

**TOWN OF SEVERANCE
SEVERANCE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

DRAFT

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FINANCIAL SECTION

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The of Severance Management Discussion and Analysis December 31, 2013

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, 2013. 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 decreased by \$55,470 and business-type net position increased by \$774,633 for the year. The assets of the Town exceeded its liabilities at the close of fiscal year 2013 by \$37,965,317 (*net position*). Of this amount, \$6,040,183 (*unrestricted net position*) may be used to meet the Town's ongoing obligations or unforeseen expenses.

At the end of 2013 unrestricted net position for the proprietary funds (business-type activities) was \$1,998,380.

As of the close of fiscal year 2013, the Town's General Fund reported an ending fund balance of \$4,531,683 compared to the fiscal year 2012 balance of \$5,136,567.

General Fund 2013 revenues increased by \$160,911 to \$1,294,881. General Fund expenditures also increased in 2013 by 824,458 to \$1,700,065.

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 \$37,965,317 as of December 31, 2013 and \$37,246,154 as of December 31, 2012.

**The of Severance
Management Discussion and Analysis
December 31, 2013**

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 \$38 million at the close of 2013.

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

CONDENSED STATEMENT OF NET POSITION						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Current Assets	\$ 5,932,798	\$ 6,416,030	\$ 6,912,863	\$ 6,169,420	\$ 12,845,661	\$ 12,585,450
Capital Assets Net	5,135,242	4,703,388	20,485,479	20,452,722	25,620,721	25,156,110
Total Assets	<u>11,068,040</u>	<u>11,119,418</u>	<u>27,398,342</u>	<u>26,622,142</u>	<u>38,466,382</u>	<u>37,741,560</u>
LIABILITIES						
Current Liabilities	87,806	97,761	4,719	4,107	92,525	101,868
Noncurrent Liabilities	<u>11,365</u>	<u>10,089</u>	<u>6,078</u>	<u>5,123</u>	<u>17,443</u>	<u>15,212</u>
Total Liabilities	<u>99,171</u>	<u>107,850</u>	<u>10,797</u>	<u>9,230</u>	<u>109,968</u>	<u>117,080</u>
DEFERRED INFLOW OF FINANCIAL RESOURCES						
	<u>391,097</u>	<u>378,326</u>	<u>-</u>	<u>-</u>	<u>391,097</u>	<u>378,326</u>
NET POSITION						
Net Investment in						
Capital Assets	5,135,242	4,701,810	20,485,479	20,452,722	25,620,721	25,154,532
Restricted	1,400,727	1,257,086	4,903,686	4,095,573	6,304,413	5,352,659
Unrestricted	<u>4,041,803</u>	<u>4,674,346</u>	<u>1,998,380</u>	<u>2,064,617</u>	<u>6,040,183</u>	<u>6,738,963</u>
Total Net Position	<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>

**The of Severance
Management Discussion and Analysis
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The statement of net position reflects a cash position totaling \$12,287,056 or 31.9% of total assets. The bulk of the Town's resources, \$25 million or 66.5% of total assets, are invested in capital assets. These assets consist of land and improvements, buildings, equipment, and utility system assets. The remaining 1.6% 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 decreased the Town of Severance's net position by \$55,470. Business activities increased the Town's net position by \$774,633. A summary of the changes in net position is as follows:

	CONDENSED STATEMENT OF ACTIVITIES					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
PROGRAM REVENUES						
Charges for Services	\$ 219,267	\$ 109,744	\$ 1,402,402	\$ 989,948	\$ 1,621,669	\$ 1,099,692
Operating Grants & Contributions	285,785	323,207	-	-	285,785	323,207
Capital Grants & Contributions	<u>180,260</u>	<u>116,600</u>	<u>344,245</u>	<u>112,200</u>	<u>524,505</u>	<u>228,800</u>
Total Program Revenues	<u>685,312</u>	<u>549,551</u>	<u>1,746,647</u>	<u>1,102,148</u>	<u>2,431,959</u>	<u>1,651,699</u>
GENERAL REVENUES						
Property Taxes	379,045	367,699	-	-	379,045	367,699
Sales Taxes	335,971	240,267	-	-	335,971	240,267
Other Taxes	84,833	79,468	-	-	84,833	79,468
Interest Earnings	7,816	44,297	9,987	57,416	17,803	101,713
Miscellaneous	<u>19,604</u>	<u>10,402</u>	<u>-</u>	<u>-</u>	<u>19,604</u>	<u>10,402</u>
Total General Revenues	<u>827,269</u>	<u>742,133</u>	<u>9,987</u>	<u>57,416</u>	<u>837,256</u>	<u>799,549</u>
Total Revenues	<u>1,512,581</u>	<u>1,291,684</u>	<u>1,756,634</u>	<u>1,159,564</u>	<u>3,269,215</u>	<u>2,451,248</u>
PROGRAM EXPENSES						
General Government	216,370	189,757	-	-	216,370	189,757
Public Safety	209,201	203,174	-	-	209,201	203,174
Public Works	983,565	724,242	-	-	983,565	724,242
Parks and Recreation	124,002	123,289	-	-	124,002	123,289
Unallocated Depreciation	34,913	51,580	-	-	34,913	51,580
Sewer	-	-	392,064	620,576	392,064	620,576
Water	<u>-</u>	<u>-</u>	<u>589,937</u>	<u>352,402</u>	<u>589,937</u>	<u>352,402</u>
Total Program Expenses	<u>1,568,051</u>	<u>1,292,042</u>	<u>982,001</u>	<u>972,978</u>	<u>2,550,052</u>	<u>2,265,020</u>
Change in Net Position	(55,470)	(358)	774,633	186,586	719,163	186,228
Net Position, Beginning	<u>10,633,242</u>	<u>10,633,600</u>	<u>26,612,912</u>	<u>26,426,326</u>	<u>37,246,154</u>	<u>37,059,926</u>
Net Position, Ending	<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>

**The of Severance
Management Discussion and Analysis
December 31, 2013**

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 \$5,136,867 to \$4,531,683. This decrease is principally the result of governmental activity operating costs exceeding revenue sources. Total revenues increased by \$160,911. Expenditures also increased by \$824,458. This was a result of purchasing a new town hall for \$510,000 and the lot to the south for \$120,000.

Street Impact Fund – The Street Impact Fund increased \$63,057 from a fund balance in 2012 of \$264,312 to a fund balance in 2013 of \$327,369.

Special Revenue Fund increased by \$117,559. 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 \$754,472. This was due to an increase in building permits local plant investment fees.

Sewer Fund – Sewer Fund net position increased by \$20,161. This was due to permit infrastructure and tap fees. The operating expenses were also up \$71,376.

Capital Assets

Approximately 16% of the Town's capital assets support governmental activities. The majority of the value is invested in land, buildings and improvements.

**The of Severance
Management Discussion and Analysis
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	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land and improvements	\$ 170,824	\$ 120,211	\$ -	\$ 291,035
Construction in Progress	138,147	524,908	-	663,055
Total capital assets not being depreciated	<u>308,971</u>	<u>645,119</u>	<u>-</u>	<u>954,090</u>
Capital assets being depreciated:				
Infrastructure	5,250,721	-	-	5,250,721
Buildings	224,585	-	-	224,585
Vehicles	177,784	46,500	-	224,284
Equipment	300,457	-	-	300,457
Total capital assets being depreciated	<u>5,953,547</u>	<u>46,500</u>	<u>-</u>	<u>6,000,047</u>
Less accumulated depreciation:				
Infrastructure	1,186,081	224,853	-	1,410,934
Buildings	95,896	6,152	-	102,048
Vehicles	84,972	1,701	-	86,673
Equipment	192,180	27,060	-	219,240
Total accumulated depreciation	<u>1,559,129</u>	<u>259,766</u>	<u>-</u>	<u>1,818,895</u>
Total capital assets, net	<u>\$ 4,703,389</u>	<u>\$ 431,853</u>	<u>\$ -</u>	<u>\$ 5,135,242</u>

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Water rights	\$ 12,076,000	\$ -	\$ -	\$ 12,076,000
Northern Integrated Supply Proj. in progress	369,328	32,500	-	401,828
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>14,494,178</u>	<u>46,182</u>	<u>-</u>	<u>14,540,360</u>
Capital assets being depreciated:				
Water System	1,970,522	-	-	1,970,522
Sewer System	5,273,684	-	-	5,273,684
Buildings	87,140	136,100	-	223,240
Equipment	69,314	25,000	-	94,314
Total capital assets being depreciated	<u>7,400,660</u>	<u>161,100</u>	<u>-</u>	<u>7,561,760</u>
Less accumulated depreciation:				
Water System	304,769	41,219	-	345,988
Sewer System	1,069,363	118,093	-	1,187,456
Buildings	26,143	5,173	-	31,316
Equipment	41,841	10,040	-	51,881
Total accumulated depreciation	<u>1,442,116</u>	<u>174,525</u>	<u>-</u>	<u>1,616,641</u>
Total Capital Assets, net	<u>\$ 20,452,722</u>	<u>\$ 32,757</u>	<u>\$ -</u>	<u>\$ 20,485,479</u>

**The of Severance
Management Discussion and Analysis
December 31, 2013**

Long-Term Debt

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

	Balance January 1 2013	Advances	Payments	Balance December 31 2013
Governmental activities				
Obligation under capital lease	\$ 1,578	\$ -	\$ 1,578	\$ -
Compensated absences	10,089	1,276	-	11,365
Total governmental activities	\$ 11,667	\$ 1,276	\$ 1,578	\$ 11,365
Business-type activities				
Compensated absences	\$ 5,124	\$ 953	\$ -	\$ 6,077

The Town's business-type activities long-term debt consists of various bonds and notes payable that were used for system improvements. Business-type activities debt transactions for the year were as follows:

	Balance January 1 2013	Advances	Payments	Balance December 31 2013
Business-type activities				
Compensated absences	\$ 5,124	\$ 954	\$ -	\$ 6,078

FUND SUMMARIES

The following is a synopsis of some of the key aspects of 2013.

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 \$1,402,402 in funding for the water distribution and sanitation services. The second largest is the General Fund, which provides \$1,512,580 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 2013 in the General Fund is \$1,294,881. 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 of Severance
Management Discussion and Analysis
December 31, 2013**

Conservation Trust Fund

The Conservation Trust Fund is derived from the Town's share of lottery proceeds. The fund balance at the conclusion of 2013 is \$150,353. During 2013 the town received \$35,451 in lottery proceeds. Total expenditures for 2013 are \$8,285. These funds are for supplies, capital outlay and transfers to the Park Fund. The projected ending fund balance for 2013 is \$150,353.

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 2013 revenues are \$154,912. In the Street Fund, Maintenance of Condition and Capital Outlay totaled \$291,855. There was a transfer from the General Fund of \$200,000 into the Street Fund to fund this project. The projected ending fund balance for 2013 is \$327,369.

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 2013 is \$444,490. The 2013 revenues are \$26,391.

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 2013 is \$1,119,897. Included in this total is \$574,799 for water sales and Other Charges for meter pit set sales, cash in lieu of water rights for Water Acquisition of \$545,098. The 2013 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 2013 are \$282,505. The total operating Expenses for 2013 are \$314,995. 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 Town Clerk, Town of Severance, 3 South Timber Ridge Parkway, P. O. Box 339, Severance, CO 80546.

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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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.



Englewood, Colorado
June 27, 2014

BASIC FINANCIAL STATEMENTS

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TOWN OF SEVERANCE, COLORADO

STATEMENT OF NET POSITION

December 31, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2013
ASSETS			
Current Assets:			
Cash and Investments	\$ 5,445,605	\$ 6,841,451	\$ 12,287,056
Accounts Receivable	1,751	71,412	73,163
Property Tax Receivable	391,097	-	391,097
Interest Receivable	49,990	-	49,990
Intergovernmental Receivable	44,355	-	44,355
Total Current Assets	5,932,798	6,912,863	12,845,661
Noncurrent Assets:			
Capital Assets, net of Depreciation	5,135,242	20,485,479	25,620,721
TOTAL ASSETS	11,068,040	27,398,342	38,466,382
LIABILITIES			
Current Liabilities			
Accounts Payable	61,616	4,719	66,335
Accrued Liabilities	14,190	-	14,190
Customer Deposits	12,000	-	12,000
Total Current Liabilities	87,806	4,719	92,525
Noncurrent Liabilities			
Accrued Compensated Absences	11,365	6,078	17,443
TOTAL LIABILITIES	99,171	10,797	109,968
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Unavailable Revenue - Property Taxes	391,097	-	391,097
NET POSITION			
Net Investment in Capital Assets	5,135,242	20,485,479	25,620,721
Restricted	1,400,727	4,903,686	6,304,413
Unrestricted	4,041,803	1,998,380	6,040,183
TOTAL NET POSITION	\$ 10,577,772	\$ 27,387,545	\$ 37,965,317

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

TOWN OF SEVERANCE, COLORADO

STATEMENT OF ACTIVITIES
December 31, 2013

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			
	PROGRAM EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
General Government	\$ 216,370	\$ 208,090	\$ 98,255	\$ -
Public Safety	209,201	11,177	-	-
Public Works	983,565	-	152,079	154,560
Parks and Recreation	124,002	-	35,451	25,700
Unallocated Depreciation - Excludes Direct	34,913	-	-	-
Total Governmental Activities	<u>1,568,051</u>	<u>219,267</u>	<u>285,785</u>	<u>180,260</u>
BUSINESS-TYPE ACTIVITIES				
Water	589,937	1,119,897	-	216,200
Sewer	392,064	282,505	-	128,045
Total Business-type Activities	<u>982,001</u>	<u>1,402,402</u>	<u>-</u>	<u>344,245</u>
TOTAL GOVERNMENT-WIDE	<u>\$ 2,550,052</u>	<u>\$ 1,621,669</u>	<u>\$ 285,785</u>	<u>\$ 524,505</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
89,975	\$ -	\$ 89,975
(198,024)	-	(198,024)
(676,926)	-	(676,926)
(62,851)	-	(62,851)
(34,913)	-	(34,913)
<u>(882,739)</u>	<u>-</u>	<u>(882,739)</u>
-	746,160	746,160
-	18,486	18,486
<u>-</u>	<u>764,646</u>	<u>764,646</u>
<u>(882,739)</u>	<u>764,646</u>	<u>(118,093)</u>
379,045	-	379,045
335,971	-	335,971
84,833	-	84,833
7,816	9,987	17,803
19,604	-	19,604
<u>827,269</u>	<u>9,987</u>	<u>837,256</u>
(55,470)	774,633	719,163
<u>10,633,242</u>	<u>26,612,912</u>	<u>37,246,154</u>
<u>\$ 10,577,772</u>	<u>\$ 27,387,545</u>	<u>\$ 37,965,317</u>

TOWN OF SEVERANCE, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2013

(With Comparative Totals for December 31, 2012)

	GENERAL	OTHER GOVERNMENTAL FUNDS	<u>TOTALS</u>	
			2013	2012
ASSETS				
Cash and Investments	\$ 4,511,393	\$ 934,212	\$ 5,445,605	\$ 5,891,790
Accounts Receivable	1,751	-	1,751	48,171
Property Tax Receivable	391,097	-	391,097	378,326
Interest Receivable	49,990	-	49,990	48,104
Intergovernmental Receivable	44,355	-	44,355	49,639
TOTAL ASSETS	<u>\$ 4,998,586</u>	<u>\$ 934,212</u>	<u>\$ 5,932,798</u>	<u>\$ 6,416,030</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 61,616	\$ -	\$ 61,616	\$ 35,154
Accrued Liabilities	14,190	-	14,190	9,031
Customer Deposits	-	12,000	12,000	52,000
TOTAL LIABILITIES	<u>75,806</u>	<u>12,000</u>	<u>87,806</u>	<u>96,185</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Unavailable Revenue - Property Taxes	391,097	-	391,097	378,326
FUND BALANCE				
Restricted Fund Balance				
Restricted for TABOR Emergencies	50,000	-	50,000	38,000
Restricted for Impact Related Projects	428,515	771,859	1,200,374	1,118,199
Restricted by Statute	-	150,353	150,353	100,887
Assigned Fund Balance				
Assigned for Subsequent Years' Expenditures	1,410,276	-	1,410,276	777,089
Unassigned Fund Balance	2,642,892	-	2,642,892	3,907,344
TOTAL FUND BALANCE	<u>4,531,683</u>	<u>922,212</u>	<u>5,453,895</u>	<u>5,941,519</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 4,998,586</u>	<u>\$ 934,212</u>	<u>\$ 5,932,798</u>	<u>\$ 6,416,030</u>
Reconciliation from Fund Balance to Net Position:				
Total Fund Balance			\$ 5,453,895	
Capital assets used in governmental activities are not current resources and accordingly are not shown in the funds:				
Capital Assets			6,954,137	
Accumulated Depreciation			(1,818,895)	
Compensated absences are recorded as an expense in the fund when paid but are show as a governmental activity liability when earned:				
Compensated Absences			<u>(11,365)</u>	
Total Net Position - Governmental Activities			<u>\$ 10,577,772</u>	

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, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	GENERAL	OTHER	TOTALS	
		GOVERNMENTAL FUNDS	2013	2012
REVENUES				
Taxes	\$ 799,849	\$ -	\$ 799,849	\$ 687,434
Impact Fees	-	180,260	180,260	116,600
Licenses and Permits	205,560	-	205,560	96,425
Intergovernmental	239,832	35,451	275,283	316,283
Fines and Forfeits	11,177	-	11,177	11,832
Charges for Services	1,170	-	1,170	107
Other	37,293	1,989	39,282	63,003
TOTAL REVENUES	1,294,881	217,700	1,512,581	1,291,684
EXPENDITURES				
Current:				
General Government	202,355	-	202,355	184,579
Public Safety	209,201	-	209,201	203,174
Public Works	403,949	8,637	412,586	340,276
Parks and Recreation	115,292	8,285	123,577	116,742
Capital Outlay	767,498	283,218	1,050,716	296,864
Debt Service	1,770	-	1,770	2,310
TOTAL EXPENDITURES	1,700,065	300,140	2,000,205	1,143,945
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(405,184)	(82,440)	(487,624)	147,739
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(200,000)	200,000	-	-
CHANGE IN FUND BALANCE	(605,184)	117,560	(487,624)	147,739
FUND BALANCES, Beginning	5,136,867	804,652	5,941,519	5,793,780
FUND BALANCES, Ending	\$ 4,531,683	\$ 922,212	\$ 5,453,895	\$ 5,941,519

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

Net Change in Fund Balances - Total Governmental Funds \$ (487,624)

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

Capitalized assets 691,618
Depreciation (259,766)

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 (1,276)

Debt service principal is expensed in the funds but reduces outstanding liabilities for the statement of activities:

Capital lease principal payments 1,578

Change in Net Position - Governmental Activities \$ (55,470)

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF NET POSITION -
PROPRIETARY FUNDS**
December 31, 2013
(With Comparative Totals for December 31, 2012)

	ENTERPRISE FUNDS		TOTALS	
	WATER FUND	SEWER FUND	2013	2012
ASSETS				
Current Assets				
Cash and Investments	\$ 5,606,975	\$ 1,234,476	\$ 6,841,451	\$ 6,099,352
Accounts Receivable	<u>43,663</u>	<u>27,749</u>	<u>71,412</u>	<u>70,068</u>
Total Current Assets	<u>5,650,638</u>	<u>1,262,225</u>	<u>6,912,863</u>	<u>6,169,420</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable				
Purchased Capacity	2,048,850	-	2,048,850	2,048,850
NISP Project	401,828	-	401,828	369,328
Water Rights	12,076,000	-	12,076,000	12,076,000
Construction in Progress	-	13,682	13,682	-
Depreciable				
Buildings	158,670	64,570	223,240	87,140
Equipment	51,667	42,647	94,314	69,314
System	<u>1,970,522</u>	<u>5,273,684</u>	<u>7,244,206</u>	<u>7,244,206</u>
Total Capital Assets	16,707,537	5,394,583	22,102,120	21,894,838
Accumulated Depreciation	<u>(391,020)</u>	<u>(1,225,621)</u>	<u>(1,616,641)</u>	<u>(1,442,116)</u>
Capital Assets, net	<u>16,316,517</u>	<u>4,168,962</u>	<u>20,485,479</u>	<u>20,452,722</u>
TOTAL ASSETS	<u>21,967,155</u>	<u>5,431,187</u>	<u>27,398,342</u>	<u>26,622,142</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	983	3,736	4,719	4,107
Current Portion of Long-Term Debt	-	-	-	146,110
Total Current Liabilities	<u>983</u>	<u>3,736</u>	<u>4,719</u>	<u>150,217</u>
Noncurrent Liabilities				
Accrued Compensated Absences	3,039	3,039	6,078	5,123
Capital Lease Obligations	-	-	-	(146,110)
Total Noncurrent Liabilities	<u>3,039</u>	<u>3,039</u>	<u>6,078</u>	<u>(140,987)</u>
TOTAL LIABILITIES	<u>4,022</u>	<u>6,775</u>	<u>10,797</u>	<u>9,230</u>
NET POSITION				
Net Investment in Capital Assets	16,316,517	4,168,962	20,485,479	20,452,722
Restricted:				
For Capital Expenditures (Expendable)	4,156,724	746,962	4,903,686	4,592,823
Unrestricted	<u>1,489,892</u>	<u>508,488</u>	<u>1,998,380</u>	<u>1,567,367</u>
TOTAL NET POSITION	<u>\$ 21,963,133</u>	<u>\$ 5,424,412</u>	<u>\$ 27,387,545</u>	<u>\$ 26,612,912</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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	ENTERPRISE FUNDS		TOTALS	
	WATER FUND	SEWER FUND	2013	2012
OPERATING REVENUES				
Sales	\$ 574,799	\$ 282,505	\$ 857,304	\$ 923,098
Other Charges	545,098	-	545,098	66,850
TOTAL OPERATING REVENUES	1,119,897	282,505	1,402,402	989,948
OPERATING EXPENSES				
Salaries	75,824	75,823	151,647	137,413
Benefits	21,056	20,819	41,875	41,304
Accounting	1,051	1,051	2,102	2,078
Other Professional	735	2,655	3,390	14,556
Utilities	14,318	34,635	48,953	50,310
Repairs and Maintenance	14,929	52,954	67,883	25,941
Supplies	56,153	46,742	102,895	76,145
Office Expense	6,281	5,977	12,258	13,592
Dues and Subscriptions	762	712	1,474	1,453
Line Cleaning	-	13,423	13,423	14,673
Treatment	327,453	-	327,453	363,627
Testing	1,173	4,249	5,422	4,718
Insurance and Bonds	3,916	3,916	7,832	6,892
Miscellaneous	753	1,206	1,959	1,881
License and Permits	12,853	875	13,728	31,826
Travel and Training	527	897	1,424	2,214
Lease Payments	1,879	1,879	3,758	3,990
Depreciation	50,274	124,251	174,525	163,589
TOTAL OPERATING EXPENSES	589,937	392,064	982,001	956,202
OPERATING INCOME (LOSS)	529,960	(109,559)	420,401	33,746
NON-OPERATING REVENUE (EXPENSE)				
Investment Earnings	8,312	1,675	9,987	57,416
Interest Expense	-	-	-	(16,776)
TOTAL NON-OPERATING REVENUE (EXPENSE)	8,312	1,675	9,987	40,640
CAPITAL CONTRIBUTED				
Infrastructure Fees	216,200	122,045	338,245	110,200
Tap Fees	-	6,000	6,000	2,000
TOTAL CAPITAL CONTRIBUTED	216,200	128,045	344,245	112,200
NET INCOME (LOSS)	754,472	20,161	774,633	186,586
NET POSITION, Beginning	21,208,661	5,404,251	26,612,912	26,426,326
NET POSITION, Ending	\$ 21,963,133	\$ 5,424,412	\$ 27,387,545	\$ 26,612,912

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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	ENTERPRISE FUNDS		TOTALS	
	WATER FUND	SEWER FUND	2013	2012
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 1,121,882	\$ 279,178	\$ 1,401,060	\$ 979,924
Cash Paid to Suppliers	(464,109)	(191,109)	(655,218)	(670,318)
Cash Paid to Employees	(75,347)	(75,346)	(150,693)	(136,371)
Net Cash Provided by Operating Activities	<u>582,426</u>	<u>12,723</u>	<u>595,149</u>	<u>173,235</u>
Cash Flows From Capital and Related Financing Activities:				
Capital Contributions	216,200	128,045	344,245	112,200
Debt Principal Payments	-	-	-	(756,553)
Interest Payments	-	-	-	(16,776)
Acquisition of Capital Assets	(160,100)	(47,182)	(207,282)	(318,438)
Cash Flows Used by Capital and Related Financing Activities	<u>56,100</u>	<u>80,863</u>	<u>136,963</u>	<u>(979,567)</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>8,312</u>	<u>1,675</u>	<u>9,987</u>	<u>57,416</u>
Net Increase (Decrease) in Cash	646,838	95,261	742,099	(748,916)
Cash - Beginning	<u>4,960,137</u>	<u>1,139,215</u>	<u>6,099,352</u>	<u>6,848,268</u>
Cash - Ending	<u>\$ 5,606,975</u>	<u>\$ 1,234,476</u>	<u>\$ 6,841,451</u>	<u>\$ 6,099,352</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss) Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	<u>\$ 529,960</u>	<u>\$ (109,559)</u>	<u>\$ 420,401</u>	<u>\$ 33,746</u>
Depreciation Expense	50,274	124,251	174,525	163,589
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Accounts Receivable	1,985	(3,327)	(1,342)	(10,024)
Increase (Decrease) in:				
Accounts Payable	(270)	881	611	(15,118)
Accrued Compensated Absences	477	477	954	1,042
Total Adjustments	<u>52,466</u>	<u>122,282</u>	<u>174,748</u>	<u>139,489</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 582,426</u>	<u>\$ 12,723</u>	<u>\$ 595,149</u>	<u>\$ 173,235</u>

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

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

NOTE 2: CASH AND INVESTMENTS

The Town's cash and investment balances are allocated as follows as of December 31, 2013:

<u>Type</u>	<u>Carrying Value</u>
Deposits	
Demand deposits	\$ 4,579,121
Time deposits	207,376
Cash on hand	300
Total Deposits	4,786,797
Investments	
Local Govt Pools	1,022
Investments Held in Safekeeping	7,499,237
Total Cash and Investments	\$ 12,287,056

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

Governmental Activities	\$ 5,445,605
Business-type Activities	6,841,451
Total Cash and Investments	\$ 12,287,056

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, 2013

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2013, 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)	7,097,041	4,285,577
Petty Cash	-	300
Total Cash Deposits	\$ 7,597,961	\$ 4,786,797

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, 2013

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The Town's investments as of December 31, 2013, were as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Weighted</u>		<u>Moody's</u>	<u>S&P</u>	Weight
		<u>Maturity</u>	<u>% of</u>			
		<u>In Years</u>	<u>Invest.</u>	<u>Rating</u>	<u>Rating</u>	
Federal Home Loan Bank	\$ 159,709	3.80	3%	AAA	AA+	606,857
Federal Home Loan Mortgage Corp	325,525	3.93	7%	AAA	AA+	1,278,609
Federal National Mortgage Assn	673,375	8.61	14%	AAA	AA+	5,797,767
Government National Mortgage Assn	67,698	23.87	1%	AAA	AA+	1,616,094
Federal Farm Credit Banks	380,305	2.07	8%	AAA	AA+	787,184
Municipal Securities	2,377,533	3.80	50%	AA3 - AAA	AA - - AAA	9,044,925
All Other Commercial Paper	622,713	2.60	13%	A1 - AAA	AA - - AAA	1,619,081
Local Government Pools	1,022	-	0%	N/A	AAAm	-
Mutual Funds	127,478	-	3%	N/A	N/A	-
Total	\$ 4,735,358	4.38	100%			20,750,517

During the year ended December 31, 2013, 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, 2013 was \$1,022.

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, 2013

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, 2013, 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:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land and improvements	\$ 170,824	\$ 120,211	\$ -	\$ 291,035
Construction in Progress	138,147	524,908	-	663,055
Total capital assets not being depreciated	<u>308,971</u>	<u>645,119</u>	<u>-</u>	<u>954,090</u>
Capital assets being depreciated:				
Infrastructure	5,250,721	-	-	5,250,721
Buildings	224,585	-	-	224,585
Vehicles	177,784	46,500	-	224,284
Equipment	300,457	-	-	300,457
Total capital assets being depreciated	<u>5,953,547</u>	<u>46,500</u>	<u>-</u>	<u>6,000,047</u>
Less accumulated depreciation:				
Infrastructure	1,186,081	224,853	-	1,410,934
Buildings	95,896	6,152	-	102,048
Vehicles	84,972	1,701	-	86,673
Equipment	192,180	27,060	-	219,240
Total accumulated depreciation	<u>1,559,129</u>	<u>259,766</u>	<u>-</u>	<u>1,818,895</u>
Total capital assets, net	<u>\$ 4,703,389</u>	<u>\$ 431,853</u>	<u>\$ -</u>	<u>\$ 5,135,242</u>

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

Public Works depreciation	\$ 224,853
Unallocated depreciation	34,913
Total depreciation	<u>\$ 259,766</u>

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3: CAPITAL ASSETS (Continued)

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Water rights	\$ 12,076,000	\$ -	\$ -	\$ 12,076,000
Northern Integrated Supply Proj. in progress	369,328	32,500	-	401,828
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	14,494,178	46,182	-	14,540,360
Capital assets being depreciated:				
Water System	1,970,522	-	-	1,970,522
Sewer System	5,273,684	-	-	5,273,684
Buildings	87,140	136,100	-	223,240
Equipment	69,314	25,000	-	94,314
Total capital assets being depreciated	7,400,660	161,100	-	7,561,760
Less accumulated depreciation:				
Water System	304,769	41,219	-	345,988
Sewer System	1,069,363	118,093	-	1,187,456
Buildings	26,143	5,173	-	31,316
Equipment	41,841	10,040	-	51,881
Total accumulated depreciation	1,442,116	174,525	-	1,616,641
Total Capital Assets, net	\$ 20,452,722	\$ 32,757	\$ -	\$ 20,485,479
Depreciation is charged to the Town's Business-Type Activities as follows:				
Depreciation - Water		\$ 50,274		
Depreciation - Sewer		124,251		
Total Depreciation		\$ 174,525		

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 2013	Advances	Payments	Balance December 31 2013	Current Portion	Interest Expense
Governmental activities						
Obligation under capital lease	\$ 1,578	\$ -	\$ 1,578	\$ -	\$ -	\$ 191
Compensated absences	10,089	1,276	-	11,365	-	-
Total governmental activities	\$ 11,667	\$ 1,276	\$ 1,578	\$ 11,365	\$ -	\$ 191
Business-type activities						
Compensated absences	\$ 5,124	\$ 953	\$ -	\$ 6,077	\$ -	\$ -

CAPITAL LEASES – GOVERNMENTAL ACTIVITIES

In October 2008, the Town entered into a capital lease for the acquisition of a copier. The initial lease value was \$7,780 and was payable in annual installments of \$2,250 per year through October 2013. The first payment on the lease was due in November 2008. The lease bears interest at 15.6 percent per year. Payments will be made by the General Fund.

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, 2013.

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, 2013 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, 2013**

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 2013 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2013, the Town has reserved the following for emergencies:

General Fund	\$ <u>50,000</u>
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Other Restrictions

The Town has restricted net position at December 31, 2013 in the Water and Sewer Funds for future purchases of system capacity and other improvements totaling \$4,156,724 and \$746,962, 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 2013 budget:

General Fund	\$1,410,276
Sewer Fund	\$64,829

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).

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7: RISK MANAGEMENT (Continued)

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, 2013.

NOTE 8: INTERFUND ACTIVITY

The Town has recorded the following transfers to fund capital improvements.

<u>Transfers to Other Funds</u>	<u>Transfers From Other Funds</u>	
General Fund	Street Impact	<u>\$ 200,000</u>

NOTE 9: 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 2013. 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.

TOWN OF SEVERANCE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 10: PRIOR PERIOD RESTATEMENT

The Town transferred funds from the Conservation Trust Fund to the Parks Impact Fund in 2012. The full amount of the transfer was not used for approved expenditures and therefore must be returned to the Conservation Trust Fund. The 2012 comparative information has been restated in these financial statements to reflect the increase in fund balance of \$21,355 to the Conservation Trust Fund and decrease of \$(21,355) to the Parks Impact Fund as of December 31, 2012.

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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, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013			VARIANCE FAVORABLE- (UNFAVORABLE)	2012 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes:					
Property Taxes	\$ 378,326	\$ 378,326	\$ 378,565	\$ 239	\$ 366,627
Delinquent Penalties and Interest	-	-	480	480	1,072
Sales and Use Taxes	240,000	240,000	335,971	95,971	240,267
Franchise Tax	72,500	72,500	84,833	12,333	79,468
Total Taxes	<u>690,826</u>	<u>690,826</u>	<u>799,849</u>	<u>109,023</u>	<u>687,434</u>
Licenses and Permits:					
Building Permits	70,500	70,500	129,116	58,616	57,129
Licenses	4,850	4,850	7,403	2,553	4,074
Drainage Fees	12,500	12,500	14,815	2,315	5,000
Admin Service Development Fee	7,500	7,500	10,200	2,700	4,800
Administration Fees	20,000	20,000	39,396	19,396	18,866
Other Fees and Permits	3,250	3,250	4,250	1,000	7,300
Developer Back Billing	1,000	1,000	380	(620)	(744)
Total Licenses and Permits	<u>119,600</u>	<u>119,600</u>	<u>205,560</u>	<u>85,960</u>	<u>96,425</u>
Intergovernmental:					
State Mineral Leases	17,500	17,500	18,529	1,029	19,050
Highway Users	114,816	114,816	116,186	1,370	115,307
Clerk Fees - Motor Vehicles	13,000	13,000	15,038	2,038	14,264
Specific Ownership Taxes	25,000	25,000	25,231	231	29,305
Road and Bridge	24,000	24,000	20,855	(3,145)	18,911
Cigarette Taxes	950	950	963	13	961
Severance Taxes	35,000	35,000	43,030	8,030	39,985
Other State Grants	-	-	-	-	46,420
Total Intergovernmental	<u>230,266</u>	<u>230,266</u>	<u>239,832</u>	<u>9,566</u>	<u>284,203</u>
Fines and Forfeits	<u>16,150</u>	<u>16,150</u>	<u>11,177</u>	<u>(4,973)</u>	<u>11,832</u>
Charges for Services	<u>950</u>	<u>950</u>	<u>1,170</u>	<u>220</u>	<u>107</u>
Miscellaneous:					
Investment Earnings	25,000	25,000	5,827	(19,173)	35,263
Rent	1,200	1,200	1,360	160	1,380
Donations	5,500	5,500	10,502	5,002	6,924
Refunds	1,600	1,600	11,484	9,884	1,400
Miscellaneous	3,250	3,250	8,120	4,870	9,002
Total Miscellaneous	<u>36,550</u>	<u>36,550</u>	<u>37,293</u>	<u>743</u>	<u>53,969</u>
TOTAL REVENUES	<u>1,094,342</u>	<u>1,094,342</u>	<u>1,294,881</u>	<u>200,539</u>	<u>1,133,970</u>

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

BUDGETARY COMPARISON SCHEDULE -

GENERAL FUND (Continued)

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013			VARIANCE FAVORABLE- (UNFAVORABLE)	2012 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES					
Current					
General Government					
Legislative	115,747	115,747	83,353	32,394	67,725
Elections	391	391	-	391	2,469
Judicial	12,235	12,235	8,485	3,750	7,854
Administration	119,924	119,924	110,517	9,407	106,531
Public Safety					
Police/Sheriff	234,240	234,240	209,201	25,039	203,174
Public Works					
Community Development	232,374	232,374	231,011	1,363	173,665
Streets/Maintenance	244,983	244,983	172,938	72,045	160,877
Storm Drainage	51,500	51,500	-	51,500	5,734
Culture and Recreation					
Parks/Green Space	124,628	124,628	96,387	28,241	103,447
Culture and Recreation	20,830	20,830	18,905	1,925	13,295
Capital Outlay	185,000	815,000	767,498	47,502	28,526
Debt Service	2,000	2,000	1,770	230	2,310
	<u>1,343,852</u>	<u>1,973,852</u>	<u>1,700,065</u>	<u>273,787</u>	<u>875,607</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(249,510)	(879,510)	(405,184)	474,326	258,363
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(200,000)</u>	<u>300,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	(749,510)	(1,379,510)	(605,184)	774,326	258,363
FUND BALANCE - Beginning	<u>5,131,856</u>	<u>5,131,856</u>	<u>5,136,867</u>	<u>5,011</u>	<u>4,878,504</u>
FUND BALANCE - Ending	<u>\$ 4,382,346</u>	<u>\$ 3,752,346</u>	<u>\$ 4,531,683</u>	<u>\$ 779,337</u>	<u>\$ 5,136,867</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, 2013

(With Comparative Totals for December 31, 2012)

	SPECIAL REVENUE FUNDS			TOTALS	
	CONSERVATION TRUST FUND	PARKS IMPACT FUND	STREET IMPACT FUND	2013	2012
ASSETS					
Cash and Investments	\$ 150,353	\$ 444,490	\$ 339,369	\$ 934,212	\$ 862,126
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 5,474
Customer Deposits	-	-	12,000	12,000	52,000
TOTAL LIABILITIES	-	-	12,000	12,000	57,474
FUND BALANCES					
Restricted Fund Balance					
Restricted for Impact Related Projects	-	444,490	327,369	771,859	703,765
Restricted by Statute	150,353	-	-	150,353	100,887
TOTAL FUND BALANCES	150,353	444,490	327,369	922,212	804,652
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,353	\$ 444,490	\$ 339,369	\$ 934,212	\$ 862,126

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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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	SPECIAL REVENUE FUNDS			TOTALS	
	CONSERVATION TRUST FUND	PARKS IMPACT FUND	STREET IMPACT FUND	2013	2012
REVENUES					
Intergovernmental	\$ 35,451	\$ -	\$ -	\$ 35,451	\$ 32,080
Investment Earnings	946	691	352	1,989	9,034
Impact Fees	-	25,700	154,560	180,260	116,600
TOTAL REVENUES	<u>36,397</u>	<u>26,391</u>	<u>154,912</u>	<u>217,700</u>	<u>157,714</u>
EXPENDITURES					
Current:					
Supplies	8,285	-	-	8,285	-
Maintenance of Condition	-	-	8,637	8,637	-
Capital Outlay	-	-	283,218	283,218	268,338
TOTAL EXPENDITURES	<u>8,285</u>	<u>-</u>	<u>291,855</u>	<u>300,140</u>	<u>268,338</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,112	26,391	(136,943)	(82,440)	(110,624)
OTHER FINANCING SOURCES (USES)					
Transfers (Out)	-	-	200,000	200,000	-
CHANGE IN FUND BALANCE	<u>28,112</u>	<u>26,391</u>	<u>63,057</u>	<u>117,560</u>	<u>(110,624)</u>
FUND BALANCE - Beginning	100,887	439,453	264,312	804,652	915,276
PRIOR PERIOD ADJUSTMENT	21,354	(21,354)	-	-	-
FUND BALANCE - Beginning (As Restated)	<u>122,241</u>	<u>418,099</u>	<u>264,312</u>	<u>804,652</u>	<u>915,276</u>
FUND BALANCE - Ending	<u>\$ 150,353</u>	<u>\$ 444,490</u>	<u>\$ 327,369</u>	<u>\$ 922,212</u>	<u>\$ 804,652</u>

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
STREET IMPACT FUND**

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013			2012 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	
REVENUES				
Investment Earnings	\$ (4,535)	\$ 352	\$ 4,887	\$ 3,752
Impact Fees	<u>40,000</u>	<u>154,560</u>	<u>114,560</u>	<u>106,000</u>
TOTAL REVENUES	<u>35,465</u>	<u>154,912</u>	<u>119,447</u>	<u>109,752</u>
EXPENDITURES				
Current:				
Maintenance of Condition	25,000	8,637	16,363	-
Capital Outlay	<u>605,000</u>	<u>283,218</u>	<u>321,782</u>	<u>210,168</u>
TOTAL EXPENDITURES	<u>630,000</u>	<u>291,855</u>	<u>338,145</u>	<u>210,168</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(594,535)	(136,943)	457,592	(100,416)
OTHER FINANCING SOURCES				
Transfer In (Out)	<u>500,000</u>	<u>200,000</u>	<u>(300,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(94,535)	63,057	157,592	(100,416)
FUND BALANCE - Beginning	<u>128,243</u>	<u>264,312</u>	<u>136,069</u>	<u>364,728</u>
FUND BALANCE - Ending	<u>\$ 33,708</u>	<u>\$ 327,369</u>	<u>\$ 293,661</u>	<u>\$ 264,312</u>

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
PARKS IMPACT FUND**

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013			2012 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	
REVENUES				
Investment Earnings	\$ 5,000	\$ 691	\$ (4,309)	\$ 4,212
Impact Fees	<u>30,000</u>	<u>25,700</u>	<u>(4,300)</u>	<u>10,600</u>
TOTAL REVENUES	<u>35,000</u>	<u>26,391</u>	<u>(8,609)</u>	<u>14,812</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>255,000</u>	<u>-</u>	<u>255,000</u>	<u>58,170</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(220,000)	26,391	246,391	(43,358)
OTHER FINANCING SOURCES				
Transfer In (Out)	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>	<u>40,000</u>
CHANGE IN FUND BALANCE	<u>(180,000)</u>	<u>26,391</u>	<u>206,391</u>	<u>(3,358)</u>
FUND BALANCE - Beginning	484,208	439,453	(44,755)	442,811
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(21,354)</u>	<u>(21,354)</u>	<u>-</u>
FUND BALANCE - Beginning (As Restated)	<u>484,208</u>	<u>418,099</u>	<u>(66,109)</u>	<u>442,811</u>
FUND BALANCE - Ending	<u>\$ 304,208</u>	<u>\$ 444,490</u>	<u>\$ 140,282</u>	<u>\$ 439,453</u>

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
CONSERVATION TRUST FUND**

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013		VARIANCE- FAVORABLE (UNFAVORABLE)	2012
	FINAL BUDGET	ACTUAL		ACTUAL
REVENUES				
Lottery Proceeds	\$ 30,000	\$ 35,451	\$ 5,451	\$ 32,080
Investment Earnings	-	946	946	1,070
TOTAL REVENUES	<u>30,000</u>	<u>36,397</u>	<u>6,397</u>	<u>33,150</u>
EXPENDITURES				
Current:				
Supplies	500	8,285	(7,785)	-
Capital Outlay	<u>15,000</u>	-	<u>15,000</u>	-
TOTAL EXPENDITURES	<u>15,500</u>	<u>8,285</u>	<u>7,215</u>	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,500	28,112	13,612	33,150
OTHER FINANCING SOURCES				
Transfer Out	<u>(40,000)</u>	-	<u>40,000</u>	<u>(40,000)</u>
CHANGE IN FUND BALANCE	<u>(25,500)</u>	<u>28,112</u>	<u>53,612</u>	<u>(6,850)</u>
FUND BALANCE - Beginning	87,917	100,887	12,970	107,737
PRIOR PERIOD ADJUSTMENT	-	<u>21,354</u>	<u>21,354</u>	-
FUND BALANCE - Beginning (As Restated)	<u>87,917</u>	<u>122,241</u>	<u>34,324</u>	<u>107,737</u>
FUND BALANCE - Ending	<u>\$ 62,417</u>	<u>\$ 150,353</u>	<u>\$ 87,936</u>	<u>\$ 100,887</u>

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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013		VARIANCE- FAVORABLE (UNFAVORABLE)	2012
	FINAL BUDGET	ACTUAL		ACTUAL
OPERATING REVENUES				
Sales	\$ 618,300	\$ 574,799	\$ (43,501)	\$ 639,872
Other Charges	90,650	545,098	454,448	66,850
TOTAL OPERATING REVENUES	<u>708,950</u>	<u>1,119,897</u>	<u>410,947</u>	<u>706,722</u>
OPERATING EXPENSES				
Salaries	78,307	75,824	2,483	68,706
Benefits	24,343	21,056	3,287	20,776
Legal	1,000	-	1,000	-
Accounting	1,000	1,051	(51)	1,039
Other Professional	2,800	735	2,065	2,244
Utilities	18,950	14,318	4,632	18,229
Repairs and Maintenance	22,380	14,929	7,451	7,196
Supplies	24,200	56,153	(31,953)	38,357
Office Expense	8,450	6,281	2,169	7,001
Treatment	412,200	327,453	84,747	363,627
Testing	2,500	1,173	1,327	1,558
Insurance and Bonds	3,743	3,916	(173)	3,446
Miscellaneous	1,500	753	747	650
Water Assessments and Rentals	32,750	12,853	19,897	30,951
Travel and Training	2,150	527	1,623	1,905
Dues and Subscriptions	1,150	762	388	752
Lease Payments	2,000	1,879	121	1,995
Capital Outlay	626,250	160,100	466,150	299,000
TOTAL OPERATING EXPENSES	<u>1,265,673</u>	<u>699,763</u>	<u>565,910</u>	<u>867,432</u>
OPERATING INCOME	<u>(556,723)</u>	<u>420,134</u>	<u>976,857</u>	<u>(160,710)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment Earnings	45,000	8,312	(36,688)	47,471
Debt Service	-	-	-	(150,428)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>45,000</u>	<u>8,312</u>	<u>(36,688)</u>	<u>(102,957)</u>
CAPITAL CONTRIBUTED				
Infrastructure Fees	<u>188,000</u>	<u>216,200</u>	<u>28,200</u>	<u>75,200</u>
NET INCOME (LOSS) - BUDGET (GAAP) BASIS	<u>\$ (323,723)</u>	<u>644,646</u>	<u>\$ 968,369</u>	<u>(188,467)</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay		160,100		299,000
Principal Paid		-		146,110
Depreciation		(50,274)		(47,826)
TOTAL GAAP BASIS ADJUSTMENTS		<u>109,826</u>		<u>397,284</u>
CHANGE IN NET POSITION		754,472		208,817
NET POSITION, Beginning		<u>21,208,661</u>		<u>20,999,844</u>
NET POSITION, Ending		<u>\$ 21,963,133</u>		<u>\$ 21,208,661</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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013		VARIANCE- FAVORABLE (UNFAVORABLE)	2012
	FINAL BUDGET	ACTUAL		ACTUAL
OPERATING REVENUES				
Sales	\$ 280,980	\$ 282,505	\$ 1,525	\$ 283,226
OPERATING EXPENSES				
Salaries	78,307	75,823	2,484	68,707
Benefits	24,102	20,819	3,283	20,528
Legal	500	-	500	-
Accounting	-	1,051	(1,051)	1,039
Other Professional	9,200	2,655	6,545	12,312
Utilities	37,450	34,635	2,815	32,081
Repairs and Maintenance	27,880	52,954	(25,074)	18,745
Supplies	36,300	46,742	(10,442)	37,788
Office Expense	8,475	5,977	2,498	6,591
Dues and Subscriptions	900	712	188	701
Line Cleaning	15,000	13,423	1,577	14,673
Testing	4,000	4,249	(249)	3,160
Insurance and Bonds	3,743	3,916	(173)	3,446
Miscellaneous	5,700	1,206	4,494	1,231
License and Permits	900	875	25	875
Travel and Training	1,800	897	903	309
Lease Payments	2,000	1,879	121	1,995
Capital Outlay	301,350	47,182	254,168	19,438
TOTAL OPERATING EXPENSES	557,607	314,995	242,612	243,619
OPERATING INCOME (LOSS)	(276,627)	(32,490)	244,137	39,607
NON-OPERATING REVENUE (EXPENSE)				
Investment Earnings	11,753	1,675	(10,078)	9,945
Plant Investment Fees Paid	(50,000)	-	50,000	-
Debt Service	-	-	-	(622,901)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(38,247)	1,675	39,922	(612,956)
CAPITAL CONTRIBUTED				
Infrastructure Fees	100,000	122,045	22,045	35,000
Tap Fees	5,000	6,000	1,000	2,000
TOTAL CAPITAL CONTRIBUTED	105,000	128,045	23,045	37,000
NET INCOME (LOSS) - BUDGET BASIS	\$ (209,874)	97,230	\$ 307,104	(536,349)
GAAP BASIS ADJUSTMENTS				
Capital Outlay		47,182		19,438
Principal Paid		-		610,443
Depreciation		(124,251)		(115,763)
TOTAL GAAP BASIS ADJUSTMENTS		(77,069)		514,118
CHANGE IN NET POSITION		20,161		(22,231)
NET POSITION, Beginning		5,404,251		5,426,482
NET POSITION, Ending		\$ 5,424,412		\$ 5,404,251

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

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STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2013

This Information From The Records Of (example - City of _ or County of _)	Prepared By: Phone:
---	------------------------

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)	391,498
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	159,565	c. Other	
4. Miscellaneous local receipts (from page 2)	2,738	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	391,498
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)	162,304	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	130,296	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	292,600	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	391,498

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
		292,600	391,498		(98,898)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2013

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	2,738
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	114,560	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	45,005	g. Other Misc. Receipts	
6. Total (1. through 5.)	159,565	h. Other	
c. Total (a. + b.)	159,565	i. Total (a. through h.)	2,738
	(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	116,186	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	14,110	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.)	14,110	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	130,296	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		14,692	14,692
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		100,000	100,000
(3). System Preservation		276,806	276,806
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	376,806	376,806
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	391,498	391,498
			(Carry forward to page 1)

Notes and Comments: