

Special Finance Workshop 2015 DRAFT FINANCIAL AUDIT

DRAFT AGENDA

TOWN OF LYONS

5:30 - 6:55P.M., MONDAY, SEPTEMBER 12, 2016

BOARD OF TRUSTEES WORKSHOP

SHIRLEY F. JOHNSON COUNCIL CHAMBER

LYONS TOWN HALL, 432 5TH AVENUE, LYONS, COLORADO

I. Workshop

I.1. DRAFT 2015 FINANCIAL AUDIT

Documents:

[DRAFT AUDIT 2015.PDF](#)

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TOWN OF LYONS
BASIC FINANCIAL STATEMENTS
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Lyons, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Lyons, Colorado (Town) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lyons, Colorado as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Cash Flow Concerns

As described in Note 10 to the financial statements the Town is dependent on grant funding for flood restoration projects. The Town has experienced delays in the grant reimbursement process. To alleviate these issues, at December 31, 2015, the Town has received \$6,500,000 and is expected to receive another \$3,000,000 in advance funds related to the FEMA grant from the State of Colorado. Based on cash flow projections, the Town anticipates that this advance will only fund costs through September of 2016. After that period the Town believes it will have to delay restoration projects until reimbursements are received.

Significant estimates

As described in Note 1 to the financial statements, The Town has recorded a receivable for approximately \$6,119,318 from the State of Colorado for the Federal and State share of costs related to flood restoration grants. Due to the nature of the grants and the fact that these grants are new both to the Town and the State of Colorado, the amounts which will ultimately be reimbursed by the State of Colorado is an estimate which may have a significant effect on future year's financial results. The Town believes that all costs which have been accrued are allowable.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and on pages iv through xi, and 24 through 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lyons' basic financial statements. The individual fund financial statements and the Local Highway Finance Report, are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements, the Local Highway Finance Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund financial statements, the Local Highway Finance Report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, on our consideration of the Town of Lyons Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lyons Colorado's internal control over financial reporting and compliance.

August 29, 2016
Denver, Colorado

**TOWN OF LYONS
MANAGEMENT'S DISCUSSION & ANALYSIS**

The management of the Town of Lyons offers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2015.

Financial Highlights

- The assets of the Town of Lyons exceeded its liabilities at the close of 2015 by \$44,007,814 (*net position*). Of this amount, \$3,816,614 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$6,859,449.
- As of the close of the current fiscal year, the Town of Lyons governmental funds reported combined ending fund balances of \$4,797,759.
- At the end of the current year, unrestricted, undesignated fund balance for the general fund was \$546,894, or about 26% of total general fund expenditures.

Overview of the Financial Statements

This overview is an introduction to the Town's financial statements. The Town of Lyons basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - Government-wide financial statements are designed to provide readers with a broad overview of the Town of Lyons' finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future time periods (for example, uncollected taxes, and earned but unused employee leave time).

Both of the government-wide financial statements distinguish functions of the town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to cover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the town include general government, administrative services, public safety, public works (streets), planning and zoning, judicial and legislative, and parks, recreation and cultural activities, and grant funds that include temporary rebuilding and recovery from the 2013 Flood disaster. The business-type activities of the town include electric utility, water utility, wastewater utility.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the town's near-term financial decisions. Both the governmental fund balance sheets and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Lyons maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Grants Fund, and the Parks, Recreation And Cultural Fund, all of which are considered major funds. Individual fund data for the Conservation Trust Fund, a non-major governmental fund, is also provided.

Proprietary funds are generally used to account for services for which the town charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Fund And Water And Sanitation Fund (in 2014 the Water Fund And Sanitation Funds were combined), which are all considered to be major funds of the Town of Lyons.

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

Other information - in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Lyons governmental funds budgetary comparisons. This comparison demonstrates actual results (using the basis of budgeting) with the original budget and the final budget of each individual major fund in the governmental funds.

Budgetary comparisons for the proprietary funds and other non-major governmental funds are also provided as supplemental information, although not required by GAAP.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the town's financial position. In the case of the Town of Lyons, assets exceeded liabilities by \$44,007,814 at the close of 2015.

Town of Lyons Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 14,528,377	\$ 9,023,631	\$ 4,814,297	\$ 7,982,522	\$ 19,342,674	\$ 17,006,153
Capital Assets	26,793,865	21,097,774	17,669,700	14,092,115	44,463,565	65,561,339
Total Assets	41,322,242	30,121,405	22,483,997	22,074,637	63,806,239	52,196,042
Long-term Liabilities Outstanding	6,695,982	1,416,934	8,426,233	532,927	15,122,215	1,949,861
Other Liabilities	3,056,465	3,787,263	1,120,023	8,888,630	4,176,488	12,675,893
Total Liabilities	9,752,447	5,204,197	9,546,256	9,421,557	19,298,703	14,625,754
Deferred Inflows of Resources-						
Unavailable resources of property taxes	499,722	421,923	-	-	499,722	421,923
Net Investment in Capital Assets	26,629,255	20,848,553	9,372,561	8,390,736	36,001,816	29,239,289
Restricted						
Required emergency reserve	-	-	-	-	-	-
Debt Service	-	-	387,541	385,335	387,541	385,335
Parks and Open Space	197,217	184,321	-	-	197,217	184,321
Capital outlay	-	-	103,611	3,159,417	103,611	3,159,417
Grant Expenditures	3,501,015	1,534,726	-	-	3,501,015	1,534,726
Unrestricted	742,586	1,927,685	3,074,028	717,592	3,816,614	2,645,277
Total Net Position	\$ 31,070,073	\$ 24,495,285	\$ 12,937,741	\$ 12,653,080	\$ 44,007,814	\$ 37,148,365

By far the largest portion of the town's net position (81.8%) reflects its investment of \$36 million in capital assets (e.g., land, buildings, machinery and equipment, utility plants and infrastructure), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to the public; consequently, these assets are *not* available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the town's net position, \$4,189,384 (9.5%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted assets, \$3,816,614 (8.7%), may be used to meet the town's on-going obligations to the public and creditors. It is important to note that the unrestricted net position of the town's business-type activities may not be used to fund governmental activities, or visa-versa.

At the end of the current fiscal year, the Town of Lyons is able to report positive balances in all categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. Net position invested in capital assets, net of related debt, increased \$6,762,527, or just over 23.1%, compared to 2014. This increase is discussed below in "Capital Assets."

Governmental activities – Governmental activities increased the Town of Lyons net position by \$6,574,788. Other key elements of governmental activities are as follows:

- The grants fund created to assist with the 2013 Flood rebuilding and recovery contributed \$11.9 million in assets and \$3.06 million in liabilities. The majority of expenditures were associated with disaster recovery. Most if not all of those costs will be reimbursed through State, local, and federal grants (i.e., FEMA Public Assistance, FEMA HMGP, CDBG-DR).
- Sales tax collection increased \$214,594 in 2015 over 2014.

- Grant revenues increased \$2,607,640 in 2015 over 2014. This is largely attributed to collection of FEMA eligible expense reimbursement as well as state and local grant reimbursements.
- Contributions and Donations decreased \$444,708, which is mainly attributed to the grant funds.

Town of Lyons Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 458,547	\$ 393,225	\$ 2,645,906	\$ 2,541,819	\$ 3,104,453	\$ 2,935,044
Operating Grants and Contributions	1,273,402	1,704,135	-	-	1,273,402	1,704,135
Capital Grants and Contributions	6,465,933	3,104,755	571,773	668,776	7,037,706	3,773,531
General Revenues:						
Property Taxes	424,089	450,879	-	-	424,089	450,879
Other Taxes	1,137,055	823,553	-	-	1,137,055	823,553
Unrestricted investment earnings	1,769	1,440	6,208	3,015	7,977	4,455
Intergovernmental	78,361	75,392	-	-	78,361	75,392
Loss on disposal of equipment	-	-	-	-	-	-
Transfers	-	1,070,669	-	(1,070,669)	-	-
Extraordinary gain	772,995	223,945	-	-	772,995	223,945
Other	583,262	740,009	-	-	583,262	740,009
Total Revenues	11,195,413	8,588,002	3,223,887	2,142,941	14,419,300	10,730,943
Expenses:						
General Government	2,683,677	1,136,428	-	-	2,683,677	1,136,428
Public Safety	534,330	1,395,972	-	-	534,330	1,395,972
Public Works & Streets	807,109	1,399,796	-	-	807,109	1,399,796
Parks, Recreation & Culture	588,295	869,699	-	-	588,295	869,699
Interest on Long-term Debt	7,214	6,411	-	-	7,214	6,411
Electric	-	-	1,425,242	1,269,945	1,425,242	1,269,945
Water and Sanitation	-	-	1,513,984	1,447,073	1,513,984	1,447,073
Sewer	-	-	-	-	-	-
Property	-	-	-	-	-	-
Total Expenses	4,620,625	4,808,306	2,939,226	2,717,018	7,559,851	7,525,324
Increase or Decrease in Net Position	6,574,788	3,779,696	284,661	(574,077)	6,859,449	3,205,619
Net Position, Beginning	24,495,285	20,715,589	12,653,080	13,227,157	37,148,365	33,942,746
Net Position, Ending	\$ 31,070,073	\$ 24,495,285	\$ 12,937,741	\$ 12,653,080	\$ 44,007,814	\$ 37,148,365

Proprietary (Business-type) activities - Business-type activities increased the Town of Lyons net position by \$284,661 in 2015. The flat rate schedule adopted by the Municipal Energy Association of Nebraska (M.E.A.N.) in 2014 reduced the volatility of electric purchases in 2015. This, along with a rate increase, helped the Electric Fund improve their financial position. The town is getting more interest in customer generated electricity and is working on policies and procedures to make this cost effective for both parties.

The Town is near completion on a new Waste Water Treatment Plant (WWTP) at its current location. The new system will be a sequence batch reactor with ultraviolet disinfection. Honeywell and Filanc/Frchetti were contracted to design and build the plant under a performance contract. It was anticipated to be complete in October 2015 with an extended outfall being built in 2016. As of December 31, 2015 it is not yet complete.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds – The focus of the Town of Lyons governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the town's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the town include the General Fund; Grants Fund; Parks, Recreation and Cultural Fund; and a Special Revenue Fund.

As of December 31, 2015 the town's governmental funds reported combined ending fund balances of \$4,797,759 an increase of \$2,298,780 over the previous year. This increase primarily reflects revenues and other financing sources in the grant funds. The deferred inflows of resources – the unavailability of grant resources (mainly flood cost reimbursement but some property taxes) increased \$1,437,270.

The general fund is the chief operating fund of the Town of Lyons. At the end of the fiscal year, unassigned fund balance of the general fund was \$546,894, while total fund balance reached \$911,501. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26% of total general fund expenditures, while total fund balance represents 43% percent of that same amount.

Proprietary funds – the Town of Lyons' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of December 31, 2015 the unrestricted net position of the Electric Fund was \$208,135. The Water and Sanitation Fund was \$2,865,893. The total increase in net position for all proprietary funds was \$284,661 due mainly to intergovernmental income in the Water and Sanitation Fund. Other factors concerning the finances of the proprietary funds have already been discussed in the Town of Lyons' business-type activities.

General Fund Budgetary Highlights

Actual revenue compared to the budget was \$551,538 higher than budgeted (134%). Almost all revenue categories were higher than expected. The revenues that came in over budget include property tax, specific ownership tax, sales tax, use tax, licenses and permits, intergovernmental, rental income, contributions and donations, and other income. Expenditures were under final budget at approximately 99.8% of budget (\$2,107,250 actual to \$2,112,254 final budget).

The year of 2015 was highlighted by flood recovery work, temporary and permanent improvements to infrastructure and navigating the federal and state regulations regarding flood-related documentation and reimbursements. Staffing needs were greatly increased and the State funded 14 positions for a two year period to assist with the recovery. This resulted in the need to add additional space for staff.

The Town leased a building on Main Street and referenced it as Town Hall Annex. In addition, with the Depot Library being totally damaged by the flood, space on Main Street was also leased for a temporary library.

Much of 2015 was spent in hiring and training of grant-funded staff, the acceptance of grant funds and the start of design work on many capital projects. Once design is completed and accepted, it appears that 2016 will be the year for actual construction on numerous capital projects.

Most of the revenue streams for flood recovery are based on reimbursement models, requiring the Town to pay for services when rendered and being reimbursed by the state; several months after the submittal. The significant needs of the town following the flood resulted in the approval of a FEMA Community Disaster Loan totaling \$994,322, as well as \$6.5 million in advances from the State Disaster Emergency Fund to assist with cash flow during flood recovery.

The following is a list of some of the contracts, services and actions taken in 2015:

- DOLA Flood Recovery Staffing Assistance Grant Implemented
- Lyons Depot Historic Restoration designed and ready to bid
- Lyons Recovery Action Plan Steering Committee met Quarterly
- Rental agreement for Town Hall Annex
- Submitted and received Lyons Community Foundation grants
- Hydraulic studies of the creek
- Conducted Exigent Work in the Creek
- Municipal Facilities Site Analysis started but not completed
- Housing Site Analysis completed
- Conducted Public Works Siting Analysis
- Design of Phase II Meadow Park and river corridor
- Completed process for Buyouts / Acquisitions
- Replacement of water and wastewater infrastructure
- Design of public improvements in confluence neighborhood
- Awarded EDA grant to install sewer infrastructure to eastern corridor
- Awarded grant to hire a Sustainability Coordinator
- Purchased Microsoft Project Software
- Upgraded numerous computers and server
- Awarded inventory software and hardware for public works / parks
- Replaced and updated holiday lights and decorations
- Awarded and purchased zero waste stations
- Finalized design of Main Street enhancements and traffic signal

Capital Asset and Debt Administration

Capital assets – The Town of Lyons investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$44,463,565 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, streets, utility systems, improvements, machinery and equipment, park facilities and structures.

Major capital asset events during the 2015 fiscal year included the following:

- Water and sewer repairs throughout the system
- Permanent creek work and stream bank improvements were completed
- Waste water treatment plant near completion
- Asphalt patching services were conducted
- Roof repair and replacement on numerous town-owned buildings following hail event
- Town Hall plaza completed
- Addition of work stations, copier/scanner and computers for grant-funded staff

**Town of Lyons Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land & Water	\$ 23,185,629	\$ 17,041,616	\$ 8,239,391	\$ 4,185,811	\$ 31,425,020	\$ 21,227,427
Building and Improvements	3,273,659	3,662,108	-	-	3,273,659	3,214,938
Plant and systems	-	-	9,238,684	9,802,557	9,238,684	9,802,557
Machinery and Equipment	334,577	394,050	191,625	103,747	526,202	497,797
	<u>\$ 26,793,865</u>	<u>\$ 21,097,774</u>	<u>\$ 17,669,700</u>	<u>\$ 14,092,115</u>	<u>\$ 44,463,565</u>	<u>\$ 34,742,719</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$15,122,215. Debt represented by bonds and loans secured solely by specified revenue sources (i.e., revenue bonds) are within the proprietary funds. The Town of Lyons does not hold any general obligation debt within the governmental funds. Capital Leases represent two loans on equipment held by the Governmental Funds. Both loans will be paid within two years. Compensated Absences represent the total employee benefit dollar amount (at current rate of pay) regarding vacation, sick and compensated time, earned but not taken. In addition to the summary below, see the notes to the Financial Statements section for more information.

**Town of Lyons Outstanding Debt
Revenue Bonds and Loans**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2013
Capital Lease	\$ 164,610	\$ 249,221	\$ -	\$ -	\$ 164,610	\$ 249,221
Advance from State	6,500,000	3,500,000	-	-	6,500,000	3,500,000
Compensated Absences	31,372	38,042	25,483	27,834	56,855	65,876
Revenue Bonds	-	-	745,000	820,000	745,000	820,000
Revenue Loans	-	-	7,655,750	8,040,796	7,655,750	8,040,796
Total	<u>\$ 6,695,982</u>	<u>\$ 3,787,263</u>	<u>\$ 8,426,233</u>	<u>\$ 8,888,630</u>	<u>\$ 15,122,215</u>	<u>\$ 12,675,893</u>

All issues of the Town of Lyons are unrated.

Economic Factors and Next Year’s Budgets and Rates

In preparing the 2016 budget, the Town had to estimate the fiscal impact on all revenues for the town and its government recovering from a devastating flood disaster that caused over \$50 million in damages to the Town’s infrastructure. The regional impact of the flood disaster changed local economic factors in projecting revenues, due to highways and businesses being closed for months. Business activity is good with the construction projects occurring in town.

However, the Town remains cautious of the steadily growing economy. It is difficult to predict if support of local businesses will continue into another summer season, especially now that the highways are reopened. The property values in Boulder County continue to increase, with many homes increasing 40% due to the lack of housing and desirous quality of life. The town lost nearly twenty percent of its housing stock in the flood and has very minimal land available for replacement housing outside of the floodplain. Workforce housing is almost nonexistent in Lyons at this time, rendering a shortage in workforce for local businesses.

Budget expenditures in 2015 were held to a minimum except for increases in areas that were deemed critical (all flood related costs for response and recovery). In addition to the flood recovery staff, some regular staff hours were able to be shifted from the Town budget and reimbursed as 'force account labor' for flood recovery.

Electric rates were increased, and are anticipated to be reviewed again in 2017 following a rate study in 2016. A Capital Improvement Plan is needed and planned for grant approval in the coming year. Plans continue for exploring growth in the Commercial Eastern Corridor with the assistance of an EDA grant that will fund installation of sewer and water lines to this area. The town is working collaboratively with the City of Longmont to purchase or sell the decommissioned plants for redevelopment.

Contacting the Town's Financial Management

This financial report is designed to provide the public, taxpayers, customers, investors and creditors with a general overview of the town's finances and to show the town's accountability for the funds and assets it receives. If you have questions about this report, or need additional financial information contact the Finance Director of the Town of Lyons at PO Box 49, 432 5th Ave, Lyons, Colorado 80540.

BASIC FINANCIAL STATEMENTS

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 4,313,440	\$ 6,378,465	\$ 10,691,905
Restricted cash and cash equivalents	-	256,439	256,439
Receivables	928,441	656,684	1,585,125
Due from other governments	6,119,318	-	6,119,318
Property tax receivable	499,722	-	499,722
Internal balances	2,571,886	(2,571,886)	-
Prepaid expenses	570	-	570
Inventories	-	94,595	94,595
Revolving loan funds receivable	95,000	-	95,000
Capital assets not being depreciated			
Land, water rights and construction in progress	23,185,629	8,239,391	31,425,020
Capital assets, net of accumulated depreciation			
Buildings	350,128	-	350,128
Improvements	2,923,531	-	2,923,531
Plant and systems	-	9,238,684	9,238,684
Equipment	334,577	191,625	526,202
Total Assets	41,322,242	22,483,997	63,806,239
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accounts payable and other current liabilities	2,732,028	1,048,692	3,780,720
Other current liabilities	324,437	58,305	382,742
Deposits	-	13,026	13,026
Due within one year	175,067	575,636	750,703
Due in more than one year	6,520,915	7,850,597	14,371,512
Total Liabilities	9,752,447	9,546,256	19,298,703
<u>Deferred Inflows of Resources</u>			
Unavailable resources property taxes	499,722	-	499,722
Total Deferred Inflows of Resources	499,722	-	499,722
<u>Net Position</u>			
Net investment in capital assets	26,629,255	9,372,561	36,001,816
Restricted			
Debt service	-	387,541	387,541
Capital outlay	-	103,611	103,611
Parks and open space	197,217	-	197,217
Grant expenditures	3,501,015	-	3,501,015
Unrestricted	742,586	3,074,028	3,816,614
Total Net Position	\$ 31,070,073	\$ 12,937,741	\$ 44,007,814

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 2,683,677	\$ 127,165	\$ 1,054,741	\$ 25,294	\$ (1,476,477)	\$ -	\$ (1,476,477)
Public safety	534,330	131,388	43,009	-	(359,933)	-	(359,933)
Public works and streets	807,109	-	153,137	3,111,750	2,457,778	-	2,457,778
Parks, recreation and cultural	588,295	199,994	22,515	3,328,889	2,963,103	-	2,963,103
Interest	7,214	-	-	-	(7,214)	-	(7,214)
Total governmental activities	4,620,625	458,547	1,273,402	6,465,933	3,577,257	-	3,577,257
Business-type activities							
Electric	1,425,242	1,395,365	-	31,499	-	1,622	1,622
Water and Sanitation	1,513,984	1,250,541	-	540,274	-	276,831	276,831
Total business-type activities	2,939,226	2,645,906	-	571,773	-	278,453	278,453
Total primary government	\$ 7,559,851	\$ 3,104,453	\$ 1,273,402	\$ 7,037,706	3,577,257	278,453	3,855,710
General revenues							
Property taxes					424,089	-	424,089
Sales and use taxes					1,058,537	-	1,058,537
Ownership taxes					25,520	-	25,520
Other taxes and fees					52,998	-	52,998
Unrestricted investment earnings					1,769	6,208	7,977
Intergovernmental					78,361	-	78,361
Other income					583,262	-	583,262
Total general revenues					2,224,536	6,208	2,230,744
Extraordinary gain					772,995	-	772,995
Total general revenues, transfers extraordinary gains					2,997,531	6,208	3,003,739
Change in net position					6,574,788	284,661	6,859,449
Net position, beginning					24,495,285	12,653,080	37,148,365
Net position, ending					<u>\$ 31,070,073</u>	<u>\$ 12,937,741</u>	<u>\$ 44,007,814</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Funds				Total Governmental
	General	Grants	Parks, Recreation, and Cultural	Other Governmental	
Assets					
Cash and cash equivalents	\$ 1,154,560	\$ 1,713,317	\$ 614,162	\$ 195,003	\$ 3,677,042
Cash held by county treasurer	4,862	-	-	-	4,862
Cash held in escrow	-	636,398	-	-	636,398
Accounts receivable	251,965	628,871	31,546	-	912,382
Accounts receivable - land use permits	11,197	-	-	-	11,197
Revolving loan funds receivable	-	95,000	-	-	95,000
Due from other governments	108,545	6,010,773	-	-	6,119,318
Property taxes receivable	499,722	-	-	-	499,722
Prepaid expenses	570	-	-	-	570
Due from other funds	-	2,829,602	-	2,214	2,831,816
Total Assets	\$ 2,031,421	\$ 11,913,961	\$ 645,708	\$ 197,217	\$ 14,788,307
Liabilities					
Accounts payable	\$ 212,522	\$ 2,508,602	\$ 10,904	\$ -	\$ 2,732,028
Accrued liabilities	53,489	270,948	-	-	324,437
Due to other funds	177,189	-	82,741	-	259,930
Deferred revenue	4,945	280,608	-	-	285,553
Total Liabilities	448,145	3,060,158	93,645	-	3,601,948
Deferred Inflows of Resources					
Unavailable resources property taxes	499,722	-	-	-	499,722
Unavailable resources grants	172,053	5,716,825	-	-	5,888,878
Total Deferred Inflows of Resources	671,775	5,716,825	-	-	6,388,600
Fund Balance					
Nonspendable for					
Prepaid items	570	-	-	-	570
Restricted for					
Grant expenditures	364,037	3,136,978	-	-	3,501,015
Parks, recreation and cultural	-	-	-	197,217	197,217
Assigned to					
Parks, recreation and cultural	-	-	552,063	-	552,063
Unassigned	546,894	-	-	-	546,894
Total Fund Balance	911,501	3,136,978	552,063	197,217	4,797,759
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,031,421	\$ 11,913,961	\$ 645,708	\$ 197,217	\$ 14,788,307

Reconciliation of total fund balance to net assets of governmental activities:

Total fund balance shown above	4,797,759
Amounts reported for governmental activities in the statement of net assets are different because	
long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(6,695,982)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	6,174,431
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	26,793,865
Net Position of Governmental Activities	\$ 31,070,073

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Grants	Parks, Recreation and Cultural	Other Governmental	Total Governmental Funds
Revenues					
Taxes					
General property tax	\$ 424,089	\$ -	\$ -	\$ -	\$ 424,089
Specific ownership tax	25,520	-	-	-	25,520
Sales tax	560,842	-	216,062	-	776,904
Use tax	187,592	-	94,041	-	281,633
Other taxes and fees	22,262	-	30,736	-	52,998
Licenses and permits	122,220	-	-	-	122,220
Intergovernmental	373,411	6,094,590	-	20,225	6,488,226
Charges for services	-	-	199,994	-	199,994
Fines and forfeitures	131,388	-	-	-	131,388
Investment earnings	863	-	565	341	1,769
Rental income	113,798	-	-	-	113,798
Contributions and donations	3,979	97,811	3,150	-	104,940
Other income	200,673	-	2,170	-	202,843
Total Revenues	2,166,637	6,192,401	546,718	20,566	8,926,322
Expenditures					
Current					
General government	955,280	1,487,111	-	-	2,442,391
Public safety	474,083	60,247	-	-	534,330
Economic development	130,755	30,000	-	-	160,755
Public works	326,159	56,006	-	-	382,165
Library	39,828	-	-	-	39,828
Parks, recreation and cultural	-	25,073	461,823	7,670	494,566
Capital outlay	181,145	6,107,823	3,170	-	6,292,138
Debt service					
Principal	-	84,611	-	-	84,611
Interest	-	7,214	-	-	7,214
Total Expenditures	2,107,250	7,858,085	464,993	7,670	10,437,998
Excess of revenues over (under) expenditures	59,387	(1,665,684)	81,725	12,896	(1,511,676)
Other financing sources (uses)					
Loan proceeds	-	3,000,000	-	-	3,000,000
Insurance recoveries	161,681	648,775	-	-	810,456
Total other financing sources (uses)	161,681	3,648,775	-	-	3,810,456
Change in fund balances	221,068	1,983,091	81,725	12,896	2,298,780
Fund balance, beginning	690,433	1,153,887	470,338	184,321	2,498,979
Fund balance, ending	<u>\$ 911,501</u>	<u>\$ 3,136,978</u>	<u>\$ 552,063</u>	<u>\$ 197,217</u>	<u>\$ 4,797,759</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Amounts reported for governmental activities in the statements of activities are different because:

Net change in fund balances, total governmental funds	\$ 2,298,780
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Issuances of debt are treated as revenues in the governmental funds, but are recorded as liabilities on the statement of net position. Repayments of this debt are recorded as expenses in the governmental funds and reduce liabilities on the statements of net position.

Principal payments on capital lease	\$ 84,611
Loan proceeds	<u>(3,000,000)</u>

Net amount by which debt proceeds exceeded principal payments	(2,915,389)
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Total governmental funds capital outlay - capitalized	\$ 6,292,137
Loss on disposal of assets	(66,536)
Less current period depreciation	<u>(529,510)</u>

Net amount by which capital outlay exceeded depreciation and loss on disposal of asset in the current period	5,696,091
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	1,488,636
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Accrued compensated absences are not reported as an expenditure at the fund level.	<u>6,670</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 6,574,788</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Electric Fund</u>	<u>Water and Sanitation Fund</u>	<u>Totals</u>
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 1,446,358	\$ 4,932,107	\$ 6,378,465
Restricted cash, cash equivalents	152,828	103,611	256,439
Accounts receivable	137,272	519,412	656,684
Inventory, at cost	28,192	66,403	94,595
Total current assets	<u>1,764,650</u>	<u>5,621,533</u>	<u>7,386,183</u>
Noncurrent assets			
Capital assets not being depreciated			
Land, construction in progress and water rights	49,215	8,190,176	8,239,391
Capital assets being depreciated			
Plant and systems	3,210,226	10,960,994	14,171,220
Equipment	92,815	273,630	366,445
Plant, systems and equipment	3,352,256	19,424,800	22,777,056
Less accumulated depreciation	<u>(1,029,333)</u>	<u>(4,078,023)</u>	<u>(5,107,356)</u>
Capital assets, net of accumulated depreciation	<u>2,322,923</u>	<u>15,346,777</u>	<u>17,669,700</u>
Total Assets	<u>4,087,573</u>	<u>20,968,310</u>	<u>25,055,883</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 106,683	\$ 942,009	\$ 1,048,692
Due to other funds	1,265,603	1,306,283	2,571,886
Accrued liabilities	13,652	44,653	58,305
Customer deposits	10,141	2,885	13,026
Compensated absences-current	2,536	5,958	8,494
Revenue notes payable - current	19,172	467,970	487,142
Revenue bonds payable - current	80,000	-	80,000
Total current liabilities	<u>1,497,787</u>	<u>2,769,758</u>	<u>4,267,545</u>
Noncurrent liabilities			
Compensated absences	5,072	11,917	16,989
Notes payable	258,955	6,909,653	7,168,608
Bonds payable	665,000	-	665,000
Total noncurrent liabilities	<u>929,027</u>	<u>6,921,570</u>	<u>7,850,597</u>
Total Liabilities	<u>2,426,814</u>	<u>9,691,328</u>	<u>12,118,142</u>
<u>Net position</u>			
Net investment in capital assets	1,299,796	8,072,765	9,372,561
Restricted for capital outlay	-	103,611	103,611
Restricted for debt service	152,828	234,713	387,541
Unrestricted	<u>208,135</u>	<u>2,865,893</u>	<u>3,074,028</u>
Total Net Position	<u>\$ 1,660,759</u>	<u>\$ 11,276,982</u>	<u>\$ 12,937,741</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Electric Fund</u>	<u>Water and Sanitation Fund</u>	<u>Totals</u>
<u>Operating revenues</u>			
Charges for services	\$ 1,379,494	\$ 1,223,596	\$ 2,603,090
Other	15,871	26,945	42,816
Total operating revenues	<u>1,395,365</u>	<u>1,250,541</u>	<u>2,645,906</u>
<u>Operating expenses</u>			
Operations and maintenance	1,107,024	667,009	1,774,033
Administrative	158,913	259,210	418,123
Depreciation and amortization	102,559	457,152	559,711
Total operating expenses	<u>1,368,496</u>	<u>1,383,371</u>	<u>2,751,867</u>
Operating income (loss)	<u>26,869</u>	<u>(132,830)</u>	<u>(105,961)</u>
<u>Non-operating revenues (expenses)</u>			
Investment earnings	573	5,635	6,208
Intergovernmental income	-	375,583	375,583
Interest on indebtedness	(56,746)	(130,613)	(187,359)
Total Non-Operating Revenues (Expenses)	<u>(56,173)</u>	<u>250,605</u>	<u>194,432</u>
Income (loss) before capital contributions, and transfers	(29,304)	117,775	88,471
Capital contributions	<u>31,500</u>	<u>164,690</u>	<u>196,190</u>
Change in net position	2,196	282,465	284,661
Net position, beginning of year	<u>1,658,563</u>	<u>10,994,517</u>	<u>12,653,080</u>
Net position, end of year	<u>\$ 1,660,759</u>	<u>\$ 11,276,982</u>	<u>\$ 12,937,741</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Electric	Water and Sanitation Fund	Total
<u>Cash flows from operating activities</u>			
Receipts from customers and users	\$ 1,361,463	\$ 1,212,012	\$ 2,573,475
Other services	15,871	26,945	42,816
Payments to suppliers and employees	(1,326,513)	(962,850)	(2,289,363)
Net cash provided by operating activities	<u>50,821</u>	<u>276,107</u>	<u>326,928</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Interfund borrowings	1,520,365	(23,948)	1,496,417
Net cash provided by (used for) noncapital financing activities	<u>1,520,365</u>	<u>(23,948)</u>	<u>1,496,417</u>
<u>Cash flows from capital and related financing activities</u>			
Principal repayments	(93,189)	(366,857)	(460,046)
Contributions from customers	31,499	164,689	196,188
Interest paid	(56,041)	(117,724)	(173,765)
Intergovernmental capital grants	-	528,000	528,000
Purchase of fixed assets	(10,845)	(3,506,632)	(3,517,477)
Net cash used for capital and related financing	<u>(128,576)</u>	<u>(3,298,524)</u>	<u>(3,427,100)</u>
<u>Cash flows from investing activities</u>			
Change in restricted holdings	-	3,055,806	3,055,806
Interest earned	573	5,635	6,208
Net cash used for investing activities	<u>573</u>	<u>3,061,441</u>	<u>3,062,014</u>
Net change in cash and equivalents	1,443,183	15,076	1,458,259
Cash and equivalents, beginning of year	<u>3,175</u>	<u>4,917,031</u>	<u>4,920,206</u>
Cash and equivalents, end of year	<u>\$ 1,446,358</u>	<u>\$ 4,932,107</u>	<u>\$ 6,378,465</u>
Operating income (loss)	\$ 26,869	\$ (132,830)	\$ (105,961)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	102,559	457,152	559,711
Purchase of inventory	1,608	(53,751)	(52,143)
Decrease (increase) in accounts receivable	(14,429)	(11,584)	(26,013)
Decrease (increase) in accounts payable	(65,786)	17,120	(48,666)
Total adjustments	<u>23,952</u>	<u>408,937</u>	<u>432,889</u>
Net cash provided by operating activities	<u>\$ 50,821</u>	<u>\$ 276,107</u>	<u>\$ 326,928</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Town of Lyons (the “Town”) was organized on April 6, 1891 as an incorporated municipality as defined by Colorado Revised Statutes. The Town is governed by an elected Mayor and a six member Board of Trustees (Board). The Town provides the following services to the residents and businesses: public safety (police and building inspections), economic development, streets and storm drainage, sewer treatment, water, electric, cultural activities, a library, parks and recreation, public improvements, planning and zoning, judicial, and general administrative services. Police protection is provided by an intergovernmental agreement with the Boulder County Sheriff’s Office.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) as applicable to government units. The following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Town officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the financial statements include only the funds of the Town of Lyons for which the Mayor and Board of Trustees have oversight responsibility. During June, 2015, The Town Board of Trustees created the Lyons Urban Renewal Authority (LURA) and appointed several members of the Town’s management as management of the LURA. The LURA did not commence operations until 2016 and will then be reported as a component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activity is not reported in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 purchase, 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 instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. There are no legal restrictions concerning the use of property taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, sales taxes, public improvement fees, grants and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

Major Funds – In the fund financial statements, the Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- The *Grants Fund* is a special revenue fund created as a result of the flood that occurred September 12, 2013. This fund primarily captures grants, insurance proceeds, donations and expenses related to flood restoration.
- The *Parks, Recreation, and Cultural Fund* is a special revenue fund that accounts for the acquisition and maintenance of parkland and related facilities including the visitor center, as well as organizing and promoting special events and other community programs. Financing is provided by sales and use taxes, impact fees on new construction, activity fees, grants, donations, and other park use fees.

The Town reports the following major proprietary funds:

- *Electric Fund* - This enterprise fund was established to finance and account for the activities of the municipally owned electric utility. It is predominately self-supported by customer user charges but also receives revenue from investment fees for new connections.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- *Water and Sanitation Fund* - This enterprise fund was established to finance and account for the acquisition, operation and maintenance of water facilities and wastewater facilities and distribution. It is predominately self-supported by customer user charges but also receives revenue from plant investment fees (tap fees).

The Town reports one governmental fund as non-major:

- The *Conservation Trust Fund* is used to account for monies received from the Colorado Lottery, on a per capita basis. By statute, funds can be used for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Fund, Water and Sanitation Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets

Budgets are adopted on a basis consistent with Colorado Revised Statutes and Local Government Budget Law. The budgets for the Town are adopted for all funds and presented on a basis consistent with GAAP except as follows. In the budgets for the enterprise funds: 1) bond and other debt proceeds are treated as other financing sources, and bond and other debt principal payments are treated as budget expenditures, 2) tap fees for the Electric Fund, Water and Sanitation Fund are treated as budgeted revenues, 3) no depreciation or amortization is budgeted 4) capital acquisitions are treated as budget expenditures and 5) losses on disposals of equipment are not recognized as revenues for budget purposes.

Expenditures may not legally exceed budgeted appropriations at the fund level for all funds. Appropriations for all funds lapse at fiscal year-end. The budget of the Town is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are made, implemented and controlled. The Town approved supplemental appropriations of \$500,000 for the General Fund, \$50,000 for the Electric Fund and \$4,000,000 for the Water and Sanitation Fund. The Water and Sanitation Fund's expenditures exceeded appropriations as no amounts were budgeted for the debt service payments on the 2013 CWPDR loan.

Legal Compliance – TABOR Amendment

Colorado voters passed an amendment to the Colorado Constitution (Article X, Section 20 or "TABOR") at the general election held on November 3, 1992. The language of TABOR applies to the State and all local governments, including the Town. TABOR has several limitations, including revenue increases, spending abilities, and other specific requirements of state and local government.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TABOR generally requires that the voters of the town approve any new tax, increase of existing tax, or property tax mill levy increase. TABOR also limits increases in the Town's property tax revenue over the prior year to the rate of inflation plus the net percentage change in the actual value of all real property in the Town from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from taxable real property, unless otherwise approved by the voters. Any revenues collected in excess of these limits are required to be refunded during the next fiscal year.

On November 8, 1994 the voters within the Town approved a ballot question which authorizes the Town to collect, retain and expend the full amount of revenues generated by the Town of Lyons without any increase in any tax rate. All remaining restrictions of TABOR remain in full force and effect.

Prior to 2013, the Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by TABOR. As a result of the 2013 flood, the Town's emergency declaration resolution authorized the use of its TABOR reserves. The emergency declaration was still in effect at the end of the fiscal year. As a result, the Town does not have a TABOR emergency reserve at December 31, 2015.

The Town believes it is in compliance with the requirements of the amendment. In order to determine its compliance, the Town has made certain interpretations of the amendments language.

Restricted Revenue

Restrictions are placed upon certain revenue received by the Town when legally mandated to be used for specific purposes. Currently the voters have approved a restriction for 1% of the 3% sales and use tax to be used for parks and recreation. The exception to this allocation is the amount of recreational marijuana sales tax which remains in the General Fund.

Under this formula, sales and use tax was recorded in the funds as follows:

	Percentage	Sales Tax	Use Tax	Total
General Fund	66 2/3%	\$ 560,842	\$ 187,592	\$ 748,434
Parks, Recreation and Cultural Fund	33 1/3%	216,062	94,041	310,103
	100%	\$ 776,904	\$ 281,633	\$ 1,058,537

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less, which are available for unrestricted purposes. Investments are stated at fair value.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2015, management believes all receivables are collectible.

Accounts receivables in the enterprise funds represent the utility billings for customer accounts. Unpaid amounts represent an enforceable lien on the property; therefore no allowance for uncollectible amounts is made.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Interfund Receivables and Payables – During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *due from other funds* and *due to other funds* because they are short-term in nature.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories - Inventories are valued at cost, using the first-in, first-out (FIFO) method.

Capital Assets - Capital assets, including "public domain" infrastructure capital assets such as streets, bridges, curbs and gutters, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 for infrastructure assets and \$2,500 for all other capital assets, with an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Costs incurred for the purchase or construction of capital assets for governmental activities are recorded as capital outlay expenditures in the governmental funds. Only those infrastructure assets associated with governmental activities that were completed beginning in 2004 have been capitalized as additions.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Accumulated depreciation is reported on the government-wide financial statements.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives. Capital assets not being depreciated include land, water rights, and construction in progress.

Building and improvements	10 - 30 years
Plant and systems	20 - 40 years
Infrastructure	20 years

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. At December 31, 2015, the Town had no deferred outflows of resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period and reimbursable grant revenues which were earned, but were not available at December 31, 2015.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Unearned Revenues – Unearned revenues include insurance proceeds which were not available at December 31, 2015.

Compensated Absences – It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation, overtime, and sick leave benefit. Upon separation from Town service, earned but unused vacation and overtime is paid to the employee. Earned but unused sick leave is paid at one half (50%) value. Accumulated unpaid vacation pay is accrued when earned in the government-wide and proprietary fund type financial statements. A liability is reported in the governmental funds financial statements when payment is due. At December 31, 2015, \$56,855 of earned but unused vacation, overtime and sick leave percentage is recorded as an accrued liability.

Long-Term Debt – 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 governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making body for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Town has no committed fund balance.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property Taxes - Property taxes are levied by the Board and certified to Boulder County for collection by December 15 of each year. These taxes attach an enforceable lien on property as of January 1 of the succeeding year and are payable in full by May 2 or in two installments by February 29 and June 15 in the year of collection. The County Treasurer collects the property taxes and remits the collections to the Town on a monthly basis.

Retirement Commitments - Effective January 1, 1998, a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan was established by the Board of Trustees. Capital Guardian Trust Company administers the defined contribution plan with investments made within the American Funds Group chosen by the employee. Under this plan, participation by the employee is voluntary. If the employee chooses to participate, the Town will contribute a match of up to 3% of the employee's gross salary. A new employee is eligible to participate following successful completion of a six-month period during one of the semi-annual election periods. All amounts are 100% vested at the time of contribution. During the year ended December 31, 2015, the Town contributed \$29,921.

Risk Management

The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2). The purposes of CIRSA are to provide members defined liability and property coverage and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers. It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have ability to significantly affect the operations of the unit.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect certain reported amounts and disclosures. The Town has recorded a receivable for approximately \$6,119,318 from the State of Colorado for the Federal and State share of costs related to the flood restoration grants. Due to the nature of the grants and the fact that these grants are new both to the Town and the State of Colorado, the amounts which will ultimately be reimbursed by the State of Colorado is an estimate which may have a significant effect on future year's financial results. The Town believes that all costs which have been accrued are allowable.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments as of December 31, 2015, follows:

Petty cash	\$ 1,450
Deposits	4,903,031
Investments	5,087,838
Funds held by other entities	<u>956,025</u>
Total Cash and Investments	<u>\$ 10,948,344</u>

The above amounts are classified in the financial statements as follows:

Cash and investments	\$ 10,691,905
Restricted cash and investments	<u>256,439</u>
Total Cash and Investments	<u>\$ 10,948,344</u>

Deposits

Custodial Credit Risk – Deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Town's deposit policy is in accordance with CRS 11-10.5-101 et. seq., The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2015, the carrying amount of the Town's deposits was \$4,903,031 and the bank balance was \$5,027,586. Of this amount \$250,000 was covered by FDIC insurance. The remaining \$4,777,586 was included in the PDPA funds.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments - Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain International agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The Town does not have an investment policy that would further limit its investment choices. The Town invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are:

- Safety
- Liquidity
- Yield

Investments

The Town invests funds in COLOTRUST PLUS+. The Colorado Local Government Liquid Asset Trust (COLOTRUST) was organized in 1985 in accordance with the Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, Colorado Revised Statutes), to allow Colorado governmental entities to pool their funds to take advantage of short-term investments and maximize net interest earnings. Authorized securities include U.S. Treasury Securities, Federal Instrumentality Securities, Agency Securities, Repurchase Agreements and Tri-Party Repurchase Agreements, collateralized bank deposits, Commercial Paper that, at the time of purchase, is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations, and corporate bonds. The pool operates similar to a money market fund with a share value equal to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing the Pool. The fund is rated AAAM by the Standard and Poor's Corporation. At December 31, 2015, the Town had invested \$5,087,838 in COLOTRUST.

Interest Rate Risk - The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2015, the Town has interest rate risk related only to its investments in COLOTRUST. At December 31, 2015, COLOTRUST had a weighted average maturity of 53 days to reset and 75 days to maturity.

Custodial Credit Risk – Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2015, the Town's investments consisted of the investment pool.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH - RESTRICTED

The Electric Fund revenue bond agreement contains a covenant provision requiring the Town to deposit restricted cash in the amount of \$118,638 as a bond reserve account. In addition, \$34,190 was contained in a bond sub-account restricted for debt service as of December 31, 2015.

The Water fund obtained an additional loan from the Colorado Water Resources and Power Development Authority of which they are currently holding \$103,611 to be used to fund future improvements.

NOTE 4 - INTERNAL BALANCES

During the year ended December 31, 2015 the following amounts were transferred to the grant fund to cover the Town's share of flood related costs by each fund.

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ -	\$ 25,542
Grants Fund	32,914	-
Water and Sanitation Fund	-	7,372
	<u>32,914</u>	<u>32,914</u>
Totals	<u>\$ 32,914</u>	<u>\$ 32,914</u>

The following are the balances owed between funds as of December 31, 2015. All balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds		
General Fund	\$ -	\$ 202,151
Grants Fund	2,869,821	-
Parks, Recreation, and Cultural Fund	-	82,741
Electric Fund	-	1,268,229
Water and Sanitation Fund	-	1,318,914
Non-Major Funds		
Conservation Trust Fund	2,214	-
	<u>2,214</u>	<u>-</u>
Totals	<u>\$ 2,872,035</u>	<u>\$ 2,872,035</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2015 was as follows:

	<u>Balance</u> <u>1/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 13,870,198	\$ -	\$ -	\$ 13,870,198
Construction in progress	<u>3,171,418</u>	<u>6,184,537</u>	<u>(40,524)</u>	<u>9,315,431</u>
Total capital assets, not depreciated	<u>17,041,616</u>	<u>6,184,537</u>	<u>(40,524)</u>	<u>23,185,629</u>
Capital assets being depreciated				
Buildings	767,628	59,197	-	826,825
Improvements	4,259,575	-	-	4,259,575
Equipment	<u>662,901</u>	<u>48,403</u>	<u>(42,181)</u>	<u>669,123</u>
Total capital assets, depreciated	<u>5,690,104</u>	<u>107,600</u>	<u>(42,181)</u>	<u>5,755,523</u>
Less accumulated depreciation for				
Buildings	(375,279)	(101,418)	-	(476,697)
Improvements	(989,816)	(346,228)	-	(1,336,044)
Equipment	<u>(268,851)</u>	<u>(81,864)</u>	<u>16,169</u>	<u>(334,546)</u>
Total accumulated depreciation	<u>(1,633,946)</u>	<u>(529,510)</u>	<u>16,169</u>	<u>(2,147,287)</u>
Total capital assets being depreciated, net	<u>4,056,158</u>	<u>(421,910)</u>	<u>(26,012)</u>	<u>3,608,236</u>
Governmental activities Capital assets, net	<u>\$ 21,097,774</u>	<u>\$ 5,762,627</u>	<u>\$ (66,536)</u>	<u>\$ 26,793,865</u>

The amount of depreciation charged to each governmental function on the government-wide Statement of Activities is as follows:

General government	\$ 49,167
Public works and streets	424,944
Parks, culture and recreation	<u>55,399</u>
Total current year depreciation	<u>\$ 529,510</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2015 was as follows:

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land and water rights	\$ 1,547,588	\$ -	\$ -	\$ 1,547,588
Construction in progress	<u>2,638,223</u>	<u>4,053,580</u>	-	<u>6,691,803</u>
Total capital assets, not depreciated	<u>4,185,811</u>	<u>4,053,580</u>	-	<u>8,239,391</u>
Capital assets being depreciated				
Plant and systems	14,171,220	-	-	14,171,220
Equipment	<u>282,729</u>	<u>83,716</u>	-	<u>366,445</u>
Total capital assets, depreciated	<u>14,453,949</u>	<u>83,716</u>	-	<u>14,537,665</u>
Less accumulated depreciation for				
Plant and systems	(4,425,313)	(507,223)	-	(4,932,536)
Equipment	<u>(122,332)</u>	<u>(52,488)</u>	-	<u>(174,820)</u>
Total accumulated depreciation	<u>(4,547,645)</u>	<u>(559,711)</u>	-	<u>(5,107,356)</u>
Total capital assets being depreciated, net	<u>9,906,304</u>	<u>(475,995)</u>	-	<u>9,430,309</u>
Business-type activities				
Capital assets, net	<u>\$ 14,092,115</u>	<u>\$ 3,577,585</u>	<u>\$ -</u>	<u>\$ 17,669,700</u>

Depreciation expense for the business-type activities totaled \$559,711 for the year ended December 31, 2015.

NOTE 6 - LONG TERM DEBT

	Balance 1/1/15	Advances	Payments	Balance 12/31/15	Due Within One Year
<u>Governmental activities</u>					
Capital leases	\$ 249,221	\$ -	\$ 84,611	\$ 164,610	\$ 164,610
Advance from State	3,500,000	3,000,000	-	6,500,000	-
Compensated absences	<u>38,042</u>	<u>51,121</u>	<u>57,791</u>	<u>31,372</u>	<u>10,457</u>
	<u>\$ 3,787,263</u>	<u>\$ 3,051,121</u>	<u>\$ 142,402</u>	<u>\$ 6,695,982</u>	<u>\$ 175,067</u>

Compensated absences from the governmental activities are generally liquidated by the General Fund.

During 2014, the Town received an advance from the State of Colorado to assist with cashflow issues in the amount of \$3,500,000. During 2015, the Town received an additional \$3,000,000. The loan is to be paid with the final FEMA reimbursements. At this time, the date of those reimbursements is not known. The loan has no interest component. Also, during 2014, the Town entered into a Community Disaster Loan (CDL) with FEMA in the amount of \$994,322. The loan bears interest at a rate of 1.75%. The loan is due on December 28, 2019, unless amounts are forgiven under Section 417 of the Stafford Disaster and Relief and Emergency Assistance Act. At December 31, 2015, no amounts have been drawn on this loan.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

	Balance 1/1/15	Advances	Payments	Balance 12/31/15	Due Within One Year
<u>Business-type activities</u>					
2003 Elec. Rev. Bonds	\$ 820,000	\$ -	\$ 75,000	\$ 745,000	\$ 80,000
2006 Elec. Rev. Note	296,317	-	18,189	278,127	19,172
2003 CWRPDA Loan	2,544,479	-	229,283	2,315,197	229,283
2013 CWRPDA Loan	5,200,000	-	137,574	5,062,426	238,687
Compensated absences	27,834	41,525	43,876	25,483	8,494
	<u>\$ 8,888,630</u>	<u>\$ 41,525</u>	<u>\$ 503,922</u>	<u>\$ 8,426,233</u>	<u>\$ 575,636</u>

The Town has leases classified as capital leases on equipment with an original cost of \$257,132 and a book value of \$195,910. Future minimum obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31:</u>	
2016	\$ 166,188
Less amount representing interest	<u>(1,578)</u>
Present value of minimum lease payments	<u>\$ 164,610</u>

- *Electric Fund – Revenue Bonds Payable*
Revenue bonds in the amount of \$1,480,000 were issued October 15, 2003 for the purpose of constructing an electrical substation. The average coupon rate is 4.76% over twenty years with final payment on December 1, 2023. These bonds are payable from the revenues of the Electric Fund and do not represent a general obligation of the town. The balance on this bond at fiscal year-end is \$745,000.

In 2006, a revenue note was issued in the amount of \$412,000 in support of the same project. The rate on this note is 5.4% with a twenty-year term. The balance as of December 31, 2015 is \$278,127.

- *Water fund - loans payable*
A loan agreement was approved June 1, 2003 with the Colorado Water Resources and Power Development Authority through the Drinking Water Revolving Fund in the principal amount of \$4,915,599 at 3.03% interest. Payments were due on February 1 and August 1 of each year, payable from the revenues of the Water and Sanitation Fund. Final payment was originally due on August 1, 2024.

This note was refinanced by the Colorado Water Resources and Power Authority in February 2013. The refinancing provided a present value savings of approximately 4.1% as a percentage of current outstanding loan principal. These anticipated refunding credits will be reduced against the Town's principal at the time the credit is issued. The balance remaining on December 31, 2015 is \$2,315,197.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

The Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority through the Drinking Water Revolving Fund, dated April 18, 2014, in the principal amount of \$5,200,000. \$3,200,000 of the loan balance bears interest at 2.00% interest while the balance or “green” portion is at 0%. Payments were due on May 1 and November 1 of each year, payable from the revenues of the Water and Sanitation Fund. Final payment is due on November 1, 2034. The balance remaining on December 31, 2015 is \$5,062,426.

The Water fund loan agreements with the Colorado Water Resources and Power Development Authority require three months operations and maintenance expenses be restricted for debt service. There is not a requirement under the agreement to hold these funds in separate cash accounts and amounts can be unrestricted equity. For purposes of the bond issue, the Water and Sanitation funds are combined. The required amount of restricted equity totals \$234,713 as of December 31, 2015.

Principal and interest payments on long term debt are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 567,142	\$ 150,960	\$ 718,102
2017	576,514	136,504	713,018
2018	590,997	126,562	717,559
2019	605,596	115,767	721,363
2020	620,314	150,960	771,274
2021-2025	2,862,565	323,179	3,185,744
2026-2030	1,410,381	126,032	1,536,413
2031-2035	1,167,241	34,538	1,201,779
	<u>\$ 8,400,750</u>	<u>\$ 1,164,502</u>	<u>\$ 9,565,252</u>

Interest expense for the year ended December 31, 2015 totaled \$187,359.

NOTE 7 - EQUITY

Net Position

As described in Note 1, net position in the Government-Wide Statement of Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulators of other governments. At December 31, 2015 restrictions on the governmental activities net position totaled \$3,698,232. Restrictions on the net position of the business type activities totaled \$491,152.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies, as well as matching obligations from the Town. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments

During 2015, the Town entered into a number of agreements related to the flood reconstruction and the new wastewater treatment plant. The total remaining balances of these agreements at December 31, 2015 is approximately \$11.4 million. The Town anticipates that the majority of these costs will be paid by loan proceeds or grant reimbursements.

NOTE 9 - FLOOD DISASTER

During September, 2013, after historic rainfall, the Town of Lyons suffered significant damage from flash flooding of tributaries of the St. Vrain River. On September 24, 2013, a Presidential Disaster Declaration was issued. The Town estimates infrastructure damage at \$60 million and damage to the parks to be \$9 million. The Town is in the process of being award or has been awarded a number of different grants from different state and federal agencies that will assist in rebuilding of the Town and meeting the match requirements for the Federal Emergency Management Agency (FEMA) grants. These grants will also provide for the hiring of additional temporary personnel to implement and account for the awarded projects. The Town anticipates that these grants will exceed \$100 million.

Additional insurance proceeds were recognized in 2015 and resulted in an extraordinary gain of \$772,995

NOTE 10 - CASH FLOW CONCERNS

As more fully described in Note 9, in order to restore the Town to pre-flood levels, the Town is dependent on federal, state and local grants. The Town has experienced significant delays in the grant reimbursement process. As of August 2, 2016, the latest information available the Town has approved grants totaling approximately \$50.4 million. Of these funds, the Town has estimates it has expended approximately \$25.4 million and has received reimbursements totaling approximately \$16.6 million. To lessen these issues, at December 31, 2015, the Town has received \$6,500,000 and is expected to receive another \$3,000,000 in advance funds related to the FEMA grant from the State of Colorado. Based on cash flow projections, the Town anticipates that this advance will only fund costs through September of 2016. After that period the Town believes it will have to delay restoration projects until reimbursements are received.

NOTE 11 - SUBSEQUENT EVENT

During 2015, the Town Board of Trustees approved an intergovernmental agreement with the Lyons Urban Renewal Authority (LURA). The Board appointed certain Town employees as officers of the Authority. It is anticipated in 2016, LURA will be reported as a component unit of the Town.

During 2016, the Town believes it will receive an additional advance from the State of Colorado to assist with cash flow issues in the amount of \$3,000,000. Through December, 2015 the Town received \$6,500,000 in advances. The loan is to be paid with the final FEMA reimbursements. At this time, the date of those reimbursements is not known. The loan has no interest component.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LYONS, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes				
General property tax	\$ 421,923	\$ 421,923	\$ 424,089	\$ 2,166
Specific ownership tax	15,000	15,000	25,520	10,520
Sales tax	410,000	410,000	560,842	150,842
Use tax	100,000	100,000	187,592	87,592
Franchise tax	30,000	30,000	22,262	(7,738)
Licenses and permits	85,550	85,550	122,220	36,670
Intergovernmental	75,600	75,600	373,411	297,811
Fines and forfeitures	175,200	175,200	131,388	(43,812)
Investment earnings	750	750	863	113
Rental income	110,000	110,000	113,798	3,798
Contributions and donations	3,300	3,300	3,979	679
Other income	187,776	187,776	200,673	12,897
Total revenues	<u>1,615,099</u>	<u>1,615,099</u>	<u>2,166,637</u>	<u>551,538</u>
<u>Expenditures</u>				
Current				
General government				
Legislative council	21,000	21,000	23,205	(2,205)
Judicial	41,500	41,500	42,287	(787)
Administrative	125,709	325,709	329,453	(3,744)
Police	473,375	473,375	474,083	(708)
Economic development	212,370	212,370	130,755	81,615
Building inspections	48,000	48,000	54,781	(6,781)
Public works - streets	159,242	359,242	326,159	33,083
Planning	44,198	44,198	67,652	(23,454)
Health, welfare and community	51,144	51,144	43,004	8,140
Other general government	298,751	398,751	394,898	3,853
Library	98,750	98,750	39,828	58,922
Capital outlay	38,215	38,215	181,145	(142,930)
Total expenditures	<u>1,612,254</u>	<u>2,112,254</u>	<u>2,107,250</u>	<u>5,004</u>
Excess of revenues over (under) expenditures	<u>2,845</u>	<u>(497,155)</u>	<u>59,387</u>	<u>556,542</u>
<u>Other financing sources (uses)</u>				
Insurance recoveries	-	-	161,681	161,681
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>161,681</u>	<u>161,681</u>
Net change in fund balances	<u>\$ 2,845</u>	<u>\$ (497,155)</u>	221,068	<u>\$ 718,223</u>
Fund balances - beginning			<u>690,433</u>	
Fund balances - ending			<u>\$ 911,501</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final</u>
<u>Revenues</u>			
Intergovernmental	\$ 21,305,000	\$ 6,094,590	\$ (15,210,410)
Contributions and donations	95,000	97,811	2,811
Total revenues	<u>21,400,000</u>	<u>6,192,401</u>	<u>(15,207,599)</u>
<u>Expenditures</u>			
Current			
General government	1,500,000	1,487,111	12,889
Public safety	75,000	60,247	14,753
Economic development	35,000	30,000	5,000
Public works	65,000	56,006	8,994
Parks, recreation and cultural	30,000	25,073	4,927
Capital outlay	23,203,175	6,107,823	17,095,352
Debt service			
Principal	84,611	84,611	-
Interest	7,214	7,214	-
Total expenditures	<u>25,000,000</u>	<u>7,858,085</u>	<u>17,141,915</u>
Excess of revenues over (under) expenditures	<u>(3,600,000)</u>	<u>(1,665,684)</u>	<u>1,934,316</u>
<u>Other financing sources (uses)</u>			
Debt proceeds	3,000,000	3,000,000	-
Insurance recoveries	600,000	648,775	48,775
Total other financing sources (uses)	<u>3,600,000</u>	<u>3,648,775</u>	<u>48,775</u>
Net change in fund balances	<u>\$ -</u>	1,983,091	<u>\$ 1,983,091</u>
Fund balances - beginning		<u>1,153,887</u>	
Fund balances - ending		<u>\$ 3,136,978</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
PARKS, RECREATION, AND CULTURAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Sales tax	\$ 190,000	\$ 190,000	\$ 216,062	\$ 26,062
Use tax	50,000	50,000	94,041	44,041
Home additions fees	18,500	18,500	30,736	12,236
Interest income	500	500	565	65
Grants, contributions and donations	4,500	4,500	3,150	(1,350)
Charges for services				
Camping	82,000	82,000	83,476	1,476
Other park division charges	31,250	31,250	20,123	(11,127)
Recreation	19,750	19,750	4,238	(15,512)
Cultural and special events	121,750	121,750	92,157	(29,593)
Other income	100	100	2,170	2,070
Total revenues	<u>518,350</u>	<u>518,350</u>	<u>546,718</u>	<u>28,368</u>
<u>Expenditures</u>				
Administrative	38,750	38,750	34,508	4,242
Allocated expenses	19,864	19,864	24,548	(4,684)
Cultural and recreation				
Special event expenditures	100,000	100,000	104,494	(4,494)
Other culture and recreation expenditures	7,000	7,000	550	6,450
Parks				
Personnel	274,900	274,900	251,350	23,550
Operations and maintenance	65,450	65,450	44,693	20,757
Recreation	13,250	13,250	1,680	11,570
Capital improvements	4,015	4,015	3,170	845
Total expenditures	<u>523,229</u>	<u>523,229</u>	<u>464,993</u>	<u>58,236</u>
Excess (deficiency) of revenues over (under) expenditures	(4,879)	(4,879)	81,725	86,604
<u>Other financing sources (uses)</u>				
Transfers in (out)	15,000	15,000	-	(15,000)
Net change in fund balances	<u>\$ 10,121</u>	<u>\$ 10,121</u>	81,725	<u>\$ 71,604</u>
Fund balance, beginning			<u>470,338</u>	
Fund balance, end			<u>\$ 552,063</u>	

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

TOWN OF LYONS, COLORADO
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2015

	Conservation Trust Fund		
	Original and Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Intergovernmental revenue	\$ 19,000	\$ 20,225	\$ 1,225
Investment earnings	200	341	141
Total revenues	19,200	20,566	1,366
<u>Expenditures</u>			
Cultural and recreation	15,000	7,670	7,330
Net change in fund balance	\$ 4,200	12,896	\$ 8,696
Fund balance, beginning of year		184,321	
Fund balance, end of year		\$ 197,217	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS - SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2015

	Electric Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
<u>Revenues</u>				
Sales	\$ 1,383,700	\$ 1,383,700	\$ 1,379,494	\$ (4,206)
Investment / tap fees	27,000	27,000	31,500	4,500
Investment earnings	500	500	573	73
Other income	3,000	3,000	14,442	11,442
Insurance proceeds	-	-	1,429	1,429
Total revenues	<u>1,414,200</u>	<u>1,414,200</u>	<u>1,427,438</u>	<u>13,238</u>
<u>Operating expenses</u>				
Electric wholesale purchases	875,000	925,000	940,334	(15,334)
Administrative	76,450	76,450	87,058	(10,608)
Personnel	44,650	44,650	45,859	(1,209)
Distribution and maintenance	154,200	154,200	120,831	33,369
Debt service				
Bond principal	87,257	87,257	93,189	(5,932)
Bond interest	61,858	61,858	56,746	5,112
Allocated expenses	68,105	68,105	71,855	(3,750)
Capital outlay	34,240	34,240	10,845	23,395
Total expenses	<u>1,401,760</u>	<u>1,451,760</u>	<u>1,426,717</u>	<u>25,043</u>
Net income (loss)	<u>\$ 12,440</u>	<u>\$ (37,560)</u>	721	<u>\$ 38,281</u>
<u>Reconciliation to change in net position</u>				
Add bond principal paid			93,189	
Add Capital outlay			10,845	
Less depreciation expense			(102,559)	
Change in net position			<u>\$ 2,196</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS - SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2015

	Water and Sanitation Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
<u>Revenues</u>				
Water sales	\$ 1,314,008	\$ 1,314,008	\$ 1,211,520	\$ (102,488)
Water tap fees	156,000	156,000	164,690	8,690
Pipe water sales	15,000	15,000	12,076	(2,924)
Investment earnings	2,000	2,000	5,635	3,635
Intergovernmental	-	-	375,583	375,583
Miscellaneous	8,000	8,000	24,087	16,087
Insurance proceeds	-	-	2,858	2,858
Total revenues	<u>1,495,008</u>	<u>1,495,008</u>	<u>1,796,449</u>	<u>301,441</u>
<u>Expenses</u>				
Administration	210,527	210,527	162,464	48,063
Treatment services	236,650	236,650	240,540	(3,890)
Distribution salaries	170,450	170,450	158,346	12,104
Distribution maintenance	411,660	411,660	268,123	143,537
Capital outlay	36,355	4,036,355	4,126,448	(90,093)
Debt service				
Principal	229,283	229,283	366,857	(137,574)
Interest	80,499	80,499	130,613	(50,114)
Allocated expenses	90,807	90,807	96,746	(5,939)
Total expenses	<u>1,466,231</u>	<u>5,466,231</u>	<u>5,550,137</u>	<u>(83,906)</u>
Net income (loss)	<u>\$ 28,777</u>	<u>\$ (3,971,223)</u>	<u>(3,753,688)</u>	<u>\$ 217,535</u>
<u>Reconciliation to change in net position</u>				
Add bond principal paid			366,857	
Add Capital outlay			4,126,448	
Less depreciation expense			(457,152)	
Change in net position			<u>\$ 282,465</u>	

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION
STATE COMPLIANCE**

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	Town of Lyons
	YEAR ENDING : December 2015

This Information From The Records Of (example - City of _ or County of _ Town of Lyons) Prepared By: Tony Cavalier
Phone:303-823-6622 ext 17

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)	941,282
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	144,588
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,372
2. General fund appropriations	274,263	b. Snow and ice removal	17,549
3. Other local imposts (from page 2)	25,520	c. Other	13,170
4. Miscellaneous local receipts (from page 2)	11,324	d. Total (a. through c.)	32,091
5. Transfers from toll facilities		4. General administration & miscellaneous	88,817
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	128,960
a. Bonds - Original Issues		6. Total (1 through 5)	1,335,738
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	311,107	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	463,148	2. Notes:	
D. Receipts from Federal Government (from page 2)	561,483	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,335,738	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)	1,335,738

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		1,335,738	1,335,738		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE:
	Colorado
	YEAR ENDING (mm/yy): December 2015

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		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	25,520	g. Other Misc. Receipts	
6. Total (1. through 5.)	25,520	h. Other County road and bridge	11,324
c. Total (a. + b.)	25,520	i. Total (a. through h.)	11,324
	(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	64,813	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	549,193
b. Project Match		c. HUD CDBG-DR	12,290
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (CDOT&PA Match)	398,335	f. Other Federal	
f. Total (a. through e.)	398,335	g. Total (a. through f.)	561,483
4. Total (1. + 2. + 3.f)	463,148	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	26,461		26,461
b. Engineering Costs	173,998	362,914	536,912
c. Construction:			
(1). New Facilities		377,909	377,909
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	377,909	377,909
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	200,459	740,823	941,282
			(Carry forward to page 1)

Notes and Comments:

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ADDITIONAL INFORMATION

TOWN OF LYONS, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Homeland Security				
Passed through Colorado Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	*	\$ 2,087,562	\$ -
Hazard Mitigation Grant	97.039	*	<u>1,147,745</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>3,235,307</u>	<u>-</u>
U.S. Department of Transportation				
Passed through Colorado Department of Transportation				
Highway Planning and Construction	20.205	*	<u>295,050</u>	<u>-</u>
Total U.S. Department of Transportation			<u>295,050</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Passed through the Colorado Department of Local Affairs				
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	*	<u>1,776,554</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,776,554</u>	<u>-</u>
U.S. Department of Agriculture				
Direct programs				
Rural Business Enterprise Grants	10.769	*	<u>120</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>120</u>	<u>-</u>
U.S. Department of Interior				
Passed through the Colorado Department of Local Affairs				
Distribution of Receipts to State and Local Governments	15.227	*	<u>190,211</u>	<u>-</u>
Total U.S. Department of Interior			<u>190,211</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 5,497,242</u>	<u>\$ -</u>

TOWN OF LYONS, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Lyons, Colorado government (the Town). All federal financial assistance received by the Town directly from federal agencies, as well as federal financial assistance passed through other government agencies, including the State of Colorado, is included on the schedule.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Town under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of The Town of Lyons, Colorado, it is not intended to and does not present the financial position or changes in net assets, of the Town of Lyons, Colorado.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 1 of the financial statements for summary of significant accounting policies.

The Town has not elected to use the ten percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – EXPENDITURES TO BE REPORTED IN 2015

Disaster Grants – Public Assistance expenditures are to be reported only after FEMA has approved the Project Worksheet (PW). At December 31, 2015, all PWs have been approved.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Trustees
Town of Lyons, Colorado

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyons, Colorado (Town), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lyons, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lyons, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lyons, Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs, as 2015-B, to be a significant deficiency.

Compliance and Other Matters

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

Town of Lyons Colorado's Response to Findings

The Town of Lyons, Colorado's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 29, 2016
Denver, Colorado

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

To the Board of Trustees
Town of Lyons, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Town of Lyons, Colorado's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Lyons, Colorado's major federal programs for the year ended December 31, 2015. The Town of Lyons, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Lyons, Colorado's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we 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 the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion the Town of Lyons, Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

The Town of Lyons, Colorado's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town of Lyons, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lyons, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lyons, Colorado's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

August 29, 2016
Denver, Colorado

TOWN OF LYONS, COLORADO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number 97.036
 U.S. Department of Homeland Security:
 Disaster Grants – Public Assistance
 (Presidentially Declared Disasters)

CFDA Number 97.039
 U.S. Department of Homeland Security:
 Hazard Mitigation Grant

CFDA Number 14.269
 U.S. Department of Housing and Urban
 Development:
 Hurricane Sandy Community
 Development Block Grant Disaster
 Recovery Grants (CDBG-DR)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

TOWN OF LYONS, COLORADO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2015

Section II Findings - Financial Statement Findings

Reference Number	Finding
2015-A	<u>Material Audit Adjustments</u>
Criteria:	The Town of Lyons (Town) is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.
Condition:	Based on the audit procedures performed we found proposed adjustments totaling approximately \$1.9 million to the Town's general ledger. Town personnel also prepared significant audit adjustments after field work was commenced.
Cause:	The Town was flooded in September, 2013. As a result of this flood, the Town's governmental expenditures increased from approximately \$1.8 million in 2012 to \$10.4 million this fiscal year. Although the Town has added additional staff, due to the timing and volume of transactions the Town was not able to record all of the required entries. We understand the Town is in the process of assigning certain staff from flood restoration accounting to the general ledger accounting function.
Effect:	The unadjusted general ledger was not materially correct at December 31, 2015.
Questioned Costs:	None reported
Repeat Finding From:	2014-A and 2013-A
Recommendation:	We recommend the Town consider hiring an outside consultant to assist with the annual closing of the accounting records to assist the staff already in place. If the Town hires additional accounting staff that individual should be assigned solely to year-end close functions.
Views of Responsible Officials:	Agree
Corrective Action Plan:	During the audit process, the Finance Director changed the priorities of the main accountant to focus strictly on monthly accounting oversight, review, reconciliation and yearend audit preparation. Since that implementation, the Town's financial situation has improved dramatically. The Finance group also added a finance clerk in August, 2016 to assist the accountant as well as all other finance personnel. This newly hired clerk has many years of governmental finance experience, which includes A/R, A/P, audit preparation, grant documentation preparation and

filing, and overall financial support. Additionally, the new clerk has two years of experience with our Caselle financial software. These changes should address having this finding appear in future audits.

DRAFT

TOWN OF LYONS, COLORADO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2015

Section II Findings - Financial Statement Findings

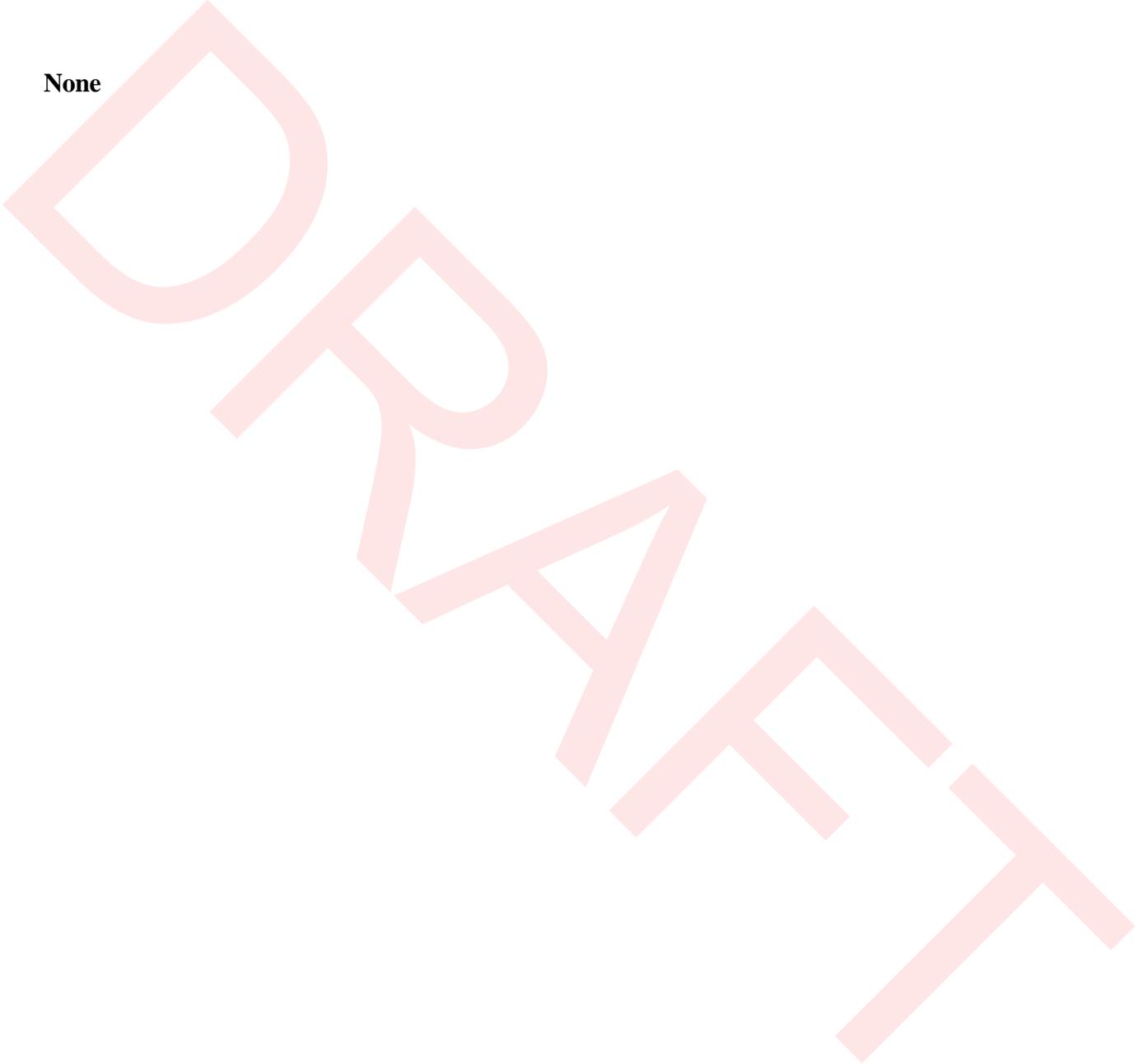
Reference Number	Finding
<u>2015-B Schedule of Expenditures of Federal Awards</u>	
Criteria:	The Uniform Guidance requires auditees receiving federal assistance prepare a Schedule of Expenditure of Federal Awards (SEFA) detailing all federal assistance expended by the Town each fiscal year.
Condition:	The amounts originally reported on the SEFA were approximately \$768,000 higher than the final amounts reported for the year ended December 31, 2015.
Cause:	As noted in Finding 2015-A the general ledger required significant adjustments. These adjustments affected the amounts reported on the SEFA.
Effect:	Amounts reported on the original SEFA were higher than the final reported amounts.
Questioned Costs:	None reported
Repeat Finding From:	None
Recommendation:	We recommend the Town consider hiring an outside consultant to assist with the annual closing of the accounting records and preparation of the SEFA. If the Town hires additional accounting staff that individual should be assigned solely to year-end close functions, including the preparation of final year-end balance documentation.
Views of Responsible Officials:	Agree
Corrective Action Plan:	During the audit process, the Finance Director changed the priorities of the main accountant to focus strictly on monthly accounting oversight, review, reconciliation and yearend audit preparation. Since that implementation, the Town's financial situation has improved dramatically. The Finance group also added a finance clerk in August, 2016 to assist the accountant as well as all other finance personnel. This newly hired clerk has many years of governmental finance experience, which includes A/R, A/P, audit preparation, grant documentation preparation and filing, and overall financial support. Additionally, the new clerk has two years of experience with our Caselle financial software. These changes should address having this finding appear in future audits

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section III Findings – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
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None



TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section IV Prior Year Federal Award Findings and Questioned Costs

2014-A Material Audit Adjustments

Initial Year Finding
Occurred: 2013

Finding Summary: Based on the audit procedures performed we found proposed adjustments totaling approximately \$2.6 million to the Town's general ledger.

Status: Not Implemented, Repeat Finding 2015-A

2014-B Bank Reconciliations

Initial Year Finding
Occurred: 2014

Finding Summary: Based on the audit procedures performed we found that certain cash accounts had not been properly reconciled. These reconciliations were not performed in a timely manner.

Status: Fully Implemented

2014-C Reconciliation of General Ledger to FEMA Spreadsheets

Initial Year Finding
Occurred: 2014

Finding Summary: Amounts of expenditures related to the FEMA grants are tracked on spreadsheets. These spreadsheets are not reconciled to the total amounts expended in the Town's general ledger. As a result, the spreadsheets include expenditures which are recorded in other Town funds on the general ledger and the general ledger, related to FEMA expenditures, includes amounts for which there will not be a request for reimbursement from FEMA.

Status: Fully Implemented

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section IV Prior Year Federal Award Findings and Questioned Costs

2014-001 Passed through the Colorado Department of
Public Safety:
CFDA No. 97.036
Disaster Grants – Public Assistance (Presidentially
Declared Disasters)

Allowable Costs

Initial Year Finding
Occurred:

2014

Finding Summary:

60 invoices were selected for testing to determine if the invoices were appropriately reviewed and approved and if the costs were deemed allowable under the requirements of the grant. It was noted in 7 instances that there was no written evidence documenting the review and approval of the invoice in accordance with the Town's policy.

Status:

Fully Implemented

U.S. Department of Homeland Security:

2014-002 Passed through the Colorado Department of
Public Safety:
CFDA No. 97.036
Disaster Grants – Public Assistance (Presidentially
Declared Disasters)

Procurement & Suspension and Debarment

Finding Summary:

A sample of 4 contracts issued in 2014 were reviewed and no documentation could be provided in 2 of the 4 contracts selected that a search of the SAMS site had been performed to insure that the contractor selected was not suspended or debarred.

Status:

Fully implemented.