



**Financial Statements  
and Supplementary Information**  
For the Year Ended December 31, 2010

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members  
of the City Council  
City of Evans, Colorado

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 City of Evans, Colorado (the "City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 City as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2011, on our consideration of the City'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the budgetary comparison information on pages 48 through 59 and Volunteer Firefighters' Pension Plan-Analysis of Funding Progress on 45 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Northern Colorado Office 3545 West 12th Street, Suite 201 · Greeley, Colorado 80634 · 970.352.1700 · Fax 970.352.1708  
Denver Office 17th & Grant Building · 303 East 17th Avenue, Suite 600 · Denver, Colorado 80203 · 303.830.1120 · Fax 303.830.8130





Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, Local Highway Finance Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Anton Collins Mitchell LLP*  
Greeley, Colorado  
May 3, 2011

May 3, 2011



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

To serve the citizens of the City of Evans (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. Please read the information presented here in conjunction with the City's financial statements beginning on page 14.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of 2010 by \$97.7 million (net assets). Of this amount, \$7.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Of the remaining balance, \$87.0 million is investments in capital assets and \$3.2 million is restricted for other purposes.
- The City's total net assets increased by \$1.2 million. The governmental activities drove this change with an increase of \$1.7 million due to a significant reduction in expenditures.
- Sales and use tax collections increased by \$219 thousand, a 5 percent increase over the prior year. Continued expansion of the City's retail base contributed to this increase.
- At the end of 2010, the City's governmental funds reported combined ending fund balances of \$6.5 million, an increase of \$1.5 million in comparison to the ending balances of 2009. Of this total amount, \$3.6 million or 55 percent is available for spending at the City's discretion (unreserved fund balance).
- At the end of 2010, the unreserved fund balance for the general fund was \$2.2 million, which was 23 percent of total general fund 2010 expenditures. In addition, City Charter requires the Emergency Contingency Special Revenue Fund to maintain a balance of 25 percent of the preceding fiscal year's (2009) audited General Fund expenditures. The resulting 2010 fund balance for the Emergency Contingency Fund amounts to \$2.3 million in reserve for emergencies. Fund balances at 2010 year end for both the General Fund and the Emergency Contingency Fund combined amount to \$4.6 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City of Evans' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City 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 City include general government administration, City Council support and elections, public safety, maintenance and new construction of highways and streets, planning and zoning, maintenance of City facilities, buildings and land improvements, debt service, community development, engineering, and culture, parks and recreation activities. The business-type activities of the City include the City's water, wastewater, and storm drainage utility enterprise functions.

The government-wide financial statements include solely the operations of the City itself. There are no additional discrete or blended component units.

The government-wide financial statements can be found on Pages 14-16 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, or as required by legal enabling legislation. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on upcoming inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's upcoming financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental

fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the different statements.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, and the emergency contingency fund, all of which are designated as major funds. Data from the remaining seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for all of its funds. To demonstrate compliance, a budgetary comparison is provided for each of the funds.

The basic governmental fund financial statements are found on Pages 17-20 of this report.

**Proprietary funds** - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and storm drainage utility functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the City's water, wastewater and storm drainage funds.

The basic proprietary fund financial statements can be found on Pages 21-23 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Pages 24-25 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on Pages 26-42 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Evans. Required and other supplementary information can be found on Pages 43-59 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$97.7 million at the close of 2010.

By far the largest portion (90 percent) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3 percent) represents resources that are subjected to external and internal restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7.4 million) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Evans Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$9,012,568	\$8,167,469	\$4,831,075	\$5,038,015	\$13,843,643	\$13,205,484
Non-current assets	25,001,863	25,235,097	66,528,425	67,177,314	91,530,288	92,412,411
Total assets	34,014,431	33,402,566	71,359,500	72,215,329	105,373,931	105,617,895
<b>Liabilities:</b>						
Current liabilities	2,464,052	3,550,400	254,765	610,694	2,718,787	4,161,094
Long-term liabilities	4,182,489	4,180,435	828,755	822,637	5,011,244	5,003,072
Total liabilities	6,646,541	7,730,835	1,083,490	1,433,331	7,730,031	9,164,166
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	21,243,479	21,054,662	65,785,446	66,646,457	87,028,925	87,701,119
Restricted	2,948,307	2,375,882	238,195	260,347	3,186,502	2,636,229
Unrestricted	3,176,104	2,241,187	4,252,369	3,875,194	7,428,473	6,116,381
Total net assets	\$27,367,890	\$25,671,731	\$70,276,010	\$70,781,998	\$97,643,900	\$96,453,729

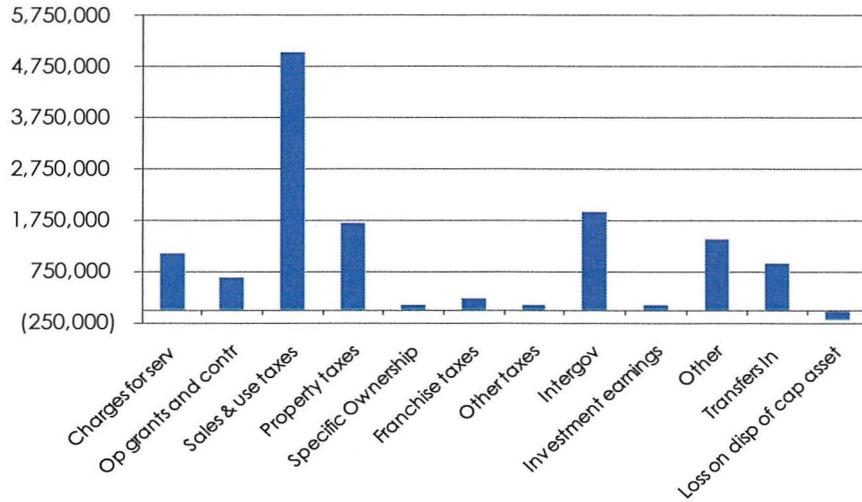
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the City as a whole, as well as for its separate governmental and business-type activities.

### City of Evans Changes in Net Assets

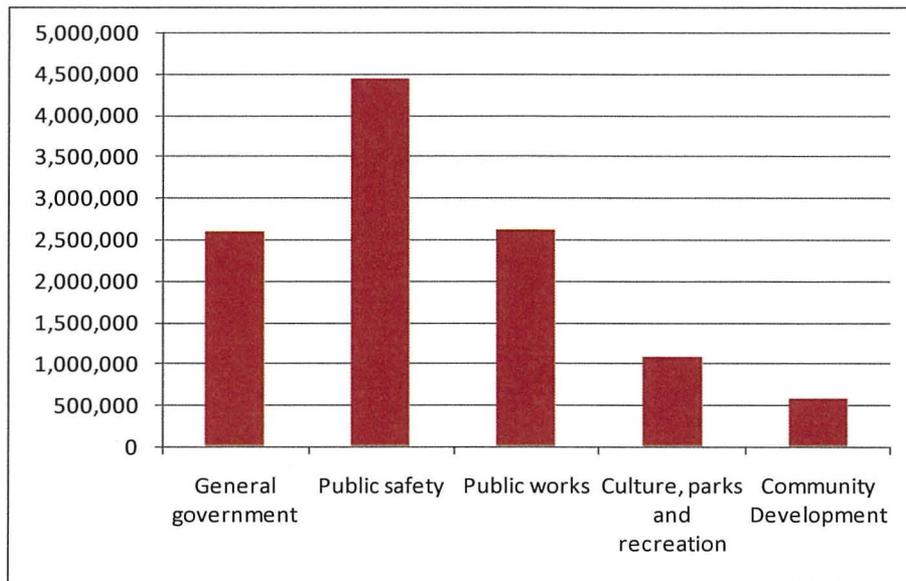
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<i>Program revenues:</i>						
Charges for services	\$1,107,599	\$1,045,247	\$4,804,729	\$4,397,301	\$5,912,928	\$5,442,548
Operating grants and contributions	626,523	107,490	-	-	626,523	107,490
Capital grants and contributions	-	517,072	119,112	226,050	119,112	743,122
<i>General revenues:</i>						
Sales and use taxes	5,029,183	4,809,723	-	-	5,029,183	4,809,723
Property taxes	1,701,242	1,521,284	-	-	1,701,242	1,521,284
Specific Ownership	106,581	122,262	-	-	106,581	122,262
Franchise taxes	223,872	586,751	-	-	223,872	586,751
Other taxes	86,741	82,251	-	-	86,741	82,251
Intergovernmental	1,918,668	2,146,348	-	-	1,918,668	2,146,348
Unrestricted investment earnings	82,055	107,824	34,591	55,055	116,646	162,879
Other general revenue	1,384,692	1,591,856	-	-	1,384,692	1,591,856
Transfers In	924,854	774,877	-	-	924,854	774,877
Loss on disposition of capital assets	(171,535)	(18,697)	-	-	(171,535)	(18,697)
Total revenues	13,020,475	13,394,288	4,958,432	4,678,406	17,978,907	18,072,694
<b>Expenses:</b>						
General government	2,599,707	2,964,820	-	-	2,559,707	2,964,820
Public safety	4,449,729	4,784,810	-	-	4,449,729	4,784,810
Public works	2,610,128	2,648,538	-	-	2,610,128	2,648,538
Culture, parks and recreation	1,075,374	1,681,430	-	-	1,075,374	1,681,430
Community Development	589,948	533,746	-	-	589,948	533,746
Water enterprise	-	-	3,102,647	3,456,912	3,102,647	3,456,912
Wastewater enterprise	-	-	1,108,116	1,180,690	1,108,116	1,180,690
Storm Drainage enterprises	-	-	244,033	248,534	244,033	248,534
Transfers Out	-	-	1,009,624	859,624	1,009,624	859,624
Total expenses	11,324,316	12,613,344	5,464,420	5,745,760	16,788,736	18,359,104
Change in net assets	1,696,159	780,944	(505,988)	(1,067,354)	1,190,171	(286,410)
Net assets – Beginning Prior Period	25,671,731	25,054,988	70,781,998	71,849,352	96,453,729	96,904,340
Adjustments	-	(164,201)	-	-	-	(164,201)
Net assets – Ending	\$ 27,367,890	\$ 25,671,731	\$ 70,276,010	\$ 70,781,998	\$ 97,643,900	\$ 96,453,729

**Governmental Activities** - Governmental activities increased the City's net assets by \$1.7 million, thereby accounting for all of the total growth in the net assets of the City as the enterprise funds recognized a decrease in net assets. The major contributor to this growth was the City's decrease in expenditures.

**Governmental Activities Revenues**



**Governmental Activities Expenditures**

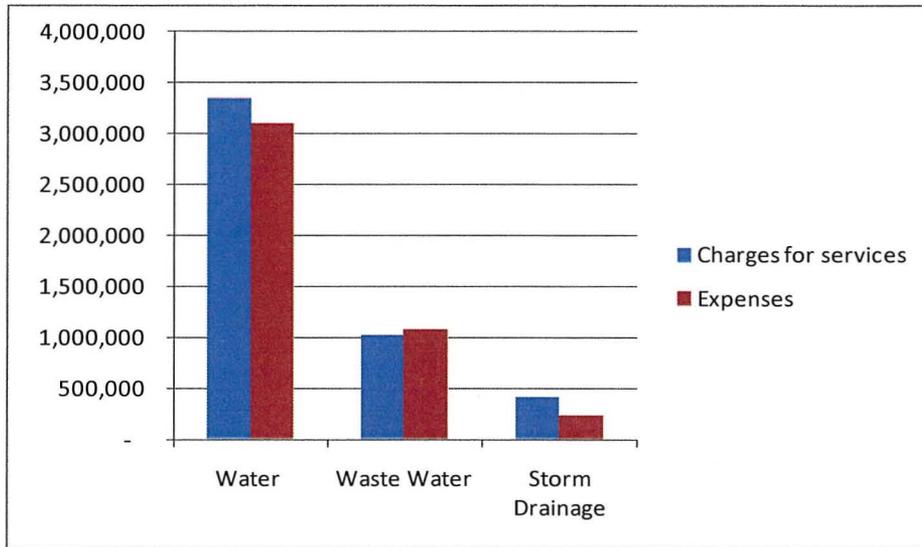


The City recognized a reduction in expenditures of \$1.3 million compared to the prior fiscal year. This decrease was due to a reduction in force which took place near the end of the 1<sup>st</sup> quarter and conservative spending in the areas of supplies and services as well as asset management.

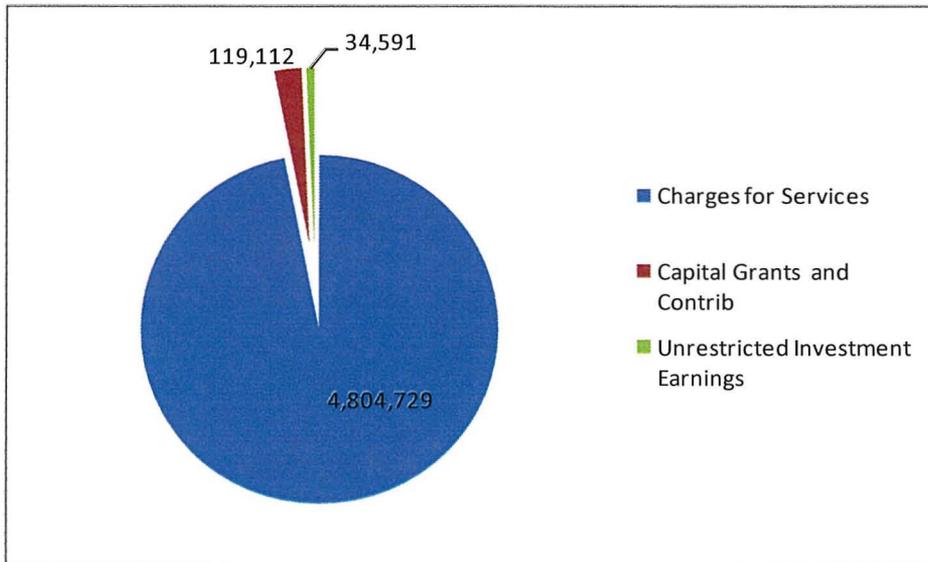
**Business-type Activities** - Business-type activities decreased the City's net assets by \$506 thousand. Key elements of this decrease are as follows:

- Capital contributions totaled \$119 thousand, a \$107 thousand decrease due to the slowed growth in the City.
- Capital projects in the business-type activity funds reduced the net assets of the city in the current year as they are not usually completely funded with current year revenues.

**Business-Type Activities Charges for Services and Expenses**



**Business-type Activities Revenues by Source**



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of December 31, 2010, the City's governmental funds reported ending fund balances of \$6.5 million, an increase of \$1.5 million from the prior year. Approximately 55 percent of this total amount (\$3.6 million) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$2.9 million), is reserved to indicate that it is not available for new spending because it has been committed to: 1) provide a reserve fund for the benefit of the holders of certain City debt instruments and 2) provide an emergency reserve as required by the City Charter and the State Constitution (amendment to Article X, Section 20).

The General Fund is the chief operating fund of the City. As of December 31, 2010, the unreserved fund balance of the general fund was \$2.2 million. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 23 percent of total General Fund expenditures. The increase in the fund balance of the General Fund was \$769 thousand during 2010. The contributing factor to the increase was the reduction in fund expenditures of almost \$1.3 million during the year.

In 2010, taxes are the General Fund's largest source of revenue at 74 percent, or \$7.1 million.

The Emergency Contingency Fund ended the 2010 fiscal year with a total fund balance of \$2.3 million, all of which is reserved for emergencies and not available for spending, except at the City Council's discretion in accordance with City Charter direction. The fund balance increased by \$451 thousand or approximately 5% of the budgeted 2010 revenues in order to build towards the funding requirement of 25 percent of the City's prior year General Fund expenditures.

**Proprietary funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water, Wastewater and Storm Drainage funds as of December 31, 2010 amounted to \$50.0 million, \$11.5 million, and \$8.8 million, respectively. The total growth (decline) in net assets for the three funds during 2010 was \$(166) thousand, \$(406) thousand, and \$66 thousand, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the 2010 original budget and the final revised budget totaled a decrease of \$836 thousand in projected revenues and a decrease in expenditures of \$919 thousand. Sales tax revenue collections were the main drivers in the projected decrease in revenues and expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounted to \$86.3 million (net of accumulated depreciation). This investment includes land; buildings and system; improvements; machinery and equipment; park facilities; sidewalks; roads; highways and bridges; and water, wastewater and storm drainage installations and systems. The total increase in the City's investment in capital assets was one percent (a one percent decrease for governmental activities and one and one-half percent decrease for business-type activities).

Major capital asset events during the year included the following:

- 31<sup>st</sup> Street Improvement (\$1,275,470)
- 37<sup>th</sup> Street Resurfacing (\$306,018)
- Carson Ave (\$1,67,051)
- Riverside Ball Park Improvements (\$117,817)

### City of Evans Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and water shares	\$4,483,721	\$4,483,721	\$25,829,157	\$25,829,157	\$30,312,878	\$30,312,878
Construction in progress	1,367,009	2,452,286	1,708,218	1,450,482	3,075,227	3,902,768
Land improvements	2,302,929	2,557,441	-	-	2,302,929	2,557,441
Building & improvements	8,570,258	8,829,674	448,093	489,373	9,018,351	9,319,047
System improvements	-	-	32,568,900	33,622,671	32,568,900	33,622,671
Intangible assets	53,706	60,221	17,482	19,603	71,188	79,824
Machinery & equipment	404,051	573,029	417,648	508,607	821,699	1,081,636
Transportation equipment	243,362	534,675	-	-	243,362	534,675
Infrastructure	7,576,827	5,744,050	281,506	291,780	7,858,333	6,035,830
<b>Total</b>	<b>\$25,001,863</b>	<b>\$25,235,097</b>	<b>\$62,271,004</b>	<b>\$62,211,673</b>	<b>\$86,272,867</b>	<b>\$87,446,770</b>

Additional information on the City's capital assets can be found in the notes to the financial statements on Page 26-42 of this report.

**Debt** - As of December 31, 2010, the City had total bonded debt outstanding of \$2.7 million. This entire amount comprises debt backed by the full faith and credit of the City of Evans. In addition, the City has \$743 thousand in Colorado Water Resources and

Power Development Authority notes payable and \$1.0 million in capital leases outstanding.

<b>City of Evans Outstanding Debt</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
General obligation bonds	\$2,650,000	\$3,030,000	\$ -	\$ -	\$2,650,000	\$3,030,000
Bond Premium	59,695	79,255	-	-	59,695	79,255
Wastewater loans	-	-	742,979	822,637	742,979	822,637
Capital Leases	1,048,689	1,071,180	-	-	1,048,689	1,071,180
Compensated Absences	424,105	382,705	85,776	87,771	509,881	470,476
<b>Total</b>	<b>\$4,182,489</b>	<b>\$4,563,141</b>	<b>\$828,755</b>	<b>\$910,408</b>	<b>\$5,011,244</b>	<b>\$5,473,548</b>

The City's total debt was decreased by \$383 thousand (7 percent) during 2010, due to scheduled principle payments on the remaining debt.

The City's general obligation indebtedness may not, by Charter, exceed in aggregate dollars, 15% of the City's prior year's total assessed property valuation. A requirement exists to have an affirmative vote of the citizens to authorize general obligation debt issuance. Business-type funds do not have any limitations on the amount of debt that may be issued nor do they require an elector vote provided that the debt is supported by revenues of the utility enterprise. Issuance of business-type fund debt must be approved by an affirmative vote of the Council by ordinance. Advanced refunding of all debt must be approved by ordinance by the Council.

Additional information on the City's long-term debt can be found in the notes to the financial statements on Pages 36-38 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Like most Colorado cities, the City of Evans experienced all the negative effects of a national recession with 2010 proving to be a difficult year. The City started to address the structural budget gap by a significant reduction in force which resulted in a decrease to staffing levels by 22 positions which included 18 current employees. The General Fund expenditure reduction amounted to \$868 thousand in 2010 and slightly over \$1 million in 2011. This reduction was the first step in addressing the City's long term structural deficit, the gap of revenues that cannot cover expenditures.
- During 2010, the City Council requested a task force be formed in order to evaluate the merits of asking the citizens for permission to create a Fire District within the City limits. In March of 2011, the service plan for the Fire District was approved by the City Council. A ballot question will be included in the November election asking the citizens to approve the creation of the fire district, a transfer of City property tax mill levy to the district, and 5.5 additional property tax mills dedicated to the district.

- Population has remained relatively unchanged over the past several years with the 2010 census reporting 18,537. It is expected to remain relatively unchanged in 2011.
- The City's sales tax collections increased by 6 percent in 2010, in large part due to an increase in revenue from the industrial sector of the City. This category of taxes is considered volatile and the majority of revenues received are treated as "one-time" revenues and are not added to the long term revenue projections. Sales tax revenues are projected to decrease 11 percent for 2011. This projected decrease is related to the uncertainty in the industrial sector along with the slow economic recovery, including the relatively high unemployment rate in the Evans/Greeley area.
- Building use tax decreased by 46 percent from 2009 to 2010 and is projected to remain flat for 2011.
- Property tax increased by 11 percent in 2010 and is projected to decrease by 14 percent for 2011. The decrease is due to the significant loss in property values in the area.
- The intergovernmental sales tax revenue sharing agreement with the City of Greeley was flat for 2010 as compared to 2009. This revenue source is projected to remain unchanged for 2011.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Evans Finance Department, 1100 37<sup>th</sup> Street, Evans, Colorado 80620, (970) 475-1101.

**BASIC FINANCIAL STATEMENTS**

**City of Evans**  
**Statement of Net Assets**  
**December 31, 2010**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Equity in pooled cash, cash equivalents and investments	\$ 3,246,944	\$ 4,124,152	\$ 7,371,096
Receivables	2,868,300	462,398	3,330,698
Prepaid expenses	117,039	-	117,039
Deferred charges	54,231	6,330	60,561
Restricted assets:			
Cash and cash investments	2,726,054	238,195	2,964,249
Investment in Greeley water	-	5,257,421	5,257,421
Capital assets - net			
Land and water shares	4,483,721	25,829,157	30,312,878
Construction in progress	1,367,009	1,708,218	3,075,227
Land improvements	2,302,929	-	2,302,929
Building and improvements	8,570,258	448,093	9,018,351
System improvements	-	32,568,900	32,568,900
Intangible assets	53,706	17,482	71,188
Machinery and equipment	404,051	417,648	821,699
Transportation equipment	243,362	-	243,362
Infrastructure	7,576,827	281,506	7,858,333
<b><u>Total assets</u></b>	<b>34,014,431</b>	<b>71,359,500</b>	<b>105,373,931</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	404,644	150,968	555,612
Accrued payroll	224,223	14,725	238,948
Deposits and escrows	21,835	74,959	96,794
Unearned revenue	1,530,858	-	1,530,858
Other liabilities	282,492	14,083	296,575
Noncurrent liabilities:			
Due within one year	423,440	166,350	589,790
Due in more than one year	3,759,049	662,405	4,421,454
<b><u>Total liabilities</u></b>	<b>6,646,541</b>	<b>1,083,490</b>	<b>7,730,031</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets net of related debt	21,243,479	65,785,446	87,028,925
Restricted for:			
Prepays	117,039	-	117,039
Emergencies	2,324,668	-	2,324,668
Debt service	506,600	238,195	744,795
Unrestricted	3,176,104	4,252,369	7,428,473
<b><u>Total net assets</u></b>	<b>\$ 27,367,890</b>	<b>\$ 70,276,010</b>	<b>\$ 97,643,900</b>

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

**City of Evans**  
**Statement of Activities**  
**Year Ended December 31, 2010**

Functions/programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 2,599,707	\$ 9,788	\$ 7,334	\$ -
Public safety	4,449,729	206,690	74,799	-
Public works	2,610,128	594,653	-	-
Culture, parks and recreation	1,075,374	296,468	-	-
Community development	589,379	-	544,390	-
<b>Total government activities</b>	<b>11,324,316</b>	<b>1,107,599</b>	<b>626,523</b>	<b>-</b>
<b>Business-type activities:</b>				
Water	3,102,647	3,358,620	-	80,381
Wastewater	1,108,116	1,022,094	-	32,592
Storm drainage	244,033	424,015	-	6,139
<b>Total business-type activities</b>	<b>4,454,796</b>	<b>4,804,729</b>	<b>-</b>	<b>119,112</b>
<b>Total primary government</b>	<b>\$ 15,779,112</b>	<b>\$ 5,912,328</b>	<b>\$ 626,523</b>	<b>\$ 119,112</b>

General revenues

Taxes:

- Property taxes
- Specific ownership taxes
- Sales and use taxes
- Franchise taxes
- Other taxes
- Intergovernmental
- Earnings on investments
- Other revenues
- Loss on sale of capital assets

Subtotal general revenues

Transfers in (out)

Total general revenues and transfers

Changes in net assets

Net assets at beginning of year

Net assets at ending of year

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

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,582,585)	\$ -	\$ (2,582,585)
(4,168,240)	-	(4,168,240)
(2,015,475)	-	(2,015,475)
(778,906)	-	(778,906)
(44,989)	-	(44,989)
<u>(9,590,194)</u>	<u>-</u>	<u>(9,590,194)</u>
-	336,354	336,354
-	(53,430)	(53,430)
-	186,121	186,121
<u>-</u>	<u>469,045</u>	<u>469,045</u>
<u>(9,590,194)</u>	<u>469,045</u>	<u>(9,121,149)</u>
1,701,242	-	1,701,242
106,581	-	106,581
5,029,183	-	5,029,183
223,872	-	223,872
86,741	-	86,741
1,918,668	-	1,918,668
82,055	34,591	116,646
1,384,692	-	1,384,692
(171,535)	-	(171,535)
10,361,499	34,591	10,396,090
924,854	(1,009,624)	(84,770)
<u>11,286,353</u>	<u>(975,033)</u>	<u>10,311,320</u>
1,696,159	(505,988)	1,190,171
<u>25,671,731</u>	<u>70,781,998</u>	<u>96,453,729</u>
<u>\$ 27,367,890</u>	<u>\$ 70,276,010</u>	<u>\$ 97,643,900</u>

**City of Evans  
Balance Sheet  
Governmental Funds  
December 31, 2010**

	General	Emergency Contingency	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Equity in pooled cash, cash equivalents and investments	\$ 1,735,655	\$ -	\$ 1,511,289	\$ 3,246,944
Restricted cash and investments	-	2,324,668	401,386	2,726,054
Receivables	2,534,817	-	333,483	2,868,300
Prepaid expenses	117,039	-	-	117,039
<b><u>Totals assets</u></b>	<b><u>\$ 4,387,511</u></b>	<b><u>\$ 2,324,668</u></b>	<b><u>\$ 2,246,158</u></b>	<b><u>\$ 8,958,337</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 313,894	\$ -	\$ 90,750	\$ 404,644
Deferred revenue	1,530,858	-	-	1,530,858
Accrued payroll	224,223	-	-	224,223
Deposits and escrows	21,835	-	-	21,835
Other liabilities	6,055	-	221,990	228,045
<b><u>Total liabilities</u></b>	<b><u>2,096,865</u></b>	<b><u>-</u></b>	<b><u>312,740</u></b>	<b><u>2,409,605</u></b>
<b><u>Fund balances</u></b>				
Reserved for prepaids	117,039			117,039
Reserved for emergencies	-	2,324,668	-	2,324,668
Reserved for debt service	-	-	506,600	506,600
Unreserved, reported in:				
Designated for subsequent years expenditures:				
Special revenue funds	-	-	352,830	352,830
Debt service fund	-	-	210	210
Undesignated, reported in:				
General fund	2,173,607	-	-	2,173,607
Special revenue funds	-	-	870,349	870,349
Capital projects funds	-	-	203,429	203,429
<b><u>Total fund balances</u></b>	<b><u>2,290,646</u></b>	<b><u>2,324,668</u></b>	<b><u>1,933,418</u></b>	<b><u>6,548,732</u></b>
<b><u>Total liabilities and fund balances</u></b>	<b><u>\$ 4,387,511</u></b>	<b><u>\$ 2,324,668</u></b>	<b><u>\$ 2,246,158</u></b>	<b><u>\$ 8,958,337</u></b>

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

**City of Evans**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet with the Statement of Net Assets**  
**December 31, 2010**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - governmental funds	\$	6,548,732
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements.

Capital Assets	\$	34,091,177	
Less: Accumulated Depreciation		<u>(9,089,314)</u>	25,001,863

Debt issuance costs are written off on the fund financial statements and amortized over the life of the debt on the government-wide financial statements.			54,231
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities on the fund financial statements. Long-term liabilities and related accounts at December 31, 2010 consist of:

Bonds payable	\$	2,650,000	
Deferred bond premium		59,695	
Capital leases payable		1,048,689	
Compensated absences		424,105	
Accrued interest payable		<u>54,447</u>	<u>(4,236,936)</u>

Total Net Assets of Governmental Activities	\$	<u>27,367,890</u>
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**City of Evans**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2010**

	General	Emergency Contingency	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and fees	\$ 7,147,619	\$ -	\$ -	\$ 7,147,619
Licenses and permits	657,343	-	1,600	658,943
Intergovernmental	565,325	-	1,353,343	1,918,668
Grants and contributions	82,133	-	544,390	626,523
Charges for services	532,464	-	575,135	1,107,599
Fines and forfeitures	516,579	-	-	516,579
Earnings on investments	47,372	-	34,683	82,055
Assessments	-	-	105,563	105,563
Miscellaneous	103,607	-	-	103,607
<b>Total revenues</b>	<b>9,652,442</b>	<b>-</b>	<b>2,614,714</b>	<b>12,267,156</b>
<b>Expenditures</b>				
General government	2,108,758	-	57	2,108,815
Public safety	4,200,008	-	36,434	4,236,442
Public works	1,342,500	-	697,301	2,039,801
Culture, parks and recreation	1,039,873	-	-	1,039,873
Community development	541,627	-	-	541,627
Debt service				
Principal	22,492	-	380,000	402,492
Interest	57,904	-	119,810	177,714
Capital outlay	73,464	-	1,058,494	1,131,958
<b>Total expenditures</b>	<b>9,386,626</b>	<b>-</b>	<b>2,292,096</b>	<b>11,678,722</b>
<b>Excess of revenues over expenditures</b>	<b>265,816</b>	<b>-</b>	<b>322,618</b>	<b>588,434</b>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of capital assets	-	-	42,000	42,000
Transfers in	1,042,431	450,989	-	1,493,420
Transfers out	(538,989)	-	(29,577)	(568,566)
<b>Total other financing sources (uses)</b>	<b>503,442</b>	<b>450,989</b>	<b>12,423</b>	<b>966,854</b>
<b>Net changes in fund balances</b>	<b>769,258</b>	<b>450,989</b>	<b>335,041</b>	<b>1,555,288</b>
<b>Fund balance at beginning of year</b>	<b>1,521,388</b>	<b>1,873,679</b>	<b>1,598,377</b>	<b>4,993,444</b>
<b>Fund balance at end of year</b>	<b>\$ 2,290,646</b>	<b>\$ 2,324,668</b>	<b>\$ 1,933,418</b>	<b>\$ 6,548,732</b>

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

**City of Evans**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures, and Changes in Fund Balances**  
**with the Government-wide Statement of Activities**  
**Year Ended December 31, 2010**

Amounts reported for governmental activities in the Statement of Activities are different because:

Total net change in fund balances - governmental funds. \$ 1,555,288

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities:

Capital outlay	\$ 1,131,958	
Depreciation expense	<u>(1,151,655)</u>	(19,697)

Proceeds from sale of capital assets is shown as an other financing source but is reduced by the book value of the asset to calculate the loss on capital assets on the Statement of Activities. (213,535)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 402,492

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 governmental funds.

Amortization of bond issuance costs	\$ 9,038	
Accretion of bond premium	(19,560)	
Change in accrued compensated absences	41,400	
Change in accrued interest payable	<u>(2,489)</u>	<u>(28,389)</u>

Change in net assets of governmental activities \$ 1,696,159

**City of Evans**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**

<u>ASSETS</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm Drainage</u>	<u>Total</u>
<u>Current assets</u>				
Equity in pooled cash, cash equivalents and investments	\$ 2,254,509	\$ 1,133,148	\$ 736,495	\$ 4,124,152
Receivables	316,539	103,352	42,507	462,398
<u>Total current assets</u>	<u>2,571,048</u>	<u>1,236,500</u>	<u>779,002</u>	<u>4,586,550</u>
<u>Noncurrent assets</u>				
Restricted cash and cash equivalents	-	238,195	-	238,195
Investment in Greeley water	5,257,421	-	-	5,257,421
Capital assets, not being depreciated	26,771,196	337,673	428,505	27,537,374
Capital assets, being depreciated	15,604,470	10,572,647	7,556,513	33,733,630
Debit issuance costs	-	6,330	-	6,330
<u>Total noncurrent assets</u>	<u>47,633,087</u>	<u>11,154,845</u>	<u>7,985,018</u>	<u>66,772,950</u>
<u>Total assets</u>	<u>50,204,135</u>	<u>12,391,345</u>	<u>8,764,020</u>	<u>71,359,500</u>
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	121,834	28,871	263	150,968
Accrued expenses	5,287	23,521	-	28,808
Deposits and escrows	33,603	36,205	5,151	74,959
Accrued compensated absences	41,803	37,793	6,180	85,776
Current portion of note payable	-	80,574	-	80,574
<u>Total current liabilities</u>	<u>202,527</u>	<u>206,964</u>	<u>11,594</u>	<u>421,085</u>
<u>Noncurrent liabilities</u>				
Note payable	-	662,405	-	662,405
<u>Total noncurrent liabilities</u>	<u>-</u>	<u>662,405</u>	<u>-</u>	<u>662,405</u>
<u>Total liabilities</u>	<u>202,527</u>	<u>869,369</u>	<u>11,594</u>	<u>1,083,490</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	47,633,087	10,167,341	7,985,018	65,785,446
Restricted	-	238,195	-	238,195
Unrestricted	2,368,521	1,116,440	767,408	4,252,369
<u>Total net assets</u>	<u>\$ 50,001,608</u>	<u>\$ 11,521,976</u>	<u>\$ 8,752,426</u>	<u>\$ 70,276,010</u>

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

**City of Evans**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2010**

	Water	Wastewater	Storm Drainage	Total
<u>Operating revenues</u>				
Water/sewer/storm drainage sales	\$ 3,204,291	\$ 1,022,094	\$ 424,015	\$ 4,650,400
Non-potable water sales	129,652	-	-	129,652
Water meters	5,645	-	-	5,645
Other sales	19,032	-	-	19,032
<u>Total operating revenues</u>	<u>3,358,620</u>	<u>1,022,094</u>	<u>424,015</u>	<u>4,804,729</u>
<u>Operating expenses</u>				
Water supply and administrative	2,392,800	-	-	2,392,800
Wastewater and administrative	-	589,261	-	589,261
Storm drainage and administrative	-	-	20,162	20,162
Amortization of debt issuance costs	-	791	-	791
Depreciation and amortization	709,847	483,779	223,871	1,417,497
<u>Total operating expenses</u>	<u>3,102,647</u>	<u>1,073,831</u>	<u>244,033</u>	<u>4,420,511</u>
<u>Operating income (loss)</u>	<u>255,973</u>	<u>(51,737)</u>	<u>179,982</u>	<u>384,218</u>
<u>Nonoperating revenues (expenses)</u>				
Earnings on investments	18,028	11,029	5,534	34,591
Interest expense	-	(34,285)	-	(34,285)
<u>Total nonoperating revenues (expenses)</u>	<u>18,028</u>	<u>(23,256)</u>	<u>5,534</u>	<u>306</u>
<u>Income (loss) before transfers and contributions</u>	<u>274,001</u>	<u>(74,993)</u>	<u>185,516</u>	<u>384,524</u>
Transfers out	(520,200)	(363,517)	(125,907)	(1,009,624)
Plant investment fees and cash in lieu of fees	80,381	32,592	6,139	119,112
<u>Change in net assets</u>	<u>(165,818)</u>	<u>(405,918)</u>	<u>65,748</u>	<u>(505,988)</u>
<u>Net assets at beginning of year</u>	<u>50,167,426</u>	<u>11,927,894</u>	<u>8,686,678</u>	<u>70,781,998</u>
<u>Net assets at end of year</u>	<u>\$ 50,001,608</u>	<u>\$ 11,521,976</u>	<u>\$ 8,752,426</u>	<u>\$ 70,276,010</u>

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

**City of Evans**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2010**

	Water	Wastewater	Storm Drainage	Total
<u>Cash flows from operating activities</u>				
Cash received from customers	\$ 3,277,408	\$ 1,052,875	\$ 430,717	\$ 4,761,000
Cash payments to suppliers	(2,525,916)	(303,444)	(9,494)	(2,838,854)
Cash payments to employees	(122,866)	(300,361)	(9,263)	(432,490)
<u>Net cash flows from operating activities</u>	<u>628,626</u>	<u>449,070</u>	<u>411,960</u>	<u>1,489,656</u>
<u>Cash flows from non-capital financing activities</u>				
Transfers to other funds	(520,200)	(363,517)	(125,907)	(1,009,624)
<u>Net cash flows from non-capital financing activities</u>	<u>(520,200)</u>	<u>(363,517)</u>	<u>(125,907)</u>	<u>(1,009,624)</u>
<u>Cash flows from capital and related financing activities</u>				
Plant investment fees and cash in lieu of fees	80,381	32,592	6,139	119,112
Principal paid on debt	-	(79,658)	-	(79,658)
Interest paid on debt	-	(35,347)	-	(35,347)
Change in restricted cash	-	22,152	-	22,152
Acquisition of capital assets	(392,242)	(38,449)	(46,137)	(476,828)
<u>Net cash flows from financing activities</u>	<u>(311,861)</u>	<u>(98,710)</u>	<u>(39,998)</u>	<u>(450,569)</u>
<u>Cash flows from investing activities</u>				
Proceeds from sale of investments	677,894	315,023	30,568	1,023,485
Purchases of investments	(170,103)	(79,048)	(121,819)	(370,970)
Earnings on investments	27,264	16,189	6,937	50,390
<u>Net cash flows from investing activities</u>	<u>535,055</u>	<u>252,164</u>	<u>(84,314)</u>	<u>702,905</u>
<u>Net change in cash and cash equivalents</u>	<u>331,620</u>	<u>239,007</u>	<u>161,741</u>	<u>732,368</u>
<u>Cash and equivalents at beginning of year</u>	<u>418,036</u>	<u>(21,211)</u>	<u>83,154</u>	<u>479,979</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$ 749,656</u>	<u>\$ 217,796</u>	<u>\$ 244,895</u>	<u>\$ 1,212,347</u>
Cash and cash equivalents at end of year	\$ 749,656	\$ 217,796	\$ 244,895	\$ 1,212,347
Investments	1,504,853	915,352	491,600	2,911,805
Cash, cash equivalents, and investments at end of year	<u>\$ 2,254,509</u>	<u>\$ 1,133,148</u>	<u>\$ 736,495</u>	<u>\$ 4,124,152</u>
<u>Reconciliation of operating income (loss) to net cash flows from operating activities</u>				
Operating income (loss)	\$ 255,973	\$ (51,737)	\$ 179,982	\$ 384,218
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	709,847	484,570	223,871	1,418,288
(Increase) decrease in:				
Receivables	(81,212)	30,781	6,702	(43,729)
Increase (decrease) in:				
Accounts payable and accrued expenses	(255,982)	(14,544)	1,405	(269,121)
<u>Net cash flows from operating activities</u>	<u>\$ 628,626</u>	<u>\$ 449,070</u>	<u>\$ 411,960</u>	<u>\$ 1,489,656</u>

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

**City of Evans**  
**Statement of Fiduciary Net Assets**  
**December 31, 2010**

	Volunteer Firefighters Pension Fund	Cemetery Endowment Fund	Total
<u>Assets</u>			
Equity in pooled cash, cash equivalents and investments	\$ 455,022	\$ 7	\$ 455,029
Restricted cash and investments	-	48,000	48,000
<u>Total assets</u>	<u>455,022</u>	<u>48,007</u>	<u>503,029</u>
<u>Net assets</u>			
Held in trust for pension benefits	455,022	-	455,022
Restricted	-	48,000	48,000
Unrestricted	-	7	7
<u>Total net assets</u>	<u>\$ 455,022</u>	<u>\$ 48,007</u>	<u>\$ 503,029</u>

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

**City of Evans**  
**Statement of Changes in Fiduciary Net Assets**  
**Year Ended December 31, 2010**

	Volunteer Firefighters Pension Fund	Cemetery Endowment Fund	Total
<u>Additions</u>			
Earnings on investments	\$ 47,077	\$ 3,030	\$ 50,107
Contributions	33,994	-	33,994
<u>Total additions</u>	<u>81,071</u>	<u>3,030</u>	<u>84,101</u>
<u>Deductions</u>			
Pension distributions	106,275	-	106,275
<u>Total deductions</u>	<u>106,275</u>	<u>-</u>	<u>106,275</u>
<u>Income (loss) before transfers</u>	<u>(25,204)</u>	<u>3,030</u>	<u>(22,174)</u>
<u>Transfers</u>			
Transfers in	88,000	-	88,000
Transfers out	-	3,230	3,230
<u>Total transfers</u>	<u>88,000</u>	<u>(3,230)</u>	<u>84,770</u>
<u>Change in net assets</u>	<u>62,796</u>	<u>(200)</u>	<u>62,596</u>
<u>Net assets at beginning of year</u>	<u>392,226</u>	<u>48,207</u>	<u>440,433</u>
<u>Net assets at end of year</u>	<u>\$ 455,022</u>	<u>\$ 48,007</u>	<u>\$ 503,029</u>

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

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Evans, Colorado (the "City") was founded on November 22, 1869 as a statutory city. On April 30, 1973, the City adopted a home rule charter which provided for adoption of a Council-Manager Government. The City's major operations include general government; public safety; public works; culture, parks and recreation; and community development. The accompanying financial statements conform to accounting principles generally accepted in the United States of America ("GAAP"). The following is a summary of the more significant policies.

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the City does not include any component units within its reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. 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 activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and pollution remediation costs, are recorded only when payment is due.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. Available has been defined as received within 60 days. All others, primarily licenses, fees and permits, are measurable and available only when cash is received.

The City reports the following major governmental funds:

*General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Emergency Contingency Fund* – The Emergency Contingency Fund is a special revenue fund. Special revenue funds are used to account for the collection and disbursement of specific revenue sources. Although this fund does not meet the quantitative threshold established by GAAP for reporting as a major fund, the City Council has elected to include the Emergency Contingency Fund as a major fund for reporting purposes. The Emergency Contingency Fund has been established to accumulate funds for future emergencies, as required by the City Charter, and the Taxpayer Bill of Rights (“TABOR”).

Proprietary Funds - Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

*Enterprise Funds* - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the primary intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City’s major enterprise funds include the Water, Wastewater, and Storm Drainage Funds.

Fiduciary Funds - Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City’s trust funds include the Volunteer Firefighters’ Pension and Cemetery Endowment Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (“GASB”). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**City of Evans  
Notes to Financial Statements  
December 31, 2010**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- By October 15, the City Manager submits to the City Council, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the City Council through passage of an ordinance.
- The City legally adopts budgets for all of the funds. Budgets for the General, Special Revenue, Debt Service, Capital Projects and Fiduciary Funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the Enterprise Funds are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the City Council. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original Budget	Total Revisions	Revised Budget
<u>Governmental funds:</u>			
General	\$11,509,221	\$ (919,685)	\$10,589,536
Special revenue funds:			
Emergency Contingency	-	-	-
Park Impact	-	14,100	14,100
Conservation Trust	394,500	9,000	403,500
Refuse Collection	594,467	49,660	644,127
Street Impact	-	434,000	434,000
Fire Impact	-	41,200	41,200
Debt service fund:			
G.O. Debt Service	500,412	-	500,412

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgets (Continued)

	Original Budget	Total Revisions	Revised Budget
Capital projects fund:			
Street Construction	530,000	1,092,000	1,622,000
<u>Business-type funds:</u>			
Water	3,807,289	1,032,000	4,839,289
Wastewater	1,344,637	526,518	1,871,155
Storm Drainage	491,486	368,679	860,165
<u>Fiduciary funds:</u>			
Volunteer Firefighters' Pension	136,641	-	136,641
Cemetery Endowment	7,000	-	7,000
<u>Total funds</u>	<u>\$19,315,653</u>	<u>\$ 2,647,472</u>	<u>\$21,963,125</u>

Cash and Investments

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "equity in pooled cash, cash equivalents and investments." Overdrawn balances in the pooled cash accounts, if any, are treated by the City as interfund liabilities, payable to the fund deemed to have made the loan.

During 2010, the City had investments in U.S. treasury obligations, U.S. instrumentality obligations, investments held by the Fire and Police Pension Association for the benefit of the City's Volunteer Firefighters' Pension Fund, and local government investment pools.

Investments are reported at fair value which is based on quoted market prices.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's cash and investment accounts at December 31, 2010 is provided in Note 2.

Restricted Cash

The Emergency Contingency Fund restricted cash is due to a reserve for unanticipated expenditures. The City, by Home Rule Charter maintains a fund balance equal to twenty-five percent (25%) of the prior year's general fund expenditures. The designation is to provide a fiscal cushion to absorb fluctuations in City operations due to economic downturns or emergencies. This designation encompasses the "emergency" reserve as defined in the TABOR amendment of the Colorado State Constitution.

The City has restricted the cash held in debt service accounts in the G.O. Debt Service Fund for future principal and interest payments on the 2003 General Obligation Bonds.

The amount restricted in the Wastewater Fund is in compliance with the operation and maintenance reserve requirement of the loans from the Colorado Water Resource and Power Development Authority.

The restricted cash and investments in the Volunteer Firefighters' Pension Fund is for future pension benefits to be paid to the volunteer firefighters. The corpus balance in the Cemetery Endowment fund is restricted. Interest earned on the balance may be used for maintenance of the cemetery.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 1 – Summary of Significant Accounting Policies (Continued)

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Because these assets do not represent current financial resources, there is a corresponding reserved fund balance.

Bond Premiums, Discounts and Issuance Costs

In the governmental fund statements, bond premiums, discounts, and issuance costs are recognized as current period revenues and/or expenditures. Bond premiums, discounts, and issuance costs in the government-wide and proprietary fund statements are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, storm-water drainage, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities.

Estimated useful lives for asset types are as follows:

Intangible assets	10 years
Land improvements	5 - 50 years
Infrastructure	10- 30 years
Buildings and improvements	5 - 50 years
Machinery and equipment	5 - 20 years
Transportation equipment	6 - 15 years
System Improvements	5 - 40 years

Compensated Absences

Employees of the City are allowed to accumulate unused vacation, sick and compensatory time depending on length of employment. Upon termination of employment from the City, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay, there is no payment for sick leave upon termination.

Accumulated unpaid vacation and compensatory time is accrued when earned. In the government fund statements, accumulated compensated absences not expected to be paid with current available resources are reported as governmental activities liabilities, but not reported in the funds. These balances are generally liquidated by the General Fund. Compensated absences relating to the Enterprise Funds are recorded as a liability of those funds.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 1 – Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue is recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Fund Equity and Net Assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The three categories, and their general meanings, are as follows:

*Reserved fund balance* – indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriation.

*Unreserved designated fund balance* – indicates that portion of fund equity for which the City has made tentative plans.

*Unreserved undesignated fund balance or deficits* – indicates that portion of fund equity which is available for appropriation and expenditure in future periods. A deficit will require future funding.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 2 – Cash and Investments

A summary of deposits and investments as of December 31, 2010 follows:

Petty cash	\$ 2,584
Cash with county treasurer	60,785
Cash deposits	1,154,436
Investments	<u>9,620,569</u>
<u>Total</u>	<u>\$10,838,374</u>

The above amounts are classified in the Statements of Net Assets and Fiduciary Net Assets as follows:

Restricted cash:	
Governmental activities	\$ 2,726,054
Business-type activities	238,195
Fiduciary funds	48,000
Unrestricted cash:	
Governmental activities	3,246,944
Business-type activities	4,124,152
Fiduciary funds	<u>455,029</u>
Total cash and investments	<u>\$10,838,374</u>

**Cash Deposits**

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City's deposit policy is in accordance with CRS 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2010, all of the City's deposits are either insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by the PDPA program, and are therefore not deemed to be exposed to custodial credit risk.

**Investments**

Credit Risk

The City's investment policy defines allowable investments instruments including:

- U.S. Treasury obligations
- U.S. instrumentality obligations
- Certificates of deposit
- Commercial paper rated in the highest tier by a nationally recognized rating agency
- Repurchase agreements

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 2 – Cash and Investments (Continued)

- Investment grade obligations of state, county and local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist of only dollar denominated securities
- Local government investment pools

The City manages its credit risk by limiting its investments to the types of securities listed above, by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors, and by diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

At December 31, 2010 the City had the following investments:

<u>Investment</u>	<u>S&amp;P Rating</u>	<u>Moody Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity Date (in days)</u>	<u>Concentration of Credit Risk</u>
US Treasury	AAA	Aaa	\$ 1,254,629	194	13.04%
US Instrumentality	AAA	Aaa	5,107,978	503	53.09%
General Obligation Bonds	AAA	Aa3	505,610	2161	5.26%
Fire and Police Pension Association	-	-	455,022	N/A	N/A
Certificates of Deposit	-	-	200,239	N/A	N/A
C-Safe	AAA	Aaa	2,123	N/A	N/A
ColoTrust	AAA	Aaa	<u>2,094,968</u>	N/A	N/A
Total investments			<u>\$ 9,620,569</u>		

As of December 31, 2010, the City has invested funds in Colostrust and CSAFE, investment pools that operate under the Colorado Revised Statutes (24-75-701) which are overseen by the Colorado Securities Commissioner. These investment pools invest in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days.

Interest Rate Risk

Colorado State statutes require that no investment may have a maturity in excess of five years from the date of purchase, unless an available active market exists. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment portfolio does not contain investments that exceed that limitation of five years.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City Council approves a list of financial institutions and depositories authorized to provide investment services. Security broker/dealers must have a minimum capital requirement of \$10,000,000 and at least five years of operation.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 3 - Receivables**

Receivables at December 31, 2010, consist of the following:

<u>Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Taxes	\$ 1,463,370	\$ -	\$ -	\$ -	\$ -	\$ 1,463,370
Accounts	90,489	58,381	-	99,755	369,349	617,974
Intergovernmental	980,607	-	105,424	69,923	35,111	1,191,065
Other	351	-	-	-	57,938	58,289
<b>Total</b>	<b>\$ 2,534,817</b>	<b>\$ 58,381</b>	<b>\$ 105,424</b>	<b>\$ 169,678</b>	<b>\$ 462,398</b>	<b>\$ 3,330,698</b>

**Note 4 - Capital Assets**

A summary of changes in governmental activity capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases) Transfers</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 3,258,418	\$ -	\$ -	\$ 3,258,418
Landscaping	1,225,303	-	-	1,225,303
Construction in progress	2,452,286	654,296	(1,739,573)	1,367,009
<b>Total capital assets, not being depreciated</b>	<b>6,936,007</b>	<b>654,296</b>	<b>(1,739,573)</b>	<b>5,850,730</b>
<b>Capital assets, being depreciated:</b>				
Intangible assets	65,147	-	-	65,147
Land improvements	3,758,599	137,622	-	3,896,221
Infrastructure	7,212,304	2,006,148	-	9,218,452
Buildings and improvements	11,221,978	-	-	11,221,978
Machinery and equipment	1,901,986	73,465	(47,753)	1,927,698
Transportation equipment	2,076,733	-	(165,782)	1,910,951
<b>Total capital assets, being depreciated</b>	<b>26,236,747</b>	<b>2,217,235</b>	<b>(213,535)</b>	<b>28,240,447</b>
<b>Less accumulated depreciation for:</b>				
Intangible assets	(4,926)	(6,515)	-	(11,441)
Land improvements	(1,392,278)	(201,014)	-	(1,593,292)
Infrastructure	(1,277,136)	(364,489)	-	(1,641,625)
Buildings and improvements	(2,392,304)	(259,416)	-	(2,651,720)
Machinery and equipment	(1,328,957)	(194,690)	-	(1,523,647)
Transportation equipment	(1,542,058)	(125,531)	-	(1,667,589)
<b>Total accumulated depreciation</b>	<b>(7,937,659)</b>	<b>(1,151,655)</b>	<b>-</b>	<b>(9,089,314)</b>
<b>Total capital assets, being depreciated, net</b>	<b>18,299,088</b>	<b>1,065,580</b>	<b>(213,535)</b>	<b>19,151,133</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 25,235,095</b>	<b>\$ 1,719,876</b>	<b>\$ (1,953,108)</b>	<b>\$ 25,001,863</b>

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 4 – Capital Assets (Continued)

Depreciation for governmental activity capital assets has been allocated to the various activities as follows:

General government	\$ 460,662
Public safety	97,891
Public works	547,036
Culture, parks and recreation	11,517
Community development	<u>34,550</u>
Total depreciation expense - governmental activities	<u>\$1,151,655</u>

A summary of changes in business-type activity capital assets is as follows:

	Beginning Balance	Increases	(Decreases) Transfers	Ending Balance
Capital assets, not being depreciated:				
Water rights	\$ 25,755,155	\$ -	\$ -	\$ 25,755,155
Land	74,002	-	-	74,002
Construction in progress	<u>1,450,482</u>	<u>332,736</u>	<u>(75,000)</u>	<u>1,708,218</u>
Total capital assets, not being depreciated	27,279,639	332,736	(75,000)	27,537,375
Capital assets, being depreciated:				
System improvements	44,093,898	219,092	-	44,312,990
Machinery and equipment	1,369,701	-	-	1,369,701
Buildings and improvements	778,641	-	-	778,641
Intangible assets	21,207	-	-	21,207
Infrastructure	<u>317,544</u>	<u>-</u>	<u>-</u>	<u>317,544</u>
Total capital assets, being depreciated	46,580,991	219,092	-	46,800,083
Less accumulated depreciation for:				
System improvements	(10,471,227)	(1,272,863)	-	(11,744,090)
Machinery and equipment	(861,094)	(90,959)	-	(952,053)
Buildings and improvements	(289,268)	(41,280)	-	(330,548)
Intangible assets	(1,604)	(2,121)	-	(3,725)
Infrastructure	<u>(25,764)</u>	<u>(10,274)</u>	<u>-</u>	<u>(36,038)</u>
Total accumulated depreciation	<u>(11,648,957)</u>	<u>(1,417,497)</u>	<u>-</u>	<u>(13,066,454)</u>
Total capital assets, being depreciated, net	<u>34,932,034</u>	<u>(1,198,405)</u>	<u>-</u>	<u>33,733,629</u>
Business-type activities capital assets, net	<u>\$ 62,211,673</u>	<u>\$ (865,669)</u>	<u>\$ (75,000)</u>	<u>\$ 61,271,004</u>

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 4 – Capital Assets (Continued)

Depreciation for business-type activity capital assets has been allocated to the various operations as follows:

Water enterprise	\$	709,847
Wastewater enterprise		483,779
Drainage enterprise		223,871
 Total depreciation expense - business - type activities	 \$	 <u>1,417,497</u>

Note 5 – Long- Term Debt

Following is a summary of governmental activity debt transactions for the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,030,000	\$ -	\$ (380,000)	\$ 2,650,000	\$ 400,000
Deferred issuance premium	79,255	-	(19,560)	59,695	-
	3,109,255	-	(399,560)	2,709,695	400,000
Total bonds payable, net					
Compensated absences	382,705	334,027	(292,627)	424,105	-
Capital lease obligation	1,071,181	-	(22,492)	1,048,689	23,440
	\$ 4,563,141	\$ 334,027	\$ (714,679)	\$ 4,182,489	\$ 423,440
Total long term debt					

Governmental Activities Debt

During 2003, the City issued General Obligation Refunding Bonds, Series 2003, dated May 1, 2003, due December 1, 2016, with semiannual interest, and annual principal payments, through December 1, 2016. Interest rates range from 2.0% to 3.7%. Proceeds from the bonds were used to construct and furnish an addition to the city complex and to refinance the City's 1996 General Obligation Bonds. In connection with the refinance, the City recorded \$135,725 of bond issuance costs and \$168,380 of bond premiums, of which \$54,231 and \$59,695 remain to be amortized, respectively. Repayment of this debt is made by the G.O. Debt Service Fund.

During 2005, the City entered into a capital lease for the purchase of HVAC equipment. The lease requires 48 quarterly payments of \$7,703 beginning in January 2007 and bears interest at the rate of 4.15% per annum. Property and equipment carried at \$305,919 with \$61,896 in accumulated depreciation, in the governmental activities have been acquired under capital lease agreements.

On February 6, 2007, the City entered into an agreement with Arsenault Holding LLC to acquire vacant land known as Tri-Pointe. The agreement requires interest only at 5.75% for 20 years at which time the Note shall be discharged and cancelled by the note holder and all outstanding principal thereunder shall be waived and forfeited by the holder thereof as a charitable donation by the note holder.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 5 – Long-Term Debt (Continued)

Business-Type Activities Debt

Following is a summary of business-type Activity debt transactions for the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Wastewater Colorado Water Resources and Power Development Authority ("CWRPDA") note payable (4/98)	\$ 589,745	\$ -	\$ (59,516)	\$ 530,229	\$ 59,516
Wastewater CWRPDA note payable (11/98)	232,892	-	(20,142)	212,750	21,058
Compensated absences	87,771	-	(1,995)	85,776	-
<b>Total</b>	<b>\$ 910,408</b>	<b>\$ -</b>	<b>\$ (81,653)</b>	<b>\$ 828,755</b>	<b>\$ 80,574</b>

The City has pledged future wastewater revenues, net of specified operating expenses, to repay approximately \$1.5 million in wastewater system revenue bonds issued in 1998. Proceeds from the bonds provided financing for the construction and maintenance of the headworks facility at the wastewater treatment facility. Both bonds bare interest between 4.00% and 4.50%. The bonds are payable solely from wastewater net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 25 percent of specified net budgeted revenues. The total principal remaining to be paid on the bonds is \$742,979. Principal and interest paid for the current year and specified net budget revenues were \$115,005 and \$303,076, respectively.

Future Debt Service Requirements

The following tables represent the future debt service requirements on the governmental activity debt. The first table is the debt service on the outstanding General Obligation bonded debt.

Year Ending December 31	Principal	Interest	Total
2011	\$ 400,000	\$ 104,610	\$ 504,610
2012	410,000	87,610	497,610
2013	435,000	70,186	505,186
2014	455,000	50,610	505,610
2015	465,000	34,686	499,686
2016	485,000	17,946	502,946
<b>Total</b>	<b>\$ 2,650,000</b>	<b>\$ 365,648</b>	<b>\$ 3,015,648</b>

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 5 – Long-Term Debt (Continued)

Payments on the HVAC and land capital leases and notes are due as follows:

Year	HVAC Lease	Tri Point Land
2011	\$ 30,811	\$ 49,585
2012	30,811	49,585
2013	30,811	49,585
2014	30,811	49,585
2015	30,811	49,585
2016-2020	61,623	247,925
2021-2025	-	247,925
2026-2030	-	911,932
Total future minimum lease payments	215,678	1,655,707
Interest	(29,336)	(793,360)
Present value of future payments	<u>\$ 186,342</u>	<u>\$ 862,347</u>

The following is a summary of the future debt service on the City's business-type activity bonds and notes payable:

Year Ending December 31	Principal	Interest	Total
2011	\$ 80,574	\$ 32,787	\$ 113,361
2012	81,533	30,174	111,707
2013	87,944	27,510	115,454
2014	88,992	19,634	108,626
2015	90,088	16,960	107,048
2016-2020	313,848	29,264	343,112
<u>Total</u>	<u>\$ 742,979</u>	<u>\$ 156,329</u>	<u>\$ 899,308</u>

Note 6 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The City maintains commercial insurance to address these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 7 – Retirement Commitments

General Employees Defined Contributions Plan

Effective January 1, 1985, the City and its employees elected to adopt a defined contribution pension plan called the City of Evans Saving Plan (the "Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All regular, full-time employees who have been employed at least one year are eligible to participate in the Plan.

**City of Evans  
Notes to Financial Statements  
December 31, 2010**

Note 7 – Retirement Commitments (Continued)

General Employees Defined Contributions Plan

The City's contribution to the Plan is as follows:

<u>Employee Contribution</u>	<u>Employer Contribution</u>
0%	3%
1%	4%
2%	5%
3%	6%
4% or More	7%

Employee contributions vest immediately. Employees will be vested in employer contributions according to the following schedule:

1 year on plan	30% vested
2 years on plan	60% vested
3 years on plan	100% vested

The City's total payroll for the year ended December 31, 2010 was \$5,782,324. The City's contributions to the plan for the years ending December 31, 2008, 2009 and 2010 were \$291,060, \$323,614 and \$332,665, respectively.

State of Colorado Fire and Police Pension Association - Defined Benefit Plan

The City contributes to the Statewide Defined Benefit Plan ("SWDB"), a cost sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association ("FPPA"). The SWDB plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the Colorado Fire and Police Pension Association.

In May of 2005, police officers were allowed to opt into this defined benefit (see discussion contained in Statewide Hybrid Plan.)

Colorado Statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SWDB and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 303-770-3772 in Denver Metro area and 1-800-332-FPPA (3772) from outside the metro area.

The contribution requirements of plan members and the City are established by State statute. The contribution rate is 8% of covered salary for all plan members and 8% for the City, with the exception of police department plan members prior to May, 2005 when plan changes took effect. These police member contributions are at 12% with the City's contribution at 8%. The City contributions to the SWDB for the years ending December 31, 2010, 2009, and 2008 were \$74,201, \$74,959, and \$61,931, respectively, equal to the required contribution.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 7 – Retirement Commitments (Continued)

State of Colorado Fire and Police Pension Association - Defined Contribution Plan

The City contributes to the Statewide Defined Contribution Plan ("SWDC"), a cost sharing multiple-employer defined contribution pension plan administered by the FPPA. The SWDC plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members through the SWDC plan, which is also administered by the FPPA. The paid fire chief, paid police chief, and paid police officers of the City are members of the SWDC and the Statewide Death and Disability Plan. In a defined contribution plan benefits depend solely on amounts contributed to the plan, plus investment earnings.

The contribution requirements of plan members and the City are established by State statute. The contribution rate is 8% of covered salary for all plan members and 8% for the City. The City contributions to the SWDC plan for the years ending December 31, 2010, 2009, 2008 were \$34,912, \$34,312, and \$21,143, respectively, equal to the required contribution.

State of Colorado Fire and Police Pension Association - Statewide Hybrid Plan

Effective May 1, 2005, the City joined the Statewide Hybrid Plan ("SWH") offered by the FPPA on behalf of its full time sworn police officers and full-time paid firefighters and paramedics. The SWH plan was established under the authority granted by C.R.S. 31-31-1102. The plan is a combination of a defined benefit plan and a defined contribution plan. It is a qualified retirement plan under Section 401(a) of the Internal Revenue Code of 1986 and is a cost-sharing multiple employer plan. Under a hybrid plan, the benefit at retirement comes from both sources.

The SWH offers a combination of a defined benefit component and money purchase component with a base contribution rate of 8% from the City and 8% from the member. Members of the plan on the effective date of entry could elect to participate in both components of the plan or the money purchase component only. The City also elected to offer pre-existing police members the option to participate in the SWDC plan at a member contribution rate of 12%. The members also have the ability to make voluntary contributions towards the money purchase portion of the plan and to purchase additional years of service. The Plan has a five year pro-rated vesting schedule. For the years ended December 31, 2010, 2009 and 2008, the City made the required contributions of \$115,055, \$100,680, and \$206,537, respectively.

The Money Purchase portion of the SWH plan is defined contribution plan, whereby an account is established in the member's name that is self directed and final benefits are determined by the total amount of employee and employer contributions and related earnings and losses on those investments. The defined benefit portion of the SWH will provide a defined benefit upon retirement. Each member was provided a "Retirement Plan Comparison" of the benefits under the SWDC plan, the SWH Plan combined benefit, and the SWH plan money purchase component only benefit, in order to elect the type of coverage that was most beneficial under their circumstances.

The FPPA board on an annual basis determines the allocation of mandatory contributions between the money purchase component and the defined benefit component of the SWH plan. As of the effective date of the plan, the mandatory contribution of 16% was allocated, 14% to the defined benefit portion of the plan and 2% was allocated to the money purchase portion. Also in the SWDC plan, the Board has the ability to adjust the retirement age up to age 60, in order to maintain the actuarial soundness of the plan. Under the SWDC plan, normal retirement is defined as age 55 and 25 years of service, with a retirement benefit of 1.5% per year of service. The benefit is calculated on the average of the members highest three years' base salary. There are also provisions for deferred retirement, early retirement and vested retirement at any age after completion of five years of service.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

Note 7 – Retirement Commitments (Continued)

Volunteer Firefighters' Pension Plan

The City has established the Volunteer Firefighters' Pension Plan (the "Plan") an agent multi-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statute. The Plan is administered by the FPPA. The plan is classified as an agent multiple employer plan. Any firefighter who has both attained the age of 50 and completed 20 years of active service shall be eligible for a monthly pension. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the pension Board. The annual financial report of FPPA may be obtained by contacting FPPA.

The Plan received contributions from the City in an amount not to exceed one-half mill of property tax revenue. As established by the legislature, the State of Colorado contributes 90% of the City's contribution. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2009, indicated that the current level of contributions to the fund is adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

For the year ended December 31, 2010, the City and State actual contributions of \$88,000 and \$33,994, respectively, exceeded the required contributions to the Plan. The required contribution was determined as part of the January 1, 2009 actuarial valuation using the entry age actuarial cost method. Actuarial assumptions included the following:

1. Interest Rate - 8% per annum, compounded annually
2. Retirement - Age 50 and 20 years of service
3. Disability - Graduated rates for all disabilities
4. Mortality - 1994 Group Annuity Mortality Table
5. Separation - Graduated rates for all withdrawals
6. Marital Status - 90% married
7. Age Difference - Males assumed to be 3 years older
8. Asset Valuation - Actuarial value

Based on an amortization period of 20 years using the level dollar method on an open basis, the Plan's expected contributions exceed the amount recommended to eliminate the unfunded actuarial accrued liability. Trend information of the Plan follows:

Fiscal Year Funding	Annual Required Contributions	Percentage or ARC Contribution	Net Pension Obligation
12/31/2008	96,844	93%	6,863
12/31/2009	116,594	107%	-
12/31/2010	116,594	107%	-

Note 8 – Rate Maintenance

The 1998 Colorado Water Resources and Power Development Authority loan agreements require that Net Revenues as defined shall represent a sum equal to 110% of the amount necessary to pay, when due, the principal and interest on the loan.

**City of Evans**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 8 – Rate Maintenance (Continued)**

2010 Gross revenues	\$ 1,022,094
2010 Operation and maintenance expense	<u>589,261</u>
Net revenues as defined in 1998	
CWRPDA loan agreement	476,454
110% of 1998 loan debt service	<u>(126,506)</u>
Amount 2010 net revenue exceeded the	
1998 loan requirements	<u>\$ 349,949</u>

**Note 9 – Commitments and Contingencies**

**TABOR Reserves**

In November 1992, Colorado voters passed the TABOR Amendment (the “Amendment”) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and local growth. Revenue received in excess of the limitations may be required to be refunded unless the City’s electorates vote to retain the revenue.

On April 5, 1994, the voting citizens of the City of Evans authorized the City (retroactive to January 1, 1993) to collect, retain, and expend all revenues, notwithstanding any state restrictions of fiscal year spending. This effectively removed all revenue and spending limits imposed by the Amendment. The City did not increase or incur any new tax or bonded debt in 2010.

The City’s Home Rule Charter provision requires an Emergency Contingency Reserve Fund that shall maintain a balance equal to 5% of the budgeted General Fund revenues, until such fund is equal in amount to 25% of the prior year’s General Fund expenditures. In 2010 5% of budgeted revenues were \$2,281,165 less than 25% of the prior year’s General Fund expenditures.

The City has designated the fund balances to be utilized in the subsequent year through the adoption of the 2011 budget in the Park Impact, Fire Impact, and Street Impact Funds, as shown in the financial statements.

**Litigation**

At times, the City may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

**Note 10– Subsequent Events**

The City evaluated subsequent events through May 3, 2011, the date these financial statements were available to be issued. In February of 2011 the City elected to pay off the HVAC capital lease. The total pay off was equal to \$109,300. There were no other material subsequent events that required recognition or additional disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Evans**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances (Budget and Actual) - General and Emergency Contingency Fund**  
**Year Ended December 31, 2010**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<u>Revenues</u>				
Taxes and fees	\$ 7,443,755	\$ 6,590,537	\$ 7,147,619	\$ 557,082
Licenses and permits	721,809	678,450	657,343	(21,107)
Intergovernmental	627,608	601,891	565,325	(36,566)
Grants and contributions	-	-	82,133	82,133
Charges for services	541,882	553,010	532,464	(20,546)
Fines and forfeitures	383,569	394,569	516,579	122,010
Earnings on investments	-	-	47,372	47,372
Miscellaneous	342,828	268,128	103,607	(164,521)
<u>Total revenues</u>	<u>10,061,451</u>	<u>9,086,585</u>	<u>9,652,442</u>	<u>565,857</u>
<u>Expenditures</u>				
General government	2,419,687	2,359,599	2,108,758	250,841
Public safety	4,502,883	4,333,175	4,200,008	133,167
Public works	1,569,508	1,446,789	1,342,500	104,289
Culture, parks and recreation	1,707,527	1,214,050	1,039,873	174,177
Community development	663,882	554,273	541,627	12,646
Debt service	80,811	80,811	80,396	415
Capital outlay	61,850	61,850	73,464	(11,614)
<u>Total expenditures</u>	<u>11,006,148</u>	<u>10,050,547</u>	<u>9,386,626</u>	<u>663,921</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>(944,697)</u>	<u>(963,962)</u>	<u>265,816</u>	<u>1,229,778</u>
<u>Other financing sources (uses)</u>				
Transfers in	945,013	1,083,623	1,042,431	(41,192)
Transfers out	(503,073)	(538,989)	(538,989)	-
<u>Total other financing sources (uses)</u>	<u>441,940</u>	<u>544,634</u>	<u>503,442</u>	<u>(41,192)</u>
<u>Net changes in fund balances</u>	<u>\$ (502,757)</u>	<u>\$ (419,328)</u>	<u>769,258</u>	<u>\$ 1,188,586</u>
<u>Fund balance at beginning of year</u>			<u>1,521,388</u>	
<u>Fund balance at end of year</u>			<u>\$ 2,290,646</u>	

See accompanying Independent Auditors' Report.



**City of Evans**  
**Volunteer Firefighter's Pension Plan - Analysis of Funding Progress**  
**Year Ended December 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
1/1/2005	\$ 330,381	\$ 1,182,592	\$ 852,211	27.94%	N/A	N/A
1/1/2007	\$ 414,838	\$ 1,209,551	\$ 794,713	34.00%	N/A	N/A
1/1/2009	\$ 398,188	\$ 1,303,694	\$ 905,506	30.54%	N/A	N/A

**OTHER SUPPLEMENTARY INFORMATION**

**COMBINING, INDIVIDUAL AND BUDGETARY STATEMENTS**

**City of Evans  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2010**

	Park Impact	Conservation Trust	Fire Impact	Refuse Collection	Street Impact	Street Construction	G.O. Debt Service	Total
<b>ASSETS</b>								
Equity in pooled cash, cash equivalents and investments	\$ 255,685	\$ 321,734	\$ 77,495	\$ 185,809	\$ 477,864	\$ 192,702	\$ -	\$ 1,511,289
Restricted cash	-	-	-	-	-	-	401,386	401,386
Receivables	-	-	-	58,381	-	169,678	105,424	333,483
<b>Total assets</b>	<b>\$ 255,685</b>	<b>\$ 321,734</b>	<b>\$ 77,495</b>	<b>\$ 244,190</b>	<b>\$ 477,864</b>	<b>\$ 362,380</b>	<b>\$ 506,810</b>	<b>\$ 2,246,158</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ 2,246	\$ 63,659	\$ -	\$ 24,845	\$ -	\$ 90,750
Other liabilities	106,000	-	146	-	-	115,844	-	221,990
<b>Total liabilities</b>	<b>106,000</b>	<b>-</b>	<b>2,392</b>	<b>63,659</b>	<b>-</b>	<b>140,689</b>	<b>-</b>	<b>312,740</b>
<b>FUND BALANCES</b>								
Reserved for debt service	-	-	-	-	-	-	506,600	506,600
Unreserved:								
Designated for subsequent years								
Special revenue funds	97,968	-	42,529	-	194,071	18,262	-	352,830
Debt service fund	-	-	-	-	-	-	210	210
Undesignated reported in:								
Capital projects fund	-	-	-	-	-	203,429	-	203,429
Special revenue funds	51,717	321,734	32,574	180,531	283,793	-	-	870,349
<b>Total fund balances</b>	<b>149,685</b>	<b>321,734</b>	<b>75,103</b>	<b>180,531</b>	<b>477,864</b>	<b>221,691</b>	<b>506,810</b>	<b>1,933,418</b>
<b>Total liabilities and fund balances</b>	<b>\$ 255,685</b>	<b>\$ 321,734</b>	<b>\$ 77,495</b>	<b>\$ 244,190</b>	<b>\$ 477,864</b>	<b>\$ 362,380</b>	<b>\$ 506,810</b>	<b>\$ 2,246,158</b>

See accompanying Independent Auditors' Report.

**City of Evans**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2010**

	Park Impact	Conservation Trust	Fire Impact	Refuse Collection	Street Impact	Street Construction	G.O. Debt Service	Total
<b>Revenues</b>								
Licenses and permits	\$ -	\$ -	\$ -	\$ 1,600	\$ -	\$ -	\$ -	\$ 1,600
Intergovernmental	-	163,722	-	-	54,412	654,282	480,927	1,353,343
Grants and contributions	-	-	-	-	-	544,390	-	544,390
Charges for services	-	-	-	575,135	-	-	-	575,135
Earnings on investments	2,700	3,137	732	1,537	4,650	2,849	19,078	34,683
Assessments	53,994	-	18,929	-	32,640	-	-	105,563
<b>Total revenues</b>	<b>56,694</b>	<b>166,859</b>	<b>19,661</b>	<b>578,272</b>	<b>91,702</b>	<b>1,201,521</b>	<b>500,005</b>	<b>2,614,714</b>
<b>Expenditures</b>								
General government	57	-	-	-	-	-	-	57
Public safety	-	-	36,434	-	-	-	-	36,434
Public works	-	-	-	527,205	-	170,096	-	697,301
Capital outlay	-	95,839	-	-	12,982	949,673	-	1,058,494
Debt service	-	-	-	-	-	-	499,810	499,810
<b>Total expenditures</b>	<b>57</b>	<b>95,839</b>	<b>36,434</b>	<b>527,205</b>	<b>12,982</b>	<b>1,119,769</b>	<b>499,810</b>	<b>2,292,096</b>
<b>Revenues over (under) expenditures</b>	<b>56,637</b>	<b>71,020</b>	<b>(16,773)</b>	<b>51,067</b>	<b>78,720</b>	<b>81,752</b>	<b>195</b>	<b>322,618</b>
<b>Other financing sources (uses)</b>								
Proceeds from the sale of capital assets	-	-	42,000	-	-	-	-	42,000
Transfers out	-	-	-	(29,577)	-	-	-	(29,577)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>42,000</b>	<b>(29,577)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,423</b>
<b>Net changes in fund balances</b>	<b>56,637</b>	<b>71,020</b>	<b>25,227</b>	<b>21,490</b>	<b>78,720</b>	<b>81,752</b>	<b>195</b>	<b>335,041</b>
<b>Fund balance at beginning of year</b>	<b>93,048</b>	<b>250,714</b>	<b>49,876</b>	<b>159,041</b>	<b>399,144</b>	<b>139,939</b>	<b>506,615</b>	<b>1,598,377</b>
<b>Fund balance at end of year</b>	<b>\$ 149,685</b>	<b>\$ 321,734</b>	<b>\$ 75,103</b>	<b>\$ 180,531</b>	<b>\$ 477,864</b>	<b>\$ 221,691</b>	<b>\$ 506,810</b>	<b>\$ 1,933,418</b>

See accompanying Independent Auditors' Report.

**SPECIAL REVENUE FUNDS**

**City of Evans  
Parks Impact Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Assessments				
Impact fees	\$ -	\$ -	\$ 53,994	\$ 53,994
Earnings on investments	750	2,326	2,700	374
<u>Total revenues</u>	750	2,326	56,694	54,368
<u>Expenditures</u>				
Supplies and services	-	100	57	43
Capital outlay	-	14,000	-	14,000
<u>Total expenditures</u>	-	14,100	57	14,043
<u>Net change in fund balance</u>	<u>\$ 750</u>	<u>\$ (11,774)</u>	56,637	<u>\$ 68,411</u>
<u>Fund balance at beginning of year</u>			93,048	
<u>Fund balance at end of year</u>			<u>\$ 149,685</u>	

See accompanying Independent Auditors' Report.

**City of Evans  
Conservation Trust Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental				
State shared revenue	\$ 182,599	\$ 171,644	\$ 163,722	\$ (7,922)
Earnings on investments	10,000	6,268	3,137	(3,131)
<u>Total revenues</u>	<u>192,599</u>	<u>177,912</u>	<u>166,859</u>	<u>(11,053)</u>
<u>Expenditures</u>				
Culture, parks and recreation				
Conservation trust	14,500	14,500	-	14,500
Capital outlay	380,000	389,000	95,839	293,161
<u>Total expenditures</u>	<u>394,500</u>	<u>403,500</u>	<u>95,839</u>	<u>307,661</u>
<u>Net change in fund balance</u>	<u>\$ (201,901)</u>	<u>\$ (225,588)</u>	71,020	<u>\$ 296,608</u>
<u>Fund balance at beginning of year</u>			<u>250,714</u>	
<u>Fund balance at end of year</u>			<u>\$ 321,734</u>	

See accompanying Independent Auditors' Report.

**City of Evans  
Fire Impact Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Assessments				
Impact fees	\$ -	\$ 15,423	\$ 18,929	\$ 3,506
Earnings on investments	577	577	732	155
<u>Total revenues</u>	577	16,000	19,661	3,661
<u>Expenditures</u>				
Public safety				
Fire impact	-	41,200	36,434	4,766
<u>Total expenditures</u>	-	41,200	36,434	4,766
<u>Excess of revenues over (under) expenditures</u>	577	(25,200)	(16,773)	(1,105)
<u>Other financing sources</u>				
Proceeds from the sale of capital assets	-	42,000	42,000	-
<u>Total other financing sources (uses)</u>	-	42,000	42,000	-
<u>Net change in fund balance</u>	\$ 577	\$ 16,800	25,227	\$ (1,105)
<u>Fund balance at beginning of year</u>			49,876	
<u>Fund balance at end of year</u>			\$ 75,103	

See accompanying Independent Auditors' Report.

**City of Evans**  
**Refuse Collection Fund**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Licenses and permits				
Trash haulers' license	\$ 2,400	\$ 800	\$ 1,600	\$ 800
Charges for services				
Refuse collection charges	584,697	575,580	575,135	(445)
Earnings on investments	4,442	3,976	1,537	(2,439)
<u>Total revenues</u>	<u>591,539</u>	<u>580,356</u>	<u>578,272</u>	<u>(2,084)</u>
<u>Expenditures</u>				
Public works				
Sanitation	564,890	614,550	527,205	87,345
<u>Total expenditures</u>	<u>564,890</u>	<u>614,550</u>	<u>527,205</u>	<u>87,345</u>
<u>Excess of revenues over (under) expenditures</u>	<u>26,649</u>	<u>(34,194)</u>	<u>51,067</u>	<u>85,261</u>
<u>Other financing sources (uses)</u>				
Transfers out	(29,577)	(29,577)	(29,577)	-
<u>Total other financing sources (uses)</u>	<u>(29,577)</u>	<u>(29,577)</u>	<u>(29,577)</u>	<u>-</u>
<u>Net change in fund balance</u>	<u>\$ (2,928)</u>	<u>\$ (63,771)</u>	<u>21,490</u>	<u>\$ 85,261</u>
<u>Fund balance at beginning of year</u>			<u>159,041</u>	
<u>Fund balance at end of year</u>			<u>\$ 180,531</u>	

See accompanying Independent Auditors' Report.

**City of Evans  
Street Impact Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Assessments				
Impact fees	\$ -	\$ -	\$ 32,640	\$ 32,640
Intergovernmental	-	-	54,412	54,412
Earnings on investments	1,901	9,393	4,650	(4,743)
Developer contributions	-	150,823	-	(150,823)
<u>Total revenues</u>	<u>1,901</u>	<u>160,216</u>	<u>91,702</u>	<u>(68,514)</u>
<u>Expenditures</u>				
Capital outlay	-	434,000	12,982	421,018
<u>Total expenditures</u>	<u>-</u>	<u>434,000</u>	<u>12,982</u>	<u>421,018</u>
<u>Net change in fund balance</u>	<u>\$ 1,901</u>	<u>\$ (273,784)</u>	<u>78,720</u>	<u>\$ 352,504</u>
<u>Fund balance at beginning of year</u>			<u>399,144</u>	
<u>Fund balance at end of year</u>			<u>\$ 477,864</u>	

See accompanying Independent Auditors' Report.

**DEBT SERVICE FUND**

**City of Evans**  
**G.O. Debt Service Fund**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental				
Greeley/Evans demarcation	\$ 476,000	\$ 480,000	\$ 480,927	\$ 927
Earnings on investments	20,000	20,000	19,078	(922)
<u>Total revenues</u>	<u>496,000</u>	<u>500,000</u>	<u>500,005</u>	<u>5</u>
<u>Expenditures</u>				
General government				
Finance	600	600	-	600
Debt service	499,812	499,812	499,810	2
<u>Total expenditures</u>	<u>500,412</u>	<u>500,412</u>	<u>499,810</u>	<u>602</u>
<u>Net change in fund balance</u>	<u>\$ (4,412)</u>	<u>\$ (412)</u>	195	<u>\$ 607</u>
<u>Fund balance at beginning of year</u>			<u>506,615</u>	
<u>Fund balance at end of year</u>			<u>\$ 506,810</u>	

See accompanying Independent Auditors' Report.

**CAPITAL PROJECTS FUND**

**City of Evans**  
**Street Construction Fund**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental	\$ 695,126	\$ 1,616,082	\$ 654,282	\$ (961,800)
Grants and contributions	-	-	533,129	533,129
Developer contributions	-	-	11,261	11,261
Earnings on investments	-	-	2,849	2,849
<u>Total revenues</u>	<u>695,126</u>	<u>1,616,082</u>	<u>1,201,521</u>	<u>(414,561)</u>
<u>Expenditures</u>				
Public works	190,000	190,000	170,096	19,904
Capital outlay	340,000	1,432,000	949,673	482,327
<u>Total expenditures</u>	<u>530,000</u>	<u>1,622,000</u>	<u>1,119,769</u>	<u>502,231</u>
<u>Net change in fund balance</u>	<u>\$ 165,126</u>	<u>\$ (5,918)</u>	81,752	<u>\$ 87,670</u>
<u>Fund balance at beginning of year</u>			<u>139,939</u>	
<u>Fund balance at end of year</u>			<u>\$ 221,691</u>	

See accompanying Independent Auditors' Report.

**ENTERPRISE FUNDS**

**City of Evans  
Water Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Water sales	\$ 3,292,597	\$ 3,292,597	\$ 3,204,291	\$ (88,306)
Non-potable water sales	118,000	118,000	129,652	11,652
Other sales	6,500	6,500	19,032	12,532
Water meters	3,892	3,892	5,645	1,753
<u>Total operating revenues</u>	<u>3,420,989</u>	<u>3,420,989</u>	<u>3,358,620</u>	<u>(62,369)</u>
<u>Operating expenses</u>				
Water supply and administrative	2,894,299	3,047,336	2,392,800	654,536
Capital outlay	416,007	1,247,986	392,242	855,744
<u>Total operating expenses</u>	<u>3,310,306</u>	<u>4,295,322</u>	<u>2,785,042</u>	<u>1,510,280</u>
<u>Operating income (loss)</u>	<u>110,683</u>	<u>(874,333)</u>	<u>573,578</u>	<u>1,447,911</u>
<u>Other revenue (expense)</u>				
Earnings on investments	139,468	163,375	18,028	(145,347)
Plant investment fees and cash in lieu of fees	325,000	325,000	80,381	(244,619)
Transfers to other funds	(496,983)	(543,967)	(520,200)	23,767
<u>Total other revenue (expense)</u>	<u>(32,515)</u>	<u>(55,592)</u>	<u>(421,791)</u>	<u>(366,199)</u>
<u>Change in net assets - budgetary basis</u>	<u>\$ 78,168</u>	<u>\$ (929,925)</u>	<u>151,787</u>	<u>\$ 1,081,712</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(709,847)	
Capital outlay			392,242	
<u>Change in net assets - GAAP basis</u>			<u>(165,818)</u>	
<u>Net assets at beginning of year</u>			<u>50,167,426</u>	
<u>Net assets at end of year</u>			<u>\$ 50,001,608</u>	

See accompanying Independent Auditors' Report.

**City of Evans  
Wastewater Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Sewer sales	\$ 964,532	\$ 1,042,760	\$ 1,022,094	\$ (20,666)
<u>Total operating revenues</u>	964,532	1,042,760	1,022,094	(20,666)
<u>Operating expenses</u>				
Wastewater	941,030	870,102	589,261	280,841
Principal paid	81,560	81,560	79,658	1,902
Capital outlay	-	507,000	38,449	468,551
<u>Total operating expenses</u>	1,022,590	1,458,662	707,368	751,294
<u>Operating Income (loss)</u>	(58,058)	(415,902)	314,726	730,628
<u>Other revenue (expense)</u>				
Earnings on investments		34,762	11,029	(23,733)
Plant investment fees and cash in lieu of fees	75,000	75,000	32,592	(42,408)
Transfers to other funds	(322,047)	(378,208)	(363,517)	14,691
Interest expense	(34,285)	(34,285)	(34,285)	-
<u>Total other revenue (expense)</u>	(281,332)	(302,731)	(354,181)	(51,450)
<u>Change in net assets - budgetary basis</u>	\$ (339,390)	\$ (718,633)	(39,455)	\$ 679,178
<u>Reconciliation to GAAP basis</u>				
Depreciation			(483,779)	
Principal paid			79,658	
Capital outlay			38,449	
<u>Change in net assets - GAAP basis</u>			(405,127)	
<u>Net assets at beginning of year</u>			11,927,894	
<u>Net assets at end of year</u>			\$ 11,522,767	

See accompanying Independent Auditors' Report.

**City of Evans**  
**Storm Drainage Fund**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenues</u>				
Storm drainage sales	\$ 397,866	\$ 418,069	\$ 424,015	\$ 5,946
<u>Total operating revenues</u>	<u>397,866</u>	<u>418,069</u>	<u>424,015</u>	<u>5,946</u>
<u>Operating expenses</u>				
Drainage operations	45,080	33,294	20,162	13,132
Capital outlay	350,000	695,000	46,137	648,863
<u>Total operating expenses</u>	<u>395,080</u>	<u>728,294</u>	<u>66,299</u>	<u>661,995</u>
<u>Operating income (loss)</u>	<u>2,786</u>	<u>(310,225)</u>	<u>357,716</u>	<u>667,941</u>
<u>Other revenue (expense)</u>				
Plant investment fees	52,500	52,500	6,139	(46,361)
Earnings on investments	3,698	12,088	5,534	(6,554)
Transfers to other funds	(96,406)	(131,871)	(125,907)	5,964
<u>Total other revenue (expense)</u>	<u>(92,708)</u>	<u>(119,783)</u>	<u>(114,234)</u>	<u>(46,951)</u>
<u>Change in net assets - budgetary basis</u>	<u>\$ (89,922)</u>	<u>\$ (430,008)</u>	<u>243,482</u>	<u>\$ 620,990</u>
<u>Reconciliation to GAAP basis</u>				
Depreciation			(223,871)	
Capital outlay			46,137	
<u>Change in net assets - GAAP basis</u>			<u>65,748</u>	
<u>Net assets at beginning of year</u>			<u>8,686,678</u>	
<u>Net assets at end of year</u>			<u>\$ 8,752,426</u>	

See accompanying Independent Auditors' Report.

**FIDUCIARY FUNDS**

**City of Evans**  
**Volunteer Firefighters' Pension Fund**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental				
State shared revenue	\$ 28,594	\$ 28,594	\$ 33,994	\$ 5,400
Earnings on investments	-	-	47,077	47,077
Contributions	123,000	123,000	88,000	(35,000)
<u>Total revenues</u>	<u>151,594</u>	<u>151,594</u>	<u>169,071</u>	<u>17,477</u>
<u>Expenses</u>				
Public safety				
Pension distributions	136,641	136,641	106,275	30,366
<u>Change in net assets</u>	<u>\$ 14,953</u>	<u>\$ 14,953</u>	62,796	<u>\$ 47,843</u>
<u>Net assets at beginning of year</u>			<u>392,226</u>	
<u>Net assets at end of year</u>			<u>\$ 455,022</u>	

See accompanying Independent Auditors' Report.

**City of Evans  
Cemetery Endowment Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Earnings on investments	\$ 7,000	\$ 7,000	\$ 3,030	\$ (3,970)
<u>Expenses</u>				
Transfers out	7,000	7,000	3,230	3,770
<u>Change in net assets</u>	<u>\$ -</u>	<u>\$ -</u>	(200)	<u>\$ (200)</u>
<u>Net assets at beginning of year</u>			48,207	
<u>Net assets at end of year</u>			<u>\$ 48,007</u>	

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL SECTION**

**STATE COMPLIANCE SECTION**

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

**LOCAL HIGHWAY FINANCE REPORT**

City or County:  
**EVANS, COLORADO**  
YEAR ENDING :  
**December 2010**

This Information From The Records Of City of Evans, Colorado: Prepared By: **Evans Finance Dept., J.Gonifas**  
Phone: **(970) 475-1106**

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

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

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

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,247,861
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	682,735
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	12,459
2. General fund appropriations	991,653	b. Snow and ice removal	10,901
3. Other local imposts (from page 2)	139,221	c. Other	
4. Miscellaneous local receipts (from page 2)	440,279	d. Total (a. through c.)	23,360
5. Transfers from toll facilities		4. General administration & miscellaneous	373,048
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	244,522
a. Bonds - Original Issues		6. Total (1 through 5)	2,571,526
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	1,571,153	b. Redemption	0
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	627,717	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	533,129	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,731,998	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,571,526

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	539,082	2,731,998	2,571,526	699,555	(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:  
**Colorado**  
 YEAR ENDING (mm/yy):  
**December 2010**

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	0	a. Interest on investments	7,500
b. Other local imposts:		b. Traffic Fines & Penalties	351,873
1. Sales Taxes	0	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	32,640	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	106,581	g. Other - <b>Weld County Rd &amp; Bridge</b>	80,907
6. Total (1. through 5.)	139,221	h. Other - <b>Developer Participation</b>	0
c. Total (a. + b.)	139,221	i. Total (a. through h.)	440,279
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	516,712	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	56,593	d. Federal Transit Admin	
d. Other		e. U.S. Corps of Engineers	
e. Other (DOLA Grant)	54,412	f. Other Federal	533,129
f. Total (a. through e.)	111,005	g. Total (a. through f.)	533,129
4. Total (1. + 2. + 3.f)	627,717	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		194,466	194,466
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		710,447	710,447
(3). System Preservation		307,908	307,908
(4). System Enhancement & Operation		35,040	35,040
(5). Total Construction (1) + (2) + (3) + (4)	0	1,053,395	1,053,395
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,247,861	1,247,861
			(Carry forward to page 1)

Notes and Comments:

**REPORTS TO GOVERNMENTAL AGENCIES**



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council  
City of Evans, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evans, Colorado (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 3, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of City in a separate letter dated May 3, 2011.

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Northern Colorado Office 3545 West 12th Street, Suite 201 · Greeley, Colorado 80634 · 970.352.1700 · Fax 970.352.1708  
Denver Office 17th & Grant Building · 303 East 17th Avenue, Suite 600 · Denver, Colorado 80203 · 303.830.1120 · Fax 303.830.8130





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

*Anton Collins Mitchell LLP*

Greeley, Colorado  
May 3, 2011



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

City Council  
City of Evans, Colorado

**Compliance**

We have audited the compliance of the City of Evans, Colorado (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

**Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely

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basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Anton Collins Mitchell LLP*

Greeley, Colorado  
May 3, 2011

**City of Evans  
Summary of Auditors' Results  
Year Ended December 31, 2010**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Evans (the "City").
2. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
4. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
5. The program tested as major is as follows:  
  
*Highway Planning and Construction Cluster:*  
CFDA 20.205 – Highway Planning and Construction
6. The threshold used for distinguishing between Type A and B programs was \$300,000.
7. The City did not qualify as a low-risk auditee, as defined by OMB Circular A-133.

**FINDINGS—FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**City of Evans**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>2010 Expenditures</u>
<b><u>Department of Transportation</u></b>			
Passed through Colorado Department of Transportation:			
<i><u>Highway Planning and Construction Cluster:</u></i>			
Highway Planning and Construction	20.205	M-415	\$ 375,200
ARRA - Highway Planning and Construction	20.205	M-415	<u>160,000</u>
Highway Planning and Construction Cluster Total			<u>535,200</u>
Total Department of Transportation			<u>535,200</u>
<b><u>Department of Homeland Security</u></b>			
Assistance to Firefighters Grant	97.044		<u>34,782</u>
Total Department of Homeland Security			<u>34,782</u>
<b><u>United States Department of Justice</u></b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>22,145</u>
Total United States Department of Justice			<u>22,145</u>
Total Expenditures of Federal Awards			<u>\$ 592,127</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**City of Evans**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2010**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in the financial statements.