

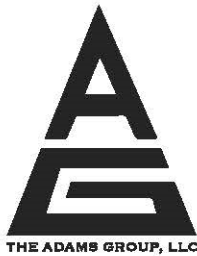
TOWN OF LYONS, COLORADO

SINGLE AUDIT REPORT IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

	Page(s)
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 <i>Government Auditing Standards</i>	1 – 2
Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3 – 5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 – 10
Summary Schedule of Prior Audit Findings	10
Corrective Action Plan	11



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 (the Town), as of and for the year ended December 31, 2022, 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 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. Given these limitations, during our audit we identified a deficiency in internal control that we consider to be a material weakness. See item 2022 - 001 in the schedule of findings and questioned costs.

Report on Compliance and Other Matters

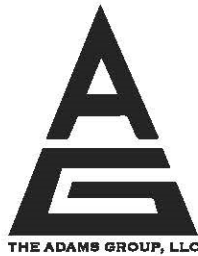
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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.

The Adams Group, LLC

Denver, Colorado
July 3, 2023



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Trustees
Town of Lyons, Colorado

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Town of Lyons, Colorado's (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2022. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated July 3, 2023, which contained an unmodified opinion 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 related 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

Denver, Colorado
July 3, 2023

TOWN OF LYONS, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-through Entity Identifying Nunumber	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Boulder County Collaborative			
Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00068	\$ 31,638
Hurricane Sandy Community Development Block Grants - Disaster			
Recovery Grants (CDBG-DR)	14.269	B-13-DS-08-001 INF-00072	334,142
Total U.S. Department of Housing and Urban Development			365,780
U.S. Department of Transportaion			
Passed through the Colorado Department of Transportation			
Highway Planning and Construction	20.205	10-HA4-XC-00023	498,731
Highway Planning and Construction	20.205	21-HA4-XC-00145	347,909
Highway Planning and Construction	20.205	21-HA4-XC-00143	40,691
Total U.S. Department of Transportation			887,331
U.S. Treasury			
Passed through the Colorado Department of Local Affairs			
Coronavirus Relief Fund	21.019	CVRF CM-163	42,933
Coronavirus State and Local Fiscal Recovery Funds	21.027	NEU-CO0219/PV#1	72,673
Total U.S. Department of Treasury			115,606
Total Federal Financial Assistance			\$ 1,368,717

TOWN OF LYONS, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

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 (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, are 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, 2022. 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. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. 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, 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 and will be collected.

NOTE E – SUBRECIPIENTS

The Town provided no federal awards to subrecipients for the year ended December 31, 2022.

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

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? X Yes No
- Significant deficiency(ies) identified? 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 deficiency(ies) identified? Yes X 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 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? X Yes No

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

Reference Number

2022 - 001

Finding Type: Material Weakness

Criteria: The Town should have a process in place to ensure grant activity is properly recorded at fiscal year end in regard to grant funds received, but unspent.

Condition: The Town recorded approximately \$294,000 of grant funds received in fiscal year 2021 and 2022 as deferred inflows of resources as of December 31, 2022. However, the Town had not met the criteria for revenue recognition under the full accrual basis of accounting. As such, the grant funds should be recorded as unearned revenue. In addition, the Town overstated Grant Fund receivables and deferred inflows of resources by approximately \$87,000 for the year ended December 31, 2022.

Context: The Town received grant funds and did not meet revenue recognition criteria. As a result, Grant Fund deferred inflows of resources were overstated by approximately \$381,000, in aggregate. In addition, accounts receivable were incorrectly calculated which resulted in overstatement of receivables by \$87,000.

Cause: The Town did not correctly track grant activity as of December 31, 2022 and did not correctly record grant funds received but unspent as of December 31, 2022.

Effect: Grant Fund receivables were overstated by \$87,000 and governmental activities revenues were overstated by approximately \$381,000.

Recommendation: We recommend the Town put into place review procedures at yearend to ensure that grant funds received, but unspent at yearend, are properly reflected as unearned revenue and not deferred inflows of resources. Amounts reported as deferred inflows of resources are subsequently recorded as revenue on the full accrual basis of accounting.

Views from Responsible Officials and Planned Corrective Action:

The Town plans to continue to hire an outside consultant to assist with year-end reconciliations, audit workpapers, and/or financial statement preparation. In the future, we plan to set up a more precise audit schedule which includes a two-week review period for the Finance Director to review and understand all files associated with the workpapers and financial statements before they are sent to the auditors to identify potential issues.

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section III Findings – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV Findings – Prior Year Findings

There are no prior year findings or questioned costs that are required to be reported.

TOWN OF LYONS, COLORADO
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2022

Finding: 2022 – 001

Material Weakness, Internal Control Over Financial Reporting

Personnel Responsible for Corrective Action: Cassandra Eyestone, Director of Finance

Anticipated Completion Date: December 31, 2023

Condition: The Town recorded approximately \$294,000 of grant funds received in fiscal year 2021 and 2022 as deferred inflows of resources as of December 31, 2022. However, the Town had not met the criteria for revenue recognition under the full accrual basis of accounting. As such, the grant funds should be recorded as unearned revenue. In addition, the Town overstated Grant Fund receivables and deferred inflows of resources by approximately \$87,000 for the year ended December 31, 2022.

Corrective Action Plan: The Town plans to continue to hire an outside consultant to assist with year-end reconciliations, audit workpapers, and/or financial statement preparation. In the future, we plan to set up a more precise audit schedule which includes a two-week review period for the Finance Director to review and understand all files associated with the workpapers and financial statements before they are sent to the auditors to identify potential issues.