TOWN OF SEVERANCE, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2025

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTARY INFORMATION

SPECIAL REPORTS

THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Severance, Colorado

Report on the Audit of the Financial Statements

Opinions

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 (the Town) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and GASB required pension schedules as listed in the table of contents be presented to supplement the basic financial statements.

Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

The Adams Group, LLC

Greenwood Village, Colorado
July 21, 2026

The discussion and analysis of the Town of Severance's (the Town) financial performance provides an overall review of the Town's financial activities for the year ended December 31, 2025. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to broaden their understanding of the Town's financial performance.

Financial Highlights

The Town of Severance's governmental net position increased by $5,744,413 and business-type net position increased by $5,220,373 for the year. The assets and deferred outflows of resources of the Town exceeded their liabilities and deferred inflows of resources at the close of fiscal year 2025 by $203,554,835 (net position). Of this amount, $40,031,583 (unrestricted net position) may be used to meet the Town's ongoing obligations or unforeseen expenses. $29,777,889 is restricted for future capital projects and emergencies.

As of the close of fiscal year 2025, the Town's General Fund reported an ending fund balance of $24,563,003 compared to the fiscal year 2024 balance of $23,009,283. General Fund revenues decrease by $2,656,630 when compacted to the prior year (not including proceeds from sale of assets and transfers in) This decrease was a result of decreases in intergovernmental revenues from federal grant award and a decrease in licenses and permit revenue. General Fund expenditures decreased in 2025 by $1,183,619 to $11,580,437. The decrease in expenditures was primarily due to a decrease in capital outlay expenditures of $1,942,567 when compared to the prior year.

Using the Basic Financial Statements

The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These statements are organized so that the reader can understand the Town of Severance as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail. The governmental fund statements tell how general Town services are financed in the short term as well as what remains for future spending. The Town has six governmental funds including: the General Fund, Transportation Fund, Conservation Trust Fund, Parks Fund, Public Facilities Fund, and the Public Safety Fund. Proprietary fund statements, sometimes referred to Business Type Activities, offer short and long-term financial information about the activities that the Town operates with self-sustaining user fees. The Town operates three proprietary funds which are the Water Fund, Wastewater Fund, and Stormwater 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 position (total assets plus deferred outflows of resources minus total liabilities plus deferred inflows of resources) was $203,554,835 as of December 31, 2025. This represents an increase of $10,964,786.

Government-Wide Financial Statements

The government-wide statements report information about the Town using accounting methods similar to those used by private businesses. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Current year revenues and expenses are accounted for in the statement of activities on an accrual basis, regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. The change in net position is important because it tells the reader that for the Town as a whole, the financial position has improved or diminished. The cause of this change may be the result of various factors, both financial and non-financial. Non-financial factors include facility conditions, and state or federal government required programs.

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, community development, public safety (code and law enforcement), public works, and parks and recreation. The Business-type Activities of the Town of Severance consist of water, wastewater, and stormwater services.

Details of the Town's Net Position are as follows:

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 34,646,602	$ 31,931,853	$ 38,239,146	$ 33,800,388	$ 72,885,748	$ 65,732,241
Capital assets	50,474,332	47,253,813	83,324,958	82,900,113	133,799,290	130,153,926
Total assets	85,120,934	79,185,666	121,564,104	116,700,501	206,685,038	195,886,167
Deferred outflows of resources	353,826	381,091	-	-	353,826	381,091
Liabilities						
Current liabilities	1,109,131	985,366	129,034	485,804	1,238,165	1,471,170
Total liabilities	1,109,131	985,366	129,034	485,804	1,238,165	1,471,170
Deferred inflows of resources	2,245,864	2,206,039	-	-	2,245,864	2,206,039
Net position:						
Net investment in capital assets	50,420,405	47,253,813	83,324,958	82,640,445	133,745,363	129,894,258
Restricted	7,693,213	6,972,050	22,084,676	18,299,393	29,777,889	25,271,443
Unrestricted	24,006,147	22,149,489	16,025,436	15,274,859	40,031,583	37,424,348
Total net position	$ 82,119,765	$ 76,375,352	$ 121,435,070	$ 116,214,697	$ 203,554,835	$ 192,590,049

The statement of net position reflects a cash and investments position totaling $69,133,321 or 33% of total assets. The majority of the Town's resources, $133,799,290 or 65% of total assets, are invested in capital assets. These assets consist of land and improvements, water rights, construction in process, buildings, equipment, infrastructure, and utility system assets.

The Town uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending and are reported as net investment in capital assets. Unrestricted net position may be used for any legal purpose and restricted net position may be used to fund future capital expenditures.

Changes in Net Position

Governmental activities increased the Town of Severance's net position by $5,744,413. Business-type activities increased the Town's net position by $5,220,373. A summary of the changes in net position is as follows:

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 872,127	$ 1,365,971	$ 5,002,015	$ 4,752,118	$ 5,874,142	$ 6,118,089
Operating grants and contributions	851,044	3,432,216	-	-	851,044	3,432,216
Capital grants and contributions	4,275,606	5,718,172	3,136,124	4,029,523	7,411,730	9,747,695
General revenues:						
Property taxes and SOT	2,162,027	2,384,915	-	-	2,162,027	2,384,915
Sales & use taxes	4,962,536	5,233,398	-	-	4,962,536	5,233,398
Other taxes	229,573	231,356	-	-	229,573	231,356
Investment earnings (loss)	1,581,625	1,319,347	1,695,140	1,235,152	3,276,765	2,554,499
Other revenues	882,483	834,805	-	-	882,483	834,805
Internal balances	145,953	118,669	(145,953)	(118,669)	-	-
Total revenues	15,962,974	20,638,849	9,687,326	9,898,124	25,650,300	30,536,973
Expenses:						
General government	1,988,288	1,595,237	-	-	1,988,288	1,595,237
Community development	603,154	848,690	-	-	603,154	848,690
Public safety	2,896,692	2,168,666	-	-	2,896,692	2,168,666
Public works	3,107,234	2,420,134	-	-	3,107,234	2,420,134
Parks and recreation	1,622,926	1,146,071	-	-	1,622,926	1,146,071
Water	-	-	2,428,410	2,361,491	2,428,410	2,361,491
Wastewater	-	-	1,634,731	1,633,940	1,634,731	1,633,940
Stormwater	-	-	400,062	443,653	400,062	443,653
Loss (gain) on disposal and transfers	267	162,387	3,750	123,690	4,017	286,077
Total expenses	10,218,561	8,341,185	4,466,953	4,562,774	14,685,514	12,903,959
Change in net position	5,744,413	12,297,664	5,220,373	5,335,350	10,964,786	17,633,014
Net position, January 1,	76,375,352	64,077,688	116,214,697	110,879,347	192,590,049	174,957,035
Net position, December 31,	$ 82,119,765	$ 76,375,352	$ 121,435,070	$ 116,214,697	$ 203,554,835	$ 192,590,049

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds 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, unrestricted 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 balance increased by $1,553,720 for an ending balance of $24,563,003 as of December 31, 2025. Total revenues decreased $2,656,630, which was due to a decrease in federal funding and a significant decrease in building permits and related fees. Total expenditures decreased by $1,183,619 which was primarily driven by a decrease in capital outlay costs and was offset by an increase in personnel costs and public safety costs. During the year ended December 31, 2025, the General Fund had net transfers of $579,832 and proceeds on sale of capital assets in the amount of $725,000.

Transportation Fund – The Transportation Fund balance increased by $206,266 for an ending balance of $4,167,596 as of December 31, 2025. Total revenues decreased by $85,353, which was due to a decrease in impact fees when compared to the prior year.

Total expenditures increased by $549,359, which is a result of a significant increase in capital outlay when compared to the prior year. During the year ended December 31, 2025, the Transportation Fund had transfers out of $391,523.

For the year ending December 31, 2025, the General and Transportation Funds are the only major governmental funds. See the combining schedules on pages 47 and 48 for a breakout of the non-major governmental funds.

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. 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 $2,965,083 for an ending balance of $78,025,746. This increase is primarily due to an increase in plant investment fees of $888,897 and water utility charges. Net position is made up of a combination of restricted cash and investments and capital assets.

Wastewater Fund – The Wastewater Fund net position increased by $2,032,699 for an ending balance of $32,682,948. This increase is primarily due to plant investment fees and wastewater impact fees. Net position is made up of a combination of restricted cash and investments and capital assets.

Stormwater Fund – Net position increased by $222,591 for an ending balance of $10,726,376. This increase is a result of a decrease in transfers to other funds and a decrease in overhead expenses when compared to the prior year. Net position is made up of a combination of restricted cash and investments and capital assets.

Capital Assets

Approximately 38% of the Town's capital assets support governmental activities. The majority of the value is invested in land and infrastructure at December 31, 2025. The Town's business-type activities capital assets consist of its investments in water rights, utility systems and related equipment. During 2024, the Town continued its participation in the NISP project.

See below for a breakout of the Town's capital assets as of December 31, 2025 when compared to the prior year. See Note 4 for additional information.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and improvements	$ 1,063,771	$ 1,645,622	$ 294,759	$ 294,759	$ 1,358,530	$ 1,940,381
Construction in progress	838,385	3,851,392	225,032	6,123,705	1,063,417	9,975,097
Infrastructure	39,131,467	36,631,508	-	-	39,131,467	36,631,508
Buildings	7,241,741	3,245,238	1,340,404	1,404,606	8,582,145	4,649,844
Vehicles	1,164,258	1,237,457	-	-	1,164,258	1,237,457
Equipment	1,034,710	642,596	120,235	153,919	1,154,945	796,515
Water rights	-	-	35,151,374	35,151,374	35,151,374	35,151,374
NISP CIP	-	-	2,448,677	2,031,177	2,448,677	2,031,177
North Weld County capacity	-	-	4,880,333	4,880,333	4,880,333	4,880,333
Water system	-	-	14,525,589	8,803,019	14,525,589	8,803,019
Wastewater System	-	-	15,693,398	15,308,154	15,693,398	15,308,154
Stormwater system	-	-	8,645,157	8,749,067	8,645,157	8,749,067
	$ 50,474,332	$ 47,253,813	$ 83,324,958	$ 82,900,113	$ 133,799,290	$ 130,153,926

Long-Term Liabilities

The Town's governmental and business-type activities long-term liabilities consist of accrued compensated absences payable. See below for a breakout of the Town's long-term debt as of December 31, 2025 when compared to the prior year. See Note 5 for additional information.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Compensated absences	$ 245,037	$ 129,905	$ 59,446	$ 32,972	$ 304,483	$ 162,877
	$ 245,037	$ 129,905	$ 59,446	$ 32,972	$ 304,483	$ 162,877

Fiscal Outlook

The Town of Severance has multiple capital projects in the planning phase or under construction that address the needs of a growing community. These projects are funded by a combination of impact fees, grants, and fund balance and include traffic signals, water infrastructure, and a police station. In addition, over the next few years, there are significant capital projects planned, such as a community center, water treatment facility, wastewater treatment facility, and continued participation in the NISP project that will require financing through the issuance of bonds, state revolving loan funds, or bank loans. The Town will continue to be fiscally conservative while the required reserves are secured and healthy fund balances are maintained through these larger projects.

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 the Finance Director, Town of Severance, P.O. Box 339, Severance, CO 80546. Telephone inquiries may be made at 970-686-1218 and e-mail inquiries may be directed to ELemus@townofseverance.org.

BASIC FINANCIAL STATEMENTS

TOWN OF SEVERANCE
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 24,126,223	$ 15,598,034	$ 39,724,257
Cash and cash equivalents - restricted	7,317,388	22,091,676	29,409,064
Property tax receivable	2,136,542	-	2,136,542
Accounts receivable	277,481	-	277,481
Utility receivable	-	387,179	387,179
Due from other governments	728,428	-	728,428
Other receivables	-	111,749	111,749
Inventory	10,168	50,508	60,676
Prepaid items	50,372	-	50,372
Capital assets, not depreciated	1,902,156	43,000,175	44,902,331
Capital assets, net of depreciation	48,572,176	40,324,783	88,896,959
Total assets	85,120,934	121,564,104	206,685,038
Deferred Outflows of Resources			
Related to pension	353,826	-	353,826
Total deferred outflows of resources	353,826	-	353,826
Liabilities			
Accounts payable	488,968	62,588	551,556
Retainage payable	53,927	-	53,927
Accrued liabilities	254,263	-	254,263
Deposits	66,936	7,000	73,936
Due within one year	245,037	59,446	304,483
Total liabilities	1,109,131	129,034	1,238,165
Deferred Inflows of Resources			
Unavailable property taxes	2,136,542	-	2,136,542
Related to pension	109,322	-	109,322
Total deferred inflows of resources	2,245,864	-	2,245,864
Net Position			
Net investment in capital assets	50,420,405	83,324,958	133,745,363
Restricted			
Emergency reserves	340,000	-	340,000
Capital projects	1,055,415	-	1,055,415
Street projects	4,167,596	-	4,167,596
Park projects	599,408	-	599,408
Public facilities	644,039	-	644,039
Public safety	409,302	-	409,302
Conservation trust	477,453	-	477,453
System capacity and improvements	-	22,084,676	22,084,676
Unrestricted	24,006,147	16,025,436	40,031,583
Total net position	$ 82,119,765	$ 121,435,070	$ 203,554,835

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	$ 1,988,288	$ 353,042	$ 161,881	$ -	$ (1,473,365)	$ -	$ (1,473,365)
Community development	603,154	421,335	-	-	(181,819)	-	(181,819)
Public safety	2,896,692	97,750	-	138,816	(2,660,126)	-	(2,660,126)
Public works	3,107,234	-	477,439	2,576,543	(53,252)	-	(53,252)
Parks and recreation	1,622,926	-	211,724	73,854	(1,337,348)	-	(1,337,348)
Loss on disposal and transfer of assets	267	-	-	-	(267)	(3,750)	(4,017)
Acceptance of assets	-	-	-	1,486,393	1,486,393	-	1,486,393
Total governmental activities	10,218,561	872,127	851,044	4,275,606	(4,219,784)	(3,750)	(4,223,534)
Business-Type Activities:							
Water	2,428,410	3,026,110	-	1,609,709	-	2,207,409	2,207,409
Wastewater	1,634,731	1,668,892	-	1,293,709	-	1,327,870	1,327,870
Stormwater	400,062	307,013	-	232,706	-	139,657	139,657
Total business-type activities	4,463,203	5,002,015	-	3,136,124	-	3,674,936	3,674,936
Total primary government	14,681,764	5,874,142	851,044	7,411,730	(4,219,784)	3,671,186	(548,598)
	GENERAL REVENUES:						
	Taxes						
	General property				2,077,860	-	2,077,860
	Specific ownership taxes				84,167	-	84,167
	Sales				2,515,646	-	2,515,646
	Use				2,446,890	-	2,446,890
	Franchise				229,573	-	229,573
	Investment earnings				1,581,625	1,695,140	3,276,765
	Other revenues				739,334	-	739,334
	Gain on sale of asset				143,149	-	143,149
	Internal balances				145,953	(145,953)	-
	Total general revenues				9,964,197	1,549,187	11,513,384
	Changes in net position				5,744,413	5,220,373	10,964,786
	Net position - beginning				76,375,352	116,214,697	192,590,049
	Net position - ending				$ 82,119,765	$ 121,435,070	$ 203,554,835

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 24,126,223	$ -	$ -	$ 24,126,223
Cash and investments - restricted	378,209	4,131,771	2,130,202	6,640,182
Property taxes receivable	2,136,542	-	-	2,136,542
Accounts receivable	209,849	67,632	-	277,481
Inventory	10,168	-	-	10,168
Prepaid items	50,372	-	-	50,372
Due from other governments	728,428	-	-	728,428
Total assets	$ 27,639,791	$ 4,199,403	$ 2,130,202	$ 33,969,396
Liabilities, deferred inflows of resources and fund balance				
Liabilities:				
Accounts payable	$ 457,161	$ 31,807	$ -	$ 488,968
Retainage payable	53,927	-	-	53,927
Accrued liabilities	254,263	-	-	254,263
Deposits	66,936	-	-	66,936
Total liabilities	832,287	31,807	-	864,094
Deferred inflows of resources				
Unavailable property taxes	2,136,542	-	-	2,136,542
Other unavailable revenues	107,959	-	-	107,959
Total deferred inflows of resources	2,244,501	-	-	2,244,501
Fund balance:				
Nonspendable				
Prepaid items	50,372	-	-	50,372
Inventory	10,168	-	-	10,168
Restricted				
Emergencies	340,000	-	-	340,000
Capital projects	378,209	-	-	378,209
Street projects	-	4,167,596	-	4,167,596
Park projects	-	-	599,408	599,408
Public facilities	-	-	644,039	644,039
Public safety	-	-	409,302	409,302
Conservation trust	-	-	477,453	477,453
Assigned				
Subsequent year budget	10,857,290	-	-	10,857,290
Unassigned	12,926,964	-	-	12,926,964
Total fund balances	24,563,003	4,167,596	2,130,202	30,860,801
Total liabilities, deferred inflows of resources and fund balances	$ 27,639,791	$ 4,199,403	$ 2,130,202	$ 33,969,396

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total fund balance, governmental funds	$ 30,860,801
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	50,474,332
Deferred outflows and inflows of resources represent an acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to pension	353,826
Deferred inflows related to pension	(109,322)
Unavailable revenues	107,959
Long-term liabilities, including capital leases are not due and payable in the current period, and therefore, are not reported in governmental funds.	
Compensated absences	(245,037)
The internal service fund is used by management to charge capital asset acquisition to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	677,206
Total net position of governmental activities	$ 82,119,765

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 7,354,136	$ -	$ -	$ 7,354,136
Intergovernmental	2,102,809	-	133,642	2,236,451
Licenses and permits	530,987	-	-	530,987
Fines and forfeitures	97,750	-	-	97,750
Charges for services	243,390	-	-	243,390
Impact fees	-	1,224,205	465,543	1,689,748
Investment earnings	1,256,760	203,981	91,431	1,552,172
Other revenue	243,493	156	-	243,649
Total revenues	11,829,325	1,428,342	690,616	13,948,283
Expenditures				
Current:				
General government	1,800,790	-	-	1,800,790
Community development	595,954	-	-	595,954
Public safety	2,536,418	-	-	2,536,418
Public works	945,942	-	-	945,942
Parks, recreation and other	495,901	-	-	495,901
Capital outlay	5,205,432	830,823	-	6,036,255
Total expenditures	11,580,437	830,823	-	12,411,260
Excess (deficiency) of revenues over (under) expenditures	248,888	597,519	690,616	1,537,023
Other financing sources (uses)				
Proceeds from sale of capital assets	725,000	-	-	725,000
Transfers in	579,832	-	-	579,832
Transfers out	-	(391,253)	(42,626)	(433,879)
Total other financing sources (uses)	1,304,832	(391,253)	(42,626)	870,953
Net changes in fund balances	1,553,720	206,266	647,990	2,407,976
Fund balances - beginning of year	23,009,283	3,961,330	1,482,212	28,452,825
Fund balances - end of year	$ 24,563,003	$ 4,167,596	$ 2,130,202	$ 30,860,801

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net changes in fund balance - total governmental funds:	$ 2,407,976
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	5,468,580
Acceptance of assets	1,486,393
Sale of assets	(581,851)
Depreciation expense	(3,152,336)
Loss on disposal and transfer of assets	(267)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds	
Change in unavailable revenue	104,718
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in accrued compensated absences	(115,132)
Pension expense	(8,146)
The Town's internal service fund is used by management to charge costs related to fleet acquisition to individual funds. The net revenue of the internal service fund is reported in governmental activities	134,478
Change in net position of governmental activities	$ 5,744,413

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Business-Type Activities				Governmental Activities
	Water Fund	Wastewater Fund	Stormwater Fund	Total	Internal Service Fund (1)
Assets					
Current assets:					
Cash and investments	$ 10,870,346	$ 4,067,369	$ 660,319	$ 15,598,034	$ -
Cash and investments - restricted	8,593,504	12,159,198	1,338,974	22,091,676	677,206
Utility receivable	217,456	142,723	27,000	387,179	-
Other receivable	150	111,585	14	111,749	-
Inventory	50,508	-	-	50,508	-
Total current assets	19,731,964	16,480,875	2,026,307	38,239,146	677,206
Noncurrent assets:					
Capital assets, not being depreciated	43,000,175	-	-	43,000,175	-
Capital assets, net of depreciation	15,361,627	16,260,529	8,702,627	40,324,783	-
Total noncurrent assets	58,361,802	16,260,529	8,702,627	83,324,958	-
Total assets	78,093,766	32,741,404	10,728,934	121,564,104	677,206
Liabilities					
Current liabilities:					
Accounts payable	30,934	31,633	21	62,588	-
Customer deposits	7,000	-	-	7,000	-
Compensated absences, current	30,086	26,823	2,537	59,446	-
Total liabilities	68,020	58,456	2,558	129,034	-
Net Position					
Net investment in capital assets	58,361,802	16,260,529	8,702,627	83,324,958	-
Restricted	8,586,504	12,159,198	1,338,974	22,084,676	677,206
Unrestricted	11,077,440	4,263,221	684,775	16,025,436	-
Total net position	$ 78,025,746	$ 32,682,948	$ 10,726,376	$ 121,435,070	$ 677,206

(1) Fleet Fund

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities				Governmental Activities
	Water Fund	Wastewater Fund	Stormwater Fund	Total	Internal Service Fund (1)
Operating revenues					
Utility charges	$ 2,995,116	$ 1,667,700	$ 306,879	$ 4,969,695	$ -
Other charges for services	30,994	1,192	134	32,320	-
Fleet replacement revenue	-	-	-	-	105,025
Total operating revenues	3,026,110	1,668,892	307,013	5,002,015	105,025
Operating expenses					
Personnel services	481,004	426,584	46,849	954,437	-
Operating supplies	57,347	38,309	812	96,468	-
Professional fees	67,492	35,552	-	103,044	-
Repairs and maintenance	54,129	49,615	4,414	108,158	-
Treatment	1,092,924	322,803	-	1,415,727	-
Telephone and utilities	26,657	56,812	782	84,251	-
Other operating expenses	211,873	88,131	2,543	302,547	-
Depreciation	436,984	616,925	344,662	1,398,571	-
Total operating expenses	2,428,410	1,634,731	400,062	4,463,203	-
Operating income (loss)	597,700	34,161	(93,049)	538,812	105,025
Nonoperating revenues					
Investment earnings	876,964	729,708	88,468	1,695,140	29,453
Loss on disposal of capital assets	(1,875)	(1,875)	-	(3,750)	-
Total non-operating revenues	875,089	727,833	88,468	1,691,390	29,453
Income (loss) before interfund transfers and contributions	1,472,789	761,994	(4,581)	2,230,202	134,478
Capital contributions					
Plant investment fees	1,214,962	842,918	-	2,057,880	-
Dedicated assets	394,747	450,791	232,706	1,078,244	-
Transfers out	(117,415)	(23,004)	(5,534)	(145,953)	-
Total capital contributions and transfers	1,492,294	1,270,705	227,172	2,990,171	-
Change in net position	2,965,083	2,032,699	222,591	5,220,373	134,478
Net position, beginning of year	75,060,663	30,650,249	10,503,785	116,214,697	542,728
Net position, end of year	$ 78,025,746	$ 32,682,948	$ 10,726,376	$ 121,435,070	$ 677,206

(1) Fleet Fund

See accompanying Note to Financial Statements

TOWN OF SEVERANCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities				Governmental Activities
	Water Fund	Wastewater Fund	Stormwater Fund	Total	Internal Service Fund (1)
Cash Flows From Operating Activities					
Cash received from customers	$ 2,969,251	$ 1,650,644	$ 303,788	$ 4,923,683	$ -
Cash paid to suppliers	(1,613,775)	(599,082)	(8,558)	(2,221,415)	-
Cash paid to employees	(467,007)	(413,665)	(47,291)	(927,963)	-
Other operating receipts	31,837	1,147	124	33,108	-
Net cash provided by operating activities	920,306	639,044	248,063	1,807,413	-
Cash Flows From Capital and Related Financing Activities					
Acquisition of capital assets	(843,337)	(165,254)	-	(1,008,591)	-
Tap fees received	1,214,962	842,918	-	2,057,880	-
Fleet replacement revenue	-	-	-	-	105,025
Net cash provided (used) by capital and related financing activities	371,625	677,664	-	1,049,289	105,025
Cash Flows From Noncapital Financing Activities					
Transfers to/from other funds	(117,415)	(23,004)	(5,534)	(145,953)	-
Net cash provided (used) by noncapital financing activities	(117,415)	(23,004)	(5,534)	(145,953)	-
Cash Flows From Investing Activities					
Investment earnings	876,964	729,708	88,470	1,695,142	29,453
Net cash provided by investing activities	876,964	729,708	88,470	1,695,142	29,453
Net change in cash and cash equivalents	2,051,480	2,023,412	330,999	4,405,891	134,478
Cash and cash equivalents and restricted cash, beginning of year	17,412,370	14,203,155	1,668,294	33,283,819	542,728
Cash and cash equivalents and restricted cash, end of year	$ 19,463,850	$ 16,226,567	$ 1,999,293	$ 37,689,710	$ 677,206
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities					
Net operating income	$ 597,700	$ 34,161	$ (93,049)	$ 538,812	$ -
Adjustments to reconcile net operating income to cash provided by operating activities					
Depreciation expense	436,984	616,925	344,662	1,398,571	-
Changes in assets and liabilities related to operations					
(Increase) Decrease in:					
Accounts receivable	(28,522)	(17,101)	(3,101)	(48,724)	-
Inventory	15,857	-	-	15,857	-
Increase (Decrease) in:					
Accounts payable	(119,210)	(7,860)	(7)	(127,077)	-
Deposits	3,500	-	-	3,500	-
Compensated absences payable	13,997	12,919	(442)	26,474	-
Net cash provided by operating activities	$ 920,306	$ 639,044	$ 248,063	$ 1,807,413	$ -

See accompanying Note to Financial Statements

NOTE 1 – DEFINITION OF THE REPORTING ENTITY

The Town of Severance (the Town), Colorado is a political subdivision of the State of Colorado governed by seven Council Members. The Town provides general government, public works (roads and streets), public safety, park services, water, wastewater, and stormwater services for the geographical area organized as the Town.

The Town follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Town is not financially accountable for any other organization, nor is the Town a component unit of any other primary governmental entity.

Joint Ventures

The Town may participate in joint ventures created for special purposes which are not part of the Town’s reporting entity. The following is a description of the only joint venture in which the Town participated in during the year ended December 31, 2025.

The E911 Emergency Telephone Service Authority Board (E911 Authority) was created by intergovernmental agreements pursuant to Article 11 of Title 29, C.R.S., as amended, and it authorizes the county, municipalities with the county, and special districts within the county to enter into an agreement for the purpose of providing 911 emergency telephone services. Per the state statute cited above, the agreement creates a separate legal entity which is responsible for administering the operations of the 911 emergency telephone service program in Weld County. The authority board consists of seven members with four selected by the Weld County Commissioners, and one member each is selected by the City of Greeley, City of Fort Lupton, and Weld County Sheriff. Under the bylaws of the E911 Authority, Weld County is required to pay all operating costs. State statute requires that all funds be maintained by the Weld County Treasurer. The operation of the E911 Authority is done contractually by the Weld County Communication Regional Center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared for the E911 Authority by Weld County in conformity with generally accepted accounting principles (GAAP) as applied to a government unit. The E911 Authority's financial reports are a component unit in the Weld County Comprehensive Annual Financial Report (CAFR). Financial statements of this joint venture are available at www.weldgov.com/departments/accounting/cafr.

The more significant accounting policies of the Town are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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 net position reports all financial and capital resources of the Town. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources of the Town is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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 included in program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, equipment and infrastructure are shown as increases in assets, and redemption of bonds are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, sales taxes, and franchise fees. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund - The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Special Revenue Fund – Transportation Fund - The Transportation Fund accounts for improvements to the Town's street system funded through impact fee assessments.

The Town reports the following non-major governmental funds:

Special Revenue Fund – Conservation Trust Fund - The Conservation Trust Fund accounts for monies received through the State of Colorado Lottery/Conservation Trust Fund program. These funds are required to be spent on parks and recreation.

Special Revenue Fund – Parks Fund - The Parks Fund accounts for improvements to the Town's park system and is funded through impact fee assessments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Special Revenue Fund – Public Facilities Fund - The Public Facilities Fund accounts for improvements to the Town's public facilities and is funded through impact fee assessments.

Special Revenue Fund – Public Safety Fund - The Public Safety Fund accounts for improvements to the Town's public safety system and is funded through impact fee assessments.

The Town reports the following major proprietary funds:

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

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

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

Additionally, the Town reports the following fund types:

Fleet Fund - The Fleet Fund is an internal service fund used to provide necessary vehicles and equipment as well as future repairs and maintenance of vehicles and equipment to various departments and divisions within the Town.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for water and wastewater service. Operating expenses include the costs of the services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances

Pooled cash and investments

The Town follows the practice of pooling cash and investments of all funds to maximize investment earnings.

Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based on each fund's average equity balance in total cash.

Cash and cash equivalents

For the purpose of the statement of cash flows of the proprietary funds, the Town considers cash and cash equivalents to include operating and restricted cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition. Investments are reported in accordance with GASB Statement No. 72, as amended.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Based upon review of the existing accounts receivable and the fact that any uncollectible water, wastewater, and stormwater receivables can be certified to the County Treasurer, no allowance for doubtful accounts is provided. All receivables are expected to be collected within one year.

Prepaid Items

Certain payments to vendors and other third parties reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Expenditures/expenses are recorded when the service underlying the prepaid items is provided (consumption method).

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances

Capital Assets (continued)

Capitalized assets are defined by the Town as assets with an initial, individual cost of more than $5,000. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Description	Estimated Lives
Building and improvements	30 years
Equipment	5 - 10 years
Vehicles	5 - 15 years
Infrastructure	10 - 50 years

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 separation from employment with the Town, an employee will be compensated for all earned but unused personal time off. Accrued sick time is not paid to the employee upon separation. Accumulated unpaid vacation pay is accrued when earned in the government-wide financial statements and proprietary fund statements. The Town uses the fund where employees' covered pay is recorded to liquidate compensated absences.

Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities statement of net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances

Long-Term Obligations (continued)

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has an item that is related to its pension that qualifies for reporting in this category. Accordingly, this item is deferred and will be recognized as an outflow of resources in the period the resource is required for use.

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 and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has three items that qualify for reporting in this category. Accordingly, the items, deferred property tax revenue, unavailable revenues, and deferred pension related items, are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (income), information about the fiduciary net position of the Statewide Defined Benefit Plan (SWDB), administered by the Fire & Police Pension Association of Colorado (FPPA), and additions to/deductions from the SWDB's fiduciary net position have been determined on the same basis as they are reported by the FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Contributed Capital

Impact fees and plant investment fees are generally recorded as capital contributions when received.

Fund Balances

The Town reports fund balances in the governmental fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement defined the different types of fund balances that a governmental entity must use for financial reporting. As of December 31, 2025, fund balance of the governmental funds is classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form (i.e., inventories or prepaid items) or because they are legally or contractually required to be maintained intact. At December 31, 2025, the Town had $60,540 in nonspendable resources.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. At December 31, 2025, the Town had $7,016,007 in restricted fund balance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances (continued)

Fund Balance (continued)

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Town's Council. The Council is the highest level of decision-making body for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned - Amounts that are subject to a purpose constraint that represents an intended use established by the Town in its budget process. The purpose of the assignment must be narrower than the purpose of the general fund. At December 31, 2025, the Town had $10,857,290 in assigned fund balance.

Unassigned - Represents the residual classification for the Town's general fund and could report a surplus or deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided other commitment or assignment actions.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Town can report up to three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets, reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributed to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances (continued)

Net Position (continued)

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose.

Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Town.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Town will use the most restrictive net position first.

Property taxes

Property taxes are levied by the Town's Council Members. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the Town. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows are recorded as revenue in the year they are available or collected.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances (continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Budgets

In accordance with the State Budget Law, the Town's Council Members hold public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The Town's Council Members can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments are reflected in the Statement of Net Position as follows:

Cash and investments	$ 39,724,257
Cash and investments - restricted	29,409,064
Total cash and investments	$ 69,133,321

Cash and investments at December 31, 2025 consist of the following:

Cash on hand	$ 405
Cash deposits	202,345
Investments	68,930,571
Total	$ 69,133,321

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires 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.

PDPA allows the financial institution 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.

At December 31, 2025, the bank balance and carrying amount of the Town's deposits were $460,815 and $202,750, respectively. All cash deposits were covered by either the FDIC or PDPA.

Investments

The Town's investment policy adopts state statutes regarding investments.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by Council Members. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates the Town limits investment portfolio to maturities of less than five years and a weighted average maturity of less than 3 years. Additionally, the Town structures its investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the Town. The Town limits investments to certain types of investments and diversifies the investment portfolio so the impact of potential losses from any one type of investment will be minimized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has established various limits for issuers for each of the types of securities in which it is permitted to invest.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Below is a breakdown of the Town's investments as of December 31, 2025:

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Investment Type	Rating - S&P	Maturity: Less than 1 Year	Maturity: 1 to 5 years	Total
Colorado Local Government Liquid Asset Trust (Colotrust)	AAAm	$ 21,484,584	$ -	$ 21,484,584
Morgan Stanley Institutional Liquidity Fund	AAAm	1,189,957	-	1,189,957
U.S. Agency Bonds	Aaa	16,035,750	30,220,280	46,256,030
Total		$ 38,710,291	$ 30,220,280	$ 68,930,571

COLOTRUST

The Town invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and ColoTrust EDGE.

ColoTrust PRIME and ColoTrust Plus+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. ColoTrust EDGE, a variance Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate $10.00 transactional share price. ColoTrust EDGE may invest in securities authorized by C.R.S. 24-75-601.1, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor’s.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Morgan Stanley Institutional Liquidity Fund

The Morgan Stanley Institutional Liquidity Fund ("MSILF") is rated AAAm by Standard & Poor's and the maturity is weighted average under 20 days. MSILF records its investments at fair value and the Town records its investment in MSILF using the net asset value method. The fund is a money market fund with each share maintaining a value of $1.00. The money market fund invests in high quality debt securities issued by the U.S. Government. At December 31, 2025, the Town had $1,189,957 invested in the MSILF.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Town's investments in ColoTrust PRIME and ColoTrust Plus+ are measured at net asset value, equal to $1.00 per share. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. The Town's investment in the Morgan Stanley Institutional Liquidity Fund is valued at amortized cost. All other Town investments are valued using Level 1 (Treasury Notes) or Level 2 (Agency Bonds).

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balances December, 31 2024	Additions	Deletions	Transfer	Balances December, 31 2025
Governmental Activities:					
Capital Assets, not being depreciated					
Land and improvements	$ 1,645,622	$ -	$ (581,851)	$ -	$ 1,063,771
Construction in process	3,851,392	2,599,704	-	(5,612,711)	838,385
Total capital assets, not depreciated	5,497,014	2,599,704	(581,851)	(5,612,711)	1,902,156
Capital Assets, being depreciated					
Infrastructure	45,411,451	2,826,245	-	2,014,107	50,251,803
Buildings	3,977,268	850,835	(17,321)	3,442,644	8,253,426
Vehicles	1,943,783	180,252	(10,250)	-	2,113,785
Equipment	1,469,306	497,937	(130,209)	155,960	1,992,994
Total capital assets, depreciated	52,801,808	4,355,269	(157,780)	5,612,711	62,612,008
Accumulated depreciation					
Infrastructure	8,779,943	2,340,393	-	-	11,120,336
Buildings	732,030	296,709	(17,054)	-	1,011,685
Vehicles	706,326	253,451	(10,250)	-	949,527
Equipment	826,710	261,783	(130,209)	-	958,284
Total accumulated depreciation	11,045,009	3,152,336	(157,513)	-	14,039,832
Net capital assets, depreciated	41,756,799	1,202,933	(267)	5,612,711	48,572,176
Governmental Activities Capital Assets, net	$ 47,253,813	$ 3,802,637	$ (582,118)	$ -	$ 50,474,332

Depreciation is charged to the Town's governmental activities as follows:

Governmental activities	
General government	$ 158,166
Public works	2,146,292
Public safety	298,128
Park and recreation	549,750
Total	$ 3,152,336

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balances December, 31 2024	Additions	Deletions	Transfer	Balances December, 31 2025
Business-Type Activities:					
Capital Assets, not being depreciated					
Land	$ 294,759	$ -	$ -	$ -	$ 294,759
Water rights	35,151,374	-	-	-	35,151,374
NISP, CIP	2,031,177	417,500	-	-	2,448,677
North Weld County Capacity	4,880,333	-	-	-	4,880,333
Construction in progress	6,123,705	331,422	-	(6,230,095)	225,032
Total capital assets, not depreciated	48,481,348	748,922	-	(6,230,095)	43,000,175
Capital Assets, being depreciated					
Water system	10,441,730	394,747	-	5,712,464	16,548,941
Wastewater system	19,515,537	450,791	-	517,631	20,483,959
Stormwater system	10,100,440	232,706	-	-	10,333,146
Buildings	1,663,553	-	-	-	1,663,553
Equipment	488,413	-	(3,750)	-	484,663
Total capital assets, depreciated	42,209,673	1,078,244	(3,750)	6,230,095	49,514,262
Accumulated depreciation					
Water system	1,638,711	384,641	-	-	2,023,352
Wastewater system	4,207,383	583,178	-	-	4,790,561
Stormwater system	1,351,373	336,616	-	-	1,687,989
Buildings	258,947	64,202	-	-	323,149
Equipment	334,494	29,934	-	-	364,428
Total accumulated depreciation	7,790,908	1,398,571	-	-	9,189,479
Net capital assets, depreciated	34,418,765	(320,327)	(3,750)	6,230,095	40,324,783
Business-Type Activities Capital Assets, net	$ 82,900,113	$ 428,595	$ (3,750)	$ -	$ 83,324,958

Depreciation is charged to the Town’s business-type activities as follows:

Business-type activities:	
Water	$ 436,984
Wastewater	616,925
Stormwater	344,662
Total	$ 1,398,571

NOTE 5 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term liabilities of the Town for the year ended December 31, 2025:

	Balances December 31, 2024	Additions	Deletions	Balances December 31, 2025	Due In One Year
Governmental Activities:					
Compensated absences*	$ 129,905	$ 115,132	$ -	$ 245,037	$ 245,037
Total	$ 129,905	$ 115,132	$ -	$ 245,037	$ 245,037
Business-Type Activities:					
Compensated absences*	$ 32,972	$ 26,474	$ -	$ 59,446	$ 59,446
Total	$ 32,972	$ 26,474	$ -	$ 59,446	$ 59,446

*Current year activity is shown net for additions and deletions

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

2013 Land Use and Utility Agreement

The Town entered into a land use and development agreement with the Town of Windsor on March 25, 2013, for continued cooperation and coordination between the two municipalities including planning for and managing growth and development of land, coordination of development policies and extension of services to areas of joint concern, and the ability of the two municipalities to achieve their respective and common goals. The parties agree that it is in the best interest of each that certain tax revenues generated within the corridor be shared between them. All sales and use tax collected by each of the municipalities within the corridor shall be shared and distributed between the municipalities in the following proportions: two-thirds to the collecting municipality and one-third to the other municipality. At the time of the execution of the agreement, neither of the municipalities has an excise or occupancy tax upon lodging services. In the event either of the municipalities adopts such a tax, all revenues generated from such shall be retained by the taxing municipality. At such time as both municipalities adopt such a tax, the revenues therefrom shall be shared by the parties in proportions provided for sales and use taxes.

The parties intend for this agreement to remain in full force and effect in perpetuity. On April 9, 2018, the parties amended the agreement to make modifications to the corridor standards. All other terms of the March 25, 2013, agreement remain intact.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Phase 1 Agreement for Design, Construction, Land Acquisition, and Cost Recovery

The Town entered into the Phase 1 Agreement for Design, Construction, Land Acquisition, and Cost Recovery with the Town of Windsor and Northlake Metropolitan District Nos 1-5 on October 24, 2017 to provide sanitary wastewater facilities to the area surrounding the intersection of State Highway 257 and Weld County Road 74. The parties agree that the Town of Windsor's sanitary wastewater utility is the best available source of sanitary wastewater service to the area and recognize savings can be achieved by a coordinated effort with cooperative funding of the line to be constructed by the Town of Windsor. By separate and subsequent agreements, the entities will arrive at understandings for cost-sharing associated with operations, management, and future access to the line. Each party deposited $500,000 into a single purpose project account maintained by the Town of Windsor.

A preliminary design of the wastewater line was completed and some of the necessary easements were acquired. The parties agreed to complete the easement acquisitions in 2019 but elected not to move forward with final design and construction at this time. The Town's share of expenditures in 2023 from the project account was $0.

Wastewater Treatment Service Agreement

The Town of Windsor and the Town entered into a Wastewater Treatment Service Agreement on April 14, 2003, to provide the right for the Town to discharge wastewater into Windsor's existing wastewater treatment facility. At the time of this agreement, The Town of Windsor was in the process of the Windsor East Side Interceptor Wastewater Project. Upon completion of this project Windsor would be able to accept and treat wastewater from the Town of Severance. The Town was required to pay an initial plant investment fee, all subsequent plant investment fees related to increased capacity required by the Town shall be calculated based upon peak demand. Whenever demand per day exceeds the level upon which the initial, or then existing, plant investment fee has been calculated, an additional plant investment fee shall be due. The additional fee shall be calculated by multiplying the additional gallons of usage per day by the then existing plant investment fee rate. Any future expansion of the Town's capacity as provided for in this agreement shall be limited to the total increased capacity in the Windsor East Side Interceptor Wastewater Project.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Water Service Agreement

North Weld County Water District (the District) and the Town entered into an Amended and Restated Water Service Agreement on March 5, 2019, to provide treated potable water to the Town.

Per this agreement, the District shall furnish, and the Town shall purchase and receive from the District, water for the operation of the Town's water system. The Town is required to purchase plant investment taps for the use of water and capacity provided by and through the District's system. Whenever peak demands exceed the level upon which the initial, or then existing, plant investment taps have been calculated, additional plant investment taps shall be purchased. The additional fee shall consist of a base fee and a distance fee. The plant investment fee is determined on an annual basis based on a periodic percentage increase adopted by the Board of Directors of the District, or in accordance with a rate study or revised rate study adopted by the Board of Directors of the District. In addition to purchasing plant investment taps for capacity and conveyance of water, the Town is billed a monthly usage charge for the treatment and delivery of water to the Town's water system. Usage charges are determined from a percentage increase authorized by the Board of Directors of the District or from a rate study performed by an independent professional consultant and adopted by the Board of Directors of the District.

Northern Integrated Supply Project (NISP)

On January 21, 2020, the Town entered into the NISP Phase 1 Agreement, whereby the Town is a participant in a regional water supply, water storage, and related benefits projects, to be developed by the Northern Integrated Supply Project Water Activity Enterprise (the Enterprise). Per the NISP Phase 1 agreement, the Town, along with other participants to the NISP agreement, will receive an allotment from the project in return for the Town's funding participation. The Town paid $417,500 in 2025 under the NISP Phase 1 agreement.

NOTE 7 – RISK MANAGEMENT

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a joint self-insurance pool created by intergovernmental agreement of over 200 municipalities to provide property, general and automobile liability, and public officials' coverage to its members. CIRSA is governed by a seven-member board elected by and from among its members.

NOTE 7 – RISK MANAGEMENT (CONTINUED)

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and those amounts available from insurance providers under excess specific and aggregate insurance contracts.

Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

CIRSA has indicated that any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not required to do so. The Town has not been informed of any excess losses that may have been incurred by the pool for the past three years.

NOTE 8 – STATEWIDE RETIREMENT PLAN

Plan Description

The Town contributes to the Statewide Retirement Plan. The Statewide Retirement Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 229 participating employer fire and police departments. The Defined Benefit Component and Social Security Component cover substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan.

Employers once had the option to withdraw from the Plan, but a change in state statutes eliminated this option effective January 1, 1988, unless the employer elects and is determined to be eligible to participate in the Statewide Money Purchase Plan. In 2003, legislation was enacted that allows departments who cover their firefighters and police officers in money purchase plans to elect coverage under the Plan. As of August 5, 2003, clerical and other personnel from fire districts whose services are auxiliary to fire protection may also participate in the Plan. As of January 1, 2020, Colorado police and sheriff departments who participate in Social Security have the option of affiliating for coverage under the Plan. The Plan assets are in the Fire & Police Members' Benefit Investment Fund Long-Term Pool and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Money Purchase Component assets).

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Plan Description (continued)

The Long-Term Pool is designed primarily for open plans with a longer time horizon, appropriate risk tolerance, and lower liquidity needs. The investment return assumption is 7.00 percent. Members participating in DROP or in the Money Purchase Component choose among various investment options offered by an outside investment manager. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA) FPPA issues a publicly available annual comprehensive financial report that can be obtained on FPPA's website at http://www.FPPAco.org.

Description of Benefits

The FPPA Board of Directors may change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The normal retirement age should not be less than age 55 or more than age 60. Any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Members with a combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

A member is eligible for retirement after attainment of age 55 with at least five years of credited service. A member is eligible for early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis.

The annual retirement benefit for the defined benefit component is 2.0 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent of the average of the member's highest three years' base salary for each year of service thereafter.

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to then years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62.

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Description of Benefits (continued)

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or noncompounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Noncompounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Upon termination, a member may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

Contributions

Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the defined benefit component contributed 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2025, the members of the defined benefit component and their employers contributed at a rate of 12.0 percent and 10.5 percent, respectively, of base salary for a total contribution rate of 22.5 percent. The Town's contributions to the plan for the year ended December 31, 2025 were $95,956, equal to the required contributions.

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Contributions (continued)

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030.

Pension Liability, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2025, the Town reported a net pension liability of $0, representing its proportionate share of the net pension liability of the plan. The net pension liability was measured at December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2024, the Town's proportion was 0.0678% which was an increase of 0.0012% from its proportion measured at December 31, 2023.

For the year ended December 31, 2025, the Town recognized pension expense of $30,148. At December 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 162,983	$ 5,098
Changes of Assumptions or other Inputs	58,330	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	23,153	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	13,404	104,224
Contributions Subsequent to the Measurement Date	95,956	-
Total	$ 353,826	$ 109,322

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Pension Liability, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

$95,956 reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Amount
2026	$ 45,557
2027	77,393
2028	(12,021)
2029	(2,896)
2030	13,539
Thereafter	26,976
	$ 148,548

Actuarial Assumptions

The actuarial valuations as of January 1, 2025, determined the total pension liability using the following actuarial assumptions and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2025	January 1, 2024
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 years
Long-term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement mortality assumption uses Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, and then projected with the MP-2020 Ultimate projection scale.

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

The pre-retirement non-duty mortality tables are adjusted to 60% multiplier. The on-duty mortality rate is 0.00015.

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The preretirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2023 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Company, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2024. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2024 are summarized in the following table:

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	33 %	7.00 %
Equity Long/Short	6 %	6.20
Private Markets	34 %	8.80
Fixed Income - Rates	7 %	5.00
Fixed Income - Credit	7 %	6.50
Absolute Return	9 %	5.70
Cash	4 %	4.20
Total	100 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Statewide Retirement Plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The COLA assumption reflects the true nature of Board's Benefits Policy which includes a variable COLA and supplemental payments. Consistent with Board's policy, the COLA assumption will fluctuate from year to year depending on plan experience and is the long-term COLA assumption which results in no Net Pension Asset. If current assets do not support Total Pension Liabilities using a COLA assumption of greater than 0.00%, then a COLA assumption of 0.00% will be used and a Net Pension Liability will be reported.

NOTE 8 – STATEWIDE RETIREMENT PLAN (CONTINUED)

Discount Rate (continued)

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 4.08 percent (based on weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.00 percent.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as the Town's proportionate share of the net pension asset (liability) if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.00%) than the current rate, as follows:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the Net Pension Liability (Asset)	$ 330,981	$ -	$ -

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

NOTE 9 – RETIREMENT COMMITMENTS

Defined Contribution 457 Plan

The Town provides pension benefits for its employees through a defined contribution money purchase plan.

All full-time employees, with the exception of the police department 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 $78,693 in 2025. The Town has no liability for this plan beyond its current annual contribution.

NOTE 10 – 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, 2025.

In 2017, the Town entered into an Intergovernmental Agreement with the Town of Windsor to bear one-third of the cost of financing roadway improvements along the south side of Colorado State Highway 392. The total cost of the project is $405,000, with Severance committed to paying $135,000. Windsor and Severance agree that the Severance Cost Share will be paid through the accumulation and retention by Windsor of Severance’s one-third share of sales tax revenue generated within the Cooperative Planning Area as provided in the December 11, 2000, Intergovernmental Agreement.

At December 31, 2025, the Town had construction commitments of $53,927 related to on-going capital projects.

NOTE 11 – INTERNAL TRANSFERS

Interfund transfers for the year ending December 31, 2025 were comprised of the following:

Fund	Transfers In	Transfers Out
General Fund	$ 579,832	$ -
Transportation Fund	-	391,253
Public Facilities Fund	-	35,423
Public Safety Fund	-	7,203
Water Fund	-	117,415
Wastewater Fund	-	23,004
Stormwater Fund	-	5,534
Total	$ 579,832	$ 579,832

NOTE 12 – TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Taxpayer Bill of Rights, otherwise known as TABOR), which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Town's management believes the Enterprise funds of the Town qualify for this provision. Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue is approved by the voters.

Subsequent to December 31, 1992, the 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.

NOTE 11 – TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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 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.

The Town believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property taxes	$ 2,076,921	$ 2,076,921	$ 2,077,860	$ 939
Specific ownership taxes	91,357	91,357	84,167	(7,190)
Sales and use taxes	2,650,000	4,650,000	4,962,536	312,536
Franchise taxes	200,000	200,000	229,573	29,573
Total tax revenues	5,018,278	7,018,278	7,354,136	335,858
Intergovernmental				
Federal grant revenue	-	1,621,348	987,955	(633,393)
State grant revenue	280,000	280,000	6,792	(273,208)
Cigarette tax	3,000	3,000	4,528	1,528
Highway users	216,634	216,634	413,311	196,677
Road and bridge	91,357	91,357	64,128	(27,229)
Clerk/Motor vehicle fees	60,213	60,213	87,620	27,407
Mineral lease	50,000	50,000	78,082	28,082
Severance tax	100,000	100,000	14,415	(85,585)
Shared revenue	200,000	200,000	390,660	190,660
Other intergovernmental	-	-	55,318	55,318
Total intergovernmental revenues	1,001,204	2,622,552	2,102,809	(519,743)
Licenses and permits				
Liquor licenses	500	500	2,048	1,548
Building permits	675,500	675,500	331,823	(343,677)
Animal licenses	540	540	976	436
Business licenses and fees	250	250	5,650	5,400
Other licenses and fees	232,000	232,000	190,490	(41,510)
Total license and permit revenues	908,790	908,790	530,987	(377,803)
Fines and forfeitures	45,000	45,000	97,750	52,750
Charges for services				
Special events and charges	70,000	70,000	56,671	(13,329)
Rents	75,270	75,270	97,207	21,937
Impact fees and other charges	67,311	67,311	89,512	22,201
Total charges for services	212,581	212,581	243,390	30,809
Other				
Investment earnings	517,170	517,170	1,256,760	739,590
Miscellaneous revenues	9,420	9,420	243,493	234,073
Total miscellaneous	526,590	526,590	1,500,253	973,663
Total revenues	7,712,443	11,333,791	11,829,325	495,534

See accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
General government				
Personnel services	1,003,818	1,029,318	910,943	118,375
Insurance	39,446	39,446	24,783	14,663
Professional fees	231,763	231,763	244,249	(12,486)
Election	15,200	15,200	-	15,200
Repairs and maintenance	140,577	140,577	116,266	24,311
Supplies	40,950	40,950	27,951	12,999
Telephone and utilities	24,016	24,016	29,566	(5,550)
Traveling and training	71,150	71,150	58,029	13,121
Other expenses	616,507	616,507	389,003	227,504
Total general government	2,183,427	2,208,927	1,800,790	408,137
Community development				
Personnel services	213,247	213,247	217,944	(4,697)
Professional fees	106,000	106,000	119,226	(13,226)
Building inspections	657,500	657,500	218,308	439,192
Supplies	6,870	6,870	2,284	4,586
Telephone and utilities	1,944	1,944	2,035	(91)
Traveling and training	4,000	4,000	2,796	1,204
Other expenses	53,870	53,870	33,361	20,509
Total community development	1,043,431	1,043,431	595,954	447,477
Public safety				
Personnel services	1,985,186	1,985,186	1,946,857	38,329
Contract labor	56,910	56,910	16,985	39,925
Fuel and automotive	57,250	57,250	29,580	27,670
Insurance	76,037	76,037	85,852	(9,815)
Professional fees	96,050	96,050	9,188	86,862
Repairs and maintenance	106,320	106,320	155,509	(49,189)
Supplies	52,270	52,270	48,539	3,731
Telephone and utilities	26,877	26,877	41,131	(14,254)
Traveling and training	24,000	24,000	13,262	10,738
Other expenses	34,680	34,680	189,515	(154,835)
Total public safety	2,515,580	2,515,580	2,536,418	(20,838)

See accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public works				
Personnel services	393,035	393,035	348,167	44,868
Fuel and automotive	28,269	28,269	53,190	(24,921)
Insurance	20,435	20,435	-	20,435
Professional fees	1,155	1,155	4,217	(3,062)
Repairs and maintenance	392,766	392,766	367,448	25,318
Supplies	72,255	72,255	69,422	2,833
Telephone and utilities	28,587	28,587	23,981	4,606
Traveling and training	6,300	6,300	3,095	3,205
Other expenses	53,532	53,532	76,422	(22,890)
Total public works	996,334	996,334	945,942	50,392
Parks, recreation and other				
Personnel services	264,955	264,955	286,358	(21,403)
Professional fees	-	-	164	(164)
Repairs and maintenance	100,779	100,779	88,729	12,050
Supplies	28,394	28,394	18,829	9,565
Telephone and utilities	22,654	22,654	33,583	(10,929)
Traveling and training	4,250	4,250	754	3,496
Other expenses	69,510	69,510	67,484	2,026
Total health and welfare	490,542	490,542	495,901	(5,359)
Capital outlay				
Capital outlay	6,503,556	12,558,124	5,205,432	7,352,692
Total capital outlay	6,503,556	12,558,124	5,205,432	7,352,692
Total expenditures	13,732,870	19,812,938	11,580,437	8,232,501
Excess (deficiency) of revenues over (under) expenditures	(6,020,427)	(8,479,147)	248,888	8,728,035
Other financing sources (uses)				
Proceeds from sale of assets	-	-	725,000	725,000
Transfers in	-	-	579,832	579,832
Total other financing sources (uses)	-	-	1,304,832	1,304,832
Net changes in fund balance	$ (6,020,427)	$ (8,479,147)	1,553,720	$ 10,032,867
Fund balance - beginning of year			23,009,283	
Fund balance - end of year			$ 24,563,003	

See accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TRANSPORTATION FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Road infrastructure fee	$ 800,000	$ 800,000	$ 1,224,205	$ 424,205
Investment earnings	87,990	87,990	203,981	115,991
Other revenue	-	-	156	156
Total revenues	887,990	887,990	1,428,342	540,352
Expenditures				
Public Works				
Other expenditures	-	-	86	(86)
Capital outlay				
Transportation projects	800,000	818,000	830,737	(12,737)
Total expenditures	800,000	818,000	830,823	(12,823)
Excess (deficiency) of revenues over (under) expenditures	87,990	69,990	597,519	527,529
Other financing sources (uses)				
Transfers out	-	(404,620)	(391,253)	13,367
Total other financing sources (uses)	-	(404,620)	(391,253)	13,367
Net changes in fund balance	$ 87,990	$ (334,630)	206,266	$ 540,896
Fund balance - beginning of year			3,961,330	
Fund balance - end of year			$ 4,167,596	

See accompanying Independent Auditors Report

TOWN OF SEVERANCE

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – STATEWIDE DEFINED BENEFIT PLAN

LAST 10 FISCAL YEARS*

Fiscal Year	2025	2024	2023	2022	2021	2020	2019
Plan Measurement Date	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Town's Proportion of the Net Pension Liability (Asset)	0.0678%	0.0666%	0.0701%	0.0468%	0.0486%	0.0457%	0.0241%
Town's Proportionate Share of the Net Pension Liability (Asset)	$ -	$ -	$ 62,207	$ (253,603)	$ (105,420)	$ (25,861)	$ 30,524
Town's Covered Payroll	740,569	655,584	609,732	376,712	390,022	337,015	40,402
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered payroll	0.0%	0.0%	10.2%	(67.3%)	(27.0%)	(7.7%)	75.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.0%	100.0%	97.6%	116.2%	106.7%	101.9%	95.2%

*The amounts presented for each fiscal year were determined as of December 31, based on the date of the plan. The Town joined the plan in 2018 and therefore, 10 years of data is not available.

See accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF THE TOWN'S CONTRIBUTIONS AND RELATED RATIOS
STATEWIDE DEFINED BENEFIT PLAN
LAST 10 FISCAL YEARS*

Fiscal Year	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily Required Contributions	$ 95,956	$ 73,955	$ 62,173	$ 54,876	$ 32,021	$ 31,202	$ 26,961	$ 3,232
Contributions in Relation to the Statutorily Required Contribution	95,956	73,955	62,173	54,876	32,021	31,202	26,961	3,232
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 915,394	$ 740,569	$ 655,584	$ 609,732	$ 376,712	$ 390,022	$ 337,015	$ 40,402
Contributions as a Percentage of Covered Payroll	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	8.0%	8.0%

*The amounts presented for each fiscal year were determined as of December 31, based on the measurement date of the plan. The Town joined the plan in 2018 and therefore, 10 years of data is not available.

See accompanying Independent Auditors Report

SUPPLEMENTARY INFORMATION

TOWN OF SEVERANCE
COMBINING BALANCE SHEET –
GOVERNMENTAL NON-MAJOR FUNDS
DECEMBER 31, 2025

	Conservation Trust Fund	Park Fund	Public Facilities Fund	Public Safety Fund	Total Non-Major Governmental Funds
Assets					
Cash and investments - restricted	$ 477,453	$ 599,408	$ 644,039	$ 409,302	$ 2,130,202
Total assets	$ 477,453	$ 599,408	$ 644,039	$ 409,302	$ 2,130,202
Fund balance:					
Restricted					
Park projects	$ -	$ 599,408	$ -	$ -	$ 599,408
Public facilities	-	-	644,039	-	644,039
Public safety	-	-	-	409,302	409,302
Conservation trust	477,453	-	-	-	477,453
Total fund balances	477,453	599,408	644,039	409,302	2,130,202
Total liabilities, deferred inflows of resources and fund balances	$ 477,453	$ 599,408	$ 644,039	$ 409,302	$ 2,130,202

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL NON-MAJOR FUNDS
YEAR ENDED DECEMBER 31, 2025

	Conservation Trust Fund	Park Fund	Public Facilities Fund	Public Safety Fund	Total Non-Major Governmental Funds
Revenues					
Intergovernmental	$ 133,642	$ -	$ -	$ -	$ 133,642
Impact fees	-	73,854	252,873	138,816	465,543
Investment earnings (loss)	19,027	26,556	28,781	17,067	91,431
Total revenues	152,669	100,410	281,654	155,883	690,616
Other financing sources (uses)					
Transfers out	-	-	(35,423)	(7,203)	(42,626)
Total other financing sources (uses)	-	-	(35,423)	(7,203)	(42,626)
Net changes in fund balances	152,669	100,410	246,231	148,680	647,990
Fund balances - beginning of year	324,784	498,998	397,808	260,622	1,482,212
Fund balances - end of year	$ 477,453	$ 599,408	$ 644,039	$ 409,302	$ 2,130,202

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – CONSERVATION TRUST FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental revenues	$ -	$ 133,642	$ 133,642
Investment earnings	4,810	19,027	14,217
Total revenues	4,810	152,669	147,859
Net changes in fund balance	$ 4,810	152,669	$ 147,859
Fund balance - beginning of year		324,784	
Fund balance - end of year		$ 477,453	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – PARKS FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Impact fees	$ -	$ 73,854	$ 73,854
Investment earnings	8,490	26,556	18,066
Total revenues	8,490	100,410	91,920
Net changes in fund balance	$ 8,490	100,410	$ 91,920
Fund balance - beginning of year		498,998	
Fund balance - end of year		$ 599,408	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – PUBLIC FACILITIES FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Impact fees	$ -	$ -	$ 252,873	$ 252,873
Investment earnings	30,640	30,640	28,781	(1,859)
Total revenues	30,640	30,640	281,654	251,014
Other financing sources (uses)				
Transfer out	-	(66,427)	(35,423)	31,004
Total other financing sources (uses)	-	(66,427)	(35,423)	31,004
Net changes in fund balance	$ 30,640	$ (35,787)	246,231	$ 282,018
Fund balance - beginning of year			397,808	
Fund balance - end of year			$ 644,039	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – PUBLIC SAFETY FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Impact fees	$ -	$ -	$ 138,816	$ 138,816
Investment earnings	7,660	7,660	17,067	9,407
Total revenues	7,660	7,660	155,883	148,223
Other financing sources (uses)				
Transfer out	-	(13,507)	(7,203)	6,304
Total other financing sources (uses)	-	(13,507)	(7,203)	6,304
Net changes in fund balance	$ 7,660	$ (5,847)	148,680	$ 154,527
Fund balance - beginning of year			260,622	
Fund balance - end of year			$ 409,302	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION – BUDGET AND ACTUAL (BUDGETARY BASIS) – WATER FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues				
Utility charges	$ 2,783,921	$ 2,783,921	$ 2,995,116	$ 211,195
Other charges for services	10,000	10,000	30,994	20,994
Total revenues	2,793,921	2,793,921	3,026,110	232,189
Operating expenses				
Personnel services	514,208	514,208	481,004	33,204
Operating supplies	68,220	68,220	57,347	10,873
Professional fees	40,000	40,000	67,492	(27,492)
Repairs and maintenance	116,004	116,004	54,129	61,875
Treatment	1,269,900	1,269,900	1,092,924	176,976
Telephone and utilities	39,628	39,628	26,657	12,971
Other operating expenses	79,290	79,290	211,873	(132,583)
Capital outlay	2,125,000	2,974,170	556,534	2,417,636
Total operating expenses	4,252,250	5,101,420	2,547,960	2,553,460
Other income				
Investment earnings	336,860	336,860	876,964	540,104
Total other income	336,860	336,860	876,964	540,104
Contributed capital and transfers				
Plant investment fees	1,800,000	1,800,000	1,214,962	(585,038)
Transfers out	-	(141,386)	(117,415)	23,971
Total contributed capital and transfers	1,800,000	1,658,614	1,097,547	(561,067)
Change in net position, budgetary basis	$ 678,531	$ (312,025)	2,452,661	$ 2,764,686
Reconciliation to GAAP basis				
Dedicated assets			394,747	
Capital outlay			556,534	
Depreciation			(436,984)	
Loss on disposal of capital assets			(1,875)	
Change in net position, GAAP basis			2,965,083	
Net position, beginning of year			75,060,663	
Net position, end of year			$ 78,025,746	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION – BUDGET AND ACTUAL (BUDGETARY BASIS) – WASTEWATER FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues				
Utility charges	$ 1,535,341	$ 1,535,341	1,667,700	$ 132,359
Other charges for services	-	-	1,192	1,192
Total revenues	1,535,341	1,535,341	1,668,892	133,551
Operating expenses				
Personnel services	458,566	458,566	426,584	31,982
Operating supplies	30,770	30,770	38,309	(7,539)
Professional fees	32,000	32,000	35,552	(3,552)
Repairs and maintenance	70,658	70,658	49,615	21,043
Treatment	230,200	230,200	322,803	(92,603)
Telephone and utilities	64,830	64,830	56,812	8,018
Other operating expenses	71,703	71,703	88,131	(16,428)
Capital outlay	1,810,000	2,360,000	165,254	2,194,746
Total operating expenses	2,768,727	3,318,727	1,183,060	2,135,667
Other income				
Investment earnings	303,560	303,560	729,708	426,148
Total other income	303,560	303,560	729,708	426,148
Capital contributions and transfers				
Plant investment fees	1,750,000	1,750,000	842,918	(907,082)
Transfers out	-	(11,386)	(23,004)	(11,618)
Total contributed capital	1,750,000	1,738,614	819,914	(918,700)
Change in net position, budgetary basis	$ 820,174	$ 258,788	2,035,454	$ 1,776,666
Reconciliation to GAAP basis				
Dedicated assets			450,791	
Capital outlay			165,254	
Depreciation			(616,925)	
Loss on disposal of capital assets			(1,875)	
Change in net position, GAAP basis			2,032,699	
Net position, beginning of year			30,650,249	
Net position, end of year			$ 32,682,948	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION – BUDGET AND ACTUAL (BUDGETARY BASIS) – STORMWATER FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues				
Utility charges	$ 254,575	$ 254,575	$ 306,879	$ 52,304
Other charges for services	-	-	134	134
Total revenues	254,575	254,575	307,013	52,438
Operating expenses				
Personnel services	57,070	57,070	46,849	10,221
Operating supplies	870	870	812	58
Repairs and maintenance	3,600	3,600	4,414	(814)
Telephone and utilities	1,611	1,611	782	829
Other operating expenses	1,864	1,864	2,543	(679)
Total operating expenses	65,015	65,015	55,400	9,615
Other income				
Investment earnings	37,670	37,670	88,468	50,798
Total other income	37,670	37,670	88,468	50,798
Capital contributions and transfers				
Transfers out	-	(11,711)	(5,534)	6,177
Total contributed capital	-	(11,711)	(5,534)	6,177
Change in net position, budgetary basis	$ 227,230	$ 215,519	334,547	$ 119,028
Reconciliation to GAAP basis				
Dedicated assets			232,706	
Depreciation			(344,662)	
Change in net position, GAAP basis			222,591	
Net position, beginning of year			10,503,785	
Net position, end of year			$ 10,726,376	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
STATEMENT OF NET POSITION
FLEET FUND
DECEMBER 31, 2025

Assets	
Current assets:	
Cash and investments - restricted	$ 677,206
Total assets	677,206
Net Position	
Restricted	677,206
Total net position	$ 677,206

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION – BUDGET AND ACTUAL (BUDGETARY BASIS) – FLEET FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Fleet replacement revenue	$ 82,275	$ 105,025	$ 22,750
Total revenues	82,275	105,025	22,750
Other income			
Investment earnings	10,510	29,453	18,943
Total other income	10,510	29,453	18,943
Change in net position, budgetary basis	$ 92,785	134,478	$ 41,693
Change in net position, GAAP basis		134,478	
Net position, beginning of year		542,728	
Net position, end of year		$ 677,206	

See the accompanying Independent Auditors Report

TOWN OF SEVERANCE
STATEMENT OF CASH FLOWS
FLEET FUND
YEAR ENDED DECEMBER 31, 2024

Cash Flows From Capital and Related Financing Activities		
Fleet replacement revenue	$	105,025
Net cash provided by capital and related financing activities		105,025
Cash Flows From Investing Activities		
Investment earnings		29,453
Net cash provided by investing activities		29,453
Net change in cash and cash equivalents		134,478
Cash and cash equivalents and restricted cash, beginning of year		542,728
Cash and cash equivalents and restricted cash, end of year	$	677,206

See the accompanying Independent Auditors Report

SPECIAL REPORTS

LOCAL HIGHWAY FINANCE REPORT		STATE: COLORADO
THIS INFORMATION FROM THE RECORDS OF: TOWN OF SEVERANCE	PREPARED BY: JACQUELYN GROSSNICKLE jgrossnickle@townofseverance.org	REPORT YEAR ENDING DATE(mm/yyyy): 12/2025

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. Total (1 - (2 through 4))				

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other Local Imposts:		**A.4. Miscellaneous Local Receipts:**	
a. Property Taxes and Assesments	0.00	a. Interest on investments	203,981.45
b. Non-property Taxes and Assessments Imposts	1,308,372.52	b. Other Misc. Local Receipts	94,545.50
c. Total (a + b)	$ 1,308,372.52	**c. Total (a + b)**	$ 298,526.95
ITEM	**AMOUNT**	**ITEM**	**AMOUNT**
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	413,310.64	1. FHWA (from Item I.D.5.)	
2. State General Funds		2. Other Federal Agencies:	
3. Other State funds:			
a. State Bond Proceeds			
b. Non-State Bond Proceeds	87,620.34		
c. Total (a + b)	$ 87,620.34		
4. Total (1 + 2 + 3c)	$ 500,930.98	**3. Total (1 + 2)**	$ -

III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT
A.1. Capital outlay:	
a. Right-Of-Way Costs	0.00
b. Engineering Costs	245,280.65
c. Construction Costs	1,896,291.31
d. Total Capital Outlay (a+ b + c)	$ 2,141,571.96

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO
	REPORT YEAR ENDING DATE(mm/yyyy): 12/2025

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. Amount used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from Local Sources:	
1. Local Highway-user Taxes	
a. Motor Fuel (from Item I.A.1)	
b. Motor Vehicle (from Item I.B.1)	
c. Total (a + b)	
2. General Fund Appropriations	2,828,698.72
3. Other Local Imposts (from page 1, Item II.A3.c)	$ 1,308,372.52
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ 298,526.95
5. Transfers from Toll Facilities	
6. Proceeds of Sale of Bonds and Notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a + b + c)	$ -
7. Total (1 through 6)	$ 4,435,598.19
B. Private Contributions	
C. Receipts from State government (from page 1, Item II.C.4)	$ 500,930.98
D. Receipts from Federal government (from page 1, Item II.D.3)	$ -
E. Total receipts (A.7 + B + C + D)	$ 4,936,529.17

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital Outlay (from page 1, Item III.A1.d)	$ 2,141,571.96
2. Maintenance:	253,118.02
3. Road and Street Services:	
a. Snow and Ice Removal	90,426.23
b. Other & Traffic Control Operations	101,834.68
c. Total (a + b)	$ 192,260.91
4. General Administration & Miscellaneous	355,667.11
5. Highway Law Enforcement and Safety	1,790,973.80
6. Total (1 through 5)	$ 4,733,591.80
B. Debt Service on Local Obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
3. Total (1c + 2c)	$ -
C. Payments to State for Highways	
D. Payments to Toll Facilities	
E. Total Expenditures (A6 + B3 + C + D)	$ 4,733,591.80

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

ITEM	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)		$ -	$ -	$ -
1. Bonds (Refunding Portion)		$ -		
B. Notes (Total)		$ -	$ -	$ -