

TOWN OF LIMON, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007, 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, 2007, 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 June 12, 2008, 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
June 12, 2008

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TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

For the December 31, 2007 financial statements, the Town is in the fourth 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 \$3,944,122 or 33.73% during the year. The governmental net assets increased by \$2,908,100 or 60.93%, and the business-type net assets increased by \$1,036,022, or 14.97%.
- The governmental activities revenue changed from \$3,041,516 in 2006 to \$6,113,095 in 2007 an increase of \$3,071,579 or 100.99%.
- The governmental activities expenditures changed from \$2,735,457 in 2006 to \$2,936,738 in 2007 an increase of \$201,281 or 7.36%.
- The business-type activities revenue changed from \$1,911,679 in 2006 to \$2,526,479 in 2007 an increase of \$614,800 or 32.16%.
- The business-type activities expenditures changed from \$1,391,677 in 2006 to \$1,490,457 in 2007 an increase of \$98,780 or 7.10%

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 a decrease of \$71,198 or 10.66% 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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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.

TOWN OF LIMON, COLORADO
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, 2007**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current assets	\$ 859,699	\$ 953,566	\$ 529,975	\$ 591,514	\$ 1,389,674	\$ 1,545,080
Restricted Assets	359,413	216,242	933,532	1,069,593	1,292,945	1,285,835
Other Non-current Assets	416,944	396,385	385,034	365,991	801,978	762,376
Capital assets-net	4,391,115	7,298,116	9,683,295	10,305,612	14,074,410	17,603,728
Total assets	6,027,171	8,864,309	11,531,836	12,332,710	17,559,007	21,197,019
Current Liabilities	552,009	573,904	412,490	385,555	964,499	959,459
Non-current Liabilities	702,054	609,197	4,198,254	3,990,041	4,900,308	4,599,238
Total liabilities	1,254,063	1,183,101	4,610,744	4,375,596	5,864,807	5,558,697
Net assets	<u>\$ 4,773,108</u>	<u>\$ 7,681,208</u>	<u>\$ 6,921,092</u>	<u>\$ 7,957,114</u>	<u>\$ 11,694,200</u>	<u>\$ 15,638,322</u>
Net assets consist of:						
Invested in capital assets	3,624,423	6,621,062	5,490,970	6,322,631	9,115,393	12,943,693
Restricted net assets	92,719	98,462	344,284	344,685	437,003	443,147
Unrestricted net assets	1,055,966	961,684	1,085,838	1,289,798	2,141,804	2,251,482
Net assets	<u><u>\$ 4,773,108</u></u>	<u><u>\$ 7,681,208</u></u>	<u><u>\$ 6,921,092</u></u>	<u><u>\$ 7,957,114</u></u>	<u><u>\$ 11,694,200</u></u>	<u><u>\$ 15,638,322</u></u>

The net assets of the Town's governmental funds as of December 31, 2007 were \$7,681,208 of which \$961,684 was unrestricted and is available for spending at the government's discretion. The remainder is invested in capital assets, net of related debt \$6,621,062, reserved for Emergency Reserve \$93,462 and Bond Reserve \$5,000.

The General Fund is the main operating fund of the Town. As of December 31, 2007, the General Fund balance was \$596,729 of which \$259,179 was unreserved. Unreserved fund balance represents 10.43% of 2007 General Fund expenditures.

**TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Program revenues:						
Operating Grants and Contributions	\$ 941,631	\$ 986,436	\$ 69,702	\$ 51,609	\$ 1,011,333	\$ 1,038,045
Capital Grants and Contributions	309,564	3,069,709	447,320	883,594	756,884	3,953,303
Charges for services	376,358	546,033	1,286,188	1,458,264	1,662,546	2,004,297
Total Program Revenue	<u>1,627,553</u>	<u>4,602,178</u>	<u>1,803,210</u>	<u>2,393,467</u>	<u>3,430,763</u>	<u>6,995,645</u>
General Revenues:						
Taxes	1,354,551	1,442,205			1,354,551	1,442,205
Investment earnings	26,203	27,584	41,334	47,123	67,537	74,707
Insurance Proceeds		11,522		11,646		23,168
Other	33,209	29,606			33,209	29,606
Total General Revenue	<u>1,413,963</u>	<u>1,510,917</u>	<u>41,334</u>	<u>58,769</u>	<u>1,455,297</u>	<u>1,569,686</u>
Total Revenue	<u>\$ 3,041,516</u>	<u>\$ 6,113,095</u>	<u>\$ 1,844,544</u>	<u>\$ 2,452,236</u>	<u>\$ 4,886,060</u>	<u>\$ 8,565,331</u>
Expenses						
General government	443,899	579,031			443,899	579,031
Airport	15,524	18,779			15,524	18,779
Public safety	394,451	565,245			394,451	565,245
Highways and streets	539,002	174,545			539,002	174,545
Public Works - Sanitation	175,612	418,093			175,612	418,093
Public Health - Cemetery	44,798	42,272			44,798	42,272
Culture and recreation	237,665	239,658			237,665	239,658
Head Start Program	608,099	604,467			608,099	604,467
Rural Development	139,290	87,000			139,290	87,000
Rural Health	30,888	88,645			30,888	88,645
Water			454,846	462,511	454,846	462,511
Water Treatment Plant			246,597	248,382	246,597	248,382
Sewer			252,440	294,163	252,440	294,163
Municipal Recreation Area			187,933	191,935	187,933	191,935
Airport Fuel Fund			34,616	47,742	34,616	47,742
Ambulance Service Fund			214,212	245,724	214,212	245,724
Interest and fiscal charges	39,094	44,760			39,094	44,760
Total expenses	<u>2,668,322</u>	<u>2,862,495</u>	<u>1,390,644</u>	<u>1,490,457</u>	<u>4,058,966</u>	<u>4,352,952</u>
Change in net assets before transfers and special items	373,194	3,250,600	453,900	961,779	827,094	4,212,379
Transfers	(67,135)	(74,243)	67,135	74,243		-
Gain(loss) on sale of assets		(268,257)	(1,033)		(1,033)	(268,257)
Change in net assets	<u>306,059</u>	<u>2,908,100</u>	<u>520,002</u>	<u>1,036,022</u>	<u>826,061</u>	<u>3,944,122</u>
Beginning net assets	<u>4,467,049</u>	<u>4,773,108</u>	<u>6,401,090</u>	<u>6,921,092</u>	<u>10,868,139</u>	<u>11,694,200</u>
Ending net assets	<u>\$ 4,773,108</u>	<u>\$ 7,681,208</u>	<u>\$ 6,921,092</u>	<u>\$ 7,957,114</u>	<u>\$ 11,694,200</u>	<u>\$ 15,638,322</u>

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Governmental Activities revenues in the amount of \$6,113,095 were greater than expenses, transfers, and loss on sale of assets of \$3,204,995 by \$2,908,100 primarily due to grants received and used to purchase fixed assets and infrastructure conveyed to the Town. Business-type activities revenues and transfers in the amount of \$2,526,479 were greater than expenses and disposal of assets of \$1,490,457 by \$1,036,022 mostly due to grants received and used to purchase fixed assets and infrastructure conveyed to the Town.

BUDGETARY HIGHLIGHTS

The budget was amended on December 31, 2007 to include the following increases for expenditures not anticipated at the time of adoption of the original budget on December 7, 2006. 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	\$ 2,040,836	\$ 2,565,836	\$ 525,000
Utility Fund	\$ 938,698	\$ 1,900,000	\$ 961,302
Municipal Recreation Area	\$ 196,848	\$ 203,598	\$ 6,750
Head Start Fund	\$ 600,088	\$ 604,558	\$ 4,470
Limon Ambulance Service	\$ 212,721	\$ 247,721	\$ 35,000
Conservation Trust Fund	\$ 22,850	\$ 26,350	\$ 3,500
Firemen's Pension Fund	\$ 25,400	\$ 425,400	\$ 400,000
Employee's Pension Fund	\$ 30,000	\$ 90,000	\$ 60,000
Airport Fuel Fund	\$ 44,660	\$ 52,985	\$ 8,325
Rural Health Fund	\$ -	\$ 300,000	\$ 300,000

- Changes in the General Fund Budget are attributable to a donation to Plains Medical Center, additional principal payments made on the 2005 Limon Special Improvement District bonds, the purchase of a new fire truck and other capital outlay, and the transfer of assets from the Town to the Limon Area Fire Protection District.
- Changes in the Utility Fund Budget include costs donated by Cameron Butcher, Inc. for the development of Marketplace Center infrastructure and the Limon Wastewater Improvements Project completed in 2007.
- Changes in the Recreation Area Fund Budget include increased operating costs.
- Changes in the Head Start Fund Budget include expenditures of increased federal grant funds.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Changes in the Limon Ambulance Service Fund were due to increased personnel costs during a personnel transition and equipment purchases.
- Changes in the Conservation Trust Fund Budget include increased parks and recreation projects.
- Changes in the Fireman's Pension Fund Budget include the transfer of the pension assets to the Limon Area Fire Protection District.
- Changes in the Employees' Pension Fund Budget include increased pension distributions to retirees.
- Changes in the Airport Fuel Fund Budget include repairs to equipment, which was mostly reimbursed by insurance.
- Changes in the Rural Health Fund were associated with pass-through funding from an Energy and Mineral Impact Grant to purchase electronic medical records equipment to be used at Plains Medical Center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2007, Limon investment in capital assets for its governmental and business type activities net of accumulated depreciation was \$17,603,728. 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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MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 1,278,989	\$ 1,278,989	\$ 243,476	\$ 243,476	\$ 1,522,465	\$ 1,522,465
Buildings and Water & Sewer Systems	2,287,724	2,332,586	10,706,680	11,851,741	12,994,404	14,184,327
Construction In Progress	1,067		199,203		200,270	-
Equipment	1,833,924	1,856,705	1,138,264	1,170,094	2,972,188	3,026,799
Other Capital Assets			1,048,995	1,048,995	1,048,995	1,048,995
Infrastructure	1,347,109	4,256,882			1,347,109	4,256,882
Total	\$ 6,748,813	\$ 9,725,162	\$ 13,336,618	\$ 14,314,306	\$ 20,085,431	\$ 24,039,468
Accumulated Depreciation	(2,357,698)	(2,427,046)	(3,653,323)	(4,008,694)	(6,011,021)	(6,435,740)
Capital Assets, Net	\$ 4,391,115	\$ 7,298,116	\$ 9,683,295	\$ 10,305,612	\$ 14,074,410	\$ 17,603,728

This year's major capital asset additions include:

- Conveyance of street improvements from developer of \$2,511,004
- Conveyance of water improvements from developer of \$244,692
- Conveyance of wastewater improvements from developer of \$497,451
- Completion of the sewer lift station in progress at December 31, 2006 of \$170,527
- Improvements to the airport taxiways and other airport infrastructure in the amount of \$390,768

Long-term Debt

As of December 31, 2007 the Town had \$4,875,333 in outstanding debt.

**TOWN OF LIMON, COLORADO
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	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue Bonds	\$ 290,000	\$ 250,000			\$ 290,000	\$ 250,000
Special Assessment Bonds	395,000	355,000			395,000	355,000
Capital Leases	80,625	72,054			80,625	72,054
Bonds Payable:						
2004 Water Revenue			2,130,000	2,080,000	2,130,000	2,080,000
2001 Water G.O.			485,000	445,000	485,000	445,000
2000 Water Revenue			1,099,564	1,034,566	1,099,564	1,034,566
1974 Mun. Rec. Area			73,000	64,000	73,000	64,000
Loans Payable:						
Colorado Water						
Conservation Board			366,459	345,006	366,459	345,006
Capital Lease			201,375	179,946	201,375	179,946
Colorado Maintenance Fee			49,736	49,761	49,736	49,761
	<u>\$ 765,625</u>	<u>\$ 677,054</u>	<u>\$ 4,405,134</u>	<u>\$ 4,198,279</u>	<u>\$ 5,170,759</u>	<u>\$ 4,875,333</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax revenues budgeted for 2008 is \$862,000 that is \$39,939 less than 2007 actual.
- The property tax revenue budgeted for 2008 is \$319,133 that is \$6,286 less than 2007 actual.
- Governmental funds revenues were budgeted at \$2,981,163, which is a decrease of 17.81% from the 2007 actual revenues. Governmental revenue and expenditures included direct pass-through grants to other entities. The 2007 budgeted direct pass-through amounts are \$602,968, which is a decrease of \$137,489 from the 2007 actual amounts of \$740,457. The 2008 budgeted expenditures for governmental activities are projected to be \$2,953,072, which is a 20.02% decrease from the 2007 actual.
- Proprietary funds revenues were budgeted at \$1,570,956, which is a decrease of 38.39% from the 2007 actual revenues. Budgeted expenditures of \$1,434,278 represent a decrease from 2007 actual expenditures of 9.36%

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, 2007

ASSETS	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Current Assets:			
Cash and Cash Equivalents	\$ 175,970	\$ 318,040	\$ 494,010
Investments	5,231	17,419	22,650
Current Portion Note Receivable		11,920	11,920
Accounts Receivable	109,248	258,543	367,791
Allowance for Doubtful Accounts	(6,981)	(86,007)	(92,988)
Intergovernmental Receivable	283,537	-	283,537
Accrued Interest Receivable		3,962	3,962
Special Assessment Receivable, Current Portion	11,121		11,121
Property Taxes Receivable	319,132		319,132
Inventory	54,528	61,637	116,165
Prepaid Expenses	1,780	6,000	7,780
Total Current Assets	<u>953,566</u>	<u>591,514</u>	<u>1,545,080</u>
Restricted Assets:			
Emergency Reserve	93,462		93,462
Loan & Bond Reserves	56,763		56,763
Bond & Emergency Reserve		592,570	592,570
Water Plant Reserve		33,485	33,485
Water Revenue Bonds		165,537	165,537
Sewer Line Maint. Reserve		52,395	52,395
Special Green Fee Fund		17,906	17,906
Equipment Reserve	66,017	207,700	273,717
Total Restricted Assets	<u>216,242</u>	<u>1,069,593</u>	<u>1,285,835</u>
Non-Current Assets:			
Special Assessment Receivable, Net of Current Portion	354,243		354,243
Notes Receivable, Net of Current Portion		280,379	280,379
Bond Issue Costs	61,299	119,199	180,498
Accumulated Amortization	(19,157)	(33,587)	(52,744)
Capital Assets			
Land	1,278,989	243,476	1,522,465
Buildings and water and sewer systems	2,332,586	11,851,741	14,184,327
Equipment	1,856,705	1,170,094	3,026,799
Infrastructure	4,256,882		4,256,882
Other capital assets		1,048,995	1,048,995
Accumulation Depreciation	(2,427,046)	(4,008,694)	(6,435,740)
Total Non-Current Assets	<u>7,694,501</u>	<u>10,671,603</u>	<u>18,366,104</u>
TOTAL ASSETS	<u>8,864,309</u>	<u>12,332,710</u>	<u>21,197,019</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long Term Debt	67,857	208,238	276,095
Accounts Payable	171,790	61,169	232,959
Accrued Interest Payable		55,347	55,347
Compensated Absences	7,591	3,583	11,174
Contingent Construction		57,218	57,218
Deferred Revenue - Grants	7,534		7,534
Deferred Revenue - Property Taxes	319,132		319,132
Total Current Liabilities	<u>573,904</u>	<u>385,555</u>	<u>959,459</u>
Non-Current Liabilities:			
Long Term Debt	609,197	3,990,041	4,599,238
Total Non-Current Liabilities	<u>609,197</u>	<u>3,990,041</u>	<u>4,599,238</u>
TOTAL LIABILITIES	<u>1,183,101</u>	<u>4,375,596</u>	<u>5,558,697</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,621,062	6,322,631	12,943,693
Restricted for:			
Emergency Reserve	93,462	70,000	163,462
Bond Reserve	5,000	274,685	279,685
Unrestricted:	961,684	1,289,798	2,251,482
TOTAL NET ASSETS	<u>\$ 7,681,208</u>	<u>\$ 7,957,114</u>	<u>\$ 15,638,322</u>

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (436,435)		\$ (436,435)
368,331		368,331
2,243,932		2,243,932
15,164		15,164
(241,597)		(241,597)
(34,297)		(34,297)
(139,990)		(139,990)
-		-
-		-
9,335		9,335
(44,760)		(44,760)
<u>1,739,683</u>	<u>-</u>	<u>1,739,683</u>
	419,243	419,243
	25,862	25,862
	496,578	496,578
	(55,500)	(55,500)
	(5,956)	(5,956)
	22,783	22,783
<u>-</u>	<u>903,010</u>	<u>903,010</u>
<u>\$ 1,739,683</u>	<u>\$ 903,010</u>	<u>\$ 2,642,693</u>
\$ 325,419		\$ 325,419
99,215		99,215
901,939		901,939
62,208		62,208
10,079		10,079
43,345		43,345
27,584	\$ 47,123	74,707
11,522	11,646	23,168
(268,257)	-	(268,257)
(74,243)	74,243	-
29,606		29,606
<u>1,168,417</u>	<u>133,012</u>	<u>1,301,429</u>
2,908,100	1,036,022	3,944,122
4,773,108	6,921,092	11,694,200
<u>\$ 7,681,208</u>	<u>\$ 7,957,114</u>	<u>\$ 15,638,322</u>

TOWN OF LIMON, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

ASSETS	GENERAL	HEAD START FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
Cash	\$ 109,441		\$ 66,529	\$ 175,970
Investments	5,231			5,231
Accounts Receivable	48,745	\$ 19,404	41,099	109,248
Allowance for Doubtful Accounts	(6,981)			(6,981)
Intergovernmental Receivable	97,649	81,967	103,921	283,537
Special Assessment Receivable	365,364			365,364
Property Tax Receivable	319,132			319,132
Due From Other Funds	119,866			119,866
Inventories	54,528			54,528
Prepaid Expenses	1,780			1,780
Restricted Cash				
Equipment Reserve	66,017			66,017
Emergency Reserve	93,462			93,462
Loan & Bond Reserves	56,763			56,763
	<u>\$ 1,330,997</u>	<u>\$ 101,371</u>	<u>\$ 211,549</u>	<u>\$ 1,643,917</u>
Total Assets				
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 51,609		\$ 115,960	\$ 167,569
Due To Other Funds	4,221	\$ 101,371	18,495	124,087
Deferred Revenues Grants			7,534	7,534
Deferred Revenue Special Assessment	359,306			359,306
Deferred Revenues Taxes	319,132			319,132
	<u>734,268</u>	<u>101,371</u>	<u>141,989</u>	<u>977,628</u>
Total Liabilities				
 FUND BALANCES				
Reserved for:				
Encumbrance	65,000			65,000
Inventories	54,528			54,528
Prepaid Expenses	1,780			1,780
Equipment Replacement	66,017			66,017
Emergency Reserve	93,462			93,462
Loan & Bond Reserves	56,763			56,763
Unreserved-Designated for Subsequent Year Budget, reported in:				
Special Revenue Funds			22,395	22,395
Unreserved-Undesignated, reported in:				
General Fund	259,179			259,179
Capital Projects Fund			3,031	3,031
Special Revenue Funds			44,134	44,134
	<u>596,729</u>	<u>101,371</u>	<u>69,560</u>	<u>666,289</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 1,330,997</u>	<u>\$ 101,371</u>	<u>\$ 211,549</u>	<u>\$ 1,643,917</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, 2007

Total Fund Balances - Total Governmental Funds	\$	666,289
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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		9,725,162
Accumulated Depreciation		(2,427,046)

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		(250,000)
Special Assessment Bonds		(355,000)
Capital Lease		(72,054)
Compensated Absences		(7,591)

Other long-term assets not available to pay for current period expenditures and therefore are deferred in the governmental funds.

Special Assessment Receivable		365,364
Special Assessment - Allowance for Doubtful Accounts		(6,058)

Bond issue costs to be amortized over the life of the debt.		61,299
Accumulated amortization on bond issue costs.		(19,157)

Net Assets of Governmental Activities	\$	7,681,208
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**TOWN OF LIMON, COLORADO
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>GENERAL</u>	<u>HEAD START FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES:				
Taxes	\$ 1,442,205			\$ 1,442,205
Fines, Licenses and Permits	57,322			57,322
Intergovernmental:				
Local	140,519		\$ 166,496	307,015
Federal	169,547	\$ 604,467	372,691	1,146,705
Charges for Services	503,016		2,600	505,616
Interest	27,101		483	27,584
Donated	32,431		10,000	42,431
Miscellaneous	29,606		48,990	78,596
TOTAL REVENUES	<u>2,401,747</u>	<u>604,467</u>	<u>601,260</u>	<u>3,607,474</u>
EXPENDITURES:				
Current:				
Administration	550,405			550,405
Airport	15,787			15,787
Public Works - Streets	455,206			455,206
Public Works - Sanitation	159,258			159,258
Public Safety - Police & Fire	358,295			358,295
Public Health - Cemetery	41,570			41,570
Culture & Recreation	216,770		1,399	218,169
Head Start Program		604,467		604,467
Rural Development			87,000	87,000
Rural Health			49,886	49,886
Capital Outlay	474,779		462,947	937,726
Debt Service:				
Principal - Lease Purchase	8,571			8,571
Principal - Bonded Debt	80,000			80,000
Interest	44,760			44,760
TOTAL EXPENDITURES	<u>2,405,401</u>	<u>604,467</u>	<u>601,232</u>	<u>3,611,100</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,654)	-	28	(3,626)
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	1,150			1,150
Insurance Proceeds	11,522			11,522
Operating Transfer In (Out)	(80,216)		5,973	(74,243)
NET CHANGE IN FUND BALANCE	(71,198)	-	6,001	(65,197)
FUND BALANCES, BEGINNING	<u>667,927</u>		<u>63,559</u>	<u>731,486</u>
FUND BALANCES, ENDING	<u>\$ 596,729</u>	<u>\$ -</u>	<u>\$ 69,560</u>	<u>\$ 666,289</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, 2007**

Net change in fund balances - total governmental funds	\$ (65,197)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement 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 \$937,726 exceeded depreciation \$272,323 in the current period.	665,403
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	8,571
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	80,000
This is the current-period increase in the liability for compensated absences	(1,820)
Special assessment revenues in the governmental funds that provide current financial resources, but have been included in the statement of activities in prior years.	(16,906)
Bond issuance costs are reported on the statement of net assets as a deferred charge and amortized over the life of the debt. Current period amortization as reported on the statement of net activities.	(3,956)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Current year provision for bad debt on special assessment receivable.	407
Donated capital assets included in the statement of activities do not provide current financial resources and are not reported as revenue in the governmental funds.	2,511,005
The statement of activities reports a gain or loss on the sale of assets based on the proceeds received and the net book value of the assets at the time of sale. The loss on disposal is calculated as follows:	
Cost of assets disposed	(472,382)
Accumulated depreciation of assets disposed	202,975
	\$2,908,100
Change in net assets of governmental activitie	\$2,908,100

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS	UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS
Current Assets:					
Cash	\$ 219,381	\$ 4,593	\$ 6,601	\$ 87,465	\$ 318,040
Investments				17,419	17,419
Current Portion of Note Receivable	11,920				11,920
Accounts Receivable	67,300			191,243	258,543
Allowances For Doubtful Accounts	(8,857)			(77,150)	(86,007)
Accrued Interest Receivable	3,220			742	3,962
Inventories	46,900	2,266	12,471		61,637
Prepaid Expense				6,000	6,000
Total Current Assets	339,864	6,859	19,072	225,719	591,514
Restricted Assets:					
Water Plant Reserve	33,485				33,485
Water Revenue Bonds	165,537				165,537
Sewer Line Maint. Reserve	52,395				52,395
Bond & Emergency Reserve Funds	568,661	23,909			592,570
Special Green Fee Fund		17,906			17,906
Equipment Reserve	141,772			65,928	207,700
Total Restricted Assets	961,850	41,815	-	65,928	1,069,593
Non-Current Assets:					
Notes Receivable, Net of Current Portion	280,379				280,379
Bond Issue Costs	103,699			15,500	119,199
Accumulated Amortization	(28,420)			(5,167)	(33,587)
Capital Assets:					
Water System	7,779,390				7,779,390
Sewer System and Plant	3,671,939				3,671,939
Water Rights	1,048,995				1,048,995
Land	187,444	11,000		45,032	243,476
Buildings				184,357	184,357
Recreation Area Facilities		216,055			216,055
Equipment	535,312	115,550		519,232	1,170,094
Accumulated Depreciation	(3,443,345)	(219,156)		(346,193)	(4,008,694)
Total Non-Current Assets	10,135,393	123,449	-	412,761	10,671,603
TOTAL ASSETS	11,437,107	172,123	19,072	704,408	12,332,710
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	177,095	9,000		22,143	208,238
Accounts Payable	28,010	5,131	10,491	15,663	59,295
Accrued Interest Payable	52,375			2,972	55,347
Due to Other Funds	1,088	599		187	1,874
Compensated Absences	2,678	905			3,583
Contingent Construction	57,218				57,218
Total Current Liabilities	318,464	15,635	10,491	40,965	385,555
Non-Current Liabilities:					
Deposit - State of Colo. For Sewer Line Maintenance	49,761				49,761
Long-Term Debt - Net of Current Portion	3,727,477	55,000		157,803	3,940,280
Total Non-Current Liabilities	3,777,238	55,000	-	157,803	3,990,041
TOTAL LIABILITIES	4,095,702	70,635	10,491	198,768	4,375,596
NET ASSETS					
Investment in Fixed Assets, Net of Related Debt Restricted for Emergency Reserve	6,040,700	59,449		222,482	6,322,631
Restricted for Bond Reserve	70,000				70,000
Unrestricted	261,485	13,200			274,685
	969,220	28,839	8,581	283,158	1,289,798
TOTAL NET ASSETS	\$ 7,341,405	\$ 101,488	\$ 8,581	\$ 505,640	\$ 7,957,114

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, 2007

	UTILITY FUND			TOTAL
	WATER DEPARTMENT	WATER TREATMENT	SEWER DEPARTMENT	
OPERATING REVENUES				
Sales	\$ 517,221	\$ 256,172	\$ 180,553	\$ 953,946
Less, Contractual Adjustments and Bad Debts	186		30	216
Net Sales	517,035	256,172	180,523	953,730
Other User Charges	67,681		800	68,481
Miscellaneous	22,862			22,862
 Total Operating Revenues	 <u>607,578</u>	 <u>256,172</u>	 <u>181,323</u>	 <u>1,045,073</u>
OPERATING EXPENSES				
Cost of Resale Items				
Maintenance	23,516	15,005	20,376	58,897
Insurance	1,883	7,532	5,649	15,064
Utilities	31,745	31,831	51,998	115,574
Testing	1,671		16,421	18,092
Salaries and Benefits	70,741	34,100	91,301	196,142
Other Expenses	14,736	10,758	17,121	42,615
Administration	12,176	2,000	2,292	16,468
Amortization	5,572			5,572
Depreciation	152,650	85,849	89,005	327,504
 Total Operating Expenses	 <u>314,690</u>	 <u>187,075</u>	 <u>294,163</u>	 <u>795,928</u>
 Income (Loss) From Operations	 <u>292,888</u>	 <u>69,097</u>	 <u>(112,840)</u>	 <u>249,145</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	23,042	19,373		42,415
Donations				
Intergovernmental - Local			67,127	67,127
Intergovernmental - Federal		18,072		18,072
Insurance Proceeds	3,092			3,092
Interest Expense	(147,821)	(61,307)		(209,128)
 Total Non-Operating Revenues (Expenses)	 <u>(121,687)</u>	 <u>(23,862)</u>	 <u>67,127</u>	 <u>(78,422)</u>
 Net Income Before Contributions and Transfers	 171,201	 45,235	 (45,713)	 170,723
Capital Contributions	274,176		542,291	816,467
Transfers In (Out)				
 CHANGE IN NET ASSETS	 <u>\$ 445,377</u>	 <u>\$ 45,235</u>	 <u>\$496,578</u>	 987,190
 NET ASSETS, BEGINNING OF YEAR				 <u>6,354,215</u>
 NET ASSETS, END OF YEAR				 <u>\$ 7,341,405</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>
\$109,315	\$ 41,786	\$ 440,206	\$ 1,545,253
		200,409	200,625
<u>109,315</u>	<u>41,786</u>	<u>239,797</u>	<u>1,344,628</u>
8,494			76,975
<u>10,927</u>		<u>2,872</u>	<u>36,661</u>
<u>128,736</u>	<u>41,786</u>	<u>242,669</u>	<u>1,458,264</u>
12,969	35,051		48,020
5,619	10,350	12,860	87,726
3,138		6,124	24,326
17,762		8,515	141,851
	580		18,672
107,554		51,974	355,670
28,153	1,761	106,595	179,124
			16,468
		1,550	7,122
<u>13,090</u>		<u>48,590</u>	<u>389,184</u>
<u>188,285</u>	<u>47,742</u>	<u>236,208</u>	<u>1,268,163</u>
<u>(59,549)</u>	<u>(5,956)</u>	<u>6,461</u>	<u>190,101</u>
608		4,100	47,123
7,699		1,378	9,077
		5,605	72,732
		18,855	36,927
	8,554		11,646
<u>(3,650)</u>		<u>(9,516)</u>	<u>(222,294)</u>
<u>4,657</u>	<u>8,554</u>	<u>20,422</u>	<u>(44,789)</u>
(54,892)	2,598	26,883	145,312
			816,467
<u>56,478</u>		<u>17,765</u>	<u>74,243</u>
1,586	2,598	44,648	1,036,022
<u>99,902</u>	<u>5,983</u>	<u>460,992</u>	<u>6,921,092</u>
<u>\$101,488</u>	<u>\$ 8,581</u>	<u>\$ 505,640</u>	<u>\$ 7,957,114</u>

**TOWN OF LIMON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>UTILITY FUND</u>	<u>MUNICIPAL RECREATION AREA</u>	<u>AIRPORT FUEL FUND</u>	<u>AMBULANCE SERVICE FUND</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts From Customers	\$ 1,046,879	\$ 128,736	\$ 41,851	\$ 189,198	\$ 1,406,664
Payments to Suppliers for Goods and Services	(315,862)	(65,336)	(43,804)	(127,478)	(552,480)
Payments to Employees	(195,188)	(106,796)		(51,181)	(353,165)
Net Cash Provided (Used) By Operating Activities	<u>535,829</u>	<u>(43,396)</u>	<u>(1,953)</u>	<u>10,539</u>	<u>501,019</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Donations		7,699		1,378	9,077
Intergovernmental Grants		-		28,071	28,071
Insurance Proceeds	3,092		8,554		11,646
Transfer From (To) Other Fund		56,478		17,765	74,243
Net Cash Provided By Non-Capital Financing Activities	<u>3,092</u>	<u>64,177</u>	<u>8,554</u>	<u>47,214</u>	<u>123,037</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:					
State of Colorado - Sewer Line Maintenance	6,018				6,018
Tap Fees	74,324				74,324
Intergovernmental Grant	174,105			-	174,105
Sewer Line Maintenance Paid Colo. Reserve Account	(5,993)				(5,993)
Transfer From (To) Restricted Assets	(137,971)	5,525		(3,615)	(136,061)
Purchase of Assets	(236,374)	(13,500)		(19,484)	(269,358)
Interest Paid	(193,720)	(3,650)		(9,870)	(207,240)
Debt Principal Payments	(176,451)	(9,000)		(21,429)	(206,880)
Note - Frazier Farms	11,305				11,305
Net Cash (Used) By Capital and Financing Activities	<u>(484,757)</u>	<u>(20,625)</u>	<u>-</u>	<u>(54,398)</u>	<u>(559,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Redemption (Purchase) of Investments				(1,266)	(1,266)
Interest Revenue	41,402	608		5,100	47,110
Net Cash Provided By Investing Activities	<u>41,402</u>	<u>608</u>	<u>-</u>	<u>3,834</u>	<u>45,844</u>
Net Increase (Decrease) in Cash and Cash Equivalents	95,566	764	6,601	7,189	110,120
CASH AND CASH EQUIVALENTS					
Beginning of Year	<u>123,815</u>	<u>3,829</u>	<u>-</u>	<u>80,276</u>	<u>207,920</u>
End of Year	<u>\$ 219,381</u>	<u>\$ 4,593</u>	<u>\$ 6,601</u>	<u>\$ 87,465</u>	<u>\$ 318,040</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities					
Net Operating Income (Loss)	\$ 249,145	\$ (59,549)	\$ (5,956)	\$ 6,461	\$ 190,101
Depreciation	327,504	13,090		48,590	389,184
Amortization	5,572			1,550	7,122
(Increase) Decrease in Accounts Receivable, Net	1,806		65	(53,471)	(51,600)
(Increase) Decrease in Inventory	(5,599)	561	(2,551)		(7,589)
(Increase) Decrease in Prepaid Expense				2,000	2,000
Increase (Decrease) in Accounts Payable	(42,475)	1,746	9,413	5,702	(25,614)
Increase (Decrease) in Due to Other Funds	(107)	266	(2,924)	(293)	(3,058)
Increase (Decrease) in Compensated Absences	(17)	490			473
Net Cash Provided (Used) By Operating Activities	<u>\$ 535,829</u>	<u>\$ (43,396)</u>	<u>\$ (1,953)</u>	<u>\$ 10,539</u>	<u>\$ 501,019</u>
Noncash capital financing activities:					
Contributed Capital	\$ 742,143				\$ 742,143
Interest subsidy	\$ 18,072				\$ 18,072
Grant				\$ 18,855	\$ 18,855

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, 2007

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash	\$ 9,338		\$ 9,338
Due From Other Funds	6,095		6,095
Investments - Stocks, Bonds and Mutual Funds - At Fair Market Value:			
U.S. Government	434,300		434,300
Domestic Stocks	417,072		417,072
International Stocks	14,054		14,054
Mutual Funds	267,424		267,424
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>1,148,283</u>	<u>-</u>	<u>1,148,283</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 NET ASSETS	<u><u>\$ 1,148,283</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,148,283</u></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, 2007

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Employee Contribution	\$ 42,732		\$ 42,732
Employer Contribution	6,095		6,095
Interest Income	205		205
Investment Income (Loss), Net of Expenses	90,565	\$ 34,234	124,799
Property Taxes		8,386	8,386
Intergovernmental		7,394	7,394
Total Additions	<u>139,597</u>	<u>50,014</u>	<u>189,611</u>
DEDUCTIONS:			
Benefit Payments	83,883	25,675	109,558
Administrative Expenses	3,322	3,854	7,176
Transfer of Assets to Limon Area Fire Protection District		372,875	372,875
Total Deductions	<u>87,205</u>	<u>402,404</u>	<u>489,609</u>
CHANGE IN PLAN NET ASSETS	52,392	(352,390)	(299,998)
PLAN NET ASSETS, BEGINNING OF YEAR	<u>1,095,891</u>	<u>352,390</u>	<u>1,448,281</u>
PLAN NET ASSETS, END OF YEAR	<u><u>\$ 1,148,283</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,148,283</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, 2007

(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, 2007

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, 2007

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, 2007

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, 2007

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 31, 2007, the Board approved a resolution appropriating additional sums of money for the year 2007. 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 2007 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, 2007

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 2007 was 20.686.

L. Inventories

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

General Fund - Dumpsters and polycarts held for resale and street supplies	\$ 54,528
Utility - Treatment supplies, meters and parts	46,900
Municipal Recreation Area - Merchandise & Concessions	2,266
Airport Fuel Fund - Airplane fuel	<u>12,471</u>
Total Inventories	<u>\$116,165</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, 2007

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, 2007.

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, 2007, none of the Town's deposits are deemed to be exposed to custodial credit risk.

The Town's deposits as of December 31, 2007 are shown below.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

The Town's cash deposits at December 31, 2007 was \$1,811,833 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 \$527 and the remaining \$1,811,306 is explained below:

Cash balances and certificates of deposit:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC)	\$ 302,704	\$ 302,704
Collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name	<u>1,570,238</u>	<u>1,508,602</u>
Total cash and certificates of deposit	<u>\$1,872,942</u>	<u>\$1,811,306</u>

The difference between the bank balance and carrying balance is \$61,636, which were outstanding items that had not cleared the banks as of December 31, 2007.

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;
8. Guaranteed investment contracts, with other certain limitations;

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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' Pension Plan 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 Pension Plan investments at December 31, 2007 are reported at fair market value. The Employees' Pension Plan investments are shown below:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

	Fair Market Value	Maturity	Credit Rating	Rating Agency
Stocks, bonds and mutual funds:				
Fixed income:				
U.S. Treasury	434,300		Not Rated	n/a
Domestic Stocks	417,072	n/a	Not Rated	n/a
International Stocks	14,054	n/a	Not Rated	n/a
Mutual Funds	2,306	n/a	5 Star	Morningstar
Mutual Funds	69,023	n/a	4 Star	Morningstar
Mutual Funds	8,072	n/a	3 Star	Morningstar
Mutual Funds	142,686	n/a	2 Star	Morningstar
Money Market Mutual Funds	45,337	n/a	Not Rated	n/a
Total Investments	<u>\$ 1,132,850</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	\$ 494,010
Investments	22,650
Restricted Cash	1,285,835
Fiduciary Funds – Cash	9,338
Fiduciary Funds – Investments	<u>1,132,850</u>
Total	<u>\$2,944,683</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, 2007 of \$93,462 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, 2007

General Fund – reserves for payment of 1999 revenue bonds and 2004 capital lease. Total required accumulation at December 31, 2007 is \$5,000. Reserves are held in bank savings accounts.

General Fund – equipment replacement reserves. Accumulation at December 31, 2007 is \$66,017. Reserves are held in a bank savings accounts.

Utility Fund – reserve for operations and maintenance of the water treatment plant. Total required accumulation at December 31, 2007 is \$33,485. Reserve is held in a bank savings account.

Utility Fund – funds held for future water projects construction from proceeds of 2004 water bond. Amount held in a bank savings account totals \$165,537 at December 31, 2007.

Utility Fund – reserve for Emergency Reserve and repayment of 2000 and 2004 revenue bonds. There is no required accumulation for the 2000 bond reserve. The required accumulation for the 2004 bond reserve at December 31, 2007 is \$228,000. Emergency Reserve required accumulation is 3% of annual expenditures in the Utility Fund. Reserves are held in a bank savings account and certificates of deposit.

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, 2007 is \$141,772. 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 and certificate of deposit.

Municipal Recreation Area Fund – reserve for repayment of the 1974 revenue bonds. Total required accumulation at December 31, 2007 is \$13,200. Reserve is held in a bank savings account.

Ambulance Service Fund – equipment replacement reserve. Accumulation at December 31, 2007 is \$65,928. Reserve is held in a bank certificate of deposit.

(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.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
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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 2008 to 2024 in the amount of \$9,078 each year. Residents are permitted to pay their accounts in full at any time, which would also decrease total future annual payment requirements.

Payments on the 2005 assessment including principal and interest, at a rate of 7% are due from 2008 to 2025 in the amount of \$27,319 each year. Residents are permitted to pay their accounts in full any time, which would also decrease total future annual payment requirements.

(5) Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities:	Dec. 31, 2006	Additions	Transfers Deletions	Dec. 31, 2007
Non-depreciable assets:				
Land	\$ 1,278,989	\$ -	\$ -	\$ 1,278,989
Construction In Progress	1,067	-	(1,067)	-
Total non-depreciable assets	<u>\$ 1,280,056</u>	<u>\$ -</u>	<u>\$ (1,067)</u>	<u>\$ 1,278,989</u>
Depreciable assets:				
Buildings	\$ 2,287,724	\$ 43,795	\$ 1,067	\$ 2,332,586
Equipment	1,833,924	495,163	(472,382)	1,856,705
Infrastructure	1,347,109	2,909,773	-	4,256,882
Total depreciable assets	<u>\$ 5,468,757</u>	<u>\$ 3,448,731</u>	<u>\$ (471,315)</u>	<u>\$ 8,446,173</u>
Total capital assets	<u>\$ 6,748,813</u>	<u>\$ 3,448,731</u>	<u>\$ (472,382)</u>	<u>\$ 9,725,162</u>
Less accumulated depreciation for:				
Buildings	\$ (1,108,053)	(53,066)	-	\$ (1,161,119)
Equipment	(1,187,001)	(160,438)	202,975	(1,144,464)
Infrastructure	(62,644)	(58,819)	-	(121,463)
Total accumulated depreciation	<u>\$ (2,357,698)</u>	<u>\$ (272,323)</u>	<u>\$ 202,975</u>	<u>\$ (2,427,046)</u>
Depreciable Assets, Net	<u>\$ 3,111,059</u>	<u>\$ 3,176,408</u>	<u>\$ (268,340)</u>	<u>\$ 6,019,127</u>
Governmental Activities Assets, Net	<u>\$ 4,391,115</u>	<u>\$ 3,176,408</u>	<u>\$ (269,407)</u>	<u>\$ 7,298,116</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions of the Town as follows:

General government	\$ 26,284
Airport	2,992
Public safety – Police and Fire	59,440
Highways and Streets	107,950
Public Works – Sanitation	15,585
Public Health – Cemetery	702
Culture & Recreation	20,611
Rural Health	<u>38,759</u>
Total Governmental Activities	
Depreciation Expense	<u>\$ 272,323</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
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Business-Type Activities:	Dec. 31, 2006	Additions	Transfers Deletions	Dec. 31, 2007
Non-depreciable assets:				
Water Rights	\$ 1,048,995	\$ -	\$ -	\$ 1,048,995
Land	243,476	-	-	243,476
Construction in Progress	199,203	-	(199,203)	-
Total non-depreciable assets	<u>\$ 1,491,674</u>	<u>\$ -</u>	<u>\$ (199,203)</u>	<u>\$ 1,292,471</u>
Depreciable assets:				
Water System, Plant & Equipment	\$ 7,941,564	\$ 277,351	\$ -	\$ 8,218,915
Sewer System, Plant & Equipment	2,867,357	900,369	-	3,767,726
Rec Area Facilities & Equipment	340,318	13,500	(22,213)	331,605
Ambulance Building & Equipment	695,705	19,484	(11,600)	703,589
Total depreciable assets	<u>\$ 11,844,944</u>	<u>\$ 1,210,704</u>	<u>\$ (33,813)</u>	<u>\$ 13,021,835</u>
Total capital assets	<u>\$ 13,336,618</u>	<u>\$ 1,210,704</u>	<u>\$ (233,016)</u>	<u>\$ 14,314,306</u>
Less accumulated depreciation for:				
Water System, Plant & Equipment	\$ (2,020,843)	\$ (238,499)	\$ -	\$ (2,259,342)
Sewer System, Plant & Equipment	(1,094,998)	(89,005)	-	(1,184,003)
Rec Area Facilities & Equipment	(228,279)	(13,090)	22,213	(219,156)
Ambulance Building & Equipment	(309,203)	(48,590)	11,600	(346,193)
Total accumulated depreciation	<u>\$ (3,653,323)</u>	<u>\$ (389,184)</u>	<u>\$ 33,813</u>	<u>\$ (4,008,694)</u>
Depreciable Assets, Net	<u>\$ 8,191,621</u>	<u>\$ 821,520</u>	<u>\$ -</u>	<u>\$ 9,013,141</u>
Business-Type Activities Assets, Net	<u><u>\$ 9,683,295</u></u>	<u><u>\$ 821,520</u></u>	<u><u>\$ (199,203)</u></u>	<u><u>\$ 10,305,612</u></u>

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

Water	\$ 152,650
Water Treatment	85,849
Sewer	89,005
Municipal Recreation	13,090
Ambulance	<u>48,590</u>
Total Business-Type Depreciation Expense	<u><u>\$ 389,184</u></u>

TOWN OF LIMON, COLORADO
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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 which was turned over to the new Limon Area Fire Protection District on December 31, 2007.

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, 2007, 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:

TOWN OF LIMON, COLORADO
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Annual required contribution	\$6,095
Annual pension cost	\$6,095
Contributions made	\$6,095
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, 2007 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)
1-1-02	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%
1-1-06	982,742	1,034,687	51,945	95.0%
1-1-07	1,073,261	1,108,776	35,515	96.8%

Six-year Trend Information:

For Each Year ended	Employer Annual Required Contribution and Pension Cost	Employer Contribution	Percentage Contributed	Net Pension Obligation
12-31-02	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
12-31-06	9,274	9,274	100%	0
12-31-07	6,095	6,095	100%	0

TOWN OF LIMON, COLORADO
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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 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.

The assets of the plan were transferred to the new Limon Area Fire Protection District on December 31, 2007. On that date, the District assumed total responsibility for those assets and administration of the plan.

Annual Pension Cost. For the fiscal year ended December 31, 2007, the annual pension cost of the Town of Limon Volunteer Firemen’s Pension Plan was \$15,780. During the year, the Town of Limon and the state of Colorado contributed \$15,780, 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>\$15,780</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, 2007. The significant actuarial assumptions used in the valuation as of January 1, 2007 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).

TOWN OF LIMON, COLORADO
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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability or (Funding Excess) (b-a)	Funded Ratio (a)/(b)
1-1-01	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%
1-1-07	339,466	212,382	(127,084)	159.8%

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>
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
2006	15,054	15,054	100%	0
2007	15,780	15,780	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 \$93,462 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.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
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(8) Capital Lease

The Town has entered into the following lease-purchase:

2004 – for a gravel pit 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 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, 2007:

	Governmental Activities	Business-Type Activities
Years Ended December 31,		
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	86,809	216,837
Less, Amount Representing Interest	(14,755)	(36,891)
Present Value of Net Minimum Lease Payments	\$72,054	\$179,946

The current portion of the present value of the net minimum lease payments is \$8,857 for Governmental Activities and \$22,143 for Business-Type Activities.

TOWN OF LIMON, COLORADO
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(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 \$4,125 in 2007. Future minimum lease payments as of December 31, 2007, under operating leases that have initial or remaining lease terms of more than one year are as follows:

	Governmental Activities
Years Ended December 31,	
2008	4,500
2009	4,500
2010	1,125
Total Minimum Lease Payments	\$ 10,125

(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, 2007, which is expected to be paid from Utility Fund Water revenues together with interest from 4.6% to 5.6%.

During 2007 a principal payment of \$40,000 was made on the bond and interest payments of \$24,317 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:

TOWN OF LIMON, COLORADO
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	Principal	Interest	Total
2008	\$ 40,000	\$ 23,150	\$ 63,150
2009	45,000	21,310	66,310
2010	45,000	19,150	64,150
2011	45,000	16,900	61,900
2012	50,000	14,605	64,605
2013-2016	220,000	31,105	251,105
	<u>\$ 445,000</u>	<u>\$ 126,220</u>	<u>\$ 571,220</u>

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, 2007 are as follows:

Payable from Governmental Activities revenue together with interest of 5.625%.

During 2007 a principal payment of \$40,000 was made on the bond and interest payments of \$16,313 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
2008	\$ 45,000	\$ 14,062	\$ 59,062
2009	45,000	11,531	56,531
2010	50,000	9,000	59,000
2011	55,000	6,187	61,187
2012	55,000	3,094	58,094
	<u>\$ 250,000</u>	<u>\$ 43,874</u>	<u>\$ 293,874</u>

Payable from Utility Fund Water revenues, together with interest from 5.30% to 5.50%.

During 2007 a principal payment of \$50,000 was made on the bond and interest payments of \$113,156 were made which are included as a direct expense under Water in the Statement of Activities.

Annual debt service requirements are as follows:

TOWN OF LIMON, COLORADO
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	Principal	Interest	Total
2008	\$ 50,000	\$ 110,960	\$ 160,960
2009	55,000	108,310	163,310
2010	55,000	105,175	160,175
2011	55,000	101,875	156,875
2012	60,000	99,483	159,483
2013-2017	400,000	451,745	851,745
2018-2022	910,000	305,200	1,215,200
2023	495,000	27,225	522,225
	<u>\$ 2,080,000</u>	<u>\$ 1,309,973</u>	<u>\$ 3,389,973</u>

Payable from Utility Fund Water revenues, together with interest from 5.76% 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 4.12% to 7.26%.

During 2007 principal payments of \$64,999 were made on the bond and interest payments of \$43,234 were made in addition to the federal subsidy interest amount of \$18,072 for a total of \$61,306 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
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	70,415	50,339	120,754	13,710	107,044
2012	75,832	47,835	123,667	12,552	111,115
2013-2017	400,827	187,608	588,435	43,800	544,635
2018-2020	287,079	46,031	333,110	9,615	323,495
	<u>\$ 1,034,566</u>	<u>\$ 501,580</u>	<u>\$ 1,536,146</u>	<u>\$ 127,483</u>	<u>\$ 1,408,663</u>

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

TOWN OF LIMON, COLORADO
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During 2007 a principal payment of \$9,000 was made on the bond and an interest payment of \$3,650 was made which is included as a direct expense under Municipal Recreation Area in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 9,000	\$ 3,200	\$ 12,200
2009	11,000	2,750	13,750
2010	11,000	2,200	13,200
2011	11,000	1,650	12,650
2012	11,000	1,100	12,100
2013	11,000	550	11,550
	<u>\$ 64,000</u>	<u>\$ 11,450</u>	<u>\$ 75,450</u>

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

During 2007 a principal payment of \$21,452 was made on the loan and an interest payment of \$10,349 was made which is included as a direct expense under Water in the Statement of Activities.

Annual debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 22,096	\$ 10,349	\$ 32,445
2009	22,759	9,686	32,445
2010	23,441	9,004	32,445
2011	24,145	8,300	32,445
2012	24,869	7,576	32,445
2013-2017	135,992	26,233	162,225
2018-2020	91,704	5,554	97,258
	<u>\$ 345,006</u>	<u>\$ 76,702</u>	<u>\$ 421,708</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.

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During 2007 a principal payment of \$5,000 was made on the bond and an interest payment of \$5,900 was made which is included under governmental activities in the Statement of Activities.

Scheduled annual debt service requirements to maturity are as follows. However, the actual principal payments will be higher if additional principal is collected from the property owners, which would also affect future principal and interest requirements.

	Principal	Interest	Total
2008	\$ 4,000	\$ 5,546	\$ 9,546
2009	4,000	5,369	9,369
2010	4,000	5,133	9,133
2011	4,000	4,897	8,897
2012	4,000	4,661	8,661
2013-2017	25,000	19,411	44,411
2018-2022	34,000	11,033	45,033
2023-2024	16,000	1,416	17,416
	\$ 95,000	\$ 57,466	\$ 152,466

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 2007, a principal payment of \$35,000 was made on the bond and interest payments of \$18,600 were made which are included under governmental activities in the Statement of Activities.

Scheduled annual debt service requirements to maturity are as follows. However, the actual principal payments will be higher if additional principal is collected from the property owners, which would also affect future principal and interest requirements.

TOWN OF LIMON, COLORADO
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	Principal	Interest	Total
2008	10,000	16,120	26,120
2009	10,000	15,500	25,500
2010	11,000	14,880	25,880
2011	11,000	14,198	25,198
2012	12,000	13,516	25,516
2013-2017	73,000	55,242	128,242
2018-2022	98,000	29,884	127,884
2023-2025	35,000	2,852	37,852
	\$ 260,000	\$ 162,192	\$ 422,192

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 2007 are as follows:

TOWN OF LIMON, COLORADO
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	Balance Dec. 31, 2006	Additions	Payments	Balance Dec. 31, 2007	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 290,000	\$ -	\$ (40,000)	\$ 250,000	\$ 45,000
Special Assessment Bonds	395,000	-	(40,000)	355,000	14,000
Capital Lease	80,625	-	(8,571)	72,054	8,857
	<u>765,625</u>	<u>-</u>	<u>(88,571)</u>	<u>677,054</u>	<u>67,857</u>
Business-Type Activities:					
Bonds Payable:					
2004 Water Revenue	\$ 2,130,000		\$ (50,000)	\$ 2,080,000	\$ 50,000
2001 Water G.O.	485,000		(40,000)	445,000	40,000
2000 Water Revenue	1,099,565		(64,999)	1,034,566	64,999
1974 Mun. Rec. Area	73,000		(9,000)	64,000	9,000
Loans Payable:					
Colorado Water					
Conservation Board	366,458		(21,452)	345,006	22,096
Capital Lease	201,375		(21,429)	179,946	22,143
Colorado Maintenance Fee	49,736	6,018	(5,993)	49,761	-
	<u>4,405,134</u>	<u>6,018</u>	<u>(212,873)</u>	<u>4,198,279</u>	<u>208,238</u>
Total Long-Term Liabilities	<u><u>\$ 5,170,759</u></u>	<u><u>\$ 6,018</u></u>	<u><u>\$ (301,444)</u></u>	<u><u>\$ 4,875,333</u></u>	<u><u>\$ 276,095</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, 2007:

Actual Property Value (taxable)	\$106,338,865
	x 3%
	<u>3,190,166</u>

General Obligation Bonds issued, other than for Water & Sewer purposes, which are specifically exempted for the limitation	<u>-</u>
Available Debt Margin	<u><u>\$ 3,190,166</u></u>

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
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(11) 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 \$2,523 in year 2007.

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 2007 the Town paid \$62,768 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 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 2007 the Town paid \$39,988 for workers compensation coverage to the pool and is included in the operating expense of the general and enterprise funds.

TOWN OF LIMON, COLORADO
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(12) 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 2007:

Payments from the General and Enterprise Funds to the Employees' Pension Plan totaling \$48,827 are included as operating revenue and expenditures of each respective fund.

Transfer from General Fund to Municipal Recreation Area Fund for general purposes.	\$ 55,650
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Transfer from General Fund to Ambulance Service Fund for general purposes	17,765
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Transfer to Capital Projects Fund for airport taxiway construction	<u>6,801</u>
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Total General Fund Transfers	<u>\$ 80,216</u>
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Transfer from Conservation Trust Fund to Municipal Recreation Area Fund for improvements.	<u>\$ 828</u>
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Amounts due to/from other funds at December 31, 2007:

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	\$ 101,371
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Due to General Fund from Capital Construction Fund, pending reimbursement on Federal grant	\$ 1,042
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Due to General Fund from Rural Health Fund, pending reimbursement on Colorado grant	\$ 17,453
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TOWN OF LIMON, COLORADO
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Due to the Employees' Pension Plan by the General and Proprietary Fund Types for the Town's 2007 retirement contribution

\$ 6,095

\$ 125,961

(13) 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. During 2006, the Town paid \$15,160 for those improvements resulting in a remaining contingent payable of \$57,218.

(14) 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.

(15) 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.

(16) Rural Development Fund – Energy and Mineral Impact Grant

The Town of Limon through the Rural Development Fund from 2003 thru 2007 has received impact funds from the State of Colorado and acted as a conduit for funding projects between the Department of Local Affairs and the Colorado Rural Development Council. During 2007 the Town received and disbursed \$87,000 from this fund. The State Auditor issued a report in 2007 noting that the Town of Limon was not a direct beneficiary nor was it the manager of these funds. In the same report it was determined that this was an improper use of these funds and recommended that no further grants be awarded under this program to be used as a conduit to a Non-Profit 501(c)(3) corporation.

**TOWN OF LIMON, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,368,429	\$ 1,368,429	\$ 1,442,205	\$ 73,776
Fines, Licenses and Permits	55,120	55,120	57,322	2,202
Intergovernmental - Local	138,625	138,625	140,519	1,894
Intergovernmental - Federal	2,420	2,420	169,547	167,127
Charges for Services	369,770	369,770	503,016	133,246
Interest	30,955	30,955	27,101	(3,854)
Donated	2,500	2,500	32,431	29,931
Miscellaneous	25,000	25,000	29,606	4,606
Supplemental Appropriation		395,000		(395,000)
TOTAL REVENUES	<u>1,992,819</u>	<u>2,387,819</u>	<u>2,401,747</u>	<u>13,928</u>
EXPENDITURES				
Current:				
General Government	404,676	404,676	550,405	(145,729)
Airport	11,597	11,597	15,787	(4,190)
Public Works - Streets	478,922	478,922	455,206	23,716
Public Works - Sanitation	156,916	156,916	159,258	(2,342)
Public Safety	347,597	347,597	358,295	(10,698)
Public Health - Cemetery	37,990	37,990	41,570	(3,580)
Culture & Recreation	221,037	221,037	216,770	4,267
Capital Outlay	202,684	202,684	474,779	(272,095)
Debt Service:				
Principal - Lease Purchases	8,571	8,571	8,571	-
Principal - Bonded Debt	52,000	52,000	80,000	(28,000)
Interest	45,147	45,147	44,760	387
Supplemental Appropriation		525,000		525,000
TOTAL EXPENDITURES	<u>1,967,137</u>	<u>2,492,137</u>	<u>2,405,401</u>	<u>86,736</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,682	(104,318)	(3,654)	100,664
OTHER FINANCIAL SOURCES (USES)				
Sale of Fixed Assets			1,150	1,150
Insurance Proceeds			11,522	11,522
Operating Transfers (Out)	(73,699)	(73,699)	(80,216)	(6,517)
NET CHANGE IN FUND BALANCE	(48,017)	(178,017)	(71,198)	106,819
FUND BALANCES, BEGINNING OF YEAR	<u>652,045</u>	<u>652,045</u>	<u>667,927</u>	<u>15,882</u>
FUND BALANCES, END OF YEAR	<u>\$ 604,028</u>	<u>\$ 474,028</u>	<u>\$ 596,729</u>	<u>\$ 122,701</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, 2007**

	<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	\$ 600,088	\$ 600,088	\$ 604,467	\$ 4,379
Supplemental Appropriation	-	4,470	-	(4,470)
Total revenues	<u>600,088</u>	<u>604,558</u>	<u>604,467</u>	<u>(91)</u>
EXPENDITURES:				
Head Start Program	600,088	600,088	604,467	(4,379)
Supplemental Appropriation	-	4,470	-	4,470
Total expenditures	<u>600,088</u>	<u>604,558</u>	<u>604,467</u>	<u>91</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, 2007**

	<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		\$ 62,719	\$ 3,810			\$ 66,529
Accounts Receivable					\$ 41,099	41,099
Intergovernmental Receivable	\$ 58,687				45,234	103,921
TOTAL ASSETS	<u>\$ 58,687</u>	<u>\$ 62,719</u>	<u>\$ 3,810</u>	<u>\$ -</u>	<u>86,333</u>	<u>\$ 211,549</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 47,080				\$ 68,880	\$ 115,960
Deferred Grant Revenue	7,534					7,534
Due to Other Funds	1,042				17,453	18,495
TOTAL LIABILITIES	<u>55,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,333</u>	<u>141,989</u>
 FUND BALANCES						
Unreserved Fund Balance:						
Designated for Subsequent Year Budget		\$ 21,900	\$ 495			22,395
Undesignated	3,031	40,819	3,315			47,165
TOTAL FUND BALANCES	<u>3,031</u>	<u>62,719</u>	<u>3,810</u>	<u>-</u>	<u>-</u>	<u>69,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,687</u>	<u>\$ 62,719</u>	<u>\$ 3,810</u>	<u>\$ -</u>	<u>\$ 86,333</u>	<u>\$ 211,549</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, 2007

	<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		\$ 479	\$ 4			\$ 483
Intergovernmental - Local	\$ 9,763	20,743		\$ 87,000	\$ 48,990	166,496
Intergovernmental - Federal	372,691					372,691
Perpetual Care			2,600			2,600
Donations		10,000				10,000
Miscellaneous Revenue					48,990	48,990
TOTAL REVENUES	<u>382,454</u>	<u>31,222</u>	<u>2,604</u>	<u>87,000</u>	<u>97,980</u>	<u>601,260</u>
EXPENDITURES:						
Current:						
Recreation		1,399				1,399
Rural Development				87,000		87,000
Rural Health					49,886	49,886
Capital Outlay	<u>390,768</u>	<u>24,085</u>	<u>-</u>		<u>48,094</u>	<u>462,947</u>
TOTAL EXPENDITURES	<u>390,768</u>	<u>25,484</u>	<u>-</u>	<u>87,000</u>	<u>97,980</u>	<u>601,232</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,314)	5,738	2,604	NONE	-	28
OTHER FINANCING SOURCES (USES):						
Operating Transfers In (Out)	<u>6,801</u>	<u>(828)</u>				<u>5,973</u>
NET CHANGE IN FUND BALANCE	(1,513)	4,910	2,604	NONE	-	6,001
FUND BALANCE, BEGINNING OF YEAR	<u>4,544</u>	<u>57,809</u>	<u>1,206</u>	<u>NONE</u>	<u>-</u>	<u>63,559</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,031</u>	<u>\$ 62,719</u>	<u>\$ 3,810</u>	<u>NONE</u>	<u>\$ -</u>	<u>\$ 69,560</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, 2007**

	<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	\$ 20,743	\$ 743
Intergovernmental Grant	6,250	6,250	-	(6,250)
Donations	-	-	10,000	10,000
Interest	300	300	479	179
	<u>26,550</u>	<u>26,550</u>	<u>31,222</u>	<u>4,672</u>
EXPENDITURES:				
Operating				
Recreation	-	-	1,399	(1,399)
Capital Outlay	21,800	21,800	24,085	(2,285)
Supplemental Appropriation	-	3,500	-	3,500
	<u>21,800</u>	<u>25,300</u>	<u>25,484</u>	<u>(184)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,750	1,250	5,738	4,488
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	(1,050)	(1,050)	(828)	222
NET CHANGE IN FUND BALANCE	3,700	200	4,910	4,710
FUND BALANCE, BEGINNING OF YEAR	<u>57,503</u>	<u>57,503</u>	<u>57,809</u>	<u>306</u>
FUND BALANCE, END OF YEAR	<u>\$ 61,203</u>	<u>\$ 57,703</u>	<u>\$ 62,719</u>	<u>\$ 5,016</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, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Perpetual Care	\$ 1,000	\$ 1,000	\$ 2,600	\$ 1,600
Interest	<u>5</u>	<u>5</u>	<u>4</u>	<u>(1)</u>
Total revenues	<u>1,005</u>	<u>1,005</u>	<u>2,604</u>	<u>1,599</u>
EXPENDITURES:				
Capital Outlay	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total expenditures	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
NET CHANGE IN FUND BALANCE	305	305	2,604	2,299
FUND BALANCE, BEGINNING OF YEAR	<u>1,006</u>	<u>1,006</u>	<u>1,206</u>	<u>200</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,311</u>	<u>\$ 1,311</u>	<u>\$ 3,810</u>	<u>\$ 2,499</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, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Intergovernmental - State	\$ 150,000	\$ 150,000	\$ 87,000	\$ (63,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>87,000</u>	<u>(63,000)</u>
EXPENDITURES:				
Rural Development	150,000	150,000	87,000	63,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>87,000</u>	<u>63,000</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
RURAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Intergovernmental - State	\$ -	\$ -	\$ 48,990	\$ 48,990
Miscellaneous Revenues	-	-	48,990	48,990
Supplemental Appropriation	-	300,000	-	(300,000)
Total revenues	-	300,000	97,980	(202,020)
EXPENDITURES:				
Operating:				
Rural Health	-	-	49,886	(49,886)
Capital	-	-	48,094	(48,094)
Supplemental Appropriation	-	300,000	-	300,000
Total expenditures	-	300,000	97,980	202,020
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

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, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental - Local	\$ 11,842	\$ 11,842	\$ 9,763	\$ (2,079)
Intergovernmental - Federal	450,000	450,000	372,691	(77,309)
TOTAL REVENUES	<u>461,842</u>	<u>461,842</u>	<u>382,454</u>	<u>(79,388)</u>
EXPENDITURES				
Capital Outlay	473,684	473,684	390,768	82,916
TOTAL EXPENDITURES	<u>473,684</u>	<u>473,684</u>	<u>390,768</u>	<u>82,916</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,842)	(11,842)	(8,314)	3,528
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	11,842	11,842	6,801	(5,041)
NET CHANGE IN FUND BALANCE	-	-	(1,513)	(1,513)
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>4,544</u>	<u>4,544</u>
FUND BALANCE, END OF YEAR	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,031</u></u>	<u><u>3,031</u></u>

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, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Sales, Net Contractual Adjustments and Bad debts	\$ 926,845	\$ 926,845	\$ 953,730	\$ 26,885
Other user charges	14,800	14,800	68,481	53,681
Interest	12,800	12,800	42,415	29,615
Note Principal - Frasier	25,391	25,391	11,305	(14,086)
Insurance Proceeds	-	-	3,092	3,092
DOC maintenance	5,400	5,400	6,018	618
DOC maintenance expenses from restricted account	5,400	5,400	5,993	593
Intergovernmental-Local	-	-	67,127	67,127
Intergovernmental-Federal	18,000	18,000	18,072	72
Capital Contributions	10,000	10,000	816,467	806,467
Miscellaneous	500	500	22,862	22,362
Supplemental Appropriation	-	961,302	-	(961,302)
Total revenues	1,019,136	1,980,438	2,015,562	35,124
EXPENDITURES:				
Operating expenses (other than depreciation and amortization)	521,252	521,252	462,852	58,400
Interest expense	203,714	203,714	209,128	(5,414)
Debt Principal	149,582	149,582	176,451	(26,869)
Capital expenditures	53,350	53,350	236,374	(183,024)
DOC maintenance revenue to restricted account	5,400	5,400	6,018	(618)
System maintenance paid from Colorado reserve account	5,400	5,400	5,993	(593)
Supplemental Appropriation	-	961,302	-	961,302
Total expenditures	938,698	1,900,000	1,096,816	803,184
Excess (deficiency) of revenues over expenditures	\$ 80,438	\$ 80,438	918,746	\$ 838,308
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			176,451	
Capital expenditures			236,374	
Less budgetary items shown as Revenue:				
Principal portion of note receivable			(11,305)	
Less: depreciation and amortization			(333,076)	
Change In Net Assets GAAP			\$ 987,190	

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, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales	\$ 112,700	\$ 112,700	\$ 109,315	\$ (3,385)
Other User Charges	8,962	8,962	8,494	(468)
Interest	648	648	608	(40)
Donations	9,000	9,000	7,699	(1,301)
Miscellaneous	2,500	2,500	10,927	8,427
Transfers from other funds	47,510	47,510	56,478	8,968
Supplemental Appropriation	<u>-</u>	<u>6,750</u>	<u>-</u>	<u>(6,750)</u>
Total revenues	<u>181,320</u>	<u>188,070</u>	<u>193,521</u>	<u>5,451</u>
EXPENDITURES:				
Salaries and Benefits	105,407	105,407	107,554	(2,147)
Cost of Resale Items	14,500	14,500	12,969	1,531
Maintenance	6,050	6,050	5,619	431
Insurance	3,138	3,138	3,138	-
Utilities	16,603	16,603	17,762	(1,159)
Other Expenses	17,000	17,000	24,067	(7,067)
Interest Expense	3,650	3,650	3,650	-
Bond Payments	9,000	9,000	9,000	-
Lease	-	-	4,086	(4,086)
Capital expenditures	21,500	21,500	13,500	8,000
Supplemental Appropriation	<u>-</u>	<u>6,750</u>	<u>-</u>	<u>6,750</u>
Total expenditures	<u>196,848</u>	<u>203,598</u>	<u>201,345</u>	<u>2,253</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (15,528)</u>	<u>\$ (15,528)</u>	(7,824)	<u>\$ 7,704</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			9,000	
Capital expenditures			13,500	
Less depreciation and amortization			<u>(13,090)</u>	
Change In Net Assets GAAP			<u>\$ 1,586</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, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Sales	\$ 39,870	\$ 39,870	\$ 41,786	\$ 1,916
Insurance Claims	-	-	8,554	8,554
Supplemental Appropriation	-	8,325	-	(8,325)
	<u>39,870</u>	<u>48,195</u>	<u>50,340</u>	<u>2,145</u>
EXPENDITURES:				
Operating expenses	39,660	39,660	47,742	(8,082)
Transfer to Capital Project	5,000	5,000	-	5,000
Supplemental Appropriation	-	8,325	-	8,325
	<u>44,660</u>	<u>52,985</u>	<u>47,742</u>	<u>5,243</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,790)</u>	<u>\$ (4,790)</u>	2,598	<u>\$ 7,388</u>
RECONCILIATION TO GAAP BASIS				
			<u>2,598</u>	
Change In Net Assets GAAP			<u>\$ 2,598</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, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
REVENUES:				POSITIVE
				(NEGATIVE)
Sales, Net Contractual Adjustments and Bad Debts \$200,409	\$ 195,000	\$ 195,000	\$ 239,797	\$ 44,797
Interest	3,300	3,300	4,100	800
Donations	600	600	1,378	778
Intergovernmental - Local	1,200	1,200	5,605	4,405
Intergovernmental - Federal			18,855	18,855
Miscellaneous	4,000	4,000	2,872	(1,128)
Transfer From Other Funds	19,847	19,847	17,765	(2,082)
Supplemental Appropriation	-	35,000	-	(35,000)
	<u>223,947</u>	<u>258,947</u>	<u>290,372</u>	<u>31,425</u>
EXPENDITURES:				
Operating				
Salaries and Benefits	35,047	35,047	51,974	(16,927)
Maintenance	21,300	21,300	12,860	8,440
Insurance	6,124	6,124	6,124	-
Utilities	10,606	10,606	8,515	2,091
Other Expenses	107,794	107,794	106,595	1,199
Administration		-		-
Principal Payment	20,000	20,000	21,429	(1,429)
Interest Expense	10,850	10,850	9,516	1,334
Capital Outlay	1,000	1,000	19,484	(18,484)
Supplemental Appropriation		35,000		35,000
	<u>212,721</u>	<u>247,721</u>	<u>236,497</u>	<u>11,224</u>
Excess (deficiency) of revenues over expenditures	<u>\$11,226</u>	<u>\$11,226</u>	53,875	<u>\$42,649</u>
RECONCILIATION TO GAAP BASIS				
Add: Principal portion of debt service			21,429	
Add: Capital Outlay			19,484	
Less Disposal of Fixed Assets				
Less Amortization			(1,550)	
Less Depreciation			(48,590)	
Change In Net Assets GAAP			<u>\$44,648</u>	

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, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Employee Contribution	\$ 41,954	\$ 41,954	\$ 42,732	\$ 778
Employer Contribution	-	-	6,095	6,095
Interest Income	150	150	205	55
Investment Income				
Net of Expenses	20,000	20,000	90,565	70,565
Supplemental Appropriation	-	60,000		(60,000)
Total Revenues	<u>62,104</u>	<u>122,104</u>	<u>139,597</u>	<u>17,493</u>
EXPENDITURES:				
Benefit Payments	25,000	25,000	83,883	(58,883)
Administrative Expenses	5,000	5,000	3,322	1,678
Supplemental Appropriation		60,000		60,000
Total Expenditures	<u>30,000</u>	<u>90,000</u>	<u>87,205</u>	<u>2,795</u>
CHANGE IN NET ASSETS	32,104	32,104	52,392	20,288
NET ASSETS, BEGINNING OF YEAR	<u>1,070,628</u>	<u>1,070,628</u>	<u>1,095,891</u>	<u>25,263</u>
NET ASSETS, END OF YEAR	<u>\$ 1,102,732</u>	<u>\$ 1,102,732</u>	<u>\$ 1,148,283</u>	<u>\$ 45,551</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, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Property Taxes	\$ 8,386	\$ 8,386	\$ 8,386	\$ -
Intergovernmental - State	6,013	6,013	7,394	1,381
Investment Income, Net of Expenses	10,000	10,000	34,234	24,234
Supplemental Appropriation	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total Revenues	<u>24,399</u>	<u>49,399</u>	<u>50,014</u>	<u>615</u>
 EXPENDITURES:				
Benefit Payments	23,000	23,000	25,675	(2,675)
Administrative Expenses	2,400	2,400	3,854	(1,454)
Transfer to Limon Area Fire Protection District			372,875	(372,875)
Supplemental Appropriation	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total Expenditures	<u>25,400</u>	<u>425,400</u>	<u>402,404</u>	<u>22,996</u>
 CHANGE IN NET ASSETS	 (1,001)	 (376,001)	 (352,390)	 23,611
 NET ASSETS, BEGINNING OF YEAR	 <u>335,336</u>	 <u>335,336</u>	 <u>352,390</u>	 <u>17,054</u>
 NET ASSETS, END OF YEAR	 <u>\$ 334,335</u>	 <u>\$ (40,665)</u>	 <u>\$ -</u>	 <u>\$ 40,665</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: Limon
		YEAR ENDING : December 2007
This Information From The Records Of (example - City of _ or County of Town of Limon)	Prepared By: Phone:	Joe Kiely, Town Administrator 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)	8,000
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	392,534
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	20,347
2. General fund appropriations	137,365	b. Snow and ice removal	8,761
3. Other local imposts (from page 2)	350,849	c. Other	42,550
4. Miscellaneous local receipts (from page 2)	124,475	d. Total (a. through c.)	71,658
5. Transfers from toll facilities		4. General administration & miscellaneous	18,824
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	162,625
a. Bonds - Original Issues		6. Total (1 through 5)	653,641
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	24,500
7. Total (1 through 6)	612,689	b. Redemption	40,000
B. Private Contributions	44,334	c. Total (a. + b.)	64,500
C. Receipts from State government (from page 2)	73,637	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	3,948
E. Total receipts (A.7 + B + C + D)	730,660	b. Redemption	8,571
		c. Total (a. + b.)	12,519
		3. Total (1.c + 2.c)	77,019
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	730,660

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	730,660	730,660	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2007

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	83,859	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	25,260
1. Sales Taxes	137,901	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	129,089	g. Other Misc. Receipts	
6. Total (1. through 5.)	266,990	h. Other Franchise	99,215
c. Total (a. + b.)	350,849	i. Total (a. through h.)	124,475
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	65,154	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	8,483	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	8,483	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	73,637	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		8,000	8,000
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	8,000	8,000
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	8,000	8,000
			(Carry forward to page 1)

Notes and Comments:

**TOWN OF LIMON, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

<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	\$604,467
Environmental Protection Agency Pass-through program from:			
Colorado Water Resources Authority:			
Capitalization Grant for Drinking Water State Revolving Fund			
Interest earnings subsidy	66.468		18,072
U.S. Department of Transportation Airport Improvement Program	20.106		372,691
Pass-through program from Colorado Department of Transportation and East Central Council of Governments - Formula Grant for Other Than Urbanized Areas	20.509		3,297
U.S. Department of Homeland Security Direct program:			
Assistance to Firefighters Grant	97.044	N/A	166,250
Pass-through program from Colorado Department of Local Affairs- Office of Emergency Management and East Central Council of Governments			
Homeland Security Grant Program	97.067		18,855
			<hr/>
Total Expenditures of Federal Awards			<u>\$1,183,632</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, 2007

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>\$604,467</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 \$ 18,072

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

U.S. Department of Homeland Security
 Pass-through program from: Colorado Department of Local Affairs
 Office of Emergency Management and East Central Council of
 Governments - Homeland Security Grant Program \$ 18,855

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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, 2007, which collectively comprise Town of Limon's basic financial statements and have issued my report thereon dated June 12, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Limon's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of Limon's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Town of Limon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Town of Limon's financial statements that is more than inconsequential will not be prevented or detected by Town of Limon's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Town of Limon's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Limon's financial statements are free of material misstatement, 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 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
June 12, 2008

Gary L. Woodward

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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, 2007. 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.

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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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Town of Limon's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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 no be used by anyone other than these specified parties.

Gary L. Woodward, CPA

Eads, Colorado
June 12, 2008

TOWN OF LIMON, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007

A. Summary of Audit Results

- 1) The auditor's report expresses an unqualified opinion on the financial statements of Town of Limon.
- 2) No significant deficiencies 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 significant deficiencies 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 programs tested as a major program were: U.S. Department of Health and Human Services – Head Start, CFDA 93.600 and U.S. Department of Transportation – Airport Improvement Program, CFDA 20.106.
- 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