

**TOWN OF SEVERANCE
SEVERANCE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

DRAFT

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FINANCIAL SECTION

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**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

The discussion and analysis of the Town of Severance's financial performance provides an overall review of the Town's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to broaden their understanding of the Town's financial performance.

Financial Highlights

The Town of Severance's governmental net position increased by \$580,921 and business-type net position increased by \$1,068,782 for the year. The assets of the Town exceeded its liabilities at the close of fiscal year 2014 by \$39,615,020 (*net position*). Of this amount, \$6,294,809 (*unrestricted net position*) may be used to meet the Town's ongoing obligations or unforeseen expenses.

At the end of 2014 unrestricted net position for the proprietary funds (business-type activities) was \$2,144,298.

As of the close of fiscal year 2014, the Town's General Fund reported an ending fund balance of \$4,677,973 compared to the fiscal year 2013 balance of \$4,531,683.

General Fund 2014 revenues increased by \$535,577 to \$1,830,458. General Fund expenditures decreased in 2014 by 15,897 to \$1,684,168.

Using the Basic Financial Statements

The Basic Financial Statements consists of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Town of Severance as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the Town's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail. The governmental fund statements tell how general Town services were financed in the short term as well as what remains for future spending. The Town has one governmental fund, the General Fund.

Proprietary fund statements offer short and long-term financial information about the activities that the Town operates as a business. The Town operates two proprietary funds as follows:

- Water Fund
- Sewer Fund

Fiduciary fund statements provide information about financial relationships where the Town acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. The Town does not have any fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the Town as a Whole

The Town's total net positions were \$39,615,020 as of December 31, 2014 and \$37,965,317 as of December 31, 2013. This represents an increase of \$ 1,649,703.

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

Government-Wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. The change in net position is important because it tells the reader that for the Town as a whole, the financial position of the Town has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions, and state or federal government required programs.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the Town include: general government, public safety (police), public works and parks. The Business-type Activities of the Town of Severance consists of water and sewer services.

Net Position

Net position might serve over time as a useful indicator of a government's financial position. In the case of the Town of Severance, assets exceeded liabilities by approximately \$39 million at the close of 2014.

Net position of the Town at December 31, 2014 were as follows:

| CONDENSED STATEMENT OF NET POSITION | | | | | | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| ASSETS | | | | | | |
| Current Assets | \$ 6,301,609 | \$ 5,932,798 | \$ 7,643,448 | \$ 6,912,863 | \$ 13,945,057 | \$ 12,845,661 |
| Capital Assets Net | 5,562,322 | 5,135,242 | 20,823,122 | 20,485,479 | 26,385,444 | 25,620,721 |
| Total Assets | <u>11,863,931</u> | <u>11,068,040</u> | <u>28,466,570</u> | <u>27,398,342</u> | <u>40,330,501</u> | <u>38,466,382</u> |
| LIABILITIES | | | | | | |
| Current Liabilities | 70,833 | 87,806 | 3,963 | 4,719 | 74,796 | 92,525 |
| Noncurrent Liabilities | 12,997 | 11,365 | 6,280 | 6,078 | 19,277 | 17,443 |
| Total Liabilities | <u>83,830</u> | <u>99,171</u> | <u>10,243</u> | <u>10,797</u> | <u>94,073</u> | <u>109,968</u> |
| DEFERRED INFLOW OF FINANCIAL RESOURCES | | | | | | |
| | 621,408 | 391,097 | - | - | 621,408 | 391,097 |
| NET POSITION | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 5,562,322 | 5,135,242 | 20,823,122 | 20,485,479 | 26,385,444 | 25,620,721 |
| Restricted | 1,445,860 | 1,400,727 | 5,488,907 | 4,903,686 | 6,934,767 | 6,304,413 |
| Unrestricted | 4,150,511 | 4,041,803 | 2,144,298 | 1,998,380 | 6,294,809 | 6,040,183 |
| Total Net Position | <u>\$ 11,158,693</u> | <u>\$ 10,577,772</u> | <u>\$ 28,456,327</u> | <u>\$ 27,387,545</u> | <u>\$ 39,615,020</u> | <u>\$ 37,965,317</u> |

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

The statement of net position reflects a cash position totaling \$13,140,268 or 33% of total assets. The bulk of the Town's resources, \$26 million or 65% of total assets, are invested in capital assets. These assets consist of land and improvements, buildings, equipment, and utility system assets. The remaining 2% of total assets is receivable.

The Town of Severance uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Severance's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from other sources since; in general, the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position

Governmental activities increased the Town of Severance's net position by \$580,921. Business activities increased the Town's net position by \$1,068,782. A summary of the changes in net position is as follows:

| | CONDENSED STATEMENT OF ACTIVITIES | | | | | |
|----------------------------------|--|-----------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| PROGRAM REVENUES | | | | | | |
| Charges for Services | \$ 303,887 | \$ 219,267 | \$ 1,477,864 | \$ 1,402,402 | \$ 1,781,751 | \$ 1,621,669 |
| Operating Grants & Contributions | 367,723 | 285,785 | - | - | 367,723 | 285,785 |
| Capital Grants & Contributions | 160,580 | 180,260 | 522,700 | 344,245 | 683,280 | 524,505 |
| Total Program Revenues | <u>832,190</u> | <u>685,312</u> | <u>2,000,564</u> | <u>1,746,647</u> | <u>2,832,754</u> | <u>2,431,959</u> |
| GENERAL REVENUES | | | | | | |
| Property Taxes | 391,408 | 379,045 | - | - | 391,408 | 379,045 |
| Sales Taxes | 505,944 | 335,971 | - | - | 505,944 | 335,971 |
| Other Taxes | 108,821 | 84,833 | - | - | 108,821 | 84,833 |
| Interest Earnings | 25,773 | 7,816 | 34,043 | 9,987 | 59,816 | 17,803 |
| Miscellaneous | 163,397 | 19,604 | - | - | 163,397 | 19,604 |
| Total General Revenues | <u>1,195,343</u> | <u>827,269</u> | <u>34,043</u> | <u>9,987</u> | <u>1,229,386</u> | <u>837,256</u> |
| Total Revenues | <u>2,027,533</u> | <u>1,512,581</u> | <u>2,034,607</u> | <u>1,756,634</u> | <u>4,062,140</u> | <u>3,269,215</u> |
| PROGRAM EXPENSES | | | | | | |
| General Government | 204,901 | 216,370 | - | - | 204,901 | 216,370 |
| Public Safety | 222,588 | 209,201 | - | - | 222,588 | 209,201 |
| Public Works | 813,878 | 983,565 | - | - | 813,878 | 983,565 |
| Parks and Recreation | 132,019 | 124,002 | - | - | 132,019 | 124,002 |
| Interest Expense | 588 | - | - | - | 588 | - |
| Unallocated Depreciation | 72,638 | 34,913 | - | - | 72,638 | 34,913 |
| Sewer | - | - | 580,245 | 392,064 | 580,245 | 392,064 |
| Water | - | - | 385,580 | 589,937 | 385,580 | 589,937 |
| Total Program Expenses | <u>1,446,612</u> | <u>1,568,051</u> | <u>965,825</u> | <u>982,001</u> | <u>2,412,437</u> | <u>2,550,052</u> |
| Change in Net Position | 580,921 | (55,470) | 1,068,782 | 774,633 | 1,649,703 | 719,163 |
| Net Position, Beginning | <u>10,577,772</u> | <u>10,633,242</u> | <u>27,387,545</u> | <u>26,612,912</u> | <u>37,965,317</u> | <u>37,246,154</u> |
| Net Position, Ending | <u>\$ 11,158,693</u> | <u>\$ 10,577,772</u> | <u>\$ 28,456,327</u> | <u>\$ 27,387,545</u> | <u>\$ 39,615,020</u> | <u>\$ 37,965,317</u> |

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

General Fund – The General Fund went from a balance of \$4,531,683 to \$4,677,973. This increase is principally due to an increase in sales and use tax due to the increase in building permits as well as oil leases. Increasing total revenues by \$535,577. While expenditures decreased by \$15,897, which was a result of ongoing efforts to reduce spending.

Street Impact Fund – The Street Impact Fund increased \$63,057 from a fund balance in 2013 of \$327,369 to a fund balance in 2014 of \$274,119.

Special Revenue Fund increased by \$9,183. This was largely from an increase in Street Impact Fees. The Special Revenue Funds are made up of Conservation Trust Fund and Parks Impact Fund and Street Impact Fund.

Proprietary Funds - Proprietary funds have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the business-type activities of the Town as a whole. The proprietary fund statements, however, will provide a greater level of detail than the information found in the government-wide statements.

Water Fund -Water Fund net position increased by \$926,270. This was due to an increase in building permits local plant investment fees.

Sewer Fund – Sewer Fund net position increased by \$142,512. This was due to permit infrastructure and tap fees. The operating expenses were also up \$190,435.

Capital Assets

Approximately 21% of the Town's capital assets support governmental activities. The majority of the value is invested in land, buildings and improvements.

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 |
|--|-------------------------------|-------------------|-------------------|---------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 291,035 | \$ 180 | \$ - | \$ 291,215 |
| Construction in Progress | 663,055 | 40,465 | 510,216 | 193,304 |
| Total capital assets not being depreciated | <u>954,090</u> | <u>40,645</u> | <u>510,216</u> | <u>484,519</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 5,250,721 | - | - | 5,250,721 |
| Buildings | 224,585 | 1,132,643 | - | 1,357,228 |
| Vehicles | 224,284 | 52,124 | - | 276,408 |
| Equipment | 300,457 | 9,374 | - | 309,831 |
| Total capital assets being depreciated | <u>6,000,047</u> | <u>1,194,141</u> | <u>-</u> | <u>7,194,188</u> |
| Less accumulated depreciation: | | | | |
| Infrastructure | 1,410,934 | 224,852 | - | 1,635,786 |
| Buildings | 102,048 | 25,031 | - | 127,079 |
| Vehicles | 86,673 | 21,090 | - | 107,763 |
| Equipment | 219,240 | 26,517 | - | 245,757 |
| Total accumulated depreciation | <u>1,818,895</u> | <u>297,490</u> | <u>-</u> | <u>2,116,385</u> |
| Total capital assets, net | <u>\$ 5,135,242</u> | <u>\$ 937,296</u> | <u>\$ 510,216</u> | <u>\$ 5,562,322</u> |

The Town's business-type activities capital assets consist of its investments in its utility systems and related equipment.

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 |
|--|-------------------------------|--------------------------|-------------------------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Water rights | \$ 12,076,000 | \$ 236,000 | \$ - | \$ 12,312,000 |
| Northern Integrated Supply Proj. in progress | 401,828 | 48,750 | - | 450,578 |
| North Weld County Water Dist. Capacity | 2,048,850 | - | - | 2,048,850 |
| Construction in progress - sewer | 13,682 | - | 13,682 | - |
| Total capital assets not being depreciated | <u>14,540,360</u> | <u>284,750</u> | <u>13,682</u> | <u>14,811,428</u> |
| Capital assets being depreciated: | | | | |
| Water System | 1,970,522 | - | - | 1,970,522 |
| Sewer System | 5,273,684 | 218,866 | - | 5,492,550 |
| Buildings | 223,240 | - | - | 223,240 |
| Equipment | 94,314 | 28,638 | - | 122,952 |
| Total capital assets being depreciated | <u>7,561,760</u> | <u>247,504</u> | <u>-</u> | <u>7,809,264</u> |
| Less accumulated depreciation: | | | | |
| Water System | 345,988 | 41,219 | - | 387,207 |
| Sewer System | 1,187,456 | 120,281 | - | 1,307,737 |
| Buildings | 31,316 | 7,441 | - | 38,757 |
| Equipment | 51,881 | 11,988 | - | 63,869 |
| Total accumulated depreciation | <u>1,616,641</u> | <u>180,929</u> | <u>-</u> | <u>1,797,570</u> |
| Total Capital Assets, net | <u>\$ 20,485,479</u> | <u>\$ 351,325</u> | <u>\$ 13,682</u> | <u>\$ 20,823,122</u> |

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

Long-Term Debt

The Town's governmental and business type activities long-term debt consists of accrued compensated absences payable. Governmental activities debt transactions for the year were as follows:

| | Balance January 1 2014 | Advances | Payments | Balance December 31 2014 | Current Portion | Interest Expense |
|--------------------------------|------------------------------|----------|----------|--------------------------------|--------------------|---------------------|
| Governmental activities | | | | | | |
| Compensated absences | \$ 11,365 | \$ 1,632 | \$ - | \$ 12,997 | \$ - | \$ - |

Business-type activities debt transactions for the year were as follows:

| | Balance January 1 2014 | Advances | Payments | Balance December 31 2014 | Current Portion | Interest Expense |
|---------------------------------|------------------------------|----------|----------|--------------------------------|--------------------|---------------------|
| Business-type activities | | | | | | |
| Compensated absences | \$ 6,077 | \$ 203 | \$ - | \$ 6,280 | \$ - | \$ - |

FUND SUMMARIES

The following is a synopsis of some of the key aspects of 2014.

The Town establishes a budget for six separate funds or accounting divisions. These six funds can be further paired into three major fund groupings: General Fund, Special Revenue Funds, and Enterprise Funds. The largest fund group is the Enterprise Funds, which provides \$1,477,864 in funding for the water distribution and sanitation services. The second largest is the General Fund, which provides \$2,027,353 in funding towards the majority of services available to Town residents through the Town's six departments.

GENERAL FUND

The General Fund is the major operating fund of the town. It is in this fund that revenue from property tax, sales tax, use tax on building materials, severance tax, franchise tax, licenses and permits, intergovernmental, charges for services, fines and other miscellaneous revenue accrues. The basic operations of the town are included in the General Fund. These operations include: legislative, judicial, elections, administration, public safety, streets/maintenance, storm drainage, parks/green space, community development, and culture/recreation.

Total revenue for 2014 in the General Fund is \$1,830,458. Sales and property taxes, licenses and permits, Intergovernmental and Earnings on Investments are the major sources of General Fund revenue.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are comprised of the Conservation Trust Fund, Street and Alley Fund, and Parks Fund.

**The Town of Severance
Management Discussion and Analysis
December 31, 2014**

Conservation Trust Fund

The Conservation Trust Fund is derived from the Town's share of lottery proceeds. The fund balance at the conclusion of 2014 is \$183,642. During 2014 the town received \$32,329 in lottery proceeds. These funds are for supplies, capital outlay and transfers to the Park Fund. The projected ending fund balance for 2015 is \$108,190.

Street Fund

The Street Fund is responsible for maintaining the Town's streets. Asphalt patching, overlay, chip seal, and crack filling are contracted out to independent contractors. Snow removal, painting, traffic sign installation and general maintenance of unpaved street and alleys are maintained by the Town. The Street Infrastructure fee accounts for improvements to the Town's street system funded through infrastructure fee assessments on building permits. The 2014 revenues are \$105,211. In the Street Fund, Maintenance of Condition and Capital Outlay totaled \$158,461. The projected ending fund balance for 2015 is \$544,789.

Parks Fund

The Parks Fund accounts for improvements to the Town's park system funded through Park Fees. The fund balance at the conclusion of 2014 is \$473,634. The 2015 revenues are \$292,559.

ENTERPRISE FUNDS

Water Fund

The Water fund is a proprietary fund used to account for the Town's ongoing activities that are similar to a private business enterprise. The measurement focus of proprietary funds is on the determination of net income. Enterprise Funds account for the operation of Town facilities that are predominately self-supporting through user charges. The Water Fund was established to account for the acquisition, operation and maintenance of the Town's water facilities and infrastructure. The Water Fund revenue for 2014 is \$1,181,843. Included in this total is \$569,161 for water sales and Other Charges for meter pit set sales, cash in lieu of water rights for Water Acquisition of \$612,682. The 2014 water rates will remained the same a minimum charge of \$26.50 for the first 5,000 gallons; \$2.90/1000 for excess usage up to 15,000 gallons; and \$3.15/1000 usage over 15,000 gallons.

Sewer Fund

Sewer Fund revenues for 2014 are \$296,021. The total operating Expenses for 2014 are \$477,686. The Sewer Treatment monthly fees will remain at \$24.00 per month for residential users. The Board of Trustees and staff are analyzing the sewer treatment fees for commercial users based on water usage.

Request for Information

The financial statements are designed to provide information for regulatory reporting to federal and state agencies and those with an interest in the Town's finances. Questions concerning this or any additional information should be addressed to Treasurer, Town of Severance, P. O. Box 339, Severance, CO 80546-0339.

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Trustees
Town of Severance
Severance, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Severance, Colorado, as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the basic financial statements of the Town, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Severance, Colorado, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town of Severance's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules shown on pages 25 - 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The combining and budgetary comparison statements and schedules listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Local Highway Finance Report page 34 - 35 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
May 27, 2015

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BASIC FINANCIAL STATEMENTS

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TOWN OF SEVERANCE, COLORADO

STATEMENT OF NET POSITION

December 31, 2014

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL 2014</u> |
|--|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 5,566,003 | \$ 7,574,265 | \$ 13,140,268 |
| Accounts Receivable | 14,666 | 69,183 | 83,849 |
| Property Tax Receivable | 621,408 | - | 621,408 |
| Interest Receivable | 48,524 | - | 48,524 |
| Intergovernmental Receivable | 45,039 | - | 45,039 |
| Due from Other Funds | 5,969 | - | 5,969 |
| Total Current Assets | <u>6,301,609</u> | <u>7,643,448</u> | <u>13,945,057</u> |
| Noncurrent Assets: | | | |
| Capital Assets, net of Depreciation | <u>5,562,322</u> | <u>20,823,122</u> | <u>26,385,444</u> |
| TOTAL ASSETS | <u>11,863,931</u> | <u>28,466,570</u> | <u>40,330,501</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 33,992 | 3,963 | 37,955 |
| Accrued Liabilities | 390 | - | 390 |
| Customer Deposits | 36,451 | - | 36,451 |
| Total Current Liabilities | <u>70,833</u> | <u>3,963</u> | <u>74,796</u> |
| Noncurrent Liabilities | | | |
| Accrued Compensated Absences | <u>12,997</u> | <u>6,280</u> | <u>19,277</u> |
| TOTAL LIABILITIES | <u>83,830</u> | <u>10,243</u> | <u>94,073</u> |
| DEFERRED INFLOWS OF FINANCIAL RESOURCES | | | |
| Unavailable Revenue - Property Taxes | <u>621,408</u> | <u>-</u> | <u>621,408</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 5,562,322 | 20,823,122 | 26,385,444 |
| Restricted | 1,445,860 | 5,488,907 | 6,934,767 |
| Unrestricted | 4,150,511 | 2,144,298 | 6,294,809 |
| TOTAL NET POSITION | <u>\$ 11,158,693</u> | <u>\$ 28,456,327</u> | <u>\$ 39,615,020</u> |

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

TOWN OF SEVERANCE, COLORADO

STATEMENT OF ACTIVITIES
December 31, 2014

| FUNCTIONS / PROGRAMS | PROGRAM REVENUES | | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | PROGRAM EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| GOVERNMENTAL ACTIVITIES | | | | |
| General Government | \$ 204,901 | \$ 291,427 | \$ 174,047 | \$ - |
| Public Safety | 222,588 | 12,460 | - | - |
| Public Works | 813,878 | - | 161,347 | 104,380 |
| Parks and Recreation | 132,019 | - | 32,329 | 56,200 |
| Noncapitalized Capital Outlay | - | - | - | - |
| Interest Expense | 588 | - | - | - |
| Unallocated Depreciation - Excludes Direct | 72,638 | - | - | - |
| Total Governmental Activities | <u>1,446,612</u> | <u>303,887</u> | <u>367,723</u> | <u>160,580</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Water | 580,245 | 1,181,843 | - | 296,200 |
| Sewer | 385,580 | 296,021 | - | 226,500 |
| Total Business-type Activities | <u>965,825</u> | <u>1,477,864</u> | <u>-</u> | <u>522,700</u> |
| TOTAL GOVERNMENT-WIDE | <u>\$ 2,412,437</u> | <u>\$ 1,781,751</u> | <u>\$ 367,723</u> | <u>\$ 683,280</u> |

General Revenues

Property Taxes
Sales and Use Taxes
Other Taxes
Interest and Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

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

**NET REVENUE (EXPENSE) AND
CHANGES IN NET POSITION**

| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|----------------------------|-----------------------------|----------------------|
| 260,573 | \$ - | \$ 260,573 |
| (210,128) | - | (210,128) |
| (548,151) | - | (548,151) |
| (43,490) | - | (43,490) |
| - | - | - |
| (588) | - | (588) |
| <u>(72,638)</u> | - | <u>(72,638)</u> |
| <u>(614,422)</u> | - | <u>(614,422)</u> |
| - | 897,798 | 897,798 |
| - | 136,941 | 136,941 |
| - | <u>1,034,739</u> | <u>1,034,739</u> |
| <u>(614,422)</u> | <u>1,034,739</u> | <u>420,317</u> |
| 391,408 | - | 391,408 |
| 505,944 | - | 505,944 |
| 108,821 | - | 108,821 |
| 25,773 | 34,043 | 59,816 |
| 163,397 | - | 163,397 |
| <u>1,195,343</u> | <u>34,043</u> | <u>1,229,386</u> |
| 580,921 | 1,068,782 | 1,649,703 |
| <u>10,577,772</u> | <u>27,387,545</u> | <u>37,965,317</u> |
| <u>\$ 11,158,693</u> | <u>\$ 28,456,327</u> | <u>\$ 39,615,020</u> |

TOWN OF SEVERANCE, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2014

(With Comparative Totals for December 31, 2013)

| | OTHER GOVERNMENTAL FUNDS | | TOTALS | |
|--|--------------------------|-------------------|----------------------|---------------------|
| | GENERAL | FUNDS | 2014 | 2013 |
| ASSETS | | | | |
| Cash and Investments | \$ 4,622,608 | \$ 943,395 | \$ 5,566,003 | \$ 5,445,605 |
| Accounts Receivable | 14,666 | - | 14,666 | 1,751 |
| Property Tax Receivable | 621,408 | - | 621,408 | 391,097 |
| Interest Receivable | 48,524 | - | 48,524 | 49,990 |
| Intergovernmental Receivable | 45,039 | - | 45,039 | 44,355 |
| Due from Other Funds | 5,969 | - | 5,969 | - |
| TOTAL ASSETS | \$ 5,358,214 | \$ 943,395 | \$ 6,301,609 | \$ 5,932,798 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 33,992 | \$ - | \$ 33,992 | \$ 61,616 |
| Accrued Liabilities | 390 | - | 390 | 6,685 |
| Customer Deposits | 24,451 | 12,000 | 36,451 | 19,505 |
| TOTAL LIABILITIES | 58,833 | 12,000 | 70,833 | 87,806 |
| DEFERRED INFLOWS OF FINANCIAL RESOURCES | | | | |
| Unavailable Revenue - Property Taxes | 621,408 | - | 621,408 | 391,097 |
| FUND BALANCE | | | | |
| Restricted Fund Balance | | | | |
| Restricted for TABOR Emergencies | 60,000 | - | 60,000 | 50,000 |
| Restricted for Impact Related Projects | 454,465 | 747,753 | 1,202,218 | 1,200,374 |
| Restricted by Statute | - | 183,642 | 183,642 | 150,353 |
| Assigned Fund Balance | | | | |
| Assigned for Subsequent Years' Expenditures | 826,839 | - | 826,839 | 1,410,276 |
| Unassigned Fund Balance | 3,336,669 | - | 3,336,669 | 2,642,892 |
| TOTAL FUND BALANCE | 4,677,973 | 931,395 | 5,609,368 | 5,453,895 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | \$ 5,358,214 | \$ 943,395 | \$ 6,301,609 | \$ 5,932,798 |
| Reconciliation from Fund Balance to Net Position: | | | | |
| Total Fund Balance | | | \$ 5,609,368 | |
| Capital assets used in governmental activities are not current resources and accordingly are not shown in the funds: | | | | |
| Capital Assets | | | 7,678,707 | |
| Accumulated Depreciation | | | (2,116,385) | |
| Compensated absences are recorded as an expense in the fund when paid but are show as a governmental activity liability when earned: | | | | |
| Compensated Absences | | | (12,997) | |
| Total Net Position - Governmental Activities | | | \$ 11,158,693 | |

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | OTHER | | TOTALS | |
|---------------------------------|---------------------|--------------------|---------------------|---------------------|
| | GENERAL | GOVERNMENTAL FUNDS | 2014 | 2013 |
| REVENUES | | | | |
| Taxes | \$ 1,006,173 | \$ - | \$ 1,006,173 | \$ 799,849 |
| Impact Fees | - | 160,400 | 160,400 | 180,260 |
| Licenses and Permits | 288,193 | - | 288,193 | 205,560 |
| Intergovernmental | 321,304 | 32,329 | 353,633 | 275,283 |
| Fines and Forfeits | 12,460 | - | 12,460 | 11,177 |
| Charges for Services | 1,249 | - | 1,249 | 1,170 |
| Other | 201,079 | 4,166 | 205,245 | 39,282 |
| TOTAL REVENUES | 1,830,458 | 196,895 | 2,027,353 | 1,512,581 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 219,954 | - | 219,954 | 202,355 |
| Public Safety | 222,588 | - | 222,588 | 209,201 |
| Public Works | 458,202 | - | 458,202 | 412,586 |
| Parks and Recreation | 131,306 | - | 131,306 | 123,577 |
| Capital Outlay | 651,530 | 187,712 | 839,242 | 1,050,716 |
| Debt Service | 588 | - | 588 | 1,770 |
| TOTAL EXPENDITURES | 1,684,168 | 187,712 | 1,871,880 | 2,000,205 |
| CHANGE IN FUND BALANCE | 146,290 | 9,183 | 155,473 | (487,624) |
| FUND BALANCES, Beginning | 4,531,683 | 922,212 | 5,453,895 | 5,941,519 |
| FUND BALANCES, Ending | \$ 4,677,973 | \$ 931,395 | \$ 5,609,368 | \$ 5,453,895 |

Reconciliation from Change in Fund Balances to Change in Net Position:

Net Change in Fund Balances - Total Governmental Funds \$ 155,473

Capital purchases are expensed in the funds but are capitalized and depreciated on the statement of activities:

Capitalized assets 724,390
Depreciation (297,490)

Compensated absences are recorded as an expense in the fund when paid, but are expensed when earned on the statement of activities:

Compensated absences (earned) paid - net (1,632)

Change in Net Position - Governmental Activities \$ 580,921

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF NET POSITION -
PROPRIETARY FUNDS**

December 31, 2014

(With Comparative Totals for December 31, 2013)

| | ENTERPRISE FUNDS | | TOTALS | |
|---------------------------------------|----------------------|---------------------|----------------------|----------------------|
| | WATER FUND | SEWER FUND | 2014 | 2013 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Investments | \$ 6,289,740 | \$ 1,284,525 | \$ 7,574,265 | \$ 6,841,451 |
| Accounts Receivable | 41,005 | 28,178 | 69,183 | 71,412 |
| Total Current Assets | <u>6,330,745</u> | <u>1,312,703</u> | <u>7,643,448</u> | <u>6,912,863</u> |
| Noncurrent Assets | | | | |
| Capital Assets | | | | |
| Non-Depreciable | | | | |
| Purchased Capacity | 2,048,850 | - | 2,048,850 | 2,048,850 |
| NISP Project | 450,578 | - | 450,578 | 401,828 |
| Water Rights | 12,312,000 | - | 12,312,000 | 12,076,000 |
| Construction in Progress | - | - | - | 13,682 |
| Depreciable | | | | |
| Buildings | 158,670 | 64,570 | 223,240 | 223,240 |
| Equipment | 65,986 | 56,966 | 122,952 | 94,314 |
| System | 1,970,522 | 5,492,550 | 7,463,072 | 7,244,206 |
| Total Capital Assets | 17,006,606 | 5,614,086 | 22,620,692 | 22,102,120 |
| Accumulated Depreciation | (444,553) | (1,353,017) | (1,797,570) | (1,616,641) |
| Capital Assets, net | <u>16,562,053</u> | <u>4,261,069</u> | <u>20,823,122</u> | <u>20,485,479</u> |
| TOTAL ASSETS | <u>22,892,798</u> | <u>5,573,772</u> | <u>28,466,570</u> | <u>27,398,342</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 255 | 3,708 | 3,963 | 4,719 |
| Noncurrent Liabilities | | | | |
| Accrued Compensated Absences | <u>3,140</u> | <u>3,140</u> | <u>6,280</u> | <u>6,078</u> |
| TOTAL LIABILITIES | <u>3,395</u> | <u>6,848</u> | <u>10,243</u> | <u>10,797</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 16,562,053 | 4,261,069 | 20,823,122 | 20,485,479 |
| Restricted: | | | | |
| For Capital Expenditures (Expendable) | 4,750,811 | 738,096 | 5,488,907 | 4,903,686 |
| Unrestricted | <u>1,576,539</u> | <u>567,759</u> | <u>2,144,298</u> | <u>1,998,380</u> |
| TOTAL NET POSITION | <u>\$ 22,889,403</u> | <u>\$ 5,566,924</u> | <u>\$ 28,456,327</u> | <u>\$ 27,387,545</u> |

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | ENTERPRISE FUNDS | | TOTALS | |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|
| | WATER FUND | SEWER FUND | 2014 | 2013 |
| OPERATING REVENUES | | | | |
| Sales | \$ 569,161 | \$ 296,021 | \$ 865,182 | \$ 857,304 |
| Other Charges | 612,682 | - | 612,682 | 545,098 |
| TOTAL OPERATING REVENUES | <u>1,181,843</u> | <u>296,021</u> | <u>1,477,864</u> | <u>1,402,402</u> |
| OPERATING EXPENSES | | | | |
| Salaries | 88,254 | 88,255 | 176,509 | 151,647 |
| Benefits | 26,980 | 25,927 | 52,907 | 41,875 |
| Legal | 81 | - | 81 | - |
| Accounting | 885 | 885 | 1,770 | 2,102 |
| Other Professional | 1,501 | 7,386 | 8,887 | 3,390 |
| Utilities | 13,770 | 40,079 | 53,849 | 48,953 |
| Repairs and Maintenance | 8,955 | 31,747 | 40,702 | 67,883 |
| Supplies | 36,972 | 31,102 | 68,074 | 102,895 |
| Office Expense | 9,633 | 9,343 | 18,976 | 12,258 |
| Dues and Subscriptions | 812 | 762 | 1,574 | 1,474 |
| Line Cleaning | - | 9,971 | 9,971 | 13,423 |
| Treatment | 294,380 | - | 294,380 | 327,453 |
| Testing | 1,584 | 1,566 | 3,150 | 5,422 |
| Insurance and Bonds | 4,021 | 4,021 | 8,042 | 7,832 |
| Miscellaneous | 883 | 3,112 | 3,995 | 1,959 |
| License and Permits | 34,999 | 333 | 35,332 | 13,728 |
| Travel and Training | 1,376 | 2,069 | 3,445 | 1,424 |
| Lease Payments | 1,626 | 1,626 | 3,252 | 3,758 |
| Depreciation | 53,533 | 127,396 | 180,929 | 174,525 |
| TOTAL OPERATING EXPENSES | <u>580,245</u> | <u>385,580</u> | <u>965,825</u> | <u>982,001</u> |
| OPERATING INCOME (LOSS) | <u>601,598</u> | <u>(89,559)</u> | <u>512,039</u> | <u>420,401</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment Earnings | <u>28,472</u> | <u>5,571</u> | <u>34,043</u> | <u>9,987</u> |
| CAPITAL CONTRIBUTED | | | | |
| Infrastructure Fees | 296,200 | 210,000 | 506,200 | 338,245 |
| Tap Fees | - | 16,500 | 16,500 | 6,000 |
| TOTAL CAPITAL CONTRIBUTED | <u>296,200</u> | <u>226,500</u> | <u>522,700</u> | <u>344,245</u> |
| NET INCOME (LOSS) | 926,270 | 142,512 | 1,068,782 | 774,633 |
| NET POSITION, Beginning | <u>21,963,133</u> | <u>5,424,412</u> | <u>27,387,545</u> | <u>26,612,912</u> |
| NET POSITION, Ending | <u>\$ 22,889,403</u> | <u>\$ 5,566,924</u> | <u>\$ 28,456,327</u> | <u>\$ 27,387,545</u> |

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | ENTERPRISE FUNDS | | TOTALS | |
|--|---------------------|---------------------|---------------------|---------------------|
| | WATER | SEWER | | |
| | FUND | FUND | 2014 | 2013 |
| Cash Flows From Operating Activities: | | | | |
| Cash Received from Customers | \$ 1,184,501 | \$ 295,592 | \$ 1,480,093 | \$ 1,401,060 |
| Cash Paid to Suppliers | (439,186) | (169,957) | (609,143) | (655,219) |
| Cash Paid to Employees | (88,153) | (88,154) | (176,307) | (150,693) |
| Net Cash Provided by Operating Activities | <u>657,162</u> | <u>37,481</u> | <u>694,643</u> | <u>595,148</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Capital Contributions | 296,200 | 226,500 | 522,700 | 344,245 |
| Acquisition of Capital Assets | (299,069) | (219,503) | (518,572) | (179,538) |
| Cash Flows Used by Capital and Related Financing Activities | <u>(2,869)</u> | <u>6,997</u> | <u>4,128</u> | <u>164,707</u> |
| Cash Flows (Uses) From Investing Activities: | | | | |
| Interest Received | <u>28,472</u> | <u>5,571</u> | <u>34,043</u> | <u>9,987</u> |
| Net Increase (Decrease) in Cash | 682,765 | 50,049 | 732,814 | 769,842 |
| Cash - Beginning | <u>5,606,975</u> | <u>1,234,476</u> | <u>6,841,451</u> | <u>6,071,609</u> |
| Cash - Ending | <u>\$ 6,289,740</u> | <u>\$ 1,284,525</u> | <u>\$ 7,574,265</u> | <u>\$ 6,841,451</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities: | | | | |
| Operating Income (Loss) Adjustments to Reconcile Operating | \$ 601,598 | \$ (89,559) | \$ 512,039 | \$ 420,401 |
| Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation Expense | 53,533 | 127,396 | 180,929 | 174,525 |
| Changes in Assets and Liabilities Related to Operations: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable | 2,658 | (429) | 2,229 | (1,342) |
| Increase (Decrease) in: | | | | |
| Accounts Payable | (728) | (28) | (756) | 610 |
| Accrued Compensated Absences | 101 | 101 | 202 | 954 |
| Total Adjustments | <u>55,564</u> | <u>127,040</u> | <u>182,604</u> | <u>174,747</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 657,162</u> | <u>\$ 37,481</u> | <u>\$ 694,643</u> | <u>\$ 595,148</u> |

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

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HISTORY AND FUNCTION OF ORGANIZATION

The Town of Severance, Colorado is a political subdivision of the State of Colorado governed by a seven member board of trustees. The Town is a full service entity providing public safety, public works, and parks services as well as providing water and sewer services.

REPORTING ENTITY

In accordance with Governmental Accounting Standards, the Town has considered the possibility of inclusion of additional entities in its basic financial statements. The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, no additional organizations were included within the Town's reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt which is recognized when due and (2) compensated absences which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, and grants. Other revenues are not susceptible to accrual as they generally are not measurable until received in cash.

FUND ACCOUNTING

The accompanying financial statements include the Town's governmental fund types and proprietary fund types. The Town's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those related to the operation of the water and sewer systems) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on a computation of net income. The following are the Town's governmental fund types:

General Fund

Revenues are recognized when they become measurable and available as net current assets. Certain service fees and non-tax revenues are recognized when received or billed. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal sources of revenues are property and sales taxes. Principal expenditures are for police protection, public works, parks and recreations and Town administration.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds

These funds account for revenues derived from specific taxes or other designated revenues that are legally restricted to expenditures for specific purposes. The Town's special revenue funds are considered non-major and are as follows:

Street Impact Fund

The Street Impact Fund accounts for improvements to the Town's street system funded through impact fee assessments.

Parks Impact Fund

The Parks Impact Fund accounts for improvements to the Town's park system funded through impact fee assessments.

Conservation Trust Fund

This fund accounts for funds received through the State of Colorado Lottery/ Conservation Trust Fund program. These funds are required to be spent on parks and recreation.

Proprietary Fund Types

Proprietary funds are used to account for the Town's ongoing activities that are similar to a private business enterprise. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The measurement focus of proprietary funds is on the determination of net income. The Town's proprietary fund type is as follows:

Enterprise Funds

This fund accounts for the operation of Town facilities that are predominately self supporting through user charges. The funds are as follows:

Water Fund

The Water Fund was established to account for the acquisition, operation and maintenance of the Town's water facilities and infrastructure.

Sewer Fund

The Sewer Fund was established to account for the acquisition, operation and maintenance of the Town's sewer facility and infrastructure.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

Budgets were adopted for all funds. Budgets are prepared on the same basis of accounting as that used for accounting purposes. In the budget versus actual statements, the actual results of operations are presented on the budgetary basis of accounting for proper comparison to the budget.

Budgets are adopted based on the requirements of state statutes. The following timetable is used:

- 1) Submission of the proposed budget to the Board of Trustees by October 15 of each year.
- 2) Certification of mill levies to the County Commissioners by December 15 of each year.
- 3) Final adoption of the budget and appropriations by December 15 of each year.

The Town does not use encumbrance accounting and all appropriations lapse at year end.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash and Equivalents

For the purposes of cash flow presentation, the Town considers all fully cash and fully liquid investment balances as cash and cash equivalents.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the Town on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue is recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Accounts Receivable

Based upon a review of the existing accounts receivable and the fact that any uncollectible water and sewer receivables can be certified to the County Treasurer as such and attached to the tax rolls, no allowance for doubtful accounts is provided.

Capital Assets

The Town's policy is to capitalize tangible assets with a unit value in excess of \$5,000 and an estimated useful life of greater than one year.

Governmental Activities

Expenditures for capital assets are recorded as expenditures in the appropriate governmental fund. They are also reported in the governmental activities column of the government-wide financial statements. These assets are reported at cost, or at fair market value in the case of donated assets.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (Continued)

Capital Assets (Continued)

Depreciation has been provided in the government-wide financial statements and has been computed over a period of 5 to 50 years using the straight line method. Depreciation is not provided in the fund financial statements.

Business Type Activities

Property, plant and equipment held in the proprietary funds are recorded at cost and estimated cost. Depreciation is computed over a period of 5 to 50 years using the straight line method.

Accumulated Unpaid Leave (Compensated Absences)

The Town grants employees personal time off based on years of service. Up to one year's accrual of leave may be carried over to the next fiscal year. Upon termination or resignation, an employee will be paid for all earned but unused personal time off.

Deferred Inflows of Financial Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Net Position/Fund Balances

In the government-wide financial statements and for the proprietary fund statements, net position are either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The Town does not currently have any nonspendable fund balances.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (Continued)

Net Position/Fund Balances (Continued)

Fund balance is reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the most formal action, adoption of an ordinance, of the government's highest level of decision-making authority, the Board of Trustees, are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Town does not currently have any assigned fund balances.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

NET POSITION/FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

COMPARATIVE DATA

Comparative total data for the prior year has been presented in most of the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in certain statements since their inclusion would make those statements unduly complex and difficult to read.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2: CASH AND INVESTMENTS

The Town's cash and investment balances are allocated as follows as of December 31, 2014:

| <u>Type</u> | <u>Carrying Value</u> |
|-----------------------------------|-----------------------|
| Deposits | |
| Demand deposits | \$ 5,379,639 |
| Time deposits | 205,673 |
| Cash on hand | 300 |
| Total Deposits | 5,585,612 |
| Investments | |
| Local Govt Pools | 1,023 |
| Investments Held in Safekeeping | 7,553,633 |
| Total Cash and Investments | \$ 13,140,268 |

This balance is presented in the financial statements as shown below:

| | |
|-----------------------------------|----------------------|
| Governmental Activities | \$ 5,566,003 |
| Business-type Activities | 7,574,265 |
| Total Cash and Investments | \$ 13,140,268 |

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Town's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2014, all of the Town's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

| | Bank Balance | Carrying Balance |
|--|-------------------------|-----------------------------|
| FDIC Insured | \$ 500,920 | \$ 500,920 |
| PDPA Collateralized (Not in the Town's Name) | 7,931,083 | 5,084,392 |
| Petty Cash | - | 300 |
| Total Cash Deposits | \$ 8,432,003 | \$ 5,585,612 |

Investments

Credit Risk - Investments

Colorado statutes specify which instruments units of local government may invest, which include:

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

The Town's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The Town's investments as of December 31, 2014, were as follows:

| <u>Description</u> | <u>Fair Value</u> | <u>Weighted Maturity In Years</u> | <u>% of Invest.</u> | <u>Moody's Rating</u> | <u>S&P Rating</u> |
|--------------------------------------|---------------------|---|-------------------------|---------------------------|---------------------------|
| Federal Home Loan Bank | \$ 255,013 | 3.37 | 5.39% | AAA | AA+ |
| Federal Home Loan Mortgage Corp | 859,940 | 3.84 | 18.19% | AAA | AA+ |
| Federal National Mortgage Assn | 335,287 | 5.88 | 7.09% | AAA | AA+ |
| Government National Mortgage Assn | 29,949 | 23.35 | 0.63% | AAA | AA+ |
| Federal Farm Credit Banks | 496,741 | 6.57 | 10.51% | AAA | AA+ |
| GE Capital Corporation | 225,752 | 0.09 | 4.77% | A1 | AA+ |
| Florida Department of Transportation | 324,745 | 2.50 | 6.87% | AA2 | AA+ |
| Municipal Securities | 1,983,401 | 2.85 | 41.95% | AA3 - AAA | AA- - AAA |
| All Other Commercial Paper | 154,661 | 2.46 | 3.27% | A1 - AAA | AA- - AAA |
| Local Government Pools | 1,023 | - | 0.02% | N/A | AAAm |
| Mutual Funds | 62,041 | 0.05 | 1.31% | N/A | N/A |
| Total | <u>\$ 4,728,553</u> | <u>3.59</u> | <u>100.00%</u> | | |

During the year ended December 31, 2014, the Town invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The pool invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The pool is rated AAAm by the Standard and Poor's Corporation. The balance of this investment as of December 31, 2014 was \$1,023.

Concentration of Credit Risk - Investments

The Town places no limit on the amount that may be invested in any one issuer. As of December 31, 2013, the Town held investments in Private Export Funding Corporation commercial paper, General Electric Capital Corporation commercial paper, and Florida State Department of Transportation municipal bonds representing 6%, 5%, and 7% of the total investment portfolio. No other individual commercial paper or municipal bond securities represented more than 5% of the total holdings.

Interest Rate Risk - Investments

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes. The anticipated maturity of any investment is not expected to exceed five years regardless of stated maturity.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2014, the Town's securitized investments were held in safekeeping by Morgan Stanley Smith Barney.

NOTE 3: CAPITAL ASSETS

A summary of the Town's governmental activity capital assets is as follows:

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 |
|--|-------------------------------|-------------------|-------------------|---------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 291,035 | \$ 180 | \$ - | \$ 291,215 |
| Construction in Progress | 663,055 | 40,465 | 510,216 | 193,304 |
| Total capital assets not being depreciated | <u>954,090</u> | <u>40,645</u> | <u>510,216</u> | <u>484,519</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 5,250,721 | - | - | 5,250,721 |
| Buildings | 224,585 | 1,132,643 | - | 1,357,228 |
| Vehicles | 224,284 | 52,124 | - | 276,408 |
| Equipment | 300,457 | 9,374 | - | 309,831 |
| Total capital assets being depreciated | <u>6,000,047</u> | <u>1,194,141</u> | <u>-</u> | <u>7,194,188</u> |
| Less accumulated depreciation: | | | | |
| Infrastructure | 1,410,934 | 224,852 | - | 1,635,786 |
| Buildings | 102,048 | 25,031 | - | 127,079 |
| Vehicles | 86,673 | 21,090 | - | 107,763 |
| Equipment | 219,240 | 26,517 | - | 245,757 |
| Total accumulated depreciation | <u>1,818,895</u> | <u>297,490</u> | <u>-</u> | <u>2,116,385</u> |
| Total capital assets, net | <u>\$ 5,135,242</u> | <u>\$ 937,296</u> | <u>\$ 510,216</u> | <u>\$ 5,562,322</u> |

Depreciation is charged to the Town's Governmental Activities as follows:

| | |
|---------------------------|-------------------|
| Public Works depreciation | \$ 224,852 |
| Unallocated depreciation | <u>72,638</u> |
| Total depreciation | <u>\$ 297,490</u> |

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3: CAPITAL ASSETS (Continued)

The following is a summary of the Town's business-type activity capital asset balances:

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 |
|--|-------------------------------|--------------------------|-------------------------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Water rights | \$ 12,076,000 | \$ 236,000 | \$ - | \$ 12,312,000 |
| Northern Integrated Supply Proj. in progress | 401,828 | 48,750 | - | 450,578 |
| North Weld County Water Dist. Capacity | 2,048,850 | - | - | 2,048,850 |
| Construction in progress - sewer | 13,682 | - | 13,682 | - |
| Total capital assets not being depreciated | <u>14,540,360</u> | <u>284,750</u> | <u>13,682</u> | <u>14,811,428</u> |
| Capital assets being depreciated: | | | | |
| Water System | 1,970,522 | - | - | 1,970,522 |
| Sewer System | 5,273,684 | 218,866 | - | 5,492,550 |
| Buildings | 223,240 | - | - | 223,240 |
| Equipment | 94,314 | 28,638 | - | 122,952 |
| Total capital assets being depreciated | <u>7,561,760</u> | <u>247,504</u> | <u>-</u> | <u>7,809,264</u> |
| Less accumulated depreciation: | | | | |
| Water System | 345,988 | 41,219 | - | 387,207 |
| Sewer System | 1,187,456 | 120,281 | - | 1,307,737 |
| Buildings | 31,316 | 7,441 | - | 38,757 |
| Equipment | 51,881 | 11,988 | - | 63,869 |
| Total accumulated depreciation | <u>1,616,641</u> | <u>180,929</u> | <u>-</u> | <u>1,797,570</u> |
| Total Capital Assets, net | <u>\$ 20,485,479</u> | <u>\$ 351,325</u> | <u>\$ 13,682</u> | <u>\$ 20,823,122</u> |

Depreciation is charged to the Town's Business-Type Activities as follows:

| | |
|----------------------|-------------------|
| Depreciation - Water | \$ 50,274 |
| Depreciation - Sewer | <u>124,251</u> |
| Total Depreciation | <u>\$ 174,525</u> |

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4: NONCURRENT LIABILITIES

The following is a schedule of long-term liabilities and changes in liabilities for the year, by activity type.

| | Balance January 1 2014 | Advances | Payments | Balance December 31 2014 | Current Portion |
|---------------------------------|------------------------------|----------|----------|--------------------------------|--------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 11,365 | \$ 1,632 | \$ - | \$ 12,997 | \$ - |
| Business-type activities | | | | | |
| Compensated absences | \$ 6,077 | \$ 203 | \$ - | \$ 6,280 | \$ - |

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Town receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of the Town, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Town at December 31, 2014.

NOTE 6: RESTRICTED FUND BALANCE / NET POSITION

Tax Spending and Debt Limitations

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments, and special districts. The Town's financial activity for the year ended December 31, 2014 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6: RESTRICTED FUND BALANCE / NET POSITION (Continued)

Tax Spending and Debt Limitations (Continued)

Subsequent to December 31, 1992, revenue in excess of the Town's "spending limit" must be refunded unless voters approve the retaining of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

At November 7, 1995, and April 2, 1996 elections, the electors of the Town authorized the Town to collect, retain and expend the full amount of the revenues from all sources during 1998, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the Colorado Constitution. TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The Town's management believes it is in compliance with the TABOR amendment.

The Article requires an emergency reserve be set aside for 2014 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2014, the Town has reserved the following for emergencies:

| | |
|--------------|------------------|
| General Fund | <u>\$ 60,000</u> |
|--------------|------------------|

Other Restrictions

The Town has restricted net position at December 31, 2014 in the Water and Sewer Funds for future purchases of system capacity and other improvements totaling \$4,750,811 and \$738,096, respectively. The Town has also restricted net position/fund balances related to collected, but unspent, impact fees that will be used to fund future projects.

Fund Equity Assignments

The Town has assigned the following amounts for future expenditures through the adoption of the 2015 budget:

| | |
|--------------|-----------|
| General Fund | \$826,839 |
| Water Fund | 795,619 |

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7: RISK MANAGEMENT

The Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons and property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have ability to significantly affect the operations of the unit.

The Town has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the Town has not recorded any liability for unpaid claims at December 31, 2014.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8: RETIREMENT COMMITMENTS

Money Purchase Pension Plan

The Town provides pension benefits for its employees through a defined contribution money purchase plan. The plan is administered by the ICMA Retirement Corporation. All full-time employees may participate in the plan from the date of employment and are immediately fully vested. The plan provisions can be modified by the Town Council. The Town contributes an amount equal to 5% or 3% of the covered employees' salaries each month, depending upon the employees' negotiated compensation with the Town. Contributions totaled \$11,278 in 2014. The Town has no liability for this plan beyond its current annual contribution.

Deferred Compensation Plan

Pursuant to Governmental Accounting Standards Board Statement No. 32: *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town established a trust to hold the assets of its Deferred Compensation Plan, and modified the plan document to state that the plan is "held in trust for the exclusive benefit of participants and their beneficiaries." As such the plan's assets are no longer the property and rights of the Town, and are not reflected in the financial statements of the Town.

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | VARIANCE FAVORABLE- (UNFAVORABLE) | 2013 ACTUAL |
|-----------------------------------|-------------------------------|------------------|---|------------------|
| | ORIGINAL & FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 391,097 | \$ 391,017 | \$ (80) | \$ 378,565 |
| Delinquent Penalties and Interest | 350 | 391 | 41 | 480 |
| Sales and Use Taxes | 420,000 | 505,944 | 85,944 | 335,971 |
| Franchise Tax | 75,000 | 108,821 | 33,821 | 84,833 |
| Total Taxes | <u>886,447</u> | <u>1,006,173</u> | <u>119,726</u> | <u>799,849</u> |
| Licenses and Permits: | | | | |
| Building Permits | 180,500 | 177,882 | (2,618) | 129,116 |
| Licenses | 6,900 | 7,123 | 223 | 7,403 |
| Drainage Fees | 35,000 | 25,950 | (9,050) | 14,815 |
| Admin Service Development Fee | 17,500 | 18,000 | 500 | 10,200 |
| Administration Fees | 50,000 | 54,452 | 4,452 | 39,396 |
| Other Fees and Permits | 4,250 | 4,898 | 648 | 4,250 |
| Developer Back Billing | 1,000 | (112) | (1,112) | 380 |
| Total Licenses and Permits | <u>295,150</u> | <u>288,193</u> | <u>(6,957)</u> | <u>205,560</u> |
| Intergovernmental: | | | | |
| State Mineral Leases | 17,500 | 33,721 | 16,221 | 18,529 |
| Highway Users | 113,400 | 120,190 | 6,790 | 116,186 |
| Clerk Fees - Motor Vehicles | 13,000 | 15,791 | 2,791 | 15,038 |
| Specific Ownership Taxes | 25,000 | 32,817 | 7,817 | 25,231 |
| Road and Bridge | 24,000 | 25,366 | 1,366 | 20,855 |
| Cigarette Taxes | 950 | 1,076 | 126 | 963 |
| Severance Taxes | 35,000 | 85,267 | 50,267 | 43,030 |
| Other State Grants | 17,500 | 7,076 | (10,424) | - |
| Total Intergovernmental | <u>246,350</u> | <u>321,304</u> | <u>74,954</u> | <u>239,832</u> |
| Fines and Forfeits | <u>16,250</u> | <u>12,460</u> | <u>(3,790)</u> | <u>11,177</u> |
| Charges for Services | <u>950</u> | <u>1,249</u> | <u>299</u> | <u>1,170</u> |
| Miscellaneous: | | | | |
| Investment Earnings | 35,000 | 21,607 | (13,393) | 5,827 |
| Rent | 1,200 | 1,985 | 785 | 1,360 |
| Donations | 5,500 | 14,090 | 8,590 | 10,502 |
| Refunds | 1,600 | 106,316 | 104,716 | 11,484 |
| Miscellaneous | 14,525 | 57,081 | 42,556 | 8,120 |
| Total Miscellaneous | <u>57,825</u> | <u>201,079</u> | <u>143,254</u> | <u>37,293</u> |
| TOTAL REVENUES | <u>1,502,972</u> | <u>1,830,458</u> | <u>327,486</u> | <u>1,294,881</u> |

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND (Continued)**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | VARIANCE FAVORABLE- (UNFAVORABLE) | 2013 ACTUAL |
|---|-------------------------------|---------------------|---|---------------------|
| | ORIGINAL & FINAL BUDGET | ACTUAL | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| Legislative | 85,797 | 66,454 | 19,343 | 83,353 |
| Elections | 4,220 | 5,258 | (1,038) | - |
| Judicial | 12,485 | 6,896 | 5,589 | 8,485 |
| Administration | 131,367 | 141,346 | (9,979) | 110,517 |
| Public Safety | | | | |
| Police/Sheriff | 233,929 | 222,588 | 11,341 | 209,201 |
| Public Works | | | | |
| Community Development | 363,606 | 287,639 | 75,967 | 231,011 |
| Streets/Maintenance | 250,566 | 169,205 | 81,361 | 172,938 |
| Storm Drainage | 36,500 | 1,177 | 35,323 | - |
| Culture and Recreation | | | | |
| Parks/Green Space | 138,979 | 109,166 | 29,813 | 96,387 |
| Culture and Recreation | 24,830 | 22,140 | 2,690 | 18,905 |
| Capital Outlay | 495,500 | 651,530 | (156,030) | 767,498 |
| Debt Service | 588 | 588 | - | 1,770 |
| | | | | |
| TOTAL EXPENDITURES | <u>1,778,367</u> | <u>1,684,168</u> | <u>94,199</u> | <u>1,700,065</u> |
| | | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (275,395) | 146,290 | 421,685 | (405,184) |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In (Out) | <u>(1,134,881)</u> | <u>-</u> | <u>1,134,881</u> | <u>(200,000)</u> |
| | | | | |
| CHANGE IN FUND BALANCE | (1,410,276) | 146,290 | 1,556,566 | (605,184) |
| | | | | |
| FUND BALANCE - Beginning | <u>4,669,900</u> | <u>4,531,683</u> | <u>(138,217)</u> | <u>5,136,867</u> |
| | | | | |
| FUND BALANCE - Ending | <u>\$ 3,259,624</u> | <u>\$ 4,677,973</u> | <u>\$ 1,418,349</u> | <u>\$ 4,531,683</u> |

See the accompanying Independent Auditors' Report.

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OTHER SUPPLEMENTARY INFORMATION

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TOWN OF SEVERANCE, COLORADO

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2014
 (With Comparative Totals for December 31, 2013)

| | <u>SPECIAL REVENUE FUNDS</u> | | | <u>TOTALS</u> | |
|--|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>CONSERVATION</u> | <u>PARKS</u> | <u>STREET</u> | | |
| | <u>TRUST</u> | <u>IMPACT</u> | <u>IMPACT</u> | <u>2014</u> | <u>2013</u> |
| | <u>FUND</u> | <u>FUND</u> | <u>FUND</u> | | |
| ASSETS | | | | | |
| Cash and Investments | \$ 183,642 | \$ 473,634 | \$ 286,119 | \$ 943,395 | \$ 934,212 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Customer Deposits | \$ - | \$ - | \$ 12,000 | \$ 12,000 | \$ 12,000 |
| FUND BALANCES | | | | | |
| Restricted Fund Balance | | | | | |
| Restricted for Impact Related Projects | - | 473,634 | 274,119 | 747,753 | 771,859 |
| Restricted by Statute | 183,642 | - | - | 183,642 | 150,353 |
| TOTAL FUND BALANCES | <u>183,642</u> | <u>473,634</u> | <u>274,119</u> | <u>931,395</u> | <u>922,212</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 183,642</u> | <u>\$ 473,634</u> | <u>\$ 286,119</u> | <u>\$ 943,395</u> | <u>\$ 934,212</u> |

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See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | SPECIAL REVENUE FUNDS | | | TOTALS | |
|---|-------------------------------|-------------------------|--------------------------|-------------------|-------------------|
| | CONSERVATION TRUST FUND | PARKS IMPACT FUND | STREET IMPACT FUND | 2014 | 2013 |
| | | | | | |
| REVENUES | | | | | |
| Intergovernmental | \$ 32,329 | \$ - | \$ - | \$ 32,329 | \$ 35,451 |
| Investment Earnings | 960 | 2,195 | 1,011 | 4,166 | 1,989 |
| Impact Fees | - | 56,200 | 104,200 | 160,400 | 180,260 |
| TOTAL REVENUES | 33,289 | 58,395 | 105,211 | 196,895 | 217,700 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Supplies | - | - | - | - | 8,285 |
| Maintenance of Condition | - | - | - | - | 8,637 |
| Capital Outlay | - | 29,251 | 158,461 | 187,712 | 283,218 |
| TOTAL EXPENDITURES | - | 29,251 | 158,461 | 187,712 | 300,140 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 33,289 | 29,144 | (53,250) | 9,183 | (82,440) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers (Out) | - | - | - | - | 200,000 |
| CHANGE IN FUND BALANCE | 33,289 | 29,144 | (53,250) | 9,183 | 117,560 |
| FUND BALANCE - Beginning | 150,353 | 444,490 | 327,369 | 922,212 | 804,652 |
| FUND BALANCE - Ending | \$ 183,642 | \$ 473,634 | \$ 274,119 | \$ 931,395 | \$ 922,212 |

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
STREET IMPACT FUND**

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | | 2013 ACTUAL |
|--|-------------------|-------------------|---|-------------------|
| | FINAL BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) | |
| REVENUES | | | | |
| Investment Earnings | \$ 1,044 | \$ 1,011 | \$ (33) | \$ 352 |
| Impact Fees | 86,000 | 104,200 | 18,200 | 154,560 |
| Federal Grants | <u>792,119</u> | <u>-</u> | <u>(792,119)</u> | <u>-</u> |
| TOTAL REVENUES | <u>879,163</u> | <u>105,211</u> | <u>(773,952)</u> | <u>154,912</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Maintenance of Condition | 5,000 | - | 5,000 | 8,637 |
| Capital Outlay | <u>1,947,700</u> | <u>158,461</u> | <u>1,789,239</u> | <u>283,218</u> |
| TOTAL EXPENDITURES | <u>1,952,700</u> | <u>158,461</u> | <u>1,794,239</u> | <u>291,855</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,073,537) | (53,250) | 1,020,287 | (136,943) |
| OTHER FINANCING SOURCES | | | | |
| Transfer In (Out) | <u>1,134,881</u> | <u>-</u> | <u>(1,134,881)</u> | <u>200,000</u> |
| CHANGE IN FUND BALANCE | 61,344 | (53,250) | (114,594) | 63,057 |
| FUND BALANCE - Beginning | <u>61,403</u> | <u>327,369</u> | <u>265,966</u> | <u>264,312</u> |
| FUND BALANCE - Ending | <u>\$ 122,747</u> | <u>\$ 274,119</u> | <u>\$ 151,372</u> | <u>\$ 327,369</u> |

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

BUDGETARY COMPARISON SCHEDULE -
PARKS IMPACT FUND

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | | 2013 ACTUAL |
|---|-------------------|-------------------|---|-------------------|
| | FINAL BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) | |
| REVENUES | | | | |
| Miscellaneous: | | | | |
| Investment Earnings | \$ 2,500 | \$ 2,195 | \$ (305) | \$ 691 |
| Impact Fees | <u>84,000</u> | <u>56,200</u> | <u>(27,800)</u> | <u>25,700</u> |
| TOTAL REVENUES | 86,500 | 58,395 | (28,105) | 26,391 |
| EXPENDITURES | | | | |
| Capital Outlay | <u>285,000</u> | <u>29,251</u> | <u>255,749</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (198,500) | 29,144 | 227,644 | 26,391 |
| Proceeds from issuance of debt | <u>40,000</u> | <u>-</u> | <u>(40,000)</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (158,500) | 29,144 | 187,644 | 26,391 |
| FUND BALANCE - Beginning | <u>467,329</u> | <u>444,490</u> | <u>(22,839)</u> | <u>418,099</u> |
| FUND BALANCE - Ending | <u>\$ 308,829</u> | <u>\$ 473,634</u> | <u>\$ 164,805</u> | <u>\$ 444,490</u> |

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

BUDGETARY COMPARISON SCHEDULE -
CONSERVATION TRUST FUND

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | VARIANCE- FAVORABLE (UNFAVORABLE) | 2013 ACTUAL |
|--|-----------------|------------|---|----------------|
| | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Lottery Proceeds | \$ 30,000 | \$ 32,329 | \$ 2,329 | \$ 35,451 |
| Miscellaneous: | | | | |
| Investment Earnings | 604 | 960 | 356 | 946 |
| TOTAL REVENUES | 30,604 | 33,289 | 2,685 | 36,397 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Supplies | - | - | - | 8,285 |
| Capital Outlay | 15,000 | - | 15,000 | - |
| TOTAL EXPENDITURES | 15,000 | - | 15,000 | 8,285 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 15,604 | 33,289 | 17,685 | 28,112 |
| OTHER FINANCING SOURCES | | | | |
| Transfer Out | (40,000) | - | 40,000 | - |
| CHANGE IN FUND BALANCE | (24,396) | 33,289 | 57,685 | 28,112 |
| FUND BALANCE - Beginning | 124,447 | 150,353 | 25,906 | 122,241 |
| FUND BALANCE - Ending | \$ 100,051 | \$ 183,642 | \$ 83,591 | \$ 150,353 |

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

WATER FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | VARIANCE- FAVORABLE (UNFAVORABLE) | 2013 |
|---|------------------|----------------------|---|----------------------|
| | FINAL BUDGET | ACTUAL | | ACTUAL |
| OPERATING REVENUES | | | | |
| Sales | \$ 650,000 | \$ 569,161 | \$ (80,839) | \$ 574,799 |
| Other Charges | <u>328,150</u> | <u>612,682</u> | <u>284,532</u> | <u>545,098</u> |
| TOTAL OPERATING REVENUES | <u>978,150</u> | <u>1,181,843</u> | <u>203,693</u> | <u>1,119,897</u> |
| OPERATING EXPENSES | | | | |
| Salaries | 85,867 | 88,254 | (2,387) | 75,824 |
| Benefits | 27,527 | 26,980 | 547 | 21,056 |
| Legal | 500 | 81 | 419 | - |
| Accounting | 1,051 | 885 | 166 | 1,051 |
| Other Professional | 2,806 | 1,501 | 1,305 | 735 |
| Utilities | 21,550 | 13,770 | 7,780 | 14,318 |
| Repairs and Maintenance | 24,380 | 8,955 | 15,425 | 14,929 |
| Supplies | 43,800 | 36,972 | 6,828 | 56,153 |
| Office Expense | 8,800 | 9,633 | (833) | 6,281 |
| Treatment | 412,200 | 294,380 | 117,820 | 327,453 |
| Testing | 2,000 | 1,584 | 416 | 1,173 |
| Insurance and Bonds | 4,150 | 4,021 | 129 | 3,916 |
| Miscellaneous | 1,000 | 883 | 117 | 753 |
| Water Assessments and Rentals | 32,700 | 34,999 | (2,299) | 12,853 |
| Travel and Training | 2,275 | 1,376 | 899 | 527 |
| Dues and Subscriptions | 4,950 | 812 | 4,138 | 762 |
| Lease Payments | 1,700 | 1,626 | 74 | 1,879 |
| Capital Outlay | 511,250 | 299,069 | 212,181 | 160,100 |
| TOTAL OPERATING EXPENSES | <u>1,188,506</u> | <u>825,781</u> | <u>362,725</u> | <u>699,763</u> |
| OPERATING INCOME | <u>(210,356)</u> | <u>356,062</u> | <u>566,418</u> | <u>420,134</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment Earnings | 25,000 | 28,472 | 3,472 | 8,312 |
| CAPITAL CONTRIBUTED | | | | |
| Infrastructure Fees | <u>188,000</u> | <u>296,200</u> | <u>108,200</u> | <u>216,200</u> |
| NET INCOME (LOSS) - BUDGET (GAAP) BASIS | <u>\$ 2,644</u> | <u>680,734</u> | <u>\$ 678,090</u> | <u>644,646</u> |
| GAAP BASIS ADJUSTMENTS | | | | |
| Capital Outlay | | 299,069 | | 160,100 |
| Depreciation | | <u>(53,533)</u> | | <u>(50,274)</u> |
| TOTAL GAAP BASIS ADJUSTMENTS | | <u>245,536</u> | | <u>109,826</u> |
| CHANGE IN NET POSITION | | 926,270 | | 754,472 |
| NET POSITION, Beginning | | <u>21,963,133</u> | | <u>21,208,661</u> |
| NET POSITION, Ending | | <u>\$ 22,889,403</u> | | <u>\$ 21,963,133</u> |

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

SEWER FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION-
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

| | 2014 | | VARIANCE- FAVORABLE (UNFAVORABLE) | 2013 |
|---------------------------------------|-----------------|--------------|---|--------------|
| | FINAL BUDGET | ACTUAL | | ACTUAL |
| OPERATING REVENUES | | | | |
| Sales | \$ 300,000 | \$ 296,021 | \$ (3,979) | \$ 282,505 |
| OPERATING EXPENSES | | | | |
| Salaries | 85,867 | 88,255 | (2,388) | 75,823 |
| Benefits | 26,626 | 25,927 | 699 | 20,819 |
| Accounting | 1,051 | 885 | 166 | 1,051 |
| Other Professional | 9,206 | 7,386 | 1,820 | 2,655 |
| Utilities | 37,850 | 40,079 | (2,229) | 34,635 |
| Repairs and Maintenance | 80,380 | 31,747 | 48,633 | 52,954 |
| Supplies | 46,800 | 31,102 | 15,698 | 46,742 |
| Office Expense | 8,825 | 9,343 | (518) | 5,977 |
| Dues and Subscriptions | 900 | 762 | 138 | 712 |
| Line Cleaning | 15,000 | 9,971 | 5,029 | 13,423 |
| Testing | 4,000 | 1,566 | 2,434 | 4,249 |
| Insurance and Bonds | 4,150 | 4,021 | 129 | 3,916 |
| Miscellaneous | 9,700 | 3,112 | 6,588 | 1,206 |
| License and Permits | 900 | 333 | 567 | 875 |
| Travel and Training | 1,900 | 2,069 | (169) | 897 |
| Lease Payments | 1,700 | 1,626 | 74 | 1,879 |
| Capital Outlay | 301,350 | 219,502 | 81,848 | 19,438 |
| TOTAL OPERATING EXPENSES | 636,205 | 477,686 | 158,519 | 287,251 |
| OPERATING INCOME (LOSS) | (336,205) | (181,665) | 154,540 | (4,746) |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment Earnings | 6,376 | 5,571 | (805) | 1,675 |
| Plant Investment Fees Paid | (50,000) | - | 50,000 | - |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | (43,624) | 5,571 | 49,195 | 1,675 |
| CAPITAL CONTRIBUTED | | | | |
| Infrastructure Fees | 300,000 | 210,000 | (90,000) | 122,045 |
| Tap Fees | 15,000 | 16,500 | 1,500 | 6,000 |
| TOTAL CAPITAL CONTRIBUTED | 315,000 | 226,500 | (88,500) | 128,045 |
| NET INCOME (LOSS) - BUDGET BASIS | \$ (64,829) | 50,406 | \$ 115,235 | 124,974 |
| GAAP BASIS ADJUSTMENTS | | | | |
| Capital Outlay | | 219,502 | | 19,438 |
| Depreciation | | (127,396) | | (124,251) |
| TOTAL GAAP BASIS ADJUSTMENTS | | 92,106 | | (104,813) |
| CHANGE IN NET POSITION | | 142,512 | | 20,161 |
| NET POSITION, Beginning | | 5,424,412 | | 5,404,251 |
| NET POSITION, Ending | | \$ 5,566,924 | | \$ 5,424,412 |

See the accompanying Independent Auditors' Report.

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COMPLIANCE SECTION

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STATE COMPLIANCE

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT

City or County:
TOWN OF SEVERANCE
YEAR ENDING :
December 2014

This Information From The Records Of TOWN OF SEVERANCE Prepared By: SHARLA JOHNSTON, TREASURER
Phone: 970-686-1218

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT | ITEM | AMOUNT |
|--|---------|---|---------|
| A. Receipts from local sources: | | A. Local highway disbursements: | |
| 1. Local highway-user taxes | | 1. Capital outlay (from page 2) | 158,461 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 237,214 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | 1,639 |
| 2. General fund appropriations | 304,079 | b. Snow and ice removal | 20,254 |
| 3. Other local imposts (from page 2) | 162,383 | c. Other | 51,083 |
| 4. Miscellaneous local receipts (from page 2) | 13,471 | d. Total (a. through c.) | 72,977 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 41,310 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | 159,243 |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 669,204 |
| b. Bonds - Refunding Issues | | B. Debt service on local obligations: | |
| c. Notes | | 1. Bonds: | |
| d. Total (a. + b. + c.) | 0 | a. Interest | |
| 7. Total (1 through 6) | 479,933 | b. Redemption | |
| B. Private Contributions | | c. Total (a. + b.) | 0 |
| C. Receipts from State government (from page 2) | | 2. Notes: | |
| | 136,021 | a. Interest | |
| D. Receipts from Federal Government (from page 2) | | b. Redemption | |
| | 0 | c. Total (a. + b.) | 0 |
| E. Total receipts (A.7 + B + C + D) | | 3. Total (1.c + 2.c) | 0 |
| | 615,954 | C. Payments to State for highways | |
| | | D. Payments to toll facilities | |
| | | E. Total disbursements (A.6 + B.3 + C + D) | |
| | | | 669,204 |

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

| | Opening Debt | Amount Issued | Redemptions | Closing Debt |
|------------------------------|--------------|---------------|-------------|--------------|
| A. Bonds (Total) | | | | 0 |
| 1. Bonds (Refunding Portion) | | | | |
| B. Notes (Total) | | | | 0 |

V. LOCAL ROAD AND STREET FUND BALANCE

| A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|----------------------|-------------------|------------------------|-------------------|-------------------|
| 327,369 | 615,954 | 669,204 | 274,119 | (0) |

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2014

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

| ITEM | AMOUNT | ITEM | AMOUNT |
|-----------------------------------|---------------------------|---|---------------------------|
| A.3. Other local imposts: | | A.4. Miscellaneous local receipts: | |
| a. Property Taxes and Assessments | | a. Interest on investments | 1,011 |
| b. Other local imposts: | | b. Traffic Fines & Penalties | 12,460 |
| 1. Sales Taxes | | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | 104,200 | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | |
| 4. Licenses | | f. Charges for Services | |
| 5. Specific Ownership &/or Other | 58,183 | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 162,383 | h. Other | |
| c. Total (a. + b.) | 162,383 | i. Total (a. through h.) | 13,471 |
| | (Carry forward to page 1) | | (Carry forward to page 1) |

| ITEM | AMOUNT | ITEM | AMOUNT |
|--|---------|--|---------------------------|
| C. Receipts from State Government | | D. Receipts from Federal Government | |
| 1. Highway-user taxes | 120,444 | 1. FHWA (from Item I.D.5.) | |
| 2. State general funds | | 2. Other Federal agencies: | |
| 3. Other State funds: | | a. Forest Service | |
| a. State bond proceeds | | b. FEMA | |
| b. Project Match | | c. HUD | |
| c. Motor Vehicle Registrations | 15,578 | d. Federal Transit Admin | |
| d. Other (Specify) - DOLA Grant | | e. U.S. Corps of Engineers | |
| e. Other (Specify) | | f. Other Federal | |
| f. Total (a. through e.) | 15,578 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 136,021 | 3. Total (1. + 2.g) | |
| | | | (Carry forward to page 1) |

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

| | ON NATIONAL HIGHWAY SYSTEM (a) | OFF NATIONAL HIGHWAY SYSTEM (b) | TOTAL (c) |
|---|---|--|---------------------------|
| A.1. Capital outlay: | | | |
| a. Right-Of-Way Costs | | | 0 |
| b. Engineering Costs | | 40,465 | 40,465 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | 117,995 | 117,995 |
| (4). System Enhancement & Operation | | | 0 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 117,995 | 117,995 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 158,461 | 158,461 |
| | | | (Carry forward to page 1) |

Notes and Comments: