Plan investments are shown below:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

	Fair Market Value	Maturity	Credit Rating	Rating Agency
Stocks, bonds and mutual funds:				
Fixed income:				
U.S. Treasury and Agencies	154,729	01/19/06	Not Rated	n/a
U.S. Treasury and Agencies	153,141	04/20/06	Not Rated	n/a
Domestic Stocks	383,599	n/a	Not Rated	n/a
International Stocks	16,289	n/a	Not Rated	n/a
Mutual Funds	10,078	n/a	Five Star	Morningstar
Mutual Funds	3,024	n/a	Four Star	Morningstar
Mutual Funds	199,208	n/a	Three Star	Morningstar
Mutual Funds	7,055	n/a	Two Star	Morningstar
Money Market Mutual Funds	31,348	n/a	Not Rated	n/a
Other Investments:				
Fire & Police Pension Association	319,448	n/a	Not Rated	n/a
Total Investments	<u>\$ 1,277,919</u>			

Interest Rate Risk – The Town and the Employees’ Pension Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates.

Credit Risk – The Town does not have a formal investment policy that would further limit its investment choices beyond those listed above which are approved by Colorado Statutes.

A reconciliation of the Town’s deposits and investments to the financial statements is as follows:

Cash and Cash Equivalents	\$ 535,089
Investments	24,720
Restricted Cash	1,465,091
Fiduciary Funds – Cash	43,315
Fiduciary Funds – Investments	<u>1,277,919</u>
Total	<u>\$3,346,134</u>

(3) Restricted Assets

Restricted assets are for the following purposes:

General Fund – Emergency reserve under Article X, Section 20 of the Colorado Constitution. Accumulation at December 31, 2005 of \$85,072 is 3% of the Town’s annual expenditures in the governmental fund types. Reserve is held in bank certificates of deposit.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

General Fund – reserves for payment of 1999 revenue bonds and 2004 capital lease. Total required accumulation at December 31, 2005 is \$5,000. Reserve for the 1999 revenue bonds is held in a bank savings account and the 2004 capital lease in certificates of deposit.

General Fund – equipment replacement reserve. Accumulation at December 31, 2005 is \$168,284. Reserve is held in a bank savings account.

General Fund – bond proceeds for a street special improvement district. Amount held in certificates of deposit is \$242,106 at December 31, 2005.

Utility Fund – reserve for operations and maintenance of the water treatment plant. Total required accumulation at December 31, 2005 is \$30,692. Reserve is held in a bank savings account.

Utility Fund – funds held for future water projects construction from proceeds of 2004 water bond. Amounts held in a bank savings account and certificates of deposit totals \$404,399 at December 31, 2005.

Utility Fund – reserve for Emergency Reserve and repayment of 2000 revenue bonds. There is no required accumulation for bond repayment at December 31, 2005. Emergency Reserve required accumulation is 3% of annual expenditures in the Utility Fund. Reserve is held in a bank savings account.

Utility Fund – accumulation of monthly fee from State of Colorado for maintenance of the sewer system serving the Limon Correctional Facility. This fee eventually will be returned to the State if the maintenance is less than the accumulated amount. The amount accumulated is in a bank savings account.

Utility Fund – equipment maintenance and replacement reserve. Accumulation at December 31, 2005 is \$92,641. Reserve is held in a bank savings account.

Municipal Recreation Area Fund – accumulation of special green fees, which is spent on specific items approved by the women’s and men’s golf associations. The amount accumulated is in a bank savings account.

Municipal Recreation Area Fund – reserve for repayment of the 1974 revenue bonds. Total required accumulation at December 31, 2005 is \$13,200. Reserve is held in a bank savings account.

Ambulance Service Fund – equipment replacement reserve. Accumulation at December 31, 2005 is \$60,978. Reserve is held in a bank certificate of deposit.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

(4) Note Receivable and Special Assessment Receivable

The note receivable from Frazier Farms resulted from the sale of the Dickens ranch land in 2004, with the Town retaining the water rights. Payments including principal and interest, at a rate of 5.369%, are due each year in the amount of \$27,455, until the year 2023.

The special assessment receivable resulted from 2004 and 2005 street and sidewalk improvements. Payments on the 2004 assessment including principal and interest, at a rate of 6.65% are due from affected residents from 2006 to 2024 in the amount of \$9,297 each year. Residents are permitted to pay their accounts in full at any time.

Payments on the 2005 assessment including principal and interest, at a rate of 7% are due in 2006 from affected residents in the amount of \$15,466 and from 2007 to 2025 in the amount of \$30,761 each year. Residents are permitted to pay their accounts in full any time.

(5) Capital Assets

Capital asset activity for the year was as follows:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Governmental Activities:	<u>Dec. 31, 2004</u>	<u>Additions</u>	Transfers <u>Deletions</u>	<u>Dec. 31, 2005</u>
Non-depreciable assets:				
Land	\$ 1,339,838		\$ (62,269)	\$ 1,277,569
Depreciable assets:				
Buildings	\$ 2,270,681			\$ 2,270,681
Equipment	1,551,516	47,852	(21,215)	1,578,153
Infrastructure	495,291	540,420		1,035,711
Total depreciable assets	<u>\$ 4,317,488</u>	<u>\$ 588,272</u>	<u>\$ (21,215)</u>	<u>\$ 4,884,545</u>
Total capital assets	<u>\$ 5,657,326</u>	<u>\$ 588,272</u>	<u>\$ (83,484)</u>	<u>\$ 6,162,114</u>
Less accumulated depreciation for:				
Buildings	\$ (1,005,396)	\$ (51,080)		\$ (1,056,476)
Equipment	(996,211)	(94,181)	20,620	(1,069,772)
Infrastructure	(1,879)	(19,955)		(21,834)
Total accumulated depreciation	<u>\$ (2,003,486)</u>	<u>\$ (165,216)</u>	<u>\$ 20,620</u>	<u>\$ (2,148,082)</u>
Depreciable Assets, Net	<u>\$ 2,314,002</u>	<u>\$ 423,056</u>	<u>\$ (595)</u>	<u>\$ 2,736,463</u>
Governmental Activities Assets, Net	<u>\$ 3,653,840</u>	<u>\$ 423,056</u>	<u>\$ (62,864)</u>	<u>\$ 4,014,032</u>

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 24,883
Airport	3,460
Public safety – Police and Fire	36,792
Highways and Streets	67,549
Public Works – Sanitation	7,617
Public Health – Cemetery	702
Culture & Recreation	<u>24,213</u>
Total Governmental Activities Depreciation Expense	<u>\$ 165,216</u>

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	<u>Dec. 31, 2004</u>	<u>Additions</u>	<u>Transfers Deletions</u>	<u>Dec. 31, 2005</u>
Business-Type Activities:				
Non-depreciable assets:				
Water Rights	\$ 1,048,995	\$ -	\$ -	\$ 1,048,995
Land	243,476	-	-	243,476
Construction in Progress	349,546	-	(349,546)	-
Total non-depreciable assets	<u>\$ 1,642,017</u>	<u>\$ -</u>	<u>\$ (349,546)</u>	<u>\$ 1,292,471</u>
Depreciable assets:				
Water System & Plant	\$ 6,056,147	\$ 1,854,915	\$ (12,675)	\$ 7,898,387
Sewer System & Plant	2,458,564	1,200	(2,994)	2,456,770
Rec Area Facilities & Equipment	316,316	23,767	(4,000)	336,083
Ambulance Building & Equipment	658,459	15,213	-	673,672
Total depreciable assets	<u>\$ 9,489,486</u>	<u>\$ 1,895,095</u>	<u>\$ (19,669)</u>	<u>\$ 11,364,912</u>
Total capital assets	<u>\$ 11,131,503</u>	<u>\$ 1,895,095</u>	<u>\$ (369,215)</u>	<u>\$ 12,657,383</u>
Less accumulated depreciation for:				
Water System & Plant	\$ (1,607,352)	\$ (198,619)	12,675	\$ (1,793,296)
Sewer System & Plant	(968,745)	(66,225)	2,994	(1,031,976)
Rec Area Facilities & Equipment	(207,990)	(14,839)	4,000	(218,829)
Ambulance Building & Equipment	(251,032)	(46,369)	-	(297,401)
Total accumulated depreciation	<u>\$ (3,035,119)</u>	<u>\$ (326,052)</u>	<u>\$ 19,669</u>	<u>\$ (3,341,502)</u>
Depreciable Assets, Net	<u>\$ 6,454,367</u>	<u>\$ 1,569,043</u>	<u>\$ -</u>	<u>\$ 8,023,410</u>
Business-Type Activities Assets, Net	<u>\$ 8,096,384</u>	<u>\$ 1,569,043</u>	<u>\$ (349,546)</u>	<u>\$ 9,315,881</u>

Depreciation expense was charged to functions of the Town as follows:

Water	\$ 114,414
Water Treatment	84,205
Sewer	66,225
Municipal Recreation	14,839
Ambulance	46,369
Total Business-Type Depreciation Expense	<u>\$ 326,052</u>

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(6) Retirement Plans

The Town maintains a single-employer defined benefit pension plan which covers all eligible Town employees, including policemen. Volunteer firemen are covered by a separate defined benefit plan

Employees' Pension Plan:

Plan Description. The Town of Limon Employees' Pension Plan is a single-employer defined benefit pension plan administered by the Town of Limon. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Town Council has the authority to establish and amend benefit provisions. The Plan does not issue a publicly available financial report.

There is no provision for cost-of-living increases after benefits begin.

The plan covers all types of Town employees.

Membership in the Plan consisted of the following at January 1, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	0
Terminated plan members entitled to, but not yet receiving benefits	1
Active Plan Members	<u>23</u>
Total	<u>24</u>

Funding Policy. Plan members are required to contribute 4% of compensation up to \$550 per month and 6% of compensation excess of \$550. The Town is required to contribute at an actuarially determined rate. Prior to 1991, the Town's policy had been to match the employees' contribution, instead of contributing in accordance with actuarial computations. This has resulted in funding in excess of the plan's actuarially determined requirements, and for 1988 through 2002 the required employer contribution was zero. Due to the large funding excess, the Town made no contribution from 1991 to 2002.

Direct administrative fees are paid from plan income. Indirect expenses (portions of Town administrative salaries) are not allocated to the Plan.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$7,210
Annual pension cost	\$7,210
Contributions made	\$7,210

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Net pension obligation beginning of year	0
Net pension obligation end of year	0

The annual required contribution for the current year was determined as part of the January 1, 2005 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 7.0 investment rate of return (net of administrative expenses) and (b) projected salary increases of 2.0% per year. Both (a) and (b) included an inflation component of 2.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value method.

Schedule of Funding Progress (Based on Entry Age Normal Method).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability or (Funding Excess) (b-a)	Funded Ratio (a)/(b)
1-1-00	862,829	616,483	(246,346)	140.0%
1-1-01	868,785	671,092	(197,693)	129.5%
1-1-02	797,474	779,692	(17,782)	102.3%
1-1-03	656,618	796,299	139,681	82.4%
1-1-04	805,602	925,883	120,281	87.0%
1-1-05	926,995	957,178	30,183	96.8%

Six-year Trend Information:

For Each Year ended	Employer Annual Required Contribution and Pension Cost	Employer Contribution	Percentage Contributed	Net Pension Obligation
12-31-00 to				
12-31-02	0	0	100%	0
12-31-03	19,976	19,976	100%	0
12-31-04	16,886	16,886	100%	0
12-31-05	7,210	7,210	100%	0

Volunteer Fireman's Pension Plan

Plan Description. The Town of Limon, on behalf of its volunteer firefighters contributes to the Town of Limon Volunteer Firemen's Pension Plan, a defined benefit pension plan which is affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Members Benefit Fund, an agent multiple-employer defined benefit pension plan administered by the FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Board of Directors of the Limon Volunteer Firemen's Pension Plan. Title 31, Article 30 of the Colorado

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Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available annual financial report that includes the assets of the Limon Volunteer Firemen's Pension Plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at 303-770-3772 in the Denver Metro area, or 1-800-332-3772 from outside the metro area.

Annual Pension Cost. For the fiscal year ended December 31, 2005, the annual pension cost of the Town of Limon Volunteer Firemen's Pension Plan was \$14,369. During the year, the Town of Limon and the state of Colorado contributed \$14,369, which is equal to 100% of the annual pension cost. The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	<u>\$14,369</u>
Net pension obligation end of year	<u>\$ -0-</u>

Actuarial information. The Annual Required Contribution (ARC) for the current year was determined by the FPPA actuary, or an actuarial firm designated by the FPPA using the "entry age" cost method and is as of January 1, 2005. The significant actuarial assumptions used in the valuation as of January 1, 2005 were: (a) life expectancy of participants obtained from the 1994 Group Annuity Mortality Table loaded for fire and police experience; (b) retirement age assumption of age 50 and 20 years of service; and (c) investment return of 8.0% per annum net of operating expenses.

For the purpose of this actuarial study, plan assets were valued at actuarial value. The study utilized a level dollar amount open amortization over a period of 20 years.

Schedule of Funding Progress (Based on Entry Age Method).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability or (Funding Excess) (b-a)	Funded Ratio (a)/(b)
1-1-99	311,484	162,707	(148,777)	191.4%
1-1-01	346,410	261,720	(84,690)	132.4%
1-1-03	298,950	229,002	(69,948)	130.5%
1-1-05	290,143	230,778	(59,365)	125.7%

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Six-year Trend Information.

<u>For Each Year ended</u>	<u>Employer Annual Required Contribution and Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2000	12,563	12,563	100%	0
2001	12,694	12,694	100%	0
2002	14,256	14,256	100%	0
2003	14,626	14,626	100%	0
2004	14,450	14,450	100%	0
2005	14,369	14,369	100%	0

(7) Contingency – Constitutional Amendment

In November 1992, the Colorado voters passed a constitutional amendment (Tabor Amendment) to the State Constitution (Article X, Section 20) which requires voter approval for any increases in mill levies, revenue limits, spending limits and creation of multi-year debt. In addition, the amendment requires that a reserve be established for emergencies of 3% in 1995 and thereafter.

The Town has reserved \$85,072 within the General Fund and \$70,000 within the Utility Fund for the emergency reserve under the Tabor amendment.

On April 7, 1998, the voters of the Town approved a referendum allowing the Town to collect, retain and expend the full proceeds of the Town’s sales and property tax, state grants, fees and other revenues received from December 31, 1997 and thereafter.

The Town believes that it is in compliance with the provisions of the Tabor amendment. However, many provisions of the Tabor Amendment are complex and subject to further interpretation and will require judicial interpretation.

(8) Capital Lease

The Town has entered into the following lease-purchase:

2004 – for a gravel pit to be operated by the Street Department and for land and buildings used by the Ambulance Service Fund. The security for this lease-purchase is the Town’s fire station.

The entire cost of the gravel pit of \$90,140, less the allocable cost of excess land sold in 2005 of \$62,269 is reflected in the Governmental Activities Capital Assets in the amount of \$27,871 and the

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obligation for the remainder of the lease in the Governmental Activities Liabilities in the government-wide financial statements.

The entire cost of the land and buildings in the amount of \$225,161 is reflected in the Business-Type Activities Capital Assets and the obligation for the remainder of the lease in the Business-Type Activities Liabilities.

Following is a schedule of the future minimum lease payments under the capitalized lease, together with the present value of the net minimum lease payments as of December 31, 2005:

Years Ended December 31,	Governmental Activities	Business-Type Activities
2006	12,340	30,850
2007	12,519	31,299
2008	12,385	30,963
2009	12,522	31,307
2010	12,346	30,866
2011	12,441	31,105
2012	12,509	31,273
2013	12,262	30,658
2014	12,344	30,665
Total Minimum Lease Payments	111,668	278,986
Less, Amount Representing Interest	(23,043)	(57,611)
Present Value of Net Minimum Lease Payments	\$88,625	\$221,375

The current portion of the present value of the net minimum lease payments is \$8,000 for Governmental Activities and \$20,000 for Business-Type Activities.

(9) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases. Total rental expenses for all operating leases reported in Governmental Activities was \$3,375 in 2005. Future minimum lease payments as of December 31, 2005, under operating leases that have initial or remaining lease terms of more than one year are as follows:

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Years Ended December 31,	Governmental Activities
2006	4,500
2007	4,500
2008	4,500
2009	4,500
2010	1,125
Total Minimum Lease Payments	\$ 19,125

(10) Long-Term Debt

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, as well as to refund prior issues. General obligation bonds have been issued for proprietary activities only. They are direct obligations and pledge the full faith and credit of the Town and are ultimately secured by general ad valorem taxes.

The Town has one general obligation bond issue outstanding at December 31, 2005, which is expected to be paid from Utility Fund Water revenues together with interest from 4.3% to 5.6%.

During 2005 principal payments of \$35,000 were made on the bond and interest payments of \$27,367 were made which are included as a direct expense under Water in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2006	\$ 35,000	\$ 26,415	\$ 61,415
2007	40,000	24,910	64,910
2008	40,000	23,150	63,150
2009	45,000	21,310	66,310
2010	45,000	19,150	64,150
2011-2015	255,000	59,250	314,250
2016	60,000	3,360	63,360
	\$ 520,000	\$ 177,545	\$ 697,545

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Revenue Bonds – The Town issues bonds where the government pledges income derived from the acquired or constructed assets or from a specific revenue source to pay debt service. Revenue bonds at December 31, 2005 are as follows:

Payable from Governmental Activities revenue together with interest from 5.125% to 5.625%.

During 2005 principal payments of \$40,000 were made on the bond and interest payments of \$20,669 were made which are included under governmental activities in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2006	\$ 45,000	\$ 18,619	\$ 63,619
2007	40,000	16,312	56,312
2008	45,000	14,062	59,062
2009	45,000	11,531	56,531
2010	50,000	9,000	59,000
2011-2012	110,000	9,281	119,281
	\$ 335,000	\$ 78,805	\$ 413,805

Payable from Utility Fund Water revenues, together with interest from 4.30% to 5.50%.

During 2005 principal payments of \$45,000 were made on the bond and interest payments of \$116,798 were made which are included as a direct expense under Water in the Statement of Activities.

Annual debt service requirements are as follows:

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	Principal	Interest	Total
2006	\$ 45,000	\$ 115,295	\$ 160,295
2007	50,000	113,360	163,360
2008	50,000	110,960	160,960
2009	55,000	108,310	163,310
2010	55,000	105,175	160,175
2011-2015	315,000	482,540	797,540
2016-2020	615,000	380,063	995,063
2021-2023	990,000	122,925	1,112,925
	<u>\$ 2,175,000</u>	<u>\$ 1,538,628</u>	<u>\$ 3,713,628</u>

Payable from Utility Fund Water revenues, together with interest from 5.63% to 8.91%. This bond has a federal interest subsidy, which is shown as a revenue item in the financial statements. After the subsidy, the interest rate on the bonds is from 3.98% to 7.26%.

During 2005 principal payments of \$54,166 were made on the bond and interest payments of \$47,757 were made in addition to the federal subsidy interest amount of \$19,941 for a total of \$67,698 which is included as a direct expense under Water Treatment Plant in the Statement of Activities.

Annual debt service requirements are as follows:

	Principal	Interest Before Federal Subsidy	Total	Federal Interest Subsidy	Total After Federal Subsidy
2006	\$ 59,582	\$ 65,210	\$ 124,792	\$ 19,051	\$ 105,741
2007	64,999	62,529	127,528	18,072	109,456
2008	64,999	59,589	124,588	17,004	107,584
2009	64,999	56,589	121,588	15,935	105,653
2010	70,415	53,589	124,004	14,867	109,137
2011-2015	379,160	221,889	601,049	56,442	544,607
2016-2020	454,993	109,924	564,917	23,235	541,682
	<u>\$ 1,159,147</u>	<u>\$ 629,319</u>	<u>\$ 1,788,466</u>	<u>\$ 164,606</u>	<u>\$ 1,623,860</u>

Payable from Municipal Recreation Area Fund revenues together with interest at 5%.

During 2005 principal payments of \$9,000 were made on the bond and interest payments of \$4,550 were made which are included as a direct expense under Municipal Recreation Area in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

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	Principal	Interest	Total
2006	\$ 9,000	\$ 4,100	\$ 13,100
2007	9,000	3,650	12,650
2008	9,000	3,200	12,200
2009	11,000	2,750	13,750
2010	11,000	2,200	13,200
2011-2013	33,000	3,300	36,300
	<u>\$ 82,000</u>	<u>\$ 19,200</u>	<u>\$ 101,200</u>

Loans from State of Colorado for improvements to the water utility system, which are expected to be paid from Utility Fund Water revenues together with interest at 3.0%.

During 2005 principal payments of \$20,222 were made on the loans and interest payments of \$11,617 were made which are included as a direct expense under Water in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2006	\$ 20,828	\$ 11,617	\$ 32,445
2007	21,452	10,993	32,445
2008	22,096	10,349	32,445
2009	22,759	9,686	32,445
2010	23,441	9,004	32,445
2011-2015	128,186	34,039	162,225
2016-2020	148,524	13,624	162,148
	<u>\$ 387,286</u>	<u>\$ 99,312</u>	<u>\$ 486,598</u>

Special Assessment Bond – During 2004 the Town formed Special Assessment District Number 2004-1, in order to issue special assessment bonds for certain street and sidewalk improvements. Bonds are to be repaid from monies collected annually from levies against the affected property owners together with interest at 5.9%. Monies are collected and bonds paid from the General Fund.

During 2005 interest payments of \$2,966 were made which are included under governmental activities in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

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	Principal	Interest	Total
2006	\$ 3,000	\$ 5,900	\$ 8,900
2007	3,000	5,723	8,723
2008	3,000	5,546	8,546
2009	4,000	5,369	9,369
2010	4,000	5,133	9,133
2011-2015	22,000	22,066	44,066
2016-2020	30,000	14,691	44,691
2021-2024	31,000	4,661	35,661
	<u>\$ 100,000</u>	<u>\$ 69,089</u>	<u>\$ 169,089</u>

Special Assessment Bond – During 2005 the Town formed Special Assessment District Number 2005-2, in order to issue special assessment bonds for certain street and sidewalk improvements. Bonds are to be repaid from monies collected annually from levies against the affected property owners together with interest at 6.2%. Monies will be collected and bonds paid from the General Fund.

During 2005, there were no principal or interest payments due.

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2006	\$ -	\$ 9,717	\$ 9,717
2007	9,000	19,220	28,220
2008	10,000	18,662	28,662
2009	10,000	18,042	28,042
2010	11,000	17,422	28,422
2011-2015	65,000	76,260	141,260
2016-2020	86,000	53,630	139,630
2021-2025	119,000	23,064	142,064
	<u>\$ 310,000</u>	<u>\$ 236,017</u>	<u>\$ 546,017</u>

Payable from Utility Fund Restricted Cash:

The accumulation of a monthly fee from the State of Colorado for maintenance of the sewer system serving the Limon Correctional Facility. This fee will eventually be returned to the State if the maintenance is less than the accumulated amount.

Changes in Long-Term Liabilities during 2005 are as follows:

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	Balance Dec. 31, 2004	Additions	Payments	Balance Dec. 31, 2005	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 375,000		\$ (40,000)	\$ 335,000	\$ 45,000
Special Assessment Bonds	100,000	310,000	-	410,000	3,000
Capital Lease	96,839		(8,214)	88,625	8,000
	<u>571,839</u>	<u>310,000</u>	<u>(48,214)</u>	<u>833,625</u>	<u>56,000</u>
Business-Type Activities:					
Bonds Payable:					
2004 Water Revenue	\$ 2,220,000		\$ (45,000)	\$ 2,175,000	\$ 45,000
2001 Water G.O.	555,000		(35,000)	520,000	35,000
2000 Water Revenue	1,213,313		(54,166)	1,159,147	59,582
1974 Mun. Rec. Area	91,000		(9,000)	82,000	9,000
Loans Payable:					
Colorado Water					
Conservation Board	407,508		(20,222)	387,286	20,828
Colorado Severance					
Tax Fund	9,175		(9,175)	-	-
Capital Lease	240,661		(19,286)	221,375	20,000
Colorado Maintenance Fee	45,475	6,016	(1,968)	49,523	-
	<u>4,782,132</u>	<u>6,016</u>	<u>(193,817)</u>	<u>4,594,331</u>	<u>189,410</u>
Total Long-Term Liabilities	<u><u>\$ 5,353,971</u></u>	<u><u>\$ 316,016</u></u>	<u><u>\$ (242,031)</u></u>	<u><u>\$ 5,427,956</u></u>	<u><u>\$ 245,410</u></u>

Governmental Activities revenue bonds, special assessment bonds, and capital leases are all payable from the General Fund.

Legal Debt Limit - The legal debt limit as defined by Colorado State Statutes, for General Obligation Bonds issued by the Town is as follows at December 31, 2005:

Actual Property Value (taxable)	\$98,930,721
	x 3%
	<u>2,967,922</u>

General Obligation Bonds issued, other than for Water & Sewer purposes, which are specifically exempted for the limitation	-
Available Debt Margin	<u><u>\$ 2,967,922</u></u>

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The issues have certain early redemption provisions that could be utilized in future years at the option of the Board of Trustees.

(11) Fund Deficit

The Capital Projects Fund as of December 31, 2005 had a deficit fund balance in the amount of \$75,386. This may be a violation of Colorado Revised Statutes.

(12) Risk Management

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

The Town carries commercial insurance for risks described below and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The pools have certain deductibles, which resulted in an out of pocket cost to the Town of \$1,918 in year 2005.

Property, Casualty, Errors and Omissions and Liability Insurance

The Town is exposed to various risks of loss related to property, casualty, errors and omissions and liability losses. In 1986 due to the excessive cost of this insurance, the Town joined together with other cities and towns in the State of Colorado to form the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for members. The Town pays an annual contribution to CIRSA for its insurance coverage. The member agreement provides that the pool will be self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for member's claims in excess of a specified self insurance retention, which is determined each policy year.

During 2005 the Town paid \$58,920 for insurance coverage to the pool and is included in the operating expense of the general and enterprise funds.

Workers' Compensation Insurance

The Town is exposed to various risks of loss related to injuries of employees while on the job. In 1989 the Town, due to the excessive cost of workers compensation insurance coverage, the Town joined together with other cities and towns in the State of Colorado to form the Colorado Intergovernmental Risk Sharing Agency, Workers Compensation Pool (CIRSA), a public entity risk pool currently operating as a carrier risk management and insurance program for members. The Town pays an annual contribution to CIRSA for its workers compensation insurance coverage. The member agreement provides that the pool will be self-sustaining through member contributions and

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additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for member claims in excess of a specified self insurance retention, which is determined each policy year.

During 2005 the Town paid \$40,600 for workers compensation coverage to the pool and is included in the operating expense of the general and enterprise funds.

(13) Interfund Transactions

Interfund receivable and payable are included within the balance sheet as they are current obligation and receivable of the appropriate fund. No eliminations have been made for interfund transactions in the fund financial statements.

The Town had the following interfund transactions during 2005:

Payments from the General and Enterprise Funds to the Employees' Pension Plan totaling \$48,010 are included as operating revenue and expenditures of each respective fund.

Transfer from General Fund to Municipal Recreation Area Fund for general purposes.	\$ 46,082
Transfer from General Fund to Ambulance Service Fund for general purposes	<u>14,763</u>
Total General Fund Transfers	<u>\$ 60,845</u>
Transfer from Cemetery Perpetual Care Fund to General Fund for general purposes	\$ 1,078
Transfer from Ambulance Service Fund to General Fund for rescue training	<u>2,000</u>
Total Transfers to General Fund	<u>\$ 3,078</u>
Transfer from Conservation Trust Fund to Municipal Recreation Area Fund for improvements.	<u>\$ 18,588</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Amounts due to/from other funds at December 31, 2005:

Due to General Fund from Head Start Fund for money advanced to the local child care center under the Head Start grant, pending reimbursement from the Federal government	\$ 90,308
Due to General Fund from Capital Construction Fund Pending reimbursement on Federal and Colorado grants	\$ 19,339
Due to the Employees' Pension Plan by the General and Proprietary Fund Types for the Town's 2005 retirement contribution	<u>\$ 7,210</u> <u>\$116,857</u>

(14) Contingent Construction Payable

During the year 2000, the Town obtained two acres of land for a water treatment plant, in exchange for providing certain street, water and sewer improvements for seller's adjacent property. The agreed-upon value was \$114,000. The Town's obligation in this trade broke down into two elements: an obligation to complete certain improvements with an estimated cost of \$41,622, which were completed by the Town in 2001, and a contingent liability to pay the seller's obligation of \$72,378 for improvements in the event the seller develops the adjacent land within 20 years.

(15) Employment Agreements

During 2003, the Town entered into employment agreements with four members of management. The agreements cover a variety of matters, including lump sum payment of three months' salary and three months' benefits, in the event the Board does not reappoint the employee after a regular municipal election, and he is willing and able to perform his duties.

(16) Water Rights Lease

On June 2, 2004, the Town purchased land, improvements, and water rights for \$689,454. The Town resold the real property to Frazier Farms. As a condition of the sale, the Town entered into a lease agreement to lease the water rights to Frazier Farms for 10 years at no charge. The lease contains a provision to temporarily terminate if the Town has an emergency shortage, then extend the lease to its original 10 year term and compensate Frazier Farms for any crop losses.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005

(17) Contract Commitments

At December 31, 2005, the Town had the remaining contract commitment:

	Total Contract	Paid/Accrued 12/31/05	Remainder
Construction - Asphalt street, curb and gutter	\$ 246,834	-	\$ 246,834

(18) Claims

The Town is in dispute with the contractor, who did the airport renovation project, over the amount still due the contractor. The contractor is claiming the Town owes an additional \$40,000 over the original contract and agreed-to change orders. The Town does not believe it is liable for these additional claims and believes the Town is entitled to a counter claim for damages in the amount of \$17,500. No formal legal action has been filed to date.

**TOWN OF LIMON, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,277,376	\$ 1,277,376	\$ 1,285,086	\$ 7,710
Fines, Licenses and Permits	33,180	33,180	38,445	5,265
Intergovernmental - Local	359,625	359,625	140,113	(219,512)
Intergovernmental - Federal	7,310	7,310	33,157	25,847
Charges for Services	326,323	326,323	409,719	83,396
Interest	8,805	8,805	20,574	11,769
Donated			5,281	5,281
Miscellaneous	23,000	23,000	22,004	(996)
Supplemental Appropriation		20,000		(20,000)
TOTAL REVENUES	<u>2,035,619</u>	<u>2,055,619</u>	<u>1,954,379</u>	<u>(101,240)</u>
EXPENDITURES				
Current:				
General Government	397,990	397,990	420,144	(22,154)
Airport	10,033	10,033	10,138	(105)
Public Works - Streets	463,043	463,043	424,924	38,119
Public Works - Sanitation	148,778	148,778	146,659	2,119
Public Safety	342,494	342,494	357,656	(15,162)
Public Health - Cemetery	50,893	50,893	53,539	(2,646)
Culture & Recreation	205,066	205,066	203,195	1,871
Capital Outlay	308,127	308,127	268,997	39,130
Debt Service:				
Principal - Lease Purchases	7,714	7,714	7,714	-
Principal - Bonded Debt	40,000	40,000	40,000	
Interest	34,374	34,374	28,353	6,021
Supplemental Appropriation		20,000		20,000
TOTAL EXPENDITURES	<u>2,008,512</u>	<u>2,028,512</u>	<u>1,961,319</u>	<u>67,193</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,107	27,107	(6,940)	(34,047)
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In	3,251	3,251	3,078	(173)
Operating Transfers (Out)	(34,763)	(34,763)	(60,845)	(26,082)
Proceeds Sale of Bonds			310,000	310,000
Sale of Fixed Assets			71,792	71,792
NET CHANGE IN FUND BALANCE	(4,405)	(4,405)	317,085	321,490
FUND BALANCES, BEGINNING OF YEAR	<u>595,483</u>	<u>595,483</u>	<u>530,424</u>	<u>(65,059)</u>
FUND BALANCES, END OF YEAR	<u>\$ 591,078</u>	<u>\$ 591,078</u>	<u>\$ 847,509</u>	<u>\$ 256,431</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
HEAD START FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
Intergovernmental - Federal	\$ 584,948	\$ 584,948	\$ 619,056	\$ 34,108
Supplemental Appropriation		35,640		(35,640)
Total revenues	<u>584,948</u>	<u>620,588</u>	<u>619,056</u>	<u>(1,532)</u>
EXPENDITURES:				
Head Start Program	584,948	584,948	619,056	(34,108)
Supplemental Appropriation		35,640		35,640
Total expenditures	<u>584,948</u>	<u>620,588</u>	<u>619,056</u>	<u>1,532</u>
NET CHANGE IN FUND BALANCE	None	None	None	None
FUND BALANCE, BEGINNING OF YEAR	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
FUND BALANCE, END OF YEAR	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

**TOWN OF LIMON, COLORADO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>CAPITAL PROJECTS</u>	<u>CONSER- VATION TRUST FUND</u>	<u>CEMETERY PERPET- UAL CARE</u>	<u>RURAL DEVELOP- MENT FUND</u>	<u>RURAL HEALTH FUND</u>	<u>TOTALS</u>
ASSETS:						
Cash		\$ 47,461	\$ 801		\$ 4,091	\$ 52,353
Intergovernmental Receivable	\$ 22,857					22,857
TOTAL ASSETS	<u>\$ 22,857</u>	<u>\$ 47,461</u>	<u>\$ 801</u>	<u>\$ -</u>	<u>\$ 4,091</u>	<u>\$ 75,210</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 78,904				\$ 1,091	\$ 79,995
Deferred Grant Revenue					3,000	3,000
Due to Other Funds	19,339					19,339
TOTAL LIABILITIES	<u>98,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,091</u>	<u>102,334</u>
 FUND BALANCES						
Unreserved Fund Balance:						
Designated for Subsequent Year Budget		\$ 14,500				\$ 14,500
Undesignated	(75,386)	32,961	\$ 801			(41,624)
TOTAL FUND BALANCES	<u>(75,386)</u>	<u>47,461</u>	<u>801</u>	<u>-</u>	<u>-</u>	<u>(27,124)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$(75,386)</u>	<u>\$ 47,461</u>	<u>\$ 801</u>	<u>\$ -</u>	<u>\$ 4,091</u>	<u>\$ 75,210</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>CAPITAL PROJECTS</u>	<u>CONSER- VATION TRUST FUND</u>	<u>CEMETERY PERPET- UAL CARE</u>	<u>RURAL DEVELOP- MENT FUND</u>	<u>RURAL HEALTH FUND</u>	<u>TOTALS</u>
REVENUES:						
Interest		\$ 461	\$ 6			\$ 467
Intergovernmental - Local	\$ 4,606	19,516		\$ 170,177	\$ 42,000	236,299
Intergovernmental - Federal	226,929					226,929
Perpetual Care			1,200			1,200
TOTAL REVENUES	<u>231,535</u>	<u>19,977</u>	<u>1,206</u>	<u>170,177</u>	<u>42,000</u>	<u>464,895</u>
EXPENDITURES:						
Current:						
Recreation		10,314				10,314
Rural Development				170,177		170,177
Rural Health					42,000	42,000
Capital:						-
Improvements	312,275	7,000	-			319,275
TOTAL EXPENDITURES	<u>312,275</u>	<u>17,314</u>	<u>-</u>	<u>170,177</u>	<u>42,000</u>	<u>541,766</u>
NET CHANGE IN FUND BALANCE						
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,740)	2,663	1,206	NONE	NONE	(76,871)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In (Out)		(18,588)	(1,078)			(19,666)
NET CHANGE IN FUND BALANCE	(80,740)	(15,925)	128	NONE	NONE	(96,537)
FUND BALANCE, BEGINNING OF YEAR	5,354	63,386	673	NONE	NONE	69,413
FUND BALANCE, END OF YEAR	<u>\$ (75,386)</u>	<u>\$ 47,461</u>	<u>\$ 801</u>	<u>NONE</u>	<u>NONE</u>	<u>\$ (27,124)</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

**TOWN OF LIMON, COLORADO
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 19,516	\$ (484)
Interest	<u>300</u>	<u>300</u>	<u>461</u>	<u>161</u>
Total revenues	<u>20,300</u>	<u>20,300</u>	<u>19,977</u>	<u>(323)</u>
EXPENDITURES:				
Operating				
Recreation			10,314	(10,314)
Capital Outlay	32,950	32,950	7,000	25,950
Transfer to Recreation Fund			18,588	(18,588)
Supplemental Appropriation		<u>7,050</u>		<u>7,050</u>
Total expenditures	<u>32,950</u>	<u>40,000</u>	<u>35,902</u>	<u>4,098</u>
NET CHANGE IN FUND BALANCE	(12,650)	(19,700)	(15,925)	3,775
FUND BALANCE, BEGINNING OF YEAR	<u>64,198</u>	<u>64,198</u>	<u>63,386</u>	<u>(812)</u>
FUND BALANCE, END OF YEAR	<u>\$ 51,548</u>	<u>\$ 44,498</u>	<u>\$ 47,461</u>	<u>\$ 2,963</u>

The accompanying accountant's report and notes are integral parts of the financial statements

**TOWN OF LIMON, COLORADO
CEMETERY PERPETUAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Perpetual Care	\$ 3,200	\$ 3,200	\$ 1,200	\$ (2,000)
Interest	800	800	6	(794)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>1,206</u>	<u>(2,794)</u>
EXPENDITURES:				
Capital Outlay	<u>1,000</u>	<u>1,000</u>		<u>1,000</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Excess (deficiency) of revenues over expenditures	3,000	3,000	1,206	(1,794)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(1,251)</u>	<u>(1,251)</u>	<u>(1,078)</u>	<u>173</u>
NET CHANGE IN FUND BALANCE	1,749	1,749	128	(1,621)
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>673</u>	<u>673</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,749</u>	<u>\$ 1,749</u>	<u>\$ 801</u>	<u>\$ (948)</u>

The accompanying accountant's report and notes are integral parts of the financial statements

**TOWN OF LIMON, COLORADO
RURAL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Intergovernmental - State	\$ 310,000	\$ 310,000	\$ 170,177	\$ (139,823)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>310,000</u>	<u>310,000</u>	<u>170,177</u>	<u>(139,823)</u>
EXPENDITURES:				
Rural Development	310,000	310,000	170,177	139,823
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>310,000</u>	<u>310,000</u>	<u>170,177</u>	<u>139,823</u>
NET CHANGE IN FUND BALANCE	None	None	None	None
FUND BALANCE, BEGINNING OF YEAR	<hr/> None	<hr/> None	<hr/> None	<hr/> None
FUND BALANCE, END OF YEAR	<hr/> <hr/> None	<hr/> <hr/> None	<hr/> <hr/> None	<hr/> <hr/> None

The accompanying accountant's report and notes are integral parts of the financial statements

**TOWN OF LIMON, COLORADO
RURAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Intergovernmental - State	\$ 57,000	\$ 57,000	\$ 42,000	\$ (15,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>57,000</u>	<u>57,000</u>	<u>42,000</u>	<u>(15,000)</u>
EXPENDITURES:				
Rural Health	57,000	57,000	42,000	15,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>57,000</u>	<u>57,000</u>	<u>42,000</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCE	None	None	None	None
FUND BALANCE, BEGINNING OF YEAR	<hr/> None	<hr/> None	<hr/> None	<hr/> None
FUND BALANCE, END OF YEAR	<hr/> <hr/> None	<hr/> <hr/> None	<hr/> <hr/> None	<hr/> <hr/> None

The accompanying accountant's report and notes are integral parts of the financial statements

**TOWN OF LIMON, COLORADO
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental - Local		\$ -	\$ 4,606	\$ 4,606
Intergovernmental - Federal		350,000	226,929	(123,071)
TOTAL REVENUES	-	350,000	231,535	(118,465)
EXPENDITURES				
Airport				-
Capital Outlay		350,000	312,275	37,725
TOTAL EXPENDITURES	-	350,000	312,275	37,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(80,740)	(80,740)
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In		-		-
NET CHANGE IN FUND BALANCE	-	-	(80,740)	(80,740)
FUND BALANCES, BEGINNING OF YEAR	-		5,354	5,354
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ (75,386)	\$ (75,386)

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales, Net Contractual Adjustments and Bad debts	\$ 974,237	\$ 974,237	\$ 913,587	(60,650)
Other user charges	16,000	16,000	14,952	(1,048)
Interest	30,891	30,891	49,258	18,367
DOC maintenance	5,400	5,400	6,016	616
DOC maintenance expenses from restricted account	5,400	5,400	1,968	(3,432)
Intergovernmental-Local	339,452	339,452	275,720	(63,732)
Intergovernmental-Federal	20,921	20,921	19,941	(980)
Capital Contributions	10,000	10,000	6,960	(3,040)
Miscellaneous	11,780	11,780	831	(10,949)
Total revenues	<u>1,414,081</u>	<u>1,414,081</u>	<u>1,289,233</u>	<u>(124,848)</u>
EXPENDITURES:				
Operating expenses (other than depreciation and amortization)	479,561	479,561	439,276	40,285
Interest expense	209,304	209,304	223,677	(14,373)
Debt Principal	162,313	162,313	163,563	(1,250)
Capital expenditures	1,728,630	1,728,630	1,506,569	222,061
DOC maintenance revenue to restricted account	5,400	5,400	6,016	(616)
System maintenance paid from Colorado reserve account	5,400	5,400	1,968	3,432
Total expenditures	<u>2,590,608</u>	<u>2,590,608</u>	<u>2,341,069</u>	<u>249,539</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,176,527)</u>	<u>\$ (1,176,527)</u>	(1,051,836)	<u>\$ 124,691</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			163,563	
Capital expenditures			1,506,569	
Less: depreciation and amortization			<u>(270,416)</u>	
Change In Net Assets GAAP			<u>\$ 347,880</u>	

The accompanying accountant's report and notes are integral parts of the financial statements.

**TOWN OF LIMON, COLORADO
MUNICIPAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales	\$ 80,860	\$ 80,860	\$ 101,393	\$ 20,533
Other User Charges	9,130	9,130	8,935	(195)
Interest	375	375	392	17
Donations	36,947	36,947	29,221	(7,726)
Miscellaneous	500	500	753	253
Transfers from other funds	<u>20,000</u>	<u>20,000</u>	<u>64,670</u>	<u>44,670</u>
Total revenues	<u>147,812</u>	<u>147,812</u>	<u>205,364</u>	<u>57,552</u>
EXPENDITURES:				
Salaries and Benefits	85,490	85,490	99,166	(13,676)
Cost of Resale Items	5,300	5,300	11,191	(5,891)
Maintenance	7,500	7,500	7,172	328
Insurance	2,931	2,931	3,509	(578)
Utilities	17,440	17,440	16,982	458
Other Expenses	12,300	12,300	15,622	(3,322)
Interest Expense	5,550	5,550	4,550	1,000
Bond Payments	8,000	8,000	9,000	(1,000)
Capital expenditures			23,767	(23,767)
Supplemental Appropriation		<u>50,489</u>		<u>50,489</u>
Total expenditures	<u>144,511</u>	<u>195,000</u>	<u>190,959</u>	<u>4,041</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,301</u>	<u>\$ (47,188)</u>	14,405	<u>\$ 61,593</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			9,000	
Capital expenditures			23,767	
Less depreciation and amortization			<u>(14,839)</u>	
Change In Net Assets GAAP			<u>\$ 32,333</u>	

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
AIRPORT FUEL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales	\$ 22,000	\$ 22,000	\$ 29,073	\$ 7,073
Supplemental Appropriation		12,000		(12,000)
Total revenues	<u>22,000</u>	<u>34,000</u>	<u>29,073</u>	<u>(4,927)</u>
EXPENDITURES:				
Operating expenses	22,000	22,000	28,020	(6,020)
Supplemental Appropriation		12,000		12,000
Total expenditures	<u>22,000</u>	<u>34,000</u>	<u>28,020</u>	<u>5,980</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	1,053	<u>\$ 1,053</u>
RECONCILIATION TO GAAP BASIS				
Change In Net Assets GAAP			<u>\$ 1,053</u>	

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
AMBULANCE SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
REVENUES:				POSITIVE
				(NEGATIVE)
Sales, Net Contractual Adjustments and Bad Debts \$192,726	\$ 188,442	\$ 188,442	\$ 169,638	(\$18,804)
Interest	500	500	2,294	1,794
Donations	1,900	1,900	240	(1,660)
Intergovernmental Revenue - Local	10,000	10,000	10,945	945
Miscellaneous			6,485	6,485
Transfer From Other Funds	14,763	14,763	14,763	-
 Total revenues	 215,605	 215,605	 204,365	 (11,240)
 EXPENDITURES:				
Operating				
Salaries and Benefits	62,236	62,236	51,739	10,497
Maintenance	17,800	17,800	9,835	7,965
Insurance	5,634	5,634	5,778	(144)
Utilities	16,455	16,455	13,882	2,573
Other Expenses	74,869	74,869	58,862	16,007
Administration		-	-	-
Principal Payment	19,286	19,286	19,286	-
Interest Expense	11,795	11,795	11,477	318
Capital Outlay	15,000	15,000	15,213	(213)
Transfer to other funds			2,000	(2,000)
 Total expenditures	 223,075	 223,075	 188,072	 35,003
 Excess (deficiency) of revenues over expenditures	 (\$7,470)	 (\$7,470)	 16,293	 \$23,763
 RECONCILIATION TO GAAP BASIS				
Add: Principal portion of debt service			19,286	
Add: Capital Outlay			15,213	
Less Amortization			(1,550)	
Less Depreciation			(46,369)	
 Change In Net Assets GAAP			 \$2,873	

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
EMPLOYEE'S PENSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Employee Contribution	\$ 39,600	\$ 39,600	\$ 40,800	\$ 1,200
Employer Contribution		-	7,210	7,210
Interest Income		-	359	359
Investment Income		-		
Net of Expenses			48,737	48,737
Miscellaneous Income		-	5,600	5,600
Total Revenues	<u>39,600</u>	<u>39,600</u>	<u>102,706</u>	<u>63,106</u>
EXPENDITURES:				
Benefit Payments	25,000	25,000	37,424	(12,424)
Administrative Expenses	2,000	2,000	5,588	(3,588)
Supplemental Appropriation		43,000		43,000
Total Expenditures	<u>27,000</u>	<u>70,000</u>	<u>43,012</u>	<u>26,988</u>
CHANGE IN NET ASSETS	12,600	(30,400)	59,694	90,094
NET ASSETS, BEGINNING OF YEAR	<u>863,307</u>	<u>863,307</u>	<u>949,302</u>	<u>85,995</u>
NET ASSETS, END OF YEAR	<u>\$ 875,907</u>	<u>\$ 832,907</u>	<u>\$ 1,008,996</u>	<u>\$ 176,089</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

**TOWN OF LIMON
FIREMAN'S PENSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Property Taxes	\$ 7,599	\$ 7,599	\$ 7,599	-
Intergovernmental - State	6,839	6,839	6,770	(69)
Interest Income		-	4,152	4,152
Investment Income, Net of Expenses	<u>10,000</u>	<u>10,000</u>	<u>25,871</u>	<u>15,871</u>
Total Revenues	<u>24,438</u>	<u>24,438</u>	<u>44,392</u>	<u>19,954</u>
 EXPENDITURES:				
Benefit Payments	17,000	17,000	27,475	(10,475)
Administrative Expenses	2,300	2,300	3,313	(1,013)
Supplemental Appropriation		<u>12,682</u>		<u>12,682</u>
Total Expenditures	<u>19,300</u>	<u>31,982</u>	<u>30,788</u>	<u>1,194</u>
 CHANGE IN NET ASSETS	5,138	(7,544)	13,604	21,148
 NET ASSETS, BEGINNING OF YEAR	<u>283,352</u>	<u>283,352</u>	<u>305,844</u>	<u>22,492</u>
 NET ASSETS, END OF YEAR	<u>\$288,490</u>	<u>\$275,808</u>	<u>\$319,448</u>	<u>\$ 43,640</u>

The accompanying accountant's report and notes are integral parts of the financial statements.

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

LOCAL HIGHWAY FINANCE REPORT		City or County:	Town of Limon
		YEAR ENDING :	December 2005
This Information From The Records Of (example - City of _ or County of Town of Limon)		Prepared By:	Joe Kiely
		Phone:	719-775-2346

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)	298,009
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	290,466
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	15,339
2. General fund appropriations	160,560	b. Snow and ice removal	8,519
3. Other local imposts (from page 2)	263,785	c. Other - Lighting	37,715
4. Miscellaneous local receipts (from page 2)	224,949	d. Total (a. through c.)	61,573
5. Transfers from toll facilities	0	4. General administration & miscellaneous	38,565
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	179,206
a. Bonds - Original Issues	310,000	6. Total (1 through 5)	867,819
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	310,000	a. Interest	2,966
7. Total (1 through 6)	959,294	b. Redemption	
B. Private Contributions	95,814	c. Total (a. + b.)	2,966
C. Receipts from State government (from page 2)	70,215	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	4,718
E. Total receipts (A.7 + B + C + D)	1,125,323	b. Redemption	7,714
		c. Total (a. + b.)	12,432
		3. Total (1.c + 2.c)	15,398
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
			883,217

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	100,000	310,000		410,000
1. Bonds (Refunding Portion)				
B. Notes (Total)	96,339	0	7,714	88,625

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		1,125,323	883,217	242,106	0

Notes and Comments:

Ending Balance is Cash on Hand from Proceeds of Limon Special Improvement District 2005(a)(b) and ©

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2005	
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	75,991	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	18,646
1. Sales Taxes	74,034	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses		f. Charges for Services	
5. Other	113,760	g. Other Misc. Receipts	
6. Total (1. through 5.)	187,794	h. Other	206,303
c. Total (a. + b.)	263,785	i. Total (a. through h.)	224,949
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	61,821	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle	8,394	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	8,394	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	70,215	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		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		7,071	7,071
(2). Capacity Improvements			0
(3). System Preservation		235,938	235,938
(4). System Enhancement & Operation	55,000		55,000
(5). Total Construction (1) + (2) + (3) + (4)	55,000	243,009	298,009
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	55,000	243,009	298,009
			(Carry forward to page 1)
Notes and Comments:			

TOWN OF LIMON, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services: Direct program: Administration for Children and Families Head Start (provided to a sub-recipient)	93.600	N/A	\$619,056
Environmental Protection Agency Pass-through program from: Colorado Water Resources Authority: Capitalization Grant for Drinking Water State Revolving Fund Interest earnings subsidy	66.468		19,941
U.S. Department of Transportation Pass-through program from Colorado Department of Transportation, Aeronautics Division Airport Improvement Program	20.106		226,929
Pass-through program from Colorado Department of Transportation and East Central Council of Governments - Formula Grant for Other Than Urbanized Areas	20.509		2,502
Other Federal Financial Assistance Department of Treasury, Internal Revenue Service	21.XXX		30,655
			<hr/>
Total Expenditures of Federal Awards			<u><u>\$899,083</u></u>

The accompanying accountant's report and notes are integral parts of the financial statements.

TOWN OF LIMON, COLORADO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Limon and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B-SUBRECIPIENTS

The Town of Limon provided federal awards to Limon Child Development Center a subrecipient as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Head Start Program	93.600	<u>\$619,056</u>

NOTE C-NONCASH AWARDS

The Town has received the following federal financial assistance in the form of loan subsidies which is included in the schedule of expenditures of federal awards and in the financial statements:

Environmental Protection Agency Pass-through program from: Colorado Water Resource Authority: Capitalization Grant for Drinking Water State Revolving Fund	<u>\$ 19,941</u>
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and the Board of Trustees
Town of Limon
Limon, Colorado

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Limon, Colorado as of and for the year ended December 31, 2005, which collectively comprise Town of Limon's basic financial statements and have issued my report thereon dated April 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Limon's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

member of
American Institute of Certified Public Accountants / Colorado Society of Certified Public Accountant

Compliance

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

This report is intended solely for the information of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gary L. Woodward, CPA

Eads, Colorado
April 27, 2006

Gary L. Woodward

Certified Public Accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and the Board of Trustees
Town of Limon
Limon, Colorado

Compliance

I have audited the compliance of Town of Limon, Colorado with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Town of Limon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Limon's management. My responsibility is to express an opinion on Town of Limon's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Limon's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Town of Limon's compliance with those requirements.

member of
American Institute of Certified Public Accountants / Colorado Society of Certified Public Accountant

In my opinion, Town of Limon, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Town of Limon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Town of Limon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be a material weakness.

This report is intended solely for the information of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gary L. Woodward, CPA

Eads, Colorado
April 27, 2006

TOWN OF LIMON, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2005

A. Summary of Audit Results

- 1) The auditor's report expresses an unqualified opinion on the financial statements of Town of Limon.
- 2) No reportable conditions related to the audit of the financial statements are reported in the Report on Compliance & On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
- 3) No instances of noncompliance material to the financial statements of Town of Limon were disclosed during the audit.
- 4) No reportable conditions relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133.
- 5) The auditor's report on compliance for the major federal award programs for Town of Limon expresses an unqualified opinion on all major federal programs.
- 6) There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- 7) The program tested as a major program was: U.S. Department of Health and Human Services – Head Start, CFDA 93.600.
- 8) The threshold used for distinguishing between Type A and B programs was \$300,000.
- 9) Town of Limon was determined to be low-risk auditee.

B. Finding – Financial Statement Audit

None

C. Findings and Questioned Costs – Reportable Conditions

None