

CITY OF LYONS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CITY OF LYONS, KANSAS
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For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Lyons, Kansas
Lyons, Kansas

We have audited the accompanying financial statements of **City of Lyons, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Lyons, Kansas'** 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, the *Kansas Municipal Audit Guide* 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.

The financial statements referred to above include the primary government of the **City of Lyons, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity and the financial data of the Lyons Public Library, a legally separate component unit. The financial statements do not include financial data for the City's other legally separate component unit, the Housing Authority of the City of Lyons, Kansas, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **City of Lyons, Kansas** as of December 31, 2010 and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Housing Authority of the City of Lyons, Kansas, has issued separate reporting entity financial statements, which were audited by other auditors, with a report dated December 14, 2010.

As described more fully in Note 1, **City of Lyons, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Lyons, Kansas**, as of December 31, 2010, or changes in financial position for the year then ended. Further, **City of Lyons,**

City of Lyons, Kansas

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Kansas has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Lyons, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, on our consideration of **City of Lyons, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Lyons, Kansas'** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

September 19, 2011

CITY OF LYONS, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 50,768	-	3,287,594	3,288,068	50,294	105,031	155,325
Special Revenue Funds							
Library Fund	496	-	59,852	58,316	2,032	-	2,032
Special Highway Fund	(2,884)	-	91,801	44,518	44,399	-	44,399
Special Parks and Recreation Fund	17,694	-	9,295	18,355	8,634	-	8,634
Special Fire Equipment Fund	380,506	-	205,669	455,700	130,475	-	130,475
Special Alcohol DUI Fund	300	-	-	-	300	-	300
Municipal Equipment Reserve Fund	34,711	-	50,000	75,655	9,056	-	9,056
Capital Improvement Fund	189,010	-	331,100	441,203	78,907	-	78,907
Debt Service Funds							
Bond and Interest Fund - Street Impr.	425	-	96,462	95,925	962	-	962
Bond and Interest Fund - Quivira Housing	1,517	-	39,905	41,063	359	-	359
Bond and Interest Fund - Pool	-	-	165,000	149,822	15,178	-	15,178
Bond and Interest Fund - Gas Line Project	42	-	175,000	174,900	142	-	142
No Fund Warrant Fund	2,126	-	1,067	3,193	-	-	-
Capital Projects Fund							
Pool Improvement Fund	1,039,084	-	-	1,039,084	-	-	-
Proprietary Fund Category							
Enterprise Funds							
Water Utility Fund	13,610	-	779,636	759,529	33,717	65,297	99,014
Waste Water Treatment Fund	35,357	-	436,617	471,117	857	15,773	16,630
Storm Water Utility Fund	49,208	-	23,603	20,274	52,537	6,126	58,663
Gas Fund	95,870	-	1,862,207	1,764,060	194,017	83,309	277,326
Gas Line Replacement Reserve Fund	33,616	-	100,000	18,419	115,197	668	115,865
Sewer Replacement Reserve Fund	23,925	-	127,313	116,713	34,525	-	34,525
Sewer Line Replacement Reserve Fund	20,437	-	41,000	30,344	31,093	-	31,093
Water Line Reserve Fund	184,703	-	155,000	312,044	27,659	-	27,659
Water Well Reserve Fund	83,286	-	30,000	76,652	36,634	-	36,634
Fiduciary Fund Category							
Private Purpose Trust Funds							
Special Law Enforcement Fund	1,866	-	-	-	1,866	-	1,866
Cemetery Endowment Fund	126,959	-	1,100	100,000	28,059	-	28,059
Total Primary Government	2,382,632	-	8,069,221	9,554,954	896,899	276,204	1,173,104
Component Unit							
Lyons Public Library	121,787	-	100,480	89,783	132,484	1,133	133,617
Total Reporting Entity (Excluding Agency Funds and a Component Unit)	\$ 2,504,419	-	8,169,701	9,644,737	1,029,383	277,337	1,306,721
Composition of Cash							
						Checking Accounts	\$ 329,355
						Savings Accounts	19,287
						Petty Cash	150
						Certificates of Deposit	824,312
						Total Primary Government	1,173,104
						Total Component Unit	133,617
						Agency Funds per Statement 4	-
						Total Reporting Entity (Excluding Agency Funds and a Component Unit)	\$ 1,306,721

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

CITY OF LYONS, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 4,784,490	-	4,784,490	3,288,068	(1,496,422)
Special Revenue Funds					
Library Fund	64,624	-	64,624	58,316	(6,308)
Special Highway Fund	103,640	-	103,640	44,518	(59,122)
Special Parks and Recreation Fund	32,164	-	32,164	18,355	(13,809)
Special Fire Equipment Fund	1,293,147	-	1,293,147	455,700	(837,447)
Special Alcohol DUI Fund	750	-	750	-	(750)
Debt Service Funds					
Bond and Interest Fund - Street Improvements	96,500	-	96,500	95,925	(575)
Bond and Interest Fund - Quivira Housing	42,200	-	42,200	41,063	(1,137)
Bond and Interest Fund - Pool	165,000	-	165,000	149,822	(15,178)
Bond and Interest Fund - Gas Line Project	175,042	-	175,042	174,900	(142)
Proprietary Fund Category					
Enterprise Funds					
Water Utility Fund	921,631	-	921,631	759,529	(162,102)
Waste Water Treatment Fund	491,097	-	491,097	471,117	(19,980)
Storm Water Utility Fund	88,661	-	88,661	20,274	(68,387)
Gas Fund	4,357,152	-	4,357,152	1,739,841	(2,617,311)

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

CITY OF LYONS, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 540,040	521,993	573,809	(51,816)
Special Assessments	1,920	2,287	44,000	(41,713)
Delinquent	33,572	35,125	30,000	5,125
Motor Vehicle	127,418	119,180	114,690	4,490
Local Sales	683,401	689,039	777,190	(88,151)
In Lieu of Taxes	17,655	20,235	3,400	16,835
Total Taxes	<u>1,404,006</u>	<u>1,387,859</u>	<u>1,543,089</u>	<u>(155,230)</u>
Intergovernmental				
Franchise Tax	369,576	405,908	389,000	16,908
State Aid	49,593	49,158	-	49,158
Total Intergovernmental	<u>419,169</u>	<u>455,066</u>	<u>389,000</u>	<u>66,066</u>
Licenses and Permits				
Occupation Licenses	15,761	27,169	18,000	9,169
Dog Licenses	5,687	5,555	4,500	1,055
Total Licenses and Permits	<u>21,448</u>	<u>32,724</u>	<u>22,500</u>	<u>10,224</u>
Charges for Services				
Cemetery	10,945	8,515	12,050	(3,535)
Refuse	155,346	167,019	160,000	7,019
Swimming Pool	45,922	61,434	48,500	12,934
Total Charges for Services	<u>212,213</u>	<u>236,968</u>	<u>220,550</u>	<u>16,418</u>
Fines, Forfeitures and Penalties				
Vehicle Inspection	4,361	4,080	5,450	(1,370)
Municipal Court	67,582	65,483	91,285	(25,802)
Total Fines, Forfeitures and Pen.	<u>71,943</u>	<u>69,563</u>	<u>96,735</u>	<u>(27,172)</u>
Use of Money and Property				
Interest	\$ 12,094	13,087	15,000	(1,913)

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

CITY OF LYONS, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Other Cash Receipts				
Reimbursed Expenses	\$ 47,761	91,145	94,509	(3,364)
Miscellaneous	6,468	6,953	23,000	(16,047)
Sale of Property	-	14,745	4,000	10,745
Grants	31,556	9,979	652,000	(642,021)
Park Improvement Bequest	694	1,218	1,500	(282)
Federal Aid FAA	753,820	785,062	1,615,000	(829,938)
Federal Aid Kansas Housing	-	80,032	-	80,032
Transfers In	9,188	103,193	-	103,193
Total Other Cash Receipts	849,487	1,092,327	2,390,009	(1,297,682)
Total Cash Receipts	2,990,360	3,287,594	4,676,883	(1,389,289)
Expenditures				
City Administration	477,155	482,845	1,126,569	(643,724)
Police Department	491,111	467,811	511,007	(43,196)
Animal Control	20,312	21,408	22,209	(801)
Municipal Court	52,937	50,335	56,711	(6,376)
Fire Protection	65,913	73,139	68,678	4,461
Street Department	397,133	411,976	445,678	(33,702)
Cemetery	112,469	123,947	128,910	(4,963)
Parks	101,267	109,531	129,777	(20,246)
Swimming Pool	53,190	93,135	67,533	25,602
Compost	8,915	9,357	13,118	(3,761)
Airport	670,521	937,315	1,709,000	(771,685)
Refuse	148,769	155,790	148,800	6,990
Transfers Out	300,213	351,479	356,500	(5,021)
Total Expenditures	2,899,905	3,288,068	4,784,490	(1,496,422)
Cash Receipts Over (Under) Expenditures	90,455	(474)		
Unencumbered Cash - Beginning	(39,687)	50,768		
Unencumbered Cash - Ending	\$ 50,768	50,294		

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

CITY OF LYONS, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 48,357	46,416	51,021	(4,605)
Delinquent	2,586	2,797	-	2,797
Motor Vehicle	10,035	10,430	10,060	370
Recreational Vehicle	147	209	207	2
Total Cash Receipts	61,125	59,852	<u>61,288</u>	<u>(1,436)</u>
Expenditures				
Appropriations	63,279	58,316	<u>64,624</u>	<u>(6,308)</u>
Cash Receipts Over (Under) Expenditures	(2,154)	1,536		
Unencumbered Cash - Beginning	2,650	496		
Unencumbered Cash - Ending	\$ <u>496</u>	<u>2,032</u>		

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

CITY OF LYONS, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
State Gasoline Tax	\$ 86,569	91,301	100,640	(9,339)
State Aid	21,416	500	3,000	(2,500)
Transfers In	40,000	-	-	-
Total Cash Receipts	<u>147,985</u>	<u>91,801</u>	<u>103,640</u>	<u>(11,839)</u>
Expenditures				
Contractual Services	110,817	44,930	26,000	18,930
Commodities	8,412	(412)	77,640	(78,052)
Transfers Out	40,000	-	-	-
Total Expenditures	<u>159,229</u>	<u>44,518</u>	<u>103,640</u>	<u>(59,122)</u>
Cash Receipts Over (Under) Expenditures	(11,244)	47,283		
Unencumbered Cash - Beginning	<u>8,360</u>	<u>(2,884)</u>		
Unencumbered Cash - Ending	\$ <u>(2,884)</u>	<u>44,399</u>		

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

CITY OF LYONS, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Liquor Tax	\$ 3,326	3,360	3,797	(437)
State Aid	-	5,935	14,000	(8,065)
Total Cash Receipts	3,326	9,295	<u>17,797</u>	<u>(8,502)</u>
Expenditures				
Capital Outlay	-	18,355	<u>32,164</u>	<u>(13,809)</u>
Cash Receipts Over (Under) Expenditures	3,326	(9,060)		
Unencumbered Cash - Beginning	<u>14,368</u>	<u>17,694</u>		
Unencumbered Cash - Ending	\$ <u>17,694</u>	<u>8,634</u>		

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

CITY OF LYONS, KANSAS
Special Fire Equipment Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 24,164	23,202	25,502	(2,300)
Delinquent	2,032	2,148	-	2,148
Motor Vehicle	5,685	5,214	5,030	184
Recreational Vehicle	148	105	103	2
Other Cash Receipts				
Grants and Donations	-	-	887,511	(887,511)
Transfers In	447,000	175,000	-	175,000
Total Cash Receipts	<u>479,029</u>	<u>205,669</u>	<u>918,146</u>	<u>(712,477)</u>
Expenditures				
Capital Outlay	3,000	280,700	1,293,147	(1,012,447)
Transfers Out	297,000	175,000	-	175,000
Total Expenditures	<u>300,000</u>	<u>455,700</u>	<u>1,293,147</u>	<u>(837,447)</u>
Cash Receipts Over (Under) Expenditures	179,029	(250,031)		
Unencumbered Cash - Beginning	<u>201,477</u>	<u>380,506</u>		
Unencumbered Cash - Ending	\$ <u>380,506</u>	<u>130,475</u>		

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

CITY OF LYONS, KANSAS
Special Alcohol DUI Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts	\$ -	-	-	-
Expenditures				
Muni Court DUI Evaluation Fees	150	-	750	(750)
Cash Receipts Over (Under) Expenditures	(150)	-		
Unencumbered Cash - Beginning	450	300		
Unencumbered Cash - Ending	\$ 300	300		

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

CITY OF LYONS, KANSAS
Municipal Equipment Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 50,000	50,000
Expenditures		
Capital Outlay	15,289	75,655
Cash Receipts Over (Under) Expenditures	34,711	(25,655)
Unencumbered Cash - Beginning	-	34,711
Unencumbered Cash - Ending	\$ 34,711	9,056

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

CITY OF LYONS, KANSAS
Capital Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Loan Proceeds	\$ -	3,100
Transfers In	462,500	328,000
Total Cash Receipts	462,500	331,100
Expenditures		
Transfers Out	281,203	261,462
Contractual Services	-	20,778
Commodities	-	412
Capital Outlay	39,569	158,551
Total Expenditures	320,772	441,203
Cash Receipts Over (Under) Expenditures	141,728	(110,103)
Unencumbered Cash - Beginning	47,282	189,010
Unencumbered Cash - Ending	\$ 189,010	78,907

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

CITY OF LYONS, KANSAS
Bond and Interest Fund - Street Improvements
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Cash Receipts				
Transfers In	\$ 94,203	96,462	96,200	262
Expenditures				
Bond Principal	80,000	85,000	85,000	-
Interest	14,203	10,923	10,923	-
Miscellaneous	2	2	577	(575)
Total Expenditures	94,205	95,925	96,500	(575)
Cash Receipts Over (Under) Expenditures	(2)	537		
Unencumbered Cash - Beginning	427	425		
Unencumbered Cash - Ending	\$ 425	962		

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

CITY OF LYONS, KANSAS
Bond and Interest Fund - Quivira Housing
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 691	3,426	-	3,426
Other Cash Receipts				
Transfers In	37,713	36,479	41,500	(5,021)
Total Cash Receipts	<u>38,404</u>	<u>39,905</u>	<u>41,500</u>	<u>(1,595)</u>
Expenditures				
Bond Principal	15,000	20,000	20,000	-
Interest	21,887	21,063	21,062	1
Commodities	-	-	1,138	(1,138)
Total Expenditures	<u>36,887</u>	<u>41,063</u>	<u>42,200</u>	<u>(1,137)</u>
Cash Receipts Over (Under) Expenditures	1,517	(1,158)		
Unencumbered Cash - Beginning	-	1,517		
Unencumbered Cash - Ending	\$ <u>1,517</u>	<u>359</u>		

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

CITY OF LYONS, KANSAS
Bond and Interest Fund - Pool
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ -	165,000	165,000	-
Expenditures				
Bond Principal	-	65,000	65,000	-
Interest	-	84,822	100,000	(15,178)
Total Expenditures	-	149,822	165,000	(15,178)
Cash Receipts Over (Under) Expenditures	-	15,178		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	15,178		

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

CITY OF LYONS, KANSAS
Bond and Interest Fund - Gas Line Project
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 174,550	175,000	175,000	-
Expenditures				
Bond Principal	31,165	32,921	32,921	-
Interest	143,343	141,979	142,121	(142)
Total Expenditures	174,508	174,900	175,042	(142)
Cash Receipts Over (Under) Expenditures	42	100		
Unencumbered Cash - Beginning	-	42		
Unencumbered Cash - Ending	\$ 42	142		

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

CITY OF LYONS, KANSAS
No Fund Warrant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes		
Ad Valorem	\$ (11)	-
Motor Vehicle	9,964	494
Delinquent	1,221	496
Recreational Vehicle	140	77
Total Cash Receipts	11,314	1,067
Expenditures		
Transfers Out	9,188	3,193
Cash Receipts Over (Under) Expenditures	2,126	(2,126)
Unencumbered Cash - Beginning	-	2,126
Unencumbered Cash - Ending	\$ 2,126	-

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

CITY OF LYONS, KANSAS
Pool Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Loan Proceeds	\$ 2,000,000	-
Accrued Interest	10,541	-
Total Cash Receipts	2,010,541	-
Expenditures		
Capital Outlay	971,457	1,039,084
Cash Receipts Over (Under) Expenditures	1,039,084	(1,039,084)
Unencumbered Cash - Beginning	-	1,039,084
Unencumbered Cash - Ending	\$ 1,039,084	-

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

CITY OF LYONS, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 631,561	744,717	872,331	(127,614)
Meter Connect Fees	21,420	21,855	14,000	7,855
Reimbursed Expenses	52	-	-	-
Miscellaneous	4,420	13,064	10,300	2,764
Total Cash Receipts	657,453	779,636	896,631	(116,995)
Expenditures				
Transmission and Distribution				
Personal Services	166,998	175,366	195,775	(20,409)
Contractual Services	91,197	92,312	89,475	2,837
Commodities	97,805	96,374	239,043	(142,669)
Capital Outlay	5,619	66,357	47,651	18,706
Total Transmission and Dist.	361,619	430,409	571,944	(141,535)
General and Administration				
Personal Services	79,314	80,472	93,640	(13,168)
Contractual Services	525	315	1,047	(732)
Franchise Tax	70,000	63,333	70,000	(6,667)
Total General and Admin.	149,839	144,120	164,687	(20,567)
Transfers Out	174,416	185,000	185,000	-
Total Expenditures	685,874	759,529	921,631	(162,102)
Cash Receipts Over (Under) Expenditures	(28,421)	20,107		
Unencumbered Cash - Beginning	42,031	13,610		
Unencumbered Cash - Ending	\$ 13,610	33,717		

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

CITY OF LYONS, KANSAS
Waste Water Treatment Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 387,234	433,503	458,297	(24,794)
Federal Aid	2,243	-	-	-
Miscellaneous	1,715	3,114	9,800	(6,686)
Total Cash Receipts	<u>391,192</u>	<u>436,617</u>	<u>468,097</u>	<u>(31,480)</u>
Expenditures				
Transmission and Distribution				
Personal Services	92,345	98,976	96,636	2,340
Contractual Services	57,528	73,566	64,869	8,697
Commodities	29,514	27,750	66,746	(38,996)
Capital Outlay	8,761	30,841	28,578	2,263
Total Transmission and Dist.	<u>188,148</u>	<u>231,133</u>	<u>256,829</u>	<u>(25,696)</u>
General and Administration				
Personal Services	33,007	34,689	37,805	(3,116)
Commodities	375	315	750	(435)
Franchise Tax	30,000	36,667	30,000	6,667
Total General and Admin.	<u>63,382</u>	<u>71,671</u>	<u>68,555</u>	<u>3,116</u>
Transfers Out	<u>151,360</u>	<u>168,313</u>	<u>165,713</u>	<u>2,600</u>
Total Expenditures	<u>402,890</u>	<u>471,117</u>	<u>491,097</u>	<u>(19,980)</u>
Cash Receipts Over (Under) Expenditures	(11,698)	(34,500)		
Unencumbered Cash - Beginning	<u>47,055</u>	<u>35,357</u>		
Unencumbered Cash - Ending	\$ <u>35,357</u>	<u>857</u>		

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

CITY OF LYONS, KANSAS
Storm Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Storm Water Fee	\$ 23,236	23,603	29,600	(5,997)
State Aid	-	-	6,000	(6,000)
Total Cash Receipts	<u>23,236</u>	<u>23,603</u>	<u>35,600</u>	<u>(11,997)</u>
Expenditures				
Contractual Services	20,043	1,167	69,661	(68,494)
Commodities	12,840	19,107	19,000	107
Total Expenditures	<u>32,883</u>	<u>20,274</u>	<u>88,661</u>	<u>(68,387)</u>
Cash Receipts Over (Under) Expenditures	(9,647)	3,329		
Unencumbered Cash - Beginning	<u>58,855</u>	<u>49,208</u>		
Unencumbered Cash - Ending	\$ <u>49,208</u>	<u>52,537</u>		

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

CITY OF LYONS, KANSAS
Gas Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 1,719,850	1,592,995	3,197,982	(1,604,987)
Bad Debt Recovery	34,459	58,669	36,000	22,669
Meter Connect Fees	14,527	13,785	12,000	1,785
Penalties	8,821	1,471	1,000,000	(998,529)
Miscellaneous	-	-	9,000	(9,000)
Reimbursed Expenses	12,161	20,187	1,870	18,317
Transfers In	150,000	175,000	-	175,000
Sale of Equipment	100	100	300	(200)
Total Cash Receipts	<u>1,939,918</u>	<u>1,862,207</u>	<u>4,257,152</u>	<u>(2,394,945)</u>
Expenditures				
Production	835,226	829,716	2,467,500	(1,637,784)
Transmission and Distribution				
Personal Services	71,797	73,946	72,030	1,916
Contractual Services	225,034	213,139	240,246	(27,107)
Commodities	28,130	31,355	1,046,877	(1,015,522)
Capital Outlay	55,122	56,059	111,297	(55,238)
Total Transmission and Dist.	<u>380,083</u>	<u>374,499</u>	<u>1,470,450</u>	<u>(1,095,951)</u>
General and Administration				
Personal Services	78,647	81,479	94,558	(13,079)
Commodities	2,322	3,366	4,644	(1,278)
Contractual Services	325	-	-	-
Bad Debts	-	-	20,000	(20,000)
Franchise Tax	95,000	95,000	95,000	-
Total General and Admin.	<u>176,294</u>	<u>179,845</u>	<u>214,202</u>	<u>(34,357)</u>
Transfers Out	<u>504,550</u>	<u>380,000</u>	<u>205,000</u>	<u>175,000</u>
Total Expenditures	<u>1,896,153</u>	<u>1,764,060</u>	<u>4,357,152</u>	<u>(2,593,092)</u>
Cash Receipts Over (Under) Expenditures	43,765	98,147		
Unencumbered Cash - Beginning	<u>52,105</u>	<u>95,870</u>		
Unencumbered Cash - Ending	\$ <u>95,870</u>	<u>194,017</u>		

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

CITY OF LYONS, KANSAS
Gas Line Replacement Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 30,000	100,000
Expenditures		
Contractual	-	18,419
Transfers Out	70,000	-
Total Expenditures	70,000	18,419
Cash Receipts Over (Under) Expenditures	(40,000)	81,581
Unencumbered Cash - Beginning	73,616	33,616
Unencumbered Cash - Ending	\$ 33,616	115,197

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

CITY OF LYONS, KANSAS
Sewer Replacement Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 120,360	127,313
Expenditures		
Principal	85,555	88,064
Interest	28,480	26,188
Service Fee	2,677	2,461
Total Expenditures	116,712	116,713
Cash Receipts Over (Under) Expenditures	3,648	10,600
Unencumbered Cash - Beginning	20,277	23,925
Unencumbered Cash - Ending	\$ 23,925	34,525

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

CITY OF LYONS, KANSAS
Sewer Line Replacement Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 31,000	41,000
Expenditures		
Contractual	27,313	30,344
Cash Receipts Over (Under) Expenditures	3,687	10,656
Unencumbered Cash - Beginning	16,750	20,437
Unencumbered Cash - Ending	\$ 20,437	31,093

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

CITY OF LYONS, KANSAS
Water Line Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 211,916	155,000
Expenditures		
Contractual Services	-	170,200
Commodities	77	-
Capital Outlay	-	8,844
Transfers Out	63,000	133,000
Total Expenditures	<u>63,077</u>	<u>312,044</u>
Cash Receipts Over (Under) Expenditures	148,839	(157,044)
Unencumbered Cash - Beginning	<u>35,864</u>	<u>184,703</u>
Unencumbered Cash - Ending	<u>\$ 184,703</u>	<u>27,659</u>

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

CITY OF LYONS, KANSAS
Water Well Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 32,500	30,000
Expenditures		
Contractual	2,806	75,088
Commodities	725	1,564
Total Expenditures	3,531	76,652
Cash Receipts Over (Under) Expenditures	28,969	(46,652)
Unencumbered Cash - Beginning	54,317	83,286
Unencumbered Cash - Ending	\$ 83,286	36,634

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

CITY OF LYONS, KANSAS
Special Law Enforcement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	1,866	1,866
Unencumbered Cash - Ending	\$ 1,866	1,866

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

CITY OF LYONS, KANSAS
Cemetery Endowment Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Fees	\$ 2,800	1,100
Expenditures		
Transfers Out	-	100,000
Cash Receipts Over (Under) Expenditures	2,800	(98,900)
Unencumbered Cash - Beginning	124,159	126,959
Unencumbered Cash - Ending	\$ 126,959	28,059

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

CITY OF LYONS, KANSAS
Lyons Public Library
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Grant Revenues	\$ 13,049	13,813
Appropriations	61,649	59,946
Collections	7,524	10,533
Memorial	757	3,797
Interest	1,994	2,553
Miscellaneous	253	9,838
Total Cash Receipts	<u>85,226</u>	<u>100,480</u>
Expenditures		
Personal Services	50,959	55,059
Programs	30,558	34,724
Memorial	2,579	-
Total Expenditures	<u>84,096</u>	<u>89,783</u>
Cash Receipts Over (Under) Expenditures	1,130	10,697
Unencumbered Cash - Beginning	<u>120,657</u>	<u>121,787</u>
Unencumbered Cash - Ending	<u>\$ 121,787</u>	<u>132,484</u>

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

CITY OF LYONS, KANSAS
Agency Funds
 Summary of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Fire Insurance Fund	\$ 11,934	2,374	14,308	-

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

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Lyons, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight elected council members. These financial statements present the City (primary government) and one of its component units. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit, Lyons Public Library. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Lyons Public Library

Lyons Public Library operates the City's public library. Acquisition or disposition of real property by the Library Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library. Library Board members are appointed by the City Council. Complete financial records for the Library are available at City Hall. The Library's audited financial statements are included in the **City of Lyons, Kansas** audit report. The Library does not issue a separate audit report. Contact the City Clerk for further information.

Housing Authority of the City of Lyons, Kansas

The Housing Authority of the City of Lyons, Kansas operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. The Housing Authority is subject to examination by independent accountants, and this report is available at 215 S. Bell, Lyons, Kansas, 67554. These financial statements are not included in the City's report.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund – to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Category

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Categories

Private Purpose Trust Funds – to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Agency Funds – to account for assets held by the City as trustee or agent for others.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and sick leave are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper of the proposed budget notice of public hearing on the budget on or before August 5th.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds: Capital Improvement Fund and Municipal Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2010. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$1,173,104 and the bank balance was \$1,198,631. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$504,503 was covered by FDIC insurance and the remaining \$694,128 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2010, the City Library's carrying amount of deposits was \$133,617 and the bank balance was \$133,099. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$133,099 was covered by FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation

Vacation is granted to full-time employees. A minimum of 5 days and a maximum of 20 days paid vacation is granted based on continuous years of employment. Part-time employees who work at least 20 hours or more per week shall earn vacation credit at the rate of 3 hours for each month of employment. Employees can carry up to 10 days over to the next year. All earned vacation is paid upon separation from employment and is computed on the basis of current salary.

Sick Leave

Sick leave is granted at the rate of one working day of leave for each full month of employment for all full-time employees. Part-time employees who are employed to work not less than 20 hours per week shall receive 4 hours of sick leave for each month of employment. Any such leave accrued but unused in any year is cumulative for succeeding years up to a maximum of 90 working days for full-time employees and 67.5 working days for part-time employees. Full-time employees who have more than 720 hours of sick leave or 540 hours for part-time accumulated at the end of the fiscal year will receive \$25.00 for each eight hour increment over the 720 or 540 hours. An employee shall not be paid for any unused sick leave upon termination of his or her employment with the City unless they have worked 10 continuous years for the City and they shall be compensated for unused accumulated sick leave at \$25.00 per day upon termination of their employment due to retirement or medical disability.

Compensatory Time

Compensatory time off that is accrued by an employee for overtime worked shall be taken within the calendar year. There is no carryover of compensatory time from one year to the next. If not taken within the calendar year, the employee will be automatically reimbursed for the overtime hours worked.

As of December 31, 2010, the liability for accrued vacation leave is \$9,906 and accrued sick leave is \$167,315. The accrued vacation has been booked in the appropriate funds.

Currently, the Public Library, a component unit of the City, does not have a compensated absences policy.

Deferred Compensation Plan

The City sponsors a deferred compensation under Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not responsible to make any contributions.

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2010 was

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.14%. The City's employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$69,554, \$61,827, and \$51,763, respectively, equal to the required contributions for each year as set forth by the legislature. The City Library's employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$2,550, \$1,792, and \$1,549 respectively, equal to the required contributions for each year as set forth by legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the City for special purposes.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. The **City of Lyons, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Improvement Fund	K.S.A. 12-1, 118	\$ 265,000
General Fund	Municipal Equipment Reserve Fund	K.S.A. 12-1, 117	50,000
General Fund	Bond and Interest Fund – Quivira Housing	Per Council	36,479
Capital Improvement Fund	Bond and Interest Fund – Streets Imp.	K.S.A. 12-1, 118	96,462
Capital Improvement Fund	Bond and Interest Fund - Pool	K.S.A. 12-1, 118	165,000

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 2 – INTERFUND TRANSFERS (continued)

From	To	Statutory Authority	Amount
No Fund Warrant Fund	General Fund	Per Council	3,193
Gas Fund	Bond and Interest Fund – Gas Line Project	K.S.A. 12-825d	175,000
Gas Fund	Gas Line Replacement Reserve Fund	K.S.A. 12-825d	30,000
Gas Fund	Special Fire Equipment Fund	K.S.A. 12-825d	175,000
Waste Water Treatment Fund	Sewer Line Replacement Reserve Fund	K.S.A. 12-825d	41,000
Waste Water Treatment Fund	Sewer Replacement Reserve Fund	K.S.A. 12-825d	127,313
Water Utility Fund	Water Well Reserve Fund	K.S.A. 12-825d	30,000
Water Utility Fund	Water Line Reserve Fund	K.S.A. 12-825d	155,000
Special Fire Equipment Fund	Gas Fund	Per Council	175,000
Water Line Reserve Fund	Capital Improvement Fund	K.S.A. 12-825d	63,000
Water Line Reserve Fund	Gas Line Replacement Reserve Fund	K.S.A. 12-825d	70,000
Cemetery Endowment Fund	General Fund	Per Council	100,000

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Pool Improvement Project	\$ 2,010,541	\$2,010,541

NOTE 4 – LITIGATION

City of Lyons, Kansas is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

NOTE 5 – RISK MANAGEMENT CLAIMS AND JUDGEMENTS

City of Lyons, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, linebacker, auto and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 6 - GRANTS AND SHARED REVENUES

City of Lyons, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 7 - COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Lyons, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make certain statements unduly complex and difficult to read.

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City did not meet K.S.A. 10-130 requirements that mandate all bond payments be made to the State Treasurer at least 20 days prior to the due date on two of the three outstanding bonds.

NOTE 9 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2010. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

Jones Oil Company Council Member Chris Hass is part owner of the Company: Fuel and Supplies	\$ 25,714
Stutzman Refuse Council Member Robert McClure is an employee of the Company. Only a council member for 4 months in 2010. Refusal Removal Contract	\$ 51,907
DuMond Printing Council Member Twila DuMond is part owner of the Company: Paper Supplies Contract	\$ 9,200
Young Motors Council Member Michael Young is part owner of the Company: Automobile Purchase	\$ 1,620

NOTE 10 – LONG-TERM DEBT

City of Lyons, Kansas has the following types of long-term debt.

General Obligation Bonds

On April 1, 2002, the City issued \$745,000 in General Obligation – Series 2002 Bonds for the purpose of street improvements.

On December 31, 2007, the City issued \$500,000 in General Obligation – Series 2007 Bonds for the purpose of the Quivira Heights Improvement Project.

On February 14, 2008, the City issued \$3,276,400 in General Obligation – Series 2008 Bonds for the purpose of the Natural Gas Project.

CITY OF LYONS, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 10 – LONG-TERM DEBT (continued)

Revenue Bonds

On September 15, 2009, the City issued \$2,000,000 in Commission Revenue – Series 2009 Bonds for the purpose of renovations of the city pool. The City has levied a ½ cent sales tax in order to repay the bonds.

KDHE Waste Water Treatment Revolving Loan

The City's Waste Water Treatment Fund received approval for a \$1,402,806 loan in 2003 to modify and upgrade the existing waste water treatment plant to improve treatment reliability and capability. The loan interest rate is 2.66% with an additional service fee rate of 0.25% for a total gross rate of 2.91%. Principal and interest payments of \$58,356 are due March 1 and September 1 for each year until maturity in 2019.

CITY OF LYONS, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2010

NOTE 10 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2002	3.70-4.25%	04/01/02	\$ 745,000	10/01/12	\$ 260,000	-	(85,000)		175,000	10,922
Series 2007	4.15-5.50%	12/31/07	500,000	09/01/27	470,000	-	(20,000)		450,000	21,062
Series 2008	4.38%	02/14/08	3,276,400	02/14/48	3,245,235	-	(32,921)		3,212,314	141,979
Revenue Bonds										
Series 2009	3.00-5.00%	09/15/09	2,000,000	10/01/29	2,000,000	-	(65,000)		1,935,000	84,822
KDHE Loans										
Waste Water Treatment Revolving Loan	2.91%	01/07/03	1,402,806	09/01/19	1,006,357	-	(88,064)		918,293	26,188
Total Contractual Indebtedness					6,981,592	-	(290,985)		6,690,607	284,973
Compensated Absences					179,086			(11,771)	167,315	
Total Long-Term Debt					\$ 7,160,678	-	(290,985)	(11,771)	6,857,922	284,973

CITY OF LYONS, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2010

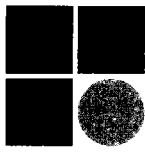
NOTE 10 - LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR								Total
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-Thereafter	
Principal									
General Obligation Bond - Series 2002	\$ 85,000	90,000	-	-	-	-	-	-	175,000
General Obligation Bond - Series 2007	20,000	20,000	20,000	20,000	20,000	125,000	155,000	70,000	450,000
General Obligation Bond - Series 2008	34,362	36,245	37,074	39,073	40,782	232,649	287,454	2,504,675	3,212,314
Revenue Bond - Series 2009	70,000	75,000	75,000	80,000	80,000	460,000	550,000	545,000	1,935,000
Waste Water Treatment Revolving Loan	90,645	93,302	96,037	98,852	101,749	437,708	-	-	918,293
Total Principal	300,007	314,547	228,111	237,925	242,531	1,255,357	992,454	3,119,675	6,690,607
Interest									
General Obligation Bond - Series 2002	7,395	3,825	-	-	-	-	-	-	11,220
General Obligation Bond - Series 2007	19,963	18,862	17,763	16,763	15,763	64,288	35,850	4,620	193,871
General Obligation Bond - Series 2008	140,539	138,656	137,826	135,828	134,118	641,852	587,048	1,518,030	3,433,898
Revenue Bond - Series 2009	79,263	77,163	74,913	71,913	68,713	297,456	196,006	62,306	927,731
Waste Water Treatment Revolving Loan	23,828	21,399	18,900	16,326	13,678	26,638	-	-	120,770
Total Interest	270,988	259,905	249,402	240,830	232,272	1,030,234	818,904	1,584,956	4,687,490
Total Principal and Interest	\$ 570,995	574,452	477,513	478,755	474,803	2,285,591	1,811,358	4,704,631	11,378,097

CITY OF LYONS, KANSAS

Supplementary Information



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**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 Mayor and City Council
City of Lyons, Kansas
Lyons, Kansas

We have audited the financial statements of **City of Lyons, Kansas**, as of and for the year ended December 31, 2010, and have issued our report thereon dated September 19, 2011. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; and did not include the Housing Authority of City of Lyons, Kansas, which is a component unit; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, 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 **City of Lyons, Kansas'** 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 **City of Lyons, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of Lyons, Kansas'** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (See 2010-A)

City of Lyons, Kansas

Page Two

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be a significant deficiencies. (See 2010-B, 2010-C and 2010-D)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Lyons, Kansas'** 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*.

We noted certain matters that we reported to management of **City of Lyons, Kansas** in a separate letter dated September 19, 2011.

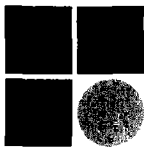
City of Lyons, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of Lyons, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

September 19, 2011



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council
City of Lyons, Kansas
Lyons, Kansas

Compliance

We have audited **City of Lyons, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **City of Lyons, Kansas'** major federal programs for the year ended December 31, 2010. **City of Lyons, Kansas'** major federal program is 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 its major federal program is the responsibility of **City of Lyons, Kansas'** management. Our responsibility is to express an opinion on **City of Lyons, Kansas'** 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 Kansas Municipal Audit Guide; 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 **City of Lyons, Kansas'** 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 **City of Lyons, Kansas'** compliance with those requirements.

In our opinion, **City of Lyons, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of **City of Lyons, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **City of Lyons, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **City of Lyons, Kansas'** 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

September 19, 2011

CITY OF LYONS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiencies identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Type of auditors' 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 OMB Circular A-133? Yes X No

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Grant

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

Auditee qualified as low-risk auditee? Yes X No

CITY OF LYONS, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2010-A

Criteria or specific requirement

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The City is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented whereby the City implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The City is aware that employees have incompatible duties; however, due to the size of the City, it would not be feasible to hire additional personnel.

B. Significant Deficiency in Internal Control

2010-B

Criteria or specific requirement

City personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to prepare financial statements and related footnotes in conformity with the cash basis and budget laws of the State of Kansas.

Condition

City personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to prepare the City's financial statements.

Effect

Financial transactions, financial statements, and footnotes may not properly reflect financial information in accordance with the cash basis and budget laws of the State of Kansas.

Cause

Due to the limited size of the City, it is not practical to hire fully qualified staff to the extent that they possess all of the skills required in order to apply statutory basis of accounting including relevant note disclosures.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

CITY OF LYONS, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Views of responsible officials and planned corrective actions

The City is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply statutory basis of accounting. However, due to the size and financial resources of the City, it would not be feasible to obtain the necessary training.

2010-C

Criteria or specific requirement

Client personnel should have the knowledge to complete all payroll tax returns and remit all payments for payroll taxes and other withholdings by the due date.

Condition

Client personnel are currently not filing payroll tax returns and remitting payment for all payroll taxes and other withholdings timely causing penalties and interest charges.

Effect

The City is paying for these omissions with taxpayer dollars. This expense is taking up budget authority and using money that could be better spent on other items.

Cause

City personnel need training in order to complete the returns and remit payments on time.

Recommendation

We suggest that the City implement a reconciliation of all payroll, payroll tax returns and other withholdings with a schedule of due dates that should be met. In addition, City personnel should attend seminars in this area.

Views of responsible officials and planned corrective actions

The City is continuing to monitor the payroll tax returns filed and the payroll taxes being remitted. They are making the effort to track due dates and payments more thoroughly.

2010-D

Criteria or specific requirement

Signature cards for all bank accounts are not being updated timely after signors have changed.

Condition

There are multiple accounts that the City has changed signors on, that have not had the signature cards changed to reflect the new signor(s) on those accounts.

Effect

Signatures on the checks are not matching with the signatures on the signature cards. The banks could reject the check, causing the City to pay the fees for a bad check.

Cause

City needs to change the signature card as soon as possible after changes are approved by the Council.

Recommendation

We suggest that the City have the new signors go to the bank and change the signature cards as soon as possible after Council approval.

CITY OF LYONS, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Views of responsible officials and planned corrective actions

The City is planning on sending all new signors to the bank to change the signature cards after approval by the Council.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

CITY OF LYONS, KANSAS
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2010

No material findings or questioned costs for the year ended December 31, 2009 are required to be disclosed under OMB Circular A-133.

CITY OF LYONS, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
U.S. Department of Transportation			
Direct Award			
Airport Improvement Grant	20.106	30-20-0051-11	\$ 707,192
Airport Improvement Grant	20.106	30-20-0051-14	<u>38,248</u>
Total Airport Improvement Grant			<u>745,440</u>
U.S. Department of Transportation			
Passed through Kansas			
Department of Transportation			
State and Community Highway Safety	20.600	CEO 00345	631
State and Community Highway Safety	20.600	CEO 02920	<u>869</u>
Total State and Community Highway Safety			<u>1,500</u>
U.S. Department of Housing and Urban Development			
Passed Through Kansas Housing and Urban Development			
Home Investment Partnership Program	14.239	HR-08-0102	<u>80,031</u>
Total Expenditures of Federal Awards			\$ <u>826,971</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LYONS, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Lyons, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.