

**Town of Lyons, Colorado**

***Financial Statements***

*December 31, 2009*

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TOWN OF LYONS, COLORADO  
Management's Discussion and Analysis  
December 31, 2009

The management of the Town of Lyons offers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2009.

**Financial Highlights**

- The assets of the Town of Lyons exceeded its liabilities at the close of 2009 by \$29,641,327 (*net assets*). Of this amount, \$6,717,469 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$988,000.
- As of the close of the current fiscal year, the Town of Lyons governmental funds reported combined ending balances of \$1,356,342.
- At the end of the current year, unreserved, undesignated fund balance for the general fund was \$431,358, or about 20% of total general fund expenditures.
- The Town of Lyons total debt did not increase in 2009.

**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 assets present information on all of the town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, library services, and parks, recreation and cultural activities. The business-type activities of the town include electric utility, water utility, wastewater utility, and property management.

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

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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 and the parks, recreation and cultural fund, both of which are considered major funds. Data from the other two governmental funds (Library and Conservation Trust Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*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, water fund, and sanitation (wastewater) fund which are all considered to be major funds of the Town of Lyons. The property fund has also been chosen to be presented as a major fund within the proprietary fund financial statements.

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.

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**Government-wide Financial Analysis**

As noted earlier, net assets 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 \$29,641,000 at the close of 2009.

**Town of Lyons Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	2,447,180	2,255,146	6,558,569	6,679,233	9,005,749	8,934,379
Capital Assets	16,477,290	15,531,117	11,393,046	11,537,089	27,870,336	27,068,206
Total Assets	18,924,470	17,786,263	17,951,615	18,216,322	36,876,085	36,002,585
Long-term Liabilities Outstanding	36,269	31,370	6,064,035	6,453,349	6,100,304	6,484,719
Other Liabilities	1,054,567	736,454	79,885	128,268	1,134,452	864,722
Total Liabilities	1,090,836	767,824	6,143,920	6,581,617	7,234,756	7,349,441
Invested in Capital Assets, Net of related debt	16,477,290	15,531,117	5,747,523	5,948,794	22,224,813	21,479,911
Restricted	84,000	277,784	615,045	330,151	699,045	607,935
Unrestricted	1,272,342	1,209,538	5,445,127	5,355,760	6,717,469	6,565,298
Total Net Assets	17,833,634	17,018,439	11,807,695	11,634,705	29,641,329	28,653,144

By far the largest portion of the town's net assets (75%) reflects its investment of \$22.2 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 assets, \$699,000 (2%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted assets, \$6,717,469 (23%), 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 assets 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 assets, both for the government as a whole as well as for its separate governmental and business-type activities. Net assets invested in capital assets, net of related debt, increased \$744,902, or less than 4%, compared to 2008. This increase is discussed below in "Capital Assets."

The governmental net assets increased \$815,000 during 2009. Nearly all of this increase is due to the construction of Main Street with the related grants.

Governmental activities – Governmental activities increased the Town of Lyons net assets by \$815,000. Other key elements of governmental activities are as follows:

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- Sales tax collection decreased 18%, or \$85,000.
- Use tax collection decreased about 35% from the previous year, reflecting the slowing building activity and reduced new construction. Use tax is a volatile revenue source, as market availability and economic concerns affect new construction activity.

**Town of Lyons Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	312,806	342,991	2,378,171	2,369,207	2,690,977	2,712,198
Operating Grants and Contributions	95,491	32,931	-	-	95,491	32,931
Capital Grants and Contributions	956,501	-	206,650	276,150	1,163,151	276,150
<b>General Revenues:</b>						
Property Taxes	403,585	349,254	-	-	403,585	349,254
Other Taxes	551,647	725,331	-	-	551,647	725,331
<b>Grants and Contributions not restricted to specific programs</b>						
Unrestricted investment earnings	5,535	-	26,814	-	32,349	-
Other	22,207	-	15,575	154,439	37,782	154,440
<b>Total Revenues</b>	<b>2,347,772</b>	<b>1,596,507</b>	<b>2,627,210</b>	<b>2,821,186</b>	<b>4,974,982</b>	<b>4,417,694</b>
<b>Expenses:</b>						
General Government	631,955	514,480	-	-	631,955	514,480
Public Safety	393,419	412,188	-	-	393,419	412,188
Public Works & Streets	161,397	187,680	-	-	161,397	187,680
Parks, Recreation & Culture	661,003	651,844	-	-	661,003	651,844
Interest on Long-term Debt	-	-	-	244,732	-	244,732
Electric	-	-	898,929	891,989	898,929	891,989
Water	-	-	672,512	560,705	672,512	560,705
Sanitation	-	-	495,241	556,229	495,241	556,229
Property	-	-	79,539	48,863	79,539	48,862
<b>Total Expenses</b>	<b>1,847,774</b>	<b>1,766,192</b>	<b>2,146,221</b>	<b>2,302,518</b>	<b>3,993,995</b>	<b>4,068,710</b>
<b>Other Financing Sources:</b>						
Sale of assets	7,195	-	-	-	7,195	-
Net Operating Transfers	308,000	-	(308,000)	-	-	-
<b>Total other financing sources and uses</b>	<b>315,195</b>	<b>-</b>	<b>(308,000)</b>	<b>-</b>	<b>7,195</b>	<b>-</b>
<b>Increase or Decrease in Net Assets</b>	<b>815,193</b>	<b>(169,685)</b>	<b>172,989</b>	<b>518,668</b>	<b>988,182</b>	<b>348,984</b>
<b>Net Assets, Beginning</b>	<b>17,018,439</b>	<b>17,188,124</b>	<b>11,634,706</b>	<b>11,116,037</b>	<b>28,653,145</b>	<b>28,304,161</b>
<b>Net Assets, Ending</b>	<b>17,833,632</b>	<b>17,018,439</b>	<b>11,807,695</b>	<b>11,634,705</b>	<b>29,641,327</b>	<b>28,653,145</b>

**Business-type activities** - Business-type activities increased the Town of Lyons net assets by \$172,989 in 2009.

One key element for this modest increase is due to the rate not being increased for 2009. Tap fees for total business-type funds were \$91,650. Capital contributions were a total of \$115,000. Combined tap fees/contributions provided \$206,650 in revenue.

**Financial Analysis of the Town's Funds**

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

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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; Parks, Recreation and Cultural Fund; and Other Special Revenue Funds.

As of December 31, 2009 the town's governmental funds reported combined ending fund balances of \$1,356,342, a decrease of \$130,980, or about nine percent, in comparison to the previous year. This decrease primarily reflects the reduction in building permit activity and the associated fees, permits, no increase in utility rates, and taxes. About 94 percent, or \$1,272,000 of the combined ending balance, constitutes unreserved fund balance, which is available for spending at the town's discretion within the purposes specified for the town's funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the Town of Lyons. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$431,000, while total fund balance reached \$581,000. 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. Unreserved, undesignated fund balance represents 19.8 percent of total general fund expenditures, while total fund balance represents 26.7 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, 2009 the unrestricted net assets of the Electric Fund were \$484,917, for the Water Fund \$3,841,576, for the Sanitation Fund \$1,126,147 and the Property Fund (\$7,513). The total growth in net assets for all proprietary funds was \$172,989. 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

During the year, it was necessary to amend the 2009 budget to adjust for the continuation of the Main Street project. The general fund was amended to provide for the expenses relating to the Main Street construction project, Main Street lighting, re-pavement, and similar projects.

#### 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, 2009 amounts to \$27,870,336 (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.

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

- The implementation of the Main Street Improvement project
- Main Street Lighting
- Safe Routes to School

Town of Lyons Capital Assets  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land & Water	13,748,000	13,748,000	1,227,588	1,112,588	14,975,588	14,860,588
Building and Improvements	125,801	-	-	864,975	125,801	864,975
Plant and systems	-	133,813	10,113,562	946,641	10,113,562	1,080,454
Machinery and Equipment	50,886	94,683	51,896	82,885	102,782	177,568
Infrastructure	1,496,358	1,534,666	-	-	1,496,358	1,534,666
Construction in Progress	1,056,245	19,955	-	7,000	1,056,245	26,955
	<u>\$ 16,477,290</u>	<u>\$ 15,531,117</u>	<u>\$ 11,393,046</u>	<u>\$ 3,014,089</u>	<u>\$ 27,870,336</u>	<u>\$ 18,545,206</u>

Long-term debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$6,044,007. All debt represents bonds and loans secured solely by specified revenue sources (i.e., revenue bonds) within the proprietary funds. The Town of Lyons does not hold any general obligation or other debt within the governmental funds.

Town of Lyons Outstanding Debt  
Revenue Bonds and Loans

	Business-Type Activities		Total	
	2009	2008	2009	2008
Revenue Bonds	\$ 1,150,000	\$ 1,210,000	\$ 1,150,000	\$ 1,210,000
Revenue Loans	4,894,007	5,226,376	4,894,007	5,226,376
Total	<u>6,044,007</u>	<u>6,436,376</u>	<u>6,044,007</u>	<u>6,436,376</u>

All issues of the Town of Lyons are unrated.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2010 budget, the town considered local economic factors in projecting revenues. Business activity has slowed with the troubled economy; Main Street access was difficult during the road closure and streetscaping project which occurred during the first quarter of the year. Therefore, sales tax is expected to remain flat or comparable with previous years. We are anticipating a slowing of new building activity, but remain hopeful that remodeling use tax will be strong. These trends are reflected in use tax revenues, building permit and planning fees, and park fees of the governmental funds. A proportionate decrease is anticipated in capital investment fees in the utility funds.

There is not anticipated to be an electric utility rates change in 2010, resulting in a projected decrease in revenues as a result of customers trying to save money and conserve energy through eco-friendly

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means. Both the water fund and sanitation funds are expecting the same trend – less revenue and similar expenses to the previous year. There is a list of capital projects needing to be completed in all the enterprise funds. It is important to continue with these projects as planned so we do not face extensive system-wide issues in the future.

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 5<sup>th</sup> Ave, Lyons, Colorado 80540.

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## Independent Auditors' Report

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, the aggregate remaining fund information, and the budget to actual comparison for the general fund of the Town of Lyons, Colorado as of and for the year ended December 31, 2009 which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Town of Lyons as of December 31, 2009, the respective changes in financial position and cash flows of its proprietary fund types, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our examination was made for the purpose of forming an opinion on the Town's basic financial statements taken as a whole. The accompanying information shown as Required Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our examination was made for the purpose of forming an opinion on the Town's basic financial statements taken as a whole. The accompanying information shown as Other Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010 on our consideration of the Town of Lyons, Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Centennial, Colorado  
July 21, 2010

*Johnson, Holscher & Company, P.C.*

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## **Basic Financial Statements**

Town of Lyons, Colorado  
STATEMENT OF NET ASSETS  
December 31, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,072,083	\$ 5,558,054	\$ 6,630,137
Receivables (net of allowance for uncollectable accounts)	949,702	249,954	1,199,656
Property tax receivable	413,097		413,097
Due to/from other funds	7,049	(7,049)	-
Inventories	-	62,828	62,828
Prepaid expenses	5,249	1,320	6,569
Restricted cash and cash equivalents	-	615,045	615,045
Debt issue costs	-	78,417	78,417
Capital Assets not being depreciated:			
Land and water rights	13,748,000	1,227,588	14,975,588
Construction in progress	1,056,245	-	1,056,245
Capital Assets net of accumulated depreciation:			
Building and improvements	125,801	-	125,801
Plant and systems	-	10,113,562	10,113,562
Infrastructure	1,496,358	-	1,496,358
Equipment	<u>50,886</u>	<u>51,896</u>	<u>102,782</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 18,924,470</u></b>	<b><u>\$ 17,951,615</u></b>	<b><u>\$ 36,876,085</u></b>
 <b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 636,774	\$ 12,613	\$ 649,387
Deferred revenue	417,794	1,250	419,044
Accrued liabilities	-	66,022	66,022
Noncurrent liabilities			
Due within one year	-	398,487	398,487
Compensated absences	36,270	20,026	56,296
Due in more than one year	<u>-</u>	<u>5,645,522</u>	<u>5,645,522</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,090,838</u></b>	<b><u>\$ 6,143,920</u></b>	<b><u>\$ 7,234,758</u></b>
 <b>NET ASSETS</b>			
Investment in capital assets net of related debt:	16,477,290	5,747,523	22,224,813
Restricted for:			
Debt service	-	615,045	615,045
Required emergency reserve	84,000	-	84,000
Unrestricted	<u>1,272,342</u>	<u>5,445,127</u>	<u>6,717,469</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 17,833,632</u></b>	<b><u>\$ 11,807,695</u></b>	<b><u>\$ 29,641,327</u></b>

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

Town of Lyons, Colorado  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2009

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 631,955	\$ 47,123	\$ -	\$ -	\$ (584,832)	\$ -	\$ (584,832)
Public safety	393,419	97,602	-	-	(295,817)	-	(295,817)
Public works and streets	161,397	-	87,225	939,256	865,084	-	865,084
Parks, culture and recreation	661,003	168,081	8,266	17,245	(467,411)	-	(467,411)
Total governmental activities	1,847,774	312,806	95,491	956,501	(482,976)	-	(482,976)
<b>Business-type activities:</b>							
Electric	898,929	989,767	-	13,500	-	104,338	104,338
Water	672,512	870,167	-	167,650	-	365,305	365,305
Sewer	495,241	435,514	-	25,500	-	(34,227)	(34,227)
Property	79,539	98,298	-	-	-	18,759	18,759
Total business-type activities	2,146,221	2,393,746	-	206,650	-	454,175	454,175
<b>Total</b>	<b>\$ 3,993,995</b>	<b>\$ 2,706,552</b>	<b>\$ 95,491</b>	<b>\$ 1,163,151</b>	<b>(482,976)</b>	<b>454,175</b>	<b>(28,801)</b>
<b>General revenues:</b>							
Property taxes					403,585	-	403,585
Sales and use taxes					490,391	-	490,391
Ownership taxes					21,010	-	21,010
Other taxes and fees					40,246	-	40,246
Unrestricted investment earnings					5,535	26,814	32,349
Other income					22,207	-	22,207
Net transfers					308,000	(308,000)	-
Gain on sale of assets					7,195	-	7,195
Total general revenues and transfers					1,298,169	(281,186)	1,016,983
Change in net assets					815,193	172,989	988,182
Net assets - beginning					17,018,439	11,634,706	28,653,145
Net assets - ending					\$ 17,833,632	\$ 11,807,695	\$ 29,641,327

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

Town of Lyons, Colorado  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2009

	Major Funds			Total Governmental Funds
	General	Parks, Recreation & Cultural Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 287,773	\$ 643,047	\$ 141,263	\$ 1,072,083
Accounts receivable	923,932	25,440	330	949,702
Property taxes receivable	413,097	-	-	413,097
Due from other funds	15,369	-	-	15,369
Prepaid expenses	5,249	-	-	5,249
<b>Total assets</b>	<b>\$ 1,645,420</b>	<b>\$ 668,487</b>	<b>\$ 141,593</b>	<b>\$ 2,455,500</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 636,773	\$ -	\$ -	\$ 636,773
Compensated absences	11,839	12,778	11,653	36,270
Due to other funds	-	5,945	2,376	8,321
Deferred revenue	416,044	1,750	-	417,794
<b>Total liabilities</b>	<b>1,064,656</b>	<b>20,473</b>	<b>14,029</b>	<b>1,099,158</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Emergency reserve	84,000	-	-	84,000
Designated for subsequent year expenditures	65,406	92,754	16,447	174,607
Unreserved, undesignated:	431,358	555,260	111,117	1,097,735
<b>Total fund balances</b>	<b>580,764</b>	<b>648,014</b>	<b>127,564</b>	<b>1,356,342</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,645,420</b>	<b>\$ 668,487</b>	<b>\$ 141,593</b>	<b>\$ 2,455,500</b>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in government activities are not financial resources and, therefore are not reported in the funds	<u>16,477,290</u>
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Net assets of governmental activities	<u>\$ 17,833,632</u>
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Town of Lyons, Colorado  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2009

	General	Parks Recreation & Cultural Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
<i>Taxes:</i>				
General property taxes	\$ 403,585	\$ -	\$ -	\$ 403,585
Specific ownership taxes	21,010	-	-	21,010
Sales taxes	264,050	132,025	-	396,075
Use taxes	62,877	31,439	-	94,316
Other taxes and fees	30,011	10,235	-	40,246
Licenses and permits	47,123	-	-	47,123
Intergovernmental operating grants	87,225	-	-	87,225
Intergovernmental capital grants	939,256	-	17,245	956,501
Charges for services	97,602	165,332	2,749	265,683
Investment earnings	1,742	3,305	488	5,535
Contributions and donations	-	3,654	4,612	8,266
Other income	<u>22,207</u>	<u>-</u>	<u>-</u>	<u>22,207</u>
Total revenues	<u>1,976,688</u>	<u>345,990</u>	<u>25,094</u>	<u>2,347,772</u>
<b>EXPENDITURES</b>				
General government	619,570	-	-	619,570
Public safety	393,419	-	-	393,419
Public works	95,226	-	-	95,226
Library	-	-	117,473	117,473
Parks Recreation and Cultural	-	486,559	-	486,559
Capital outlay	<u>1,059,508</u>	<u>22,192</u>	<u>-</u>	<u>1,081,700</u>
Total expenditures	<u>2,167,723</u>	<u>508,751</u>	<u>117,473</u>	<u>2,793,947</u>
Excess of revenues over (under) expenditures	(191,035)	(162,761)	(92,379)	(446,175)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	7,195	-	-	7,195
Operating transfers in	308,000	-	115,000	423,000
Operating transfers out	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>
Total other financing sources and uses	<u>200,195</u>	<u>-</u>	<u>115,000</u>	<u>315,195</u>
Net change in fund balance	9,160	(162,761)	22,621	(130,980)
Fund balance, beginning of year	<u>571,604</u>	<u>810,775</u>	<u>104,943</u>	<u>1,487,322</u>
Fund balance, end of year	<u>\$ 580,764</u>	<u>\$ 648,014</u>	<u>\$ 127,564</u>	<u>\$ 1,356,342</u>

The accompanying notes are an integral part of the 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  
 For the year ended December 31, 2009

Net change in fund balances - total governmental funds (page 5) \$ (130,980)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Total governmental funds capital outlay - capitalized (page 5)	1,081,700	
Less current period depreciation	<u>(135,527)</u>	
Net amount by which capital outlay exceeded depreciation in the current period		<u>946,173</u>
Change in net assets of governmental activities (page 3)		<u>\$ 815,193</u>

Town of Lyons, Colorado  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET TO ACTUAL**  
 For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
Taxes				
General property taxes	\$ 401,168	\$ 401,168	\$ 403,585	\$ 2,417
Specific ownership taxes	22,781	22,781	21,010	(1,771)
Sales taxes	265,000	265,000	264,050	(950)
Use taxes	72,000	72,000	62,877	(9,123)
Franchise taxes	34,000	34,000	30,011	(3,989)
Licenses and permits	62,083	62,083	47,123	(14,960)
Intergovernmental - operating grants	84,845	84,845	87,225	2,380
Intergovernmental - capital grants	254,562	1,386,500	939,256	(447,244)
Charges for services	145,000	145,000	97,602	(47,398)
Investment earnings	3,000	3,000	1,742	(1,258)
Other income	34,500	34,500	22,207	(12,293)
<b>Total Revenues</b>	<b><u>\$ 1,378,939</u></b>	<b><u>\$ 2,510,877</u></b>	<b><u>\$ 1,976,688</u></b>	<b><u>\$ (534,189)</u></b>
<b>EXPENDITURES</b>				
Current				
General government:				
Legislative council	23,900	23,900	19,621	4,279
Judicial	46,549	46,549	44,094	2,455
Administrative	305,632	305,632	260,632	45,000
Police	397,384	397,384	393,419	3,965
Economic Development	83,408	83,408	79,635	3,773
Building inspections	500	500	-	500
Public works - streets	138,521	138,521	95,226	43,295
Planning	126,254	126,254	120,024	6,230
Health, welfare and community	71,555	71,555	67,775	3,780
Other general government	17,306	17,306	27,789	(10,483)
Capital outlay	<u>436,203</u>	<u>1,666,000</u>	<u>1,059,508</u>	<u>606,492</u>
<b>Total expenditures</b>	<b><u>1,647,212</u></b>	<b><u>2,877,009</u></b>	<b><u>2,167,723</u></b>	<b><u>709,286</u></b>
Excess of revenues over (under) expenditures	<u>(268,273)</u>	<u>(366,132)</u>	<u>(191,035)</u>	<u>175,097</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	5,000	5,000	7,195	2,195
Transfers in	308,000	308,000	308,000	-
Transfers out	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<b><u>198,000</u></b>	<b><u>198,000</u></b>	<b><u>200,195</u></b>	<b><u>2,195</u></b>
<b>Net change in fund balances</b>	<b><u>(70,273)</u></b>	<b><u>(168,132)</u></b>	<b><u>9,160</u></b>	<b><u>177,292</u></b>
Fund balances - beginning			<u>571,604</u>	
Fund balances - ending			<b><u>\$ 580,764</u></b>	

Town of Lyons, Colorado  
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
 December 31, 2009

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Property Fund</u>	<u>Totals</u>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 399,858	\$ 4,007,606	\$ 1,117,872	\$ 32,718	\$ 5,558,054
Accounts receivable	124,354	71,347	46,061	8,192	249,954
Prepaid expenses	-	1,320	-	-	1,320
Inventory, at cost	<u>28,934</u>	<u>32,094</u>	<u>1,800</u>	<u>-</u>	<u>62,828</u>
<b>Total current assets</b>	<u>553,146</u>	<u>4,112,367</u>	<u>1,165,733</u>	<u>40,910</u>	<u>5,872,156</u>
<b>Noncurrent assets</b>					
<b>Restricted cash, cash equivalents</b>					
Revenue bond covenant accounts	237,732	222,165	155,148	-	615,045
Unamortized bond issue costs	41,441	23,371	960	12,645	78,417
<b>Capital assets</b>					
Land and water rights	49,215	1,121,324	57,049	-	1,227,588
Building and improvements	-	-	-	-	-
Plant and systems	3,157,814	6,834,976	3,455,623	733,072	14,181,485
Equipment	<u>152,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,854</u>
<b>Capital assets at cost</b>	<u>3,359,883</u>	<u>7,956,300</u>	<u>3,512,672</u>	<u>733,072</u>	<u>15,561,927</u>
Less accumulated depreciation	<u>(664,630)</u>	<u>(1,535,906)</u>	<u>(1,667,079)</u>	<u>(301,267)</u>	<u>(4,168,882)</u>
<b>Capital assets net of accumulated depreciation</b>	<u>2,695,253</u>	<u>6,420,394</u>	<u>1,845,593</u>	<u>431,805</u>	<u>11,393,045</u>
<b>Total noncurrent assets</b>	<u>2,974,426</u>	<u>6,665,930</u>	<u>2,001,701</u>	<u>444,450</u>	<u>12,086,507</u>
<b>Total assets</b>	<u>\$ 3,527,572</u>	<u>\$ 10,778,297</u>	<u>\$ 3,167,434</u>	<u>\$ 485,360</u>	<u>\$ 17,958,663</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts Payable	\$ 15	\$ 44	\$ 844	\$ 100	\$ 1,003
Accrued liabilities	17,363	44,569	1,100	2,990	66,022
Customer deposits	10,063	-	1,546	-	11,609
Due to other funds	2,054	2,502	2,460	33	7,049
Deferred revenue	-	-	-	1,250	1,250
Revenue notes payable - current	13,983	240,168	27,717	56,619	338,487
Revenue bonds payable - current	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
<b>Total current liabilities</b>	<u>103,478</u>	<u>287,283</u>	<u>33,667</u>	<u>60,992</u>	<u>485,420</u>
<b>Noncurrent liabilities</b>					
Compensated absences	6,192	6,879	6,879	76	20,026
Notes payable	360,220	3,641,443	213,814	340,045	4,555,522
Bonds payable	<u>1,090,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,090,000</u>
<b>Total noncurrent liabilities</b>	<u>1,456,412</u>	<u>3,648,322</u>	<u>220,693</u>	<u>340,121</u>	<u>5,665,548</u>
<b>Total Liabilities</b>	<u>\$ 1,559,890</u>	<u>\$ 3,935,605</u>	<u>\$ 254,360</u>	<u>\$ 401,113</u>	<u>\$ 6,150,968</u>
<b>NET ASSETS</b>					
Invested in net assets, net of related debt	1,245,033	2,778,951	1,631,779	91,760	5,747,523
Restricted for debt service	237,732	222,165	155,148	-	615,045
Unrestricted	<u>484,917</u>	<u>3,841,576</u>	<u>1,126,147</u>	<u>(7,513)</u>	<u>5,445,127</u>
<b>Total net assets</b>	<u>\$ 1,967,682</u>	<u>\$ 6,842,692</u>	<u>\$ 2,913,074</u>	<u>\$ 84,247</u>	<u>\$ 11,807,695</u>

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

Town of Lyons, Colorado  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
 For the Year Ended December 31, 2009

	<u>Electric</u>	<u>Water</u>	<u>Sanitation</u>	<u>Property</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 986,515	\$ 857,844	\$ 435,514	\$ 98,298	\$ 2,378,171
Other	<u>3,252</u>	<u>12,323</u>	<u>-</u>	<u>-</u>	<u>15,575</u>
Total operating revenues	989,767	870,167	435,514	98,298	2,393,746
<b>OPERATING EXPENSES</b>					
Operations and maintenance	676,951	235,786	244,785	5,303	1,162,825
Administration	53,280	103,458	101,176	5,084	262,998
Depreciation and amortization	<u>90,787</u>	<u>218,371</u>	<u>137,662</u>	<u>38,091</u>	<u>484,911</u>
Total operating expenses	<u>821,018</u>	<u>557,615</u>	<u>483,623</u>	<u>48,478</u>	<u>1,910,734</u>
Operating income (loss)	<u>168,749</u>	<u>312,552</u>	<u>(48,109)</u>	<u>49,820</u>	<u>483,012</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on investments	2,951	17,952	5,783	128	26,814
Interest on indebtedness	<u>(77,911)</u>	<u>(114,897)</u>	<u>(11,618)</u>	<u>(31,061)</u>	<u>(235,487)</u>
Total nonoperating revenue (expenses)	<u>(74,960)</u>	<u>(96,945)</u>	<u>(5,835)</u>	<u>(30,933)</u>	<u>(208,673)</u>
<b>CAPITAL CONTRIBUTIONS</b>					
Capital contributions - tap fees	13,500	52,650	25,500	-	91,650
Developer contributions	<u>-</u>	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>115,000</u>
Subtotal of capital contributions	<u>13,500</u>	<u>167,650</u>	<u>25,500</u>	<u>-</u>	<u>206,650</u>
Transfers out	<u>-</u>	<u>(191,500)</u>	<u>(116,500)</u>	<u>-</u>	<u>(308,000)</u>
Change in net assets	107,289	191,757	(144,944)	18,887	172,989
Total net assets, beginning of year	<u>1,860,393</u>	<u>6,650,935</u>	<u>3,058,018</u>	<u>65,360</u>	<u>11,634,706</u>
Total net assets, end of year	<u>\$ 1,967,682</u>	<u>\$ 6,842,692</u>	<u>\$ 2,913,074</u>	<u>\$ 84,247</u>	<u>\$ 11,807,695</u>

Town of Lyons, Colorado  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Electric	Water	Sanitation	Property	Totals
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 965,983	\$ 856,855	\$ 440,070	\$ 90,106	\$ 2,353,014
Other services	3,252	12,323	-	-	15,575
Payments to suppliers	(660,216)	(290,035)	(253,260)	(8,481)	(1,211,992)
Payments to employees	(73,336)	(86,444)	(85,088)	(1,897)	(246,765)
Net cash provided by operating activities	<u>235,683</u>	<u>492,699</u>	<u>101,722</u>	<u>79,728</u>	<u>909,832</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers to other funds	-	(191,500)	(116,500)	-	(308,000)
Contributions from customers	13,500	52,650	25,500	-	91,650
Net cash provided by noncapital financing activities	<u>13,500</u>	<u>(138,850)</u>	<u>(91,000)</u>	<u>-</u>	<u>(216,350)</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal repayments	(73,267)	(238,954)	(26,504)	(52,644)	(391,369)
Interest paid	(77,911)	(114,897)	(11,618)	(31,061)	(235,487)
Payments for capital acquisitions	(46,130)	(117,942)	(60,593)	-	(224,665)
Net cash used for capital and related financing	<u>(197,308)</u>	<u>(471,793)</u>	<u>(98,715)</u>	<u>(83,705)</u>	<u>(851,521)</u>
<b>Cash flows from investing activities:</b>					
Interest earned	2,951	17,952	5,783	128	26,814
Net cash provided by investing activities	<u>2,951</u>	<u>17,952</u>	<u>5,783</u>	<u>128</u>	<u>26,814</u>
Net increase (decrease) in cash and cash equivalents	54,826	(99,992)	(82,210)	(3,849)	(131,225)
Cash and cash equivalents, January 1	<u>582,764</u>	<u>4,329,764</u>	<u>1,355,229</u>	<u>36,567</u>	<u>6,304,324</u>
Cash and cash equivalents, December 31	<u>\$ 637,590</u>	<u>\$ 4,229,772</u>	<u>\$ 1,273,019</u>	<u>\$ 32,718</u>	<u>\$ 6,173,099</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 168,749	\$ 312,552	\$ (48,109)	\$ 49,820	\$ 483,012
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	90,787	218,371	137,662	38,091	484,911
Decrease (increase) in accts receivable	(20,532)	(989)	4,556	(8,192)	(25,157)
Decrease or (increase) in other current assets	(1,169)	845	(333)	-	(657)
(Decrease) increase in accounts payable	(2,156)	(38,080)	948	9	(39,279)
Net (decrease) in other operating assets	-	-	6,998	-	6,998
Total adjustments	<u>66,934</u>	<u>180,147</u>	<u>149,831</u>	<u>29,908</u>	<u>426,816</u>
Net cash provided by operating activities	<u>\$ 235,683</u>	<u>\$ 492,699</u>	<u>\$ 101,722</u>	<u>\$ 79,728</u>	<u>\$ 909,828</u>
<b>Noncash capital and financing activities:</b>					
Water rights were acquired without cash outlay	N/A	\$ 115,000	N/A	N/A	\$ 115,000

Town of Lyons, Colorado  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**1. ORGANIZATION**

The Town of Lyons was organized on April 6, 1891 as an incorporated municipality under applicable Colorado statutes and is governed by an elected Mayor and a six member Board of Trustees. The Town provides the following services to the residents and businesses: public safety (police and building inspections), highways and streets, sewer treatment, water, electric, cultural activities, 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 Sheriffs Department.

The accounting policies and preparation of the financial statements of the Town of Lyons have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the town's more significant policies:

**2. REPORTING ENTITY**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. In accordance with GASB Statement No. 14, the financial statements of the Town of Lyons include those units of separately administered organizations that are controlled or dependent on the Town. The control or dependence of these separately administered organizations is determined based upon the criteria outlined in GASB 14. This criteria includes financial accountability and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the foregoing criteria, the financial statements include only the funds and account groups of the Town of Lyons for which the Mayor and Board of Trustees have oversight responsibility. The Lyons Redstone Museum, operated by the Lyons Historical Society and funded by grants and donations, has been taken into consideration as a component unit. However, the size of the annual budget averaging \$33,000 per year has been deemed insignificant for reporting purposes. The following organizations are not included in the Town as a financial reporting entity: the Lyons Fire Protection District, Boulder County Housing Authority, and the St. Vrain Valley School District RE-1J. The Town cannot influence the operation of these organizations, assumes no responsibility for projects or operations undertaken by these organizations, and no financial benefit or burden relationship exists.

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular 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 THE FINANCIAL STATEMENTS  
December 31, 2009

**4. 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.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. And although the town accrues debt service interest expenses into the year incurred, expenditures related to compensated absences are recorded only when payment is due.

The town reports the following major governmental funds:

**General Fund** – The General Fund is the town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Parks, Recreation, and Cultural Fund** – This special revenue fund 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 enterprise 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.

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

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

**Property Fund** – This enterprise fund is responsible for the acquisition and construction of certain town properties and facilities. Funding is derived from the issuance of lease purchase revenue debt. Debt service is paid with income received in the form of lease rentals that is derived from the constructed assets. While not meeting the standard measurement of a major fund for reporting requirements, the town has chosen to report the Property Fund as such.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes, interest and investment earnings, and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Fund, Water Fund, and Sanitation Fund are charges to customers for sales and services. Operating revenues in the Property Fund are received in the form of a lease rental agreement through the United States Postal Service. Operating expenses for enterprise funds include the cost of sales and services,

Town of Lyons, Colorado  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town has elected to follow GASB pronouncements in respect to activities occurring in the enterprise funds, including those pronouncements issued after November 30, 1989.

**5. BUDGETS**

Budgets are adopted on a basis consistent with Colorado Revised Statutes Local Government Budget Law procedures. The budgets for the Town of Lyons are adopted for all funds and presented on a basis consistent with generally accepted accounting principals (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 Fund and Sanitation Fund are treated as budgeted revenues, 3) no depreciation or amortization is budgeted, and 4) capital acquisitions are treated as budget expenditures. 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.

**6. LEGAL COMPLIANCE - TABOR AMENDMENT**

An amendment to the Colorado Constitution (Article X, Section 20 or "TABOR") was approved by the voters of Colorado 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 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 of Lyons 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.

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.

**7. ENCUMBRANCES**

The Town does not use a purchase order system, therefore encumbrances are not used.

**8. RESERVES**

Reserves are used to indicate that a portion of fund equity is either legally restricted to a specific future use, or not available for appropriations or expenditures.

**9. DESIGNATIONS**

The portion of the fund balance shown as designated represents the amount appropriated in the succeeding year's budget.

**10. 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 recreational purposes.

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

	<u>Percentage</u>	<u>Sales Tax</u>	<u>Use Tax</u>	<u>Total</u>
General Fund	66 2/3%	\$264,050	\$ 62,877	\$326,927
Parks Recreation And Cultural Fund	<u>33 1/3%</u>	<u>\$132,025</u>	<u>\$ 31,439</u>	<u>\$163,464</u>
	100 %	\$396,075	\$ 94,316	\$490,391

**11. INVENTORIES**

Inventories are recorded at cost (first in, first out).

**12. CAPITAL ASSETS**

All 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. An infrastructure capitalization threshold establishes a minimum amount that a project needs to exceed before it will be analyzed to see if it should be capitalized or expensed as maintenance. A \$10,000 infrastructure threshold is appropriate for the Town of Lyons. All other capital assets are defined as assets with an initial, individual cost of more than \$2,500 and a useful life of more than 2 years.

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. Costs incurred for the purchase or construction of capital assets for business-type activities are reported as assets in the proprietary funds.

Subdivisions or developer improvements that become the responsibility of the town are booked at the fair market value of the infrastructure and related assets at the time of acceptance.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the government-wide financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method.

Building and improvements	10 – 20 years
Plant and systems	20 – 30 years
Infrastructure	30 years
Equipment and vehicles	5 years

Capital assets not being depreciated include land, water rights, and construction in progress.

**13. PROPERTY TAXES RECEIVABLE**

Property taxes for the town are levied by the Town Board of Trustees 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 April 30 or in two installments by 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.

General property taxes are measurable but not available at the end of the town's accounting fiscal period, and are recorded as deferred revenue. Property taxes are recognized as revenue in the year in which they are intended to finance expenditures. There are no legal restrictions concerning the use of property tax proceeds. Property taxes levied in 2009 for collection in 2010 in the amount of \$413,097 is included in receivables and deferred revenue in the General Fund at December 31, 2009.

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14. INTERFUND TRANSACTIONS

Quasi-external transactions (those transactions between funds that are identical to those that would occur between totally non-related parties, such as customer payments for electric services used) are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly expenses of another fund are recorded as an expenditure in the reimbursing fund by which that liability was incurred, and as an inter-fund receivable in the fund that is to be reimbursed.

All other inter-fund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

15. 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 quarter (25%) value.

At December 31, 2009, \$56,296 of earned but unused vacation, overtime and sick leave percentage is recorded as an accrued liability.

16. RETIREMENT COMMITMENTS

Effective January 1, 1998, a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan was established. 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 probationary period. Salary reduction elections may be made semi annually, June 1 through June 25; and November 1 through December 31. All amounts are 100% vested at the time of contribution. The Town contributed \$14,600.

17. RISK MANAGEMENT

The Town is exposed to various risks of loss related to injuries of employees while on the job, property loss, and torts committed by the Town or its employees. The Town is a member of Colorado Intergovernmental Risk Sharing Agency (CIRSA) to insure itself against these potential losses.

NOTE B: CASH AND DEPOSITS

The Town's investment policy authorizes investments in accordance with state statutes for investing of public funds. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield. Town investments are reported at fair value. The reported value of the local government investment pool is equal to the fair value of the pool shares. Investments are not made in any derivative types of arrangements.

Effective January 1, 2005 the Town adopted Governmental Accounting Standards Board Statement No. 40 Deposits and Investment Risk Disclosures (GASB 40). GASB 40 establishes and modifies disclosure requirements related to investment risks; credit risks (including custodial credit risk and concentrations of credit risk), and interest rate risk.

Custodial credit risk of the Town's deposits is subject to and in accordance with the State of Colorado Public Deposit Protection Act (PDPA). Eligibility of the financial institution is determined by state regulators. Amounts in excess of federal insurance levels must be collateralized by the depository. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Cash and cash equivalents include deposits and short-term investments which are both readily convertible to cash and which generally mature within three months from the purchase date.

Town of Lyons, Colorado  
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Deposits are carried at cost and include certificates of deposit and bank balances representing equity in pooled cash and investments and savings accounts of certain funds. Deposits collateralized under the PDPA are considered collateralized but not with securities held by the pledging financial institution's trust department or agent in the Town's name.

Uninsured deposits are placed into three categories depending on the custody credit risk. The categories are as follows:

- a) Uncollateralized.
- b) Collateralized with securities held by the pledging financial institution.
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Colotrust Plus+, the local government investment pool of which the town is a participant, is rated "AAAm" by Standard & Poor's. Colotrust investments have an average weighted maturity of less than 60 days.

The following is a schedule of the Town's cash and temporary investment balances categorized by custody credit risk and reconciliation to the statement of net assets for the year ending December 31, 2009.

	Custody Credit Risk Category			Bank Balance	Carrying balance
	Insured	Category C	N/A		
Bank of the West	\$ 250,000	\$ 219,716		\$ 469,716	\$ 451,182
Colotrust			6,793,320	6,793,320	6,793,320
Total cash in institutions					7,244,502
Petty Cash					680
Total Cash					\$ 7,245,182
 <u>Reconciliation to Cash on the Statement of Net Assets</u>					
Cash and cash equivalents					\$ 6,630,137
Restricted cash and cash equivalents					615,045
Total Cash					\$ 7,245,182

**NOTE C: CASH – RESTRICTED**  
**ENTERPRISE FUNDS**

The Water Fund and Sanitation Fund loan agreements with the Colorado Water Resources and Power Development Authority require three months operations and maintenance expense be restricted as reserve accounts. The amounts in these accounts as of December 31, 2009 were \$168,165 in the Water Fund and \$119,148 in the Sanitation Fund. In addition, the Water and Sanitation Funds include bond sub-accounts for additional security for payment of the loans with the C.W.R.P.D.A. The amounts as of December 31, 2009 in these accounts were \$54,000 in the Water Fund and \$36,000 in the Sanitation Fund.

The Electric Fund in accordance with the revenue bond agreement contains restricted cash in the amount of \$116,291 as a bond reserve account. In addition, \$108,990 was contained in a bond sub-account restricted for debt service as of December 31, 2009.

Town of Lyons, Colorado  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2009

**NOTE D: RECEIVABLES**

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.

**NOTE E: LONG TERM DEBT**

**1. 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 \$1,150,000.

In 2006, additional bonds were issued in the amount of \$412,000 in support of the same project. The rate on these bonds is 5.4% with a twenty year term. The balance as of December 31, 2009 is \$374,204.

**2. WATER FUND AND SANITATION FUND – LOANS PAYABLE**

In 1996, the Town entered into two separate loan agreements with the Colorado Water Resources and Power Development Authority. The first agreement involved a twenty year loan through the Drinking Water Revolving Fund in the amount of \$500,000 at 4.5% interest, payable from the revenues of the Water Fund. The balance remaining on this loan December 31, 2009 is \$241,047. The second agreement is a twenty year loan through the Water Pollution Control Revolving Fund in the amount of \$506,311 at 4.5% interest, payable from the revenues of the Sanitation Fund. The balance remaining on this loan December 31, 2009 is \$241,530. Payments for each loan are made quarterly on March 1, June 1, September 1, and December 1 of each year. Final payment on each of these loans will be made June 1, 2017. Liability is recorded in each fund respectively. The loans do not represent a general obligation of the Town.

**3. 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 are due on February 1 and August 1 of each year, payable from the revenues of the Water Fund. Final payment is due on August 1, 2024. The balance remaining on December 31, 2009 is \$3,640,563.

**4. PROPERTY FUND – LEASE AND PURCHASE OPTION AGREEMENT**

An agreement with Wells Fargo Brokerage Services, LLC was signed on November 9, 2000 allowing for an amount of \$700,000 be placed in escrow for the purpose of constructing a new Post Office facility in the Town of Lyons. A new enterprise fund, (the "Property Fund") was established to manage the construction, property, and completed facility to lease to the United States Postal Service for an initial lease term of 20 years.

Repayment is guaranteed through a revenue pledge of the Property Fund. The loan ordinance was amended in 2002 lowering the interest rate to 7.5% on a principal balance of \$708,554. Final payment is due October 1, 2015. The balance remaining December 31, 2008 is \$396,663.

**5. CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt is as follows:

<u>Description</u>	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
	<u>Balance</u>				
Reveue Bonds	\$ 1,210,000	\$ -	\$ (60,000)	\$ 1,150,000	\$ 60,000
Revenue Notes	5,226,376	-	(332,369)	4,894,007	338,487
Total	<u>\$ 6,436,376</u>	<u>\$ -</u>	<u>\$ (392,369)</u>	<u>\$ 6,044,007</u>	<u>\$ 398,487</u>

Town of Lyons, Colorado  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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

Year	Principal	Interest
2010	\$ 398,487	\$ 225,047
2011	416,644	213,206
2012	424,685	200,491
2013	443,832	186,615
2014	452,933	171,749
2015 to 2019	1,937,906	655,531
2020 to 2024	1,906,297	316,456
2025 to 2029	<u>63,223</u>	<u>5,166</u>
	<u>\$ 6,044,007</u>	<u>\$ 1,974,261</u>

**NOTE F: CHANGES IN FIXED ASSETS**

Capital asset activity for the governmental activities for the year ended December 31, 2009 was as follows:

	Balance Prior Year	Additions	Deletions	Balance End of Year
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 13,748,000	\$ -	\$ -	\$ 13,748,000
Construction in Progress	<u>19,955</u>	<u>1,036,290</u>	-	<u>1,056,245</u>
Total capital assets not being depreciated	<u>13,767,955</u>	<u>1,036,290</u>	-	<u>14,804,245</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	433,372	8,013	-	441,385
Infrastructure	2,298,009	27,537	-	2,325,546
Equipment	<u>298,654</u>	<u>9,860</u>	<u>(20,900)</u>	<u>287,614</u>
Total capital assets being depreciated (at cost)	<u>3,030,035</u>	<u>45,410</u>	<u>(20,900)</u>	<u>3,054,545</u>
<i>Less Accumulated Depreciation for:</i>				
Buildings	299,558	16,026	-	315,584
Infrastructure	738,745	90,443	-	829,188
Equipment	<u>228,570</u>	<u>29,058</u>	<u>(20,900)</u>	<u>236,728</u>
Total Accumulated Depreciation	<u>1,266,873</u>	<u>135,527</u>	<u>(20,900)</u>	<u>1,381,500</u>
Depreciable assets net of accumulated depreciation	<u>1,763,162</u>	<u>(90,117)</u>	-	<u>1,673,045</u>
Total Fixed Assets	<u>\$ 15,531,117</u>	<u>\$ 946,173</u>	<u>\$ -</u>	<u>\$ 16,477,290</u>

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

General government	\$ 12,385
Public works and streets	66,171
Parks, culture and recreation	<u>56,971</u>
Total current year depreciation	<u>\$ 135,527</u>

Town of Lyons, Colorado  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

Capital asset activity for the business-type activities for the year ended December 31, 2009 was as follows:

<b>Business-type Activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets Not Being Depreciated</i>				
Land and water rights	\$ 1,112,588	\$ 115,000	\$ -	\$ 1,227,588
Construction in progress	7,000	-	(7,000)	-
Total capital assets not being depreciated	<u>1,119,588</u>	<u>115,000</u>	<u>(7,000)</u>	<u>1,227,588</u>
<i>Capital Assets Being Depreciated</i>				
Plant and systems	13,956,820	224,665	-	14,181,485
Equipment	152,854	-	-	152,854
Total cost of capital assets being depreciated	<u>14,109,674</u>	<u>224,665</u>	<u>-</u>	<u>14,334,339</u>
<i>Less Accumulated Depreciation for:</i>				
Plant and systems	3,600,716	467,205	-	4,067,921
Equipment	91,456	9,501	-	100,957
Total accumulated depreciation	<u>3,692,172</u>	<u>476,706</u>	<u>-</u>	<u>4,168,878</u>
Depreciable assets net of accumulated depreciation	<u>10,417,502</u>	<u>(252,041)</u>	<u>-</u>	<u>10,165,461</u>
Total Fixed Assets	<u>\$ 11,537,090</u>	<u>\$ (137,041)</u>	<u>\$ (7,000)</u>	<u>\$ 11,393,049</u>

**NOTE G: RECONCILIATION OF CASH TO THE STATEMENT OF CASH FLOWS**

The reconciliation of the cash shown on the Statement of Net Assets for the Proprietary Funds to cash shown on the Statement of Cash Flows is as follows:

	Electric Fund	Water Fund	Sanitation Fund	Property Fund
Cash and cash equivalents	\$ 399,858	\$ 4,007,606	\$ 1,117,872	\$ 32,718
Restricted cash and equivalents	237,732	222,165	155,148	-
Total on the statement of cash flows	<u>\$ 637,590</u>	<u>\$ 4,229,771</u>	<u>\$ 1,273,020</u>	<u>\$ 32,718</u>

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**Required Supplementary Information**

Town of Lyons, Colorado  
PARKS, RECREATION, AND CULTURAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales tax	\$ 132,500	\$ 132,500	\$ 132,025	\$ (475)
Use tax	36,000	36,000	31,439	(4,561)
Home additions fee	17,100	17,100	10,235	(6,865)
Interest and other income	6,500	6,500	3,305	(3,195)
Grants, contributions and donations	80,145	4,750	3,654	(1,096)
Charges for services				
Camping	72,000	72,000	76,404	4,404
Other park division charges	17,000	17,000	17,357	357
Recreation	23,350	23,350	19,023	(4,327)
Culture and special events	<u>57,000</u>	<u>57,000</u>	<u>52,548</u>	<u>(4,452)</u>
Total revenues	<u>441,595</u>	<u>366,200</u>	<u>345,990</u>	<u>(20,210)</u>
<b>EXPENDITURES</b>				
<b>Current operating</b>				
Administration				
Salaries	94,386	94,386	95,249	(863)
Allocated payroll taxes and employee benefits	-	-	94,078	(94,078)
Other expenditures allocated from general fund	146,409	130,429	12,696	117,733
Other administrative expenditures	3,000	3,000	12,199	(9,199)
Culture and recreation				
Special event expense	40,450	40,450	39,257	1,193
Other culture and recreation expense	15,500	15,500	15,065	435
Parks				
Salaries - parks	121,501	121,501	120,401	1,100
Building and grounds maintenance	60,300	60,300	51,347	8,953
Other park expenditures	35,260	35,260	21,098	14,162
Recreation	14,950	14,950	8,582	6,368
Capital improvements - capitalized	48,064	48,064	22,192	25,872
Capital improvements - not capitalized	-	-	16,587	(16,587)
Total expenditures	<u>579,820</u>	<u>563,840</u>	<u>508,751</u>	<u>55,089</u>
Excess of revenues over (under expenditures)	(138,225)	(197,640)	(162,761)	(75,299)
Net change in fund balance	<u>(138,225)</u>	<u>(197,640)</u>	(162,761)	<u>(75,299)</u>
Fund Balance - beginning of year			<u>\$ 810,775</u>	
Fund Balance - end of year			<u>648,014</u>	

**Other Supplementary Information**

Town of Lyons, Colorado  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2009

	<u>Library</u>	<u>Conservation Trust</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 43,097	\$ 98,166	\$ 141,263
Accounts receivable	<u>330</u>	<u>-</u>	<u>330</u>
<b>Total assets</b>	<u><b>\$ 43,427</b></u>	<u><b>\$ 98,166</b></u>	<u><b>\$ 141,593</b></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2	\$ -	\$ 2
Compensated absences	11,651	-	11,651
Due to other funds	<u>2,376</u>	<u>-</u>	<u>2,376</u>
<b>Total liabilities</b>	<u><b>14,029</b></u>	<u><b>-</b></u>	<u><b>14,029</b></u>
<b>FUND BALANCES</b>			
Unreserved & undesignated	<u>29,398</u>	<u>98,166</u>	<u>127,564</u>
<b>Total liabilities and fund balances</b>	<u><b>\$ 43,427</b></u>	<u><b>\$ 98,166</b></u>	<u><b>\$ 141,593</b></u>

Town of Lyons, Colorado  
**NONMAJOR GOVERNMENTAL FUNDS SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
For the Year Ended December 31, 2009

	Library Fund			Conservation Trust Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>						
Fines and forfeits	\$ 1,850	\$ 2,749	\$ 899	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	18,946	17,245	(1,701)
Investment earnings	1,200	121	(1,079)	2,200	367	(1,833)
Contributions and donations	3,900	4,612	712	-	-	-
Total revenues	<u>6,950</u>	<u>7,482</u>	<u>532</u>	<u>21,146</u>	<u>17,612</u>	<u>(3,534)</u>
<b>EXPENDITURES</b>						
Salaries & benefits	69,921	73,076	(3,155)	-	-	-
Operations	22,500	17,083	5,417	-	-	-
Allocated expenses	31,570	27,314	4,256	-	-	-
Capital outlay	2,500	-	2,500	-	-	-
Total expenditures	<u>126,491</u>	<u>117,473</u>	<u>9,018</u>	-	-	-
Excess of revenues over (under) expenditures	(119,541)	(109,991)	(8,486)	21,146	17,612	(3,534)
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in	115,000	115,000	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>115,000</u>	<u>115,000</u>	<u>-</u>	-	-	-
Net change in fund balance	\$ <u>(4,541)</u>	\$ <u>5,009</u>	\$ <u>(8,486)</u>	\$ <u>21,146</u>	\$ <u>17,612</u>	\$ <u>(3,534)</u>
Fund balance - beginning of year		<u>24,389</u>			<u>80,554</u>	
Fund balance - end of year		\$ <u>29,398</u>			\$ <u>98,166</u>	

Town of Lyons, Colorado  
**ENTERPRISE FUNDS - SCHEDULE OF RESOURCES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
 For the Year Ended December 31, 2009

	Electric Fund		
	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Sales	\$ 1,021,075	\$ 986,515	\$ (34,560)
Investment/tap fees	27,000	13,500	(13,500)
Investment earnings	5,000	2,951	(2,049)
Other services	7,800	3,252	(4,548)
Total resources	1,060,875	1,006,218	(54,657)
<b>Expenditures</b>			
Electric wholesale purchases	545,660	545,649	11
Personnel	74,581	73,336	1,245
Distribution and maintenance	315,640	57,966	257,674
Allocated expenses	66,431	53,280	13,151
Total operation and administration	1,002,312	730,231	272,081
Bond principal	73,267	73,267	-
Bond interest	77,911	77,911	-
Total nonoperating expenditures and transfers	151,178	151,178	-
Total expenditures	1,153,490	881,409	272,081
Total increase (decrease) of resources over expenditures	\$ (92,615)	124,809	\$ 217,424
<b>Reconciliation to Change in Net Assets</b>			
Add bond principal paid		73,267	
Less depreciation expense		(90,787)	
Change in net assets		\$ 107,289	

Town of Lyons, Colorado  
**ENTERPRISE FUNDS - SCHEDULE OF RESOURCES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
 For the Year Ended December 31, 2009

	Water Fund		
	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Water sales	\$ 902,712	\$ 857,844	\$ (44,868)
Water tap fees	87,690	52,650	(35,040)
Developer contributions	-	115,000	115,000
Pipe water sales	12,000	9,574	(2,426)
Investment earnings	20,000	17,952	(2,048)
Miscellaneous	9,500	2,749	(6,751)
<b>Total resources</b>	<u>1,031,902</u>	<u>1,055,769</u>	<u>23,867</u>
<b>EXPENDITURES</b>			
Administration	117,210	103,458	13,752
Treatment Personnel	3,102	3,113	(11)
Treatment services	149,000	117,710	31,290
Distribution salaries	37,758	37,917	(159)
Distribution maintenance	207,968	77,046	130,922
<b>Total operations and administration</b>	<u>515,038</u>	<u>339,244</u>	<u>175,794</u>
<b>Debt service:</b>			
Principal	238,957	239,954	(997)
Interest	114,898	114,897	1
Capital outlay	217,160	-	217,160
Transfers out	191,500	191,500	-
<b>Total nonoperating expenditures and transfers</b>	<u>762,515</u>	<u>546,351</u>	<u>216,164</u>
<b>Total expenditures</b>	<u>1,277,553</u>	<u>885,595</u>	<u>391,958</u>
<b>Total increase (decrease) of resources over expenditures</b>	<u>\$ (245,651)</u>	170,174	<u>\$ (368,091)</u>
<b>Reconciliation to Change in Net Assets</b>			
Add bond principal paid		239,954	
Less depreciation expense		(218,371)	
<b>Change in net assets</b>		<u>\$ 191,757</u>	

Town of Lyons, Colorado  
**ENTERPRISE FUNDS - SCHEDULE OF RESOURCES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
 For the Year Ended December 31, 2009

	Sanitation Fund		
	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Service fees	\$ 451,184	\$ 435,514	\$ (15,670)
Sewer tap fees	51,000	25,500	(25,500)
Investment earnings	6,600	5,783	(817)
Miscellaneous	2,000	-	(2,000)
<b>Total resources</b>	<u>510,784</u>	<u>466,797</u>	<u>(43,987)</u>
<b>EXPENDITURES</b>			
Administration	110,893	101,176	9,717
Treatment Personnel	3,109	3,113	(4)
Treatment services	80,999	80,718	281
Plant maintenance	128,093	107,971	20,122
Distribution salaries	37,757	37,917	(160)
Distribution maintenance	79,400	15,066	64,334
<b>Total operations and administration</b>	<u>440,251</u>	<u>345,961</u>	<u>94,290</u>
<b>Debt service:</b>			
Principal	26,504	26,504	-
Interest	11,618	11,618	-
Capital outlay	269,280	-	269,280
Transfers Out	116,500	116,500	-
<b>Total nonoperating expenditures and transfers</b>	<u>423,902</u>	<u>154,622</u>	<u>269,280</u>
<b>Total expenditures</b>	<u>864,153</u>	<u>500,583</u>	<u>363,570</u>
<b>Total increase (decrease) of resources over expenditures</b>	<u>\$ (353,369)</u>	<u>(33,786)</u>	<u>\$ 319,583</u>
<b>Reconciliation to Change in Net Assets</b>			
Add bond principal paid		26,504	
Less depreciation expense		(137,662)	
<b>Change in net assets</b>		<u>\$ (144,944)</u>	

Town of Lyons, Colorado  
 ENTERPRISE FUNDS - SCHEDULE OF RESOURCES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
 For the Year Ended December 31, 2009

	Property Fund		Variance with Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Lease income	\$ 98,298	\$ 98,298	\$ -
Investment earnings	800	128	(672)
Miscellaneous	1,575	-	(1,575)
Total resources	100,673	98,426	(2,247)
<b>EXPENDITURES</b>			
Administration	5,994	5,084	910
Building and grounds maintenance	9,100	5,303	3,797
Miscellaneous	500	-	500
Total current expenditures	15,594	10,387	5,207
Principal paid	52,645	52,644	1
Interest expense	31,061	31,061	-
Total expenditures	99,300	94,092	5,208
Total increase (decrease) of resources over expenditures	\$ 1,373	4,334	\$ 2,961
<b>Reconciliation to Change in Net Assets</b>			
Add bond principal paid		52,644	
Less depreciation expense		(38,091)	
Change in net assets		\$ 18,887	

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County:
	YEAR ENDING : December 2009
This Information From The Records Of (example - City of _ or County of Town of Lyons, Colorado	Prepared By: Janice Saeger Phone: (303) 823-6622

**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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,036,290
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	79,495
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	2,637
2. General fund appropriations	377,741	b. Snow and ice removal	13,852
3. Other local imposts (from page 2)	2,665	c. Other	11,257
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	27,746
5. Transfers from toll facilities		4. General administration & miscellaneous	46,145
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	131,753
a. Bonds - Original Issues		6. Total (1 through 5)	1,321,429
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	380,406	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	59,267	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	881,756	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	1,321,429	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	1,321,429

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

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,321,429	1,321,429		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2009

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
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	2,665	g. Other Misc. Receipts	
6. Total (1. through 5.)	2,665	h. Other	
c. Total (a. + b.)	2,665	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	51,817	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	7,450	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	881,756
f. Total (a. through e.)	7,450	g. Total (a. through f.)	881,756
4. Total (1. + 2. + 3.f)	59,267	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs	184,720		184,720
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation	851,570		851,570
(5). Total Construction (1) + (2) + (3) + (4)	851,570	0	851,570
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	1,036,290	0	1,036,290
			(Carry forward to page 1)

Notes and Comments:

Town of Lyons, Colorado  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For The Year Ended December 31 2009

Grantor and Program Title	CFDA Number	Pass Through Entity No.	Federal Expenditures
<i>Passed through the Colorado Department of Transportation</i>			
United States Department of Transportation Highway Planning and Construction	20.205		\$ 881,756
<i>Passed through the Colorado Water Resources and Power Development Authority</i>			
United States Environmental Protection Agency Capitalization Grants for State Revolving Funds	66.458	D03A080	\$ 19,802
Total Federal Financial Assistance			<u>\$ 901,558</u>

**Notes to Schedule of Federal Awards**

**BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of the Town of Lyons, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Additional Reports Required By the Single Audit Act**

**Report on Compliance and on Internal Control Over Financial Reporting 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 the financial statements of the Town of Lyons, Colorado, as of and for the year ended December 31, 2009, and have issued our report thereon dated July 21, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Lyons, Colorado's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Centennial, Colorado  
July 21, 2010

*Johnson, Holscher & Company, P.C.*

**Independent Auditors' Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control Over Compliance in accordance with  
Circular A-133**

To the Board of Trustees  
Town of Lyons, Colorado

Compliance

We have audited the compliance of the Town of Lyons, Colorado with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Lyons, Colorado's management. Our responsibility is to express an opinion on the Town of Lyons, Colorado's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that 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 of Lyons, Colorado'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. Our audit does not provide a legal determination of the Town of Lyons's compliance with those requirements.

In our opinion, the Town of Lyons, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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

This report is intended for the information of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Centennial, Colorado  
July 21, 2010

*Johnson, Holscher & Company, P.C.*

# Town of Lyons, Colorado

## Schedule of Findings and Questioned Costs

### A. Summary of Auditors' Results

#### Audit Report of Financial Statements

Town of Lyons, Colorado received an unqualified opinion on the audit of the financial statements.

#### Noncompliance in Relation to Financial Statements

No instances of noncompliance that are material to the financial statements of the auditee were identified.

#### Audit Report on Compliance for Major Programs

Town of Lyons received an unqualified opinion on compliance for major programs.

#### Disclosure of Audit Findings

The audit disclosed no audit findings required to be reported under paragraph .510 (a) of OMB Circular A-133.

#### Major Programs

Town of Lyons's major programs were as follows:

- 20.205 –Highway Planning and Construction

#### Dollar Threshold

The \$300,000 threshold was used in determining Type A and B programs.

#### Low-risk Auditee

The auditee qualified as a low-risk auditee under paragraph .530 of OMB Circular A-133

### B. Findings - Financial Statements Audit

None

### C. Findings and Questioned Costs - Major Federal Award Program Audit

None

# Town of Lyons, Colorado

## Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2009

No matters are reportable.