

**TOWN OF SEVERANCE, COLORADO**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2012**

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## **FINANCIAL SECTION**

Town of Severance  
Management's Discussion and Analysis  
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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, 2012. 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 \$360 and business-type net position increased by \$186,586 for the year.

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2012 by \$37,246,152 (*net position*). Of this amount, \$6,738,961 (*unrestricted net position*) may be used to meet the Town's ongoing obligations or unforeseen expenses.
- At the end of 2012 unrestricted net position for the proprietary funds (business-type activities) was \$2,064,617.

As of the close of fiscal year 2012, the Town's General Fund reported an ending fund balance of \$5,136,867 compared to the fiscal year 2011 balance of \$4,878,504.

- General Fund 2012 revenues increased by \$62,889 to \$1,133,970.
- General Fund expenditures also decreased in 2012 by \$177,633 to \$875,607.

### **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.

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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 four governmental funds as follows:

- General Fund
- Conservation Trust Fund
- Street Impact Fund
- Park Impact 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

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 \$37,246,152 as of December 31, 2012 and \$37,059,926 as of December 31, 2011. This represents an increase of \$186,226.

### **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, liabilities and deferred inflows of resources. 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.

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**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 and deferred inflows of resources by approximately \$37.2 million at the close of 2012.

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

<b>CONDENSED STATEMENT OF NET POSITION</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>						
Current Assets	\$ 6,416,030	\$ 6,308,428	\$ 6,169,420	\$ 6,900,856	\$ 12,585,450	\$ 13,209,284
Capital Assets Net	<u>4,703,388</u>	<u>4,851,550</u>	<u>20,452,722</u>	<u>20,031,875</u>	<u>25,156,110</u>	<u>24,883,425</u>
Total Assets	<u>11,119,418</u>	<u>11,159,978</u>	<u>26,622,142</u>	<u>26,932,731</u>	<u>37,741,560</u>	<u>38,092,709</u>
<b>LIABILITIES</b>						
Current Liabilities	97,763	149,125	4,107	763,322	101,870	912,447
Noncurrent Liabilities	<u>10,089</u>	<u>9,949</u>	<u>5,123</u>	<u>4,083</u>	<u>15,212</u>	<u>14,032</u>
Total Liabilities	<u>107,852</u>	<u>159,074</u>	<u>9,230</u>	<u>767,405</u>	<u>117,082</u>	<u>926,479</u>
<b>DEFERRED INFLOW OF FINANCIAL RESOURCES</b>						
	<u>378,326</u>	<u>367,304</u>	<u>-</u>	<u>-</u>	<u>378,326</u>	<u>367,304</u>
<b>NET POSITION</b>						
Net Investment in						
Capital Assets	4,701,810	4,848,149	20,452,722	19,287,778	25,154,532	24,135,927
Restricted	1,257,086	1,377,710	4,095,573	4,576,761	5,352,659	5,954,471
Unrestricted	<u>4,674,344</u>	<u>4,407,741</u>	<u>2,064,617</u>	<u>2,561,787</u>	<u>6,738,961</u>	<u>6,969,528</u>
<b>Total Net Position</b>	<b><u>\$ 10,633,240</u></b>	<b><u>\$ 10,633,600</u></b>	<b><u>\$ 26,612,912</u></b>	<b><u>\$ 26,426,326</u></b>	<b><u>\$ 37,246,152</u></b>	<b><u>\$ 37,059,926</u></b>

The statement of net position reflects a cash position totaling \$11,991,142 or 32% of total assets. The bulk of the Town's resources, \$25 million or 67% of total assets, are invested in capital assets. These assets consist of land and improvements, buildings, equipment, and utility system assets. The remaining 1% of total assets are receivables.

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.

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**Changes in Net Position**

Governmental activities decreased the Town of Severance's net position by \$360. This slight decrease in net position was a budgeted decrease as the Town expected less revenues coming in from state and federal sources. In comparison the 636,626 change in Net Position for 2011 was mainly due to \$787,157 in capital grants received for street improvements projects.

The Business type activities increased net position by \$186,226. This increase was largely due to an increase of \$150,115 in water and sewer sales.

A summary of the changes in net position is as follows:

	<b>CONDENSED STATEMENT OF ACTIVITIES</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>PROGRAM REVENUES</b>						
Charges for Services	\$ 109,744	\$ 113,952	\$ 989,948	\$ 839,833	\$ 1,099,692	\$ 953,785
Operating Grants & Contributions	323,207	201,380	-	-	323,207	201,380
Capital Grants & Contributions	116,600	787,157	112,200	146,250	228,800	933,407
Total Program Revenues	<u>549,551</u>	<u>1,102,489</u>	<u>1,102,148</u>	<u>986,083</u>	<u>1,651,699</u>	<u>2,088,572</u>
<b>GENERAL REVENUES</b>						
Property Taxes	367,699	427,171	-	-	367,699	427,171
Sales Taxes	240,267	210,504	-	-	240,267	210,504
Other Taxes	79,468	105,671	-	-	79,468	105,671
Interest Earnings	44,297	37,688	57,416	39,792	101,713	77,480
Miscellaneous	10,402	12,511	-	-	10,402	12,511
Total General Revenues	<u>742,133</u>	<u>793,545</u>	<u>57,416</u>	<u>39,792</u>	<u>799,549</u>	<u>833,337</u>
Total Revenues	<u>1,291,684</u>	<u>1,896,034</u>	<u>1,159,564</u>	<u>1,025,875</u>	<u>2,451,248</u>	<u>2,921,909</u>
<b>PROGRAM EXPENSES</b>						
General Government	186,339	163,041	-	-	186,339	163,041
Public Safety	203,174	212,329	-	-	203,174	212,329
Public Works	559,398	717,784	-	-	559,398	717,784
Parks and Recreation	116,742	102,848	-	-	116,742	102,848
Noncapitalized Capital Outlay	174,322	16,982	-	-	174,322	16,982
Interest Expense	487	430	-	-	487	430
Unallocated Depreciation	51,582	45,994	-	-	51,582	45,994
Sewer	-	-	620,576	536,224	620,576	536,224
Water	-	-	352,402	357,260	352,402	357,260
Total Program Expenses	<u>1,292,044</u>	<u>1,259,408</u>	<u>972,978</u>	<u>893,484</u>	<u>2,265,022</u>	<u>2,152,892</u>
Change in Net Position	(360)	636,626	186,586	132,391	186,226	769,017
Net Position, Beginning	<u>10,633,600</u>	<u>9,996,974</u>	<u>26,426,326</u>	<u>26,293,935</u>	<u>37,059,926</u>	<u>36,290,909</u>
<b>Net Position, Ending</b>	<b><u>\$ 10,633,240</u></b>	<b><u>\$ 10,633,600</u></b>	<b><u>\$ 26,612,912</u></b>	<b><u>\$ 26,426,326</u></b>	<b><u>\$ 37,246,152</u></b>	<b><u>\$ 37,059,926</u></b>

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## **Financial Analysis of the Town's Funds**

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

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

**General Fund** – The General Fund went from a balance of \$4,878,504 to \$5,136,867. This increase is principally the result of an increase in governmental activity revenue sources in combination with a decrease in operating expenses. Total revenues increased by \$62,889 primarily due to the increase in sales tax received. Expenditures decreased by \$177,633 due to lower than anticipated maintenance expenses in culture and recreation and community development.

**Street Impact Fund** – The Street Impact Fund decreased \$100,416 from a fund balance in 2011 of \$364,728 to a fund balance in 2012 of \$264,312. This was a budgeted decrease in fund balance as the town anticipated spending more in street repairs than the revenue generated from impact fees received.

The Special Revenue Funds consist of the Conservation Trust Fund and the Parks Impact Fund. Special Revenue Funds decreased by \$10,208. This decrease was a budgeted decrease in fund balance as the Town anticipated on spending more in parks repairs than the revenue generated from the impact fees received.

**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** – The Water Fund net position increased by \$208,817. 63% of this increase was due to an increase of water sales and other charges by a combined \$131,203. The majority of the increase in sales was related to usage increases.

**Sewer Fund** – The Sewer Fund net position decreased by \$22,231. Although, operating sales increased by \$18,912 it was not enough to completely offset an increase in operating expenses of \$32,001 which makes up 59% decrease in net position.



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**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. In 2012, the Town purchased five vehicles which include a plow truck, a dump truck, two pickup trucks and an SUV. In addition to these purchases the town has also improved its infrastructure by resurfacing the Karen Suman Park playground and upgrading the Old Town Drainage.

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 170,824	\$ -	\$ -	\$ 170,824
Capital assets being depreciated:				
Infrastructure	5,314,982	73,887	-	5,388,868
Buildings	224,585	-	-	224,585
Vehicles	64,284	89,500	8,500	145,284
Equipment	365,302	7,992	40,337	332,957
Total capital assets being depreciated	<u>5,969,153</u>	<u>171,379</u>	<u>48,837</u>	<u>6,091,694</u>
Less accumulated depreciation:				
Infrastructure	966,960	219,122	-	1,186,081
Buildings	89,743	6,153	-	95,896
Vehicles	54,516	17,373	-	71,889
Equipment	177,208	32,393	4,338	205,263
Total accumulated depreciation	<u>1,288,427</u>	<u>275,041</u>	<u>4,338</u>	<u>1,559,129</u>
Total capital assets, net	<u><u>\$ 4,851,550</u></u>	<u><u>\$ (103,662)</u></u>	<u><u>\$ 44,499</u></u>	<u><u>\$ 4,703,389</u></u>

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

	Restated Bal. January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Water rights	\$ 12,076,000	\$ -	\$ -	\$ 12,076,000
Northern Integrated Supply Proj. in progress	336,828	32,500	-	369,328
North Weld County Water Dist. Capacity	<u>1,787,850</u>	<u>261,000</u>	-	<u>2,048,850</u>
Total capital assets not being depreciated	<u>14,200,678</u>	<u>293,500</u>	-	<u>14,494,178</u>
Capital assets being depreciated:				
Water System	1,970,522	-	-	1,970,522
Sewer System	5,254,747	18,937	-	5,273,684
Buildings	87,140	-	-	87,140
Equipment	<u>63,314</u>	<u>11,000</u>	<u>5,000</u>	<u>69,314</u>
Total capital assets being depreciated	<u>7,375,723</u>	<u>29,937</u>	<u>5,000</u>	<u>7,400,660</u>
Less accumulated depreciation:				
Water System	263,550	41,219	-	304,769
Sewer System	957,410	111,953	-	1,069,363
Buildings	23,238	2,905	-	26,143
Equipment	<u>39,327</u>	<u>7,514</u>	<u>5,000</u>	<u>41,841</u>
Total accumulated depreciation	<u>1,283,525</u>	<u>163,591</u>	<u>5,000</u>	<u>1,442,116</u>
<b>Total Capital Assets, net</b>	<b><u>\$ 20,292,876</u></b>	<b><u>\$ 159,846</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,452,722</u></b>

### 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 2012	Advances	Payments	Balance December 31 2012
<b>Governmental activities</b>				
Obligation under capital lease	\$ 3,401	\$ -	\$ 1,823	\$ 1,578
Compensated absences	<u>8,329</u>	<u>1,760</u>	-	<u>10,089</u>
<b>Total governmental activities</b>	<b><u>\$ 11,730</u></b>	<b><u>\$ 1,760</u></b>	<b><u>\$ 1,823</u></b>	<b><u>\$ 11,667</u></b>

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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 2012	Advances	Payments	Balance December 31 2012
<b>Business-type activities</b>				
Note payable-DOLA 2004	\$ 597,987	\$ -	\$ 597,987	\$ -
Obligation under capital lease	146,110	-	146,110	-
Compensated absences	4,083	1,041	-	5,124
<b>Total business-type activities</b>	<b><u>\$ 748,180</u></b>	<b><u>\$ 1,041</u></b>	<b><u>\$ 744,097</u></b>	<b><u>\$ 5,124</u></b>

At the board meeting on January 16, 2012 the board of trustees unanimously voted to payoff both the water tank lease purchase and the sewer line note. The board felt it was in the best interest to pay the debt off early and the Town had the funds available to do so.

### General Fund Budget

The General Fund accounts for all of the general government services provided by the Town of Severance including: public safety (police), public works, parks, and general government services. The Town's General Fund revenues were more than budgeted by \$48,979 due in part to a larger than expected increase in sales tax revenue received along with an unanticipated receipt of state grant revenues. The Town's expenditures were \$396,931 less than budgeted, due to Public Works and Capital Outlay coming in under budget.

### Economic Factors and Future Budgets and Rates

- According to the US Bureau of Labor and Statistics the unemployment rate for Weld County is 8.1% which is slightly higher than the state wide average of 6.9%.
- The Town continues to benefit from the oil and gas production happening in Weld County.
- The priorities that the Town Board has set for 2013 are the Town Hall/Community Building and Downtown Drainage Improvements. In addition, the Town is working with the Town of Windsor to connect the sewer line to the intersection of WCR74 and Hwy 257.
- Property Tax: The final assessed value for 2013 is \$29,895,380, which is an increase of \$836,490 from last year. This generates property tax revenue of \$378,728 which is up \$11,022 from last year.
- Sales Tax: 2012 sales tax collections are currently running about at \$146,876 which is 16,876 over the budgeted amount, and are budgeted to be \$140,000 in 2013.

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- **Building Permits:** The current slumps in building activity has caused a decrease in tap fees and use tax which has a major effect on the General, Street, Park, Water and Sewer Funds. Building permits in 2012 were budgeted to be \$70,000 and actual was \$57,129, with use tax on building materials coming in at \$81,902 which is \$18,098 under the budgeted \$100,000. We are starting to come out of the building slump and interest is being shown in several projects in Severance.
- **Public Safety:** The 2013 budget includes \$180,624 for a dedicated officer from the Weld County Sheriff. The remaining hours will be filled with contract officers. The contract is for 60 hours per week of direct time at a cost of \$165,360 and \$15,264 for non-direct time.
- **Administration:** In 2013, \$35,000 has been budgeted for office equipment and furniture and Caselle Clarity upgrade with Excel Add-In divided 35% General Administration, 35% Community Development, 15% Water administration, and 15% Sewer Administration. In Building Repairs & Maintenance there has been \$6,618 budgeted in both General Administration and Community Development, and \$2,380 in both Water and Sewer Administration for Town Hall windows and some additional painting.
- **Streets/Maintenance:** The 2013 budget has a total of \$50,000 for street repairs and maintenance to crack fill WCR 80 and for miscellaneous concrete/asphalt repairs in Timber Ridge. There is \$110,000 for street work, equipment and crack fill/seal. There is \$100,000 split between streets, parks, water and sewer for the purchase of Fire Station 2 to be used as a Public Works facility. We have budgeted \$20,000 for a roller compactor, and miscellaneous equipment. The equipment is split between General Streets, General Parks, Street Fund, Water and Sewer Funds.
- **Street Fund:** There is \$150,000 budgeted for street improvements comprised of Timber Ridge, 1<sup>st</sup> Phase and Summit View, approximately 4.0 miles total of miscellaneous concrete and asphalt patches and repairs and crack fill WCR 80. \$100,000 has been budgeted for the construction phase of WCR 23/WCR 392 partnering with Weld County, CDOT and the Town of Windsor. \$335,000 has been budgeted for Old Town Phase 1 Drainage and Street Improvements. There will be \$350,000 transferred from the General Fund into the Street Fund to cover this project.
- **Parks Fund:** There is \$100,000 budgeted for site improvements in Summit View Park. This will be for playground surface, playground equipment and shelters. A restroom may be considered. \$50,000 has been budgeted for the John Law Reservoir Beach Recreation Plan. There will be \$40,000 transferred from Conservation Trust Fund for park improvements.

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- **Water Fund:** The water fees will remain the same as 2012 - Minimum charge \$26.50 for the first 5,000 gallons; \$2.90/1000 for excess usage up to 15,000 gallons; \$3.15/1000 usage over 15,000 gallons. This year North Weld County raised the rate to us by 4.04 so this will be reviewed in 2014. In 2013, \$261,000 has been budgeted for North Weld County Water District Plant Investment Fee. There were 80 Plant Investment Fees purchased in 2012 @ \$6,525 per Plant Investment Fee. According to NWCWD there will be an increase in the PIF's in 2013.
- **Sewer Fund:** 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. There is \$15,000 budgeted for line cleaning. In the future our annual maintenance plan may need to increase. It is recommended to clean lines every 5 to 6 years. A portion of the lines are cleaned every year. There is \$15,000 budgeted for aerators and miscellaneous equipment. There is \$225,000 in system improvements budgeted for improvements at the head works; tie into Windsor line, grit chamber and diversion box. Manhole rehabilitation is planned in Lakeview.

**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, 231 W. 4th Avenue, 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

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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, 2012, 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, 2012, 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 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 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 – M10 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 26-28 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 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  
May 6, 2013

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF SEVERANCE, COLORADO**

**STATEMENT OF NET POSITION**  
**December 31, 2012**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2012
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 5,891,790	\$ 6,099,352	\$ 11,991,142
Accounts Receivable	48,171	70,068	118,239
Property Tax Receivable	378,326	-	378,326
Interest Receivable	48,104	-	48,104
Intergovernmental Receivable	49,639	-	49,639
Total Current Assets	<u>6,416,030</u>	<u>6,169,420</u>	<u>12,585,450</u>
<b>Noncurrent Assets:</b>			
Capital Assets, net of Depreciation	4,703,388	20,452,722	25,156,110
<b>TOTAL ASSETS</b>	<u>11,119,418</u>	<u>26,622,142</u>	<u>37,741,560</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	35,154	4,107	39,261
Accrued Liabilities	9,031	-	9,031
Customer Deposits	52,000	-	52,000
Current Portion of Noncurrent Liabilities	1,578	-	1,578
Total Current Liabilities	<u>97,763</u>	<u>4,107</u>	<u>101,870</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences	10,089	5,123	15,212
<b>TOTAL LIABILITIES</b>	<u>107,852</u>	<u>9,230</u>	<u>117,082</u>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>			
Unavailable Revenue - Property Taxes	378,326	-	378,326
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,701,810	20,452,722	25,154,532
Restricted	1,257,086	4,095,573	5,352,659
Unrestricted	4,674,344	2,064,617	6,738,961
<b>TOTAL NET POSITION</b>	<u>\$ 10,633,240</u>	<u>\$ 26,612,912</u>	<u>\$ 37,246,152</u>

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF ACTIVITIES**  
December 31, 2012

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			
	PROGRAM EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 189,757	\$ 97,912	\$ 142,645	\$ -
Public Safety	203,174	11,832	-	-
Public Works	724,242	-	148,482	106,000
Parks and Recreation	123,289	-	32,080	10,600
Unallocated Depreciation - Excludes Direct	51,582	-	-	-
Total Governmental Activities	<u>1,292,044</u>	<u>109,744</u>	<u>323,207</u>	<u>116,600</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	620,576	706,722	-	75,200
Sewer	352,402	283,226	-	37,000
Total Business-type Activities	<u>972,978</u>	<u>989,948</u>	<u>-</u>	<u>112,200</u>
<b>TOTAL GOVERNMENT-WIDE</b>	<u>\$ 2,265,022</u>	<u>\$ 1,099,692</u>	<u>\$ 323,207</u>	<u>\$ 228,800</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
50,800	\$ -	\$ 50,800
(191,342)	-	(191,342)
(469,760)	-	(469,760)
(80,609)	-	(80,609)
<u>(51,582)</u>	<u>-</u>	<u>(51,582)</u>
<u>(742,493)</u>	<u>-</u>	<u>(742,493)</u>
-	161,346	161,346
<u>-</u>	<u>(32,176)</u>	<u>(32,176)</u>
<u>-</u>	<u>129,170</u>	<u>129,170</u>
<u>(742,493)</u>	<u>129,170</u>	<u>(613,323)</u>
367,699	-	367,699
240,267	-	240,267
79,468	-	79,468
44,297	57,416	101,713
10,402	-	10,402
<u>742,133</u>	<u>57,416</u>	<u>799,549</u>
(360)	186,586	186,226
<u>10,633,600</u>	<u>26,426,326</u>	<u>37,059,926</u>
<u>\$ 10,633,240</u>	<u>\$ 26,612,912</u>	<u>\$ 37,246,152</u>

**TOWN OF SEVERANCE, COLORADO**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2012

(With Comparative Totals for December 31, 2011)

	GENERAL	STREET IMPACT	OTHER GOVERNMENTAL FUNDS	TOTALS	
				2012	2011
<b>ASSETS</b>					
Cash and Investments	\$ 5,029,664	\$ 321,786	\$ 540,340	\$ 5,891,790	\$ 5,886,716
Accounts Receivable	48,171	-	-	48,171	6,567
Property Tax Receivable	378,326	-	-	378,326	367,304
Interest Receivable	48,104	-	-	48,104	8,818
Intergovernmental Receivable	49,639	-	-	49,639	39,023
<b>TOTAL ASSETS</b>	<b>\$ 5,553,904</b>	<b>\$ 321,786</b>	<b>\$ 540,340</b>	<b>\$ 6,416,030</b>	<b>\$ 6,308,428</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 29,680	\$ 5,474	\$ -	\$ 35,154	\$ 134,779
Accrued Liabilities	9,031	-	-	9,031	12,565
Customer Deposits	-	52,000	-	52,000	-
<b>TOTAL LIABILITIES</b>	<b>38,711</b>	<b>57,474</b>	<b>-</b>	<b>96,185</b>	<b>147,344</b>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>					
Unavailable Revenue - Property Taxes	378,326	-	-	378,326	367,304
<b>FUND BALANCE</b>					
Restricted Fund Balance					
Restricted for TABOR Emergencies	38,000	-	-	38,000	48,000
Restricted for Impact Related Projects	414,434	264,312	439,453	1,118,199	1,221,973
Restricted by Statute			100,887	100,887	107,737
Assigned Fund Balance					
Assigned for Subsequent Years' Expenditures	777,089	-	-	777,089	537,547
Unassigned Fund Balance	3,907,344	-	-	3,907,344	3,878,523
<b>TOTAL FUND BALANCE</b>	<b>5,136,867</b>	<b>264,312</b>	<b>540,340</b>	<b>5,941,519</b>	<b>5,793,780</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 5,553,904</b>	<b>\$ 321,786</b>	<b>\$ 540,340</b>	<b>\$ 6,416,030</b>	<b>\$ 6,308,428</b>
Reconciliation from Fund Balance to Net Position:					
Total Fund Balance				\$ 5,941,519	
Capital assets used in governmental activities are not current resources and accordingly are not shown in the funds:					
Capital Assets				6,262,519	
Accumulated Depreciation				(1,559,131)	
Compensated absences are recored as an expense in the fund when paid but are show as a governmental activity liability when earned:					
Compensated Absences				(10,089)	
Long-term liabilities are not due and payable in the current period :					
Capital Lease Obligations				(1,578)	
<b>Total Net Position - Governmental Activities</b>				<b>\$ 10,633,240</b>	

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, 2012**

**(With Comparative Totals for the Year Ended December 31, 2011)**

	GENERAL	STREET IMPACT	OTHER GOVERNMENTAL FUNDS	TOTALS	
				2012	2011
<b>REVENUES</b>					
Taxes	\$ 687,434	\$ -	\$ -	\$ 687,434	\$ 682,329
Impact Fees	-	106,000	10,600	116,600	25,100
Licenses and Permits	96,425	-	-	96,425	89,677
Intergovernmental	284,203	-	32,080	316,283	1,017,865
Fines and Forfeits	11,832	-	-	11,832	22,137
Charges for Services	107	-	-	107	858
Other	53,969	3,752	5,282	63,003	58,068
	<u>1,133,970</u>	<u>109,752</u>	<u>47,962</u>	<u>1,291,684</u>	<u>1,896,034</u>
<b>TOTAL REVENUES</b>					
<b>EXPENDITURES</b>					
Current:					
General Government	184,579	-	-	184,579	163,207
Public Safety	203,174	-	-	203,174	212,329
Public Works	340,276	-	-	340,276	490,360
Parks and Recreation	116,742	-	-	116,742	102,848
Capital Outlay	28,526	210,168	58,170	296,864	1,310,021
Debt Service	2,310	-	-	2,310	2,016
	<u>875,607</u>	<u>210,168</u>	<u>58,170</u>	<u>1,143,945</u>	<u>2,280,781</u>
<b>TOTAL EXPENDITURES</b>					
<b>CHANGE IN FUND BALANCE</b>	<u>258,363</u>	<u>(100,416)</u>	<u>(10,208)</u>	<u>147,739</u>	<u>(384,747)</u>
<b>FUND BALANCES, Beginning</b>	<u>4,878,504</u>	<u>364,728</u>	<u>550,548</u>	<u>5,793,780</u>	<u>6,178,527</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 5,136,867</u>	<u>\$ 264,312</u>	<u>\$ 540,340</u>	<u>\$ 5,941,519</u>	<u>\$ 5,793,780</u>

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

Net Change in Fund Balances - Total Governmental Funds \$ 147,739

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

  Capitalized assets 122,542  
  Depreciation (270,704)

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 (1,760)

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

  Capital lease principal payments 1,823

Change in Net Position - Governmental Activities \$ (360)

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS**  
December 31, 2012  
(With Comparative Totals for December 31, 2011)

	<u>ENTERPRISE FUNDS</u>		<u>TOTALS</u>	
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 4,960,137	\$ 1,139,215	\$ 6,099,352	\$ 6,840,812
Accounts Receivable	<u>45,647</u>	<u>24,421</u>	<u>70,068</u>	<u>60,044</u>
Total Current Assets	<u>5,005,784</u>	<u>1,163,636</u>	<u>6,169,420</u>	<u>6,900,856</u>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
<b>Non-Depreciable</b>				
Purchased Capacity	2,048,850	-	2,048,850	1,787,850
NISP Project	369,328	-	369,328	336,828
Water Rights	12,076,000	-	12,076,000	12,076,000
<b>Depreciable</b>				
Buildings	43,570	43,570	87,140	87,140
Equipment	39,167	30,147	69,314	63,314
System	<u>1,970,522</u>	<u>5,273,684</u>	<u>7,244,206</u>	<u>7,225,269</u>
Total Capital Assets	16,547,437	5,347,401	21,894,838	21,576,401
Accumulated Depreciation	<u>(340,746)</u>	<u>(1,101,370)</u>	<u>(1,442,116)</u>	<u>(1,283,526)</u>
Capital Assets, net	<u>16,206,691</u>	<u>4,246,031</u>	<u>20,452,722</u>	<u>20,292,875</u>
<b>TOTAL ASSETS</b>	<u>21,212,475</u>	<u>5,409,667</u>	<u>26,622,142</u>	<u>27,193,731</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,252	2,855	4,107	19,225
Current Portion of Long-Term Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,097</u>
Total Current Liabilities	<u>1,252</u>	<u>2,855</u>	<u>4,107</u>	<u>763,322</u>
<b>Noncurrent Liabilities</b>				
Accrued Compensated Absences	<u>2,562</u>	<u>2,561</u>	<u>5,123</u>	<u>4,083</u>
<b>TOTAL LIABILITIES</b>	<u>3,814</u>	<u>5,416</u>	<u>9,230</u>	<u>767,405</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	16,206,691	4,246,031	20,452,722	19,548,778
<b>Restricted:</b>				
For Capital Expenditures (Expendable)	3,456,974	638,599	4,095,573	4,576,761
Unrestricted	<u>1,544,996</u>	<u>519,621</u>	<u>2,064,617</u>	<u>2,300,787</u>
<b>TOTAL NET POSITION</b>	<u>\$ 21,208,661</u>	<u>\$ 5,404,251</u>	<u>\$ 26,612,912</u>	<u>\$ 26,426,326</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, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	ENTERPRISE FUNDS		TOTALS	
	WATER FUND	SEWER FUND	2012	2011
<b>OPERATING REVENUES</b>				
Sales	\$ 639,872	\$ 283,226	\$ 923,098	\$ 822,511
Other Charges	66,850	-	66,850	17,322
<b>TOTAL OPERATING REVENUES</b>	<u>706,722</u>	<u>283,226</u>	<u>989,948</u>	<u>839,833</u>
<b>OPERATING EXPENSES</b>				
Salaries	68,706	68,707	137,413	135,690
Benefits	20,776	20,528	41,304	38,023
Accounting	1,039	1,039	2,078	1,620
Other Professional	2,244	12,312	14,556	2,102
Utilities	18,229	32,081	50,310	49,510
Repairs and Maintenance	7,196	18,745	25,941	29,357
Supplies	38,357	37,788	76,145	51,269
Office Expense	7,001	6,591	13,592	15,011
Dues and Subscriptions	752	701	1,453	1,508
Line Cleaning	-	14,673	14,673	13,839
Treatment	363,627	-	363,627	301,482
Testing	1,558	3,160	4,718	4,277
Insurance and Bonds	3,446	3,446	6,892	8,224
Miscellaneous	650	1,231	1,881	1,934
License and Permits	30,951	875	31,826	30,246
Travel and Training	1,905	309	2,214	3,146
Lease Payments	1,995	1,995	3,990	3,864
Depreciation	47,826	115,763	163,589	161,411
<b>TOTAL OPERATING EXPENSES</b>	<u>616,258</u>	<u>339,944</u>	<u>956,202</u>	<u>852,513</u>
<b>OPERATING INCOME (LOSS)</b>	<u>90,464</u>	<u>(56,718)</u>	<u>33,746</u>	<u>(12,680)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment Earnings	47,471	9,945	57,416	39,792
Other Income	-	-	-	350
Interest Expense	(4,318)	(12,458)	(16,776)	(41,321)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>43,153</u>	<u>(2,513)</u>	<u>40,640</u>	<u>(1,179)</u>
<b>CAPITAL CONTRIBUTED</b>				
Infrastructure Fees	75,200	35,000	110,200	144,000
Tap Fees	-	2,000	2,000	2,250
<b>TOTAL CAPITAL CONTRIBUTED</b>	<u>75,200</u>	<u>37,000</u>	<u>112,200</u>	<u>146,250</u>
<b>NET INCOME (LOSS)</b>	208,817	(22,231)	186,586	132,391
<b>NET POSITION, Beginning</b>	<u>20,999,844</u>	<u>5,426,482</u>	<u>26,426,326</u>	<u>26,293,935</u>
<b>NET POSITION, Ending</b>	<u>\$ 21,208,661</u>	<u>\$ 5,404,251</u>	<u>\$ 26,612,912</u>	<u>\$ 26,426,326</u>

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

TOWN OF SEVERANCE, COLORADO

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	ENTERPRISE FUNDS		TOTALS	
	WATER FUND	SEWER FUND	2012	2011
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 699,914	\$ 280,010	\$ 979,924	\$ 848,396
Cash Paid to Suppliers	(511,584)	(158,734)	(670,318)	(559,547)
Cash Paid to Employees	(68,185)	(68,186)	(136,371)	(135,554)
Net Cash Provided by Operating Activities	<u>120,145</u>	<u>53,090</u>	<u>173,235</u>	<u>153,295</u>
Cash Flows From Capital and Related Financing Activities:				
Capital Contributions	75,200	37,000	112,200	146,250
Debt Principal Payments	(146,110)	(597,987)	(744,097)	(100,914)
Interest Payments	(4,318)	(12,458)	(16,776)	(41,321)
Acquisition of Capital Assets	(299,000)	(24,437)	(323,437)	(309,750)
Cash Flows Used by Capital and Related Financing Activities	<u>(374,228)</u>	<u>(597,882)</u>	<u>(972,110)</u>	<u>(305,735)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Other Income	-	-	-	350
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>47,471</u>	<u>9,945</u>	<u>57,416</u>	<u>39,792</u>
Net Increase (Decrease) in Cash	(206,612)	(534,847)	(741,459)	(112,298)
Cash - Beginning	<u>5,166,749</u>	<u>1,674,063</u>	<u>6,840,812</u>	<u>6,953,110</u>
Cash - Ending	<u>\$ 4,960,137</u>	<u>\$ 1,139,216</u>	<u>\$ 6,099,353</u>	<u>\$ 6,840,812</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:	\$ 90,464	\$ (56,718)	\$ 33,746	\$ (12,680)
Depreciation Expense	47,826	115,763	163,589	161,411
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Accounts Receivable	(6,808)	(3,216)	(10,024)	8,563
Increase (Decrease) in:				
Accounts Payable	(11,858)	(3,260)	(15,118)	(4,135)
Accrued Compensated Absences	521	521	1,042	136
Total Adjustments	<u>29,681</u>	<u>109,808</u>	<u>139,489</u>	<u>165,975</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,145</u>	<u>\$ 53,090</u>	<u>\$ 173,235</u>	<u>\$ 153,295</u>

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

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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 City 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 City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City 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 City. The City 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 City. 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, 2012**

**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, 2012**

**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 as follows:

**Street Impact Fund**

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

The following special revenue funds are considered non-major:

**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, 2012**

**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.

**CASH AND CASH 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. 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.

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS (Continued)**

**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.

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.

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION/FUND BALANCES (Continued)**

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, 2012**

**NOTE 2: CASH AND INVESTMENTS**

The Town's cash and investment balances are allocated as follows as of December 31, 2012:

<u>Type</u>	<u>Carrying Value</u>
Deposits	
Demand deposits	\$ 4,292,194
Time deposits	2,959,877
Cash on hand	300
Total Deposits	7,252,371
Investments	
Local Govt Pools	1,021
Investments Held in Safekeeping	4,737,750
<b>Total Cash and Investments</b>	<b>\$ 11,991,142</b>

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

Governmental Activities	\$ 5,891,790
Business-type Activities	6,099,352
<b>Total Cash and Investments</b>	<b>\$ 11,991,142</b>

**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, 2012**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Deposits** (Continued)

At December 31, 2012, 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.

	<b>Balance</b>	<b>Balance</b>
FDIC Insured	\$ 500,920	\$ 500,920
PDPA Collateralized (Not in the Town's Name)	6,749,305	6,751,151
Petty Cash	-	300
<b>Total Cash Deposits</b>	<b>\$ 7,250,225</b>	<b>\$ 7,252,371</b>

**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, 2012**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

The Town's investments as of December 31, 2012, were as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Weighted Maturity In Years</u>	<u>% of Invest.</u>	<u>Moody's Rating</u>	<u>S&amp;P Rating</u>
U.S. Treasury Notes	\$ 225,973	0.65	5%	N/A	N/A
Federal Home Loan Bank	250,342	1.99	5%	AAA	AA+
Federal Home Loan Mortgage Corp	115,626	5.59	2%	AAA	AA+
Federal National Mortgage Assn	1,054,037	9.46	22%	AAA	AA+
Government National Mortgage Assn	150,554	24.52	3%	AAA	AA+
Federal Farm Credit Banks	321,052	2.33	7%	AAA	AA+
Tennessee Valley Authority	106,745	0.58	2%	AAA	AA+
Municipal Securities	1,695,096	4.79	36%	AA3 - AAA	AA- - AAA
All Other Commercial Paper	808,632	3.64	17%	A1 - AAA	AA- - AAA
Local Government Pools	1,021	-	0%	N/A	AAAm
Mutual Funds	9,693	-	0%	N/A	N/A
Total	<u>\$ 4,738,771</u>	<u>5.66</u>	<u>100%</u>		

During the year ended December 31, 2012, 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, 2012 was \$1,021.

**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, 2012, 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.

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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, 2012, 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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 170,824	\$ -	\$ -	\$ 170,824
Capital assets being depreciated:				
Infrastructure	5,314,982	73,887	-	5,388,868
Buildings	224,585	-	-	224,585
Vehicles	64,284	89,500	8,500	145,284
Equipment	365,302	7,992	40,337	332,957
Total capital assets being depreciated	<u>5,969,153</u>	<u>171,379</u>	<u>48,837</u>	<u>6,091,694</u>
Less accumulated depreciation:				
Infrastructure	966,960	219,122	-	1,186,081
Buildings	89,743	6,153	-	95,896
Vehicles	54,516	17,373	-	71,889
Equipment	177,208	32,393	4,338	205,263
Total accumulated depreciation	<u>1,288,427</u>	<u>275,041</u>	<u>4,338</u>	<u>1,559,129</u>
Total capital assets, net	<u><u>\$ 4,851,550</u></u>	<u><u>\$ (103,662)</u></u>	<u><u>\$ 44,499</u></u>	<u><u>\$ 4,703,389</u></u>

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

Public Works depreciation	\$ 219,122
Unallocated depreciation	55,919
Total depreciation	<u><u>\$ 275,041</u></u>

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3: CAPITAL ASSETS (Continued)**

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

	<u>Restated Bal.</u> <u>January 1,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Water rights	\$ 12,076,000	\$ -	\$ -	\$ 12,076,000
Northern Integrated Supply Proj. in progress	336,828	32,500	-	369,328
North Weld County Water Dist. Capacity	<u>1,787,850</u>	<u>261,000</u>	-	<u>2,048,850</u>
Total capital assets not being depreciated	<u>14,200,678</u>	<u>293,500</u>	-	<u>14,494,178</u>
Capital assets being depreciated:				
Water System	1,970,522	-	-	1,970,522
Sewer System	5,254,747	18,937	-	5,273,684
Buildings	87,140	-	-	87,140
Equipment	<u>63,314</u>	<u>11,000</u>	<u>5,000</u>	<u>69,314</u>
Total capital assets being depreciated	<u>7,375,723</u>	<u>29,937</u>	<u>5,000</u>	<u>7,400,660</u>
Less accumulated depreciation:				
Water System	263,550	41,219	-	304,769
Sewer System	957,410	111,953	-	1,069,363
Buildings	23,238	2,905	-	26,143
Equipment	<u>39,327</u>	<u>7,514</u>	<u>5,000</u>	<u>41,841</u>
Total accumulated depreciation	<u>1,283,525</u>	<u>163,591</u>	<u>5,000</u>	<u>1,442,116</u>
<b>Total Capital Assets, net</b>	<b><u>\$ 20,292,876</u></b>	<b><u>\$ 159,846</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,452,722</u></b>

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

Depreciation - Water	\$ 47,826
Depreciation - Sewer	<u>115,763</u>
Total Depreciation	<u>\$ 163,589</u>

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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		Balance December 31		Current	Interest
	2012	Advances	Payments	2012	Portion	Expense
<b>Governmental activities</b>						
Obligation under capital lease	\$ 3,401	\$ -	\$ 1,823	\$ 1,578	\$ 1,578	\$ 428
Compensated absences	8,329	1,760	-	10,089	-	-
<b>Total governmental activities</b>	<b><u>\$ 11,730</u></b>	<b><u>\$ 1,760</u></b>	<b><u>\$ 1,823</u></b>	<b><u>\$ 11,667</u></b>	<b><u>\$ 1,578</u></b>	<b><u>\$ 428</u></b>
<b>Business-type activities</b>						
Note payable-DOLA 2004	\$ 597,987	\$ -	\$ 597,987	\$ -	\$ -	\$ 12,458
Obligation under capital lease	146,110	-	146,110	-	-	4,318
Compensated absences	4,083	1,041	-	5,124	-	-
<b>Total business-type activities</b>	<b><u>\$ 748,180</u></b>	<b><u>\$ 1,041</u></b>	<b><u>\$ 744,097</u></b>	<b><u>\$ 5,124</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,776</u></b>

**NOTE PAYABLE – BUSINESS TYPE ACTIVITIES**

In 2004, the Town entered into an agreement with DOLA to fund the construction of new sewer lines. The agreement included a note in the amount of \$800,000 to be repaid over a term of 20 years, bearing interest at 5 percent, with an annual payment of \$63,659. Debt payments are funded through the Town’s Sewer Fund. This obligation was paid in full by the Town for the remaining balance of \$597,987 on January 26, 2012.

**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 is 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.

**CAPITAL LEASES – BUSINESS TYPE ACTIVITIES**

In June 2003, the Town entered into a capital lease for the construction of a water storage tank. The initial lease value was \$620,000 and is payable in annual installments of \$78,576 per year through June 2013. The first payment on the lease was due in June 2004. The lease bears interest at 4.75 percent per year with the interest rate being adjusted during 2008. Payments will be made by the Water Fund. This lease was paid in full by the Town for the remaining amount of \$146,110 on January 19, 2012.

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 4: NONCURRENT LIABILITIES (Continued)**

**FUTURE MINIMUM LEASE PAYMENTS**

The following is a schedule of the future minimum lease payments under the capital lease and the present value of the remaining payments at December 31, 2012 that will be made:

Fiscal Year	Amount
2013	\$ 1,689
Less: interest portion	(111)
<b>Obligations under capital leases</b>	<b><u>\$ 1,578</u></b>

**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, 2012.

**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, 2012 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth.

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.

**TOWN OF SEVERANCE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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

**Tax Spending and Debt Limitations (Continued)**

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 2012 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2012, the Town has reserved the following for emergencies:

General Fund	<u>\$ 38,000</u>
--------------	------------------

**Other Restrictions**

The Town has restricted net position at December 31, 2012 in the Water and Sewer Funds for future purchases of system capacity and other improvements totaling \$3,456,974 and \$638,599, 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 Designations**

The Town has assigned the following amounts for future expenditures through the adoption of the 2013 budget:

General Fund	\$777,089
Water Fund	323,723
Sewer Fund	209,874

**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, 2012**

**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, 2012.

**NOTE 8: INTERFUND ACTIVITY**

The Town has recorded the following normal operating transfers.

<u>Transfers to Other Funds</u>	<u>Transfers From Other Funds</u>	
CTF Fund	Parks Impact	<u>\$ 40,000</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 \$10,648 in 2012. 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, 2012**

**NOTE 10: PRIOR PERIOD RESTATEMENT**

For the fiscal year ended December 31, 2012, the Town adopted GASB Statement Number 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, GASB Statement Number 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASB Statement Number 65 – Items Previously Reported as Assets and Liabilities. The adoption of these standards primarily modified the presentation of items previously reported as assets and liabilities on the government-wide and proprietary statement of net assets and on the governmental fund balance sheet. The Town’s most significant changes are that the former deferred property tax liability is now shown as a deferred inflow of resources on both the governmental fund balance sheet and the government-wide statement of net position, and the Town no longer recognized debt issuance costs as a prepaid amortizable item. Debt issuance costs are now expensed when incurred. In addition, all items previously referred to as “net assets” are now titled “net position”.

The Town acquired additional water capacity through North Weld County Water District in the amount of \$261,000 in December 2011. This amount was originally expensed in the 2011 financial statements. The 2011 comparative information has been restated in these financial statements to reflect the increase in capital assets and net position of \$261,000 in the Water Fund as of December 31, 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		VARIANCE FAVORABLE- (UNFAVORABLE)	2011 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL		
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 367,304	\$ 366,627	\$ (677)	\$ 396,031
Delinquent Penalties and Interest	650	1,072	422	1,056
Sales and Use Taxes	230,000	240,267	10,267	210,504
Franchise Tax	70,000	79,468	9,468	74,738
Total Taxes	<u>667,954</u>	<u>687,434</u>	<u>19,480</u>	<u>682,329</u>
Licenses and Permits:				
Building Permits	70,500	57,129	(13,371)	53,199
Licenses	4,850	4,074	(776)	5,669
Drainage Fees	12,500	5,000	(7,500)	7,000
Admin Service Development Fee	7,500	4,800	(2,700)	3,980
Administration Fees	20,000	18,866	(1,134)	17,476
Other Fees and Permits	2,950	7,300	4,350	2,353
Developer Back Billing	2,000	(744)	(2,744)	-
Total Licenses and Permits	<u>120,300</u>	<u>96,425</u>	<u>(23,875)</u>	<u>89,677</u>
Intergovernmental:				
State Mineral Leases	12,000	19,050	7,050	14,655
Highway Users	118,047	115,307	(2,740)	109,399
Clerk Fees - Motor Vehicles	12,000	14,264	2,264	15,198
Specific Ownership Taxes	25,000	29,305	4,305	30,084
Road and Bridge	24,000	18,911	(5,089)	23,449
Cigarette Taxes	950	961	11	983
Severance Taxes	20,000	39,985	19,985	29,950
Other State Grants	-	46,420	46,420	4,024
Total Intergovernmental	<u>211,997</u>	<u>284,203</u>	<u>72,206</u>	<u>227,742</u>
Fines and Forfeits	<u>26,790</u>	<u>11,832</u>	<u>(14,958)</u>	<u>22,137</u>
Charges for Services	<u>1,100</u>	<u>107</u>	<u>(993)</u>	<u>858</u>
Miscellaneous:				
Investment Earnings	45,000	35,263	(9,737)	31,828
Rent	1,200	1,380	180	1,280
Donations	5,500	6,924	1,424	6,589
Refunds	1,600	1,400	(200)	1,443
Miscellaneous	3,550	9,002	5,452	7,198
Total Miscellaneous	<u>56,850</u>	<u>53,969</u>	<u>(2,881)</u>	<u>48,338</u>
TOTAL REVENUES	<u>1,084,991</u>	<u>1,133,970</u>	<u>48,979</u>	<u>1,071,081</u>

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

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

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		VARIANCE FAVORABLE- (UNFAVORABLE)	2011
	ORIGINAL & FINAL BUDGET	ACTUAL		ACTUAL
EXPENDITURES				
Current				
General Government				
Legislative	61,427	67,725	(6,298)	49,730
Elections	3,950	2,469	1,481	-
Judicial	12,435	7,854	4,581	9,661
Administration	116,900	106,531	10,369	103,816
Public Safety				
Police/Sheriff	227,903	203,174	24,729	212,329
Public Works				
Community Development	255,479	173,665	81,814	254,254
Streets/Maintenance	251,549	160,877	90,672	170,946
Storm Drainage	61,500	5,734	55,766	65,160
Culture and Recreation				
Parks/Green Space	104,895	103,447	1,448	91,696
Culture and Recreation	13,000	13,295	(295)	11,152
Capital Outlay	161,100	28,526	132,574	82,480
Debt Service	2,400	2,310	90	2,016
	<u>1,272,538</u>	<u>875,607</u>	<u>396,931</u>	<u>1,053,240</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(187,547)	258,363	445,910	17,841
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>	<u>(500,000)</u>
CHANGE IN FUND BALANCE	(537,547)	258,363	795,910	(482,159)
FUND BALANCE - Beginning	<u>4,929,643</u>	<u>4,878,504</u>	<u>(51,139)</u>	<u>5,360,663</u>
FUND BALANCE - Ending	<u>\$ 4,392,096</u>	<u>\$ 5,136,867</u>	<u>\$ 744,771</u>	<u>\$ 4,878,504</u>

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -  
STREET IMPACT FUND**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012			2011 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	
REVENUES				
Investment Earnings	\$ 3,000	\$ 3,752	\$ 752	\$ 2,875
Impact Fees	20,000	106,000	86,000	10,400
Federal Grants	-	-	-	713,000
Other	-	-	-	3,870
TOTAL REVENUES	<u>23,000</u>	<u>109,752</u>	<u>86,752</u>	<u>730,145</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>595,000</u>	<u>210,168</u>	<u>384,832</u>	<u>1,140,070</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(572,000)	(100,416)	471,584	(409,925)
OTHER FINANCING SOURCES				
Transfer In (Out)	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>	<u>500,000</u>
CHANGE IN FUND BALANCE	(222,000)	(100,416)	121,584	90,075
FUND BALANCE - Beginning	<u>455,040</u>	<u>364,728</u>	<u>(90,312)</u>	<u>274,653</u>
FUND BALANCE - Ending	<u>\$ 233,040</u>	<u>\$ 264,312</u>	<u>\$ 31,272</u>	<u>\$ 364,728</u>

See the accompanying Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF SEVERANCE, COLORADO**

**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2012**

**(With Comparative Totals for December 31, 2011)**

	SPECIAL REVENUE FUNDS		TOTALS	
	CONSERVATION TRUST FUND	PARKS IMPACT FUND	2012	2011
	<b>ASSETS</b>			
Cash and Investments	\$ 100,887	\$ 439,453	\$ 540,340	\$ 550,548
<b>FUND BALANCES</b>				
Restricted Fund Balance				
Restricted for Impact Related Projects	-	439,453	439,453	442,811
Restricted by Statute	100,887	-	100,887	107,737
		-		
<b>TOTAL FUND BALANCES</b>	<u>\$ 100,887</u>	<u>\$ 439,453</u>	<u>\$ 540,340</u>	<u>\$ 550,548</u>

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, 2012**

**(With Comparative Totals for the Year Ended December 31, 2011)**

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOTALS</u>	
	<u>CONSERVATION TRUST FUND</u>	<u>PARKS IMPACT FUND</u>	<u>2012</u>	<u>2011</u>
	REVENUES			
Intergovernmental	\$ 32,080	\$ -	\$ 32,080	\$ 77,123
Investment Earnings	1,070	4,212	5,282	2,985
Impact Fees	-	10,600	10,600	14,700
TOTAL REVENUES	<u>33,150</u>	<u>14,812</u>	<u>47,962</u>	<u>94,808</u>
EXPENDITURES				
Capital Outlay	-	58,170	58,170	87,471
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,150	(43,358)	(10,208)	7,337
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(40,000)	40,000	-	-
CHANGE IN FUND BALANCE	(6,850)	(3,358)	(10,208)	7,337
FUND BALANCE - Beginning	<u>107,737</u>	<u>442,811</u>	<u>550,548</u>	<u>543,211</u>
FUND BALANCE - Ending	<u>\$ 100,887</u>	<u>\$ 439,453</u>	<u>\$ 540,340</u>	<u>\$ 550,548</u>

See the accompanying Independent Auditors' Report.

**TOWN OF SEVERANCE, COLORADO**

**BUDGETARY COMPARISON SCHEDULE -**  
**PARKS IMPACT FUND**

**For the Year Ended December 31, 2012**

**(With Comparative Totals for the Year Ended December 31, 2011)**

	2012			2011
	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	ACTUAL
<b>REVENUES</b>				
GOCO Grant	\$ -	\$ -	\$ -	\$ 49,057
Investment Earnings	-	4,212	4,212	2,323
Impact Fees	<u>30,000</u>	<u>10,600</u>	<u>(19,400)</u>	<u>14,700</u>
<b>TOTAL REVENUES</b>	<u>30,000</u>	<u>14,812</u>	<u>(15,188)</u>	<u>66,080</u>
<b>EXPENDITURES</b>				
Current:				
Capital Outlay	<u>110,000</u>	<u>58,170</u>	<u>51,830</u>	<u>73,632</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(80,000)	(43,358)	36,642	(7,552)
<b>OTHER FINANCING SOURCES</b>				
Transfer In (Out)	<u>40,000</u>	<u>40,000</u>	-	<u>25,000</u>
<b>CHANGE IN FUND BALANCE</b>	(40,000)	(3,358)	36,642	17,448
<b>FUND BALANCE - Beginning</b>	<u>439,697</u>	<u>442,811</u>	<u>3,114</u>	<u>425,363</u>
<b>FUND BALANCE - Ending</b>	<u>\$ 399,697</u>	<u>\$ 439,453</u>	<u>\$ 39,756</u>	<u>\$ 442,811</u>

See the accompanying Independent Auditors' Report.

TOWN OF SEVERANCE, COLORADO

**BUDGETARY COMPARISON SCHEDULE -**  
**CONSERVATION TRUST FUND**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		VARIANCE- FAVORABLE (UNFAVORABLE)	2011
	FINAL BUDGET	ACTUAL		ACTUAL
REVENUES				
Lottery Proceeds	\$ 30,000	\$ 32,080	\$ 2,080	\$ 28,066
Investment Earnings	650	1,070	420	662
TOTAL REVENUES	<u>30,650</u>	<u>33,150</u>	<u>2,500</u>	<u>28,728</u>
EXPENDITURES				
Current:				
Supplies	500	-	500	-
Capital Outlay	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>13,839</u>
TOTAL EXPENDITURES	<u>15,500</u>	<u>-</u>	<u>15,500</u>	<u>13,839</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,150	33,150	18,000	14,889
OTHER FINANCING SOURCES				
Transfer Out	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>(25,000)</u>
CHANGE IN FUND BALANCE	(24,850)	(6,850)	18,000	(10,111)
FUND BALANCE - Beginning	<u>108,966</u>	<u>107,737</u>	<u>(1,229)</u>	<u>117,848</u>
FUND BALANCE - Ending	<u>\$ 84,116</u>	<u>\$ 100,887</u>	<u>\$ 16,771</u>	<u>\$ 107,737</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, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		VARIANCE- FAVORABLE (UNFAVORABLE)	2011
	FINAL BUDGET	ACTUAL		ACTUAL
OPERATING REVENUES				
Sales	\$ 618,300	\$ 639,872	\$ 21,572	\$ 558,197
Other Charges	95,650	66,850	(28,800)	17,322
TOTAL OPERATING REVENUES	<u>713,950</u>	<u>706,722</u>	<u>(7,228)</u>	<u>575,519</u>
OPERATING EXPENSES				
Salaries	71,033	68,706	2,327	67,845
Benefits	21,976	20,776	1,200	19,013
Legal	1,000	-	1,000	-
Accounting	1,000	1,039	(39)	810
Other Professional	2,300	2,244	56	679
Utilities	18,950	18,229	721	14,799
Repairs and Maintenance	19,838	7,196	12,642	10,733
Supplies	22,500	38,357	(15,857)	16,144
Office Expense	9,150	7,001	2,149	7,553
Treatment	412,200	363,627	48,573	301,482
Testing	2,897	1,558	1,339	1,692
Insurance and Bonds	3,583	3,446	137	4,112
Miscellaneous	1,275	650	625	660
Water Assessments and Rentals	32,750	30,951	1,799	29,371
Travel and Training	2,900	1,905	995	1,938
Dues and Subscriptions	850	752	98	749
Lease Payments	2,250	1,995	255	1,904
Capital Outlay	482,200	299,000	183,200	309,750
TOTAL OPERATING EXPENSES	<u>1,108,652</u>	<u>867,432</u>	<u>241,220</u>	<u>789,234</u>
OPERATING INCOME	<u>(394,702)</u>	<u>(160,710)</u>	<u>233,992</u>	<u>(213,715)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment Earnings	30,000	47,471	17,471	29,838
Debt Service	(150,000)	(150,428)	(428)	(78,576)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(120,000)</u>	<u>(102,957)</u>	<u>17,043</u>	<u>(48,738)</u>
CAPITAL CONTRIBUTED				
Infrastructure Fees	188,000	75,200	(112,800)	94,000
NET INCOME (LOSS) - BUDGET (GAAP) BASIS	<u>\$ (326,702)</u>	<u>(188,467)</u>	<u>\$ 138,235</u>	<u>(168,453)</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay		299,000		309,750
Principal Paid		146,110		68,762
Depreciation		(47,826)		(46,926)
TOTAL GAAP BASIS ADJUSTMENTS		<u>397,284</u>		<u>331,586</u>
CHANGE IN NET ASSETS		208,817		163,133
NET POSITION, Beginning		<u>20,999,844</u>		<u>20,836,711</u>
NET POSITION, Ending		<u>\$ 21,208,661</u>		<u>\$ 20,999,844</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, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		VARIANCE- FAVORABLE (UNFAVORABLE)	2011
	FINAL BUDGET	ACTUAL		ACTUAL
OPERATING REVENUES				
Sales	\$ 280,980	\$ 283,226	\$ 2,246	\$ 264,314
OPERATING EXPENSES				
Salaries	70,418	68,707	1,711	67,845
Benefits	21,707	20,528	1,179	19,010
Legal	500	-	500	-
Accounting	1,000	1,039	(39)	810
Other Professional	9,200	12,312	(3,112)	1,423
Utilities	32,450	32,081	369	34,711
Repairs and Maintenance	19,838	18,745	1,093	18,624
Supplies	33,600	37,788	(4,188)	35,125
Office Expense	8,675	6,591	2,084	7,458
Dues and Subscriptions	900	701	199	759
Line Cleaning	15,000	14,673	327	13,839
Testing	4,000	3,160	840	2,585
Insurance and Bonds	4,144	3,446	698	4,112
Miscellaneous	5,700	1,231	4,469	1,274
License and Permits	900	875	25	875
Travel and Training	2,370	309	2,061	1,208
Lease Payments	2,250	1,995	255	1,960
Capital Outlay	187,300	19,438	167,862	-
TOTAL OPERATING EXPENSES	419,952	243,619	176,333	211,618
OPERATING INCOME (LOSS)	(138,972)	39,607	178,579	52,696
NON-OPERATING REVENUE (EXPENSE)				
Investment Earnings	9,500	9,945	445	9,954
Other Income	-	-	-	350
Plant Investment Fees Paid	(50,000)	-	50,000	-
Debt Service	(612,000)	(622,901)	(10,901)	(63,659)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(652,500)	(612,956)	39,544	(53,355)
CAPITAL CONTRIBUTED				
Infrastructure Fees	100,000	35,000	(65,000)	50,000
Tap Fees	5,000	2,000	(3,000)	2,250
TOTAL CAPITAL CONTRIBUTED	105,000	37,000	(68,000)	52,250
NET INCOME (LOSS) - BUDGET BASIS	\$ (686,472)	(536,349)	\$ 150,123	51,591
GAAP BASIS ADJUSTMENTS				
Capital Outlay		19,438		-
Principal Paid		610,443		32,152
Depreciation		(115,763)		(114,485)
TOTAL GAAP BASIS ADJUSTMENTS		514,118		(82,333)
CHANGE IN NET POSITION		(22,231)		(30,742)
NET POSITION, Beginning		5,426,482		5,457,224
NET POSITION, Ending		\$ 5,404,251		\$ 5,426,482

See the accompanying Independent Auditors' Report.

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**COMPLIANCE SECTION**

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## **STATE COMPLIANCE**

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

**LOCAL HIGHWAY FINANCE REPORT**

City or County:  
**TOWN OF SEVERANCE**  
YEAR ENDING :  
December 2012

This Information From The Records Of : **TOWN OF SEVERANCE**

Prepared By: **Patricia J. Lesh, Town Clerk/Treasurer**  
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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	158,765
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	290,550
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	3,995
2. General fund appropriations	393,157	b. Snow and ice removal	1,393
3. Other local imposts (from page 2)	155,388	c. Other	42,655
4. Miscellaneous local receipts (from page 2)	3,980	d. Total (a. through c.)	48,043
5. Transfers from toll facilities	0	4. General administration & miscellaneous	30,941
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	152,624
a. Bonds - Original Issues	0	6. Total (1 through 5)	680,923
b. Bonds - Refunding Issues	0	<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	552,525	b. Redemption	0
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>		2. Notes:	
	128,398	a. Interest	0
<b>D. Receipts from Federal Government (from page 2)</b>		b. Redemption	0
	0	c. Total (a. + b.)	0
<b>E. Total receipts (A.7 + B + C + D)</b>		3. Total (1.c + 2.c)	0
	680,923	<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	
		680,923	

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	680,923	680,923		0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	0	a. Interest on investments	3,980
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	106,000	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	49,388	g. Other Misc. Receipts	0
6. Total (1. through 5.)	155,388	h. Other	0
c. Total (a. + b.)	155,388	i. Total (a. through h.)	3,980
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	115,307	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	13,091	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	0
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	13,091	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	128,398	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		21,217	21,217
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		25,000	25,000
(3). System Preservation		112,548	112,548
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	137,548	137,548
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	158,765	158,765
			(Carry forward to page 1)

**Notes and Comments:**

Capacity Improvements - Project STU CO30-043, WCR 23/SH 392, Invoice No. 1, Construction of Intersection Improvements for WCR 23 and SH 392 (County of Weld, Town of Windsor, Town of Severance)