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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

TOWN OF LYONS

GREENE COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
07/21/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kim Flynn	01-01-08 to 12-31-11
President of the Town Council	Scott Powers	01-01-08 to 12-31-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF LYONS, GREENE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyons (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 20, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 20, 2010



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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 OFFICIALS OF THE TOWN OF LYONS, GREENE COUNTY, INDIANA

We have audited 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 (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 20, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 20, 2010

TOWN OF LYONS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 240,494	\$ 2,231	\$ -	\$ -	\$ (238,263)	\$ -	\$ (238,263)
Public safety	2,577	8,433	-	-	5,856	-	5,856
Highways and streets	10,230	-	28,582	3,344	21,696	-	21,696
Economic development	-	-	-	230,000	230,000	-	230,000
Culture and recreation	140,103	-	-	-	(140,103)	-	(140,103)
Total governmental activities	<u>393,404</u>	<u>10,664</u>	<u>28,582</u>	<u>233,344</u>	<u>(120,814)</u>	<u>-</u>	<u>(120,814)</u>
Business-type activities:							
Water Utility	2,023,199	312,590	-	70,500	-	(1,640,109)	(1,640,109)
Wastewater Utility	97,263	114,751	-	-	-	17,488	17,488
Total business-type activities	<u>2,120,462</u>	<u>427,341</u>	<u>-</u>	<u>70,500</u>	<u>-</u>	<u>(1,622,621)</u>	<u>(1,622,621)</u>
Total primary government	<u>\$ 2,513,866</u>	<u>\$ 438,005</u>	<u>\$ 28,582</u>	<u>\$ 303,844</u>	<u>(120,814)</u>	<u>(1,622,621)</u>	<u>(1,743,435)</u>
General receipts:							
Property taxes					122,899	-	122,899
Intergovernmental					66,869	-	66,869
Other local sources					9,288	31	9,319
Net proceeds from borrowings					-	1,732,000	1,732,000
Grants and contributions not restricted to specific programs					3,685	-	3,685
Investment earnings					1,505	3,568	5,073
Total general receipts					<u>204,246</u>	<u>1,735,599</u>	<u>1,939,845</u>
Change in net assets					83,432	112,978	196,410
Net assets - beginning					133,230	453,737	586,967
Net assets - ending					<u>\$ 216,662</u>	<u>\$ 566,715</u>	<u>\$ 783,377</u>
<u>Assets</u>							
Cash and investments					\$ 82,801	\$ 167,999	\$ 250,800
Restricted assets:							
Cash and investments					<u>133,861</u>	<u>398,716</u>	<u>532,577</u>
Total assets					<u>\$ 216,662</u>	<u>\$ 566,715</u>	<u>\$ 783,377</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 15,490	\$ -	\$ 15,490
Public safety					782	-	782
Highways and streets					84,859	-	84,859
Culture and recreation					7,960	-	7,960
Debt service					-	237,247	237,247
Capital outlay					24,770	-	24,770
Other purposes					-	161,469	161,469
Unrestricted					<u>82,801</u>	<u>167,999</u>	<u>250,800</u>
Total net assets					<u>\$ 216,662</u>	<u>\$ 566,715</u>	<u>\$ 783,377</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Federal Grant Operating	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 118,702	\$ -	\$ -	\$ 4,197	\$ 122,899
Licenses and permits	-	-	-	410	410
Intergovernmental	59,415	28,582	150,000	92,938	330,935
Charges for services	10,231	-	-	23	10,254
Other	1,764	-	-	10,574	12,338
Total receipts	190,112	28,582	150,000	108,142	476,836
Disbursements:					
General government	-	-	150,000	10,494	160,494
Public safety	-	-	-	2,577	2,577
Highways and streets	-	9,796	-	434	10,230
Culture and recreation	130,836	-	-	8,126	138,962
Capital outlay:					
General government	-	-	-	80,000	80,000
Culture and recreation	1,141	-	-	-	1,141
Total disbursements	131,977	9,796	150,000	101,631	393,404
Excess of receipts over disbursements	58,135	18,786	-	6,511	83,432
Other financing sources (uses):					
Transfers in	-	-	-	2,285	2,285
Transfers out	(2,172)	-	-	(113)	(2,285)
Total other financing sources (uses)	(2,172)	-	-	2,172	-
Excess of receipts and other financing sources over disbursements and other financing uses	55,963	18,786	-	8,683	83,432
Cash and investment fund balance - beginning	26,838	54,429	100	51,863	133,230
Cash and investment fund balance - ending	<u>\$ 82,801</u>	<u>\$ 73,215</u>	<u>\$ 100</u>	<u>\$ 60,546</u>	<u>\$ 216,662</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 82,801	\$ -	\$ -	\$ -	\$ 82,801
Restricted assets:					
Cash and investments	-	73,215	100	60,546	133,861
Total cash and investment assets - ending	<u>\$ 82,801</u>	<u>\$ 73,215</u>	<u>\$ 100</u>	<u>\$ 60,546</u>	<u>\$ 216,662</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 15,490	\$ 15,490
Public safety	-	-	-	782	782
Highways and streets	-	73,215	-	11,644	84,859
Culture and recreation	-	-	-	7,960	7,960
Capital outlay	-	-	100	24,670	24,770
Unrestricted	82,801	-	-	-	82,801
Total cash and investment fund balance - ending	<u>\$ 82,801</u>	<u>\$ 73,215</u>	<u>\$ 100</u>	<u>\$ 60,546</u>	<u>\$ 216,662</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For the Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Totals</u>
Operating receipts:			
Metered/measured	\$ 288,572	\$ 101,334	\$ 389,906
Fire protection receipts	5,608	-	5,608
Miscellaneous	<u>18,410</u>	<u>13,417</u>	<u>31,827</u>
Total operating receipts	<u>312,590</u>	<u>114,751</u>	<u>427,341</u>
Operating disbursements:			
Water treatment	105,087	-	105,087
Collection system	-	60,381	60,381
Refunds	3,587	-	3,587
Equipment and capital improvements	<u>1,806,699</u>	<u>-</u>	<u>1,806,699</u>
Total operating disbursements	<u>1,915,373</u>	<u>60,381</u>	<u>1,975,754</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(1,602,783)</u>	<u>54,370</u>	<u>(1,548,413)</u>
Nonoperating receipts (disbursements):			
Investment income	2,089	1,479	3,568
Net proceeds from borrowings	1,732,000	-	1,732,000
Refunds	29	2	31
Debt service of principal	(26,000)	(23,350)	(49,350)
Interest disbursements	<u>(81,826)</u>	<u>(13,532)</u>	<u>(95,358)</u>
Total nonoperating receipts (disbursements)	<u>1,626,292</u>	<u>(35,401)</u>	<u>1,590,891</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	23,509	18,969	42,478
Capital contributions	70,500		70,500
Transfers in	196,089	97,022	293,111
Transfers out	<u>(196,089)</u>	<u>(97,022)</u>	<u>(293,111)</u>
Excess of receipts, contributions and transfers in over disbursements and transfers out	94,009	18,969	112,978
Cash and investment fund balance - beginning	<u>195,533</u>	<u>258,204</u>	<u>453,737</u>
Cash and investment fund balance - ending	<u>\$ 289,542</u>	<u>\$ 277,173</u>	<u>\$ 566,715</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 111,362	\$ 56,637	\$ 167,999
Restricted assets:			
Cash and investments	<u>178,180</u>	<u>220,536</u>	<u>398,716</u>
Total cash and investment assets - December 31	<u>\$ 289,542</u>	<u>\$ 277,173</u>	<u>\$ 566,715</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 84,928	\$ 152,319	\$ 237,247
Other purposes	93,252	68,217	161,469
Unrestricted	<u>111,362</u>	<u>56,637</u>	<u>167,999</u>
Total cash and investment fund balance - December 31	<u>\$ 289,542</u>	<u>\$ 277,173</u>	<u>\$ 566,715</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 11,749	\$ 2,045	\$ -	\$ -	\$ (9,704)	\$ -	\$ (9,704)
Public safety	895	405	-	-	(490)	-	(490)
Highways and streets	7,323	-	28,199	3,207	24,083	-	24,083
Culture and recreation	150,851	-	-	-	(150,851)	-	(150,851)
Total governmental activities	170,818	2,450	28,199	3,207	(136,962)	-	(136,962)
Business-type activities:							
Water Utility	277,142	297,395	-	38,500	-	58,753	58,753
Wastewater Utility	168,113	110,222	-	-	-	(57,891)	(57,891)
Total business-type activities	445,255	407,617	-	38,500	-	862	862
Total primary government	\$ 616,073	\$ 410,067	\$ 28,199	\$ 41,707	(136,962)	862	(136,100)
General receipts:							
Property taxes					77,049	-	77,049
Intergovernmental					65,608	-	65,608
Other local sources					7,966	-	7,966
Grants and contributions not restricted to specific programs					5	-	5
Investment earnings					715	1,850	2,565
Total general receipts					151,343	1,850	153,193
Change in net assets					14,381	2,712	17,093
Net assets - beginning					216,662	566,715	783,377
Net assets - ending					\$ 231,043	\$ 569,427	\$ 800,470
<u>Assets</u>							
Cash and investments					\$ 95,201	\$ 158,294	\$ 253,495
Restricted assets:							
Cash and investments					135,842	411,133	546,975
Total assets					\$ 231,043	\$ 569,427	\$ 800,470
<u>Net Assets</u>							
Restricted for:							
General government					\$ 5,171	\$ -	\$ 5,171
Public safety					15,292	-	15,292
Highways and streets					108,942	-	108,942
Debt service					-	221,481	221,481
Culture and recreation					1,865	-	1,865
Capital outlay					26,263	-	26,263
Other purposes					-	191,203	191,203
Unrestricted					73,510	156,743	230,253
Total net assets					\$ 231,043	\$ 569,427	\$ 800,470

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 75,033	\$ -	\$ 2,016	\$ 77,049
Licenses and permits	-	-	400	400
Intergovernmental	58,405	28,199	10,410	97,014
Charges for services	2,045	-	5	2,050
Other	1,007	-	7,239	8,246
	<u>136,490</u>	<u>28,199</u>	<u>20,070</u>	<u>184,759</u>
Total receipts				
Disbursements:				
General government	-	-	11,749	11,749
Public safety	-	-	895	895
Highways and streets	-	6,753	570	7,323
Culture and recreation	142,932	-	4,630	147,562
Culture and recreation	3,289	-	-	3,289
	<u>146,221</u>	<u>6,753</u>	<u>17,844</u>	<u>170,818</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(9,731)</u>	<u>21,446</u>	<u>2,226</u>	<u>13,941</u>
Other financing sources (uses):				
Transfers in	-	-	15,000	15,000
Transfers out	-	-	(15,000)	(15,000)
Other receipts	440	-	-	440
	<u>440</u>	<u>-</u>	<u>-</u>	<u>440</u>
Total other financing sources				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,291)	21,446	2,226	14,381
Cash and investment fund balance - beginning	<u>82,801</u>	<u>73,215</u>	<u>60,646</u>	<u>216,662</u>
Cash and investment fund balance - ending	<u>\$ 73,510</u>	<u>\$ 94,661</u>	<u>\$ 62,872</u>	<u>\$ 231,043</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 73,510	\$ -	\$ -	\$ 73,510
Restricted assets:				
Cash and investments	-	94,661	62,872	157,533
Total cash and investment assets - ending	<u>\$ 73,510</u>	<u>\$ 94,661</u>	<u>\$ 62,872</u>	<u>\$ 231,043</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 5,171	\$ 5,171
Public safety	-	-	15,292	15,292
Highways and streets	-	94,661	14,281	108,942
Culture and recreation	-	-	1,865	1,865
Capital outlay	-	-	26,263	26,263
Unrestricted	73,510	-	-	73,510
Total cash and investment fund balance - ending	<u>\$ 73,510</u>	<u>\$ 94,661</u>	<u>\$ 62,872</u>	<u>\$ 231,043</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For the Year Ended December 31, 2009

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Totals</u>
Operating receipts:			
Metered/measured	\$ 282,269	\$ 109,814	\$ 392,083
Fire protection receipts	5,608	-	5,608
Miscellaneous	<u>9,518</u>	<u>408</u>	<u>9,926</u>
Total operating receipts	<u>297,395</u>	<u>110,222</u>	<u>407,617</u>
Operating disbursements:			
Salaries and wages	9,386	9,390	18,776
Chemicals	2,788	3,178	5,966
Material and supplies	7,075	12,104	19,179
Refunds	3,335	-	3,335
Equipment and capital improvements	38,463	-	38,463
Miscellaneous	<u>79,445</u>	<u>106,211</u>	<u>185,656</u>
Total operating disbursements	<u>140,492</u>	<u>130,883</u>	<u>271,375</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>156,903</u>	<u>(20,661)</u>	<u>136,242</u>
Nonoperating receipts (disbursements):			
Investment income	1,194	656	1,850
Debt service of principal	(27,000)	(25,600)	(52,600)
Interest disbursements	<u>(109,650)</u>	<u>(11,630)</u>	<u>(121,280)</u>
Total nonoperating disbursements	<u>(135,456)</u>	<u>(36,574)</u>	<u>(172,030)</u>
Excess (deficiency) of receipts over disbursements and nonoperating disbursements	21,447	(57,235)	(35,788)
Capital contributions	38,500	-	38,500
Transfers in	174,480	137,294	311,774
Transfers out	<u>(174,480)</u>	<u>(137,294)</u>	<u>(311,774)</u>
Excess (deficiency) of receipts, contributions and transfers in over transfers out	59,947	(57,235)	2,712
Cash and investment fund balance - beginning	<u>289,542</u>	<u>277,173</u>	<u>566,715</u>
Cash and investment fund balance - ending	<u>\$ 349,489</u>	<u>\$ 219,938</u>	<u>\$ 569,427</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 132,440	\$ 24,303	\$ 156,743
Restricted assets:			
Cash and investments	<u>217,049</u>	<u>195,635</u>	<u>412,684</u>
Total cash and investment assets - December 31	<u>\$ 349,489</u>	<u>\$ 219,938</u>	<u>\$ 569,427</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 106,272	\$ 115,209	\$ 221,481
Other purposes	110,777	80,426	191,203
Unrestricted	<u>132,440</u>	<u>24,303</u>	<u>156,743</u>
Total cash and investment fund balance - December 31	<u>\$ 349,489</u>	<u>\$ 219,938</u>	<u>\$ 569,427</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, general administrative services, water, and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Lyons

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund (MVH) accounts for state and local monies collected for highway and street construction and improvements.

The federal grant operating fund accounts for receipts and disbursements of federal grant funds used for the rehabilitation of rural housing.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major enterprise funds:

The Water Utility Fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary funds, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component units are reported as if they were external transactions and are classified separately from internal activities within the primary government.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. All funds are to be deposited at an approved depository, as per Indiana Code. At December 31, 2009, the Town had deposit balances in the amount of \$800,445.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
General Fund	Other governmental funds	\$ 2,172	\$ -
Other governmental funds	Other governmental funds	<u>113</u>	<u>15,000</u>
Totals		<u>\$ 2,285</u>	<u>\$ 15,000</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions. The Town Council approved an ordinance to make a transfer from the Riverboat Fund to the Unsafe Building Fund to establish the fund.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is utilized for the other risks of loss.

B. Rate Structure – Enterprise Funds

Water Utility

On November 17, 1992, the Town Council adopted Ordinance 1992 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 9, 2008.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council on September 21, 1995.

TOWN OF LYONS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road And Street	Riverboat	Parks And Recreation	Federal Grant Capital Improvement	Building Rental	Law Enforcement Continuing Education	Abuse Task Force	Cumulative Capital Improvements	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ 4,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,197
Licenses and permits	-	-	-	-	-	410	-	-	410
Intergovernmental	3,344	4,692	329	80,000	-	2,140	-	2,433	92,938
Charges for services	-	-	-	-	-	23	-	-	23
Other	-	-	1,500	-	9,074	-	-	-	10,574
Total receipts	3,344	4,692	6,026	80,000	9,074	2,573	-	2,433	108,142
Disbursements:									
General government	-	-	-	-	10,494	-	-	-	10,494
Public safety	-	-	-	-	-	2,577	-	-	2,577
Highways and streets	434	-	-	-	-	-	-	-	434
Culture and recreation	-	-	8,126	-	-	-	-	-	8,126
Capital outlay:									
General government	-	-	-	80,000	-	-	-	-	80,000
Total disbursements	434	-	8,126	80,000	10,494	2,577	-	-	101,631
Excess (deficiency) of receipts over disbursements	2,910	4,692	(2,100)	-	(1,420)	(4)	-	2,433	6,511
Other financing sources (uses):									
Transfers in	-	-	-	-	2,285	-	-	-	2,285
Transfers out	-	-	-	-	-	-	(113)	-	(113)
Total other financing sources (uses)	-	-	-	-	2,285	-	(113)	-	2,172
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,910	4,692	(2,100)	-	865	(4)	(113)	2,433	8,683
Cash and investment fund balance - beginning	8,734	10,798	3,992	-	5,203	786	113	22,237	51,863
Cash and investment fund balance - ending	<u>\$ 11,644</u>	<u>\$ 15,490</u>	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 6,068</u>	<u>\$ 782</u>	<u>\$ -</u>	<u>\$ 24,670</u>	<u>\$ 60,546</u>
Cash and Investment Assets - Ending									
Restricted assets:									
Cash and investments	<u>\$ 11,644</u>	<u>\$ 15,490</u>	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 6,068</u>	<u>\$ 782</u>	<u>\$ -</u>	<u>\$ 24,670</u>	<u>\$ 60,546</u>
Cash and Investment Fund Balance - Ending									
Restricted for:									
General government	\$ -	\$ 15,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,490
Public safety	-	-	-	-	-	782	-	-	782
Highways and streets	11,644	-	-	-	-	-	-	-	11,644
Culture and recreation	-	-	1,892	-	6,068	-	-	-	7,960
Capital outlay	-	-	-	-	-	-	-	24,670	24,670
Total cash and investment fund balance - ending	<u>\$ 11,644</u>	<u>\$ -</u>	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 6,068</u>	<u>\$ 782</u>	<u>\$ -</u>	<u>\$ 24,670</u>	<u>\$ 60,546</u>

TOWN OF LYONS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	Payroll	Totals
Additions:		
Agency fund additions	\$ 91,184	\$ 91,184
Deductions:		
Agency fund deductions	91,184	91,184
Excess (deficiency) of total additions over total deductions	-	-
Cash and investment fund balance - beginning	-	-
Cash and investment fund balance - ending	\$ -	\$ -

TOWN OF LYONS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road And Street	Federal Grant Operating	Unsafe Building	Riverboat	Park And Recreation	Building Rental	Law Enforcement Continuing Education	Cumulative Capital Improvements	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,016	\$ -	\$ -	\$ -	\$ 2,016
Licenses and permits	-	-	-	-	-	-	400	-	400
Intergovernmental	3,207	-	-	4,681	228	-	-	2,294	10,410
Charges for services	-	-	-	-	-	-	5	-	5
Other	-	-	-	-	-	7,239	-	-	7,239
Total receipts	3,207	-	-	4,681	2,244	7,239	405	2,294	20,070
Disbursements:									
General government	-	-	-	-	-	10,949	-	800	11,749
Public safety	-	-	445	-	-	-	450	-	895
Highways and streets	570	-	-	-	-	-	-	-	570
Culture and recreation	-	-	-	-	4,630	-	-	-	4,630
Total disbursements	570	-	445	-	4,630	10,949	450	800	17,844
Excess (deficiency) of receipts over disbursements	2,637	-	(445)	4,681	(2,386)	(3,710)	(45)	1,494	2,226
Other financing sources (uses):									
Transfers in	-	-	15,000	-	-	-	-	-	15,000
Transfers out	-	-	-	(15,000)	-	-	-	-	(15,000)
Total other financing sources (uses)	-	-	15,000	(15,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,637	-	14,555	(10,319)	(2,386)	(3,710)	(45)	1,494	2,226
Cash and investment fund balance - beginning	11,644	100	-	15,490	1,892	6,069	782	24,669	60,646
Cash and investment fund balance - ending	\$ 14,281	\$ 100	\$ 14,555	\$ 5,171	\$ (494)	\$ 2,359	\$ 737	\$ 26,163	\$ 62,872
Cash and Investment Assets - Ending									
Restricted assets:									
Cash and investments	\$ 14,281	\$ 100	\$ 14,555	\$ 5,171	\$ (494)	\$ 2,359	\$ 737	\$ 26,163	\$ 62,872
Cash and Investment Fund Balance - Ending									
Restricted for:									
General government	\$ -	\$ -	\$ -	\$ 5,171	\$ -	\$ -	\$ -	\$ -	\$ 5,171
Public safety	-	-	14,555	-	-	-	737	-	15,292
Highways and streets	14,281	-	-	-	-	-	-	-	14,281
Culture and recreation	-	-	-	-	(494)	2,359	-	-	1,865
Capital outlay	-	100	-	-	-	-	-	26,163	26,263
Total cash and investment fund balance - ending	\$ 14,281	\$ 100	\$ 14,555	\$ 5,171	\$ (494)	\$ 2,359	\$ 737	\$ 26,163	\$ 62,872

TOWN OF LYONS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	Payroll	Totals
Additions:		
Agency fund additions	\$ 110,857	\$ 110,857
Deductions:		
Agency fund deductions	110,857	110,857
Excess (deficiency) of total additions over total deductions	-	-
Cash and investment fund balance - beginning	-	-
Cash and investment fund balance - ending	\$ -	\$ -

TOWN OF LYONS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 103,331
Infrastructure	8,025
Buildings	799,285
Improvements other than buildings	24,513
Machinery and equipment	<u>280,808</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,215,962</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 336
Infrastructure	2,607,162
Buildings	500,000
Improvements other than buildings	533,247
Machinery and equipment	<u>102,846</u>
 Total Water Utility capital assets	 <u>3,743,591</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	7,867
Buildings	194,013
Improvements other than buildings	8,340
Machinery and equipment	<u>41,546</u>
 Total Wastewater Utility capital assets	 <u>251,766</u>
 Total business-type activities capital assets	 <u>\$ 3,995,357</u>

TOWN OF LYONS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
2007 Waterworks Revenue Bonds	\$ 2,553,000	\$ 144,100
Wastewater Utility:		
Notes and Loans:		
Operating Revenue	29,523	6,054
Revenue bonds:		
2002 Refunding Revenue Bonds	108,000	32,584
Total Wastewater Utility	137,523	38,638
Total business-type activities debt	\$ 2,690,523	\$ 182,738

TOWN OF LYONS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Park and Recreation Fund was overdrawn in 2009.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXPENDITURES TO GREENE COUNTY FOUNDATION

The Lyons Wastewater Utility paid \$10,000 to the Greene County Foundation to be held in the name of the utility in August of 2008. They paid an additional \$2,000 in February 2009. These funds were set aside as local match in obtaining grants for the Wastewater Utility. In addition, the Town paid the Greene County Foundation operating costs of \$500 per year for five years, beginning in 2009 and ending in 2013. The full amount of \$2,500 was paid in 2009.

IC 36-1-14-1 states in part: **Requirements for donations to foundations; exception**

"(c) Notwithstanding IC 8-1.5-2-6(d), a unit may donate the proceeds from the sale of a utility or facility or from a grant, a gift, a donation, an endowment, a bequest, a trust, or gaming revenue to a foundation under the following conditions:

- (1) The foundation is a charitable nonprofit community foundation.
- (2) The foundation retains all rights to the donation, including investment powers.
- (3) The foundation agrees to do the following:
 - (A) Hold the donation as a permanent endowment.
 - (B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit.
 - (C) Return the donation to the general fund of the unit if the foundation:
 - (i) loses the foundation's status as a public charitable organization; (ii) is liquidated; or (iii) violates any condition of the endowment set by the fiscal body of the unit."

TOWN OF LYONS
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works.

Fees established after notice and hearing under this chapter are presumed to be just and equitable."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF LYONS, GREENE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Lyons (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 20, 2010

TOWN OF LYONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760			
Loan			\$ 1,732,000	\$ -
Grant			<u>69,650</u>	<u>38,463</u>
Total for program			<u>1,801,650</u>	<u>38,463</u>
Total for federal grantor agency			<u>1,801,650</u>	<u>38,463</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority				
State Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program				
and Non-Entitlement Grants in Hawaii	14.228	HD-007-019	<u>150,000</u>	<u>-</u>
Pass-Through Indiana Office of Community and Rural Affairs				
State Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program				
and Non-Entitlement Grants in Hawaii	14.228	CF-06-228	<u>80,000</u>	<u>-</u>
Total for program			<u>230,000</u>	<u>-</u>
Total for cluster			<u>230,000</u>	<u>-</u>
Total for federal grantor agency			<u>230,000</u>	<u>-</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute				
Edward Byrne Memorial Formula Grant Program	16.579	2004-DB-BX-0018	<u>2,140</u>	<u>-</u>
Total federal awards expended			<u>\$ 2,033,790</u>	<u>\$ 38,463</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF LYONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Lyons (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2008 and 2009. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 2,606,000</u>	<u>\$ 2,580,000</u>

TOWN OF LYONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LYONS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LYONS
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2010, with Kim Flynn, Clerk-Treasurer; and Scott Powers, President of the Town Council. The officials concurred with our audit findings.