

TOWN OF LIMON, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006, 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, 2006, 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 May 21, 2007, 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 basis 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
May 21, 2007

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Table of Contents	3-5
Management's Discussion and Analysis	6-14
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18-19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20-21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Funds	23-24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
Notes to Financial Statements	28-57
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	58
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Head Start Fund	59

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2006

TABLE OF CONTENTS - CONTINUED

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	61
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Conservation Trust Fund	62
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Cemetery Perpetual Care Fund	63
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Rural Development Fund	64
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Rural Health Fund	65
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Utility Fund	67
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Recreation Fund	68
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Airport Fuel Fund	69
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Ambulance Service Fund	70
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Employee Pension Fund	71
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Fireman Pension Fund	72

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2006

TABLE OF CONTENTS - CONTINUED

Miscellaneous Section:

Local Highway Finance Report	73-74
------------------------------	-------

Single Audit:

Schedule of Expenditures of Federal Awards	75
--	----

Notes To Schedule of Expenditures of Federal Awards	76
---	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	77-78
---	-------

Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance In Accordance with OMB Circular A-133	79-80
---	-------

Schedule of Findings and Questioned Costs	81
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TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

For the December 31, 2006 financial statements, the Town is in the third 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 \$826,061 or 7.60% during the year. The governmental net assets increased by \$306,059 or 6.85%, and the business-type net assets increased by \$520,002, or 8.12%.
- The governmental activities revenue changed from 3,368,185 in 2005 to 3,041,516 in 2006 a decrease of \$326,669 or 9.70%.
- The governmental activities expenditures changed from \$2,707,078 in 2005 to \$2,735,457 in 2006 an increase of \$28,379 or 1.05%.
- The business-type activities revenue changed from \$1,718,051 in 2005 to \$1,911,679 in 2006 an increase of \$193,628 or 11.27%.
- The business-type activities expenditures changed from \$1,333,912 in 2005 1,391,677 in 2006 an increase of \$57,765 or 4.33%

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports a decrease of \$179,582 or 21.19% 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

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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
DECEMBER 31, 2006

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, 2006**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current assets	\$ 792,628	\$ 859,699	\$ 582,155	\$ 529,975	\$ 1,374,783	\$ 1,389,674
Restricted Assets	571,802	359,413	893,289	933,532	1,465,091	1,292,945
Other Non-current Assets	463,915	416,944	403,460	385,034	867,375	801,978
Capital assets-net	4,014,032	4,391,115	9,315,881	9,683,295	13,329,913	14,074,410
Total assets	<u>5,842,377</u>	<u>6,027,171</u>	<u>11,194,785</u>	<u>11,531,836</u>	<u>17,037,162</u>	<u>17,559,007</u>
Current Liabilities	597,703	552,009	388,774	412,490	986,477	964,499
Non-current Liabilities	777,625	702,054	4,404,921	4,198,254	5,182,546	4,900,308
Total liabilities	<u>1,375,328</u>	<u>1,254,063</u>	<u>4,793,695</u>	<u>4,610,744</u>	<u>6,169,023</u>	<u>5,864,807</u>
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>
Net assets consist of:						
Invested in capital assets	3,180,407	3,624,423	4,784,506	5,490,970	7,964,913	9,115,393
Restricted net assets	403,518	92,719	114,874	344,284	518,392	437,003
Unrestricted net assets	883,124	1,055,966	1,501,710	1,085,838	2,384,834	2,141,804
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>

The net assets of the Town's governmental funds as of December 31, 2006 were \$4,773,108 of which \$1,055,966 was unrestricted and is available for spending at the government's discretion. The remainder is invested in capital assets, net of related debt \$3,624,423, reserved for Emergency Reserve \$87,719 and Bond Reserve \$5,000.

The General Fund is the main operating fund of the Town. As of December 31, 2006, the General Fund balance was \$667,927 of which \$185,867 was unreserved. Unreserved fund balance represents 8.47% of 2006 General Fund expenditures.

**TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Program revenues:						
Operating Grants and Contributions	\$ 996,674	\$ 941,631	\$ 60,347	\$ 69,702	\$ 1,057,021	\$ 1,011,333
Capital Grants and Contributions	264,161	309,564	282,680	447,320	546,841	756,884
Charges for services	769,790	376,358	1,245,647	1,286,188	2,015,437	1,662,546
Total Program Revenue	2,030,625	1,627,553	1,588,674	1,803,210	3,619,299	3,430,763
General Revenues:						
Taxes	1,285,087	1,354,551			1,285,087	1,354,551
Investment earnings	21,041	26,203	51,944	41,334	72,985	67,537
Other	22,004	33,209			22,004	33,209
Total General Revenue	1,328,132	1,413,963	51,944	41,334	1,380,076	1,455,297
Total Revenue	\$ 3,358,757	\$ 3,041,516	\$ 1,640,618	\$ 1,844,544	\$ 4,999,375	\$ 4,886,060
Expenses						
General government	445,681	443,899			445,681	443,899
Airport	13,598	15,524			13,598	15,524
Public safety	394,448	394,451			394,448	394,451
Highways and streets	470,093	539,002			470,093	539,002
Public Works - Sanitation	154,276	175,612			154,276	175,612
Public Health - Cemetery	54,241	44,798			54,241	44,798
Culture and recreation	237,722	237,665			237,722	237,665
Head Start Program	619,056	608,099			619,056	608,099
Rural Development	170,177	139,290			170,177	139,290
Rural Health	42,000	30,888			42,000	30,888
Water			435,030	454,846	435,030	454,846
Water Treatment Plant			247,976	246,597	247,976	246,597
Sewer			250,363	252,440	250,363	252,440
Municipal Recreation Area			173,031	187,933	173,031	187,933
Airport Fuel Fund			28,020	34,616	28,020	34,616
Ambulance Service Fund			199,492	214,212	199,492	214,212
Interest and fiscal charges	28,353	39,094			28,353	39,094
Total expenses	2,629,645	2,668,322	1,333,912	1,390,644	3,963,557	4,058,966
Change in net assets before transfers and special items	729,112	373,194	306,706	453,900	1,035,818	827,094
Transfers	(77,433)	(67,135)	77,433	67,135		-
Gain(loss) on sale of assets	9,428			(1,033)	9,428	(1,033)
Change in net assets	661,107	306,059	384,139	520,002	1,045,246	826,061
Beginning net assets	3,805,942	4,467,049	6,016,951	6,401,090	9,822,893	10,868,139
Ending net assets	\$ 4,467,049	\$ 4,773,108	\$ 6,401,090	\$ 6,921,092	\$ 10,868,139	\$ 11,694,200

Governmental Activities revenues in the amount of \$3,041,516 were greater than expenses and transfers of \$2,735,457 by \$306,059 primarily due to grants received and used to purchase fixed

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

assets. Business-type activities revenues and transfers in the amount of \$1,911,679 were greater than expenses and disposal of assets of \$1,391,677 by \$520,002 mostly due to grants received and used to purchase fixed assets.

BUDGETARY HIGHLIGHTS

The budget was amended on December 28, 2006 to include the following increases for expenditures not anticipated at the time of adoption of the original budget on December 6, 2005. 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	\$ 1,841,474	\$ 2,366,474	\$ 525,000
Municipal Recreation Area	\$ 175,129	\$ 200,129	\$ 25,000
Head Start Fund	\$ 600,088	\$ 608,099	\$ 8,011
Limon Ambulance Service	\$ 205,615	\$ 260,615	\$ 55,000
Firemen's Pension Fund	\$ 19,300	\$ 25,000	\$ 5,700
Capital Projects Fund	\$ -	\$ 8,000	\$ 8,000
Employee's Pension Fund	\$ 27,000	\$ 57,000	\$ 30,000
Rural Health Fund	\$ 57,000	\$ 220,000	\$ 163,000

- Changes in the General Fund Budget are attributable to street improvements in Limon Special Improvement District No. 2-2005(a)(b)(c) and on other Town streets.
- Changes in the Recreation Area Fund Budget include increased usage costs and capital expenditures.
- Changes in the Limon Ambulance Service Fund were due to increased grants funds including equipment provided by the Department of Homeland Security.
- Changes in the Capital Projects Fund Budget are due to the airport runway construction project that extended into 2006 from 2004.
- 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.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2006, Limon investment in capital assets for its governmental and business type activities net of accumulated depreciation was \$14,074,410. This included infrastructure assets acquired since January 1, 2004. Capital assets including land, buildings, streets, utility systems and equipment are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 1,277,569	\$ 1,278,989	\$ 243,476	\$ 243,476	\$ 1,521,045	\$ 1,522,465
Buildings and Water & Sewer Systems	2,270,681	2,287,724	10,287,418	10,706,680	12,558,099	12,994,404
Construction In Progress		1,067		199,203	-	200,270
Equipment	1,578,153	1,833,924	1,077,494	1,138,264	2,655,647	2,972,188
Other Capital Assets			1,048,995	1,048,995	1,048,995	1,048,995
Infrastructure	1,035,711	1,347,109			1,035,711	1,347,109
Total	<u>\$ 6,162,114</u>	<u>\$ 6,748,813</u>	<u>\$ 12,657,383</u>	<u>\$ 13,336,618</u>	<u>\$ 18,819,497</u>	<u>\$ 20,085,431</u>
Accumulated Depreciation	<u>(2,148,082)</u>	<u>(2,357,698)</u>	<u>(3,341,502)</u>	<u>(3,653,323)</u>	<u>(5,489,584)</u>	<u>(6,011,021)</u>
Capital Assets, Net	<u><u>\$ 4,014,032</u></u>	<u><u>\$ 4,391,115</u></u>	<u><u>\$ 9,315,881</u></u>	<u><u>\$ 9,683,295</u></u>	<u><u>\$ 13,329,913</u></u>	<u><u>\$ 14,074,410</u></u>

This year's major capital asset additions include:

- Improvements to the sewer collection line on 5th Street in the amount of \$412,264.
- Improvements to a sewer lift station in progress at December 31, 2006 in the amount of \$199,203.
- Improvements to various streets in the amount of \$303,399.

Long-term Debt

As of December 31, 2006 the Town had \$5,170,759 in outstanding debt.

**TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenue Bonds	\$ 335,000	\$ 290,000			\$ 335,000	\$ 290,000
Special Assessment Bonds	410,000	395,000			410,000	395,000
Capital Leases	88,625	80,625			88,625	80,625
Bonds Payable:						
2004 Water Revenue			2,175,000	2,130,000	2,175,000	2,130,000
2001 Water G.O.			520,000	485,000	520,000	485,000
2000 Water Revenue			1,159,147	1,099,564	1,159,147	1,099,564
1974 Mun. Rec. Area			82,000	73,000	82,000	73,000
Loans Payable:						
Colorado Water						
Conservation Board			387,286	366,459	387,286	366,459
Capital Lease			221,375	201,375	221,375	201,375
Colorado Maintenance Fee			49,523	49,736	49,523	49,736
	<u>\$ 833,625</u>	<u>\$ 765,625</u>	<u>\$ 4,594,331</u>	<u>\$ 4,405,134</u>	<u>\$ 5,427,956</u>	<u>\$ 5,170,759</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax revenues budgeted for 2007 is \$845,000 that is \$12,968 more than 2006 actual.
- The property tax revenue budgeted for 2007 is \$338,557 that is \$3,814 more than 2006 actual.
- Governmental funds revenues were budgeted at \$3,244,146, which is an increase of 5.33% from the 2006 actual revenues. Governmental revenue and expenditures included direct pass-through grants to other entities. The 2007 budgeted direct pass-through amounts are \$750,088, which is a decrease of \$202,090 from the 2006 actual amounts of \$952,178. The 2007 budgeted expenditures for governmental activities are projected to be \$3,288,158, which is a 3.77% increase above the 2006 actual.
- Proprietary funds revenues were budgeted at \$1,464,273, which is a decrease of 24.30% from the 2006 actual revenues. Budgeted expenditures of \$1,392,927 represent a decrease from 2006 actual expenditures of 28.26%

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, 2006

ASSETS	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
Current Assets:			
Cash and Cash Equivalents	\$ 150,501	\$ 207,920	\$ 358,421
Investments	5,011	16,153	21,164
Current Portion Note Receivable		11,304	11,304
Accounts Receivable	68,339	182,068	250,407
Allowance for Doubtful Accounts	(7,388)	(61,132)	(68,520)
Intergovernmental Receivable	232,565	110,589	343,154
Accrued Interest Receivable		3,949	3,949
Special Assessment Receivable, Current Portion	11,959		11,959
Internal Balances	2,924	(2,924)	-
Property Taxes Receivable	338,557		338,557
Inventory	55,521	54,048	109,569
Prepaid Expenses	1,710	8,000	9,710
Total Current Assets	<u>859,699</u>	<u>529,975</u>	<u>1,389,674</u>
Restricted Assets:			
Emergency Reserve	87,719		87,719
Loan & Bond Reserves	64,855		64,855
Special Assessment	19,892		19,892
Bond & Emergency Reserve		507,806	507,806
Water Plant Reserve		33,084	33,084
Water Revenue Bonds		163,073	163,073
Sewer Line Maint. Reserve		50,016	50,016
Special Green Fee Fund		23,671	23,671
Equipment Reserve	186,947	155,882	342,829
Total Restricted Assets	<u>359,413</u>	<u>933,532</u>	<u>1,292,945</u>
Non-Current Assets:			
Special Assessment Receivable, Net of Current Portion	370,846		370,846
Notes Receivable, Net of Current Portion		292,300	292,300
Bond Issue Costs	61,299	119,199	180,498
Accumulated Amortization	(15,201)	(26,465)	(41,666)
Capital Assets			
Construction in Progress	1,067	199,203	200,270
Land	1,278,989	243,476	1,522,465
Buildings and water and sewer systems	2,287,724	10,706,680	12,994,404
Equipment	1,833,924	1,138,264	2,972,188
Infrastructure	1,347,109		1,347,109
Other capital assets		1,048,995	1,048,995
Accumulation Depreciation	(2,357,698)	(3,653,323)	(6,011,021)
Total Non-Current Assets	<u>4,808,059</u>	<u>10,068,329</u>	<u>14,876,388</u>
TOTAL ASSETS	<u>6,027,171</u>	<u>11,531,836</u>	<u>17,559,007</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long Term Debt	63,571	206,880	270,451
Accounts Payable	135,576	86,917	222,493
Accrued Interest Payable		58,365	58,365
Compensated Absences	5,771	3,110	8,881
Contingent Construction		57,218	57,218
Deferred Revenue - Grants	8,534		8,534
Deferred Revenue - Property Taxes	338,557		338,557
Total Current Liabilities	<u>552,009</u>	<u>412,490</u>	<u>964,499</u>
Non-Current Liabilities:			
Long Term Debt	702,054	4,198,254	4,900,308
Total Non-Current Liabilities	<u>702,054</u>	<u>4,198,254</u>	<u>4,900,308</u>
TOTAL LIABILITIES	<u>1,254,063</u>	<u>4,610,744</u>	<u>5,864,807</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,624,423	5,490,970	9,115,393
Restricted for:			
Emergency Reserve	87,719	70,000	157,719
Bond Reserve	5,000	274,284	279,284
Unrestricted:	1,055,966	1,085,838	2,141,804
TOTAL NET ASSETS	<u>\$ 4,773,108</u>	<u>\$ 6,921,092</u>	<u>\$ 11,694,200</u>

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

**TOWN OF LIMON, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>FUNCTIONS / PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 443,899	\$ 101,212	\$ 5,620	
Airport	15,524	4,506		87,930
Public Works -Streets	539,002	18,238	142,370	
Public Works - Sanitation	175,612	189,120		
Public Safety - Police and Fire	394,451	2,238	6,589	31,845
Public Health - Cemetery	44,798	5,325		
Culture and recreation	237,665	55,719	24,663	
Head Start Program	608,099		608,099	
Rural Development	139,290		139,290	
Rural Health	30,888		15,000	189,789
Interest on Long Term Debt	39,094			
Total Governmental Activities	<u>2,668,322</u>	<u>376,358</u>	<u>941,631</u>	<u>309,564</u>
Business-Type Activities:				
Water	454,846	504,828		13,100
Water Treatment Plant	246,597	248,952	19,051	
Sewer	252,440	179,686		422,640
Municipal Recreation Area	187,933	119,682	22,390	
Airport Fuel Fund	34,616	35,440		
Ambulance Service Fund	214,212	197,600	28,261	11,580
Total Business-Type Activities	<u>1,390,644</u>	<u>1,286,188</u>	<u>69,702</u>	<u>447,320</u>
Total Primary Government	<u>\$ 4,058,966</u>	<u>\$ 1,662,546</u>	<u>\$ 1,011,333</u>	<u>\$ 756,884</u>

Property Taxes
Franchise Taxes
Sales Taxes
Motor Vehicle
Cigarette Tax
Use Tax
Severance Tax
Interest Income
Special item -gain(loss) on sale of assets
Transfers
Other
Total general revenues
Change in net assets
Net assets beginning
Net assets ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (337,067)		\$ (337,067)
76,912		76,912
(378,394)		(378,394)
13,508		13,508
(353,779)		(353,779)
(39,473)		(39,473)
(157,283)		(157,283)
-		-
-		-
173,901		173,901
(39,094)		(39,094)
<u>(1,040,769)</u>	<u>-</u>	<u>(1,040,769)</u>
	63,082	63,082
	21,406	21,406
	349,886	349,886
	(45,861)	(45,861)
	824	824
	<u>23,229</u>	<u>23,229</u>
<u>-</u>	<u>412,566</u>	<u>412,566</u>
<u>\$ (1,040,769)</u>	<u>\$ 412,566</u>	<u>\$ (628,203)</u>
\$ 334,743		\$ 334,743
108,076		108,076
832,032		832,032
59,845		59,845
10,414		10,414
1,069		1,069
8,372		8,372
26,203	\$ 41,334	67,537
	(1,033)	(1,033)
(67,135)	67,135	-
33,209		33,209
<u>1,346,828</u>	<u>107,436</u>	<u>1,454,264</u>
306,059	520,002	826,061
4,467,049	6,401,090	10,868,139
<u>\$ 4,773,108</u>	<u>\$ 6,921,092</u>	<u>\$ 11,694,200</u>

TOWN OF LIMON, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS	GENERAL	HEAD START FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
Cash	\$ 91,486		\$ 59,015	\$ 150,501
Investments	5,011			5,011
Accounts Receivable	45,573		22,766	68,339
Allowance for Doubtful Accounts	(7,388)			(7,388)
Intergovernmental Receivable	65,274	\$ 38,110	129,181	232,565
Special Assessment Receivable	382,805			382,805
Property Tax Receivable	338,557			338,557
Due From Other Funds	123,708			123,708
Inventories	55,521			55,521
Prepaid Expenses	1,710			1,710
Restricted Cash				
Equipment Reserve	186,947			186,947
Emergency Reserve	87,719			87,719
Loan & Bond Reserves	64,855			64,855
Special Assessment	19,892			19,892
	<u>\$ 1,461,670</u>	<u>\$ 38,110</u>	<u>\$ 210,962</u>	<u>\$ 1,710,742</u>
Total Assets				
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 71,115		\$ 57,195	\$ 128,310
Due To Other Funds	7,266	\$ 38,110	82,674	128,050
Deferred Revenues Grants	1,000		7,534	8,534
Deferred Revenue Special Assessment	375,805			375,805
Deferred Revenues Taxes	338,557			338,557
	<u>793,743</u>	<u>38110</u>	<u>147,403</u>	<u>979,256</u>
Total Liabilities				
 FUND BALANCES				
Reserved for:				
Encumbrance	65,416		1,968	67,384
Inventories	55,521			55,521
Prepaid Expenses	1,710			1,710
Equipment Replacement	186,947			186,947
Emergency Reserve	87,719			87,719
Loan & Bond Reserves	64,855			64,855
Special Assessment	19,892			19,892
Unreserved-Designated for Subsequent Year Budget, reported in:				
General Fund	48,017			48,017
Unreserved-Undesignated, reported in:				
General Fund	137,850			137,850
Capital Projects Fund			2,576	2,576
Special Revenue Funds			59,015	59,015
	<u>667,927</u>	<u></u>	<u>63,559</u>	<u>731,486</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 1,461,670</u>	<u>\$ 38,110</u>	<u>\$ 210,962</u>	<u>\$ 1,710,742</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, 2006

Total Fund Balances - Total Governmental Funds	\$	731,486
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The following amounts reported for governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.

Governmental Capital assets		6,748,813
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Accumulated Depreciation		(2,357,698)
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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		(290,000)
Special Assessment Bonds		(395,000)
Capital Lease		(80,625)
Compensated Absences		(5,771)

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

Special Assessment Receivable		375,805
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Bond issue costs to be amortized over the life of the debt.		61,299
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Accumulated amortization on bond issue costs.		(15,201)
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		\$ 4,773,108
Net Assets of Governmental Activities		\$ 4,773,108

**TOWN OF LIMON, COLORADO
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>GENERAL</u>	<u>HEAD START FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES:				
Taxes	\$ 1,354,551			\$ 1,354,551
Fines, Licenses and Permits	42,006			42,006
Intergovernmental:				
Local	143,490		\$ 282,830	426,320
Federal	35,435	\$ 608,099	77,309	720,843
Charges for Services	372,348		95,294	467,642
Interest	25,744		459	26,203
Donated	9,139			9,139
Miscellaneous	33,209			33,209
TOTAL REVENUES	<u>2,015,922</u>	<u>608,099</u>	<u>455,892</u>	<u>3,079,913</u>
EXPENDITURES:				
Current:				
Administration	419,821			419,821
Airport	12,064			12,064
Public Works - Streets	439,007			439,007
Public Works - Sanitation	167,004			167,004
Public Safety - Police & Fire	347,937			347,937
Public Health - Cemetery	44,096			44,096
Culture & Recreation	214,565		1,000	215,565
Head Start Program		608,099		608,099
Rural Development			139,290	139,290
Rural Health			15,000	15,000
Capital Outlay	383,376		203,323	586,699
Debt Service:				
Principal - Lease Purchase	8,000			8,000
Principal - Bonded Debt	60,000			60,000
Interest	39,094			39,094
TOTAL EXPENDITURES	<u>2,134,964</u>	<u>608,099</u>	<u>358,613</u>	<u>3,101,676</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(119,042)	-	97,279	(21,763)
OTHER FINANCING SOURCES (USES)				
Operating Transfer (Out)	(60,540)		(6,595)	(67,135)
NET CHANGE IN FUND BALANCE	(179,582)	-	90,684	(88,898)
FUND BALANCES, BEGINNING	847,509		(27,125)	820,384
FUND BALANCES, ENDING	<u>\$ 667,927</u>	<u>\$ -</u>	<u>\$ 63,559</u>	<u>\$ 731,486</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, 2006

Net change in fund balances - total governmental funds	\$ (88,898)
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 \$586,699 exceeded depreciation \$209,616 in the current period.	377,083
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	8,000
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	60,000
This is the current-period increase in the liability for compensated absences	(1,307)
Special assessment revenues in the governmental funds that provide current financial resources, but have been included in the statement of activities in prior years.	(38,397)
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.	(3,957)
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.	(6,465)
Change in net assets of governmental activities	\$ 306,059

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

ASSETS	UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS
Current Assets:					
Cash	\$ 123,815	\$ 3,829		\$ 80,276	\$ 207,920
Investments				16,153	16,153
Current Portion of Note Receivable	11,304				11,304
Accounts Receivable	69,106		65	112,897	182,068
Allowances For Doubtful Accounts	(8,857)			(52,275)	(61,132)
Intergovernmental Receivable	106,978			3,611	110,589
Accrued Interest Receivable	2,207			1,742	3,949
Inventories	41,301	2,827	9,920		54,048
Prepaid Expense				8,000	8,000
Total Current Assets	<u>345,854</u>	<u>6,656</u>	<u>9,985</u>	<u>170,404</u>	<u>532,899</u>
Restricted Assets:					
Water Plant Reserve	33,084				33,084
Water Revenue Bonds	163,073				163,073
Sewer Line Maint. Reserve	50,016				50,016
Bond & Emergency Reserve Funds	484,137	23,669			507,806
Special Green Fee Fund		23,671			23,671
Equipment Reserve	93,569			62,313	155,882
Total Restricted Assets	<u>823,879</u>	<u>47,340</u>	<u>-</u>	<u>62,313</u>	<u>933,532</u>
Non-Current Assets:					
Notes Receivable, Net of Current Portion	292,300				292,300
Bond Issue Costs	103,699			15,500	119,199
Accumulated Amortization	(22,848)			(3,617)	(26,465)
Capital Assets:					
Construction in Progress	199,203				199,203
Water System	7,534,698				7,534,698
Sewer System and Plant	2,771,570				2,771,570
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	502,653	124,263		511,348	1,138,264
Accumulated Depreciation	(3,115,841)	(228,279)		(309,203)	(3,653,323)
Total Non-Current Assets	<u>9,501,873</u>	<u>123,039</u>	<u>-</u>	<u>443,417</u>	<u>10,068,329</u>
TOTAL ASSETS	<u>10,671,606</u>	<u>177,035</u>	<u>9,985</u>	<u>676,134</u>	<u>11,534,760</u>
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	176,451	9,000		21,429	206,880
Accounts Payable	70,485	3,385	1,078	9,961	84,909
Accrued Interest Payable	55,039			3,326	58,365
Due to Other Funds	1,195	333	2,924	480	4,932
Compensated Absences	2,695	415			3,110
Contingent Construction	57,218				57,218
Total Current Liabilities	<u>363,083</u>	<u>13,133</u>	<u>4,002</u>	<u>35,196</u>	<u>415,414</u>
Non-Current Liabilities:					
Deposit - State of Colo. For Sewer Line Maintenance	49,736				49,736
Long-Term Debt - Net of Current Portion	3,904,572	64,000		179,946	4,148,518
Total Non-Current Liabilities	<u>3,954,308</u>	<u>64,000</u>	<u>-</u>	<u>179,946</u>	<u>4,198,254</u>
TOTAL LIABILITIES	<u>4,317,391</u>	<u>77,133</u>	<u>4,002</u>	<u>215,142</u>	<u>4,613,668</u>
NET ASSETS					
Investment in Fixed Assets, Net of Related Debt	5,210,772	50,039		230,159	5,490,970
Restricted for Emergency Reserve	70,000				70,000
Restricted for Bond Reserve	261,084	13,200			274,284
Unrestricted	812,359	36,663	5,983	230,833	1,085,838
TOTAL NET ASSETS	<u>\$ 6,354,215</u>	<u>\$ 99,902</u>	<u>\$ 5,983</u>	<u>\$ 460,992</u>	<u>\$ 6,921,092</u>

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

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	UTILITY FUND			TOTAL
	WATER DEPARTMENT	WATER TREATMENT	SEWER DEPARTMENT	
OPERATING REVENUES				
Sales	\$ 488,838	\$ 248,952	\$178,886	\$ 916,676
Less, Contractual Adjustments and Bad Debts				-
Net Sales	488,838	248,952	178,886	916,676
Other User Charges	13,754		800	14,554
Miscellaneous	2,236			2,236
Total Operating Revenues	504,828	248,952	179,686	933,466
OPERATING EXPENSES				
Cost of Resale Items				
Maintenance	18,021	11,920	16,201	46,142
Insurance	1,920	7,326	5,495	14,741
Utilities	28,276	29,870	49,448	107,594
Testing	1,018		14,172	15,190
Salaries and Benefits	68,688	33,004	75,785	177,477
Other Expenses	12,288	13,952	14,737	40,977
Administration	19,627	2,000	9,303	30,930
Amortization	5,572			5,572
Depreciation	147,406	85,641	67,299	300,346
Total Operating Expenses	302,816	183,713	252,440	738,969
Income (Loss) From Operations	202,012	65,239	(72,754)	194,497
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	19,545	17,312		36,857
Donations				
Intergovernmental - Local			366,880	366,880
Intergovernmental - Federal		19,051		19,051
Loss on Disposal of Assets				
Interest Expense	(152,030)	(62,884)		(214,914)
Total Non-Operating Revenues (Expenses)	(132,485)	(26,521)	366,880	207,874
Net Income Before Contributions and Transfers	69,527	38,718	294,126	402,371
Capital Contributions	13,100		55,760	68,860
Transfers In (Out)				
CHANGE IN NET ASSETS	\$ 82,627	\$ 38,718	\$349,886	471,231
NET ASSETS, BEGINNING OF YEAR				5,882,984
NET ASSETS, END OF YEAR				\$ 6,354,215

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>
\$109,354	\$ 35,440	\$ 367,925	\$ 1,429,395
		173,950	173,950
<u>109,354</u>	<u>35,440</u>	<u>193,975</u>	<u>1,255,445</u>
7,736			22,290
<u>2,592</u>		<u>3,625</u>	<u>8,453</u>
<u>119,682</u>	<u>35,440</u>	<u>197,600</u>	<u>1,286,188</u>
15,584	31,965		47,549
6,765	113	15,104	68,124
3,053		5,970	23,764
17,180		8,754	133,528
	660		15,850
107,034		30,388	314,899
20,428	1,878	97,856	161,139
			30,930
		1,550	7,122
<u>13,789</u>		<u>44,070</u>	<u>358,205</u>
<u>183,833</u>	<u>34,616</u>	<u>203,692</u>	<u>1,161,110</u>
<u>(64,151)</u>	<u>824</u>	<u>(6,092)</u>	<u>125,078</u>
449		4,028	41,334
12,390		1,390	13,780
10,000		26,871	403,751
		11,580	30,631
		(1,033)	(1,033)
<u>(4,100)</u>		<u>(10,520)</u>	<u>(229,534)</u>
<u>18,739</u>	<u>-</u>	<u>32,316</u>	<u>258,929</u>
(45,412)	824	26,224	384,007
			68,860
<u>49,145</u>		<u>17,990</u>	<u>67,135</u>
3,733	824	44,214	520,002
<u>96,169</u>	<u>5,159</u>	<u>416,778</u>	<u>6,401,090</u>
<u>\$ 99,902</u>	<u>\$ 5,983</u>	<u>\$ 460,992</u>	<u>\$ 6,921,092</u>

**TOWN OF LIMON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$ 932,128	\$ 119,682	\$ 36,307	\$ 197,435	\$ 1,285,552
Payments to Suppliers for Goods and Services	(249,116)	(63,763)	(38,917)	(120,269)	(472,065)
Payments to Employees	(177,090)	(107,174)		(31,026)	(315,290)
Net Cash Provided (Used) By Operating Activities	<u>505,922</u>	<u>(51,255)</u>	<u>(2,610)</u>	<u>46,140</u>	<u>498,197</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Donations		12,390		1,390	13,780
Intergovernmental Grants		10,000		23,260	33,260
Transfer From (To) Other Fund		49,145		17,990	67,135
Net Cash Provided By Non-Capital Financing Activities	<u>-</u>	<u>71,535</u>	<u>-</u>	<u>42,640</u>	<u>114,175</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:					
State of Colorado - Sewer Line Maintenance	6,031				6,031
Tap Fees	68,860				68,860
Intergovernmental Grant	289,501				289,501
Sewer Line Maintenance Paid Colo. Reserve Account	(5,818)				(5,818)
Transfer From (To) Restricted Assets	(32,497)	(6,411)		(1,335)	(40,243)
Purchase of Assets	(662,744)	(8,574)		(43,754)	(715,072)
Interest Paid	(199,487)	(4,100)		(10,851)	(214,438)
Debt Principal Payments	(160,410)	(9,000)		(20,000)	(189,410)
Note - Frazier Farms	10,721				10,721
Net Cash (Used) By Capital and Financing Activities	<u>(685,843)</u>	<u>(28,085)</u>	<u>-</u>	<u>(75,940)</u>	<u>(789,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Redemption (Purchase) of Investments				(491)	(491)
Interest Revenue	36,778	449		2,286	39,513
Net Cash Provided By Investing Activities	<u>36,778</u>	<u>449</u>	<u>-</u>	<u>1,795</u>	<u>39,022</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,143)	(7,356)	(2,610)	14,635	(138,474)
CASH AND CASH EQUIVALENTS					
Beginning of Year	<u>266,958</u>	<u>11,185</u>	<u>2,610</u>	<u>65,641</u>	<u>346,394</u>
End of Year	<u>\$ 123,815</u>	<u>\$ 3,829</u>	<u>\$ -</u>	<u>\$ 80,276</u>	<u>\$ 207,920</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities					
Net Operating Income (Loss)	\$ 194,497	\$ (64,151)	\$ 824	\$ (6,092)	\$ 125,078
Depreciation	300,346	13,789		44,070	358,205
Amortization	5,572			1,550	7,122
(Increase) Decrease in Accounts Receivable, Net	(1,338)		867	(165)	(636)
(Increase) Decrease in Inventory	(7,177)	(840)	1,320		(6,697)
(Increase) Decrease in Prepaid Expense				2,000	2,000
Increase (Decrease) in Accounts Payable	28,468	(31)	(8,545)	4,683	24,575
Increase (Decrease) in Due to Other Funds	25	109	2,924	94	3,152
Increase (Decrease) in Compensated Absences	689	(131)			558
Increase (Decrease) in Contingent Construction	(15,160)				(15,160)
Net Cash Provided (Used) By Operating Activities	<u>\$ 505,922</u>	<u>\$ (51,255)</u>	<u>\$ (2,610)</u>	<u>\$ 46,140</u>	<u>\$ 498,197</u>
Noncash capital financing activities:					
Interest subsidy	\$ 19,051				\$ 19,051
Grant				\$ 11,580	\$ 11,580

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, 2006

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u>PLAN</u>	<u>PLAN</u>	<u>TOTALS</u>
ASSETS:			
Cash	\$ 17,558		\$ 17,558
Due From Other Funds	9,274		9,274
Property Tax Receivable		\$ 8,386	8,386
Investments - Stocks, Bonds and Mutual Funds - At Fair Market Value:			
U.S. Government	414,191		414,191
Domestic Stocks	389,036		389,036
International Stocks	18,391		18,391
Mutual Funds	255,688		255,688
Other Investments - Fire and Police Pension Association		<u>352,390</u>	<u>352,390</u>
TOTAL ASSETS	<u>1,104,138</u>	<u>360,776</u>	<u>1,464,914</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable	8,247		8,247
Deferred Property Tax Revenue		<u>8,386</u>	<u>8,386</u>
TOTAL LIABILITIES	<u>8,247</u>	<u>8,386</u>	<u>16,633</u>
 NET ASSETS	 <u><u>\$ 1,095,891</u></u>	 <u><u>\$ 352,390</u></u>	 <u><u>\$ 1,448,281</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, 2006

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Employee Contribution	\$ 40,109		\$ 40,109
Employer Contribution	9,274		9,274
Interest Income	169	\$ -	169
Investment Income (Loss), Net of Expenses	89,773	47,388	137,161
Property Taxes		8,215	8,215
Intergovernmental		6,839	6,839
Total Additions	<u>139,325</u>	<u>62,442</u>	<u>201,767</u>
 DEDUCTIONS:			
Benefit Payments	48,790	25,975	74,765
Administrative Expenses	3,640	3,525	7,165
Total Deductions	<u>52,430</u>	<u>29,500</u>	<u>81,930</u>
 CHANGE IN PLAN NET ASSETS	 86,895	 32,942	 119,837
 PLAN NET ASSETS, BEGINNING OF YEAR	 <u>1,008,996</u>	 <u>319,448</u>	 <u>1,328,444</u>
PLAN NET ASSETS, END OF YEAR	<u><u>\$ 1,095,891</u></u>	<u><u>\$ 352,390</u></u>	<u><u>\$ 1,448,281</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, 2006

(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, 2006

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, 2006

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, 2006

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, 2006

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 28, 2006, the Board approved a resolution appropriating additional sums of money for the year 2006. 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 2006 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.

For the year ended December 31, 2006, actual expenditures exceeded the budget in the following fund:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Fireman’s Pension Fund	\$25,000	\$29,500	\$4,500

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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.

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 2006 was 21.186.

L. Inventories

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

General Fund - Dumpsters and polycarts	
held for resale and street supplies	\$ 55,521
Utility - Treatment supplies, meters and parts	41,301
Municipal Recreation Area - Merchandise & Concessions	2,827
Airport Fuel Fund - Airplane fuel	<u>9,920</u>
Total Inventories	<u>\$109,569</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 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, 2006.

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.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

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, 2006, none of the Town's deposits are deemed to be exposed to custodial credit risk.

The Town's deposits as of December 31, 2006 are shown below.

The Town's cash deposits at December 31, 2006 was \$1,690,088 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 \$519 and the remaining \$1,689,569 is explained below:

Cash balances and certificates of deposit:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC)	\$ 302,666	\$ 302,666
Collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name	<u>1,450,695</u>	<u>1,386,903</u>
Total cash and certificates of deposit	<u>\$1,753,361</u>	<u>\$1,689,569</u>

The difference between the bank balance and carrying balance is \$63,792, which were outstanding items that had not cleared the banks as of December 31, 2006.

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;

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

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

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

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

The Employee's and Volunteer Fireman's Pension Plan investments at December 31, 2006 are reported at fair market value. The Employees' and Volunteer Fireman's Pension Plan investments are shown below:

	Fair Market Value	Maturity	Credit Rating	Rating Agency
Stocks, bonds and mutual funds:				
Fixed income:				
U.S. Treasury	414,191	01/18/07	Not Rated	n/a
Domestic Stocks	389,036	n/a	Not Rated	n/a
International Stocks	18,391	n/a	Not Rated	n/a
Mutual Funds	2,263	n/a	Five Star	Morningstar
Mutual Funds	12,447	n/a	Four Star	Morningstar
Mutual Funds	82,499	n/a	Three Star	Morningstar
Mutual Funds	120,894	n/a	Two Star	Morningstar
Money Market Mutual Funds	37,585	n/a	Not Rated	n/a
Other Investments:				
Fire & Police Pension Association	352,390	n/a	Not Rated	n/a
Total Investments	<u>\$ 1,429,696</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	\$ 358,421
Investments	21,164
Restricted Cash	1,292,945
Fiduciary Funds – Cash	17,558
Fiduciary Funds – Investments	<u>1,429,696</u>
Total	<u>\$3,119,784</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

(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, 2006 of \$87,719 is 3% of the Town’s annual expenditures in the governmental fund types. Reserve is held in bank certificates of deposit.

General Fund – reserves for payment of 1999 revenue bonds and 2004 capital lease. Total required accumulation at December 31, 2006 is \$5,000. Reserves are held in bank savings accounts.

General Fund – equipment replacement reserves. Accumulation at December 31, 2006 is \$186,947. Reserves are held in a bank savings accounts.

General Fund –collections from property owners for a street special improvement district. Amount held in a certificate of deposit is \$17,000 and in a savings account is \$2,892 at December 31, 2006.

Utility Fund – reserve for operations and maintenance of the water treatment plant. Total required accumulation at December 31, 2006 is \$33,084. 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 \$163,073 at December 31, 2006.

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, 2006 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, 2006 is \$93,569. 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.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Municipal Recreation Area Fund – reserve for repayment of the 1974 revenue bonds. Total required accumulation at December 31, 2006 is \$13,200. Reserve is held in a bank savings account.

Ambulance Service Fund – equipment replacement reserve. Accumulation at December 31, 2006 is \$62,313. 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.

The special assessment receivable resulted from 2004 and 2005 street and sidewalk improvements. Payments on the 2004 assessment including principal and interest, at a rate of 6.65% are due from affected residents from 2006 to 2024 in the amount of \$9,297 each year. Residents are permitted to pay their accounts in full at any time, 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 2007 to 2025 in the amount of \$30,761 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:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Governmental Activities:	<u>Dec. 31, 2005</u>	<u>Additions</u>	<u>Transfers Deletions</u>	<u>Dec. 31, 2006</u>
Non-depreciable assets:				
Land	\$ 1,277,569	\$ 1,420		\$ 1,278,989
Construction In Progress		1,067		1,067
Total non-depreciable assets	<u>\$ 1,277,569</u>	<u>\$ 2,487</u>	<u>\$ -</u>	<u>\$ 1,280,056</u>
Depreciable assets:				
Buildings	\$ 2,270,681	\$ 17,043		\$ 2,287,724
Equipment	1,578,153	255,771		1,833,924
Infrastructure	1,035,711	311,398		1,347,109
Total depreciable assets	<u>\$ 4,884,545</u>	<u>\$ 584,212</u>	<u>\$ -</u>	<u>\$ 5,468,757</u>
Total capital assets	<u>\$ 6,162,114</u>	<u>\$ 586,699</u>	<u>\$ -</u>	<u>\$ 6,748,813</u>
Less accumulated depreciation for:				
Buildings	\$ (1,056,476)	(51,577)		\$ (1,108,053)
Equipment	(1,069,772)	(117,229)		(1,187,001)
Infrastructure	(21,834)	(40,810)		(62,644)
Total accumulated depreciation	<u>\$ (2,148,082)</u>	<u>\$ (209,616)</u>	<u>\$ -</u>	<u>\$ (2,357,698)</u>
Depreciable Assets, Net	<u>\$ 2,736,463</u>	<u>\$ 374,596</u>	<u>\$ -</u>	<u>\$ 3,111,059</u>
Governmental Activities Assets, Net	<u><u>\$ 4,014,032</u></u>	<u><u>\$ 377,083</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,391,115</u></u>

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

General government	\$ 24,883
Airport	3,460
Public safety – Police and Fire	45,147
Highways and Streets	90,026
Public Works – Sanitation	7,958
Public Health – Cemetery	702
Culture & Recreation	21,552
Rural Health	<u>15,888</u>
Total Governmental Activities	
Depreciation Expense	<u>\$ 209,616</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Business-Type Activities:	<u>Dec. 31, 2005</u>	<u>Additions</u>	<u>Transfers</u> <u>Deletions</u>	<u>Dec. 31, 2006</u>
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>\$ 1,292,471</u>	<u>\$ 199,203</u>	<u>\$ -</u>	<u>\$ 1,491,674</u>
Depreciable assets:				
Water System, Plant & Equipment	\$ 7,898,387	\$ 48,677	\$ (5,500)	\$ 7,941,564
Sewer System, Plant & Equipment	2,456,770	414,864	(4,277)	2,867,357
Rec Area Facilities & Equipment	336,083	8,574	(4,339)	340,318
Ambulance Building & Equipment	673,672	55,334	(33,301)	695,705
Total depreciable assets	<u>\$ 11,364,912</u>	<u>\$ 527,449</u>	<u>\$ (47,417)</u>	<u>\$ 11,844,944</u>
Total capital assets	<u>\$ 12,657,383</u>	<u>\$ 726,652</u>	<u>\$ (47,417)</u>	<u>\$ 13,336,618</u>
Less accumulated depreciation for:				
Water System, Plant & Equipment	\$ (1,793,296)	\$ (233,047)	5,500	\$ (2,020,843)
Sewer System, Plant & Equipment	(1,031,976)	(67,299)	4,277	(1,094,998)
Rec Area Facilities & Equipment	(218,829)	(13,789)	4,339	(228,279)
Ambulance Building & Equipment	(297,401)	(44,070)	32,268	(309,203)
Total accumulated depreciation	<u>\$ (3,341,502)</u>	<u>\$ (358,205)</u>	<u>\$ 46,384</u>	<u>\$ (3,653,323)</u>
Depreciable Assets, Net	<u>\$ 8,023,410</u>	<u>\$ 169,244</u>	<u>\$ (1,033)</u>	<u>\$ 8,191,621</u>
Business-Type Activities Assets, Net	<u>\$ 9,315,881</u>	<u>\$ 368,447</u>	<u>\$ (1,033)</u>	<u>\$ 9,683,295</u>

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

Water	\$ 147,406
Water Treatment	85,641
Sewer	67,299
Municipal Recreation	13,789
Ambulance	44,070
Total Business-Type Depreciation Expense	<u>\$ 358,205</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

(6) Retirement Plans

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

Employees' Pension Plan:

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

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

The plan covers all types of Town employees.

Membership in the Plan consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	0
Terminated plan members entitled to, but not yet receiving benefits	2
Active Plan Members	<u>23</u>
Total	<u>25</u>

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

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

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

Annual required contribution	\$9,274
Annual pension cost	\$9,274

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Contributions made	\$9,274
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, 2006 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)
1-1-01	868,785	671,092	(197,693)	129.5%
1-1-02	797,474	779,692	(17,782)	102.3%
1-1-03	656,618	796,299	139,681	82.4%
1-1-04	805,602	925,883	120,281	87.0%
1-1-05	926,995	957,178	30,183	96.8%
1-1-06	982,742	1,034,687	51,945	95.0%

Six-year Trend Information:

For Each Year ended	Employer Annual Required Contribution and Pension Cost	Employer Contribution	Percentage Contributed	Net Pension Obligation
12-31-01	0	0	100%	0
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

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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.

Annual Pension Cost. For the fiscal year ended December 31, 2006, the annual pension cost of the Town of Limon Volunteer Firemen’s Pension Plan was \$15,054. During the year, the Town of Limon and the state of Colorado contributed \$15,054, 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>\$15,054</u>
Net pension obligation end of year	<u>\$ -0-</u>

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability or (Funding Excess) (b-a)	Funded Ratio (a)/(b)
1-1-01	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%

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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>
2001	12,694	12,694	100%	0
2002	14,256	14,256	100%	0
2003	14,626	14,626	100%	0
2004	14,450	14,450	100%	0
2005	14,369	14,369	100%	0
2006	15,054	15,054	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 \$87,719 within the General Fund and \$70,000 within the Utility Fund for the emergency reserve under the Tabor amendment.

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

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

(8) Capital Lease

The Town has entered into the following lease-purchase:

2004 – for a gravel pit 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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006:

Years Ended December 31,	Governmental Activities	Business-Type Activities
2007	12,519	31,299
2008	12,385	30,963
2009	12,522	31,307
2010	12,346	30,866
2011	12,441	31,105
2012	12,509	31,273
2013	12,262	30,658
2014	12,344	30,665
Total Minimum Lease Payments	99,328	248,136
Less, Amount Representing Interest	(18,703)	(46,761)
Present Value of Net Minimum Lease Payments	\$80,625	\$201,375

The current portion of the present value of the net minimum lease payments is \$8,571 for Governmental Activities and \$21,429 for Business-Type Activities.

(9) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases. Total rental expenses for all operating leases reported in Governmental Activities was \$4,500 in 2006. Future minimum lease payments as of December 31, 2006, under operating leases that have initial or remaining lease terms of more than one year are as follows:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Years Ended December 31,	<u>Governmental Activities</u>
2007	4,500
2008	4,500
2009	4,500
2010	1,125
Total Minimum Lease Payments	<u><u>\$ 14,625</u></u>

(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, 2006, which is expected to be paid from Utility Fund Water revenues together with interest from 4.4% to 5.6%.

During 2006 a principal payment of \$35,000 was made on the bond and interest payments of \$25,908 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 40,000	\$ 24,910	\$ 64,910
2008	40,000	23,150	63,150
2009	45,000	21,310	66,310
2010	45,000	19,150	64,150
2011	45,000	16,900	61,900
2012-2016	270,000	45,710	315,710
	<u><u>\$ 485,000</u></u>	<u><u>\$ 151,130</u></u>	<u><u>\$ 636,130</u></u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006 are as follows:

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

During 2006 a principal payment of \$45,000 was made on the bond and interest payments of \$18,619 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
2007	\$ 40,000	\$ 16,312	\$ 56,312
2008	45,000	14,062	59,062
2009	45,000	11,531	56,531
2010	50,000	9,000	59,000
2011	55,000	6,187	61,187
2012	55,000	3,094	58,094
	\$ 290,000	\$ 60,186	\$ 350,186

Payable from Utility Fund Water revenues, together with interest from 4.80% to 5.50%.

During 2006 a principal payment of \$45,000 was made on the bond and interest payments of \$115,130 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

	Principal	Interest	Total
2007	\$ 50,000	\$ 113,360	\$ 163,360
2008	50,000	110,960	160,960
2009	55,000	108,310	163,310
2010	55,000	105,175	160,175
2011	55,000	101,875	156,875
2012-2016	335,000	467,840	802,840
2017-2021	780,000	347,338	1,127,338
2022-2023	750,000	68,475	818,475
	<u>\$ 2,130,000</u>	<u>\$ 1,423,333</u>	<u>\$ 3,553,333</u>

Payable from Utility Fund Water revenues, together with interest from 5.69% 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 4.04% to 7.26%.

During 2006 principal payments of \$59,582 were made on the bond and interest payments of \$43,833 were made in addition to the federal subsidy interest amount of \$19,051 for a total of \$62,884 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
2007	\$ 64,999	\$ 62,529	\$ 127,528	\$ 18,072	\$ 109,456
2008	64,999	59,589	124,588	17,004	107,584
2009	64,999	56,589	121,588	15,935	105,653
2010	70,415	53,589	124,004	14,867	109,137
2011	70,415	50,339	120,754	13,710	107,044
2012-2016	389,993	205,473	595,466	50,210	545,256
2017-2020	373,745	76,001	449,746	15,757	433,989
	<u>\$ 1,099,565</u>	<u>\$ 564,109</u>	<u>\$ 1,663,674</u>	<u>\$ 145,555</u>	<u>\$ 1,518,119</u>

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

During 2006 a principal payment of \$9,000 was made on the bond and an interest payment of \$4,100 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:

	Principal	Interest	Total
2007	\$ 9,000	\$ 3,650	\$ 12,650
2008	9,000	3,200	12,200
2009	11,000	2,750	13,750
2010	11,000	2,200	13,200
2011	11,000	1,650	12,650
2012-2013	22,000	1,650	23,650
	<u>\$ 73,000</u>	<u>\$ 15,100</u>	<u>\$ 88,100</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 2006 a principal payment of \$20,828 was made on the loan and an interest payment of \$10,993 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:

	Principal	Interest	Total
2007	\$ 21,452	\$ 10,993	\$ 32,445
2008	22,096	10,349	32,445
2009	22,759	9,686	32,445
2010	23,441	9,004	32,445
2011	24,145	8,300	32,445
2012-2016	132,031	30,194	162,225
2017-2020	120,534	9,169	129,703
	<u>\$ 366,458</u>	<u>\$ 87,695</u>	<u>\$ 454,153</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.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

During 2006 an interest payments 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
2007	\$ 6,000	\$ 5,900	\$ 11,900
2008	3,000	5,546	8,546
2009	4,000	5,369	9,369
2010	4,000	5,133	9,133
2011	4,000	4,897	8,897
2012-2016	23,000	20,768	43,768
2017-2021	32,000	12,921	44,921
2022-2024	24,000	2,832	26,832
	\$ 100,000	\$ 63,366	\$ 163,366

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 2006, a principal payment of \$15,000 was made on the bond and interest payments of \$10,235 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

	Principal	Interest	Total
2007	\$ 9,000	\$ 18,290	\$ 27,290
2008	10,000	17,732	27,732
2009	10,000	17,112	27,112
2010	11,000	16,492	27,492
2011	11,000	15,810	26,810
2012-2016	69,000	67,580	136,580
2017-2021	92,000	43,648	135,648
2022-2025	83,000	11,966	94,966
	\$ 295,000	\$ 208,630	\$ 503,630

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 2006 are as follows:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

	Balance Dec. 31, 2005	Additions	Payments	Balance Dec. 31, 2006	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 335,000	\$ -	\$ (45,000)	\$ 290,000	\$ 40,000
Special Assessment Bonds	410,000	-	(15,000)	395,000	15,000
Capital Lease	88,625	-	(8,000)	80,625	8,571
	<u>833,625</u>	<u>-</u>	<u>(68,000)</u>	<u>765,625</u>	<u>63,571</u>
Business-Type Activities:					
Bonds Payable:					
2004 Water Revenue	\$ 2,175,000		\$ (45,000)	\$ 2,130,000	\$ 50,000
2001 Water G.O.	520,000		(35,000)	485,000	40,000
2000 Water Revenue	1,159,147		(59,582)	1,099,565	64,999
1974 Mun. Rec. Area	82,000		(9,000)	73,000	9,000
Loans Payable:					
Colorado Water					
Conservation Board	387,286		(20,828)	366,458	21,452
Capital Lease	221,375		(20,000)	201,375	21,429
Colorado Maintenance Fee	49,523	6,031	(5,818)	49,736	
	<u>4,594,331</u>	<u>6,031</u>	<u>(195,228)</u>	<u>4,405,134</u>	<u>206,880</u>
Total Long-Term Liabilities	<u>\$ 5,427,956</u>	<u>\$ 6,031</u>	<u>\$ (263,228)</u>	<u>\$ 5,170,759</u>	<u>\$ 270,451</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, 2006:

Actual Property Value (taxable)	\$100,763,850
	<u>x 3%</u>
	3,022,915

General Obligation Bonds issued, other than for Water & Sewer purposes, which are specifically exempted for the limitation	-
Available Debt Margin	<u>\$ 3,022,915</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

(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 \$1,772 in year 2006.

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 2006 the Town paid \$60,734 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.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

During 2006 the Town paid \$37,254 for workers compensation coverage to the pool and is included in the operating expense of the general and enterprise funds.

(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 2006:

Payments from the General and Enterprise Funds to the Employees' Pension Plan totaling \$49,384 are included as operating revenue and expenditures of each respective fund.

Transfer from General Fund to Municipal Recreation Area Fund for general purposes.	\$ 42,550
--	-----------

Transfer from General Fund to Ambulance Service Fund for general purposes	<u>17,990</u>
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Total General Fund Transfers	<u>\$ 60,540</u>
------------------------------	------------------

Transfer from Conservation Trust Fund to Municipal Recreation Area Fund for improvements.	<u>\$ 6,595</u>
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Amounts due to/from other funds at December 31, 2006:

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	\$ 38,110
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Due to General Fund from Airport Fuel Fund for temporary advance for inventory purchase	\$ 2,924
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Due to General Fund from Capital Construction Fund, pending reimbursement on Federal grant	\$ 73,174
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TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Due to General Fund from Rural Health Fund, pending reimbursement on Colorado grant	\$ 9,500
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Due to the Employees' Pension Plan by the General and Proprietary Fund Types for the Town's 2006 retirement contribution	<u>\$ 9,274</u>
	<u>\$ 132,982</u>

(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.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

(16) Contract Commitments

At December 31, 2006, the Town had the remaining contract commitments:

	Total Contract	Paid/Accrued 12/31/06	Remainder
Engineer - various airport improvements	\$ 78,700	-	\$ 78,700
Engineer - water & sewer improvements	\$ 48,633	\$ 3,271	\$ 45,362
Construction - sewer improvements	\$ 630,807	\$ 470,063	\$ 160,744

**TOWN OF LIMON, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,319,872	\$ 1,319,872	\$ 1,354,551	\$ 34,679
Fines, Licenses and Permits	39,180	39,180	42,006	2,826
Intergovernmental - Local	137,087	137,087	143,490	6,403
Intergovernmental - Federal	2,300	2,300	35,435	33,135
Charges for Services	330,536	330,536	372,348	41,812
Interest	8,805	8,805	25,744	16,939
Donated	2,500	2,500	9,139	6,639
Miscellaneous	13,173	13,173	33,209	20,036
Supplemental Appropriation		158,036		(158,036)
TOTAL REVENUES	<u>1,853,453</u>	<u>2,011,489</u>	<u>2,015,922</u>	<u>4,433</u>
EXPENDITURES				
Current:				
General Government	409,101	409,101	419,821	(10,720)
Airport	9,497	9,497	12,064	(2,567)
Public Works - Streets	448,697	448,697	439,007	9,690
Public Works - Sanitation	152,879	152,879	167,004	(14,125)
Public Safety	350,476	350,476	347,937	2,539
Public Health - Cemetery	53,503	53,503	44,096	9,407
Culture & Recreation	211,361	211,361	214,565	(3,204)
Capital Outlay	77,253	77,253	383,376	(306,123)
Debt Service:				
Principal - Lease Purchases	8,000	8,000	8,000	-
Principal - Bonded Debt	48,000	48,000	60,000	(12,000)
Interest	28,859	28,859	39,094	(10,235)
Supplemental Appropriation		525,000		525,000
TOTAL EXPENDITURES	<u>1,797,626</u>	<u>2,322,626</u>	<u>2,134,964</u>	<u>187,662</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	55,827	(311,137)	(119,042)	192,095
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers (Out)	(43,848)	(43,848)	(60,540)	(16,692)
NET CHANGE IN FUND BALANCE	11,979	(354,985)	(179,582)	175,403
FUND BALANCES, BEGINNING OF YEAR	<u>602,869</u>	<u>602,869</u>	<u>847,509</u>	<u>244,640</u>
FUND BALANCES, END OF YEAR	<u>\$ 614,848</u>	<u>\$ 247,884</u>	<u>\$ 667,927</u>	<u>\$ 420,043</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, 2006

	<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	\$ 608,099	\$ 8,011
Supplemental Appropriation		8,011		(8,011)
Total revenues	<u>600,088</u>	<u>608,099</u>	<u>608,099</u>	<u>-</u>
EXPENDITURES:				
Head Start Program	600,088	600,088	608,099	(8,011)
Supplemental Appropriation		8,011		8,011
Total expenditures	<u>600,088</u>	<u>608,099</u>	<u>608,099</u>	<u>-</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, 2006**

	<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		\$ 57,809	\$ 1,206			\$ 59,015
Accounts Receivable					\$ 22,766	22,766
Intergovernmental Receivable	\$ 85,252			9,164	34,765	129,181
TOTAL ASSETS	<u>\$ 85,252</u>	<u>\$ 57,809</u>	<u>\$ 1,206</u>	<u>\$ 9,164</u>	<u>\$ 57,531</u>	<u>\$ 210,962</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable				\$ 9,164	\$ 48,031	\$ 57,195
Deferred Grant Revenue	\$ 7,534					7,534
Due to Other Funds	73,174				9,500	82,674
TOTAL LIABILITIES	<u>80,708</u>	<u>-</u>	<u>-</u>	<u>9,164</u>	<u>57,531</u>	<u>147,403</u>
 FUND BALANCES						
Reserved for Encumbrance	1,968					\$ 1,968
Unreserved Fund Balance: Undesignated	2,576	57,809	\$ 1,206			61,591
TOTAL FUND BALANCES	<u>4,544</u>	<u>57,809</u>	<u>1,206</u>	<u>-</u>	<u>-</u>	<u>63,559</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 85,252</u>	 <u>\$ 57,809</u>	 <u>\$ 1,206</u>	 <u>\$ 9,164</u>	 <u>\$ 57,531</u>	 <u>\$ 210,962</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, 2006

	CAPITAL PROJECTS	CONSER- VATION TRUST FUND	CEMETERY PERPET- UAL CARE	RURAL DEVELOP- MENT FUND	RURAL HEALTH FUND	TOTALS
REVENUES:						
Interest		\$ 454	\$ 5			\$ 459
Intergovernmental - Local	\$ 10,621	23,024		\$ 139,290	\$ 109,895	282,830
Intergovernmental - Federal	77,309					77,309
Perpetual Care			400			400
Miscellaneous Revenue					94,894	94,894
TOTAL REVENUES	<u>87,930</u>	<u>23,478</u>	<u>405</u>	<u>139,290</u>	<u>204,789</u>	<u>455,892</u>
EXPENDITURES:						
Current:						
Recreation		1,000				1,000
Rural Development				139,290		139,290
Rural Health					15,000	15,000
Capital Outlay	7,999	5,535	-		189,789	203,323
TOTAL EXPENDITURES	<u>7,999</u>	<u>6,535</u>	<u>-</u>	<u>139,290</u>	<u>204,789</u>	<u>358,613</u>
NET CHANGE IN FUND BALANCE						
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	79,931	16,943	405	NONE	NONE	97,279
OTHER FINANCING SOURCES (USES):						
Operating Transfers In (Out)		(6,595)	-			(6,595)
NET CHANGE IN FUND BALANCE	79,931	10,348	405	NONE	NONE	90,684
FUND BALANCE, BEGINNING OF YEAR	(75,387)	47,461	801	NONE	NONE	(27,125)
FUND BALANCE, END OF YEAR	<u>\$ 4,544</u>	<u>\$ 57,809</u>	<u>\$ 1,206</u>	<u>NONE</u>	<u>NONE</u>	<u>\$ 63,559</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, 2006**

	<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	\$ 23,024	\$ 3,024
Interest	<u>300</u>	<u>300</u>	<u>454</u>	<u>154</u>
Total revenues	<u>20,300</u>	<u>20,300</u>	<u>23,478</u>	<u>3,178</u>
EXPENDITURES:				
Operating				
Recreation			1,000	(1,000)
Capital Outlay	34,800	34,800	5,535	29,265
Transfer to Recreation Fund			<u>6,595</u>	<u>(6,595)</u>
Total expenditures	<u>34,800</u>	<u>34,800</u>	<u>13,130</u>	<u>21,670</u>
NET CHANGE IN FUND BALANCE	(14,500)	(14,500)	10,348	24,848
FUND BALANCE, BEGINNING OF YEAR	<u>47,942</u>	<u>47,942</u>	<u>47,461</u>	<u>(481)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 33,442</u></u>	<u><u>\$ 33,442</u></u>	<u><u>\$ 57,809</u></u>	<u><u>\$ 24,367</u></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, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Perpetual Care	\$ 1,000	\$ 1,000	\$ 400	\$ (600)
Interest	5	5	5	-
Total revenues	<u>1,005</u>	<u>1,005</u>	<u>405</u>	<u>(600)</u>
EXPENDITURES:				
Capital Outlay	<u>700</u>	<u>700</u>		<u>700</u>
Total expenditures	<u>700</u>	<u>700</u>	-	<u>700</u>
Excess (deficiency) of revenues over expenditures	305	305	405	100
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(173)</u>	<u>(173)</u>		<u>173</u>
NET CHANGE IN FUND BALANCE	132	132	405	273
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>801</u>	<u>801</u>
FUND BALANCE, END OF YEAR	<u>\$ 132</u>	<u>\$ 132</u>	<u>\$ 1,206</u>	<u>\$ 1,074</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, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Intergovernmental - State	\$ 310,000	\$ 310,000	\$ 139,290	\$ (170,710)
	<u>310,000</u>	<u>310,000</u>	<u>139,290</u>	<u>(170,710)</u>
EXPENDITURES:				
Rural Development	310,000	310,000	139,290	170,710
	<u>310,000</u>	<u>310,000</u>	<u>139,290</u>	<u>170,710</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
RURAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$ 57,000	\$ 57,000	\$ 109,895	\$ 52,895
Miscellaneous Revenues		<u>163,000</u>	<u>94,894</u>	<u>(68,106)</u>
Total revenues	<u>57,000</u>	<u>220,000</u>	<u>204,789</u>	<u>(15,211)</u>
EXPENDITURES:				
Operating:				
Rural Health	57,000	57,000	15,000	42,000
Capital		<u>163,000</u>	<u>189,789</u>	<u>(26,789)</u>
Total expenditures	<u>57,000</u>	<u>220,000</u>	<u>204,789</u>	<u>15,211</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
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental - Local		\$ -	\$ 10,621	\$ 10,621
Intergovernmental - Federal		8,000	77,309	69,309
TOTAL REVENUES	<u>-</u>	<u>8,000</u>	<u>87,930</u>	<u>79,930</u>
EXPENDITURES				
Capital Outlay		8,000	7,999	1
TOTAL EXPENDITURES	<u>-</u>	<u>8,000</u>	<u>7,999</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	79,931	79,931
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>(75,387)</u>	<u>(75,387)</u>
FUND BALANCE, END OF YEAR	<u>-</u>	<u>-</u>	<u>4,544</u>	<u>4,544</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, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales, Net Contractual Adjustments and Bad debts	\$ 1,000,501	\$ 1,000,501	\$ 916,676	(83,825)
Other user charges	16,800	16,800	14,554	(2,246)
Interest	914	914	36,857	35,943
Note Principal - Frasier	25,391	25,391	10,721	(14,670)
DOC maintenance	5,400	5,400	6,031	631
DOC maintenance expenses from restricted account	5,400	5,400	5,818	418
Intergovernmental-Local	454,540	454,540	366,880	(87,660)
Intergovernmental-Federal	20,921	20,921	19,051	(1,870)
Capital Contributions	10,000	10,000	68,860	58,860
Miscellaneous	1,500	1,500	2,236	736
Total revenues	<u>1,541,367</u>	<u>1,541,367</u>	<u>1,447,684</u>	<u>(93,683)</u>
EXPENDITURES:				
Operating expenses (other than depreciation and amortization)	495,410	495,410	433,051	62,359
Interest expense	204,518	204,518	214,914	(10,396)
Debt Principal	154,387	154,387	160,410	(6,023)
Capital expenditures	794,953	794,953	662,744	132,209
DOC maintenance revenue to restricted account	5,400	5,400	6,031	(631)
System maintenance paid from Colorado reserve account	5,400	5,400	5,818	(418)
Total expenditures	<u>1,660,068</u>	<u>1,660,068</u>	<u>1,482,968</u>	<u>177,100</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (118,701)</u>	<u>\$ (118,701)</u>	(35,284)	<u>\$ 83,417</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			160,410	
Capital expenditures			662,744	
Less budgetary items shown as Revenue:				
Principal portion of note receivable			(10,721)	
Less: depreciation and amortization			<u>(305,918)</u>	
Change In Net Assets GAAP			<u>\$ 471,231</u>	

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

**TOWN OF LIMON, COLORADO
MUNICIPAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales	\$ 108,460	\$ 108,460	\$ 109,354	\$ 894
Other User Charges	9,230	9,230	7,736	(1,494)
Intergovernmental - Local			10,000	10,000
Interest	648	648	449	(199)
Donations	33,721	33,721	12,390	(21,331)
Miscellaneous	200	200	2,592	2,392
Transfers from other funds	24,453	24,453	49,145	24,692
Supplemental Appropriation		25,000		(25,000)
	<u>176,712</u>	<u>201,712</u>	<u>191,666</u>	<u>(10,046)</u>
EXPENDITURES:				
Salaries and Benefits	101,215	101,215	107,034	(5,819)
Cost of Resale Items	10,300	10,300	15,584	(5,284)
Maintenance	9,501	9,501	6,765	2,736
Insurance	3,053	3,053	3,053	-
Utilities	18,521	18,521	17,180	1,341
Other Expenses	14,900	14,900	20,428	(5,528)
Interest Expense	5,550	5,550	4,100	1,450
Bond Payments	8,000	8,000	9,000	(1,000)
Capital expenditures	4,089	4,089	8,574	(4,485)
Supplemental Appropriation		25,000		25,000
	<u>175,129</u>	<u>200,129</u>	<u>191,718</u>	<u>8,411</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,583</u>	<u>\$ 1,583</u>	(52)	<u>\$ (1,635)</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			9,000	
Capital expenditures			8,574	
Less depreciation and amortization			<u>(13,789)</u>	
Change In Net Assets GAAP			<u>\$ 3,733</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, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales	<u>\$ 40,280</u>	<u>\$ 40,280</u>	<u>\$ 35,440</u>	<u>\$ (4,840)</u>
Total revenues	<u>40,280</u>	<u>40,280</u>	<u>35,440</u>	<u>(4,840)</u>
EXPENDITURES:				
Operating expenses	<u>39,599</u>	<u>39,599</u>	<u>34,616</u>	<u>4,983</u>
Total expenditures	<u>39,599</u>	<u>39,599</u>	<u>34,616</u>	<u>4,983</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 681</u>	<u>\$ 681</u>	824	<u>\$ 143</u>
RECONCILIATION TO GAAP BASIS				
Change In Net Assets GAAP			<u>\$ 824</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, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
REVENUES:				POSITIVE
				(NEGATIVE)
Sales, Net Contractual Adjustments and Bad Debts \$173,950	\$ 255,220	\$ 255,220	\$ 193,975	(\$61,245)
Interest	500	500	4,028	3,528
Donations	1,300	1,300	1,390	90
Intergovernmental - Local	10,000	10,000	26,871	16,871
Intergovernmental - Federal			11,580	11,580
Miscellaneous	2,100	2,100	3,625	1,525
Transfer From Other Funds	19,396	19,396	17,990	(1,406)
 Total revenues	 <u>288,516</u>	 <u>288,516</u>	 <u>259,459</u>	 <u>(29,057)</u>
 EXPENDITURES:				
Operating				
Salaries and Benefits	29,800	29,800	30,388	(588)
Maintenance	16,300	16,300	15,104	1,196
Insurance	5,853	5,853	5,970	(117)
Utilities	11,089	11,089	8,754	2,335
Other Expenses	96,723	96,723	97,856	(1,133)
Administration		-		-
Principal Payment	20,000	20,000	20,000	-
Interest Expense	10,850	10,850	10,520	330
Capital Outlay	15,000	15,000	43,754	(28,754)
Supplemental Appropriation		55,000		55,000
 Total expenditures	 <u>205,615</u>	 <u>260,615</u>	 <u>232,346</u>	 <u>28,269</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$82,901</u>	 <u>\$27,901</u>	 27,113	 <u>(\$788)</u>
 RECONCILIATION TO GAAP BASIS				
Add: Principal portion of debt service			20,000	
Add: Capital Outlay			43,754	
Less Disposal of Fixed Assets			(1,033)	
Less Amortization			(1,550)	
Less Depreciation			(44,070)	
 Change In Net Assets GAAP			 <u>\$44,214</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, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Employee Contribution	\$ 40,100	\$ 40,100	\$ 40,109	\$ 9
Employer Contribution		-	9,274	9,274
Interest Income		-	169	169
Investment Income		-		
Net of Expenses		30,000	89,773	59,773
	<u>40,100</u>	<u>70,100</u>	<u>139,325</u>	<u>69,225</u>
Total Revenues				
EXPENDITURES:				
Benefit Payments	25,000	25,000	48,790	(23,790)
Administrative Expenses	2,000	2,000	3,640	(1,640)
Supplemental Appropriation		30,000		30,000
	<u>27,000</u>	<u>57,000</u>	<u>52,430</u>	<u>4,570</u>
Total Expenditures				
CHANGE IN NET ASSETS	13,100	13,100	86,895	73,795
NET ASSETS, BEGINNING OF YEAR	<u>908,100</u>	<u>908,100</u>	<u>1,008,996</u>	<u>100,896</u>
NET ASSETS, END OF YEAR	<u>\$ 921,200</u>	<u>\$ 921,200</u>	<u>\$ 1,095,891</u>	<u>\$ 174,691</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, 2006**

	<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	\$ 8,215	\$ 8,215	\$ 8,215	-
Intergovernmental - State	9,000	9,000	6,839	(2,161)
Interest Income		-		-
Investment Income, Net of Expenses	10,000	10,000	47,388	37,388
Miscellaneous Income		5,700		(5,700)
	<u>27,215</u>	<u>32,915</u>	<u>62,442</u>	<u>29,527</u>
EXPENDITURES:				
Benefit Payments	17,000	17,000	25,975	(8,975)
Administrative Expenses	2,300	2,300	3,525	(1,225)
Supplemental Appropriation		5,700		5,700
	<u>19,300</u>	<u>25,000</u>	<u>29,500</u>	<u>(4,500)</u>
CHANGE IN NET ASSETS	7,915	7,915	32,942	25,027
NET ASSETS, BEGINNING OF YEAR	<u>317,290</u>	<u>317,290</u>	<u>319,448</u>	<u>2,158</u>
NET ASSETS, END OF YEAR	<u>\$325,205</u>	<u>\$325,205</u>	<u>\$352,390</u>	<u>\$ 27,185</u>

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

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

LOCAL HIGHWAY FINANCE REPORT

City or County:
TOWN OF LIMON
YEAR ENDING :
December 2006

This Information From The Records Of (example - City of _ or County of Town of Limon) Prepared By: Joe Kiely
Phone: 719-775-2346

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	306,422
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	348,023
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	22,395
2. General fund appropriations	146,590	b. Snow and ice removal	8,689
3. Other local imposts (from page 2)	318,749	c. Other	41,715
4. Miscellaneous local receipts (from page 2)	129,121	d. Total (a. through c.)	72,799
5. Transfers from toll facilities	0	4. General administration & miscellaneous	33,930
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	164,612
a. Bonds - Original Issues	0	6. Total (1 through 5)	925,786
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	16,135
7. Total (1 through 6)	594,460	b. Redemption	15,000
B. Private Contributions	55,765	c. Total (a. + b.)	31,135
C. Receipts from State government (from page 2)	76,930	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	4,340
E. Total receipts (A.7 + B + C + D)	727,155	b. Redemption	8,000
		c. Total (a. + b.)	12,340
		3. Total (1.c + 2.c)	43,475
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	969,261

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	410,000	0	15,000	395,000
1. Bonds (Refunding Portion)				
B. Notes (Total)	88,625	0	8,000	80,625

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	242,106	727,155	969,261	0	0

Notes and Comments:

Beginning balance is Cash on Hand from Bond Proceeds for Limon Special Improvement District 2005. During 2006 that money was spent on the project and is reflected in Capital Outlay above.

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2006	
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	82,150	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	18,022
1. Sales Taxes	111,314	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens	0	e. Sale of Surplus Property	
4. Licenses	0	f. Charges for Services	
5. Specific Ownership &/or Other	125,285	g. Other Misc. Receipts	
6. Total (1. through 5.)	236,599	h. Other	111,099
c. Total (a. + b.)	318,749	i. Total (a. through h.)	129,121
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	68,435	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	8,495	d. Federal Transit Admin	0
d. Other (Specify)		e. U.S. Corps of Engineers	0
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	8,495	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	76,930	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		306,422	306,422
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	306,422
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	306,422
			(Carry forward to page 1)
Notes and Comments:			

**TOWN OF LIMON, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

<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	\$608,099
Environmental Protection Agency Pass-through program from: Colorado Water Resources Authority: Capitalization Grant for Drinking Water State Revolving Fund Interest earnings subsidy	66.468		19,051
U.S. Department of Transportation Pass-through program from Colorado Department of Transportation, Aeronautics Division Airport Improvement Program	20.106		77,309
Pass-through program from Colorado Department of Transportation and East Central Council of Governments - Formula Grant for Other Than Urbanized Areas	20.509		3,120
U.S. Department of Justice Bulletproof Vest Grant Partnership Program	16.607		470
Pass-through program from Colorado Department of Local Affairs- Office of Emergency Management and Larimer County, Colorado State Domestic Equipment Preparedness Program	16.007		14,475
U.S. Federal Emergency Management Agency 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		28,950
Total Expenditures of Federal Awards			<u>\$751,474</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, 2006

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>\$608,099</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 \$ 19,051

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. Federal Emergency Management Agency
 Pass-through program from: Colorado Department of Local Affairs
 Office of Emergency Management and East Central Council of
 Governments - Homeland Security Grant Program \$ 28,950

U.S. Department of Justice
 Pass-through program from Colorado Department of Local Affairs
 Office of Emergency Management and Larimer County, Colorado
 State Domestic Equipment Preparedness Program \$ 14,475

Gary L. Woodward

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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, 2006, which collectively comprise Town of Limon's basic financial statements and have issued my report thereon dated May 21, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance

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

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

Gary L. Woodward, CPA

Eads, Colorado
May 21, 2007

Gary L. Woodward

Certified Public Accountant

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

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

Compliance

I have audited the compliance of Town of Limon, Colorado with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Town of Limon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Limon's management. My responsibility is to express an opinion on Town of Limon's compliance based on my audit.

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

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

In my opinion, Town of Limon, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

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

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

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

Gary L. Woodward, CPA

Eads, Colorado
May 21, 2007

TOWN OF LIMON, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

A. Summary of Audit Results

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

B. Finding – Financial Statement Audit

None

C. Findings and Questioned Costs – Reportable Conditions

None