

TOWN OF LIMON, COLORADO

GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Gary L. Woodward

*Certified Public Accountant
Bank Building/P.O. Box 405
Eads, Colorado 81036
woodward@ria.net*

*(719)438-5445
F ax (719)438-2264*

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general purpose financial statements of Town of Limon, Colorado as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Limon's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

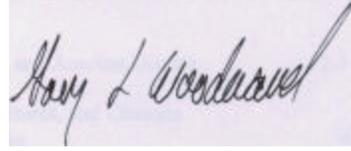
In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Limon, Colorado as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 22, 2003, 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, and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of Town of Limon, Colorado taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial

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

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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Mary L. Woodruff". The signature is written in a cursive style with a large, sweeping initial "M".

Eads, Colorado
May 22, 2003

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2002

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
General Purpose Financial Statements	
Statement 1 - Combined Balance Sheet - All Fund Types and Account Groups	2-3
Statement 2 - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	4
Statement 3 - Combined Statement of Revenues, and Expenditures - Budget and Actual - Governmental Fund Types	5-6
Statement 4 - Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Type Funds	7
Statement 5 - Combined Statement of Cash Flows - All Proprietary Fund Types	8
Statement 6 – Statement of Plan Net Assets	9
Statement 7 – Statement of Changes in Plan Net Assets	10
Notes to Financial Statements	11-36
Combining Statements:	
Special Revenue Funds:	
Statement A - Combining Balance Sheet	37
Statement B - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	38
Statement C - Schedule of Revenue and Expenditures - Budget and Actual	39-40
Enterprise Funds:	
Statement D - Combining Balance Sheet	41-42
Statement E - Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	43

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2002

TABLE OF CONTENTS-CONTINUED

Statement F - Combining Statement of Cash Flows	44-45
Statement G - Schedule of Revenues and Expenditures - Budget (Non-GAAP Budgetary Basis) and Actual	46-47
Agency and Trust Funds:	
Statement H - Combining Balance Sheet	48
Statement I - Schedule of Revenue and Expenditures, Budget and Actual - Pension Trust Funds	49
Supporting Schedules:	
Statement K-1 and K-2 - Local Highway Finance Report	50-51
Schedule of Expenditures of Federal Awards	52
Notes To Schedule of Expenditures of Federal Awards	53
Summary Schedule of Prior Audit Findings	54
Other Reports:	
Report on Compliance & On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	55-56
Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance In Accordance with OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs	59

TOWN OF LIMON, COLORADO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

TOWN OF LIMON, COLORADO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

STATEMENT 1

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES
ASSETS	GENERAL	SPECIAL REVENUE	ENTERPRISE
Cash (Notes 1 & 3)	\$134,820	\$46,911	\$390,575
Investments (Note 3)		31,535	
Accounts Receivable (Note 5)	35,250	15,383	158,062
Intergovernmental Receivable	63,333	78,234	22,321
Property Tax Receivable (Note 1)	341,375		
Note Receivable - Frazier Farms (Note 6)			46,032
Due From Other Funds (Note 19)	93,617		
Accrued Interest Receivable		222	2,790
Special Assessments Receivable (Notes 1 & 5)			
Prepaid Expense	540		39,714
Inventories (Note 1)	42,794		50,453
Fixed Assets (Net, where applicable of accumulated depreciation - Notes 1 & 7)			7,462,389
Bond Issue Costs (Note 1)			49,721
Restricted Assets (Note 4)	143,946		448,221
For Retirement of Long-Term Debt: To Be Provided			
Total Assets	<u>\$855,675</u>	<u>\$172,285</u>	<u>\$8,670,278</u>
 LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$36,219		\$73,896
Due To Other Funds (Note 19)	1,079	\$93,617	259
Contingent Construction Payable (Note 22)			72,378
Accrued Interest Payable			56,629
Cash Overdraft-Pooled Account			
Accrued Vacation Payable			
Deferred Revenues/Deposits (Notes 1 & 13)	341,375		236,058
Obligation Under Capital Leases (Note 10)			
Landfill Monitoring Costs (Note 11)			
General Obligation Bonds and Loans (Note 11)			1,097,436
Special Assessment Bonds			
Revenue Bonds (Notes 11 and 23)			1,646,177
Total Liabilities	<u>378,673</u>	<u>93,617</u>	<u>3,182,833</u>
 FUND EQUITY			
Contributed Capital (Note 1)			2,936,571
Investments in General Fixed Assets			
Retained Earnings			
Reserved (Note 14)			288,855
Unreserved (Note 2)			2,262,019
Fund Balances			

FIDUCIARY FUND TYPES AGENCY AND PENSION FUNDS	ACCOUNT GROUP		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	2002	2001
	\$6,707			\$579,013
911,285			942,820	1,127,156
			208,695	233,458
			163,888	294,604
7,698			349,073	340,215
			46,032	134,948
1,338			94,955	
			3,012	5,440
				2,302
			40,254	6,083
			93,247	96,224
	\$5,029,056		12,491,445	11,953,282
			49,721	52,603
			592,167	1,115,019
		\$601,848	601,848	644,635
<u>\$927,028</u>	<u>\$5,029,056</u>	<u>\$601,848</u>	<u>\$16,256,170</u>	<u>\$16,677,573</u>
			\$110,115	\$314,704
			94,955	
			72,378	72,378
			56,629	47,933
				138,046
		\$7,684	7,684	6,539
\$7,698			585,131	578,346
		7,164	7,164	10,096
		132,000	132,000	138,000
			1,097,436	1,158,868
				5,000
		455,000	2,101,177	2,201,043
<u>7,698</u>	<u>NONE</u>	<u>601,848</u>	<u>4,264,669</u>	<u>4,670,953</u>
			2,936,571	2,929,551
	\$5,029,056		5,029,056	4,859,282
			288,855	332,288
			2,262,019	2,100,225

TOWN OF LIMON, COLORADO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT 2

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>MEMORANDUM ONLY</u>	
			<u>2002</u>	<u>2001</u>
REVENUES:				
Taxes	\$1,264,899		\$1,264,899	\$1,318,584
Interest	9,688	\$1,149	10,837	24,388
Fines, Licenses and Permits	34,052		34,052	38,374
Intergovernmental:				
Local (Note 17)	167,224	21,088	188,312	194,637
Federal (Note 16)	22,771	564,525	587,296	515,096
Charges for Services	253,054	705	253,759	236,640
Donated (Note 17)	8,602		8,602	47,934
Miscellaneous	12,314		12,314	13,448
TOTAL REVENUES	<u>1,772,604</u>	<u>587,467</u>	<u>2,360,071</u>	<u>2,389,101</u>
EXPENDITURES:				
Administration	393,216		393,216	359,554
Airport	7,672		7,672	14,964
Public Works - Streets	506,638		506,638	474,831
Public Works - Sanitation	140,859		140,859	133,645
Public Safety - Police & Fire	319,241		319,241	288,436
Public Health - Cemetery	46,977		46,977	33,966
Culture & Recreation	197,146		197,146	189,106
Head Start Program		564,525	564,525	513,352
Principal - Lease Purchases	2,932		2,932	65,774
Principal - Bonded Debt	35,000		35,000	35,000
Interest	27,266		27,266	31,782
Capital Outlay (Note 18)	150,849	8,986	159,835	171,005
TOTAL EXPENDITURES	<u>1,827,796</u>	<u>573,511</u>	<u>2,401,307</u>	<u>2,311,415</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,192)	13,956	(41,236)	77,686
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	307		307	2,800
Operating Transfers In				10,459
Operating Transfer (Out) (Note 19)	(85,512)		(85,512)	(28,063)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(140,397)	13,956	(126,441)	62,882
FUND BALANCES, JAN. 1	<u>617,399</u>	<u>64,712</u>	<u>682,111</u>	<u>619,229</u>
FUND BALANCES, DEC. 31	<u>\$477,002</u>	<u>\$78,668</u>	<u>\$555,670</u>	<u>\$682,111</u>

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

TOWN OF LIMON, COLORADO
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL-GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT 3

	<u>GENERAL</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR- ABLE)</u>
REVENUES:			
Taxes	\$1,261,713	\$1,264,899	\$3,186
Interest	\$16,950	\$9,688	(7,262)
Fines, Licenses and Permits	50,140	34,052	(16,088)
Intergovernmental - Local	164,088	167,224	3,136
Intergovernmental - Federal	1,200	22,771	21,571
Charges for Services	233,611	253,054	19,443
Donated		8,602	8,602
Miscellaneous	15,000	12,314	(2,686)
TOTAL REVENUES	<u>1,742,702</u>	<u>1,772,604</u>	<u>29,902</u>
EXPENDITURES:			
Administration	378,943	393,216	(14,273)
Airport	9,264	7,672	1,592
Public Works - Streets	505,799	506,638	(839)
Public Works - Sanitation	148,415	140,859	7,556
Public Safety	319,326	319,241	85
Public Health - Cemetery	51,024	46,977	4,047
Culture & Recreation	193,721	197,146	(3,425)
Head Start Program			
Principal - Lease Purchases		2,932	(2,932)
Principal - Bonded Debt	35,000	35,000	
Interest	26,563	27,266	(703)
Capital Outlay (Note 18)	46,280	150,849	(104,569)
Supplemental Appropriation	203,391		203,391
TOTAL EXPENDITURES	<u>1,917,726</u>	<u>1,827,796</u>	<u>89,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(175,024)	(55,192)	119,832
Other Financing Sources (Uses)			
Sale of Equipment		307	307
Operating Transfers (Out)	(57,275)	(85,512)	(28,237)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(232,299)	(140,397)	91,902
FUND BALANCES, 12-31-01	<u>506,987</u>	<u>617,399</u>	<u>110,412</u>
FUND BALANCES, 12-31-02	<u>\$274,688</u>	<u>\$477,002</u>	<u>\$202,314</u>

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

SPECIAL REVENUE

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR- ABLE)</u>
\$2,500	\$1,149	(\$1,351)
20,000	21,088	1,088
569,260	564,525	(4,735)
1,200	705	(495)
<u>5,990</u>	<u> </u>	<u>(5,990)</u>
<u>598,950</u>	<u>587,467</u>	<u>(11,483)</u>
556,425	564,525	(8,100)
17,100	8,986	8,114
<u>17,825</u>	<u> </u>	<u>17,825</u>
<u>591,350</u>	<u>573,511</u>	<u>17,839</u>
7,600	13,956	6,356
<u> </u>	<u> </u>	<u> </u>
7,600	13,956	6,356
<u>60,128</u>	<u>64,712</u>	<u>4,584</u>
<u>\$67,728</u>	<u>\$78,668</u>	<u>\$10,940</u>

TOWN OF LIMON, COLORADO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY TYPE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT 4

	PROPRIETARY FUND TYPES	
	2002	2001
OPERATING REVENUES		
Sales	\$1,219,494	\$1,191,899
Less, Contract Adjustments and Bad Debts	115,183	85,392
Net Sales	1,104,311	1,106,507
Other Use Charges	23,355	20,546
Miscellaneous	8,924	4,569
Total Operating Revenues	<u>1,136,590</u>	<u>1,131,622</u>
OPERATING EXPENSES		
Airport Fuel Fund:		
Fuel	12,301	15,921
Other Expenses	1,833	4,680
Water and Sewer:		
Source of Water Supply	45,740	42,923
Water Pumping	26,328	22,838
Water Transmission and Distribution	52,514	70,484
Water Treatment	204,776	
Sewer Collection	74,147	65,067
Sewer Treatment	173,542	81,679
Administration	60,058	62,625
Municipal Recreation Area:		
Salaries and Benefits	92,669	85,826
Cost of Resale Items	9,581	12,520
Other Expenses Except Depreciation	37,811	33,390
Ambulance Service:		
Salaries and Benefits	31,114	19,768
Other Expenses Except Depreciation	66,481	58,016
Amortization	2,882	14,582
Depreciation	254,478	186,211
Total Operating Expenses	<u>1,146,255</u>	<u>776,530</u>
Income From Operations	<u>(9,665)</u>	<u>355,092</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Revenue	43,869	88,508
Donations	23,917	4,483
Intergovernmental - Local (Note 17)	96,704	628,854
Intergovernmental - Federal	16,801	
Rent	25,000	
Interest Expense	(147,691)	(181,209)
Gain (Loss) On Sale of Fixed Assets	(16,086)	(1,356)
Total Non-Operating Revenues (Expenses)	<u>42,514</u>	<u>539,280</u>
Net Income Before Operating Transfers	32,849	894,372
OPERATING TRANSFERS (OUT) (Note 19)	(25,000)	
OPERATING TRANSFERS IN (Note 19)	<u>110,512</u>	<u>17,604</u>
Net Income	118,361	911,976
Retained Earnings, December 31, 2001	<u>2,432,513</u>	<u>1,520,537</u>
Retained Earnings, December 31, 2002	<u>\$2,550,874</u>	<u>\$2,432,513</u>

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

**TOWN OF LIMON, COLORADO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

STATEMENT 5

	PROPRIETARY FUND TYPES	
	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Operating Income (Loss)	(\$9,665)	\$355,092
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	254,478	186,211
Amortization	2,882	14,582
(Increase) Decrease in Accounts Receivable	124,802	(84,565)
(Increase) Decrease in Special Assessment Receivable	2,302	4,925
(Increase) Decrease in Inventory	6,675	1,282
(Increase) Decrease in Restricted Assets	166,903	(60,601)
(Increase) Decrease in Accrued Interest Receivable	2,298	27,555
(Increase) Decrease in Prepaid Interest	(34,036)	
Increase (Decrease) in Deferred Bond Interest		19,590
Increase (Decrease) in Accounts Payable	(139,698)	123,735
Increase (Decrease) in Due to Other Funds	259	
Increase (Decrease) in Deferred Water Rights		175,000
Increase (Decrease) in Accrued Interest Payable	<u>8,696</u>	<u>(13,938)</u>
Net Cash Provided By Operating Activities	<u>385,896</u>	<u>748,868</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Donations	8,917	4,483
Intergovernmental - Local	1,200	1,000
Transfer From (To) Other Fund	<u>110,512</u>	<u>17,604</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>120,629</u>	<u>23,087</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
State of Colorado - Sewer Line Maintenance	6,378	7,628
Tap Fees & Developer Improvements	7,020	264,792
Note - Frazier Farms	88,916	83,560
Intergovernmental - Local	95,504	479,945
Sewer Line Maintenance Paid From Colo. Reserve Account	(5,763)	(4,708)
Refunding Loan Proceeds		660,000
Loan Proceeds From (To) Restricted Accounts	414,553	1,005,446
Sale of Assets		1,375
Purchase of Assets	(623,952)	(2,480,894)
Interest Paid	(130,890)	(181,209)
Debt Issuance Costs		(19,900)
Debt Principal Payments	<u>(131,298)</u>	<u>(869,280)</u>
Net Cash Provided (Used) By Capital and Financing Activities	<u>(279,532)</u>	<u>(1,053,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Revenue	<u>43,869</u>	<u>88,508</u>
Net Cash Provided (Used) By Investing Activities	<u>43,869</u>	<u>88,508</u>
Net Increase (Decrease) in Cash and Cash Equivalents	270,862	(192,782)
CASH AND CASH EQUIVALENTS		
December 31, 2001	<u>119,713</u>	<u>312,495</u>
December 31, 2002	<u>\$390,575</u>	<u>\$119,713</u>

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

**TOWN OF LIMON, COLORADO
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2002**

STATEMENT 6

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS (MEMORANDUM ONLY)	
	<u> </u>	<u> </u>	<u>2002</u>	<u>2001</u>
ASSETS:				
Cash	\$6,707		\$6,707	\$14,927
Due From Other Funds	1,338		1,338	
Property Tax Receivable		\$7,698	7,698	7,503
Investments - Group Annuities and Mutual Funds - At Fair Market Value:				
Cash & Cash Equivalents	6,441		6,441	38,940
U.S. Government & Agency Obligations	202,528		202,528	489,889
Corporate Bonds	120,953		120,953	29,463
Asset and Mortgage-backed Securities	23,131		23,131	
Real Estate Investment Trusts	3,020		3,020	
Domestic Stocks	235,378		235,378	214,125
International Stocks & Bonds	69,785		69,785	26,111
Other Investments - Fire and Police Pension Association		250,049	250,049	289,708
TOTAL ASSETS	<u>669,281</u>	<u>257,747</u>	<u>927,028</u>	<u>1,110,666</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Deferred Property Tax Revenue		7,698	7,698	7,503
TOTAL LIABILITIES	<u>NONE</u>	<u>7,698</u>	<u>7,698</u>	<u>7,503</u>
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	<u>\$669,281</u>	<u>\$250,049</u>	<u>\$919,330</u>	<u>\$1,103,163</u>

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

TOWN OF LIMON, COLORADO
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT 7

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS (MEMORANDUM ONLY)	
			2002	2001
ADDITIONS:				
Employee Contribution	\$38,460		\$38,460	\$34,445
Interest Income	176	\$4,706	4,882	6,593
Investment Income (Loss), Net of Expenses	(58,427)	(28,335)	(86,762)	(68,754)
Property Taxes		7,503	7,503	6,681
Intergovernmental		6,753	6,753	6,013
Total Additions	<u>(19,791)</u>	<u>(9,373)</u>	<u>(29,164)</u>	<u>(15,022)</u>
DEDUCTIONS:				
Benefit Payments	118,858	27,892	146,750	92,881
Administrative Expenses	5,525	2,394	7,919	3,341
Total Deductions	<u>124,383</u>	<u>30,286</u>	<u>154,669</u>	<u>96,222</u>
NET INCREASE (DECREASE)	(144,174)	(39,659)	(183,833)	(111,244)
FUND BALANCE RESERVED FOR PENSION BENEFITS:				
DECEMBER 31, 2001	<u>813,455</u>	<u>289,708</u>	<u>1,103,163</u>	<u>1,214,407</u>
DECEMBER 31, 2002	<u><u>\$669,281</u></u>	<u><u>\$250,049</u></u>	<u><u>\$919,330</u></u>	<u><u>\$1,103,163</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, 2002

(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 various funds are grouped, in the financial statements in this report, into fund types and account groups as follows:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

GOVERNMENTAL FUNDS

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. Principal revenue sources include local property taxes and sales and use taxes. Primary expenditures are for public works, public safety, culture and recreation, and general administration.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds are the Conservation Trust Fund, which accounts for lottery funds from the State of Colorado that are to be expended for recreation purposes, the Cemetery Perpetual Care Fund, which accounts for the continuing maintenance and improvements to the cemetery and the Head Start Fund which accounts for a Federal Head Start grant, which is passed through to the local child-care center.

PROPRIETARY FUND TYPES:

Enterprise Funds - Enterprise funds are established to account for operations that intended to be self-supporting through user charges. The Town of Limon operates the Water and Sewer Utilities, the Municipal Recreation Area (primarily golfing activities), the Airport Fuel Fund (for the sale of fuel to airplane operators), and the Ambulance Service Fund on this basis.

FIDUCIARY FUND TYPE:

Fiduciary funds are used to account for assets held on behalf of outside parties in a trustee capacity. The Town administers two pension funds in this capacity, as more fully described in Note 8.

ACCOUNT GROUPS:

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

General Fixed Assets – This account group is established to account for the property and equipment owned by the Town exclusive of those relating to Enterprise Fund operations. Expenditures to acquire general fixed assets occur in the Governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements including roads, bridges, curbs, streets and sidewalks, drainage and lighting systems, are not capitalized along with other general fixed assets.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

All general fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. It is the town's policy to capitalize all capital expenditures over \$5,000.

No depreciation is recorded on general fixed assets.

General Long-Term Debt – This account group records the principal outstanding on all types of long-term debt that does not relate to Enterprise Fund activities. It is offset by the amount to be provided in future years. This account group includes a revenue bond issue, an obligation on a capital lease, accrued vacation pay and the estimated future costs for monitoring the closed landfill. Long-term debt of the Enterprise Funds is recorded as a liability of those funds.

D. Financial Reporting

The general purpose financial statements show the basic financial statements of the Town by providing a combined overview of financial position and results of operations and cash flow of the Enterprise fund types. The total “memorandum only” columns in these statements are presented only to facilitate financial analysis and are not meant to fairly present financial position or results of operations of the Town in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation since interfund eliminations have not been made.

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Service revenue is recognized when the customer is billed.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

All Enterprise funds and Pension Trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Water and sewer revenue is recognized when the customer is billed.

F. 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 30, 2002, the Board approved a resolution appropriating additional sums of money for the year 2002. These amended appropriation amounts are used in the budgetary data in the financial statements.

Budgets for the general, special revenue, capital projects, and the pension funds are adopted on a basis consistent with generally accepted accounting principles. Budgets for the Enterprise 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 2002 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, 2002, actual expenditures exceeded the budget in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Sewer Utility Fund	<u>\$275,000</u>	<u>\$315,637</u>	<u>\$40,637</u>

This may be a violation of State statutes.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

G. 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.

H. Depreciation

Depreciation of all exhaustible property and equipment used by the Enterprise Funds is charged as an expense against their operations. Accumulated depreciation is reported on Enterprise Fund balance sheets. Depreciation has been recorded on the straight-line method using the following useful lives:

Buildings	20-40 years
Water and Sewer Systems	50 years
Water Treatment Plant	20-33 years
Sewer Treatment Plant and Overflow Pond	25-50 years
Recreation Area Cart Houses, Concession Stand and Bleachers	20-25 years
Recreation Area Irrigation System	50 years
Equipment	5-15 years
Water Wells	20 years

I. Contributed Capital

Water and sewer tap fees are charged to customers for the privilege of tapping into the Town's water and sewer system. Developers also pay for water and sewer improvements directly. The fees and developer improvements have been accounted for as capital contributed by customers beginning January 1, 1978.

Beginning in 1988, any water or sewer system extensions that are financed by special assessments to the homeowners are recorded in the Water and Sewer Funds as capital contributed by customers.

Grants received for water and sewer construction and tap fees paid directly by other government agencies have been added as capital contributed.

Changes to contributed capital during 2002:

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

	<u>12-31-01</u>	<u>Additions</u>	<u>12-31-02</u>
Tap fees and improvements			
-customers and developers	\$ 676,119	\$7,020	\$ 683,139
Improvements by a special			
Improvement district	92,637	-	92,637
Intergovernmental	1,883,660	-	1,883,660
Limon Ambulance Service	<u>277,135</u>	<u>-</u>	<u>277,135</u>
	<u>\$2,929,551</u>	<u>\$7,020</u>	<u>\$2,936,571</u>

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 3.

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 2002 was 22.672.

L. Inventories

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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

General Fund - Dumpsters and polycarts	
held for resale and street supplies	\$42,794
Water Utility -Treatment supplies, meters and parts	44,721
Municipal Recreation Area - Merchandise & Concessions	3,332
Airport Fuel Fund - Airplane fuel	<u>2,400</u>
Total Inventories	<u>\$93,247</u>

M. Compensated Absences

By ordinance, the Town's policy regarding vacation time is to not let it accumulate beyond one year, although some exceptions are made upon approval of management. Any unused vacation time is paid upon termination. Also by ordinance, any employee accumulating sick leave beyond 60 days shall continue to accrue sick leave at the rate of one-half day per month 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, 2002.

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

The bond discount and issuance cost of the 1992 issue of \$12,893, the 2000 issue of \$25,059 and the 2001 issue of \$19,900 are being amortized over the term of the bonds (40, 20 and 15 years, respectively), on the straight-line method. Costs of Enterprise Funds' issues prior to 1989 were either expensed or added to the cost of the related assets. Bond issue costs on bonds not related to Enterprise Funds are expensed in the period incurred.

(2) Deficit Retained Earnings

Enterprise Funds – Deficit retained earnings of the Sewer Utility Fund that is included in unreserved retained earnings – (\$31,658). The deficit is caused primarily by depreciation deductions in excess of revenues.

(3) 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.

The Town's investments at December 31, 2002 are shown below. Under Government Accounting Standards Board Statement No. 3, investments are placed into three categories depending on the

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

degree of risk in the investment. Category 1 is investments which are insured or registered or held by the entity or its agent in the entity's name. Category 2 is investments which are uninsured, and unregistered, with securities held in the counterparty's trust department or agent in the entity's name. Category 3 investments are those which are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

The Town's cash and investments at December 31, 2002 was \$2,114,000, which is the total of cash, investments, and restricted assets. Cash on hand was \$796 and the remaining \$2,113,204 is explained below:

Cash balances, certificates of deposit and other investments:

<u>Category 1 Investments:</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>
Bank balances and certificates of deposit, insured (FDIC)	\$ 170,323	\$ 170,323
 <u>Category 2 Investments:</u>		
Bank balances and certificates of deposit, uninsured and collateralized	<u>1,078,973</u>	<u>1,031,596</u>
Total cash and certificates of deposit	<u>\$1,249,296</u>	<u>\$1,201,919</u>

Not Categorized:	<u>Market Value</u>
Group annuities and mutual funds:	
Cash and cash equivalents	\$ 6,441
Fixed income:	
U.S. Treasury and Agencies	202,528
Corporate bonds	120,953
Asset and Mortgage-backed securities	23,131
Real Estate investment trusts	3,020
Domestic stocks	235,378
International stocks and bonds	69,785
Other Investments:	
Fire & Police Pension Association	<u>250,049</u>
Total Other Investments	<u>911,285</u>
Total cash and investments	<u>\$2,113,204</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

All uninsured monies were deposited in banks covered by the Colorado Public Deposits Protection Act of 1975. Under this act all government funds within a bank are pooled and the pool is pledged with government securities.

The difference between the bank balance and carrying balance is \$47,377, which were outstanding items that had not cleared the banks as of December 31, 2002.

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

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

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);

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

4. Invest in the same manner as PERA is authorized. It is authorized to make a broad range of investments, with only these limitations:
 1. No more than 50% of the total fund may be invested in common or preferred stocks, debentures or investment trusts;
 2. No more than 5% of the total fund may be invested in the common or preferred stock of any one corporation;
 3. The fund may not be the owner of more than 12% of the value of any one corporation

(4) 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, 2002 of \$77,168 is 3% of the Town’s annual expenditures in the governmental fund types and the Municipal Recreation Fund in the proprietary fund types. Reserve is held in bank certificates of deposit.

General Fund – reserve for payment of 1999 revenue bonds. Total required accumulation at December 31, 2002 is zero since the required accumulation was used by December 31, 2002 for the bond payments, as allowed by the bond document. Remaining earnings of the reserve account is held in a bank savings account.

General Fund – equipment replacement reserve. Accumulation at December 31, 2002 is \$66,159. Reserve is held in a bank savings account.

Water Utility Fund – reserve for repayment of 1992 revenue bonds. Total required accumulation at December 31, 2002 is \$7,450. Reserve is held in a bank savings accounts.

Water Utility Fund – reserve for operations and maintenance of the water treatment plant. Total required accumulation at December 31, 2002 is \$29,300. Reserve is held in a bank savings account.

Water Utility Fund – reserve for repayment of 2000 revenue bonds. There is no required accumulation at December 31, 2002. Reserve is held in a bank savings account.

Water Utility Fund – reserve for future purchase of water rights. Reserve is held in a bank certificate of deposit.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

Sewer Utility Fund – accumulation of monthly fee from State of Colorado for maintenance of the 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.

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

Municipal Recreation Area Fund – reserve for repayment of the 1974 revenue bonds. Total required accumulation at December 31, 2002 is \$13,200. Reserve is held in a bank savings account.

Ambulance Service Fund – equipment replacement reserve. Accumulation at December 31, 2002 is \$59,765. Reserve is held in bank certificates of deposit.

Amount of the preceding restricted assets:

	Restricted <u>Assets</u>
General Fund:	
Article X, Section 20 emergency reserve	\$ 77,168
Bond reserve account	619
Equipment replacement reserve	<u>66,159</u>
Total – General Fund	<u>\$ 143,946</u>
Water Utility Fund:	
Bond reserve – 1992 revenue bonds	\$ 8,999
Reserve for treatment plant operations and maintenance	29,300
Bond reserve – 2000 revenue bonds	69,459
Water rights purchase reserve	187,023
Sewer Utility Fund:	
Maintenance reserve payable to State of Colorado	61,358
Municipal Recreation Area:	
Special green fee	9,681
Bond reserve	22,636
Ambulance Service Fund:	
Equipment replacement reserve	<u>59,765</u>
Total – Enterprise Funds	<u>\$ 448,221</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

(5) Allowance for Uncollectible Accounts

The amounts receivable on Statement 1 is net of an allowance for uncollectible accounts as follows:

	Total Receivable	Allowance	Net
General Fund:			
Sanitation	\$ 15,469	\$ 773	\$ 14,696
Miscellaneous receivables	4,793	150	4,643
Franchise fees	<u>15,911</u>		<u>15,911</u>
	<u>\$ 36,173</u>	<u>\$ 923</u>	<u>\$ 35,250</u>
Enterprise Fund:			
Water Utility Fund	\$119,850	\$ 2,108	\$117,742
Sewer Utility Fund	12,785	639	12,146
Airport Fuel Fund	1,042		1,042
Ambulance Service Fund	<u>56,057</u>	<u>28,925</u>	<u>27,132</u>
	<u>\$189,734</u>	<u>\$31,672</u>	<u>\$158,062</u>
Sewer Utility Fund:			
Special Assessment	<u>\$ 5,473</u>	<u>\$ 5,473</u>	<u>\$ 0</u>

(6) Note Receivable

The note receivable from Frazier Farms resulted from the sale of the Packard Ranch land in 1978, with the Town retaining the water rights. The note calls for a final principal payment in 2003 of \$46,032, with interest of \$1,452.

(7) Fixed Assets

A summary of changes in general fixed assets:

	<u>Dec. 31, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2002</u>
Land	\$1,244,630			\$1,244,630
Buildings	2,252,995			2,252,995
Equipment	<u>1,361,657</u>	<u>\$169,774</u>	<u>_____</u>	<u>1,531,431</u>
	<u>\$4,859,282</u>	<u>\$169,774</u>	<u>NONE</u>	<u>\$5,029,056</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

Summary of changes in Enterprise Fund property (all property stated at cost – no interest has been capitalized as part of this cost):

	<u>Dec. 31, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Dec. 31, 2002</u>
Water System	\$3,221,865	\$ 38,341	\$ 2,586	\$2,703,198	\$5,960,818
Construction in progress	2,176,430	530,396		(2,703,198)	3,628
Sewer System and Plant	2,417,606	24,793			2,442,399
Water Rights	656,976				656,976
Land & Land Improvements	198,444				198,444
Recreation Area Facilities And Equipment	281,520	41,000			322,520
Ambulance Equipment	447,491	4,421	89,179		362,733
	<u>9,400,332</u>	<u>638,951</u>	<u>91,765</u>	-	<u>9,947,518</u>
Accum. Depreciation	<u>2,306,332</u>	<u>254,478</u>	<u>75,681</u>		<u>2,485,129</u>
	<u>\$7,094,000</u>	<u>\$384,473</u>	<u>\$16,084</u>	<u>-</u>	<u>\$7,462,389</u>

(8) 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, 2002, the date of the latest actuarial valuation:

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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

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 has been 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	0
Annual pension cost	0
Contributions made	0
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, 2002 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. There is no amortization method or period, nor has the aggregate cost method identified or separately amortized any unfunded actuarial liability.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Liability or (Funding Excess) (b-a)</u>	<u>Funded Ratio (a)/(b)</u>
1-1-97	690,285	475,816	(214,469)	145.1%
1-1-98	720,205	534,671	(185,534)	134.7%
1-1-99	808,785	537,611	(271,174)	150.4%
1-1-00	862,829	616,483	(246,346)	140.0%

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

1-1-01	868,785	671,092	(197,693)	129.5%
1-1-02	797,474	779,692	(17,782)	102.3%

Six-year Trend Information:

For Each Year ended 12-31-97 to 12-31-02	Employer Annual Required Contribution and Pension Cost	Employer Contribution	Percentage Contributed	Net Pension Obligation
	0	0	100%	0

Volunteer Fireman's Pension Plan

Plan Description. The Town of Limon, on behalf of its volunteer firefighters contributes to the Town of Limon Volunteer Firemen's Pension Plan, a defined benefit pension plan which is affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Members Benefit Fund, an agent multiple-employer defined benefit pension plan administered by the FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Board of Directors of the Limon Volunteer Firemen's Pension Plan. Title 31, Article 30 of the Colorado 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, 2002, the annual pension cost of the Town of Limon Volunteer Firemen's Pension Plan was \$14,256. During the year, the Town of Limon and the state of Colorado contributed \$14,256, which is equal to 100% of the annual pension cost. The Town's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	<u>\$14,256</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, 2001. The significant actuarial assumptions used in the valuation as of January 1, 2001 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.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

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 to 40 years.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Liability or (Funding Excess) (b-a)</u>	<u>Funded Ratio (a)/(b)</u>
1-1-97	282,411	116,651	(165,760)	242.1%
1-1-99	311,484	162,707	(148,777)	191.4%
1-1-01	346,410	261,720	(84,690)	132.4%

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>
1997	\$ 9,709	\$ 9,709	100%	0
1998	9,916	9,916	100%	0
1999	10,458	10,458	100%	0
2000	12,563	12,563	100%	0
2001	12,694	12,694	100%	0
2002	14,256	14,256	100%	0

(9) 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 \$77,168 within the General Fund for the emergency reserve under the Tabor amendment and \$100,000 within the Water Fund.

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.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

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.

(10) Capital Leases

In 1999 the town entered into a lease – purchase for a copy machine.

The entire cost of the copier has been recorded in the General Fixed Assets Group of Accounts and the obligation for the remainder of the lease in the General Long-Term Debt Group of Accounts. The lease met the criteria of a capital lease since the benefits and risk of ownership have been transferred to the Town.

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, 2002:

Year ended	December 31, 2003	3,635
	December 31, 2004	<u>4,135</u>
Total Minimum Lease Payments		\$ 7,770
Less, Amount Representing Interest		<u>606</u>
Present Value of Net Minimum Lease Payments		<u>\$ 7,164</u>

The current portion of the present value of the net minimum lease payments is \$3,191.

(11) Long-Term Debt

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities only. Therefore they are reported in Enterprise Fund account group, as follows:

	Total <u>Payable</u>	Current <u>Portion</u>
Payable from Water Fund Revenues:		
Loan Payable to State of Colorado Water Conservation Board, 3.0%, matures annually through August 1, 2020	\$ 446,200	\$19,061
Loan Payable to State of Colorado Severance Tax Fund, 5.0%, matures annually through September 1, 2005	26,236	8,322
Serial Bonds:		
2001 General Obligation Water Refunding Bonds, 3.35% to 5.6%, matures annually through the year 2016	<u>625,000</u>	<u>35,000</u>
Total Payable from Water Fund	<u>\$1,097,436</u>	<u>\$62,383</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

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 outstanding at December 31, 2002 are as follows:

	<u>Total Payable</u>	<u>Current Portion</u>
Payable from Water Fund Revenues:		
Serial Bonds:		
1992 Water Revenue Bonds, 5.5% mature annually through June 1, 2032	\$ 206,700	\$ 2,900
2000 Drinking Water Revenue Bonds, 4.5%, mature annually through August 1, 2020	1,332,477	59,582
Payable from Recreation Area Revenues:		
Serial Bonds:		
1974 Municipal Recreation Area Revenue Bonds, 5.0%, mature annually through January 1, 2014	<u>107,000</u>	<u>8,000</u>
Total Payable from Enterprise Funds	<u>\$1,646,177</u>	<u>\$70,482</u>
Payable from Sales and Use Tax Revenues:		
Serial Bonds:		
1999 Sales and Use Tax Refunding bonds, 5.125% to 5.625%, mature annually through December 1, 2012	<u>\$ 455,000</u>	<u>\$40,000</u>

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, 2002:

Actual Property Value (taxable)	\$88,523,215
	x <u>3%</u>
	2,655,696
General Obligation Bonds issued, other than for Water and Sewer purposes, which are specifically exempted for the limitation	-
Available Debt Margin	<u>\$ 2,655,696</u>

Changes in Long-Term Liabilities - During the year ended December 31, 2002 the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>12-31-01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12-31-02</u>
Revenue bonds	\$490,000	-	\$ 35,000	\$455,000
Capital leases	10,096	-	2,932	7,164
Accrued vacation payable	6,539	\$ 1,145		7,684
Closed landfill monitoring costs	<u>138,000</u>	-	<u>6,000</u>	<u>132,000</u>
	<u>\$644,635</u>	<u>\$ 1,145</u>	<u>\$ 43,932</u>	<u>\$601,848</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

The Town's solid-waste landfill was closed and sealed in 1994 and monitoring began in 1996. The approximate annual cost is \$6,000 for the remaining 22 years of the monitoring period.

Debt Principal and Interest for Ensuing Years

<u>Year</u>	<u>General Obligation Water Bonds and Loans</u>	<u>Water Revenue Bonds</u>	<u>Municipal Recreation Area Revenue Bonds</u>	<u>Total Requirements Enterprise Funds</u>	<u>Sales Use Tax Revenue Bonds</u>
2003	\$107,434	\$149,797	\$13,350	\$270,581	\$64,769
2004	106,261	146,985	12,950	266,196	62,719
2005	104,931	138,847	13,550	257,328	60,669
2006	93,862	141,883	13,100	248,845	63,619
2007	97,357	144,528	12,650	254,535	56,312
2008	95,597	141,687	12,200	249,484	59,062
2009	98,757	138,575	13,750	251,082	56,531
2010	96,597	141,069	13,200	250,866	59,000
2011	94,347	137,782	12,650	244,779	61,188
2012	97,052	140,237	12,100	249,389	58,094
2013	94,452	136,235	11,550	242,237	
2014	96,802	132,583		229,385	
2015	93,832	134,198		228,030	
2016	95,807	130,258		226,065	
2017	32,447	131,501		163,948	
2018	32,447	132,576		165,023	
2019	32,447	126,293		158,740	
2020	32,447	126,503		158,950	
2021		14,020		14,020	
2022		13,997		13,997	
2023		14,049		14,049	
2024		13,976		13,976	
2025		13,978		13,978	
2026		13,953		13,953	
2027		13,900		13,900	
2028		13,917		13,917	
2029		13,901		13,901	
2030		13,852		13,852	
2031		13,867		13,867	
2032		13,358		13,358	
	<u>\$1,502,876</u>	<u>\$2,638,305</u>	<u>\$141,050</u>	<u>\$4,282,231</u>	<u>\$601,963</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

See note 23 for details regarding the 2000 Water Revenue Bonds.

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

(12) Risk Management

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

The Town carries commercial insurance for risks described below and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The pools have certain deductibles, which resulted in an out of pocket cost to the Town of \$598 in year 2002.

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 2002 the Town paid \$44,260 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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

commercial companies for member claims in excess of a specified self insurance retention, which is determined each policy year.

During 2002 the Town paid \$38,804 for workers compensation coverage to the pool and is included in the operating expense of the general and enterprise funds.

(13) Deferred Revenues and Deposits

Deferred revenue and deposits consist of the following:

Property taxes	\$349,073	
Deposit from State of Colorado - Monthly fee and account earnings for maintenance of the sewer system serving the Limon Correctional Facility. This deposit will eventually be returned to the State if the maintenance is less than accumulated amount.	61,058	
Deferred capital contributed for future purchase of water rights.	<u>175,000</u>	
		<u>\$585,131</u>

(14) Fund Balances and Retained Earnings

General Fund:		
Reserved for:		
Inventory	\$ 42,794	
Equipment replacement reserve	66,159	
Emergency reserve under Article X Section 20 of the Colorado Constitution	<u>77,168</u>	
		<u>\$186,121</u>
Unreserved:		
Designated for spending in 2003 budget	\$ 28,304	
Undesignated	<u>262,577</u>	
		<u>\$290,881</u>
Special Revenue – Unreserved:		
Designated for spending in 2003 budget	\$ 6,500	
Undesignated	<u>72,168</u>	
		<u>\$ 78,668</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Reserved Retained Earnings - Enterprise Funds:

Bond, equipment and operations reserves and special green fee funds described in Note 4.	\$188,855	
Emergency reserve under Article X Section 20 of the Colorado Constitution	<u>100,000</u>	<u>\$288,855</u>

(15) Segment Information - Enterprise Funds

General accepted accounting principles require disclosure, as part of the Combined Statements, of certain information concerning individual funds:

Segment Information for Enterprise Funds:

	Water Utility Fund	Sewer Utility Fund	Municipal Recreation Area	Airport Fuel Fund	Ambulance Service Fund	Total
Operating Revenues	\$703,272	\$162,747	\$116,229	\$15,454	\$138,888	\$1,136,590
Operating Expenses other than depreciation	363,474	273,631	140,061	14,134	97,595	888,895
Amortization	2,882					2,882
Depreciation	133,454	64,678	16,707		39,639	254,478
Operating income (loss)	203,462	(175,562)	(40,539)	1,320	1,654	(9,665)
Operating transfers in (out)	(22,875)		108,387			85,512
Non-operating Revenues(Expenses)	37,515	15,022	863		(10,886)	42,514
Net income (loss)	218,102	(160,540)	68,711	1,320	(9,232)	118,361
Contributed capital	954,904	1,704,532			277,135	2,936,571
Net working capital	72,810	(1,576)	(2,090)	3,210	126,566	198,920
Total assets	6,325,949	1,792,494	182,205	4,110	365,520	8,670,278
Bonds and other long-term liabilities payable from operating revenues	2,636,613		107,000			2,743,613
Total equity	3,373,544	1,672,874	73,142	3,210	364,675	5,487,445
Property and equipment:						
Additions	568,738	24,793	41,000		4,421	638,952
Deletions	2,586				89,179	91,765

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

(16) Assistance from Federal Government

	<u>Total Grant</u>	<u>Earned in 2002</u>
Department of Health and Human Services, Office for Children and Families. Head Start Pass-through grant to the local child-care center.	<u>\$564,525</u>	\$564,525
U.S. Dept. of Transportation through the Colorado Department of Transportation for Public transportation.	<u>\$ 2,376</u>	\$ 2,376
Community Development Block Grant through the Colorado Dept. of Local Affairs for a comprehensive housing needs assessment	<u>\$ 20,000</u>	\$ 20,000
Department of Justice for police protection vests	<u>\$ 395</u>	\$ 395
Environmental Protection Agency, for interest earnings subsidy for bonding provided by the Colorado Water Resources and Power Development Authority for construction of a water treatment plant.		<u>\$ 16,801</u>
Total Federal Revenue		<u>\$ 604,097</u>

(17) Grants other than from Federal Government

	<u>Total Grant</u>	<u>Earned in 2001</u>	<u>Earned in 2002</u>
The State of Colorado Department of Education for library books.	<u>\$ 6,102</u>	<u>\$ 4,710</u>	\$ 1,392
The Gates Foundation for computer equipment for regional librarian training and additional public access to computers and the Internet.	<u>\$ 46,681</u>	<u>\$ 45,385</u>	\$ 1,296
Colorado Department of Public Health and Environment for the water treatment plant.	<u>\$400,000</u>	<u>\$398,351</u>	\$ 1,649

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

Colorado Department of Local Affairs Severance Tax Fund for the water treatment plant.	<u>\$280,000</u>	<u>\$229,503</u>	\$50,497
Colorado Department of Local Affairs Severance Tax Fund for the water treatment plant	<u>\$210,365</u>	<u>\$ 0</u>	\$43,358
Lincoln County, Colorado for a comprehensive housing needs assessment	<u>\$ 5,000</u>	<u>\$ 0</u>	\$ 5,000
Mountain View Round-up Fund, Inc. for pagers for the fire department	<u>\$ 4,914</u>	<u>\$ 0</u>	\$ 4,914
Total other grants			<u>\$108,106</u>

(18) Capital Outlay

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Administration	\$ 2,500	\$ 3,120
Streets	21,650	122,830
Public Safety	15,600	19,370
Public Health - Cemetery	3,320	3,019
Culture & Recreation	<u>3,210</u>	<u>2,510</u>
	<u>\$ 46,280</u>	<u>\$150,849</u>
Special Revenue Fund:		
Park Improvements	\$ 11,600	\$ 5,150
Golf Course Improvements	4,500	3,836
Cemetery Improvements	<u>1,000</u>	<u>0</u>
	<u>\$ 17,100</u>	<u>\$ 8,986</u>

(19) 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.

The Town had the following interfund transactions during 2002:

Monthly payments from the General and Enterprise Funds to the Employees' Pension Plan totaling \$38,460 are included as operating revenue and expenditures of each respective fund.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

Transfer from General Fund to Water Fund
 for the cash difference of an equipment trade in \$ 2,125

Transfer from General Fund to Municipal
 Recreation Area Fund for general purposes. 83,387

Total General Fund Transfers \$85,512

Transfer from Water Fund to Municipal
 Recreation Area Fund for the construction
 of a new storage building. \$ 25,000

Amounts due to/from other funds at December 31, 2002:

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 \$93,617

Due to the Employees' Pension Plan by the General and
 Proprietary Fund Types for amounts withheld from
 employees' salaries. \$ 1,338
\$94,955

(20) Statement of Cash Flows - Supplemental Information

Interest paid	
Water Fund	\$116,289
Sewer Fund	156
Municipal Recreation Area	<u>5,750</u>
	<u>\$122,195</u>

Non-Cash Transactions	
Water Fund	
Colorado Water Resources Authority	
Capitalization Grant for drinking water, Net	<u>\$111,127</u>
Rent	<u>\$ 25,000</u>
Interest Subsidy	<u>\$ 16,801</u>
Sewer Fund	
Donations	<u>\$15,000</u>

For additional cash flow information see Note 3.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

(21) Contract Commitments

On December 3, 2002 the Town entered into an agreement for the removal of biosolids from the wastewater treatment plant. No definite dollar amount was recited because it is based on a price per unit of material removed. No amounts were incurred on the agreement before December 31, 2002.

Subsequent to December 31, 2002, \$114,586 has been paid or incurred under the agreement, with an estimated remaining amount of \$36,000.

(22) 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.

(23) Water Revenue Bonds

During the year 2000 the Town entered into a loan agreement with Colorado Water Resources & Power Development Authority in the principal amount of \$1,440,809. The proceeds were invested primarily in a re-purchase agreement backed by U.S. government obligations until they were needed for construction of a water treatment plant. Earnings from this investment are included as Interest Revenue on Statement 4.

During 2001 and 2002, all of the proceeds were drawn for the treatment plant construction.

The loan agreement includes a Federal Capitalization Grant for \$436,910, which is invested in a trust account to effectively reduce the interest on the Water Revenue Bonds from 2002 to 2020 in Note 11. During 2002, \$127,552 was received into the trust account as shown in the Schedule of Expenditures of Federal Awards.

**TOWN OF LIMON, COLORADO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002**

STATEMENT A

	CONSER- VATION TRUST FUND	CEMETERY PERPET- UAL CARE	HEAD START FUND	TOTALS (MEMORANDUM ONLY)	
				2002	2001
ASSETS:					
Cash	\$46,380	\$531		\$46,911	\$36,446
Accounts Receivable			\$15,383	15,383	27,054
Intergovernmental Receivable			78,234	78,234	67,189
Accrued Interest Receivable		222		222	352
Investments		31,535		31,535	30,534
	<u>46,380</u>	<u>32,288</u>	<u>93,617</u>	<u>172,285</u>	<u>161,575</u>
TOTAL ASSETS	<u>\$46,380</u>	<u>\$32,288</u>	<u>\$93,617</u>	<u>\$172,285</u>	<u>\$161,575</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts Payable					\$13,709
Due To Other Funds			\$93,617	\$93,617	
Cash Overdraft - Pooled Account					83,154
	<u>NONE</u>	<u>NONE</u>	<u>93,617</u>	<u>93,617</u>	<u>96,863</u>
TOTAL LIABILITIES	<u>NONE</u>	<u>NONE</u>	<u>93,617</u>	<u>93,617</u>	<u>96,863</u>
 FUND EQUITY					
Unreserved Fund Balance:					
Undesignated	\$46,380	\$32,288		78,668	64,712
	<u>46,380</u>	<u>32,288</u>	<u>NONE</u>	<u>78,668</u>	<u>64,712</u>
TOTAL FUND EQUITY	<u>46,380</u>	<u>32,288</u>	<u>NONE</u>	<u>78,668</u>	<u>64,712</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$46,380</u>	 <u>\$32,288</u>	 <u>\$93,617</u>	 <u>\$172,285</u>	 <u>\$161,575</u>

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

**TOWN OF LIMON, COLORADO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002**

STATEMENT B

	CONSER- VATION TRUST FUND	CEMETERY PERPET- UAL CARE	HEAD START FUND	TOTALS	
				(MEMORANDUM ONLY)	
				2002	2001
REVENUES:					
Interest	\$243	\$906		\$1,149	\$2,087
Intergovernmental - Federal			\$564,525	564,525	513,352
State of Colorado - Lottery Funds	21,088			21,088	20,067
Perpetual Care		705		705	1,240
Donations					1,297
TOTAL REVENUES	<u>21,331</u>	<u>1,611</u>	<u>564,525</u>	<u>587,467</u>	<u>538,043</u>
EXPENDITURES:					
Current:					
Head Start Program			564,525	564,525	513,352
Capital:					
Improvements	8,986			8,986	24,086
TOTAL EXPENDITURES	<u>8,986</u>	<u>NONE</u>	<u>564,525</u>	<u>573,511</u>	<u>537,438</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,345	1,611		13,956	605
OTHER FINANCING SOURCES (USES):					
Operating Transfers (Out)					(3,104)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	12,345	1,611		13,956	(2,499)
FUND BALANCE, DECEMBER 31, 2001	<u>34,035</u>	<u>30,677</u>		<u>64,712</u>	<u>67,211</u>
FUND BALANCE, DECEMBER 31, 2002	<u>\$46,380</u>	<u>\$32,288</u>	<u>NONE</u>	<u>\$78,668</u>	<u>\$64,712</u>

**TOWN OF LIMON, COLORADO
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

STATEMENT C

	<u>CONSERVATION TRUST FUND</u>		
			VARIANCE FAVORABLE (UNFAVOR- ABLE)
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ABLE)</u>
REVENUES:			
Interest	\$900	\$243	(\$657)
Federal Grant			
Colorado Lottery	20,000	21,088	1,088
Perpetual Care			
Donations			
Miscellaneous			
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	<u>20,900</u>	<u>21,331</u>	<u>431</u>
EXPENDITURES:			
Head Start Program			
Improvements	16,100	8,986	7,114
Supplemental Appropriation			
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	<u>16,100</u>	<u>8,986</u>	<u>7,114</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,800	12,345	7,545
FUND BALANCE, 12-31-01	<u>29,205</u>	<u>34,035</u>	<u>4,830</u>
FUND BALANCE, 12-31-02	<u><u>\$34,005</u></u>	<u><u>\$46,380</u></u>	<u><u>\$12,375</u></u>

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

<u>CEMETERY PERPETUAL CARE</u>			<u>HEAD START FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR- ABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR- ABLE)</u>
\$1,600	\$906	(\$694)	\$569,260	\$564,525	(\$4,735)
1,200	705	(495)	5,990		(5,990)
<u>2,800</u>	<u>1,611</u>	<u>(1,189)</u>	<u>575,250</u>	<u>564,525</u>	<u>(10,725)</u>
1,000		1,000	556,425	564,525	(8,100)
<u>(1,000)</u>		<u>(1,000)</u>	<u>18,825</u>		<u>18,825</u>
			<u>575,250</u>	<u>564,525</u>	<u>10,725</u>
2,800	1,611	(1,189)			
<u>30,923</u>	<u>30,677</u>	<u>(246)</u>			
<u>\$33,723</u>	<u>\$32,288</u>	<u>(\$1,435)</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

**TOWN OF LIMON, COLORADO
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 2002**

STATEMENT D

	WATER UTILITY FUND	SEWER UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS (MEMORANDUM ONLY)	
						2002	2001
ASSETS							
CURRENT ASSETS							
Cash	\$240,389	\$44,840	\$4,641	\$668	\$100,037	\$390,575	\$174,605
Accounts Receivable - Net of Allowances For Doubtful Accounts	117,742	12,146		1,042	27,132	158,062	157,276
Intergovernmental Receivable	22,321					22,321	147,909
Current Portion of Note Receivable	46,032					46,032	88,916
Accrued Interest	2,548				242	2,790	5,088
Prepaid Interest	39,714					39,714	5,678
Inventories	44,721		\$3,332	2,400		50,453	57,128
Total Current Assets	513,467	56,986	7,973	4,110	127,411	709,947	636,600
PROPERTY AND EQUIPMENT							
Water System	5,960,818					5,960,818	3,221,865
Construction In Progress	3,628					3,628	2,176,430
Sewer System and Plant		2,442,399				2,442,399	2,417,606
Water Rights	656,976					656,976	656,976
Land	120,000	67,444	11,000			198,444	198,444
Recreation Area Facilities			322,520			322,520	281,520
Ambulance Equipment					362,733	362,733	447,491
	6,741,422	2,509,843	333,520		362,733	9,947,518	9,400,332
Less - Accumulated Depreciation	1,273,442	835,693	191,605		184,389	2,485,129	2,306,332
Total Property and Equipment	5,467,980	1,674,150	141,915	NONE	178,344	7,462,389	7,094,000
OTHER ASSETS							
Bond Issue Costs - Net of Amortization of \$8,131	49,721					49,721	52,603
Special Assessment Rec. - Net of Allowance For Doubtful Accounts							2,302
Restricted Assets:							
Water Plant Reserve	29,300					29,300	573,753
Tabor Reserve							100,000
Water Rights Reserve	187,023					187,023	180,207
Sewer Line Maint. Reserve		61,358				61,358	60,867
Bond Reserve Funds	78,458		22,636			101,094	40,027
Special Green Fee Fund			9,681			9,681	15,809
Ambulance Equip. Reserve					59,765	59,765	59,015
Note Receivable - Frazier Farms - Net of Current Portion							46,032
Total Other Assets	344,502	61,358	32,317	NONE	59,765	497,942	1,130,615
Total Assets	\$6,325,949	\$1,792,494	\$182,205	\$4,110	\$365,520	\$8,670,278	\$8,861,215

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

	<u>WATER UTILITY FUND</u>	<u>SEWER UTILITY FUND</u>	<u>MUNICIPAL RECREATION AREA</u>	<u>AIRPORT FUEL FUND</u>	<u>AMBULANCE SERVICE FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	
						<u>2002</u>	<u>2001</u>
LIABILITIES & FUND EQUITY							
CURRENT LIABILITIES							
Accounts Payable	\$11,659	\$58,503	\$1,989	\$900	\$845	\$73,896	\$213,594
Due to Other Funds	126	59	74			259	
Contingent Construction	72,378					72,378	72,378
Deferred Water Rights	175,000					175,000	175,000
Cash Overdraft - Pooled Account							54,892
Accrued Bond Interest Payable	56,629					56,629	47,933
Current Portion of Long-Term Debt	<u>124,865</u>		<u>8,000</u>			<u>132,865</u>	<u>130,297</u>
Total Current Liabilities	<u>440,657</u>	<u>58,562</u>	<u>10,063</u>	<u>900</u>	<u>845</u>	<u>511,027</u>	<u>694,094</u>
LONG TERM LIABILITIES							
Deposit - State of Colo. For Sewer Line Maintenance		61,058				61,058	60,443
Long-Term Debt - Net of Current Portion	<u>2,511,748</u>		<u>99,000</u>			<u>2,610,748</u>	<u>2,744,614</u>
Total Long-Term Liabilities	<u>2,511,748</u>	<u>61,058</u>	<u>99,000</u>	<u>NONE</u>	<u>NONE</u>	<u>2,671,806</u>	<u>2,805,057</u>
Total Liabilities	<u>2,952,405</u>	<u>119,620</u>	<u>109,063</u>	<u>900</u>	<u>845</u>	<u>3,182,833</u>	<u>3,499,151</u>
FUND EQUITY							
Contributed Capital							
Limon Ambulance Service Customers and Developers	394,004	381,772			277,135	277,135	277,135
Intergovernmental	<u>560,900</u>	<u>1,322,760</u>				<u>1,883,660</u>	<u>1,883,660</u>
Total Contributed Capital	<u>954,904</u>	<u>1,704,532</u>	<u>NONE</u>	<u>NONE</u>	<u>277,135</u>	<u>2,936,571</u>	<u>2,929,551</u>
Retained Earnings							
Reserved	206,209		22,881		59,765	288,855	332,288
Unreserved	<u>2,212,431</u>	<u>(31,658)</u>	<u>50,261</u>	<u>3,210</u>	<u>27,775</u>	<u>2,262,019</u>	<u>2,100,225</u>
Total Retained Earnings	<u>2,418,640</u>	<u>(31,658)</u>	<u>73,142</u>	<u>3,210</u>	<u>87,540</u>	<u>2,550,874</u>	<u>2,432,513</u>
Total Fund Equity	<u>3,373,544</u>	<u>1,672,874</u>	<u>73,142</u>	<u>3,210</u>	<u>364,675</u>	<u>5,487,445</u>	<u>5,362,064</u>
Total Liabilities and Fund Equity	<u><u>\$6,325,949</u></u>	<u><u>\$1,792,494</u></u>	<u><u>\$182,205</u></u>	<u><u>\$4,110</u></u>	<u><u>\$365,520</u></u>	<u><u>\$8,670,278</u></u>	<u><u>\$8,861,215</u></u>

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

TOWN OF LIMON, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT E

	WATER UTILITY FUND	SEWER UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS (MEMORANDUM ONLY)	
						2002	2001
OPERATING REVENUES							
Sales	\$684,685	\$163,580	\$109,808	\$15,454	\$245,967	\$1,219,494	\$1,191,899
Less, Contract Adjustments and Bad Debts	182	880			114,121	115,183	85,392
Net Sales	684,503	162,700	109,808	15,454	131,846	1,104,311	1,106,507
Other Use Charges	17,420		5,935			23,355	20,546
Miscellaneous	1,349	47	486		7,042	8,924	4,569
Total Operating Revenues	703,272	162,747	116,229	15,454	138,888	1,136,590	1,131,622
OPERATING EXPENSES							
Fuel				12,301		12,301	15,921
Source of Water Supply	45,740					45,740	42,923
Water Pumping	26,328					26,328	22,838
Water Transmission and Distribution	52,514					52,514	70,484
Water Treatment	204,776					204,776	
Sewer Collection		74,147				74,147	65,067
Sewer Treatment		173,542				173,542	81,679
Salaries and Benefits			92,669		31,114	123,783	105,594
Cost of Resale Items			9,581			9,581	12,520
Other Expenses			37,811	1,833	66,481	106,125	96,086
Administration	34,116	25,942				60,058	62,625
Amortization	2,882					2,882	14,582
Depreciation	133,454	64,678	16,707		39,639	254,478	186,211
Total Operating Expenses	499,810	338,309	156,768	14,134	137,234	1,146,255	776,530
Income (Loss) From Operations	203,462	(175,562)	(40,539)	1,320	1,654	(9,665)	355,092
NON-OPERATING REVENUES (EXPENSES)							
Interest Revenue	40,347	94	613		2,815	43,869	88,508
Donations	1,732	15,000	6,000		1,185	23,917	4,483
Intergovernmental - Local	95,504				1,200	96,704	628,854
Intergovernmental - Federal	16,801					16,801	
Rent	25,000					25,000	
Interest Expense	(141,869)	(72)	(5,750)			(147,691)	(181,209)
Gain (Loss) On Sale of Fixed Assets					(16,086)	(16,086)	(1,356)
Total Non-Operating Revenues (Expenses)	37,515	15,022	863	NONE	(10,886)	42,514	539,280
Net Income Before Operating Transfers	240,977	(160,540)	(39,676)	1,320	(9,232)	32,849	894,372
OPERATING TRANSFERS							
(OUT)	(25,000)					(25,000)	
IN	2,125		108,387			110,512	17,604
Net Income (Loss)	218,102	(160,540)	68,711	1,320	(9,232)	118,361	911,976
Retained Earnings, 12-31-01	2,200,538	128,882	4,431	1,890	96,772	2,432,513	1,520,537
Retained Earnings, 12-31-02	\$2,418,640	(\$31,658)	\$73,142	\$3,210	\$87,540	\$2,550,874	\$2,432,513

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

TOWN OF LIMON, COLORADO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT F

	WATER UTILITY FUND	SEWER UTILITY FUND	MUNICIPAL RECREATION AREA
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Operating Income (Loss)	\$203,462	(\$175,562)	(\$40,539)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	133,454	64,678	16,707
Amortization	2,882		
(Increase) Decrease in Accounts Receivable	126,848	333	
(Increase) Decrease in Special Assessment Receivable		2,302	
(Increase) Decrease in Inventory	7,329		(630)
(Increase) Decrease in Restricted Assets	152,412	9,458	5,783
(Increase) Decrease in Accrued Interest Receivable	2,232		
(Increase) Decrease in Prepaid Interest	(34,036)		
Increase (Decrease) in Deferred Bond Interest			
Increase (Decrease) in Accounts Payable	(180,868)	41,148	(292)
Increase (Decrease) in Due to Other Funds	126	59	74
Increase (Decrease) in Deferred Water Rights			
Increase (Decrease) in Accrued Interest Payable	8,780	(84)	
Net Cash Provided By Operating Activities	422,621	(57,668)	(18,897)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Donations	1,732		6,000
Intergovernmental - Local			
Transfer From (To) Other Fund	2,125		108,387
Net Cash Provided (Used) By Non-Capital Financing Activities	3,857		114,387
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:			
State of Colorado - Sewer Line Maintenance		6,378	
Tap Fees & Developer Improvements	3,960	3,060	
Note - Frazier Farms	88,916		
Intergovernmental - Local	95,504		
Sewer Line Maintenance Paid From Colo. Reserve Account		(5,763)	
Refunding Loan Proceeds			
Loan Proceeds From (To) Restricted Accounts	414,553		
Sale of Assets			
Purchase of Assets	(568,738)	(9,793)	(41,000)
Interest Paid	(125,068)	(72)	(5,750)
Debt Issuance Costs			
Debt Principal Payments	(118,298)	(5,000)	(8,000)
Net Cash Provided (Used) By Capital and Financing Activities	(209,171)	(11,190)	(54,750)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	40,347	94	613
Net Cash Provided (Used) By Investing Activities	40,347	94	613
Net Increase (Decrease) in Cash and Cash Equivalents	257,654	(68,764)	41,353
CASH AND CASH EQUIVALENTS			
December 31, 2001	(17,265)	113,604	(36,712)
December 31, 2002	\$240,389	\$44,840	\$4,641

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

AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS (MEMORANDUM ONLY)	
		2002	2001
\$1,320	\$1,654	(\$9,665)	\$355,092
	39,639	254,478	186,211
		2,882	14,582
87	(2,466)	124,802	(84,565)
		2,302	4,925
(24)		6,675	1,282
	(750)	166,903	(60,601)
	66	2,298	27,555
		(34,036)	
			19,590
200	114	(139,698)	123,735
		259	
			175,000
		8,696	(13,938)
<u>1,583</u>	<u>38,257</u>	<u>385,896</u>	<u>748,868</u>
	1,185	8,917	4,483
	1,200	1,200	1,000
		110,512	17,604
	<u>2,385</u>	<u>120,629</u>	<u>23,087</u>
		6,378	7,628
		7,020	264,792
		88,916	83,560
		95,504	479,945
		(5,763)	(4,708)
			660,000
		414,553	1,005,446
			1,375
	(4,421)	(623,952)	(2,480,894)
		(130,890)	(181,209)
			(19,900)
		(131,298)	(869,280)
	<u>(4,421)</u>	<u>(279,532)</u>	<u>(1,053,245)</u>
	2,815	43,869	88,508
	2,815	43,869	88,508
1,583	39,036	270,862	(192,782)
(915)	61,001	119,713	312,495
<u>\$668</u>	<u>\$100,037</u>	<u>\$390,575</u>	<u>\$119,713</u>

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

TOWN OF LIMON
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT G

	WATER UTILITY FUND			SEWER UTILITY FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)
REVENUES:						
Sales	\$ 692,600	\$ 684,503	\$ (8,097)	\$ 172,640	\$ 162,700	\$ (9,940)
Other user charges	15,000	17,420	2,420			
Collection on Frazier Farm Note	96,050	88,916	(7,134)			
Interest	19,228	40,347	21,119	2,200	94	(2,106)
Development Water Rights	15,300		(15,300)			
Special assessments received				4,100	2,234	(1,866)
DOC maintenance				5,400	6,378	978
DOC maintenance expenses from restricted account				5,000	5,763	763
Tap fees	3,000	3,960	960	6,000	3,060	(2,940)
Transfers from other funds		2,125	2,125			
Donations		1,732	1,732		15,000	15,000
Intergovernmental-Local	1,650	95,504	93,854			
Intergovernmental-Federal		16,801	16,801			
Rent		25,000	25,000			
Miscellaneous	1,000	1,349	349		47	47
Total revenues	843,828	977,657	133,829	195,340	195,276	(64)
EXPENDITURES:						
Operating expenses (other than depreciation and amortization)	255,405	363,474	(108,069)	189,887	273,631	(83,744)
Transfers to Other Funds		25,000	(25,000)			
Debt service	248,578	243,366	5,212	5,225	5,072	153
Capital expenditures	538,185	568,738	(30,553)	18,050	24,793	(6,743)
DOC maintenance revenue to restricted account				5,400	6,378	(978)
System maintenance paid from Colorado reserve account				5,000	5,763	(763)
Supplemental appropriation	227,832		227,832	51,438		51,438
Total expenditures	1,270,000	1,200,578	69,422	275,000	315,637	(40,637)
Excess (deficiency) of revenues over expenditures	\$ (426,172)	(222,921)	\$ 203,251	\$ (79,660)	(120,361)	\$ (40,701)
RECONCILIATION TO GAAP BASIS						
Add budgetary items shown as Expenditures:						
Principal portion of debt service		118,298			5,000	
Capital expenditures		568,738			24,793	
Less budgetary items shown as Revenue:						
Principal portion of:						
Special assessment receivable					(2,234)	
Note receivable		(88,916)				
Tap fees		(3,960)			(3,060)	
Deletion of assets						
Less depreciation and amortization		(136,336)			(64,678)	
Net income (loss) GAAP		\$ 234,903			\$ (160,540)	

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

<u>MUNICIPAL RECREATION AREA</u>			<u>AIRPORT FUEL FUND</u>			<u>AMBULANCE SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR-ABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR-ABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVOR-ABLE)</u>
\$ 134,925	\$109,808	\$ (25,117)	\$ 16,000	\$15,454	\$ (546)	\$ 123,000	\$ 131,846	\$ 8,846
7,810	5,935	(1,875)						
600	613	13				5,600	2,815	(2,785)
14,500	108,387	93,887						
	6,000	6,000				2,700	1,185	(1,515)
						5,000	1,200	(3,800)
<u>16,000</u>	<u>486</u>	<u>(15,514)</u>				<u>4,600</u>	<u>7,042</u>	<u>2,442</u>
<u>173,835</u>	<u>231,229</u>	<u>57,394</u>	<u>16,000</u>	<u>15,454</u>	<u>(546)</u>	<u>140,900</u>	<u>144,088</u>	<u>3,188</u>
144,075	140,061	4,014	15,000	14,134	866	97,906	97,595	311
			1,000		1,000			
13,750	13,750	-						
16,000	41,000	(25,000)					4,421	(4,421)
<u>26,175</u>		<u>26,175</u>	<u>1,890</u>		<u>1,890</u>	<u>27,094</u>		<u>27,094</u>
<u>200,000</u>	<u>194,811</u>	<u>5,189</u>	<u>17,890</u>	<u>14,134</u>	<u>3,756</u>	<u>125,000</u>	<u>102,016</u>	<u>22,984</u>
<u>\$ (26,165)</u>	36,418	<u>\$ 62,583</u>	<u>\$ (1,890)</u>	1,320	<u>\$ 3,210</u>	<u>\$ 15,900</u>	42,072	<u>\$ 26,172</u>
	8,000							
	41,000						4,421	
							(16,086)	
	(16,707)						(39,639)	
	<u>\$ 68,711</u>			<u>\$ 1,320</u>			<u>\$ (9,232)</u>	

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

**TOWN OF LIMON, COLORADO
COMBINING BALANCE SHEET
FIDUCIARY FUND TYPES
DECEMBER 31, 2002**

STATEMENT H

	EMPLOYEE'S PENSION TRUST	VOLUNTEER FIREMEN'S PENSION TRUST	TOTALS (MEMORANDUM ONLY)	
			<u>2002</u>	<u>2001</u>
ASSETS:				
Cash	\$6,707		\$6,707	\$14,927
Property Tax Receivable		\$7,698	7,698	7,503
Due From Other Funds	1,338		1,338	
Investments	<u>661,236</u>	<u>250,049</u>	<u>911,285</u>	<u>1,088,236</u>
TOTAL ASSETS	669,281	257,747	927,028	1,110,666
 LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Deferred Property Tax Revenue		<u>7,698</u>	<u>7,698</u>	<u>7,503</u>
TOTAL LIABILITIES	<u>NONE</u>	<u>7,698</u>	<u>7,698</u>	<u>7,503</u>
FUND BALANCE RESERVED FOR PENSION BENEFITS	<u>\$ 669,281</u>	<u>\$ 250,049</u>	<u>\$ 919,330</u>	<u>\$ 1,103,163</u>

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

TOWN OF LIMON, COLORADO
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT I

	<u>EMPLOYEE'S PENSION</u>		<u>FIREMEN'S PENSION</u>	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Employee Contribution	\$34,198	\$38,460		
Interest Income		176		\$4,706
Investment Income (Loss), Net of Expenses		(58,427)		(28,335)
Property Taxes			7,503	7,503
Intergovernmental			4,900	6,753
Total Revenues	<u>34,198</u>	<u>(19,791)</u>	<u>12,403</u>	<u>(9,373)</u>
EXPENDITURES:				
Benefit Payments	25,000	118,858	17,000	27,892
Administrative Expenses	2,000	5,525	2,300	2,394
Supplemental Appropriation	98,000		12,700	
Total Expenditures	<u>125,000</u>	<u>124,383</u>	<u>32,000</u>	<u>30,286</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,802)	(144,174)	(19,597)	(39,659)
FUND BALANCE RESERVED FOR PENSION BENEFITS:				
DECEMBER 31, 2001	<u>831,772</u>	<u>813,455</u>	<u>266,726</u>	<u>289,708</u>
DECEMBER 31, 2002	<u>\$740,970</u>	<u>\$669,281</u>	<u>\$247,129</u>	<u>\$250,049</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 2002
This Information From The Records Of (example - City of _ or County of Town of Limon	Prepared By: Phone:	Joe Kiely (2,402)

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)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	549,848
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	18,339
2. General fund appropriations	135,116	b. Snow and ice removal	7,798
3. Other local imposts (from page 2)	484,670	c. Other	33,448
4. Miscellaneous local receipts (from page 2)	79,849	d. Total (a. through c.)	59,585
5. Transfers from toll facilities	0	4. General administration & miscellaneous	20,035
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	149,161
a. Bonds - Original Issues	0	6. Total (1 through 5)	778,629
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	699,635	b. Redemption	0
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	78,994	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	778,629	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	778,629

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
0	778,629	778,629	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2002

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assesments	75,030	a. Interest on investments	0
b. Other local imposts:		b. Other Franchise Fees	79,849
1. Sales Taxes	253,779	c. Transfers	0
2. Traffic Fines	14,045	d. Capital Credits	0
3. Specific Ownership Tax	51,780	e. Sale of Assets	0
		f. Fees/Licenses/Permits	0
5. From Cities/Counties	90,036	g. Service Performed	0
6. Total (1. through 5.)	409,640	h. Refunds of Expenditures	0
c. Total (a. + b.)	484,670	i. Total (a. through h.)	79,849
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	70,797	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registration	8,197	d. Mineral Leasing	0
d. (Specify)		e. Pay Lieu of Tax	0
e. (Specify)		f. Other Federal	0
f. Total (a. through e.)	8,197	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	78,994	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	0	0
c. Construction:			
(1). Capacity Improvements	0	0	0
(2). System Preservation	0	0	0
(3). Safety And Other	0	0	0
(4). Total Construction (1)+(2)+(3)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	0	0	0
			(Carry forward to page 1)

Notes and Comments:

TOWN OF LIMON, COLORADO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

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>	Federal CFDA Number	Amount Provided
Head Start Program	93.600	<u>\$564,525</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 is not included in the financial statements:

Environmental Protection Agency Pass-through program from: Colorado Water Resource Authority: Capitalization Grant for Drinking Water State Revolving Fund	<u>\$127,552</u>
--	------------------

TOWN OF LIMON, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2002

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING 2001 C(1): Head Start

Condition: The sub-recipient's outlay of \$99,741, or 16.27% match, was less than the amount required by the grant of 20% or \$122,618.

Auditor Recommendation: Recipient needs to increase its efforts to obtain more locally supported activities to increase its funding to the 20% level required by the grant.

Current Status: Sub-recipient applied for a waiver of the 20% rule to 15% for 2001 and the waiver was granted. For 2002, the recipient met the 20% local support required.

Gary L. Woodward

Certified Public Accountant
Bank Building/P.O. Box 405
Eads, Colorado 81036
woodward@ria.net

(719)438-5445
F ax (719)438-2264

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Town of Limon as of and for the year ended December 31, 2002, and have issued my report thereon dated May 22, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

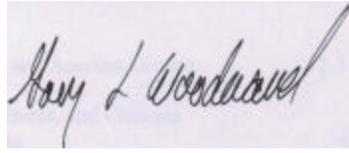
As part of obtaining reasonable assurance about whether Town of Limon's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on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

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 assurance 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 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 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.

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.

Eads, Colorado
May 22, 2003

A handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and reads "Gary L. Woodhouse".

Gary L. Woodward

Certified Public Accountant
Bank Building/P.O. Box 405
Eads, Colorado 81036
woodward@ria.net

(719)438-5445
F ax (719)438-2264

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 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, 2002. 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 generally accepted auditing standards; 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.

In my opinion, Town of Limon 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, 2002. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB circular A-133.

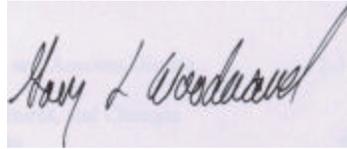
Internal Control Over Compliance

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 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.

A handwritten signature in black ink, reading "Amy L. Woodhouse". The signature is written in a cursive style and is centered on a light-colored rectangular background.

Eads, Colorado
May 22, 2003

TOWN OF LIMON, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2002

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 93.6000
- 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