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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Limon, Colorado as of and for the year ended December 31, 2004, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Limon, Colorado as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

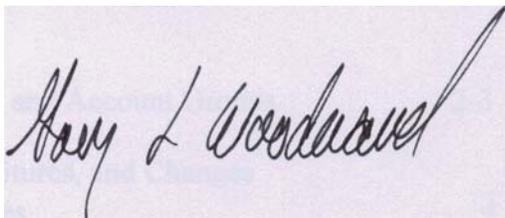
As described in Note C, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis -for State and Local Governments*, as of December 31, 2004.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 17, 2005, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

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

A handwritten signature in black ink, reading "Gary L. Woodruff". The signature is written in a cursive style with a long, sweeping flourish at the end.

Eads, Colorado
May 17, 2005

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Table of Contents	3-5
Management's Discussion and Analysis	6-15
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19-20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21-22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Funds	24-25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Assets – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	28
Notes to Financial Statements	29-52
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	53
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Head Start Fund	54

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2004

TABLE OF CONTENTS - CONTINUED

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	56
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Conservation Trust Fund	57
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Cemetery Perpetual Care Fund	58
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Rural Development Fund	59
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Utility Fund	61
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Recreation Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Airport Fuel Fund	63
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Ambulance Service Fund	64
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Employee Pension Fund	65
Schedule of Revenue and Expenditures and Changes in Fund Balances - Budget and Actual – Fireman Pension Fund	66
Miscellaneous Section:	
Local Highway Finance Report	67-68

TOWN OF LIMON, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2004

TABLE OF CONTENTS - CONTINUED

Single Audit:

Schedule of Expenditures of Federal Awards	69
Notes To Schedule of Expenditures of Federal Awards	70
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>	71-72
Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance In Accordance with OMB Circular A-133	73-74
Schedule of Findings and Questioned Costs	75

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

For the December 31, 2004 financial statements, the Town is in the first year of reporting a major new reporting format in compliance with the Governmental Accounting Standards Board Statement Number 34 also known as GASB34.

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

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

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

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by \$911,564 or 10.23% during the year. The governmental net assets increased by \$506,688, or 15.36%, and the business-type net assets increased by \$404,876, or 7.21%.
- The governmental activities revenue changed from \$2,561,255 in 2003 to \$3,145,826 in 2004 an increase of \$584,571 or 22.8%.
- The governmental activities expenditures changed from \$2,392,168 in 2003 to \$2,639,138 in 2004 an increase of \$246,970 or 10.3%.
- The business-type activities revenue changed from \$1,368,988 in 2003 to \$1,636,501 in 2004 an increase of \$267,513 or 19.5%.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

- The business-type activities expenditures changed from \$1,254,065 in 2003 to \$1,231,625 in 2004 a decrease of \$22,440 or (1.8%).
- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports a decrease of \$14,753 or (2.67%) in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

and capital, long and short-term are provided and all revenues and expenses are included regardless of when cash is received or paid.

3. **Fiduciary Funds** include the Fireman's Pension Fund and the Employee's Pension Fund. The Town is responsible for the assets in these funds and for reporting. The above funds are reported in separate statements of Fiduciary Net Assets and Change in Fiduciary Net Assets. They have been excluded from the Town's government-wide financial statements because the Town cannot use these funds to service its operations.

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

Required Supplementary Information includes individual fund statements and budget schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

FUND FINANCIAL STATEMENTS

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

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

The Town has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The Town did not restate its December 31, 2003 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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

	Governmental Activities <u>Dec. 31, 2004</u>	Business-Type Activities <u>Dec. 31, 2004</u>	<u>Total</u>
Current assets	\$1,031,915	\$642,625	\$1,674,540
Restricted Assets	255,833	1,908,124	2,163,957
Other Non-current Assets	128,245	421,303	549,548
Capital assets-net	<u>3,653,840</u>	<u>8,096,384</u>	<u>11,750,224</u>
Total assets	<u>5,069,833</u>	<u>11,068,436</u>	<u>16,138,269</u>
Current Liabilities	740,271	461,201	1,201,472
Non-current Liabilities	<u>523,620</u>	<u>4,590,284</u>	<u>5,113,904</u>
Total liabilities	<u>1,263,891</u>	<u>5,051,485</u>	<u>6,315,376</u>
Net assets	<u>\$ 3,805,942</u>	<u>\$6,016,951</u>	<u>\$ 9,822,893</u>
Net assets consist of:			
Invested in capital assets	3,082,001	4,867,275	7,949,276
Restricted net assets	120,336	109,468	229,804
Unrestricted net assets	<u>603,605</u>	<u>1,040,208</u>	<u>1,643,813</u>
Net assets	<u>\$ 3,805,942</u>	<u>\$6,016,951</u>	<u>\$ 9,822,893</u>

The fund balance of the Town's governmental funds as of December 31, 2004 was \$3,805,942 of which \$603,605 was unrestricted and is available for spending at the government's discretion. The remainder is invested in capital assets, net of related debt (\$3,082,001), reserved for Emergency Reserve (\$82,563), Bond Reserve (\$6,080) and Federal Forfeiture Reserve (\$31,693).

The General Fund is the main operating fund of the Town. As of December 31, 2004, the General Fund balance was \$530,424 of which \$243,906 was unreserved. Unreserved fund balance represents 12.37% of 2004 General Fund expenditures.

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

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

	Governmental Activities Dec. 31, 2004	Business-Type Activities Dec. 31, 2004	Total
Program revenues:			
Operating Grants and Contributions	\$997,615	\$29,793	\$1,027,408
Capital Grants and Contributions	399,431	339,314	738,745
Charges for services	459,283	1,177,263	1,636,546
Total Program Revenue	<u>1,856,329</u>	<u>1,546,370</u>	<u>3,402,699</u>
General Revenues:			
Taxes	1,258,142		1,258,142
Investment earnings	9,036	38,577	47,613
Other	22,319		22,319
Total General Revenue	<u>1,289,497</u>	<u>38,577</u>	<u>1,328,074</u>
Total Revenue	<u>\$3,145,826</u>	<u>\$1,584,947</u>	<u>\$4,730,773</u>
Expenses			
General government	443,341		443,341
Airport	36,070		36,070
Public safety	539,155		539,155
Highways and streets	56,011		56,011
Public Works - Sanitation	391,557		391,557
Public Health - Cemetery	39,097		39,097
Culture and recreation	234,327		234,327
Head Start Program	609,833		609,833
Rural Development	215,312		215,312
Water		386,334	386,334
Water Treatment Plant		234,208	234,208
Sewer		236,986	236,986
Municipal Recreation Area		147,920	147,920
Airport Fuel Fund		18,234	18,234
Ambulance Service Fund		203,643	203,643
Interest and fiscal charges	22,881		22,881
Total expenses	<u>2,587,584</u>	<u>1,227,325</u>	<u>3,814,909</u>
Change in net assets before transfers and special items	558,242	357,622	915,864
Transfers	(51,554)	51,554	
Gain(loss) on sale of assets		(4,300)	(4,300)
Change in net assets	<u>506,688</u>	<u>404,876</u>	<u>911,564</u>
Beginning net assets, Restated	<u>3,299,254</u>	<u>5,612,075</u>	<u>8,911,329</u>
Ending net assets	<u>\$3,805,942</u>	<u>\$6,016,951</u>	<u>\$9,822,893</u>

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Governmental Activities revenues in the amount of \$3,145,826 were greater than expenses and transfers of \$2,639,138 by \$506,688 primarily due to grants received and used to purchase fixed assets. Business-type activities revenues and transfers in the amount of \$1,636,501 were greater than expenses and disposal of assets of \$1,231,625 by \$404,876 mostly due to grants received and used to purchase fixed assets.

BUDGETARY HIGHLIGHTS

The budget was amended on December 28, 2004 to include the following increases for expenditures not anticipated at the time of adoption of the original budget on December 4, 2003. The additional expenditures were funded by unanticipated revenue and/or the prior year's fund balance. Funds with appropriation increases:

<u>Fund</u>	<u>Original Budget</u>	<u>New Budget</u>	<u>Increase</u>
General Fund	1,668,470	2,115,470	447,000
Utility Fund	1,071,333	2,200,000	1,128,667
Ambulance Service Fund	164,770	400,000	235,230
Airport Fuel Fund	15,900	17,500	1,600
Conservation Trust Fund	8,400	11,500	3,100
Cemetery Perpetual Fund	21,925	35,000	13,075
Head Start Fund	584,948	614,079	29,131
Firemen's Pension Fund	19,300	30,000	10,700

- Changes in the General Fund Budget are attributable to the creation of Limon Special Improvement District No. 1, purchase of the Monks Gravel Pit, the contract with Ports-to-Plains Trade Corridor Coalition for Services, and Fire/EMS Grants.
- Changes in the Utility Fund Budget are attributable to projects associated with the 2004 Water Revenue Bonds including refinancing of Water Storage Tank Bonds and the purchase of Dickens Ranch Water Rights.
- Changes in the Ambulance Service Budget were attributable to the purchase of buildings for use by the Ambulance Service.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2004, Limon investment in capital assets for its governmental and business type activities net of accumulated depreciation was \$11,750,224. This included infrastructure assets acquired since January 1, 2004. Capital assets including land, buildings, streets, utility systems and equipment are as follows:

	Governmental Activities Dec. 31, 2004	Business-Type Activities Dec. 31, 2004	Total
Land	\$ 1,339,838	\$ 243,476	\$ 1,583,314
Buildings and Water & Sewer Systems	2,270,681	8,480,627	10,751,308
Construction In Progress		349,546	349,546
Equipment	1,551,516	1,008,859	2,560,375
Other Capital Assets		1,048,995	1,048,995
Infrastructure	495,291		495,291
Total	<u>\$ 5,657,326</u>	<u>\$11,131,503</u>	<u>\$16,788,829</u>
Accumulated Depreciation	<u>(2,003,486)</u>	<u>(3,035,119)</u>	<u>(5,038,605)</u>
Capital Assets, Net	<u><u>\$ 3,653,840</u></u>	<u><u>\$ 8,096,384</u></u>	<u><u>\$11,750,224</u></u>

This year's major capital asset additions included:

- Improvements to the airport, specifically runway improvements in the amount of \$362,998
- Purchase of a Gravel Pit in the amount of \$90,140
- Special Improvement District No. 1, including asphalt streets and concrete sidewalk, curb & gutter in the amount of \$97,650
- Improvements to Cemetery, specifically asphalt paving in the amount of \$34,643
- Purchase of Facilities for Limon Ambulance Service in the amount of \$225,161
- Purchase of Water Rights from the Dickens Ranch in the amount of \$367,848
- Water well, storage, and distribution projects of \$309,159

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Long-term Debt

As of December 31, 2004 the Town had \$5,353,971 in outstanding debt.

	Governmental Activities Dec. 31, 2004	Business-Type Activities Dec. 31, 2004	Total
Revenue Bonds	\$ 375,000		\$ 375,000
Special Assessment Bond	100,000		100,000
Capital Leases	96,839		96,839
Bonds Payable:			
2004 Water Revenue		2,220,000	2,220,000
2001 Water G.O.		555,000	555,000
2000 Water Revenue		1,213,313	1,213,313
1974 Mun. Rec. Area		91,000	91,000
Loans Payable:			
Colorado Water			
Conservation Board		407,508	407,508
Colorado Severance			
Tax Fund		9,175	9,175
Capital Lease		240,661	240,661
Colorado Maintenance			
Fee		45,475	45,475
	<u>\$ 571,839</u>	<u>\$ 4,782,132</u>	<u>\$ 5,353,971</u>

- Taxable Water Revenue Improvement Bonds, Series 2004A in the amount of \$360,000 and Water Revenue Refunding and Improvement Bonds, Series 2004B in the amount of \$1,920,000 were issued during 2004. This bonding includes the purchase of Dickens Ranch Water Rights, Main Street Water Distribution Line, 1.0 million Gallon Water Storage Tank and Mock Well Field Water Transmission Line.
- Certificates of Participation, Series 2004 in the amount of \$337,000 for the purchase of gravel pit and facilities for the Limon Ambulance Service were issued during 2004.

TOWN OF LIMON, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

- Special Assessment Bonds in the amount of \$100,000 were issued which provide for payment of the Bond from Special Assessments imposed on property within Limon Special Improvement District No. 2004-1.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax revenues budgeted for 2005 is \$795,000 that is \$19,313 more than 2004 actual.
- The property tax revenue budgeted for 2005 is \$336,975 that is \$8,743 more than 2004 actual.
- Governmental funds revenues were budgeted at \$3,015,118, which is a decrease of (7.45%) from the 2004 actual revenues. Governmental revenue and expenditures included direct pass-through grants to other entities. The 2005 budgeted direct pass-through amounts for 2005 are \$944,948, which is an increase of \$25,115 over the 2004 actual amounts of \$919,833. The 2005 budgeted expenditures for governmental activities are projected to be \$3,030,424, which is a (8.1%) decrease from the 2004 actual.
- Proprietary funds revenues were budgeted at \$1,807,198, which is a decrease of (60%) from the 2004 actual revenues. This was mainly due to bond proceeds received in 2004 not budgeted in 2005. Improvements of \$1,669,130 are budgeted for water system improvements. Budgeted expenditures of \$2,980,394 represent an increase over 2004 actual of 9.9%.

REQUESTS FOR INFORMATION

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

TOWN OF LIMON, COLORADO
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
Current Assets:			
Cash and Cash Equivalents	\$ 215,022	\$ 443,638	\$ 658,660
Investments	8,851		8,851
Current Portion Note Receivable		10,168	10,168
Accounts Receivable	82,043	182,519	264,562
Allowance for Doubtful Accounts	(923)	(56,422)	(57,345)
Intergovernmental Receivable	364,146	10,006	374,152
Special Assessment Receivable, Current Portion	1,331		1,331
Property Taxes Receivable	329,376		329,376
Internal Balances	1,384	(1,384)	-
Prepaid Expenses		4,339	4,339
Inventory	30,685	49,761	80,446
Total Current Assets	<u>1,031,915</u>	<u>642,625</u>	<u>1,674,540</u>
Restricted Assets:			
Emergency Reserve	82,563		82,563
Federal Forfeiture	31,693		31,693
Bond & Emergency Reserve	6,080	171,874	177,954
Water Plant Reserve		31,268	31,268
Water Revenue Bonds		1,507,548	1,507,548
Sewer Line Maint. Reserve		45,755	45,755
Special Green Fee Fund		14,654	14,654
Equipment Reserve	135,497	137,025	272,522
Total Restricted Assets	<u>255,833</u>	<u>1,908,124</u>	<u>2,163,957</u>
Non-Current Assets:			
Special Assessment Receivable	98,909		98,909
Notes Receivable, Net of Current Portion		314,325	314,325
Bond Issue Costs	37,799	132,092	169,891
Accumulated Amortization	(8,463)	(25,114)	(33,577)
Capital Assets			
Land	1,339,838	243,476	1,583,314
Buildings and water and sewer systems	2,270,681	8,480,627	10,751,308
Construction in Progress		349,546	349,546
Equipment	1,551,516	1,008,859	2,560,375
Infrastructure	495,291		495,291
Other capital assets		1,048,995	1,048,995
Accumulation Depreciation	(2,003,486)	(3,035,119)	(5,038,605)
Total Non-Current Assets	<u>3,782,085</u>	<u>8,517,687</u>	<u>12,299,772</u>
TOTAL ASSETS	<u>5,069,833</u>	<u>11,068,436</u>	<u>16,138,269</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long Term Debt	48,219	191,848	240,067
Accounts Payable	319,511	111,222	430,733
Accrued Interest Payable		65,018	65,018
Contingent Construction		72,378	72,378
Compensated Absences	5,472	1,928	7,400
Deferred Revenue - Grants	37,693	18,807	56,500
Deferred Revenue - Property Taxes	329,376		329,376
Total Current Liabilities	<u>740,271</u>	<u>461,201</u>	<u>1,201,472</u>
Non-Current Liabilities:			
Long Term Debt	523,620	4,590,284	5,113,904
Total Non-Current Liabilities	<u>523,620</u>	<u>4,590,284</u>	<u>5,113,904</u>
TOTAL LIABILITIES	<u>1,263,891</u>	<u>5,051,485</u>	<u>6,315,376</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,082,001	4,867,275	7,949,276
Restricted for:			
Emergency Reserve	82,563	65,000	147,563
Bond Reserve	6,080	44,468	50,548
Federal Forfeiture	31,693		31,693
Unrestricted:	603,605	1,040,208	1,643,813
TOTAL NET ASSETS	<u>\$ 3,805,942</u>	<u>\$ 6,016,951</u>	<u>\$ 9,822,893</u>

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

TOWN OF LIMON, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>FUNCTIONS / PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 443,341	\$ 84,841	\$ 2,376	\$ 5,068
Airport	36,070	4,063		374,258
Public Works -Streets	539,155	114,385	141,818	
Public Works - Sanitation	56,011	188,715		
Public Safety - Police and Fire	391,557	973	1,320	20,105
Public Health - Cemetery	39,097	4,750		
Culture and recreation	234,327	61,556	26,956	
Head Start Program	609,833		609,833	
Rural Development	215,312		215,312	
Interest on Long Term Debt	22,881			
Total Governmental Activities	<u>2,587,584</u>	<u>459,283</u>	<u>997,615</u>	<u>399,431</u>
Business-Type Activities:				
Water	386,334	504,949		314,996
Water Treatment Plant	234,208	229,672	20,921	
Sewer	236,986	162,143		24,318
Municipal Recreation Area	147,920	83,134	1,891	
Airport Fuel Fund	18,234	17,862		
Ambulance Service Fund	203,643	179,503	6,981	
Total Business-Type Activities	<u>1,227,325</u>	<u>1,177,263</u>	<u>29,793</u>	<u>339,314</u>
Total Primary Government	<u>\$ 3,814,909</u>	<u>\$ 1,636,546</u>	<u>\$ 1,027,408</u>	<u>\$ 738,745</u>

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

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

GOVERNMENTAL	BUSINESS-TYPE	
ACTIVITIES	ACTIVITIES	TOTAL
\$ (351,056)		\$ (351,056)
342,251		342,251
(282,952)		(282,952)
132,704		132,704
(369,159)		(369,159)
(34,347)		(34,347)
(145,815)		(145,815)
-		-
-		-
(22,881)		(22,881)
<u>(731,255)</u>	<u>-</u>	<u>(731,255)</u>
	433,611	433,611
	16,385	16,385
	(50,525)	(50,525)
	(62,895)	(62,895)
	(372)	(372)
	(17,159)	(17,159)
<u>-</u>	<u>319,045</u>	<u>319,045</u>
<u>\$ (731,255)</u>	<u>\$ 319,045</u>	<u>\$ (412,210)</u>
\$ 320,710		\$ 320,710
84,978		84,978
775,687		775,687
56,710		56,710
12,350		12,350
7,707		7,707
9,036	\$ 38,577	47,613
	(4,300)	(4,300)
(51,554)	51,554	-
22,319		22,319
<u>1,237,943</u>	<u>85,831</u>	<u>1,323,774</u>
506,688	404,876	911,564
3,299,254	5,612,075	8,911,329
<u>\$ 3,805,942</u>	<u>\$ 6,016,951</u>	<u>\$ 9,822,893</u>

**TOWN OF LIMON, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS	GENERAL	HEAD START FUND	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
Cash	\$ 137,780		\$ 7,183	\$ 70,059	\$ 215,022
Investments	8,851				8,851
Accounts Receivable	56,969	\$ 25,074			82,043
Allowance for Doubtful Accounts	(923)				(923)
Intergovernmental Receivable	67,719	65,563	230,864		364,146
Special Assessment Receivable	100,240				100,240
Property Tax Receivable	329,376				329,376
Due From Other Funds	92,021				92,021
Inventories	30,685				30,685
Restricted Cash					
Equipment Reserve	135,497				135,497
Emergency Reserve	82,563				82,563
Federal Forfeiture	31,693				31,693
Bond Reserve	6,080				6,080
Total Assets	\$ 1,078,551	\$ 90,637	\$ 238,047	\$ 70,059	\$ 1,477,294
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 73,296		\$ 232,693		\$ 305,989
Due To Other Funds	13,522	\$ 90,637			104,159
Deferred Revenues Grants	31,693			\$ 6,000	37,693
Deferred Revenue Special Assessment	100,240				100,240
Deferred Revenues Taxes	329,376				329,376
Total Liabilities	548,127	90,637	232,693	6,000	877,457
 FUND BALANCES					
Reserved for:					
Encumbrance			5,354		5,354
Inventories	30,685				30,685
Equipment Replacement	135,497				135,497
Emergency Reserve	82,563				82,563
Bond Reserve	6,080				6,080
Federal Forfeiture	31,693				31,693
Unreserved-Designated for Subsequent Year Budget, reported in:					
General Fund	4,405				4,405
Special Revenue Funds				12,650	12,650
Unreserved-Undesignated, reported in:					
General Fund	239,501				239,501
Special Revenue Funds				51,409	51,409
Total Fund Balances	530,424	-	5,354	64,059	599,837
Total Liabilities and Fund Balances	\$ 1,078,551	\$ 90,637	\$ 238,047	\$ 70,059	\$ 1,477,294

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

TOWN OF LIMON, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Total Fund Balances - Total Governmental Funds	\$	599,837
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. Capital assets of \$5,657,326 net of accumulated depreciation of \$2,003,486 were adjusted as follows:		3,653,840
Long term liabilities are not due and payable in the current period and therefore are not reported in governmental funds. Long term debt was adjusted as follows:		
Revenue Bonds		(375,000)
Special Assessment Bonds		(100,000)
Capital Lease		(96,839)
Compensated Absences		(5,472)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds and recognized as revenue in the statement of activities.		100,240
Bond issue costs to be amortized over the life of the debt.		37,799
Accumulated amortization on bond issue costs.		(8,463)
Net Assets of Governmental Activities	<u>\$</u>	<u>3,805,942</u>

**TOWN OF LIMON, COLORADO
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>GENERAL</u>	<u>HEAD START FUND</u>	<u>CAPITAL PROJECTS</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES:					
Taxes	\$ 1,258,142				\$ 1,258,142
Fines, Licenses and Permits	38,511				38,511
Intergovernmental:					
Local	161,923		\$ 10,046	\$ 234,490	406,459
Federal	2,596	\$ 609,833	364,212		976,641
Charges for Services	319,132			1,400	320,532
Interest	8,119			917	9,036
Donated	13,946				13,946
Miscellaneous	22,319				22,319
TOTAL REVENUES	<u>1,824,688</u>	<u>609,833</u>	<u>374,258</u>	<u>236,807</u>	<u>3,045,586</u>
EXPENDITURES:					
Current:					
Administration	414,364				414,364
Airport	7,260		25,350		32,610
Public Works - Streets	504,987				504,987
Public Works - Sanitation	154,200				154,200
Public Safety - Police & Fire	360,949				360,949
Public Health - Cemetery	38,395				38,395
Culture & Recreation	206,780			3,300	210,080
Head Start Program		609,833			609,833
Rural Development				215,312	215,312
Capital Outlay	218,463		362,998	34,643	616,104
Debt Service:					
Principal - Lease Purchases	3,473				3,473
Principal - Bonded Debt	40,000				40,000
Interest	22,881				22,881
TOTAL EXPENDITURES	<u>1,971,752</u>	<u>609,833</u>	<u>388,348</u>	<u>253,255</u>	<u>3,223,188</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(147,064)	-	(14,090)	(16,448)	(177,602)
OTHER FINANCING SOURCES (USES)					
Proceeds Sale of Bonds	100,000				100,000
Proceeds From Long Term Note	96,339				96,339
Operating Transfers In	2,500		13,346		15,846
Operating Transfer (Out)	(66,528)			(872)	(67,400)
NET CHANGE IN FUND BALANCE	(14,753)	-	(744)	(17,320)	(32,817)
FUND BALANCES, BEGINNING	<u>545,177</u>		<u>6,098</u>	<u>81,379</u>	<u>632,654</u>
FUND BALANCES, ENDING	<u>\$ 530,424</u>	<u>\$ -</u>	<u>\$ 5,354</u>	<u>\$ 64,059</u>	<u>\$ 599,837</u>

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

TOWN OF LIMON, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds	\$ (32,817)
Amounts reported for governmental activities in the statement of net Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$616,104 exceeded depreciation \$148,991 in the current period.	616,104 (148,991)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	3,473
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	40,000
This is the current-period decrease in the liability for compensated absences	1,940
This is the current-period decrease in the liability for landfill monitoring	108,696
Bond proceeds are a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(100,000)
Capital leases are a revenue in the governmental funds, but they increase long-term liabilities in the statement of net assets.	(96,339)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	100,240
Bond issuance costs are an expenditure in the governmental funds, but these amounts are reported on the statement of net assets as a deferred charge and amortized over the life of the debt. This is the amount by which current period bond issue costs exceed current period amortization.	14,382
Change in net assets of governmental activities	<u>\$ 506,688</u>

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS	UTILITY FUND	MUNICIPAL RECREATION AREA	AIRPORT FUEL FUND	AMBULANCE SERVICE FUND	TOTALS
Current Assets:					
Cash	\$ 370,028	\$ 557		\$ 73,053	\$ 443,638
Current Portion of Note Receivable	10,168				10,168
Accounts Receivable	88,699		\$ 246	93,574	182,519
Allowances For Doubtful Accounts	(8,697)			(47,725)	(56,422)
Intergovernmental Receivable	10,006				10,006
Accrued Interest	4,339				4,339
Inventories	42,170	1,682	5,909		49,761
Total Current Assets	<u>516,713</u>	<u>2,239</u>	<u>6,155</u>	<u>118,902</u>	<u>644,009</u>
Restricted Assets:					
Water Plant Reserve	31,268				31,268
Water Revenue Bonds	1,507,548				1,507,548
Sewer Line Maint. Reserve	45,755				45,755
Bond & Emergency Reserve Funds	148,678	23,196			171,874
Special Green Fee Fund		14,654			14,654
Equipment Reserve	62,553			74,472	137,025
Total Restricted Assets	<u>1,795,802</u>	<u>37,850</u>	<u>-</u>	<u>74,472</u>	<u>1,908,124</u>
Non-Current Assets:					
Notes Receivable, Net of Current Portion	314,325				314,325
Bond Issue Costs	116,592			15,500	132,092
Accumulated Amortization	(24,597)			(517)	(25,114)
Capital Assets:					
Water System	5,725,137				5,725,137
Construction In Progress	349,546				349,546
Sewer System and Plant	2,359,306				2,359,306
Water Rights	1,048,995				1,048,995
Land	187,444	11,000		45,032	243,476
Buildings				180,129	180,129
Recreation Area Facilities		216,055			216,055
Equipment	430,268	100,261		478,330	1,008,859
Accumulated Depreciation	(2,576,097)	(207,990)		(251,032)	(3,035,119)
Total Non-Current Assets	<u>7,930,919</u>	<u>119,326</u>	<u>-</u>	<u>467,442</u>	<u>8,517,687</u>
TOTAL ASSETS	<u>10,243,434</u>	<u>159,415</u>	<u>6,155</u>	<u>660,816</u>	<u>11,069,820</u>
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	163,562	9,000		19,286	191,848
Accounts Payable	101,971	2,947	1,007	1,933	107,858
Due to Other Funds	2,262	1,102	1,042	342	4,748
Compensated Absences	1,398	530			1,928
Contingent Construction	72,378				72,378
Deferred Grant	18,807				18,807
Accrued Interest Payable	61,043			3,975	65,018
Total Current Liabilities	<u>421,421</u>	<u>13,579</u>	<u>2,049</u>	<u>25,536</u>	<u>462,585</u>
Non-Current Liabilities:					
Deposit - State of Colo. For Sewer Line Maintenance	45,475				45,475
Long-Term Debt - Net of Current Portion	4,241,434	82,000		221,375	4,544,809
Total Non-Current Liabilities	<u>4,286,909</u>	<u>82,000</u>	<u>-</u>	<u>221,375</u>	<u>4,590,284</u>
TOTAL LIABILITIES	<u>4,708,330</u>	<u>95,579</u>	<u>2,049</u>	<u>246,911</u>	<u>5,052,869</u>
NET ASSETS					
Investment in Fixed Assets, Net of Related Debt	4,627,151	28,326		211,798	4,867,275
Restricted for Bond Reserve	31,268	13,200			44,468
Restricted for Emergency Reserve	65,000				65,000
Unrestricted	811,685	22,310	4,106	202,107	1,040,208
TOTAL NET ASSETS	<u>\$ 5,535,104</u>	<u>\$ 63,836</u>	<u>\$ 4,106</u>	<u>\$ 413,905</u>	<u>\$ 6,016,951</u>

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

TOWN OF LIMON, COLORADO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	UTILITY FUND			TOTAL
	WATER DEPARTMENT	WATER TREATMENT	SEWER DEPARTMENT	
OPERATING REVENUES				
Sales	\$ 485,019	\$ 229,672	\$ 161,844	\$ 876,535
Less, Contractual Adjustments and Bad Debts	26		101	127
Net Sales	484,993	229,672	161,743	876,408
Other User Charges	16,525		400	16,925
Miscellaneous	3,431			3,431
Total Operating Revenues	504,949	229,672	162,143	896,764
OPERATING EXPENSES				
Cost of Resale Items				
Maintenance	13,965	6,989	19,962	40,916
Insurance	5,492	1,000	3,839	10,331
Utilities	41,657	23,196	45,074	109,927
Testing	1,236		16,144	17,380
Salaries and Benefits	61,529	35,124	69,691	166,344
Other Expenses	16,392	11,477	12,605	40,474
Administration	22,980	2,000	2,676	27,656
Amortization	13,584			13,584
Depreciation	94,208	82,290	66,995	243,493
Total Operating Expenses	271,043	162,076	236,986	670,105
Income (Loss) From Operations	233,906	67,596	(74,843)	226,659
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	36,228		112	36,340
Donations				
Intergovernmental - Local	145,012			145,012
Intergovernmental - Federal		20,921		20,921
Interest Expense	(115,291)	(72,132)		(187,423)
Gain (Loss) On Sale of Fixed Assets	(2,665)			(2,665)
Total Non-Operating Revenues (Expenses)	63,284	(51,211)	112	12,185
Net Income Before Contributions and Transfers	297,190	16,385	(74,731)	238,844
Capital Contributions	169,984		24,318	194,302
Transfers In (Out)				
CHANGE IN NET ASSETS	<u>\$ 467,174</u>	<u>\$ 16,385</u>	<u>\$ (50,413)</u>	433,146
NET ASSETS, BEGINNING OF YEAR				5,101,958
NET ASSETS, END OF YEAR				<u>\$ 5,535,104</u>

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>TOTALS</u>
\$ 74,126	\$ 17,859	\$ 357,817	\$ 1,326,337
		178,428	178,555
<u>74,126</u>	<u>17,859</u>	<u>179,389</u>	<u>1,147,782</u>
8,995	3		25,923
<u>13</u>	<u></u>	<u>114</u>	<u>3,558</u>
<u>83,134</u>	<u>17,862</u>	<u>179,503</u>	<u>1,177,263</u>
4,733	14,828		19,561
4,852	2,164	15,559	63,491
2,606		358	13,295
16,034		2,650	128,611
	120		17,500
88,580		60,722	315,646
11,118	1,122	60,690	113,404
		12,299	39,955
		517	14,101
<u>15,047</u>	<u></u>	<u>46,873</u>	<u>305,413</u>
<u>142,970</u>	<u>18,234</u>	<u>199,668</u>	<u>1,030,977</u>
<u>(59,836)</u>	<u>(372)</u>	<u>(20,165)</u>	<u>146,286</u>
366		1,871	38,577
1,891		2,132	4,023
		4,645	149,657
		204	21,125
(4,950)		(3,975)	(196,348)
<u></u>	<u></u>	<u>(1,635)</u>	<u>(4,300)</u>
<u>(2,693)</u>	<u>-</u>	<u>3,242</u>	<u>12,734</u>
(62,529)	(372)	(16,923)	159,020
			194,302
<u>54,054</u>	<u></u>	<u>(2,500)</u>	<u>51,554</u>
(8,475)	(372)	(19,423)	404,876
<u>72,311</u>	<u>4,478</u>	<u>433,328</u>	<u>5,612,075</u>
<u>\$ 63,836</u>	<u>\$ 4,106</u>	<u>\$ 413,905</u>	<u>\$ 6,016,951</u>

**TOWN OF LIMON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>UTILITY FUND</u>	<u>MUNICIPAL RECREATION AREA</u>	<u>AIRPORT FUEL FUND</u>	<u>AMBULANCE SERVICE FUND</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts From Customers	\$ 937,577	\$ 83,134	\$ 18,371	\$ 170,073	\$ 1,209,155
Payments to Suppliers for Goods and Services	(214,373)	(38,983)	(20,172)	(96,592)	(370,120)
Payments to Employees	(165,465)	(88,510)		(60,722)	(314,697)
	<u>557,739</u>	<u>(44,359)</u>	<u>(1,801)</u>	<u>12,759</u>	<u>524,338</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Donations		1,891		2,132	4,023
Intergovernmental Grants				7,151	7,151
Transfer From (To) Other Fund		46,082		(2,500)	43,582
	<u>-</u>	<u>47,973</u>	<u>-</u>	<u>6,783</u>	<u>54,756</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:					
State of Colorado - Sewer Line Maintenance	5,983				5,983
Tap Fees	39,902				39,902
Intergovernmental Grant	160,001			37,657	197,658
Sewer Line Maintenance Paid Colo. Reserve Account	(18,935)				(18,935)
Transfer to Restricted Assets	(1,418,359)	(2,768)		(1,284)	(1,422,411)
Purchase of Assets	(737,103)	(7,747)		(229,087)	(973,937)
Interest Paid	(159,825)	(4,950)			(164,775)
Debt Principal Payments	(386,753)	(8,000)			(394,753)
Bond Proceeds - Net of Fees	2,221,260			225,161	2,446,421
Land Purchased and Re-sold	(334,326)				(334,326)
Proceeds from Sale of Land	7,168				7,168
System Development Fee Refund	(20,600)				(20,600)
Transfer From Other Fund		7,972			7,972
	<u>(641,587)</u>	<u>(15,493)</u>	<u>-</u>	<u>32,447</u>	<u>(624,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Revenue	33,546	366		1,871	35,783
	<u>33,546</u>	<u>366</u>	<u>-</u>	<u>1,871</u>	<u>35,783</u>
Net Cash Provided By Investing Activities					
Net Increase (Decrease) in Cash and Cash Equivalents	(50,302)	(11,513)	(1,801)	53,860	(9,756)
CASH AND CASH EQUIVALENTS					
Beginning of Year	<u>420,330</u>	<u>12,070</u>	<u>1,801</u>	<u>19,193</u>	<u>453,394</u>
End of Year	<u>\$ 370,028</u>	<u>\$ 557</u>	<u>\$ -</u>	<u>\$ 73,053</u>	<u>\$ 443,638</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities					
Net Operating Income (Loss)	\$ 226,659	\$ (59,836)	\$ (372)	\$ (20,165)	\$ 146,286
Depreciation	243,493	15,047		46,873	305,413
Amortization	13,584			517	14,101
Non Cash Donation				200	200
(Increase) Decrease in Accounts Receivable, Net	40,813		509	(9,430)	31,892
(Increase) Decrease in Inventory	(2,497)	(100)	(3,087)		(5,684)
Increase (Decrease) in Accounts Payable	34,808	460	107	(5,578)	29,797
Increase (Decrease) in Due to Other Funds	(519)	(460)	1,042	342	405
Increase (Decrease) in Compensated Absences	1,398	530			1,928
	<u>\$ 557,739</u>	<u>\$ (44,359)</u>	<u>\$ (1,801)</u>	<u>\$ 12,759</u>	<u>\$ 524,338</u>
Net Cash Provided (Used) By Operating Activities					
Noncash capital financing activities:					
Interest subsidy	\$ 20,921				
Donation				\$ 200	

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

TOWN OF LIMON, COLORADO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash	\$ 22,683		\$ 22,683
Due From Other Funds	16,886		16,886
Property Tax Receivable		\$ 7,599	7,599
Investments - Stocks, Bonds and Mutual Funds - At Fair Market Value:			
Cash & Cash Equivalents	14,695		14,695
U.S. Government & Agency Obligations	225,476		225,476
Corporate Bonds	41,294		41,294
Domestic Stocks	486,960		486,960
International Stocks & Bonds	141,308		141,308
Other Investments - Fire and Police Pension Association		305,844	305,844
TOTAL ASSETS	<u>949,302</u>	<u>313,443</u>	<u>1,262,745</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Deferred Property Tax Revenue		7,599	7,599
TOTAL LIABILITIES	<u>-</u>	<u>7,599</u>	<u>7,599</u>
 NET ASSETS	<u><u>\$ 949,302</u></u>	<u><u>\$ 305,844</u></u>	<u><u>\$ 1,255,146</u></u>

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

TOWN OF LIMON, COLORADO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	EMPLOYEE'S PENSION PLAN	VOLUNTEER FIREMAN'S PENSION PLAN	TOTALS
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Employee Contribution	\$ 41,188		\$ 41,188
Employer Contribution	16,886		16,886
Interest Income	102	\$ 2,755	2,857
Investment Income (Loss), Net of Expenses	81,239	31,142	112,381
Property Taxes		7,522	7,522
Intergovernmental		6,928	6,928
Total Additions	<u>139,415</u>	<u>48,347</u>	<u>187,762</u>
 DEDUCTIONS:			
Benefit Payments	9,444	27,592	37,036
Administrative Expenses	2,736	2,416	5,152
Total Deductions	<u>12,180</u>	<u>30,008</u>	<u>42,188</u>
 CHANGE IN PLAN NET ASSETS	 127,235	 18,339	 145,574
 PLAN NET ASSETS, BEGINNING OF YEAR	 <u>822,067</u>	 <u>287,505</u>	 <u>1,109,572</u>
PLAN NET ASSETS, END OF YEAR	<u>\$ 949,302</u>	<u>\$ 305,844</u>	<u>\$ 1,255,146</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, 2004

(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. Accounting Changes and Restatements

As of December 31, 2004, the Town has implemented GASB Statement No. 34-Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments as amended by GASB Statement No. 37-Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments: Omnibus, along with GASB Statement No. 38, Certain Financial Statement Note Disclosures.

The net assets, beginning, of the Governmental Activities as restated for the effects of implementing GASB 34 is as follows:

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

Fund Equity – Governmental Fund Types at 12/31/03	\$ 632,654
Capital Assets reported separately at 12/31/03	5,042,972
Bond Issue Costs previously expensed	21,600
Less – Accumulated Depreciation on Capital Assets at 12/31/03	(1,856,245)
Less – Long-Term Debt reported separately at 12/31/03	(527,669)
Less – Compensated Absences 12/31/03	(7,412)
Less – Accumulated Amortization on Bond Issue Costs at 12/31/03	<u>(6,646)</u>

Governmental Net Assets, Beginning	<u>\$3,299,254</u>
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D. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Town reports the following major governmental funds:

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

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

Capital Projects Fund – This fund accounts for major construction projects, other than those accounted for in the Proprietary Funds.

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

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Additionally, the Town reports the following fiduciary fund types:

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

E. Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

they are collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Property, plant and equipment purchased or

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

As a Phase 3 government, as defined in GASB 34, the Town has elected to not report major general infrastructure retroactively; therefore, the government-wide financial statements do not reflect infrastructure assets completed prior to January 1, 2004. During 2004, the Town added infrastructure assets that are reported on the Statement of Net Assets:

Streets, sidewalk, curb, and gutter	\$ 132,293
Construction in Progress-airport runway	<u>362,998</u>
	<u>\$ 495,291</u>

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

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

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

H. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets.

I. Budget and Budgetary Accounting

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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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

Public hearings are conducted to obtain taxpayer comments.

Prior to January 1, the budget is legally enacted through the passage of an ordinance. Amendments can be made until year end. On December 28, 2004, the Board approved a resolution appropriating additional sums of money for the year 2004. The original and amended appropriation amounts are presented in the budgetary data in the financial statements.

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

For 2004 the Board of Trustees budgeted all funds and appropriated spending limits by fund except the Rural Health Fund. No budget was prepared on this fund because no revenue was expected in this Fund until 2005. 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, 2004, actual expenditures exceeded the budget in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Municipal Recreation Fund	\$ 148,441	\$ 148,620	\$ 179
Ambulance Service Fund	400,000	403,340	3,340
Airport Fuel Fund	17,500	18,234	734
Fireman’s Pension Fund	30,000	30,008	8

J. Encumbrances

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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

K. Cash and Investments

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

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

L. 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 2004 was 22.172.

M. Inventories

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

General Fund - Dumpsters and polycarts	
held for resale and street supplies	\$30,685
Utility - Treatment supplies, meters and parts	42,170
Municipal Recreation Area - Merchandise & Concessions	1,682
Airport Fuel Fund - Airplane fuel	<u>5,909</u>
Total Inventories	<u>\$80,446</u>

N. Compensated Absences

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2004.

O. Compliance with Colorado Contraband Forfeiture Act

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

P. Bond Discounts and Issuance Costs

Utility Fund bond discount and issuance costs of \$103,699 for the 2000 to 2004 issues are being amortized over the term of the bonds (15 to 20 years) on the straight-line method. The unamortized cost of the 1992 issue of \$9,267 was amortized in full because the issue was redeemed in 2004. Ambulance Fund loan costs of \$15,500 are being amortized over the 10 year term of the loan on the straight-line method. Costs of Proprietary Funds' issues prior to 1989 were either expensed or added to the cost of the related assets. Bond issue and loan costs of \$37,799 on debt not related to Proprietary Funds are being amortized over their term (10 to 20 years) on the straight-line method in the government-wide financial statements, but expensed currently in the governmental funds financial statements.

(2) Cash and Investments

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

The Town's investments at December 31, 2004 are shown below. Under Government Accounting Standards Board Statement No. 3, investments are placed into three categories depending on the 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, 2004 was \$4,069,728, which is the total of cash, investments, and restricted assets. Cash on hand was \$641 and the remaining \$4,069,087 is explained below:

Cash balances, certificates of deposit and other investments:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

<u>Category 1 Investments:</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>
Bank balances and certificates of deposit, insured (FDIC)	\$ 308,851	\$ 308,851
<u>Category 2 Investments:</u>		
Bank balances and certificates of deposit, uninsured and collateralized	<u>2,571,324</u>	<u>2,544,659</u>
Total cash and certificates of deposit	<u>\$2,880,175</u>	<u>\$2,853,510</u>
Not Categorized:		<u>Market Value</u>
Stocks, bonds and mutual funds:		
Cash and cash equivalents		\$ 14,695
Fixed income:		
U.S. Treasury and Agencies		225,476
Corporate bonds		41,294
Domestic stocks		486,960
International stocks and bonds		141,308
Other Investments:		
Fire & Police Pension Association		<u>305,844</u>
Total Other Investments		<u>1,215,577</u>
Total cash and investments		<u>\$4,069,087</u>

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 \$26,665, which were outstanding items that had not cleared the banks as of December 31, 2004.

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;

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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);
4. Invest in the same manner as PERA is authorized. It is authorized to make a broad range of investments, with these limitations on common or preferred stock:
 1. The aggregate amount of moneys invested in corporate stocks or corporate bonds, notes, or debentures which are convertible into corporate stock or in investment trust shares shall not exceed 65% of the then book value of the fund.
 2. No investment of the fund in common or preferred stock, or both, of any single corporation shall be of an amount which exceeds 5% of the then book value of the fund, nor shall the fund acquire more than 12% of the outstanding stock or bonds of any single corporation.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

(3) Restricted Assets

Restricted assets are for the following purposes:

General Fund – Emergency reserve under Article X, Section 20 of the Colorado Constitution. Accumulation at December 31, 2004 of \$82,563 is 3% of the Town’s annual expenditures in the governmental 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, 2004 is \$5,000. Reserve is held in a bank savings account.

General Fund – equipment replacement reserve. Accumulation at December 31, 2004 is \$135,497. Reserve is held in a bank savings account.

General Fund – police contraband forfeiture funds for future police equipment purchases. Amount held in a bank savings account is \$31,693 at December 31, 2004.

Utility Fund – reserve for operations and maintenance of the water treatment plant. Total required accumulation at December 31, 2004 is \$31,268. Reserve is held in a bank savings account.

Utility Fund – funds held for future water projects construction from proceeds of 2004 water bond. Amount held in bank certificates of deposit is \$1,507,548 at December 31, 2004.

Utility Fund – reserve for Emergency Reserve and repayment of 2000 revenue bonds. There is no required accumulation for bond repayment at December 31, 2004. Emergency Reserve required accumulation is 3% of annual expenditures in the Utility Fund. Reserve is held in a bank savings account.

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

Utility Fund – equipment maintenance and replacement reserve. Accumulation at December 31, 2004 is \$62,553. Reserve is held in a bank savings account.

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

Municipal Recreation Area Fund – reserve for repayment of the 1974 revenue bonds. Total required accumulation at December 31, 2004 is \$13,200. Reserve is held in a bank savings account.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Ambulance Service Fund – equipment replacement reserve. Accumulation at December 31, 2004 is \$74,472. Reserve is held in bank certificates of deposit.

(4) Note Receivable and Special Assessment Receivable

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

The special assessment receivable resulted from 2004 street and sidewalk improvements. Payments including principal and interest, at a rate of 6.65% are due in 2005 from affected residents in the amount of \$4,675 and from 2006 to 2024 in the amount of \$9,297 each year. Residents are permitted to pay their accounts in full at any time.

(5) Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities:	<u>Dec. 31, 2003</u>	<u>Additions</u>	<u>Transfers Deletions</u>	<u>Dec. 31, 2004</u>
Non-depreciable assets:				
Land	\$ 1,244,630	\$ 95,208	\$ -	\$ 1,339,838
Depreciable assets:				
Buildings	\$ 2,270,681		\$ -	\$ 2,270,681
Equipment	1,527,661	25,605	(1,750)	1,551,516
Infrastructure	-	495,291	-	495,291
Total depreciable assets	<u>\$ 3,798,342</u>	<u>\$ 520,896</u>	<u>\$ (1,750)</u>	<u>\$ 4,317,488</u>
Total capital assets	<u>\$ 5,042,972</u>	<u>\$ 616,104</u>	<u>\$ (1,750)</u>	<u>\$ 5,657,326</u>
Less accumulated depreciation for:				
Buildings	\$ (954,316)	\$ (51,080)	-	\$ (1,005,396)
Equipment	(901,929)	(96,032)	1,750	(996,211)
Infrastructure		(1,879)	-	(1,879)
Total accumulated depreciation	<u>\$ (1,856,245)</u>	<u>\$ (148,991)</u>	<u>\$ 1,750</u>	<u>\$ (2,003,486)</u>
Depreciable Assets, Net	<u>\$ 1,942,097</u>	<u>\$ 371,905</u>	<u>\$ -</u>	<u>\$ 2,314,002</u>
Governmental Activities Assets, Net	<u>\$ 3,186,727</u>	<u>\$ 467,113</u>	<u>\$ -</u>	<u>\$ 3,653,840</u>

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

General government	\$ 29,255
Airport	3,460
Public safety – Police and Fire	30,608
Highways and Streets	50,212
Public Works – Sanitation	10,507
Public Health – Cemetery	702
Culture & Recreation	<u>24,247</u>
Total Governmental Activities	
Depreciation Expense	<u>\$ 148,991</u>

Business-Type Activities:	<u>Dec. 31, 2003</u>	<u>Additions</u>	<u>Transfers Deletions</u>	<u>Dec. 31, 2004</u>
Non-depreciable assets:				
Water Rights	\$ 656,976	\$ 392,019		\$ 1,048,995
Land	198,444	45,032		243,476
Construction in Progress	40,387	329,686	(20,527)	349,546
Total non-depreciable assets	<u>\$ 895,807</u>	<u>\$ 766,737</u>	<u>\$ (20,527)</u>	<u>\$ 1,642,017</u>
Depreciable assets:				
Water System & Plant	\$ 6,030,572	\$ 25,575		\$ 6,056,147
Sewer System & Plant	2,448,214	10,350	-	2,458,564
Rec Area Facilities & Equipment	316,369	7,747	(7,800)	316,316
Ambulance Building & Equipment	484,117	184,055	(9,713)	658,459
Total depreciable assets	<u>\$ 9,279,272</u>	<u>\$ 227,727</u>	<u>\$ (17,513)</u>	<u>\$ 9,489,486</u>
Total capital assets	<u>\$ 10,175,079</u>	<u>\$ 994,464</u>	<u>\$ (38,040)</u>	<u>\$ 11,131,503</u>
Less accumulated depreciation for:				
Water System & Plant	\$ (1,430,854)	\$ (176,498)		\$ (1,607,352)
Sewer System & Plant	(901,750)	(66,995)		(968,745)
Rec Area Facilities & Equipment	(200,743)	(15,047)	7,800	(207,990)
Ambulance Building & Equipment	(212,038)	(46,873)	7,879	(251,032)
Total accumulated depreciation	<u>\$ (2,745,385)</u>	<u>\$ (305,413)</u>	<u>\$ 15,679</u>	<u>\$ (3,035,119)</u>
Depreciable Assets, Net	<u>\$ 6,533,887</u>	<u>\$ (77,686)</u>	<u>\$ (1,834)</u>	<u>\$ 6,454,367</u>
Business-Type Activities Assets, Net	<u>\$ 7,429,694</u>	<u>\$ 689,051</u>	<u>\$ (22,361)</u>	<u>\$ 8,096,384</u>

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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

Water	\$ 94,208
Water Treatment	82,290
Sewer	66,995
Municipal Recreation	15,047
Ambulance	<u>46,873</u>
Total Business-Type Depreciation Expense	<u>\$ 305,413</u>

(6) Retirement Plans

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

Employees' Pension Plan:

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

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

The plan covers all types of Town employees.

Membership in the Plan consisted of the following at January 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	1
Terminated plan members entitled to, but not yet receiving benefits	2
Active Plan Members	<u>25</u>
Total	<u>28</u>

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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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	16,886
Annual pension cost	16,886
Contributions made	16,886
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, 2004 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 7.0 investment rate of return (net of administrative expenses) and (b) projected salary increases of 2.0% per year. Both (a) and (b) included an inflation component of 2.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value method.

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

<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>
1-1-99	808,785	537,611	(271,174)	150.4%
1-1-00	862,829	616,483	(246,346)	140.0%
1-1-01	868,785	671,092	(197,693)	129.5%
1-1-02	797,474	779,692	(17,782)	102.3%
1-1-03	656,618	796,299	139,681	82.4%
1-1-04	805,602	925,883	120,281	87.0%

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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>
12-31-99 to 12-31-02	0	0	100%	0
12-31-03	19,976	19,976	100%	0
12-31-04	16,886	16,886	100%	0

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, 2004, the annual pension cost of the Town of Limon Volunteer Firemen’s Pension Plan was \$14,450. During the year, the Town of Limon and the state of Colorado contributed \$14,450, 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>\$14,450</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, 2003. The significant actuarial assumptions used in the valuation as of January 1, 2003 were: (a) life expectancy of participants obtained from the 1994 Group Annuity Mortality Table loaded for fire and police experience; (b) retirement age assumption of age 50 and 20 years of service; and (c) investment return of 8.0% per annum net of operating expenses.

For the purpose of this actuarial study, plan assets were valued at actuarial value. The study utilized a level dollar amount open amortization over a period of 20 to 40 years.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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>
1-1-99	311,484	162,707	(148,777)	191.4%
1-1-01	346,410	261,720	(84,690)	132.4%
1-1-03	298,950	229,002	(69,948)	130.5%

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>
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
2003	14,626	14,626	100%	0
2004	14,450	14,450	100%	0

(7) Contingency – Constitutional Amendment

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

The Town has reserved \$82,563 within the General Fund and \$65,000 within the Utility Fund for the emergency reserve under the Tabor amendment.

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

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

(8) Capital Leases

The Town has entered into the following lease-purchases:

1999 – for a copy machine.

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

The entire cost of the copier and the gravel pit is reflected in the Governmental Activities Capital Assets and the obligation for the remainder of the lease in the Governmental Activities Liabilities in the government –wide financial statements.

The entire cost of the land and buildings is reflected in the Business-Type Activities Capital Assets and the obligation for the remainder of the lease in the Business-Type Activities Liabilities.

Following is a schedule of the future minimum lease payments under the capitalized leases, together with the present value of the net minimum lease payments as of December 31, 2004:

Years Ended December 31,	Governmental Activities	Business-Type Activities
2005	\$12,932	\$31,081
2006	12,340	30,850
2007	12,519	31,299
2008	12,385	30,963
2009	12,522	31,307
2010	12,346	30,866
2011	12,441	31,105
2012	12,509	31,273
2013	12,262	30,658
2014	12,344	30,665
Total Minimum Lease Payments	<u>124,600</u>	<u>310,067</u>
Less, Amount Representing Interest	<u>(27,761)</u>	<u>(69,406)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$96,839</u></u>	<u><u>\$240,661</u></u>

The current portion of the present value of the net minimum lease payments is \$8,219 for Governmental Activities and \$19,286 for Business-Type Activities.

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

(9) Long-Term Debt

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

The Town has one general obligation bond issue outstanding at December 31, 2004, which is expected to be paid from Utility Fund Revenues together with interest from 4.1% to 5.6%.

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. Interest rates on revenue bonds outstanding at December 31, 2004 are as follows:

- Payable from Governmental Activities revenues, 5.125% to 5.625%
- Payable from Utility Fund – water revenues, 3.65% to 5.25%
- Payable from Municipal Recreation Area revenues, 5.0%

Loans from State of Colorado for improvements to the water utility system, which are expected to be paid from water utility fund revenues, primarily at 3.0%.

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

Payable from Utility Fund Restricted Cash:

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

Changes in Long-Term Liabilities:

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

	Balance Dec. 31, 2003	Additions	Payments	Balance Dec. 31, 2004	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 415,000	\$ -	\$ (40,000)	\$ 375,000	\$ 40,000
Special Assessment Bond	-	100,000		100,000	-
Capital Leases	3,973	96,339	(3,473)	96,839	8,219
Landfill Monitoring	108,696	-	(108,696)	-	-
	<u>527,669</u>	<u>196,339</u>	<u>(152,169)</u>	<u>571,839</u>	<u>48,219</u>
Business-Type Activities:					
Bonds Payable:					
2004 Water Revenue		\$ 2,280,000	\$ (60,000)	\$ 2,220,000	\$ 45,000
2001 Water G.O.	590,000	-	(35,000)	555,000	35,000
1992 Water Revenue	203,800	-	(203,800)	-	-
2000 Water Revenue	1,272,895	-	(59,582)	1,213,313	54,166
1974 Mun. Rec. Area	99,000	-	(8,000)	91,000	9,000
Loans Payable:					
Colorado Water					
Conservation Board	427,140	-	(19,632)	407,508	20,221
Colorado Severance					
Tax Fund	17,914	-	(8,739)	9,175	9,175
Capital Lease		240,661		240,661	19,286
Colorado Maintenance					
Fee	58,427	5,983	(18,935)	45,475	-
	<u>2,669,176</u>	<u>2,526,644</u>	<u>(413,688)</u>	<u>4,782,132</u>	<u>191,848</u>
Total Long-Term Liabilities	<u>\$ 3,196,845</u>	<u>\$ 2,722,983</u>	<u>\$ (565,857)</u>	<u>\$ 5,353,971</u>	<u>\$ 240,067</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, 2004:

Actual Property Value (taxable)	\$90,870,837
	x 3%
	<u>2,726,125</u>

General Obligation Bonds issued, other than
for Water and Sewer purposes, which are
specifically exempted for the limitation
Available Debt Margin

-
\$ 2,726,125

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Annual debt service requirements to maturity for the bond issues and loans are as follows:

Year	General Obligation Water Bond	Water Revenue Bonds	Colorado Water Loans	Municipal Recreation Area Revenue Bonds	Total Requirements Business-Type Activities	Sales and Use Tax Revenue Bonds	Special Assessment Bond	Total Requirements Governmental Activities
2005	62,850	286,629	42,081	13,550	405,110	60,669	2,966	63,635
2006	61,415	288,003	32,447	13,100	394,965	63,619	8,900	72,519
2007	64,910	293,803	32,447	12,650	403,810	56,312	8,723	65,035
2008	63,150	288,463	32,447	12,200	396,260	59,062	8,546	67,608
2009	66,310	287,813	32,447	13,750	400,320	56,531	9,369	65,900
2010	64,150	287,094	32,447	13,200	396,891	59,000	9,133	68,133
2011	61,900	280,544	32,447	12,650	387,541	61,188	8,897	70,085
2012	64,605	285,254	32,447	12,100	394,406	58,094	8,661	66,755
2013	62,005	283,314	32,447	11,550	389,316		8,425	8,425
2014	64,355	277,216	32,447		374,018		9,189	9,189
2015	61,385	280,803	32,447		374,635		8,894	8,894
2016	63,360	278,306	32,447		374,113		8,599	8,599
2017		325,886	32,447		358,333		9,304	9,304
2018		325,465	32,447		357,912		8,950	8,950
2019		322,417	32,447		354,864		8,596	8,596
2020		320,006	32,447		352,453		9,242	9,242
2021		294,450			294,450		8,829	8,829
2022		296,250			296,250		9,416	9,416
2023		522,225			522,225		8,944	8,944
2024					0		8,472	8,472
	<u>\$760,395</u>	<u>\$5,823,941</u>	<u>\$528,786</u>	<u>\$114,750</u>	<u>\$7,227,872</u>	<u>\$474,475</u>	<u>\$172,055</u>	<u>\$646,530</u>

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

(10) Risk Management

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

The Town carries commercial insurance for risks described below and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The pools have certain deductibles, which resulted in an out of pocket cost to the Town of \$1,116 in year 2004.

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

TOWN OF LIMON, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 2004 the Town paid \$48,154 for insurance coverage to the pool and is included in the operating expense of the general and enterprise funds.

Workers' Compensation Insurance

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

During 2004 the Town paid \$36,514 for workers compensation coverage to the pool and is included in the operating expense of the general and enterprise funds.

(11) Interfund Transactions

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

The Town had the following interfund transactions during 2004:

Payments from the General and Enterprise
Funds to the Employees' Pension Plan totaling
\$58,074 are included as operating revenue and
expenditures of each respective fund.

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

Transfer from General Fund to Municipal Recreation Area Fund for general purposes.	\$ 46,082
Transfer from General Fund to Capital Projects Fund for airport improvements.	13,346
Transfer from General Fund to Cemetery Perpetual Care Fund for cemetery improvements.	<u>7,100</u>
Total General Fund Transfers	<u>\$ 66,528</u>

Transfer from Ambulance Service Fund to General Fund for rescue training	<u>\$ 2,500</u>
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Transfer from Conservation Trust Fund to Municipal Recreation Area Fund for improvements.	<u>\$ 7,972</u>
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Amounts due to/from other funds at December 31, 2004:

Due to General Fund from Head Start Fund for money advanced to the local child care center under the Head Start grant, pending reimbursement from the Federal government	\$ 90,637
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Due to General Fund from Airport Fuel Fund and Ambulance Service Fund for temporary advances	\$ 1,384
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Due to the Employees' Pension Plan by the General and Proprietary Fund Types for the Town's 2004 retirement contribution	<u>\$ 16,886</u>
	<u>\$108,907</u>

(12) 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

TOWN OF LIMON, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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.

(13) Employment Agreements

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

(14) Water Rights Lease

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

(15) Contract Commitments

At December 31, 2004, the Town had the remaining contract commitments:

	Total Contract	Paid/Accrued 12/31/2004	Remainder
Engineer - Airport runway	\$ 67,476	\$ 48,271	\$ 19,205
Construction - Airport runway	550,417	269,782	280,635
Engineer - various water projects	99,356	52,162	47,194

**TOWN OF LIMON, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES				
Taxes	\$ 1,241,040	\$ 1,241,040	\$ 1,258,142	\$ 17,102
Fines, Licenses and Permits	34,180	34,180	38,511	4,331
Intergovernmental - Local	145,455	145,455	161,923	16,468
Intergovernmental - Federal	1,800	1,800	2,596	796
Charges for Services	260,308	260,308	319,132	58,824
Interest	10,950	10,950	8,119	(2,831)
Donated			13,946	13,946
Miscellaneous	15,000	15,000	22,319	7,319
Supplemental Appropriation		308,556		(308,556)
TOTAL REVENUES	1,708,733	2,017,289	1,824,688	(192,601)
EXPENDITURES				
Current:				
General Government	357,082	357,082	414,364	(57,282)
Airport	9,764	9,764	7,260	2,504
Public Works - Streets	454,823	454,823	504,987	(50,164)
Public Works - Sanitation	150,239	150,239	154,200	(3,961)
Public Safety	328,840	328,840	360,949	(32,109)
Public Health - Cemetery	48,524	48,524	38,395	10,129
Culture & Recreation	201,636	201,636	206,780	(5,144)
Capital Outlay			218,463	(218,463)
Debt Service:				
Principal - Lease Purchases			3,473	(3,473)
Principal - Bonded Debt	40,000	40,000	40,000	
Interest	22,719	22,719	22,881	(162)
Supplemental Appropriation		447,000		447,000
TOTAL EXPENDITURES	1,613,627	2,060,627	1,971,752	88,875
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	95,106	(43,338)	(147,064)	(103,726)
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In			2,500	2,500
Operating Transfers (Out)	(54,843)	(54,843)	(66,528)	(11,685)
Proceeds Sale of Bonds			100,000	100,000
Proceeds From Long Term Note			96,339	96,339
NET CHANGE IN FUND BALANCE	40,263	(98,181)	(14,753)	83,428
FUND BALANCES, BEGINNING OF YEAR	547,065	547,065	545,177	(1,888)
FUND BALANCES, END OF YEAR	\$ 587,328	\$ 448,884	\$ 530,424	\$ 81,540

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

**TOWN OF LIMON, COLORADO
HEAD START FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental - Federal	\$ 584,948	\$ 584,948	\$ 609,833	\$ 24,885
Supplemental Appropriation		29,131		(29,131)
Total revenues	<u>584,948</u>	<u>614,079</u>	<u>609,833</u>	<u>(4,246)</u>
EXPENDITURES:				
Head Start Program	584,948	584,948	609,833	(24,885)
Supplemental Appropriation		29,131		29,131
Total expenditures	<u>584,948</u>	<u>614,079</u>	<u>609,833</u>	<u>4,246</u>
NET CHANGE IN FUND BALANCE	None	None	None	None
FUND BALANCE, BEGINNING OF YEAR	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
FUND BALANCE, END OF YEAR	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>

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

**TOWN OF LIMON, COLORADO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	CONSER- VATION TRUST FUND	CEMETERY PERPET- UAL CARE	RURAL DEVELOP- MENT FUND	RURAL HEALTH FUND	TOTALS
ASSETS:					
Cash	\$ 63,386	\$ 673		\$ 6,000	\$ 70,059
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 63,386</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 70,059</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Deferred Grant Revenue				\$ 6,000	\$ 6,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
 FUND BALANCES					
Unreserved Fund Balance:					
Designated for Subsequent Year Budget	\$ 12,650				12,650
Undesignated	50,736	\$ 673			51,409
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>63,386</u>	<u>673</u>	<u>-</u>	<u>-</u>	<u>64,059</u>
 TOTAL LIABILITIES AND FUND BALANCES					
	<u>\$ 63,386</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 70,059</u>

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

TOWN OF LIMON, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>CONSER- VATION TRUST FUND</u>	<u>CEMETERY PERPET- UAL CARE</u>	<u>RURAL DEVELOP- MENT FUND</u>	<u>RURAL HEALTH FUND</u>	<u>TOTALS</u>
REVENUES:					
Interest	\$ 408	\$ 509			\$ 917
Intergovernmental - State	19,178		\$ 215,312		234,490
Perpetual Care		1,400			1,400
TOTAL REVENUES	<u>19,586</u>	<u>1,909</u>	<u>215,312</u>	NONE	<u>236,807</u>
EXPENDITURES:					
Current:					
Recreation	3,300				3,300
Rural Development			215,312		215,312
Capital:					
Improvements		34,643			34,643
TOTAL EXPENDITURES	<u>3,300</u>	<u>34,643</u>	<u>215,312</u>	NONE	<u>253,255</u>
NET CHANGE IN FUND BALANCE					
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES	16,286	(32,734)	NONE	NONE	(16,448)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In (Out)	(7,972)	7,100			(872)
NET CHANGE IN FUND BALANCE	8,314	(25,634)	NONE	NONE	(17,320)
FUND BALANCE, BEGINNING OF YEAR	<u>55,072</u>	<u>26,307</u>	NONE	NONE	<u>81,379</u>
FUND BALANCE, END OF YEAR	<u>\$ 63,386</u>	<u>\$ 673</u>	NONE	NONE	<u>\$ 64,059</u>

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

**TOWN OF LIMON, COLORADO
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 19,178	\$ (822)
Interest	300	300	408	108
	<u>20,300</u>	<u>20,300</u>	<u>19,586</u>	<u>(714)</u>
EXPENDITURES:				
Operating				
Recreation			3,300	(3,300)
Capital Outlay	8,400	8,400		8,400
Transfer to Recreation Fund			7,972	(7,972)
Supplemental Appropriation		3,100		3,100
	<u>8,400</u>	<u>11,500</u>	<u>11,272</u>	<u>228</u>
NET CHANGE IN FUND BALANCE	11,900	8,800	8,314	(486)
FUND BALANCE, BEGINNING OF YEAR	<u>42,807</u>	<u>42,807</u>	<u>55,072</u>	<u>12,265</u>
FUND BALANCE, END OF YEAR	<u>\$ 54,707</u>	<u>\$ 51,607</u>	<u>\$ 63,386</u>	<u>\$ 11,779</u>

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

**TOWN OF LIMON, COLORADO
CEMETERY PERPETUAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Perpetual Care	\$ 3,200	\$ 3,200	\$ 1,400	\$ (1,800)
Interest	800	800	509	(291)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>1,909</u>	<u>(2,091)</u>
EXPENDITURES:				
Capital Outlay	21,925	21,925	34,643	(12,718)
Supplemental Appropriation		<u>13,075</u>		<u>13,075</u>
Total expenditures	<u>21,925</u>	<u>35,000</u>	<u>34,643</u>	<u>357</u>
Excess (deficiency) of revenues over expenditures	(17,925)	(31,000)	(32,734)	(1,734)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In			<u>7,100</u>	<u>7,100</u>
NET CHANGE IN FUND BALANCE	(17,925)	(31,000)	(25,634)	5,366
FUND BALANCE, BEGINNING OF YEAR	<u>25,915</u>	<u>25,915</u>	<u>26,307</u>	<u>392</u>
FUND BALANCE, END OF YEAR	<u><u>\$7,990</u></u>	<u><u>(\$5,085)</u></u>	<u><u>\$673</u></u>	<u><u>\$5,758</u></u>

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

**TOWN OF LIMON, COLORADO
RURAL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Intergovernmental - State	\$ 310,000	\$ 310,000	\$ 215,312	\$ (94,688)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	310,000	310,000	215,312	(94,688)
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Rural Development	310,000	310,000	215,312	94,688
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	310,000	310,000	215,312	94,688
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	None	None	None	None
FUND BALANCE, BEGINNING OF YEAR	None	None	None	None
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	None	None	None	None
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF LIMON, COLORADO
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Intergovernmental - Local	\$ 22,143	\$ 22,143	\$ 10,046	\$ (12,097)
Intergovernmental - Federal	398,577	398,577	364,212	(34,365)
TOTAL REVENUES	420,720	420,720	374,258	(46,462)
EXPENDITURES				
Airport			25,350	(25,350)
Capital Outlay	442,863	442,863	362,998	79,865
TOTAL EXPENDITURES	442,863	442,863	388,348	54,515
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	(22,143)	(22,143)	(14,090)	8,053
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In	22,143	22,143	13,346	(8,797)
NET CHANGE IN FUND BALANCE	-	-	(744)	(744)
FUND BALANCES, BEGINNING OF YEAR	-	-	6,098	6,098
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 5,354	\$ 5,354

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

TOWN OF LIMON, COLORADO
UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
Sales, Net Contractual Adjustments and Bad debts	\$ 903,240	\$ 903,240	\$ 876,408	(26,832)
Other user charges	13,000	13,000	16,925	3,925
Interest	14,428	14,428	36,340	21,912
Bond Proceeds			2,280,000	2,280,000
DOC maintenance	5,400	5,400	5,983	583
DOC maintenance expenses from restricted account	5,800	5,800	18,935	13,135
Intergovernmental-Local	147,465	147,465	145,012	(2,453)
Intergovernmental-Federal	20,921	20,921	20,921	-
Capital Contributions	10,000	10,000	194,302	184,302
Sale of Land			331,661	331,661
Miscellaneous	1,500	1,500	3,431	1,931
Supplemental Appropriation		1,128,667		(1,128,667)
Total revenues	<u>1,121,754</u>	<u>2,250,421</u>	<u>3,929,918</u>	<u>1,679,497</u>
EXPENDITURES:				
Operating expenses (other than depreciation and amortization)	470,855	470,855	413,028	57,827
Interest expense	128,102	128,102	187,423	(59,321)
Debt Principal	125,140	125,140	386,753	(261,613)
Capital expenditures	336,036	336,036	737,103	(401,067)
Land Purchased and Resold			334,326	(334,326)
Bond Issue Fees			58,740	(58,740)
DOC maintenance revenue to restricted account	5,800	5,800	5,983	(183)
System maintenance paid from Colorado reserve account	5,400	5,400	18,935	(13,535)
Supplemental appropriation		1,128,667		1,128,667
Total expenditures	<u>1,071,333</u>	<u>2,200,000</u>	<u>2,142,291</u>	<u>57,709</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 50,421</u>	<u>\$ 50,421</u>	1,787,627	<u>\$1,737,206</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			386,753	
Capital expenditures			737,103	
Bond Issue Fees			58,740	
Less Bond Proceeds			(2,280,000)	
Less depreciation and amortization			(257,077)	
Change In Net Assets GAAP			<u>\$ 433,146</u>	

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

**TOWN OF LIMON, COLORADO
MUNICIPAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Sales	\$ 104,600	\$ 104,600	\$ 74,126	\$ (30,474)
Other User Charges	9,130	9,130	8,995	(135)
Interest	600	600	366	(234)
Donations			1,891	1,891
Miscellaneous	500	500	13	(487)
Transfers from other funds	<u>33,700</u>	<u>33,700</u>	<u>54,054</u>	<u>20,354</u>
 Total revenues	 <u>148,530</u>	 <u>148,530</u>	 <u>139,445</u>	 <u>(9,085)</u>
EXPENDITURES:				
Salaries and Benefits	88,335	88,335	88,580	(245)
Cost of Resale Items	8,800	8,800	4,733	4,067
Maintenance	7,500	7,500	4,852	2,648
Insurance	2,606	2,606	2,606	-
Utilities	14,950	14,950	16,034	(1,084)
Other Expenses	13,000	13,000	11,118	1,882
Interest Expense	4,950	4,950	4,950	-
Bond Payments	8,000	8,000	8,000	-
Capital expenditures	<u>300</u>	<u>300</u>	<u>7,747</u>	<u>(7,447)</u>
 Total expenditures	 <u>148,441</u>	 <u>148,441</u>	 <u>148,620</u>	 <u>(179)</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 89</u>	 <u>\$ 89</u>	 (9,175)	 <u>\$ (9,264)</u>
RECONCILIATION TO GAAP BASIS				
Add budgetary items shown as Expenditures:				
Principal portion of debt service			8,000	
Capital expenditures			7,747	
Less depreciation and amortization			<u>(15,047)</u>	
 Change In Net Assets GAAP			 <u>\$ (8,475)</u>	

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

TOWN OF LIMON, COLORADO
AIRPORT FUEL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales	\$ 16,000	\$ 16,000	\$ 17,859	\$ 1,859
Other user charge			3	3
Supplemental Appropriation		962		(962)
	<u>16,000</u>	<u>16,962</u>	<u>17,862</u>	<u>900</u>
EXPENDITURES:				
Operating expenses	14,900	14,900	18,234	(3,334)
Operating transfer	1,000	1,000		1,000
Supplemental Appropriation		1,600		1,600
	<u>15,900</u>	<u>17,500</u>	<u>18,234</u>	<u>(734)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 100</u>	<u>\$ (538)</u>	(372)	<u>\$ 166</u>
RECONCILIATION TO GAAP BASIS				
			<u>_____</u>	
Change In Net Assets GAAP			<u>\$ (372)</u>	

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

TOWN OF LIMON, COLORADO
AMBULANCE SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
REVENUES:				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Sales, Net Contractual Adjustments and Bad Debts	\$ 200,700	\$ 200,700	\$ 179,389	(\$21,311)
Interest	450	450	1,871	1,421
Donations	2,400	2,400	2,132	(268)
Intergovernmental Revenue - Local	10,000	10,000	4,645	(5,355)
Intergovernmental Revenue - Federal			204	204
Miscellaneous	1,000	1,000	114	(886)
Supplemental Appropriation		<u>235,230</u>	<u>240,660</u>	<u>5,430</u>
 Total revenues	 <u>214,550</u>	 <u>449,780</u>	 <u>429,015</u>	 <u>(20,765)</u>
 EXPENDITURES:				
Operating				
Salaries and Benefits	57,562	57,562	60,722	(3,160)
Maintenance	14,400	14,400	15,559	(1,159)
Insurance	358	358	358	-
Utilities	3,400	3,400	2,650	750
Other Expenses	67,792	67,792	60,690	7,102
Administration	11,258	11,258	12,299	(1,041)
Loan Fee			15,500	(15,500)
Interest Expense		-	3,975	(3,975)
Capital Outlay	10,000	10,000	229,087	(219,087)
Transfer to other funds			2,500	(2,500)
Supplemental Appropriation		<u>235,230</u>	<u>235,230</u>	<u>235,230</u>
 Total expenditures	 <u>164,770</u>	 <u>400,000</u>	 <u>403,340</u>	 <u>(3,340)</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$49,780</u>	 <u>\$49,780</u>	 25,675	 <u>(\$24,105)</u>
 RECONCILIATION TO GAAP BASIS				
Loan Fee			15,500	
Proceeds Note			(240,660)	
Deletion of assets			(1,635)	
Add: Capital Outlay			229,087	
Less Amortization			(517)	
Less Depreciation			<u>(46,873)</u>	
 Change In Net Assets GAAP			 <u>(\$19,423)</u>	

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

TOWN OF LIMON, COLORADO
EMPLOYEE'S PENSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
Employee Contribution	\$39,609	\$39,609	\$41,188	\$1,579
Employer Contribution			16,886	16,886
Interest Income			102	102
Investment Income				
Net of Expenses			81,239	81,239
Total Revenues	<u>39,609</u>	<u>39,609</u>	<u>139,415</u>	<u>99,806</u>
EXPENDITURES:				
Benefit Payments	25,000	25,000	9,444	15,556
Administrative Expenses	2,000	2,000	2,736	(736)
Total Expenditures	<u>27,000</u>	<u>27,000</u>	<u>12,180</u>	<u>14,820</u>
CHANGE IN NET ASSETS	12,609	12,609	127,235	114,626
NET ASSETS, BEGINNING OF YEAR	<u>937,728</u>	<u>937,728</u>	<u>822,067</u>	<u>(115,661)</u>
NET ASSETS, END OF YEAR	<u><u>\$950,337</u></u>	<u><u>\$950,337</u></u>	<u><u>\$949,302</u></u>	<u><u>(\$1,035)</u></u>

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

**TOWN OF LIMON
FIREMAN'S PENSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Property Taxes	\$ 7,522	\$ 7,522	\$ 7,522	
Intergovernmental - State	6,000	6,000	6,928	\$ 928
Interest Income			2,755	2,755
Investment Income, Net of Expenses	<u>10,000</u>	<u>10,000</u>	<u>31,142</u>	<u>21,142</u>
Total Revenues	<u>23,522</u>	<u>23,522</u>	<u>48,347</u>	<u>24,825</u>
 EXPENDITURES:				
Benefit Payments	17,000	17,000	27,592	(10,592)
Administrative Expenses	2,300	2,300	2,416	(116)
Supplemental Appropriation		<u>10,700</u>		<u>10,700</u>
Total Expenditures	<u>19,300</u>	<u>30,000</u>	<u>30,008</u>	<u>(8)</u>
 CHANGE IN NET ASSETS	4,222	(6,478)	18,339	24,817
 NET ASSETS, BEGINNING OF YEAR	<u>350,065</u>	<u>350,065</u>	<u>287,505</u>	<u>(62,560)</u>
 NET ASSETS, END OF YEAR	<u>\$354,287</u>	<u>\$343,587</u>	<u>\$305,844</u>	<u>(\$37,743)</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 2004
This Information From The Records Of (example - City of _ or County of _) Town of Limon		Prepared By:	Joe Kiely
		Phone:	719-775-2346

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	97,650
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	402,601
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	20,310
2. General fund appropriations	138,168	b. Snow and ice removal	8,352
3. Other local imposts (from page 2)	320,540	c. Other - Lighting/Gravel Pit	125,821
4. Miscellaneous local receipts (from page 2)	99,665	d. Total (a. through c.)	154,483
5. Transfers from toll facilities	0	4. General administration & miscellaneous:	35,479
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	152,855
a. Bonds - Original Issues	100,000	6. Total (1 through 5)	843,068
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes	96,339	1. Bonds:	
d. Total (a. + b. + c.)	196,339	a. Interest	
7. Total (1 through 6)	754,712	b. Redemption	
B. Private Contributions	13,298	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	75,058	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	843,068	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	843,068

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)		100,000		100,000
1. Bonds (Refunding Portion)				
B. Notes (Total)		96,339		96,339

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		843,068	843,068		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2004

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	75,222	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	14,687
1. Sales Taxes	121,848	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses		f. Charges for Services	
5. Other	123,470	g. Other Misc. Receipts	
6. Total (1. through 5.)	245,318	h. Other	84,978
c. Total (a. + b.)	320,540	i. Total (a. through h.)	99,665
	(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	66,596	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle	8,462	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	8,462	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	75,058	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		97,650	97,650
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	97,650	97,650
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	97,650	97,650
			(Carry forward to page 1)

Notes and Comments:

**TOWN OF LIMON, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services:			
Direct program:			
Administration for Children and Families			
Head Start (provided to a sub-recipient)	93.600	N/A	\$609,833
Pass-through program from			
Colorado Rural Health Center			
Rural Access to Emergency Devices Grant	93.259		204
Environmental Protection Agency			
Pass-through program from:			
Colorado Water Resources Authority:			
Capitalization Grant for Drinking Water State Revolving Fund			
Interest earnings subsidy	66.468		20,921
U.S. Department of Transportation			
Pass-through program from Colorado Department of			
Transportation, Aeronautics Division			
Airport Improvement Program	20.106		364,212
Pass-through program from Colorado Department of			
Transportation and East Central Council of Governments -			
Formula Grant for Other Than Urbanized Areas	20.509		2,376
U.S. Department of Justice			
Bulletproof Vest Grant Partnership Program	16.607		220
			<hr/>
Total Expenditures of Federal Awards			<u>\$997,766</u>

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

TOWN OF LIMON, COLORADO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A-BASIS OF PRESENTATION

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

NOTE B-SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Head Start Program	93600	<u>\$09,833</u>

NOTE C-NONCASH AWARDS

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

Environmental Protection Agency Pass-through program from: Colorado Water Resource Authority: Capitalization Grant for Drinking Water State Revolving Fund	<u>\$20,921</u>
--	-----------------

Gary L. Woodward

Certified Public Accountant

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woodward@ria.net

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Limon, Colorado as of and for the year ended December 31, 2004, which collectively comprise Town of Limon's basic financial statements and have issued my report thereon dated May 17, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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*.

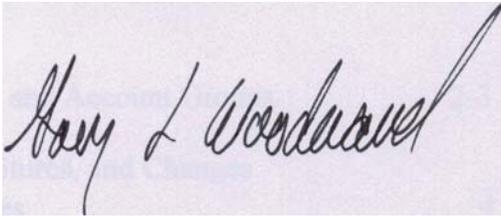
Internal Control Over Financial Reporting

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

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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.

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

Eads, Colorado
May 17, 2005

Gary L. Woodward

Certified Public Accountant

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

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

Compliance

I have audited the compliance of Town of Limon, Colorado with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Town of Limon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Limon's management. My responsibility is to express an opinion on Town of Limon's compliance based on my audit.

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

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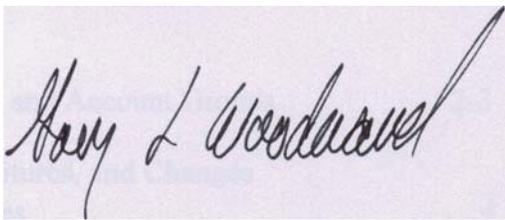
In my opinion, Town of Limon, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

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 no be used by anyone other than these specified parties.

A handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and appears to read "Gary L. Woodruff".

Eads, Colorado
May 17, 2005

TOWN OF LIMON, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2004

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 and U.S. Department of Transportation – Airport Improvement Program, CFDA 20.106.
- 8) The threshold used for distinguishing between Type A and B programs was \$300,000.
- 9) Town of Limon was determined to be low-risk auditee.

B. Finding – Financial Statement Audit

None

C. Findings and Questioned Costs – Reportable Conditions

None