

TOWN OF LYONS
BASIC FINANCIAL STATEMENTS
December 31, 2011



CERTIFIED
PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Lyons, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Lyons as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lyons, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinions.

As described in Note 7 to the financial statements, the Town adopted the provisions of GASB Statement No 54 *Fund Reporting And Governmental Fund Type Definitions* in 2011.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyons, Colorado, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison on pages iii through ix, and 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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**TOWN OF LYONS
MANAGEMENTS' DISCUSSION & ANALYSIS**

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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 three 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. Due to the required implementation of GASB 54, the Library Fund no longer meets the criteria of a special revenue fund and has been included as part of the General Fund in 2011. Individual fund data for the Conservation Trust Fund, a non-major governmental fund, is also provided.

Proprietary funds are generally used to account for services for which the town charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric fund, 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.

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 \$30,777,000 at the close of 2011.

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- Use Tax Revenue decreased by \$25,000 from the previous year. \$112,000 was received in 2011. The Use Tax listed here represents revenue received from the purchase of vehicles.
- Building Permit Revenue (new construction and remodels) decreased \$22,000 from the previous year. However, given the low expectation of new construction, the Town saw an increase of \$14,600 (66%) over what was budgeted for revenue in 2011. Note that this is a volatile revenue source, as market availability and economic concerns affect construction activity. *(This tax is also referred to as a Use Tax, and it is the desire of the Town to distinguish between the purposes of each tax here for better understanding by the readers of this document.)*

Town of Lyons Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 315,646	\$ 314,308	\$ 2,617,542	\$ 2,497,102	\$ 2,933,188	\$ 2,811,410
Operating Grants and Contributions	86,612	125,032	-	-	86,612	125,032
Capital Grants and Contributions	168,751	378,285	345,170	229,420	513,921	607,705
General Revenues:						
Property Taxes	420,913	412,248	-	-	420,913	412,248
Other Taxes	741,192	654,912	-	-	741,192	654,912
Unrestricted investment earnings	2,696	6,249	7,047	10,647	9,743	16,896
Other	86,841	25,621	-	-	86,841	25,621
Total Revenues	1,822,651	1,916,655	2,969,759	2,737,169	4,792,410	4,653,824
Expenses:						
General Government	365,753	560,110	-	-	365,753	560,110
Public Safety	321,504	378,965	-	-	321,504	378,965
Public Works & Streets	362,108	211,505	-	-	362,108	211,505
Parks, Recreation & Culture	604,800	592,564	-	-	604,800	592,564
Interest on Long-term Debt	2,865	-	-	-	2,865	-
Electric	-	-	1,174,512	977,940	1,174,512	977,940
Water	-	-	805,892	698,301	805,892	698,301
Sewer	-	-	594,891	509,274	594,891	509,274
Property	-	-	75,172	74,788	75,172	74,788
Total Expenses	1,657,030	1,743,144	2,650,467	2,260,303	4,307,497	4,003,447
Increase or Decrease in Net Assets	165,621	173,511	319,292	476,866	484,913	650,377
Net Assets, Beginning	18,007,143	17,833,632	12,284,559	11,807,693	30,291,702	29,641,325
Net Assets, Ending	\$ 18,172,764	\$ 18,007,143	\$ 12,603,851	\$ 12,284,559	\$ 30,776,615	\$ 30,291,702

Proprietary (Business-type) activities - Business-type activities increased the Town of Lyons net assets by \$319,000 in 2011. The Town began in 2011, and is currently in the process of finalizing at the time of this report, a rate review study with the Municipal Energy Association of Nebraska (M.E.A.N.).

The Town's Utility and Engineering Board (UEB) is also in the process of reviewing the possibility of relocating its Waste Water Treatment Plant (WWTP), or updating its current location. The Town has also been in discussion with Honeywell to review the water meters, with the possibility of upgrading to a drive-by method of reading the meters. The Town expects these studies to be completed by the end of 2012 or early in 2013.

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adoption of Governmental Auditing Standards Board (GASB) Statement 54. Please see the Notes to the Financial Statements for more information regarding the requirements of the implementation of this statement.

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, 2011 amounts to \$27,747,000 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, streets, utility systems, improvements, machinery and equipment, park facilities and structures.

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

- Work on the Main Street Enhancement project was completed in 2011, and
- Water shares with Northern Colorado Water Conservation District were increased in 2011.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land & Water	\$ 13,748,000	\$ 13,748,000	\$ 1,347,588	\$ 1,227,588	\$ 15,095,588	\$ 14,975,588
Building and Improvements	3,052,016	3,010,023	-	-	3,052,016	3,010,023
Plant and systems	-	-	9,217,611	9,646,680	9,217,611	9,646,680
Machinery and Equipment	67,684	71,979	248,942	42,394	316,626	114,373
	<u>\$ 16,867,700</u>	<u>\$ 16,830,002</u>	<u>\$ 10,814,141</u>	<u>\$ 10,916,662</u>	<u>\$ 27,681,841</u>	<u>\$ 27,746,664</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$4,953,221. Debt represented by bonds and loans secured solely by specified revenue sources (i.e., revenue bonds) are within the proprietary funds. The Town of Lyons does not hold any general obligation within the governmental funds. Capital Leases represent two loans on equipment held by the Governmental Funds. Both loans will be paid within two to four years. Compensated Absences represent the total employee benefit dollar amount (at current rate of pay) regarding vacation, sick and compensated time, earned but not taken. In addition to the summary below, see the notes to the Financial Statements section for more information.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Lease	\$ 37,383	\$ 35,834	\$ -	\$ -	\$ 37,383	\$ 35,834
Compensated Absences	37,362	43,993	18,855	26,917	56,217	70,910
Revenue Bonds	-	-	1,025,000	1,090,000	1,025,000	1,090,000
Revenue Loans	-	-	3,834,621	4,128,351	3,834,621	4,128,351
Total	<u>\$ 74,745</u>	<u>\$ 79,827</u>	<u>\$ 4,878,476</u>	<u>\$ 5,245,268</u>	<u>\$ 4,953,221</u>	<u>\$ 5,325,095</u>

All issues of the Town of Lyons are unrated.