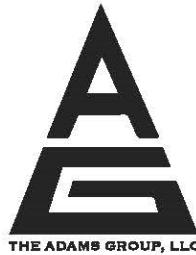


**TOWN OF LYONS, COLORADO**  
**FEDERAL AWARDS REPORT IN ACCORDANCE**  
**WITH THE UNIFORM GUIDANCE**

**December 31, 2019**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 13, 2020.

**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.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be a significant deficiency.

## **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**

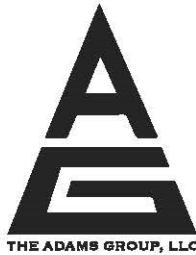
Town of Lyons Colorado's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Lyons Colorado's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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.

July 13, 2020  
Denver, Colorado

*The Adams Group, LLC*



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Lyons, Colorado's major federal programs for the year ended December 31, 2019. The Town of Lyons, Colorado's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Lyons, Colorado's major federal programs 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each of its major federal programs for the year ended December 31, 2019.

## **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, Colorado as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lyons, Colorado's basic financial statements. We issued our report thereon dated July 13, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*The Adams Group, LLC*

July 13, 2020  
Denver, Colorado

**TOWN OF LYONS, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA No.</b>	<b>Pass-through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Passed through Colorado Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4145	\$ 3,610,046	\$ -
<b>Total U.S. Department of Homeland Security</b>			<b>3,610,046</b>	<b>-</b>
<b>U.S. Department of Commerce</b>				
Direct programs Investments for Public Works and Economic Development Facilities	11.300	LY 05-01005734	383,707	-
<b>Total U.S. Department of Commerce</b>			<b>383,707</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development</b>				
Passed through the Boulder County Collaborative Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00010	3,904	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00021	1,144,747	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00023	44,769	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00052	1,421,635	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00054	34,245	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00055	949,544	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00065	4,260	-
Hurricane Sandy Community Development Block Grants - Disaster Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00066	62,029	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>3,665,133</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>				
Direct programs Rural Business Development	10.351		30,000	-
<b>Total U.S. Department of Commerce</b>			<b>30,000</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 7,688,886</b>	<b>\$ -</b>

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

**NOTE A – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Lyons, Colorado government (the Town). All federal financial assistance received by the Town directly from federal agencies, as well as federal financial assistance passed through other government agencies, including the State of Colorado, is included on the schedule.

**NOTE B – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Town under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of The Town of Lyons, Colorado, it is not intended to and does not present the financial position or changes in net assets, of the Town of Lyons, Colorado.

**NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 1 of the financial statements for summary of significant accounting policies.

The Town has not elected to use the ten percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SIGNIFICANT ESTIMATE**

As discussed in Note 1 to the financial statements, the allowability of federal grant expenditures is a significant estimate. Due to the nature of the grants and the fact that these grants are relatively new both to the Town and the State of Colorado, the amounts which will ultimately be reimbursed by the State of Colorado is an estimate which may have a significant effect on future year's financial results. The Town believes that all costs which have been reported on this schedule are allowable.

**TOWN OF LYONS, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2019**

**Section I - Summary of Auditors' Results**

*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:  
CFDA Number 97.036  
U.S. Department of Homeland Security:  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)

CFDA Number 14.269  
U.S. Department of Housing and Urban Development:  
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**TOWN OF LYONS, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

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Section II Findings - Financial Statement Findings

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<b><u>Reference Number</u></b>	<b><u>Finding</u></b>
<b>2019-001</b>	<p><b>Finding:</b> Financial Statement Restatement Due to Donated Equipment</p> <p><b>Criteria:</b> Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the Town should have controls in place to ensure all donated assets are recorded when received.</p> <p><b>Condition:</b> 14 shares of water rights which were donated to the Town in 2016 were not recorded as a revenue or asset.</p> <p><b>Effect:</b> Beginning equity and capital assets in the Water and Sanitation Fund were understated by \$374,360. Beginning equity and capital assets were restated at January 1, 2019.</p> <p><b>Cause:</b> The Town did not have a system to collect information about donated assets. The problem is exacerbated as, at the time these rights were donated, the oversight entity who controls these shares approved the ownership transfer in the year after the actual transfer, in this case 2017.</p> <p><b>Recommendation:</b> The Town should implement systems which ensure that all donated assets are accounted for. This system would include verifying capital assets held with oversight entities at the fiscal year-end.</p> <p><b>View of Responsible Officials:</b> The Town agrees with the finding. See the separate auditee document for planned corrective action.</p>

**TOWN OF LYONS, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

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Section III Findings – Federal Award Findings and Questioned Costs

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None

**TOWN OF LYONS, COLORADO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended December 31, 2018**

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Section IV Prior Year Federal Award Findings and Questioned Costs

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None