

TOWN OF LYONS
BASIC FINANCIAL STATEMENTS
December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Lyons, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Lyons, Colorado (Town) as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246
303 733-3796 • FAX 303 733-6230 • www.pnacpa.com

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lyons, Colorado as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 7 to the financial statements, the Town adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to these matters.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages iii through ix, 24 and 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lyon's basic financial statements. The individual fund financial statements and the Local Highway Finance Report, are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements.

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

Payton & Adams, LLC

July 11, 2013
Denver, Colorado

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

TOWN OF LYONS, COLORADO
Management's Discussion and Analysis
December 31, 2012

The management of the Town of Lyons offers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the Town of Lyons exceeded its liabilities at the close of 2012 by \$30,626,775 (*net position*). Of this amount, \$5,845,233 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$149,840.
- As of the close of the current fiscal year, the Town of Lyons governmental funds reported combined ending fund balances of \$1,485,266.
- At the end of the current year, unrestricted, undesignated fund balance for the general fund was \$709,992, or about 55% of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to cover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the town include general government, administrative services, public safety, public works (streets), planning and zoning, judicial and legislative, 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 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.

TOWN OF LYONS, COLORADO
Management's Discussion and Analysis
December 31, 2012

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 2012. 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.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the town's financial position. In the case of the Town of Lyons, assets exceeded liabilities by \$30,626,775 at the close of 2012.

TOWN OF LYONS, COLORADO
Management's Discussion and Analysis
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Town of Lyons Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,114,672	\$ 1,991,721	\$ 5,713,579	\$ 6,874,119	\$ 7,828,251	\$ 8,865,840
Capital Assets	16,849,181	16,867,700	11,763,874	10,814,141	28,613,055	27,681,841
Total Assets	18,963,853	18,859,421	17,477,453	17,688,260	36,441,306	36,547,681
Long-term Liabilities Outstanding	53,044	74,749	4,517,888	4,878,476	4,570,932	4,953,225
Other Liabilities	629,406	611,908	614,193	205,933	1,243,599	817,841
Total Liabilities	682,450	686,657	5,132,081	5,084,409	5,814,531	5,771,066
Invested in Capital	16,826,364	16,830,313	7,268,375	5,954,520	24,094,739	22,784,833
Restricted						
Required emergency reserve	55,300	45,333	-	-	55,300	45,333
Debt Service	-	-	459,890	388,269	459,890	388,269
Grants	32,500	-	-	-	32,500	-
Parks and Open Space	139,113	133,427	-	-	139,113	133,427
Unrestricted	1,228,126	1,163,691	4,617,107	6,261,062	5,845,233	7,424,753
Total Net Position	\$ 18,281,403	\$ 18,172,764	\$ 12,345,372	\$ 12,603,851	\$ 30,626,775	\$ 30,776,615

By far the largest portion of the town's net position (78%) reflects its investment of \$24.1 million in capital assets (e.g., land, buildings, machinery and equipment, utility plants and infrastructure), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to the public; consequently, these assets are *not* available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the town's net position, \$654,303 (2%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted assets, \$5,845,233 (19%), may be used to meet the town's on-going obligations to the public and creditors. It is important to note that the unrestricted net position of the town's business-type activities may not be used to fund governmental activities, or visa-versa.

At the end of the current fiscal year, the Town of Lyons is able to report positive balances in all categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. Net position invested in capital assets, net of related debt, increased \$1,309,906, or just over 5.7%, compared to 2011. This increase is discussed below in "Capital Assets."

Governmental activities – Governmental activities increased the Town of Lyons net position by \$108,639. Other key elements of governmental activities are as follows:

- Sales tax collection increased \$62,286 in 2012 over 2011. This increase is attributed to the completion of the Main Street Enhancement project, continued marketing of the town, special events, and the national economy recovering from the recession.

TOWN OF LYONS, COLORADO
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- Use Tax Revenue increased by \$40,391 from the previous year. \$152,151 was received in 2012. The Use Tax listed here represents revenue received from the purchase of vehicles.
- Building Permit Revenue (new construction and remodels) increased \$16,267 from the previous year. However, given the low expectation of new construction, the Town saw an increase of \$8,056 (19%) over what was budgeted for revenue in 2012. 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 Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 401,804	\$ 315,646	\$ 2,594,176	\$ 2,617,542	\$ 2,995,980	\$ 2,933,188
Operating Grants and Contributions	63,498	86,612	-	-	63,498	86,612
Capital Grants and Contributions	130,460	168,751	231,802	345,170	362,262	513,921
General Revenues:						
Property Taxes	431,568	420,913	-	-	431,568	420,913
Other Taxes	760,404	741,192	-	-	760,404	741,192
Unrestricted investment earnings	4,595	2,696	13,584	7,047	18,179	9,743
Intergovernmental	97,356	-	-	-	97,356	-
Other	59,093	86,841	-	-	59,093	86,841
Total Revenues	1,948,778	1,822,651	2,839,562	2,969,759	4,788,340	4,792,410
Expenses:						
General Government	606,971	365,753	-	-	606,971	365,753
Public Safety	356,581	321,504	-	-	356,581	321,504
Public Works & Streets	254,487	362,108	-	-	254,487	362,108
Parks, Recreation & Culture	619,834	604,800	-	-	619,834	604,800
Interest on Long-term Debt	2,266	2,865	-	-	2,266	2,865
Electric	-	-	1,307,488	1,174,512	1,307,488	1,174,512
Water	-	-	1,088,804	805,892	1,088,804	805,892
Sewer	-	-	628,429	594,891	628,429	594,891
Property	-	-	73,320	75,172	73,320	75,172
Total Expenses	1,840,139	1,657,030	3,098,041	2,650,467	4,938,180	4,307,497
Increase or Decrease in Net Assets	108,639	165,621	(258,479)	319,292	(149,840)	484,913
Net Assets, Beginning	18,172,764	18,007,143	12,603,851	12,284,559	30,776,615	30,291,702
Net Assets, Ending	\$ 18,281,403	\$ 18,172,764	\$ 12,345,372	\$ 12,603,851	\$ 30,626,775	\$ 30,776,615

Proprietary (Business-type) activities - Due to a large investment in infrastructure improvements in 2012, the balance of the proprietary funds decreased by \$258,479 in 2012. The list of improvements can be found in the Capital Improvement Plans for water, wastewater and streets. Due to the available fund balances and the critical need to replace infrastructure, the Board of Trustees elected to accelerate the completion of several projects within this one year timeframe.

The Town also hired Municipal Energy Association of Nebraska (M.E.A.N.) to conduct a rate review study of the electric utility. A formal study was last conducted in 2008, but the recommendation to increase rates was not implemented. The Board of Trustees increased electric rates effective March 1, 2013. The rate schedule is available via the resolution.

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The Town's Utility and Engineering Board (UEB) spent the entire year evaluating the existing Waste Water Treatment Plant (WWTP) and reviewing options for updating the facility and processes. Three options were considered: upgrade at the current location, moving the plant east of town or connecting to the City of Longmont. Due to costs, rate payer impact and other considerations, the Board has chosen to pursue upgrading the plant at its current site. The project is anticipated to be completed under a performance contract with Honeywell Building Solutions, Inc. in conjunction with the Colorado Energy Office. The Trustees also budgeted for an upgrade of the water meter reading system to include an electronic radio read of the meters. This will shorten the length of time that an employee takes to read the meters, improves accuracy, and greatly reduces the risk to employee safety.

Financial Analysis of the Town's Funds

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

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

As of December 31, 2012 the town's governmental funds reported combined ending fund balances of \$1,485,266 an increase of \$105,453 over the previous year. This increase primarily reflects the reduction in capital outlay. About 48%, or \$709,992 of the combined ending balance, constitutes unassigned 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 fiscal year, unassigned fund balance of the general fund was \$709,992, while total fund balance reached \$797,792. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55% of total general fund expenditures, while total fund balance represents 62% 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, 2012 the unrestricted net position of the Electric Fund were \$302,529, for the Water Fund \$3,552,999, for the Sanitation Fund \$712,280 and the Property Fund \$49,299. The total reduction in net position for all proprietary funds was \$258,479, due to an increase in capital contributions and service revenues received, offset by increased operating expenses. Other factors concerning the finances of the proprietary funds have already been discussed in the Town of Lyons' business-type activities.

General Fund Budgetary Highlights

Actual revenue compared to the budget was \$145,798 higher than budgeted. Some revenues, obviously, were higher than expected while others came in lower. The revenues that came in

TOWN OF LYONS, COLORADO
Management's Discussion and Analysis
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higher include property tax, sales tax, use tax, franchise tax, licenses and permits, and fines and forfeitures. Expenditures were held to just under what was budgeted at approximately 99% of budget (\$1,285,683 actual to \$1,293,364 budgeted). During 2012, infrastructure, capital improvement plans, along with other studies, were conducted; some have been finalized and have begun implementation (e.g., water and sewer pipe repair, street repaving). Other plans and studies continued into 2013 and are currently in progress (e.g., sewer plant).

The Main Street Enhancement project (2009-2011) was completed in 2011, and therefore was capitalized in 2011 (approximately \$1,400,000).

The Town adopted Governmental Auditing Standards Board (GASB) Statement 63 in 2012, which changes equity from net assets to net position. 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, 2012 amounts to \$28,613,055 (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:

- 2nd Avenue bridge abutment project
- Street projects including water and sewer line replacement for: 2nd, 3rd and 4th Avenues, Seward, Stickney and Evans Streets
- Installation of Lyons Valley Park infrastructure for Filing 8
- Electrical pole replacement and other capital needs
- Purchase of water shares for Northern Colorado Water Conservation District

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land & Water	\$ 13,748,000	\$ 13,748,000	\$ 1,367,588	\$ 1,347,588	\$ 15,115,588	\$ 15,095,588
Construction in Progress	60,637	-	-	-	60,637	-
Building and Improvements	3,008,907	3,052,016	-	-	3,008,907	3,052,016
Plant and systems	-	-	10,337,247	9,217,611	10,337,247	9,217,611
Machinery and Equipment	31,637	67,684	59,039	248,942	90,676	316,626
	<u>\$ 16,849,181</u>	<u>\$ 16,867,700</u>	<u>\$ 11,763,874</u>	<u>\$ 10,814,141</u>	<u>\$ 28,613,055</u>	<u>\$ 27,681,841</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$4,570,932. 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 one to three 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, COLORADO
Management's Discussion and Analysis
December 31, 2012

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Lease	\$ 22,817	\$ 37,383	\$ -	\$ -	\$ 22,817	\$ 37,383
Compensated Absences	30,227	37,366	22,389	18,855	52,616	56,221
Revenue Bonds	-	-	960,000	1,025,000	960,000	1,025,000
Revenue Loans	-	-	3,535,499	3,834,621	3,535,499	3,834,621
Total	\$ 53,044	\$ 74,749	\$ 4,517,888	\$ 4,878,476	\$ 4,570,932	\$ 4,953,225

All issues of the Town of Lyons are unrated.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2013 budget, the Town considered local economic factors in projecting revenues. Business activity has generally been following the budgeted amounts with certain months exceeding expectations. The Town remains watchful of the national and state economy, but acknowledges that the business in Town continues to exceed the state's economic outlook as a whole. Budget expenditures in 2013 have been held to a minimum with a few increases in areas that were deemed a priority to the Board of Trustees. The budget reflects moving forward with the Capital Improvement Plan as recommended.

The Town increased its Electric rates, as mentioned earlier, and rates will be reviewed annually to determine if revenues are meeting the expenses in this department. The Utilities and Engineering Board is making this a goal for 2013. The Town is working closely with the City of Longmont in the economic development of the eastern corridor, and streetscape improvements for Hwy 36 are anticipated in late 2013 and 2014.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>2012</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,208,858	\$ 5,446,157	\$ 6,655,015
Restricted cash and cash equivalents	0	130,190	130,190
Receivables	230,822	247,936	478,758
Property tax receivable	458,599	0	458,599
Internal balances	216,393	(216,393)	0
Inventories	0	48,361	48,361
Total Current Assets	<u>2,114,672</u>	<u>5,656,251</u>	<u>7,770,923</u>
<u>Noncurrent Assets</u>			
Debt issuance costs	0	57,328	57,328
Capital assets not being depreciated			
Land and water rights	13,748,000	1,367,588	15,115,588
Construction in progress	60,637	0	60,637
Capital assets, net of accumulated depreciation			
Buildings	100,094	0	100,094
Improvements	2,908,813	0	2,908,813
Plant and systems	0	10,337,247	10,337,247
Equipment	31,637	59,039	90,676
Total Noncurrent Assets	<u>16,849,181</u>	<u>11,821,202</u>	<u>28,670,383</u>
Total Assets	<u>18,963,853</u>	<u>17,477,453</u>	<u>36,441,306</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	134,803	533,719	668,522
Other liabilities	22,737	64,388	87,125
Deposits	13,267	16,086	29,353
Unearned revenue	458,599	0	458,599
Total Current Liabilities	<u>629,406</u>	<u>614,193</u>	<u>1,243,599</u>
<u>Noncurrent Liabilities</u>			
Due within one year	15,668	380,468	396,136
Due in more than one year	7,149	4,115,031	4,122,180
Compensated absences	30,227	22,389	52,616
Total Noncurrent Liabilities	<u>53,044</u>	<u>4,517,888</u>	<u>4,570,932</u>
Total Liabilities	<u>682,450</u>	<u>5,132,081</u>	<u>5,814,531</u>
<u>Net Position</u>			
Net investment in capital assets	16,826,364	7,268,375	24,094,739
Restricted			
Required emergency reserve	55,300	0	55,300
Debt service	0	459,890	459,890
Parks and open space	139,113	0	139,113
Grant expenditures	32,500	0	32,500
Unrestricted	<u>1,228,126</u>	<u>4,617,107</u>	<u>5,845,233</u>
Total Net Position	<u>\$ 18,281,403</u>	<u>\$ 12,345,372</u>	<u>\$ 30,626,775</u>

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

TOWN OF LYONS, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Function/Programs</u>				
Governmental Activities				
General government	\$ 606,971	\$ 49,631	\$ 38,500	\$ 0
Public safety	356,581	144,425	0	0
Public works and streets	254,487	0	0	42,460
Parks, recreation and cultural	619,834	207,748	24,998	88,000
Interest	2,266	0	0	0
Total Governmental Activities	1,840,139	401,804	63,498	130,460
Business-type Activities				
Electric	1,307,488	1,105,567	0	27,000
Water	1,088,804	944,693	0	153,802
Sewer	628,429	445,618	0	51,000
Property	73,320	98,298	0	0
Total Business-type Activities	3,098,041	2,594,176	0	231,802
Total Primary Government	\$ 4,938,180	\$ 2,995,980	\$ 63,498	\$ 362,262

General Revenues
Property taxes
Sales and use taxes
Ownership taxes
Other taxes and fees
Unrestricted investment
earnings
Intergovernmental
Other income

Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (518,840)	\$ 0	\$ (518,840)
(212,156)	0	(212,156)
(212,027)	0	(212,027)
(299,088)	0	(299,088)
<u>(2,266)</u>	<u>0</u>	<u>(2,266)</u>
<u>(1,244,377)</u>	<u>0</u>	<u>(1,244,377)</u>
0	(174,921)	(174,921)
0	9,691	9,691
0	(131,811)	(131,811)
<u>0</u>	<u>24,978</u>	<u>24,978</u>
<u>0</u>	<u>(272,063)</u>	<u>(272,063)</u>
<u>(1,244,377)</u>	<u>(272,063)</u>	<u>(1,516,440)</u>
431,568	0	431,568
687,288	0	687,288
20,555	0	20,555
52,561	0	52,561
4,595	13,584	18,179
97,356	0	97,356
<u>59,093</u>	<u>0</u>	<u>59,093</u>
<u>1,353,016</u>	<u>13,584</u>	<u>1,366,600</u>
<u>108,639</u>	<u>(258,479)</u>	<u>(149,840)</u>
<u>18,172,764</u>	<u>12,603,851</u>	<u>30,776,615</u>
<u>\$ 18,281,403</u>	<u>\$ 12,345,372</u>	<u>\$ 30,626,775</u>

TOWN OF LYONS, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>Major Funds</u>			
	<u>General</u>	<u>Parks Recreation & Cultural</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 444,819	\$ 624,926	\$ 139,113	\$ 1,208,858
Money held by county treasurer	2,407	0	0	2,407
Accounts receivable	196,328	32,087	0	228,415
Property taxes receivable	458,599	0	0	458,599
Due from other funds	<u>307,357</u>	<u>0</u>	<u>0</u>	<u>307,357</u>
Total Assets	<u>\$ 1,409,510</u>	<u>\$ 657,013</u>	<u>\$ 139,113</u>	<u>\$ 2,205,636</u>
<u>Liabilities</u>				
Accounts payable	\$ 125,832	\$ 8,971	\$ 0	\$ 134,803
Accrued liabilities	14,020	8,717	0	22,737
Deposits	13,267	0	0	13,267
Due to other funds	0	90,964	0	90,964
Deferred revenue	<u>458,599</u>	<u>0</u>	<u>0</u>	<u>458,599</u>
Total Liabilities	611,718	108,652	0	720,370
<u>Fund Balance</u>				
Restricted for				
Emergencies	55,300	0	0	55,300
Grant expenditures	32,500	0	0	32,500
Parks, recreation and cultural	0	0	139,113	139,113
Assigned to				
Parks, recreation and cultural	0	548,361	0	548,361
Unassigned	<u>709,992</u>	<u>0</u>	<u>0</u>	<u>709,992</u>
Total Fund Balance	<u>797,792</u>	<u>548,361</u>	<u>139,113</u>	<u>1,485,266</u>
Total Liabilities and Fund Balance	<u>\$ 1,409,510</u>	<u>\$ 657,013</u>	<u>\$ 139,113</u>	<u>\$ 2,205,636</u>

(Continued)

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

TOWN OF LYONS, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2012

	<u>2012</u>
Total Fund Balance for Governmental Funds	\$ 1,485,266
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(53,044)
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	<u>16,849,181</u>
Net Position of Governmental Activities	<u>\$ 18,281,403</u>

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Parks Recreation & Cultural</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
General property tax	\$ 431,568	\$ 0	\$ 0	\$ 431,568
Specific ownership tax	20,555	0	0	20,555
Sales tax	356,758	178,379	0	535,137
Use tax	101,530	50,621	0	152,151
Other taxes and fees	31,065	21,496	0	52,561
Licenses and permits	49,631	0	0	49,631
Intergovernmental	228,495	0	20,359	248,854
Charges for services	0	207,748	0	207,748
Fines and forfeitures	144,425	0	0	144,425
Investment earnings	3,069	1,199	327	4,595
Contributions and donations	0	52,148	0	52,148
Other income	48,063	1,342	0	49,405
Total Revenues	<u>1,415,159</u>	<u>512,933</u>	<u>20,686</u>	<u>1,948,778</u>
<u>Expenditures</u>				
Current				
General government	606,216	0	0	606,216
Public safety	356,581	0	0	356,581
Public works	131,945	0	0	131,945
Library	96,140	0	0	96,140
Parks, recreation and cultural	0	473,143	0	473,143
Capital outlay	77,969	84,499	0	162,468
Debt service				
Principal	14,566	0	0	14,566
Interest	2,266	0	0	2,266
Total Expenditures	<u>1,285,683</u>	<u>557,642</u>	<u>0</u>	<u>1,843,325</u>
Excess of revenues over (under) expenditures	<u>129,476</u>	<u>(44,709)</u>	<u>20,686</u>	<u>105,453</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	0	16,700	0	16,700
Transfers out	(1,700)	0	(15,000)	(16,700)
Total other financing sources (uses)	(1,700)	16,700	(15,000)	0
Change in fund balance	127,776	(28,009)	5,686	105,453
Fund balance, Beginning	<u>670,016</u>	<u>576,370</u>	<u>133,427</u>	<u>1,379,813</u>
Fund balance, End of Year	<u>\$ 797,792</u>	<u>\$ 548,361</u>	<u>\$ 139,113</u>	<u>\$ 1,485,266</u>

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

TOWN OF LYONS, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

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

	2012
Net change in fund balances, total governmental funds	\$ 105,453
<p>Issuances of debt are treated as revenues in the governmental funds, but are recorded as liabilities on the statement of net position. Repayments of this debt are recorded as expenses in the governmental funds and reduce liabilities on the statement of net position.</p>	
Principal payments on capital lease	\$ <u>14,566</u>
Net amount by which lease proceeds exceeded principal payments	14,566
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>	
Total governmental funds capital outlay - capitalized	\$ 162,468
Less current period depreciation	<u>(180,987)</u>
Net amount by which depreciation exceeded capital outlay in the current period	(18,519)
<p>Accrued compensated absences are expensed when paid in the governmental funds; however, outstanding balances are shown as liabilities on the statement of net position and expensed when earned for the statement of activities.</p>	
Accrued compensated absences	<u>7,139</u>
Change in Net Position of Governmental Activities	<u>\$ 108,639</u>

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

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sanitation</u>	<u>Property</u>	<u>Totals</u>
<u>Assets</u>					
Current Assets					
Cash and cash equivalents	\$ 805,459	\$ 3,777,965	\$ 818,510	\$ 44,223	\$ 5,446,157
Restricted cash, cash equivalents	130,190	0	0	0	130,190
Accounts receivable	108,323	77,187	62,426	0	247,936
Due from other funds	0	263,939	0	363	264,302
Inventory, at cost	<u>14,467</u>	<u>32,094</u>	<u>1,800</u>	<u>0</u>	<u>48,361</u>
Total Current Assets	<u>1,058,439</u>	<u>4,151,185</u>	<u>882,736</u>	<u>44,586</u>	<u>6,136,946</u>
Noncurrent Assets					
Unamortized bond issue costs	32,947	18,057	0	6,324	57,328
Capital assets					
Land and water rights	49,215	1,261,324	57,049	0	1,367,588
Plant and systems	3,348,166	7,707,185	3,853,847	733,072	15,642,270
Equipment	<u>180,727</u>	<u>144,934</u>	<u>86,046</u>	<u>0</u>	<u>411,707</u>
Capital assets at cost	3,578,108	9,113,443	3,996,942	733,072	17,421,565
Less accumulated depreciation	<u>(940,883)</u>	<u>(2,217,893)</u>	<u>(2,087,688)</u>	<u>(411,227)</u>	<u>(5,657,691)</u>
Capital assets net of accumulated depreciation	<u>2,637,225</u>	<u>6,895,550</u>	<u>1,909,254</u>	<u>321,845</u>	<u>11,763,874</u>
Total Noncurrent Assets	<u>2,670,172</u>	<u>6,913,607</u>	<u>1,909,254</u>	<u>328,169</u>	<u>11,821,202</u>
Total Assets	<u>3,728,611</u>	<u>11,064,792</u>	<u>2,791,990</u>	<u>372,755</u>	<u>17,958,148</u>
<u>Liabilities</u>					
Current Liabilities					
Accounts payable	\$ 122,388	\$ 375,813	35,207	311	533,719
Due to other funds	476,816	0	3,879	0	480,695
Accrued liabilities	15,683	43,824	3,581	1,300	64,388
Customer deposits	14,540	0	1,546	0	16,086
Notes payable-current	16,343	223,691	0	70,434	310,468
Bonds payable -current	<u>70,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,000</u>
Total Current Liabilities	<u>715,770</u>	<u>643,328</u>	<u>44,213</u>	<u>72,045</u>	<u>1,475,356</u>
Compensated absences	6,603	9,605	6,181	0	22,389
Notes payable	313,604	2,768,170	0	143,257	3,225,031
Bonds payable	<u>890,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>890,000</u>
Total Noncurrent Liabilities	1,210,207	2,777,775	6,181	143,257	4,137,420
Total Liabilities	<u>1,925,977</u>	<u>3,421,103</u>	<u>50,394</u>	<u>215,302</u>	<u>5,612,776</u>
<u>Net Position</u>					
Net investment in capital assets	1,347,278	3,903,689	1,909,254	108,154	7,268,375
Restricted for debt service	152,827	187,001	120,062	0	459,890
Unrestricted	<u>302,529</u>	<u>3,552,999</u>	<u>712,280</u>	<u>49,299</u>	<u>4,617,107</u>
Total Net Position	<u>\$ 1,802,634</u>	<u>\$ 7,643,689</u>	<u>\$ 2,741,596</u>	<u>\$ 157,453</u>	<u>\$ 12,345,372</u>

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

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sanitation</u>	<u>Property</u>	<u>Totals</u>
<u>Operating Revenues</u>					
Charges for services	\$ 1,045,133	\$ 934,689	\$ 445,618	\$ 98,298	\$ 2,523,738
Other	<u>60,434</u>	<u>10,004</u>	<u>0</u>	<u>0</u>	<u>70,438</u>
Total operating revenues	1,105,567	944,693	445,618	98,298	2,594,176
<u>Operating Expenses</u>					
Operations and maintenance	980,220	581,101	332,869	0	1,894,190
Administration	158,378	166,903	147,378	16,743	489,402
Depreciation and amortization	<u>100,301</u>	<u>244,270</u>	<u>148,182</u>	<u>38,760</u>	<u>531,513</u>
Total operating expenses	1,238,899	992,274	628,429	55,503	2,915,105
Operating income (loss)	<u>(133,332)</u>	<u>(47,581)</u>	<u>(182,811)</u>	<u>42,795</u>	<u>(320,929)</u>
<u>Non-operating Revenues (Expenses)</u>					
Investment earnings	1,328	9,575	2,595	86	13,584
Interest on indebtedness	<u>(68,589)</u>	<u>(96,530)</u>	<u>0</u>	<u>(17,817)</u>	<u>(182,936)</u>
Total non-operating revenues (expenses)	(67,261)	(86,955)	2,595	(17,731)	(169,352)
Capital contributions	<u>27,000</u>	<u>153,802</u>	<u>51,000</u>	<u>0</u>	<u>231,802</u>
Change in net position	<u>(173,593)</u>	<u>19,266</u>	<u>(129,216)</u>	<u>25,064</u>	<u>(258,479)</u>
Total Net Position, Beginning	<u>1,976,227</u>	<u>7,624,423</u>	<u>2,870,812</u>	<u>132,389</u>	<u>12,603,851</u>
Total Net Position, Ending	<u>\$ 1,802,634</u>	<u>\$ 7,643,689</u>	<u>\$ 2,741,596</u>	<u>\$ 157,453</u>	<u>\$ 12,345,372</u>

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

TOWN OF LYONS, COLORADO
STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS
DECEMBER 31, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sanitation</u>	<u>Property</u>	<u>Totals</u>
<u>Cash flows from operating activities</u>					
Receipts from customers and users	\$ 1,037,781	\$ 901,149	\$ 451,804	\$ 106,490	\$ 2,497,224
Other services	60,434	10,004	0	0	70,438
Payments to suppliers and employees	<u>(594,301)</u>	<u>(633,992)</u>	<u>(454,925)</u>	<u>(17,464)</u>	<u>(1,700,682)</u>
Net cash provided by (used for) operating activities	<u>503,914</u>	<u>277,161</u>	<u>(3,121)</u>	<u>89,026</u>	<u>866,980</u>
<u>Cash flows from capital and related financing activities</u>					
Principal repayments	(80,534)	(218,098)	0	(65,490)	(364,122)
Contributions from customers	27,000	153,802	51,000	0	231,802
Interest paid	(68,589)	(96,530)	0	(17,817)	(182,936)
Purchase of fixed assets	<u>(160,889)</u>	<u>(911,108)</u>	<u>(402,807)</u>	<u>0</u>	<u>(1,474,804)</u>
Net cash used for capital and related financing	(283,012)	(1,071,934)	(351,807)	(83,307)	(1,790,060)
<u>Cash flows from investing activities</u>					
Interest earned	<u>1,328</u>	<u>9,575</u>	<u>2,595</u>	<u>86</u>	<u>13,584</u>
Net increase (decrease) in cash and cash equivalents	<u>222,230</u>	<u>(785,198)</u>	<u>(352,333)</u>	<u>5,805</u>	<u>(909,496)</u>
Cash and cash equivalents, January 1	<u>560,592</u>	<u>4,563,163</u>	<u>1,170,843</u>	<u>38,418</u>	<u>6,333,016</u>
Cash and cash equivalents, December 31	<u>\$ 782,822</u>	<u>\$ 3,777,965</u>	<u>\$ 818,510</u>	<u>\$ 44,223</u>	<u>\$ 5,423,520</u>
<u>Reconciliation of operating income to net cash provided by (used for) operating activities</u>					
Operating income	\$ (133,332)	\$ (47,581)	\$ (182,811)	\$ 42,795	\$ (320,929)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities					
Depreciation and amortization	100,301	244,270	148,182	38,760	531,513
Decrease (increase) in:					
Accounts receivable	(10,207)	7,040	6,186	8,192	11,211
Due from other funds	477,660	(262,829)	4,410	(317)	218,924
Inventory	14,467	0	0	0	14,467
Accounts payable	<u>55,025</u>	<u>336,261</u>	<u>20,912</u>	<u>(404)</u>	<u>411,794</u>
Total adjustments	<u>637,246</u>	<u>324,742</u>	<u>179,690</u>	<u>46,231</u>	<u>1,187,909</u>
Net Cash Provided by (Used For) Operating Activities	<u>\$ 503,914</u>	<u>\$ 277,161</u>	<u>\$ (3,121)</u>	<u>\$ 89,026</u>	<u>\$ 866,980</u>

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Reporting Entity

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

Based on the application of these criteria, the financial statements include only the funds of the Town of Lyons for which the Mayor and Board of Trustees have oversight responsibility and the Town has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activity is not reported in the government-wide financial statements.

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

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. There are no legal restrictions concerning the use of property taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. Library operations are reported in the General Fund, as the primary funding of library operations is from the General Fund. This reporting is consistent with the prior year's reporting.
- The *Parks, Recreation, and Cultural Fund* is a special revenue fund that accounts for the acquisition and maintenance of parkland and related facilities including the visitor center, as well as organizing and promoting special events and other community programs. Financing is provided by sales and use taxes, impact fees on new construction, activity fees, grants, donations, and other park use fees.

The Town reports the following major proprietary funds:

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- *Water 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).

Non-Major Funds – The Town reports one non-major proprietary fund:

- *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 rental derived from the constructed assets.

The Town reports one governmental fund as non-major:

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

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

Budgets

Budgets are adopted on a basis consistent with Colorado Revised Statutes and Local Government Budget Law. The budgets for the Town are adopted for all funds and presented on a basis consistent with GAAP except as follows. In the budgets for the enterprise funds: 1) bond and other debt proceeds are treated as other financing sources, and bond and other debt principal payments are treated as budget expenditures, 2) tap fees for the Electric Fund, Water 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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

funds lapse at fiscal year-end. The budget of the Town is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are made, implemented and controlled. The amount of expenditures exceeded the amounts appropriated in the Electric and Water Funds, due to higher than expected capital purchases. This maybe a violation of Colorado State Statute.

Legal Compliance – TABOR Amendment

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

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

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

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.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by TABOR. At December 31, 2012, the emergency reserve of \$55,300 was recorded as a restriction of fund balance in the General Fund.

Restricted Revenue

Restrictions are placed upon certain revenue received by the Town when legally mandated to be used for specific purposes. Currently the voters have approved a restriction for 1% of the 3% sales and use tax to be used for parks and recreation.

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

	Percentage	Sales Tax	Use Tax	Total
General Fund	66 2/3%	\$ 356,758	\$ 101,530	\$ 458,288
Parks, Recreation and Cultural Fund	33 1/3%	178,379	50,621	229,000
	100%	\$ 535,137	\$ 152,151	\$ 687,288

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances

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

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2012, management believes all receivables are collectible.

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

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

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

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

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

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

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

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

Building and improvements	10 - 30 years
Plant and systems	20 - 40 years
Infrastructure	20 years
Equipment and vehicles	5 years

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Revenues – Deferred revenues include property taxes earned and measurable but levied for a subsequent period. Property taxes levied in 2012 for collection in 2013 in the amount of \$458,599 are included in receivables and deferred revenue in the General Fund at December 31, 2012.

Compensated Absences – It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation, overtime, and sick leave benefit. Upon separation from Town service, earned but unused vacation and overtime is paid to the employee. Earned but unused sick leave is paid at one half (50%) value. Accumulated unpaid vacation pay is accrued when earned in the government-wide and proprietary fund type financial statements. A liability is reported in the governmental funds financial statements when payment is due. At December 31, 2012, \$52,616 of earned but unused vacation, overtime and sick leave percentage is recorded as an accrued liability.

Long-Term Debt – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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

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

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

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

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

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – All other spendable amounts.

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

Property Taxes - Property taxes are levied by the Board and certified to Boulder County for collection by December 15 of each year. These taxes attach an enforceable lien on property as of January 1 of the succeeding year and are payable in full by 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.

Retirement Commitments - Effective January 1, 1998, a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan was established by the Board of Trustees. Capital Guardian Trust Company administers the defined contribution plan with investments made within the American Funds Group chosen by the employee. Under this plan, participation by the employee is voluntary. If the employee chooses to participate, the Town will contribute a match of up to 3% of the employee's gross salary. A new employee is eligible to participate following successful completion of a six-month period during one of the semi-annual election periods. All amounts are 100% vested at the time of contribution. During the year ended December 31, 2012, the Town contributed \$22,470.

Risk Management

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments as of December 31, 2012, follows:

Petty cash	\$ 1,030
Deposits	278,362
Investments	<u>6,505,813</u>
Total Cash and Investments	<u>\$ 6,785,205</u>

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

Cash and investments	\$ 6,655,015
Restricted cash and investments	<u>130,190</u>
Total Cash and Investments	<u>\$ 6,785,205</u>

Deposits

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

At December 31, 2012, the carrying amount of the Town's deposits was \$284,744 and the bank balance was \$278,362. The bank balance was covered by FDIC Insurance for all accounts.

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

The Town does not have an investment policy that would further limit its investment choices.

The Town invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are:

- Safety
- Liquidity
- Yield

Investments

The Town invests funds in COLOTRUST PLUS+. The Colorado Local Government Liquid Asset Trust (COLOTRUST) was organized in 1985 in accordance with the Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, Colorado Revised Statutes), to allow Colorado governmental entities to pool their funds to take advantage of short-term investments and maximize net interest earnings.

Authorized securities include U.S. Treasury Securities, Federal Instrumentality Securities, Agency Securities, Repurchase Agreements and Tri-Party Repurchase Agreements, collateralized bank deposits, Commercial Paper that, at the time of purchase, is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations, and corporate bonds. The pool operates similar to a money market fund with a share value equal to \$1.00. This fund is rated AAAM by the Standard and Poor's Corporation. At December 31, 2012, the Town and had invested \$6,305,813 in COLOTRUST.

Interest Rate Risk - The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2012, the Town has interest rate risk related only to its investments in COLOTRUST. At December 31, 2012, COLOTRUST had a weighted average maturity of 35 days.

Concentrations of Credit Risk

The Town places no limit on the amount it may invest in any one issuer. At December 31, 2012, the Town had no concentration of investment credit risk.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND DEPOSITS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2012, the Town's investments consisted of the investment pool.

NOTE 3 - CASH - RESTRICTED

The Electric Fund revenue bond agreement contains a covenant provision requiring the Town to deposit restricted cash in the amount of \$96,000 as a bond reserve account. In addition, \$34,190 was contained in a bond sub-account restricted for debt service as of December 31, 2012.

The Water fund loan agreement with the Colorado Water Resources and Power Development Authority require three months operations and maintenance expense be restricted for debt service. There is not a requirement under the agreement to hold these funds in separate cash accounts. For purposes of the bond issue, the Water and Sanitation funds are combined. However, restricted amounts are reflected in each fund. The restricted amounts total \$305,204 as of December 31, 2012.

NOTE 4 - INTERNAL BALANCES

The following are the balances owed between funds as of December 31, 2012. All balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 307,357	\$ 0
Parks, Recreation, and Cultural Fund	0	90,964
Electric Fund	0	476,816
Water Fund	263,939	0
Sanitation Fund	0	3,879
Property Fund	<u>363</u>	<u>0</u>
Totals	<u>\$ 571,659</u>	<u>\$ 571,659</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>1/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 13,748,000	\$ 0	\$ 0	\$ 13,748,000
Construction in progress	<u>0</u>	<u>60,637</u>	<u>0</u>	<u>60,637</u>
Total capital assets, not depreciated	<u>13,748,000</u>	<u>60,637</u>	<u>0</u>	<u>13,808,637</u>
Capital assets being depreciated				
Buildings	446,680	4,791	0	451,471
Improvements	3,985,962	78,471	0	4,064,433
Equipment	<u>360,309</u>	<u>18,569</u>	<u>0</u>	<u>378,878</u>
Total capital assets, depreciated	<u>4,792,951</u>	<u>101,831</u>	<u>0</u>	<u>4,894,782</u>
Less accumulated depreciation for				
Buildings	(347,898)	(3,479)	0	(351,377)
Improvements	(1,032,728)	(122,892)	0	(1,155,620)
Equipment	<u>(292,625)</u>	<u>(54,616)</u>	<u>0</u>	<u>(347,241)</u>
Total accumulated depreciation	<u>(1,673,251)</u>	<u>(180,987)</u>	<u>0</u>	<u>(1,854,238)</u>
Total capital assets being depreciated, net	<u>3,119,700</u>	<u>(79,156)</u>	<u>0</u>	<u>3,040,544</u>
Governmental activities				
Capital assets, net	<u>\$ 16,867,700</u>	<u>\$ (18,519)</u>	<u>\$ 0</u>	<u>\$ 16,849,181</u>

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

General government	\$ 3,479
Public works and streets	122,892
Parks, culture and recreation	<u>54,616</u>
Total current year depreciation	<u>\$ 180,987</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>1/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land and water rights	\$ 1,347,588	\$ 20,000	\$ 0	\$ 1,367,588
Capital assets being depreciated				
Plant and systems	14,224,212	1,418,058	0	15,642,270
Equipment	<u>374,961</u>	<u>36,746</u>	<u>0</u>	<u>411,707</u>
Total capital assets, depreciated	14,599,173	1,454,804	0	16,053,977
Less accumulated depreciation for				
Plant and systems	(5,006,601)	(506,544)	0	(5,513,145)
Equipment	<u>(126,019)</u>	<u>(18,527)</u>	<u>0</u>	<u>(144,546)</u>
Total accumulated depreciation	<u>(5,132,620)</u>	<u>(525,071)</u>	<u>0</u>	<u>(5,657,691)</u>
Total capital assets being depreciated, net	<u>9,466,553</u>	<u>929,733</u>	<u>0</u>	<u>10,396,286</u>
Business-type activities				
Capital assets, net	<u>\$ 10,814,141</u>	<u>\$ 949,733</u>	<u>\$ 0</u>	<u>\$ 11,763,874</u>

Depreciation expense for the business-type activities totaled \$525,071.

NOTE 6 - LONG TERM DEBT

	<u>Balance</u> <u>1/1/12</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/12</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities</u>					
Capital leases	\$ 37,383	\$ 0	\$ 14,566	\$ 22,817	\$ 15,668
Compensated absences	<u>37,366</u>	<u>45,737</u>	<u>52,876</u>	<u>30,227</u>	<u>670</u>
	<u>74,749</u>	<u>45,737</u>	<u>67,442</u>	<u>53,044</u>	<u>16,338</u>
<u>Business-type activities</u>					
2003 Electric Revenue Bonds	1,025,000	0	65,000	960,000	70,000
2006 Electric Revenue Note	345,481	0	15,534	329,947	16,343
2003 Water Fund Loan	3,209,959	0	218,098	2,991,861	223,691
2002 Property Fund Loan	279,181	0	65,490	213,691	70,434
Compensated absences	<u>18,855</u>	<u>5,656</u>	<u>2,122</u>	<u>22,389</u>	<u>2,009</u>
	<u>4,878,476</u>	<u>5,656</u>	<u>366,244</u>	<u>4,517,888</u>	<u>382,477</u>
Total	<u>\$ 4,953,225</u>	<u>\$ 51,393</u>	<u>\$ 433,686</u>	<u>\$ 4,570,932</u>	<u>\$ 398,815</u>

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

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

The Town has leases classified as a capital leases on equipment with an original cost of \$58,320 and a book value of \$41,108. During the year ended December 31, 2011, the Town entered into a four year capital lease agreement for a copier with a value of \$12,800. Future minimum obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31</u>	
2013	\$ 16,832
2014	6,963
2015	<u>1,550</u>
Total minimum leases payments	25,345
Less amount representing interest	<u>(2,528)</u>
Present value of minimum lease payments	<u>\$ 22,817</u>

- *Electric Fund – Revenue Bonds Payable*
Revenue bonds in the amount of \$1,480,000 were issued October 15, 2003 for the purpose of constructing an electrical substation. The average coupon rate is 4.76% over twenty years with final payment on December 1, 2023. These bonds are payable from the revenues of the Electric Fund and do not represent a general obligation of the town. The balance on this bond at fiscal year-end is \$960,000.

In 2006, a revenue note was issued in the amount of \$412,000 in support of the same project. The rate on this note is 5.4% with a twenty-year term. The balance as of December 31, 2012 is \$329,947.

- *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, 2012 is \$2,991,861. This note was refinanced in February 2013. For more information see Note 9.
- *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 the completed facility to be leased 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 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, 2012 is \$213,691. This debt was paid in full in July 2013, as discussed more fully in Note 9.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 380,468	\$ 134,516	\$ 514,984
2014	386,759	122,428	509,187
2015	389,949	109,764	499,713
2016	328,454	98,542	426,996
2017	335,082	89,308	424,390
2018-2022	1,857,480	293,533	2,151,013
2023-2026	<u>817,307</u>	<u>40,469</u>	<u>857,776</u>
	<u>\$ 4,495,499</u>	<u>\$ 888,560</u>	<u>\$ 5,384,059</u>

Interest expense for the year ended December 31, 2012 totaled \$185,202.

NOTE 7 - NET POSITION

Net Position

During the year ended December 31, 2012, the Town implemented GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. As the result of implementing this statement, the computation of equity on the Statement of Net Position was retitled as Net Position.

As also described in Note 1, net position in the Government-Wide Statement of Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulators of other governments.

Other Accounting Pronouncements

During the year ended December 31, 2012, the Town implemented GASB Statement Number 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB authoritative literature certain guidance from the Financial Accounting Standards Board (FASB) Statements and Interpretations, the Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with GASB pronouncements. Implementation of this standard did not have a material effect on the Town.

The Town is required to implement GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* during the upcoming year ended December 31, 2013. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures. As a result of implementing this statement the Town will write off \$57,328 of loan origination costs.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Commitment

At December 31, 2012, the Town had a commitment totaling \$311,511 for design installation of Highway 36 enhancements. The majority of these expenses will be paid with funds received from grants.

NOTE 9 - SUBSEQUENT EVENTS

The following items related to the Town's long term debt will impact the Town's long term debt obligations in future years.

The Colorado Water Resources and Power Development Authority successfully completed the refinancing of bond issue(s) that provide the funds for the Town's 2003 Water Fund loan in February 2013. The refinancing provided a present value savings of approximately 4.1% as a percentage of current outstanding loan principal. These anticipated refunding credits will be reduced against the Town's principal at the time the credit is issued.

In July 2013, the Town paid off the full amount of the remaining principal balance of the Property Fund loan used to construct the post office. Final payment was originally scheduled for October 2015, per the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LYONS, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance w/ Final</u>
<u>Revenues</u>				
Taxes				
General property tax	\$ 431,374	\$ 431,374	\$ 431,568	\$ 194
Specific ownership tax	23,000	23,000	20,555	(2,445)
Sales tax	304,135	304,135	356,758	52,623
Use tax	82,000	82,000	101,530	19,530
Franchise tax	26,302	26,302	31,065	4,763
Licenses and permits	41,575	41,575	49,631	8,056
Intergovernmental	111,000	240,875	228,495	(12,380)
Fines and forfeitures	87,600	87,600	144,425	56,825
Investment earnings	500	500	3,069	2,569
Other income	<u>32,000</u>	<u>32,000</u>	<u>48,063</u>	<u>16,063</u>
Total Revenues	<u>1,139,486</u>	<u>1,269,361</u>	<u>1,415,159</u>	<u>145,798</u>
<u>Expenditures</u>				
Current				
General government				
Legislative council	20,200	20,200	17,721	2,479
Judicial	46,465	46,465	48,406	(1,941)
Administrative	240,159	281,373	277,307	4,066
Police	359,512	359,512	356,581	2,931
Economic development	104,714	104,714	88,867	15,847
Building inspections	16,000	19,666	24,327	(4,661)
Public works – streets	107,824	127,044	131,945	(4,901)
Planning	37,636	53,000	60,204	(7,204)
Health, Welfare and Community	52,913	62,330	79,477	(17,147)
Other general government	100,893	111,556	106,047	5,509
Capital outlay	0	75,504	77,969	(2,465)
Debt service				
Principal	14,600	14,600	14,566	34
Interest	2,400	2,400	2,266	134
Contingency	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total Expenditures	<u>1,118,316</u>	<u>1,293,364</u>	<u>1,285,683</u>	<u>7,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,170</u>	<u>(24,003)</u>	<u>129,476</u>	<u>153,479</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(1,700)	(1,700)	(1,700)	0
Net Change in Fund Balance	<u>19,470</u>	<u>(25,703)</u>	<u>127,776</u>	<u>153,479</u>
Fund Balances – Beginning	<u>(65,405)</u>	<u>(261,029)</u>	<u>670,016</u>	<u>931,045</u>
Fund Balances – Ending	<u>\$ (45,935)</u>	<u>\$ (286,732)</u>	<u>\$ 797,792</u>	<u>\$1,084,524</u>

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

TOWN OF LYONS, COLORADO
PARKS, RECREATION, AND CULTURAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Sales tax	\$ 152,068	\$ 158,068	\$ 178,379	\$ 20,311
Use tax	35,000	41,000	50,621	9,621
Home additions fees	14,800	21,496	21,496	0
Interest and other income	750	750	1,199	449
Grants, contributions and donations	5,000	53,083	52,148	(935)
Charges for services				
Camping	88,000	88,000	97,018	9,018
Other park division charges	44,200	44,200	42,197	(2,003)
Recreation	22,300	22,300	13,563	(8,737)
Culture and special events	58,000	58,000	54,970	(3,030)
Other income	2,000	2,000	1,342	(658)
	<u>422,118</u>	<u>488,897</u>	<u>512,933</u>	<u>24,036</u>
Total Revenues				
<u>Expenditures</u>				
<u>Current operating</u>				
Administration	31,052	47,120	50,841	(3,721)
Allocated expenses	23,450	23,450	30,241	(6,791)
<u>Cultural and recreation</u>				
Special event expenditures	52,500	52,500	55,754	(3,254)
Other	10,000	6,500	10,258	(3,758)
<u>Parks</u>				
Personnel	238,350	257,830	250,584	7,246
Operations and maintenance	63,500	74,693	64,812	9,881
Recreation	12,300	12,300	10,653	1,647
Capital improvements	5,240	89,499	84,499	5,000
	<u>436,392</u>	<u>563,892</u>	<u>557,642</u>	<u>6,250</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(14,274)	(74,995)	(44,709)	30,286
<u>Other financing Sources</u>				
Transfers in	15,000	15,000	16,700	1,700
Net change in fund balance	<u>\$ 726</u>	<u>\$ (59,995)</u>	(28,009)	<u>\$ 31,986</u>
Fund Balance – beginning of year			<u>576,370</u>	
Fund Balance – end of year			<u>\$ 548,361</u>	

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LYONS, COLORADO
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	Conservation Trust Fund		
	Original And Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Intergovernmental revenue	\$ 20,000	\$ 20,359	\$ 359
Investment earnings	<u>228</u>	<u>327</u>	<u>99</u>
Total revenues	<u>20,228</u>	<u>20,686</u>	<u>458</u>
<u>Other Financing Sources And Uses</u>			
Operating transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>
Net change in fund balance	<u>\$ 5,228</u>	5,686	<u>\$ 458</u>
Fund balance – beginning of year		<u>133,427</u>	
Fund balance – end of year		<u>\$ 139,113</u>	

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

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS – SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	<u>Electric Fund</u>		
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u>
<u>Revenues</u>			
Sales	\$ 1,069,000	\$ 1,045,133	\$ (23,867)
Investment/tap fees	22,500	27,000	4,500
Investment earnings	800	1,328	528
Other services	<u>3,500</u>	<u>60,434</u>	<u>56,934</u>
Total Revenues	<u>1,095,800</u>	<u>1,133,895</u>	<u>38,095</u>
<u>Expenditures</u>			
Electric wholesale purchases	778,924	778,952	(28)
Administrative	75,581	89,030	(13,449)
Personnel	149,667	145,429	4,238
Distribution and maintenance	44,300	55,839	(11,539)
Debt Service			
Bond principal	80,535	65,000	15,535
Bond interest	69,156	68,589	567
Capital outlay	137,313	160,889	(23,576)
Allocated expenses	65,225	69,348	(4,123)
Contingency	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total Expenditures	<u>1,425,701</u>	<u>1,433,076</u>	<u>(7,375)</u>
Total decrease of expenditures over revenues	<u>\$ (329,901)</u>	(299,181)	<u>\$ 30,720</u>
<u>Reconciliation to Change in Net Assets</u>			
Add bond principal paid		65,000	
capital outlay		160,889	
Less depreciation expense		<u>(100,301)</u>	
Change in net assets		<u>\$ (173,593)</u>	

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

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS – SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	Water Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Water sales	\$ 901,070	\$ 916,290	\$ 15,220
Water tap fees	87,500	133,802	46,302
Pipe water sales	12,000	18,399	6,399
Investment earnings	3,500	9,575	6,075
Miscellaneous	2,700	10,004	7,304
Total Revenues	1,006,770	1,088,070	81,300
<u>Expenditures</u>			
<u>Operations and administration</u>			
Administration	84,069	103,067	(18,998)
Treatment personnel	0	77	(77)
Treatment services	389,214	377,261	11,953
Distribution salaries	59,716	66,275	(6,559)
Distribution maintenance	126,426	137,488	(11,062)
<u>Debt service</u>			
Principal	218,098	218,098	0
Interest	97,664	96,530	1,134
Capital outlay	826,385	911,108	(84,723)
Allocated Expenses	64,650	63,836	814
Contingency	25,000	0	25,000
Total Expenditures	1,891,222	1,973,740	(82,518)
Total increase of revenues over expenditures	\$ (884,452)	(885,670)	\$ (1,218)
<u>Reconciliation to Change in Net Assets</u>			
Add donated assets		20,000	
bond principal paid		218,098	
capital outlay		911,108	
Less depreciation expense		(244,270)	
Change in net assets		\$ 19,266	

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

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS – SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	Sanitation Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Service fees	\$ 446,000	\$ 445,618	\$ (382)
Sewer tap fees	42,500	51,000	8,500
Investment earnings	1,800	2,595	795
Miscellaneous	1,500	0	(1,500)
Total Revenues	491,800	499,213	7,413
<u>Expenditures</u>			
Operations and administration			
Administrative	78,619	101,344	(22,725)
Treatment personnel	0	6,326	(6,326)
Treatment services	117,500	103,529	13,971
Plant maintenance	156,000	145,623	10,377
Distribution salaries	41,600	45,549	(3,949)
Distribution maintenance	33,000	31,842	1,158
Allocated expenses	41,350	46,034	(4,684)
Capital outlay	424,200	402,807	21,393
Contingency	23,000	0	23,000
Total Expenditures	915,269	883,054	32,215
Total increase (decrease) of revenues over expenditures	\$ (423,469)	(383,841)	\$ 39,628
<u>Reconciliation to Change in Net Assets</u>			
Plus Capital outlay		402,807	
Less depreciation expense		(148,182)	
Change in net assets		\$ (129,216)	

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

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS – SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
DECEMBER 31, 2012

	Property Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Service fees	\$ 98,298	\$ 98,298	\$ 0
Investment earnings	50	86	36
Miscellaneous	75	0	(75)
Total Revenues	98,423	98,384	(39)
<u>Expenditures</u>			
Operations and administration			
Administration	10,800	11,369	(569)
Debt service			
Principal	65,490	65,490	0
Interest	18,216	17,817	399
Allocated expenses	5,700	5,374	326
Total Expenditures	100,206	100,050	156
Total increase of revenues over expenditures	\$ (1,783)	(1,666)	\$ 117
<u>Reconciliation to Change in Net Assets</u>			
Add bond principal paid		65,490	
Less depreciation expense		(38,760)	
Change in net assets		\$ 25,064	

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

OTHER SUPPLEMENTARY INFORMATION
STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Lyons
	YEAR ENDING : December 2012

This Information From The Records Of (example - City of _ or County of _ Town of Lyons	Prepared By: Tony Cavalier, Finance Director Phone:303-823-6622
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	273,957
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	117,836
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	3,621
2. General fund appropriations	315,351	b. Snow and ice removal	14,426
3. Other local imposts (from page 2)	11,254	c. Other	12,235
4. Miscellaneous local receipts (from page 2)	88,000	d. Total (a. through c.)	30,282
5. Transfers from toll facilities		4. General administration & miscellaneous	41,970
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	115,171
a. Bonds - Original Issues		6. Total (1 through 5)	579,216
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	414,605	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	164,611	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	579,216	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	579,216

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		579,216	579,216		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	11,254	g. Other Misc. Receipts	88,000
6. Total (1. through 5.)	11,254	h. Other	
c. Total (a. + b.)	11,254	i. Total (a. through h.)	88,000
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	63,081	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	101,530	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	101,530	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	164,611	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs	60,637	10,215	70,852
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		203,105	203,105
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	203,105	203,105
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	60,637	213,320	273,957
			(Carry forward to page 1)

Notes and Comments: