

**TOWN OF LYONS**  
**BASIC FINANCIAL STATEMENTS**  
**December 31, 2013**

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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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lyons, Colorado as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matters

### Change in Accounting Principle

As described in Note 7 to the financial statements, the Town adopted the provisions of GASB Statement Number 65, *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 and budgetary comparison information and on pages iv through x, and 24 through 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lyons' basic financial statements. The individual fund financial statements and the Local Highway Finance Report, are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Town of Lyons Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lyons Colorado's internal control over financial reporting and compliance.

*Payton & Adams, LLC*

September 26, 2014  
Denver, Colorado

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

TOWN OF LYONS, COLORADO  
Management's Discussion and Analysis  
December 31, 2013

The management of the Town of Lyons offers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2013.

**Financial Highlights**

- The assets of the Town of Lyons exceeded its liabilities at the close of 2013 by \$33,942,746 (*net position*). Of this amount, \$4,920,225 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,373,299.
- As of the close of the current fiscal year, the Town of Lyons governmental funds reported combined ending fund balances of (\$1,851,326).
- At the end of the current year, unrestricted, undesignated fund balance for the general fund was \$194,741, or about 16% 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, and new in 2013 is a grant fund that also includes the 2013 Flood disaster. 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, 2013

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

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

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

*Proprietary funds* are generally used to account for services for which the town charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Fund, Water Fund, and Sanitation (wastewater) Fund which are all considered to be major funds of the Town of Lyons. The property fund has also been chosen to be presented within the proprietary fund financial statements.

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

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

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

### **Government-wide Financial Analysis**

As noted earlier, net 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 \$33,942,746 at the close of 2013.

**TOWN OF LYONS, COLORADO**  
**Management's Discussion and Analysis**  
**December 31, 2013**

**Town of Lyons Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
Current and other assets	\$ 6,330,941	\$ 2,114,672	\$ 6,323,439	\$ 5,656,251	\$ 12,654,380	\$ 7,770,923
Capital Assets	17,795,624	16,849,181	11,722,125	11,763,874	29,517,749	28,613,055
Total Assets	24,126,565	18,963,853	18,045,564	17,420,125	42,172,129	36,383,978
Long-term Liabilities Outstanding	86,608	53,044	3,993,565	4,517,888	4,080,173	4,570,932
Other Liabilities	2,873,184	170,807	824,842	614,193	3,698,026	785,000
Total Liabilities	2,959,792	223,851	4,818,407	5,132,081	7,778,199	5,355,932
Deferred Inflows of Resources-						
Unavailable resources of property taxes	451,184	458,599	-	-	451,184	458,599
Invested in Capital	17,746,294	16,826,364	10,294,860	7,268,375	28,041,154	24,094,739
Restricted						
Required emergency reserve	-	55,300	-	-	-	55,300
Debt Service	-	-	372,279	459,890	372,279	459,890
Parks and Open Space	163,838	139,113	-	-	163,838	139,113
Grant Expenditures	445,250	32,500	-	-	445,250	32,500
Unrestricted	2,360,207	1,228,126	2,560,018	4,559,779	4,920,225	5,787,905
Total Net Position	\$ 20,715,589	\$ 18,281,403	\$ 13,227,157	\$ 12,288,044	\$ 33,942,746	\$ 30,569,447

By far the largest portion of the town's net position (83%) reflects its investment of \$28.04 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, \$981,367 (3%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted assets, \$4,920,225 (14%), 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 \$3,946,415, or just over 16%, compared to 2012. This increase is discussed below in "Capital Assets."

Governmental activities – Governmental activities increased the Town of Lyons net position by \$2,434,186. Other key elements of governmental activities are as follows:

- The grants fund created to assist with the 2013 Flood attributed \$5.3 million in assets and \$5.2 million in liabilities. From September going forward, the majority of expenditures were associated with disaster response and recovery. Most if not all of those costs will be reimbursed through State, local, and federal grants, ie. FEMA Public Assistance.

**TOWN OF LYONS, COLORADO**  
**Management's Discussion and Analysis**  
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- Sales tax collection decreased \$24,105 in 2013 over 2012. This decrease is attributed to the closure of businesses due to the Flood.
- Use Tax Revenue increased \$40,174 from the previous year. \$192,325 was received in 2013. The Use Tax listed here represents revenue received from the purchase of vehicles and construction supplies purchased.

**Town of Lyons Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012 (Restated)	2013	2012 (Restated)
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 368,357	\$ 401,804	\$ 2,397,024	\$ 2,594,176	\$ 2,765,381	\$ 2,995,980
Operating Grants and Contributions	2,876,449	63,498	-	-	2,876,449	63,498
Capital Grants and Contributions	1,294,523	130,460	609,288	231,802	1,903,811	362,262
<b>General Revenues:</b>						
Property Taxes	457,847	431,568	-	-	457,847	431,568
Other Taxes	783,598	760,404	-	-	783,598	760,404
Unrestricted investment earnings	2,462	4,595	6,078	13,584	8,540	18,179
Intergovernmental	74,985	97,356	-	-	74,985	97,356
Loss on disposal of equipment	-	-	(321,844)	-	(321,844)	-
Transfers	(128,174)	-	128,174	-	-	-
Extraordinary gain	2,153,706	-	756,537	-	2,910,243	-
Other	104,849	59,093	-	-	104,849	59,093
<b>Total Revenues</b>	<b>7,988,602</b>	<b>1,948,778</b>	<b>3,575,257</b>	<b>2,839,562</b>	<b>11,563,859</b>	<b>4,788,340</b>
<b>Expenses:</b>						
General Government	747,736	606,971	-	-	747,736	606,971
Public Safety	955,597	356,581	-	-	955,597	356,581
Public Works & Streets	3,061,315	254,487	-	-	3,061,315	254,487
Parks, Recreation & Culture	787,502	619,834	-	-	787,502	619,834
Interest on Long-term Debt	2,266	2,266	-	-	2,266	2,266
Electric	-	-	1,227,521	1,304,656	1,227,521	1,304,656
Water	-	-	845,413	1,087,299	845,413	1,087,299
Sewer	-	-	548,383	628,429	548,383	628,429
Property	-	-	14,827	71,213	14,827	71,213
<b>Total Expenses</b>	<b>5,554,416</b>	<b>1,840,139</b>	<b>2,636,144</b>	<b>3,091,597</b>	<b>8,190,560</b>	<b>4,931,736</b>
Increase or Decrease in Net Assets	2,434,186	108,639	939,113	(252,035)	3,373,299	(143,396)
Net Assets, Beginning	18,281,403	18,172,764	12,288,044	12,540,079	30,569,447	30,712,843
<b>Net Assets, Ending</b>	<b>\$ 20,715,589</b>	<b>\$ 18,281,403</b>	<b>\$ 13,227,157</b>	<b>\$ 12,288,044</b>	<b>\$ 33,942,746</b>	<b>\$ 30,569,447</b>

Proprietary (Business-type) activities - Business-type activities increased the Town of Lyons net position by \$939,113 in 2013. The Town began in 2011, and is currently in the process of a rate review study with the Municipal Energy Association of Nebraska (M.E.A.N.), delayed due to the Flood.

The Town's is planning the building of a new Waste Water Treatment Plant (WWTP), at its current location. The Town upgraded its water meters which allows for drive-by method of reading.

TOWN OF LYONS, COLORADO  
Management's Discussion and Analysis  
December 31, 2013

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

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

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

As of December 31, 2013 the town's governmental funds reported combined ending fund balances of (\$1,851,326) a decrease of \$3,336,592 over the previous year. This decrease primarily reflects the deferred inflows of resources – the unavailability of grant resources (flood cost reimbursement). About 91%, or a negative \$3 million of the combined ending balance, constitutes unassigned fund balance. 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 \$194,741, while total fund balance reached \$796,328. 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 16% of total general fund expenditures, while total fund balance represents 66% 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, 2013 the unrestricted net position of the Electric Fund were \$585,668, for the Water Fund \$442,994, for the Sanitation Fund \$1,531,356 and the Property Fund \$0. The total growth in net position for all proprietary funds was \$939,113, 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 \$37,235 lower than budgeted. Some revenues were higher than expected while others came in lower. The revenues that came in higher include specific ownership tax, use tax, licenses & permits, contributions & donation, and other income. The revenues that came in lower (all due to the Flood disaster) include sales tax, franchise tax, intergovernmental, fines & forfeitures, and rental income. Expenditures were way under what was budgeted at approximately 73% of budget (\$1,198,000 actual to \$1,645,000 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). Every project that was in progress was delayed until 2014 in order to respond and recover from the September 2013 Flood.

The Main Street Enhancement project Phase 2 was started in 2012 and continued into 2014 with design and engineering.

TOWN OF LYONS, COLORADO  
Management's Discussion and Analysis  
December 31, 2013

The Town adopted Governmental Auditing Standards Board (GASB) Statement 65 in 2013, which records deferred inflows of revenue and wrote off debt issuance costs. 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, 2013 amounts to \$29,518,000 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, streets, utility systems, improvements, machinery and equipment, park facilities and structures.

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

- Purchase of Hains Property for Parks
- Pay off the debt on the Post Office property in the Property Fund
- Construction in progress for Park St (Main St -3<sup>rd</sup>)
- Land and Water rights increase in the utility funds.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land & Water	\$ 14,461,168	\$ 13,808,637	\$ 2,133,572	\$ 1,367,588	\$ 16,594,740	\$ 15,176,225
Building and Improvements	3,214,938	3,008,907	-	-	3,214,938	3,008,907
Plant and systems	-	-	9,484,806	10,337,247	9,484,806	10,337,247
Machinery and Equipment	119,518	31,637	103,747	59,039	223,265	90,676
	\$ 17,795,624	\$ 16,849,181	\$ 11,722,125	\$ 11,763,874	\$ 29,517,749	\$ 28,613,055

Long-Term Debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$4,021,074. Debt represented by bonds and loans secured solely by specified revenue sources (i.e., revenue bonds) are within the proprietary funds. The Town of Lyons does not hold any general obligation within the governmental funds. Capital Leases represent two loans on equipment held by the Governmental Funds. Both loans will be paid within two to four years. Compensated Absences represent the total employee benefit dollar amount (at current rate of pay) regarding vacation, sick and compensated time, earned but not taken. In addition to the summary below, see the notes to the Financial Statements section for more information.

TOWN OF LYONS, COLORADO  
Management's Discussion and Analysis  
December 31, 2013

**Town of Lyons Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Lease	\$ 49,330	\$ 22,817	\$ -	\$ -	\$ 49,330	\$ 22,817
Compensated Absences	37,278	30,227	21,821	22,389	59,099	52,616
Revenue Bonds	-	-	890,000	960,000	890,000	960,000
Revenue Loans	-	-	3,081,744	3,535,470	3,081,744	3,535,470
Total	<u>\$ 86,608</u>	<u>\$ 53,044</u>	<u>\$ 3,993,565</u>	<u>\$ 4,517,859</u>	<u>\$ 4,080,173</u>	<u>\$ 4,570,903</u>

All issues of the Town of Lyons are unrated.

**Economic Factors and Next Year's Budgets and Rates**

In preparing the 2014 budget, the Town had to estimate the fiscal impact on all revenues from a town and its government recovering from a devastating flood disaster that caused an estimated \$50 million in Town infrastructure. The regional impact of the flood disaster changed local economic factors in projecting revenues. Business activity was expected to be down 40% in 2014, a continuation of the drastically reduced last quarter of 2013. The Town remains cautious of the economy in general. Budget expenditures in 2013 have been held to a minimum with increases in areas that were deemed necessary (all flood related costs for response and recovery). Due to infrastructure failures (e.g., water breaks, loss of infrastructure), and with the Continuous Improvement Plan for such having been finalized and put into action, the 2014 budget is expected to be amended to reflect these improvements, but first continue funding flood recovery while mindful of cash flow.

The Town is finalizing its Electric rates, as mentioned earlier, and rates are expected to increase in order to maintain the Town's ability to provide electricity at its current and expected growth in the future. This is scheduled to be reviewed annually due to the provider increasing cost yearly.

The Town is in the design phase of enhancing the eastern corridor, and construction is expected to begin in 2014 or early 2015. In addition, the Town has chosen to build a new wastewater treatment plant on the current site. Construction should start spring of 2014.

Non-utility fees have not been increased in 2013 and are under review for the 2014 budget year.

**Contacting the Town's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

TOWN OF LYONS, COLORADO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2013</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,497,052	\$ 3,613,033	\$ 5,110,085
Restricted cash and cash equivalents	-	152,828	152,828
Receivables	1,711,230	1,389,301	3,100,531
Due from other governments	3,835,191	-	3,835,191
Property tax receivable	451,184	-	451,184
Internal balances	(1,163,716)	1,163,716	-
Inventories	-	4,561	4,561
Capital assets not being depreciated			
Land, water rights and construction in progress	14,461,168	2,133,572	16,594,740
Capital assets, net of accumulated depreciation			
Buildings	334,027	-	334,027
Improvements	2,880,911	-	2,880,911
Plant and systems	-	9,484,806	9,484,806
Equipment	119,518	103,747	223,265
	<u>24,126,565</u>	<u>18,045,564</u>	<u>42,172,129</u>
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accounts payable and other current liabilities	2,729,033	700,259	3,429,292
Other current liabilities	38,994	75,428	114,422
Deposits	-	49,155	49,155
Compensated absences	37,278	21,821	59,099
Unearned revenues	105,157	-	105,157
Due within one year	47,808	310,948	358,756
Due in more than one year	1,522	3,660,796	3,662,318
	<u>2,959,792</u>	<u>4,818,407</u>	<u>7,778,199</u>
<u>Deferred Inflows of Resources</u>			
Unavailable resources property taxes	451,184	-	451,184
	<u>451,184</u>	<u>-</u>	<u>451,184</u>
<u>Net Position</u>			
Net investment in capital assets	17,746,294	10,294,860	28,041,154
Restricted			
Debt service	-	372,279	372,279
Parks and open space	163,838	-	163,838
Grant expenditures	445,250	-	445,250
Unrestricted	<u>2,360,207</u>	<u>2,560,018</u>	<u>4,920,225</u>
	<u>\$ 20,715,589</u>	<u>\$ 13,227,157</u>	<u>\$ 33,942,746</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, 2013**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Governmental activities							
General government	\$ 747,736	\$ 95,732	\$ 232,695	\$ -	\$ (419,309)	\$ -	\$ (419,309)
Public safety	955,597	88,209	614,228	-	(253,160)	-	(253,160)
Public works and streets	3,061,315	-	1,998,844	1,065,786	3,315	-	3,315
Parks, recreation and cultural	787,502	184,416	30,682	228,737	(343,667)	-	(343,667)
Interest	2,266	-	-	-	(2,266)	-	(2,266)
<b>Total governmental activities</b>	<b>5,554,416</b>	<b>368,357</b>	<b>2,876,449</b>	<b>1,294,523</b>	<b>(1,015,087)</b>	<b>-</b>	<b>(1,015,087)</b>
Business-type activities							
Electric	1,227,521	1,101,134	-	65,275	-	(61,112)	(61,112)
Water	845,413	780,130	-	412,915	-	347,632	347,632
Sewer	548,383	458,419	-	131,098	-	41,134	41,134
Property	14,827	57,341	-	-	-	42,514	42,514
<b>Total business-type activities</b>	<b>2,636,144</b>	<b>2,397,024</b>	<b>-</b>	<b>609,288</b>	<b>-</b>	<b>370,168</b>	<b>370,168</b>
<b>Total primary government</b>	<b>\$ 8,190,560</b>	<b>\$ 2,765,381</b>	<b>\$ 2,876,449</b>	<b>\$ 1,903,811</b>	<b>(1,015,087)</b>	<b>370,168</b>	<b>(644,919)</b>
General revenues							
					457,847	-	457,847
					703,357	-	703,357
					22,655	-	22,655
					57,586	-	57,586
					2,462	6,078	8,540
					74,985	-	74,985
					-	(321,844)	(321,844)
					104,849	-	104,849
					<u>1,423,741</u>	<u>(315,766)</u>	<u>1,107,975</u>
					(128,174)	128,174	-
					<u>2,153,706</u>	<u>756,537</u>	<u>2,910,243</u>
					3,449,273	568,945	4,018,218
					<u>2,434,186</u>	<u>939,113</u>	<u>3,373,299</u>
					<u>18,281,403</u>	<u>12,288,044</u>	<u>30,569,447</u>
					<u>\$ 20,715,589</u>	<u>\$ 13,227,157</u>	<u>\$ 33,942,746</u>

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

TOWN OF LYONS, COLORADO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	Major Funds				Total Governmental
	General	Grants	Parks, Recreation, and Cultural	Other Governmental	
<u>Assets</u>					
Cash and cash equivalents	\$ 906,954	\$ -	\$ 426,260	\$ 163,838	\$ 1,497,052
Cash held by county treasurer	2,580	-	-	-	2,580
Accounts receivable	93,258	1,577,752	37,640	-	1,708,650
Due from other governments	94,390	3,740,801	-	-	3,835,191
Property taxes receivable	451,184	-	-	-	451,184
<b>Total Assets</b>	<b>\$ 1,548,366</b>	<b>\$ 5,318,553</b>	<b>\$ 463,900</b>	<b>\$ 163,838</b>	<b>\$ 7,494,657</b>
<u>Liabilities</u>					
Accounts payable	\$ 162,308	\$ 2,561,115	\$ 5,610	\$ -	\$ 2,729,033
Accrued liabilities	20,640	5,085	13,269	-	38,994
Due to other funds	23,516	1,133,941	6,259	-	1,163,716
Deferred revenue	-	1,502,345	-	-	1,502,345
<b>Total Liabilities</b>	<b>206,464</b>	<b>5,202,486</b>	<b>25,138</b>	<b>-</b>	<b>5,434,088</b>
<u>Deferred Inflows of Resources</u>					
Unavailable resources property taxes	451,184	-	-	-	451,184
Unavailable resources grants	94,390	3,366,321	-	-	3,460,711
<b>Total Deferred Inflows of Resources</b>	<b>545,574</b>	<b>3,366,321</b>	<b>-</b>	<b>-</b>	<b>3,911,895</b>
<u>Fund Balance</u>					
Restricted for					
Grant expenditures	445,250	-	-	-	445,250
Parks, recreation and cultural	-	-	-	163,838	163,838
Assigned to					
Subsequent year's expenditures	156,337	-	174,061	-	330,398
Parks, recreation and cultural	-	-	264,701	-	264,701
Unassigned	194,741	(3,250,254)	-	-	(3,055,513)
<b>Total Fund Balance</b>	<b>796,328</b>	<b>(3,250,254)</b>	<b>438,762</b>	<b>163,838</b>	<b>(1,851,326)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,548,366</b>	<b>\$ 5,318,553</b>	<b>\$ 463,900</b>	<b>\$ 163,838</b>	<b>\$ 7,494,657</b>

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

Total fund balance shown above	(1,851,326)
Amounts reported for governmental activities in the statement of net assets are different because:	
long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(86,608)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	4,857,899
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	17,795,624
<b>Net Position of Governmental Activities</b>	<b>\$ 20,715,589</b>

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

**TOWN OF LYONS, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	General Fund	Grants	Parks, Recreation and Cultural	Other Governmental	Total Governmental Funds
<b>Revenues</b>					
Taxes					
General property tax	\$ 457,847	\$ -	\$ -	\$ -	\$ 457,847
Specific ownership tax	22,655	-	-	-	22,655
Sales tax	340,688	-	170,344	-	511,032
Use tax	128,297	-	64,028	-	192,325
Other taxes and fees	21,843	-	35,743	-	57,586
Licenses and permits	95,732	-	-	-	95,732
Intergovernmental	88,482	165,842	-	24,525	278,849
Charges for services	-	-	184,416	-	184,416
Fines and forfeitures	88,209	-	-	-	88,209
Investment earnings	1,711	-	551	200	2,462
Rental income	44,657	-	-	-	44,657
Contributions and donations	7,758	18,126	5,157	-	31,041
Other income	26,457	-	2,694	-	29,151
<b>Total Revenues</b>	<b>1,324,336</b>	<b>183,968</b>	<b>462,933</b>	<b>24,725</b>	<b>1,995,962</b>
<b>Expenditures</b>					
General government	466,613	232,695	-	-	699,308
Public safety	341,369	614,228	-	-	955,597
Public works	127,214	2,806,841	-	-	2,934,055
Library	100,990	-	-	-	100,990
Parks, recreation and cultural	-	234,894	399,296	-	634,190
Capital outlay	143,506	664,919	166,698	-	975,123
Debt service					
Principal	15,668	-	-	-	15,668
Interest	2,266	-	-	-	2,266
<b>Total Expenditures</b>	<b>1,197,626</b>	<b>4,553,577</b>	<b>565,994</b>	<b>-</b>	<b>6,317,197</b>
Excess of revenues over (under) expenditures	126,710	(4,369,609)	(103,061)	24,725	(4,321,235)
<b>Other financing sources (uses)</b>					
Transfers in	-	6,538	-	-	6,538
Transfers out	(128,174)	-	(6,538)	-	(134,712)
Capital leases	-	42,181	-	-	42,181
Insurance recoveries	-	1,070,636	-	-	1,070,636
<b>Total other financing sources (uses)</b>	<b>(128,174)</b>	<b>1,119,355</b>	<b>(6,538)</b>	<b>-</b>	<b>984,643</b>
Change in fund balance	(1,464)	(3,250,254)	(109,599)	24,725	(3,336,592)
Fund balance, beginning	797,792	-	548,361	139,113	1,485,266
Fund balance, ending	<u>\$ 796,328</u>	<u>\$ (3,250,254)</u>	<u>\$ 438,762</u>	<u>\$ 163,838</u>	<u>\$ (1,851,326)</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, 2013

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

		2013
Net change in fund balances, total governmental funds		\$ (3,336,592)
<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 statements of net position.</p>		
Principal payments on capital lease	\$ 15,668	
Capital lease proceeds	(42,181)	
Net amount by which lease proceeds exceeded principal payments		(26,513)
<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	\$ 975,123	
Donated capital assets are not reported as revenues at the fund level	506,397	
Loss on disposal of assets	(314,118)	
Less current period depreciation	(220,959)	
Net amount by which depreciation exceeded capital outlay in the current period		946,443
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		4,857,899
Accrued compensated absences are not reported as an expenditure at the fund level.		(7,051)
Change in Net Assets of Governmental Activities		\$ 2,434,186

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

TOWN OF LYONS, COLORADO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Property Fund</u>	<u>Totals</u>
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 969,119	\$ 2,173,406	\$ 470,508	\$ -	\$ 3,613,033
Restricted cash, cash equivalents	152,828	-	-	-	152,828
Accounts receivable	517,348	105,707	766,246	-	1,389,301
Due from other funds	-	1,470,148	431,177	-	1,901,325
Inventory, at cost	1,467	3,094	-	-	4,561
Total current assets	<u>1,640,762</u>	<u>3,752,355</u>	<u>1,667,931</u>	<u>-</u>	<u>7,061,048</u>
Noncurrent assets					
Capital assets not being depreciated					
Land, construction in progress and water rights	49,215	2,001,574	82,783	-	2,133,572
Capital assets being depreciated					
Plant and systems	3,210,226	7,653,759	2,547,857	-	13,411,842
Equipment	53,418	91,767	40,686	-	185,871
Capital assets at cost	<u>3,312,859</u>	<u>9,747,100</u>	<u>2,671,326</u>	<u>-</u>	<u>15,731,285</u>
Less accumulated depreciation	<u>(826,644)</u>	<u>(2,041,463)</u>	<u>(1,141,053)</u>	<u>-</u>	<u>(4,009,160)</u>
Capital assets, net of accumulated depreciation	<u>2,486,215</u>	<u>7,705,637</u>	<u>1,530,273</u>	<u>-</u>	<u>11,722,125</u>
Total noncurrent assets	<u>2,486,215</u>	<u>7,705,637</u>	<u>1,530,273</u>	<u>-</u>	<u>11,722,125</u>
Total Assets	<u>\$ 4,126,977</u>	<u>\$ 11,457,992</u>	<u>\$ 3,198,204</u>	<u>\$ -</u>	<u>\$ 18,783,173</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 118,856	\$ 556,571	\$ 24,832	\$ -	\$ 700,259
Due to other funds	737,609	-	-	-	737,609
Accrued liabilities	21,909	46,350	7,169	-	75,428
Customer deposits	17,420	31,735	-	-	49,155
Revenue notes payable - current	70,000	223,691	-	-	293,691
Revenue bonds payable - current	17,257	-	-	-	17,257
Total current liabilities	<u>983,051</u>	<u>858,347</u>	<u>32,001</u>	<u>-</u>	<u>1,873,399</u>
Noncurrent liabilities					
Compensated absences	6,472	9,033	6,316	-	21,821
Notes payable	243,574	2,544,479	-	-	2,788,053
Bonds payable	872,743	-	-	-	872,743
Total noncurrent liabilities	<u>1,122,789</u>	<u>2,553,512</u>	<u>6,316</u>	<u>-</u>	<u>3,682,617</u>
Total Liabilities	<u>2,105,840</u>	<u>3,411,859</u>	<u>38,317</u>	<u>-</u>	<u>5,556,016</u>
<u>Net position</u>					
Net investment in capital assets	1,282,641	7,481,946	1,530,273	-	10,294,860
Restricted for debt service	152,828	121,193	98,258	-	372,279
Unrestricted	<u>585,668</u>	<u>442,994</u>	<u>1,531,356</u>	<u>-</u>	<u>2,560,018</u>
Total Net Position	<u>\$ 2,021,137</u>	<u>\$ 8,046,133</u>	<u>\$ 3,159,887</u>	<u>\$ -</u>	<u>\$ 13,227,157</u>

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

TOWN OF LYONS, COLORADO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Property Fund</u>	<u>Totals</u>
<u>Operating revenues</u>					
Charges for services	\$ 1,099,314	\$ 768,045	\$ 451,122	\$ 57,341	\$ 2,375,822
Other	1,820	12,085	7,297	-	21,202
Total operating revenues	<u>1,101,134</u>	<u>780,130</u>	<u>458,419</u>	<u>57,341</u>	<u>2,397,024</u>
<u>Operating expenses</u>					
Operations and maintenance	925,597	379,262	304,553	-	1,609,412
Administrative	137,019	105,510	88,477	7,299	338,305
Depreciation and amortization	99,805	276,020	155,353	-	531,178
Total operating expenses	<u>1,162,421</u>	<u>760,792</u>	<u>548,383</u>	<u>7,299</u>	<u>2,478,895</u>
Operating income (loss)	<u>(61,287)</u>	<u>19,338</u>	<u>(89,964)</u>	<u>50,042</u>	<u>(81,871)</u>
<u>Non-operating revenues (expenses)</u>					
Investment earnings	558	4,347	1,146	27	6,078
Intergovernmental income	-	2,700	-	-	2,700
Loss on disposal of equipment	-	-	-	(321,844)	(321,844)
Interest on indebtedness	<u>(65,100)</u>	<u>(84,621)</u>	<u>-</u>	<u>(7,528)</u>	<u>(157,249)</u>
Total Non-Operating Revenues (Expenses)	<u>(64,542)</u>	<u>(77,574)</u>	<u>1,146</u>	<u>(329,345)</u>	<u>(470,315)</u>
Income (loss) before capital contributions, transfers, and extraordinary items	(125,829)	(58,236)	(88,818)	(279,303)	(552,186)
Capital contributions	65,275	410,215	131,098	-	606,588
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,174</u>	<u>128,174</u>
Change in net position before extraordinary gain	(60,554)	351,979	42,280	(151,129)	182,576
Extraordinary gain	<u>312,004</u>	<u>68,522</u>	<u>376,011</u>	<u>-</u>	<u>756,537</u>
Change in net position	251,450	420,501	418,291	(151,129)	939,113
Net position, beginning of year-restated	<u>1,769,687</u>	<u>7,625,632</u>	<u>2,741,596</u>	<u>151,129</u>	<u>12,288,044</u>
Net position, end of year	<u>\$ 2,021,137</u>	<u>\$ 8,046,133</u>	<u>\$ 3,159,887</u>	<u>\$ -</u>	<u>\$ 13,227,157</u>

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

**TOWN OF LYONS, COLORADO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2013**

	Electric	Water	Sanitation	Property	Total
<u>Cash flows from operating activities</u>					
Receipts from customers and users	\$ 693,169	\$ 771,260	\$ (254,244)	\$ 57,341	\$ 1,267,526
Other services	1,820	12,085	7,297	-	21,202
Payments to suppliers and employees	(786,260)	(1,479,269)	(832,938)	313,298	(2,785,169)
Net cash provided by operating activities	<u>(91,271)</u>	<u>(695,924)</u>	<u>(1,079,885)</u>	<u>370,639</u>	<u>(1,496,441)</u>
<u>Cash Flows from NonCapital Financing Activities</u>					
Transfers from other funds	-	-	-	128,174	128,174
<u>Cash flows from capital and related financing activities</u>					
Principal repayments	(86,373)	(223,691)	-	(213,691)	(523,755)
Contributions from customers	40,500	125,765	76,500	-	242,765
Interest paid	(65,100)	(84,621)	-	(7,528)	(157,249)
Intergovernmental capital grants	-	2,700	-	-	2,700
Insurance proceeds	393,478	28,962	684,078	-	1,106,518
Purchase of fixed assets	(5,494)	(762,097)	(29,841)	-	(797,432)
Net cash used for capital and related financing	<u>277,011</u>	<u>(912,982)</u>	<u>730,737</u>	<u>(221,219)</u>	<u>(126,453)</u>
<u>Cash flows from investing activities</u>					
Change in restricted cash	(22,638)	-	-	-	(22,638)
Interest earned	558	4,347	1,146	27	6,078
Net cash provided by investing activities	<u>(22,080)</u>	<u>4,347</u>	<u>1,146</u>	<u>27</u>	<u>(16,560)</u>
Net change in cash and equivalents	<u>163,660</u>	<u>(1,604,559)</u>	<u>(348,002)</u>	<u>277,621</u>	<u>(1,511,280)</u>
Cash and equivalents, beginning of year	<u>805,459</u>	<u>3,777,965</u>	<u>818,510</u>	<u>44,223</u>	<u>5,446,157</u>
Cash and equivalents, end of year	<u>\$ 969,119</u>	<u>\$ 2,173,406</u>	<u>\$ 470,508</u>	<u>\$ 321,844</u>	<u>\$ 3,934,877</u>
Operating income	\$ (61,287)	\$ 19,338	\$ (89,964)	\$ 50,042	\$ (81,871)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	99,805	276,020	155,353	321,844	853,022
Loss on Disposition of Inventory	13,000	29,000	1,800	-	43,800
Decrease (increase) in accounts receivable	(409,025)	(28,520)	(703,820)	-	(1,141,365)
Decrease (increase) in due from other funds	260,793	(1,206,209)	(435,056)	363	(1,380,109)
Decrease (increase) in accounts payable	5,443	214,447	(8,198)	(1,610)	210,082
Total adjustments	<u>(29,984)</u>	<u>(715,262)</u>	<u>(989,921)</u>	<u>320,597</u>	<u>(1,414,570)</u>
Net cash provided by operating activities	<u>\$ (91,271)</u>	<u>\$ (695,924)</u>	<u>\$ (1,079,885)</u>	<u>\$ 370,639</u>	<u>\$ (1,496,441)</u>
Schedule of non-cash capital and related financing activities					
Contributions of capital assets	\$ 24,775	\$ 284,450	\$ 54,598	\$ -	\$ 363,823

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.
- A *Grants Fund* is a special revenue fund that was created in 2013, as a result of the flood that occurred September 12, 2013. Primarily this fund captures grants, insurance proceeds, donations and expenses related to flood restoration.
- The *Parks, Recreation, and Cultural Fund* is a special revenue fund that accounts for the acquisition and maintenance of parkland and related facilities including the visitor center, as well as organizing and promoting special events and other community programs. Financing is provided by sales and use taxes, impact fees on new construction, activity fees, grants, donations, and other park use fees.

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)

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.
- *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 debt related to the post office was paid in 2013 which was also the primary function of the fund. As a result this fund was closed and its remaining operations were transferred to the General Fund.

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 were 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.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 4) capital acquisitions are treated as budget expenditures and 5) losses on disposals of equipment are not recognized as revenues for budget purposes. Expenditures may not legally exceed budgeted appropriations at the fund level for all funds. Appropriations for all funds lapse at fiscal year-end. The budget of the Town is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are made, implemented and controlled.

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. As a result of the 2013 flood, the Town's emergency declaration resolution authorized the use of its TABOR reserves. The emergency declaration was still in effect at the end of the fiscal year. As a result, the Town does not have a TABOR emergency reserve at December 31, 2013.

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.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Revenue (Continued)

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

	<u>Percentage</u>	<u>Sales Tax</u>	<u>Use Tax</u>	<u>Total</u>
General Fund	66 2/3%	\$ 340,688	\$ 128,297	\$ 468,985
Parks, Recreation and Cultural Fund	33 1/3%	170,344	64,028	234,372
	100%	\$ 511,032	\$ 192,325	\$ 703,357

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, 2013, 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.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. At December 31, 2013, the Town had no deferred outflows of resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period and reimbursable grant revenues which were earned, but were not available at December 31, 2013.

*Unearned Revenues* – Unearned revenues include insurance proceeds which were not available at December 31, 2013. In addition, unearned revenues include restricted donations which were not expended at December 31, 2013.

*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, 2013, \$59,099 of earned but unused vacation, overtime and sick leave percentage is recorded as an accrued liability.

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

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact. The Town has no nonspendable fund balance.

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

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

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

*Unassigned* – All other spendable amounts.

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.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All amounts are 100% vested at the time of contribution. During the year ended December 31, 2013, the Town contributed \$13,744.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimate is the amount and form of the match the Town will be required to provide for the Federal Emergency Management Agency (FEMA) grants. The match percentage may vary from 2.5% to 12.5% depending on the severity of the Town's losses and the amount of equity in each fund. In addition, for certain losses, the Town may provide a non-cash match. For the year ended December 31, 2013, all of the Town's match for the FEMA grant was provided in the form of non-cash donations.

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, 2013, follows:

Petty cash	\$ 1,180
Deposits	618,049
Investments	<u>4,643,684</u>
Total Cash and Investments	<u>\$ 5,262,913</u>

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

Cash and investments	\$ 5,110,085
Restricted cash and investments	<u>152,828</u>
Total Cash and Investments	<u>\$ 5,262,913</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, 2013, the carrying amount of the Town's deposits was \$618,049 and the bank balance was \$639,304. Of this amount \$250,400 was covered by FDIC insurance. The remaining \$388,904 was included in the PDPA funds.

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

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

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

- Safety
- Liquidity
- Yield

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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, 2013, the Town and had invested \$4,443,684 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, 2013, the Town has interest rate risk related only to its investments in COLOTRUST. At December 31, 2013, COLOTRUST had a weighted average maturity of 40 days to reset and 68 days to maturity.

*Concentrations of Credit Risk*

The Town places no limit on the amount it may invest in any one issuer. At December 31, 2013, the Town had no concentration of investment credit risk.

*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, 2013, 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 \$118,638 as a bond reserve account. In addition, \$34,190 was contained in a bond sub-account restricted for debt service as of December 31, 2013.

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 \$372,279 as of December 31, 2013.

NOTE 4 - INTERNAL BALANCES

During the year, the General Fund transferred \$128,174 to the Property Fund to assist in the payment of that fund's debt. Also, during 2013, the Parks, Recreation and Cultural Fund transferred LAHC funds totaling \$6,538 to the Grants Fund.

The following are the balances owed between funds as of December 31, 2013.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERNAL BALANCES (CONTINUED)

All balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 23,516
Grants Fund	-	1,133,941
Parks, Recreation, and Cultural Fund	-	6,259
Electric Fund	-	737,609
Water Fund	1,470,148	-
Sanitation Fund	<u>431,177</u>	<u>-</u>
Totals	<u>\$ 1,901,325</u>	<u>\$ 1,901,325</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2013 was as follows:

	<u>Balance 1/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 13,748,000	\$ 122,198	\$ -	\$ 13,870,198
Construction in progress	<u>60,637</u>	<u>530,333</u>	<u>-</u>	<u>590,970</u>
Total capital assets, not depreciated	<u>13,808,637</u>	<u>652,531</u>	<u>-</u>	<u>14,461,168</u>
Capital assets being depreciated				
Buildings	451,471	533,652	(370,791)	614,332
Improvements	4,064,433	184,552	(634,842)	3,614,143
Equipment	<u>378,878</u>	<u>110,785</u>	<u>(167,604)</u>	<u>322,059</u>
Total capital assets, depreciated	<u>4,894,782</u>	<u>828,989</u>	<u>(1,173,237)</u>	<u>4,550,534</u>
Less accumulated depreciation for				
Buildings	(364,338)	(56,444)	140,477	(280,305)
Improvements	(1,170,447)	(136,981)	574,196	(733,232)
Equipment	<u>(319,453)</u>	<u>(27,534)</u>	<u>144,446</u>	<u>(202,541)</u>
Total accumulated depreciation	<u>(1,854,238)</u>	<u>(220,959)</u>	<u>859,119</u>	<u>(1,216,078)</u>
Total capital assets being depreciated, net	<u>3,040,544</u>	<u>608,030</u>	<u>(314,118)</u>	<u>3,334,456</u>
Governmental activities Capital assets, net	<u>\$ 16,849,181</u>	<u>\$ 1,260,561</u>	<u>\$ (314,118)</u>	<u>\$ 17,795,624</u>

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

General government	\$ 44,631
Public works and streets	126,914
Parks, culture and recreation	<u>49,414</u>
Total current year depreciation	<u>\$ 220,959</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, 2013 was as follows:

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land and water rights	\$ 1,367,588	\$ 180,000	\$ -	\$ 1,547,588
CIP	<u>-</u>	<u>585,984</u>	<u>-</u>	<u>585,984</u>
Total capital assets, not depreciated	1,367,588	765,984	-	2,133,572
Capital assets being depreciated				
Plant and systems	15,642,270	343,522	(2,573,950)	13,411,842
Equipment	<u>411,707</u>	<u>52,316</u>	<u>(278,155)</u>	<u>185,868</u>
Total capital assets, depreciated	16,053,977	395,838	(2,852,105)	13,597,710
Less accumulated depreciation for				
Plant and systems	(5,356,645)	(507,440)	1,937,049	(3,927,036)
Equipment	<u>(301,046)</u>	<u>(23,738)</u>	<u>242,663</u>	<u>(82,121)</u>
Total accumulated depreciation	<u>(5,657,691)</u>	<u>(531,178)</u>	<u>2,179,712</u>	<u>(4,009,157)</u>
Total capital assets being depreciated, net	<u>10,396,286</u>	<u>(135,340)</u>	<u>(672,393)</u>	<u>9,588,553</u>
Business-type activities				
Capital assets, net	<u>\$ 11,763,874</u>	<u>\$ 630,644</u>	<u>\$ (672,393)</u>	<u>\$ 11,722,125</u>

Depreciation expense for the business-type activities totaled \$531,178. For the year ended December 31, 2013, the Sanitation Fund recorded an impairment loss on the wastewater treatment plant of \$78,725 as a result of the flood.

NOTE 6 - LONG TERM DEBT

	Balance 1/1/13	Advances	Payments	Balance 12/31/13	Due Within One Year
<u>Governmental activities</u>					
Capital leases	\$ 22,817	\$ 42,181	\$ 15,668	\$ 49,330	\$ 47,808
Compensated absences	<u>30,227</u>	<u>73,669</u>	<u>66,618</u>	<u>37,278</u>	<u>745</u>
	<u>\$ 53,044</u>	<u>\$ 115,850</u>	<u>\$ 82,286</u>	<u>\$ 86,608</u>	<u>\$ 48,553</u>

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

<u>Business-type activities</u>						
2003 Elec. Rev. Bonds	\$ 960,000	\$ -	\$ 70,000	\$ 890,000	\$ 70,000	
2006 Elec. Rev. Note	329,947	-	16,373	313,574	17,257	
2003 Water Fund Loan	2,991,861	-	223,691	2,768,170	223,691	
2002 Property Fund Loan	213,691	-	213,691	-	-	
Compensated absences	<u>22,389</u>	<u>9,110</u>	<u>9,678</u>	<u>21,821</u>	<u>2,787</u>	
	<u>\$ 4,517,888</u>	<u>\$ 9,110</u>	<u>\$ 533,433</u>	<u>\$ 3,993,565</u>	<u>\$ 313,735</u>	

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

The Town has leases classified as capital leases on equipment with an original cost of \$100,501 and a book value of \$61,534. During the year ended December 31, 2013, the Town entered into a one year capital lease agreement for a compact track loader with a value of \$42,181. Future minimum obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31:</u>		
2014	\$	50,581
2015		<u>1,550</u>
Total minimum leases payments		52,131
Less amount representing interest		<u>(2,801)</u>
Present value of minimum lease payments		<u>\$ 49,330</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 \$890,000.

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, 2013 is \$313,574.

The Town received a waiver of the covenant that requires providing annual financial statements to the registered owner within 195 of its fiscal year end.

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

This note was refinanced by the Colorado Water Resources and Power Authority in February 2013. The refinancing provided a present value savings of approximately 4.1% as a percentage of current outstanding loan principal. These anticipated refunding credits will be reduced against the Town's principal at the time the credit is issued. The balance remaining on December 31, 2013 is \$2,768,170.

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>
2014	\$ 310,948	\$ 102,830	\$ 413,778
2015	322,472	98,148	420,620
2016	328,454	89,203	417,657
2017	335,082	77,492	412,574
2018	346,765	70,349	417,114
2019-2023	1,933,624	216,400	2,150,024
2024-2026	<u>394,399</u>	<u>14,118</u>	<u>408,517</u>
	<u>\$ 3,971,744</u>	<u>\$ 668,540</u>	<u>\$ 4,640,284</u>

Interest expense for the year ended December 31, 2013 totaled \$118,298.

NOTE 7 - EQUITY

Net Position

During the year ended December 31, 2013, the Town was required to and implemented GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. As a result of implementing this statement, the Town wrote-off \$57,328 of loan origination costs as a restatement to beginning 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. At December 31, 2013 restrictions on the governmental activities net position totaled \$609,088. Restrictions on the net position of the business type activities totaled \$372,279.

Deficit Fund Equity

At December 31, 2013, the Grants Fund, a major fund, have a deficit fund balance of \$3,250,254. The reason for the deficit fund balance is primarily the result of the deferral of earned but unavailable resources. This deficit fund balance will be eliminated as resources are available from Federal grants and insurance reimbursements.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies, as well as matching obligations from the Town (see Note 1, Use of Estimates for more information). 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.

Commitments

During December 2013, the Town entered into an agreement with Honeywell International Inc. to construct a new wastewater treatment plant. The total cost of this project is \$5,866,976.

TOWN OF LYONS, COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments (Continued)

This facility will be constructed with a using a combination of loans, insurance proceeds and grant funding. At December 31, 2013, the Town had a commitment totaling \$194,424 for design installation of Highway 36 enhancements. The majority of these expenses will be paid with funds received from grants.

NOTE 9 - FLOOD DISASTER

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

Total insurance proceeds recognized at December 31, 2013 were \$3,574,342. Additional insurance maybe received if costs exceed the estimated replacement values. The extraordinary gain as a result of the flood was \$2,910,243.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF LYONS, COLORADO  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes				
General property tax	\$ 458,599	\$ 458,599	\$ 457,847	\$ (752)
Specific ownership tax	15,300	15,300	22,655	7,355
Sales tax	349,365	349,365	340,688	(8,677)
Use tax	83,600	83,600	128,297	44,697
Franchise tax	32,500	32,500	21,843	(10,657)
Licenses and permits	42,875	42,875	95,732	52,857
Intergovernmental	115,100	186,100	88,482	(97,618)
Fines and forfeitures	97,500	97,500	88,209	(9,291)
Investment earnings	2,000	2,000	1,711	(289)
Rental income	78,732	78,732	44,657	(34,075)
Contributions and donations	2,000	2,000	7,758	5,758
Other income	10,000	13,000	26,457	13,457
Total revenues	<u>1,287,571</u>	<u>1,361,571</u>	<u>1,324,336</u>	<u>(37,235)</u>
<u>Expenditures</u>				
Current				
General government				
Legislative council	21,500	21,500	7,406	14,094
Judicial	42,731	42,731	45,342	(2,611)
Administrative	145,824	148,823	79,294	69,529
Police	371,100	371,100	341,369	29,731
Economic development	115,806	204,306	93,319	110,987
Building inspections	20,000	20,000	46,182	(26,182)
Public works - streets	132,454	141,454	127,214	14,240
Planning	58,297	58,297	34,762	23,535
Health, welfare and community	80,364	80,364	55,453	24,911
Other general government	90,768	121,268	104,855	16,413
Library	106,068	107,870	100,990	6,880
Capital outlay	112,400	112,400	143,506	(31,106)
Debt service				
Principal	215,000	215,000	15,668	199,332
Interest	-	-	2,266	(2,266)
Contingency	-	-	-	-
Total expenditures	<u>1,512,312</u>	<u>1,645,113</u>	<u>1,197,626</u>	<u>447,487</u>
Excess of revenues over (under) expenditures	<u>(224,741)</u>	<u>(283,542)</u>	<u>126,710</u>	<u>410,252</u>
<u>Other financing sources (uses)</u>				
Transfers out	<u>3,000</u>	<u>(137,000)</u>	<u>(128,174)</u>	<u>8,826</u>
Net change in fund balances	<u>(221,741)</u>	<u>(420,542)</u>	<u>(1,464)</u>	<u>419,078</u>
Fund balances - beginning	<u>(65,405)</u>	<u>(261,029)</u>	<u>797,792</u>	<u>1,058,821</u>
Fund balances - ending	<u>\$ (287,146)</u>	<u>\$ (681,571)</u>	<u>\$ 796,328</u>	<u>\$ 1,477,899</u>

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

TOWN OF LYONS, COLORADO  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$ -	\$ 3,630,000	\$ 165,842	\$ (3,464,158)
Contributions and donations	-	25,000	18,126	(6,874)
Total revenues	<u>-</u>	<u>3,655,000</u>	<u>183,968</u>	<u>(3,471,032)</u>
<u>Expenditures</u>				
<u>Current</u>				
General government	-	250,000	232,695	17,305
Public safety	-	625,000	614,228	10,772
Public works	-	3,000,000	2,806,841	193,159
Parks, recreation and cultural	-	250,000	234,894	15,106
Capital outlay	-	675,000	664,919	10,081
Total expenditures	<u>-</u>	<u>4,800,000</u>	<u>4,553,577</u>	<u>246,423</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(1,145,000)</u>	<u>(4,369,609)</u>	<u>(3,224,609)</u>
<u>Other financing sources (uses)</u>				
Transfers in	-	-	6,538	6,538
Capital leases	-	45,000	42,181	(2,819)
Insurance recoveries	-	1,100,000	1,070,636	(29,364)
Total other financing sources (uses)	<u>-</u>	<u>1,145,000</u>	<u>1,119,355</u>	<u>(25,645)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(3,250,254)</u>	<u>(3,250,254)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,250,254)</u>	<u>\$ (3,250,254)</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, 2013

	<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	\$ 168,908	\$ 168,908	\$ 170,344	\$ 1,436
Use tax	42,651	42,651	64,028	21,377
Home additions fees	15,000	15,000	35,743	20,743
Interest income	750	750	551	(199)
Grants, contributions and donations	13,384	13,384	5,157	(8,227)
Charges for services				
Camping	89,500	89,500	87,851	(1,649)
Other park division charges	41,800	41,800	33,079	(8,721)
Recreation	22,800	22,800	20,081	(2,719)
Cultural and special events	42,000	42,000	43,405	1,405
Other income	1,500	1,500	2,694	1,194
Total revenues	<u>438,293</u>	<u>438,293</u>	<u>462,933</u>	<u>24,640</u>
<u>Expenditures</u>				
Administrative	30,974	30,974	5,599	25,375
Allocated expenses	24,850	24,850	23,531	1,319
Cultural and recreation				
Special event expenditures	40,500	40,500	33,446	7,054
Other culture and recreation expenditures	17,120	24,735	9,276	15,459
Parks				
Personnel	240,757	240,757	256,206	(15,449)
Operations and maintenance	76,500	91,066	63,869	27,197
Recreation	19,500	19,500	7,369	12,131
Capital improvements	44,150	174,150	166,698	7,452
Total expenditures	<u>494,351</u>	<u>646,532</u>	<u>565,994</u>	<u>80,538</u>
Excess (deficiency) of revenues over (under) expenditures	(56,058)	(208,239)	(103,061)	105,178
<u>Other financing sources (uses)</u>				
Transfers in (out)	15,000	15,000	(6,538)	(21,538)
Net change in fund balances	<u>\$ (41,058)</u>	<u>\$ (193,239)</u>	(109,599)	<u>\$ 83,640</u>
Fund balance, beginning			<u>548,361</u>	
Fund balance, end			<u>\$ 438,762</u>	

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

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

TOWN OF LYONS, COLORADO  
NON-MAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET TO ACTUAL  
DECEMBER 31, 2013

	Conservation Trust Fund		
	Original and Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Intergovernmental revenue	\$ 21,000	\$ 24,525	\$ 3,525
Investment earnings	300	200	(100)
Total revenues	21,300	24,725	3,425
 <u>Other financing sources (uses)</u>			
Transfers out	(15,000)	-	15,000
Net change in fund balance	\$ 6,300	24,725	\$ 18,425
Fund balance, beginning of year		139,113	
Fund balance, end of year		\$ 163,838	

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

TOWN OF LYONS, COLORADO  
ENTERPRISE FUNDS - SCHEDULE OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
DECEMBER 31, 2013

	Electric Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Sales	\$ 1,269,510	\$ 1,099,314	\$ (170,196)
Investment / tap fees	13,500	40,500	27,000
Investment earnings	1,100	558	(542)
Other income	6,098	1,820	(4,278)
Total revenues	<u>1,290,208</u>	<u>1,142,192</u>	<u>(148,016)</u>
<u>Operating expenses</u>			
Electric wholesale purchases	842,871	776,312	66,559
Administrative	89,187	82,285	6,902
Personnel	133,754	116,078	17,676
Distribution and maintenance	65,200	33,207	31,993
Debt service			
Bond principal	80,535	86,373	(5,838)
Bond interest	69,156	65,100	4,056
Allocated expenses	62,500	54,734	7,766
Capital outlay	42,800	5,494	37,306
Contingency	-	-	-
Total expenses	<u>1,386,003</u>	<u>1,219,583</u>	<u>166,420</u>
Net income (loss)	<u>\$ (95,795)</u>	<u>(77,391)</u>	<u>\$ 18,404</u>
<u>Reconciliation to change in net position</u>			
Add bond principal paid		86,373	
Donated assets		24,775	
Capital outlay		5,494	
Less depreciation expense		(99,805)	
Extraordinary gain		312,004	
Change in net position		<u>\$ 251,450</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, 2013

	Water Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Water sales	\$ 906,500	\$ 751,615	\$ (154,885)
Water tap fees	52,500	125,765	73,265
Pipe water sales	19,500	16,430	(3,070)
Investment earnings	8,300	4,347	(3,953)
Intergovernmental	-	2,700	2,700
Miscellaneous	4,350	12,085	7,735
Total revenues	991,150	912,942	(78,208)
<u>Expenses</u>			
Administration	137,919	55,663	82,256
Treatment services	145,575	129,508	16,067
Distribution salaries	114,534	117,600	(3,066)
Distribution maintenance	778,835	132,154	646,681
Capital outlay	-	762,094	(762,094)
Debt service			
Principal	223,691	223,691	-
Interest	94,942	84,621	10,321
Allocated expenses	54,000	49,847	4,153
Contingency	25,000	-	25,000
Total expenses	1,574,496	1,555,178	19,318
Net income (loss)	\$ (583,346)	(642,236)	\$ (58,890)
<u>Reconciliation to change in net position</u>			
Donated assets		284,450	
Add bond principal paid		223,691	
Capital outlay		762,094	
Less depreciation expense		(276,020)	
Extraordinary gain		68,522	
Change in net position		\$ 420,501	

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, 2013

	Sanitation Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Service fees	\$ 447,750	\$ 451,122	\$ 3,372
Sewer tap fees	25,500	76,500	51,000
Investment earnings	2,300	1,146	(1,154)
Miscellaneous	-	7,297	7,297
Total revenues	475,550	536,065	60,515
<u>Expenses</u>			
Administration	123,761	63,190	60,571
Treatment personnel	-	176	(176)
Treatment services	118,880	76,460	42,420
Plant maintenance	120,460	137,501	(17,041)
Distribution salaries	38,884	41,061	(2,177)
Distribution maintenance	31,050	49,355	(18,305)
Allocated expenses	28,500	25,287	3,213
Capital outlay	292,646	30,411	262,235
Total expenses	754,181	423,441	330,740
Net income (loss)	\$ (278,631)	112,624	\$ 391,255
<u>Reconciliation to change in net position</u>			
Donated assets		54,598	
Capital outlay		30,411	
Less depreciation expense		(155,353)	
Extraordinary gain		376,011	
Change in net position		\$ 418,291	

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 BALANCE - BUDGET TO ACTUAL  
DECEMBER 31, 2013

	Property Fund		Variance With Final Budget
	Final Budget	Actual	
<u>Revenues</u>			
Service fees	\$ -	\$ 57,341	\$ 57,341
Investment earnings	-	27	27
Transfers	140,000	128,174	(11,826)
Total revenues	140,000	185,542	45,542
<u>Expenses</u>			
Administration	5,000	3,070	1,930
Debt service			
Principal	153,260	65,490	87,770
Interest	10,000	7,528	2,472
Allocated expenses	6,000	4,229	1,771
Total expenses	174,260	80,317	93,943
Net income (loss)	\$ (34,260)	105,225	\$ 139,485
<u>Reconciliation to change in net position</u>			
Add bond principal paid		65,490	
Loss on disposal of equipment		(321,844)	
Change in net position		\$ (151,129)	

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.

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Town of Lyons
	YEAR ENDING : December 2013

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 ext 17

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

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

<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES</b>	<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES</b>
--	--

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	192,384
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	117,416
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	793
2. General fund appropriations	266,802	b. Snow and ice removal	14,855
3. Other local imposts (from page 2)	10,970	c. Other	11,871
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	27,519
5. Transfers from toll facilities		4. General administration & miscellaneous	35,796
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	96,977
a. Bonds - Original Issues		6. Total (1 through 5)	470,092
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	277,772	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	192,320	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	470,092	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	
			470,092

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

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		470,092	470,092		0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2013

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	10,970	g. Other Misc. Receipts	
6. Total (1. through 5.)	10,970	h. Other	
c. Total (a. + b.)	10,970	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	64,023	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	128,297	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.)	128,297	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	192,320	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs	100,428	7,134	107,562
c. Construction:			
(1). New Facilities		84,822	84,822
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	84,822	84,822
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	100,428	91,956	192,384
			(Carry forward to page 1)

Notes and Comments:

**ADDITIONAL INFORMATION**

TOWN OF LYONS, COLORADO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31,	2013	
<u>Federal Awarding Agencies</u>	<u>Federal CFDA Number</u>	<u>Federal Awards Expended</u>
U.S. Department of Homeland Security: Passed through the State of Colorado Colorado Department of Public Safety Division of Homeland Security and Emergency Management: Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	\$ <u>1,411,384</u>
Total U.S. Department of Homeland Security		1,411,384
U.S. Department of Transportation: Passed through the State of Colorado Colorado Department of Transportation Highway Planning and Construction	20.205	<u>94,390</u>
Total U.S. Department of Transportation		<u>94,390</u>
Total Expenditures of Federal Awards		<u>\$ 1,505,774</u>

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

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – EXPENDITURES TO BE REPORTED IN 2014

Disaster Grants – Public Assistance expenditures are to be reported only after FEMA has approved the Project Worksheet (PW). Amounts expended in 2013 to be reported as federal financial assistance in 2014 totaled \$1,407,581.



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

To the Board of Trustees  
Town of Lyons, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyons, Colorado (Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 26, 2014.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2013-A to be a material weakness.

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### **Compliance and Other Matters**

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

### **Town of Lyons Colorado's Response to Findings**

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

### **Purpose of this Report**

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

September 26, 2014  
Denver, Colorado

*Payti & Adams, LLC*



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees  
Town of Lyons, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Lyons, Colorado's (Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Lyons, Colorado's major federal program for the year ended December 31, 2013. The Town of Lyons, Colorado's major federal program for the year ended December 31, 2013 is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Town of Lyons, Colorado's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion the Town of Lyons, Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

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### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on the major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of the Town of Lyons, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lyons, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lyons, Colorado's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

September 26, 2014  
Denver, Colorado



TOWN OF LYONS, COLORADO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

**Section I - Summary of Auditor's Results**

*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs: U.S. Department of Homeland Security:  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   X   No

TOWN OF LYONS, COLORADO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

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**Section II Findings - Financial Statement Findings**

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Reference Number	Finding
2013-A	
Criteria:	The Town of Lyons (Town) is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.
Condition:	Based on the audit procedures performed we proposed adjustments totaling approximately \$9.662 million to the Town's general ledger.
Cause:	The Town was flooded in September, 2013. As a result of this flood, numerous assets were destroyed or impaired. In addition, the Town's expenditures increased from \$4.9 million to \$8.2 million. The majority of this increase occurred in the last three months of the fiscal year. Due to the timing and volume of transactions the Town was not able to record all of the required entries.
Effect:	The unadjusted general ledger was not materially correct at December 31, 2013.
Recommendation:	We recommend the Town continue to add temporary staff as necessary to ensure the accounting records are properly stated.
Auditee response:	The Town has hired and will continue to hire additional personnel to help account for all transactions to ensure that all accounting records are properly recorded and stated by year-end. Due to the flood occurring at year-end, the Town was not able to get enough staff on board to assist with the increased accounting tasks as well as having the ability to fund the additional positions. With new funding from State grants, the Town will now have the ability to hire these additional positions.

TOWN OF LYONS, COLORADO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2013

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**Section II Findings – Federal Award Findings and Questioned Costs**

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Reference Number	Finding	Questioned Costs
U.S. Department of Homeland Security:		
2013-001	<p>Passed through the Colorado Department of Public Safety:            CFDA No. 97.036            Disaster Grants – Public Assistance (Presidentially Declared Disasters)</p> <p>Allowable Costs            Matching</p> <p>Criteria: OMB A87 Cost Principles for State, Local, and Indian Tribal Governments requires that for a cost to be allowable it must be adequately documented.</p> <p>Condition: All of the expenditures incurred during 2013 were matched with in-kind donations. The computation of match amounts is not consistent. At times a vendor's standard rate was allowed, and at other times, a vendor's rate was reduced to the Bureau of Labor Statistics' value. This occurred when a vendor was performing services in his or her specialty. In addition, math errors were noted in computation of hours worked times rate allowed.</p> <p>Cause: The Town relied on FEMA to prepare the documentation of match amounts. Due to the rotation of FEMA staff, FEMA is not able to provide the supporting documentation used to compute the match amounts.</p> <p>Effect: We were unable to determine how certain match amounts were computed. It appears the Town may have under claimed match amounts.</p> <p>Recommendation: We recommend the Town of Lyons continue to work with FEMA personnel to obtain documentation of match amounts.</p>	None

TOWN OF LYONS, COLORADO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2013

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**Section II Findings – Federal Award Findings and Questioned Costs**

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Reference Number	Finding	Questioned Costs
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U.S. Department of Homeland Security:

2013-001 (Continued)	Passed through the Colorado Department of Public Safety: CFDA No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	None
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Allowable Costs  
 Matching

Auditee response:	The Town has requested FEMA’s file on PW 13 –Donated Services, in order to detail their errors. The project specialist has returned and we will be requesting the project worksheet be amended to show correct summation of mathematical formulas. The incorrect mathematical errors performed by the project specialist while writing the project worksheet created this issue.
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TOWN OF LYONS, COLORADO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

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**Section III Prior Year Federal Award Findings and Questioned Costs**

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None