City of Evans, Colorado

"Beyond the Numbers"

A Closer Look into the Financial and Non-financial Data for the City of Evans

Prepared by: Randy L. Watkins
Date: May 15, 2015

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management and should not be used by anyone other than those specified parties

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Anton Collins Mitchell LLP
Accountants & Consultants

Anton Collins Mitchell LLP
Accountants & Consultants

May 15, 2015

Ms. Jessica Gonifas, Deputy City Manager
Honorable Mayor and Members of City Council
City of Evans, Colorado
1100 37th Street
Evans CO 80620-2036

Dear Ms. Gonifas, Honorable Mayor and Members of City Council:

Every year we come before you to present your financial statements, along with our audit wrap up document. During this presentation we attempt to convey in concise terms what these financial statements and footnotes mean; what story they tell. However, the information is very detailed, and organized in a way that makes it difficult to extract meaning without further review and analysis.

In the pages that follow this cover letter, we have summarized information extracted from the City of Evans, Colorado's (the "City") annual report, in a manner that will present how the City's financial ratios and statistics have changed over the past three years, and also how these same ratios and statistics compare to other municipal organizations similar to yours.

We have compiled data from five (5) municipal organizations in the State of Colorado, primarily from the front-range, with populations between 15,000 and 25,000, with an average of approximately 19,800. These 5 municipal organizations are the Town of Windsor, City of Montrose, City of Louisville, City of Golden, and City of Erie.

We have also included in this presentation, discussion that should help you understand what these ratios mean, and interpret the trends observed, as well as the City's information in relation to comparative market data.

If at any point, you'd desire to discuss this information further, we are always available.

Sincerely,

Randy L. Watkins
Partner – Governmental and Nonprofit Practice

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Organization

The ratios, percentages, and per capita data presented herein are organized into three different sections, starting at the most macro level; the government-wide statements, drilling down next to the governmental funds financial statement level, followed by a more micro level, the General fund financial statements.

There is a fourth section which presents future debt service obligations for the business-type and governmental activities, and analyzes the current aging of capital assets for the business-type and governmental activities.

The formula used to calculate the ratio, percentage or per capita data is first described, then the data is presented, and finally additional interpretation is discussed. The interpretation of the data is largely derived from our understanding of the organization, heavily supplemented by discussions with senior-level management with the City of Evans (the "City").

Profile

Municipality:	City of Evans, Colorado
Population:	19,944[1]
Peer Group Size:	15,000 – 25,000
# of Municipalities included in peer group:	Five
Average Population of Peer Group:	19,810
Largest Population in Peer Group:	21,300
Smallest Population in Peer Group:	19,015

[1] Based on estimated 2013 population, as published by the U.S. Census Bureau found at http://quickfacts.census.gov/qfd/states/08/0825280.html.

Government-Wide Information

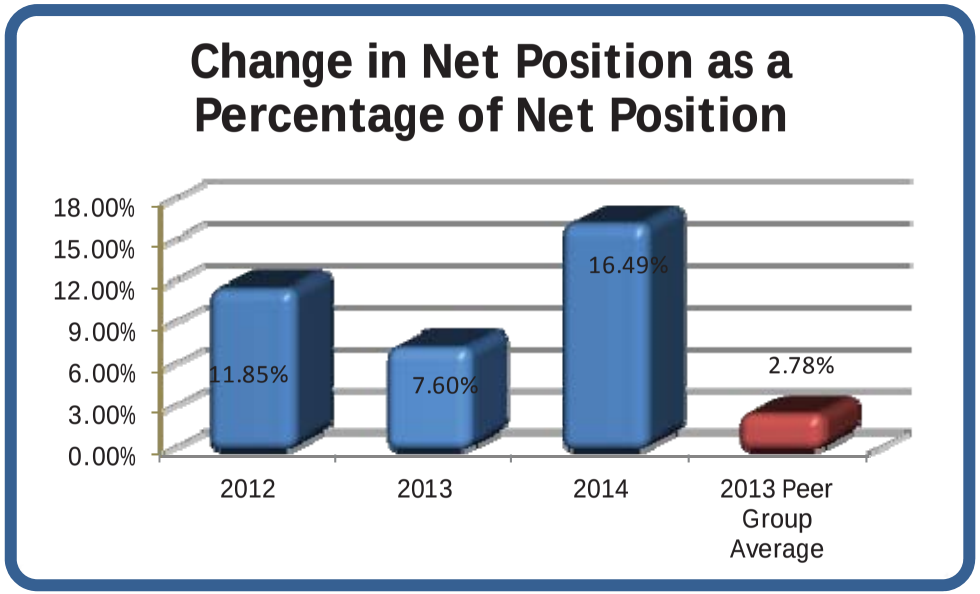
Change in Net Position as a Percentage of Net Position

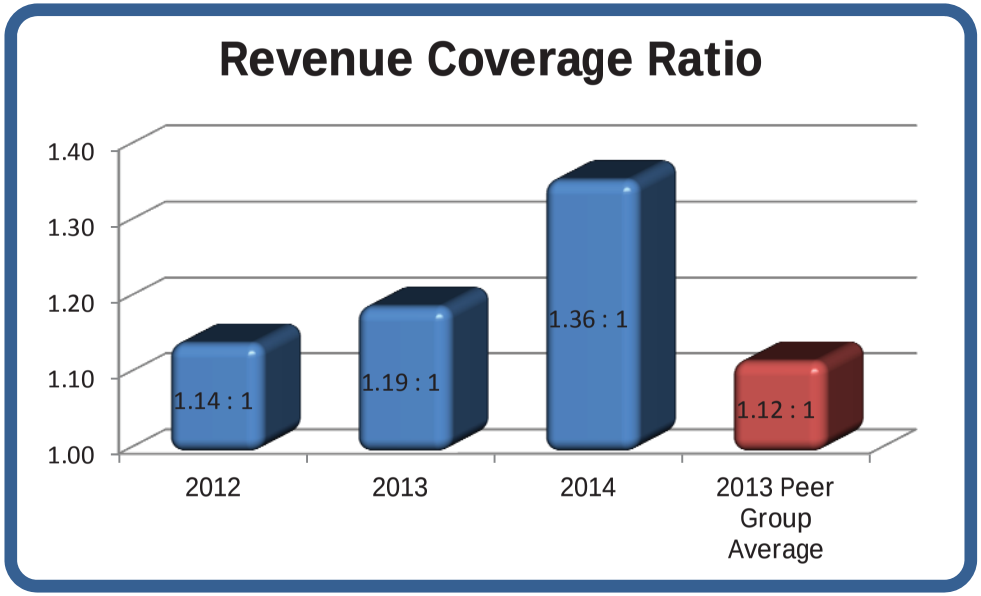
Current Year Change in Net Position

Net Position at the Beginning of the year

The change in net position as a percentage of beginning net position provides an indication of whether the financial condition of the municipal organization is improving or deteriorating.

This analysis focuses on the change in net position for the governmental activities of the City. The City of Evans continues to experience increases in governmental Net Position, which is a positive indicator of financial performance. When compared to similar municipal organizations in the front-range, the City of Evans has outperformed the average from 2012 through 2014.





Revenue Coverage Ratio

Governmental Activities Current Year Revenue

Governmental Activities Current Year Expenses

This ratio indicates whether the City's current revenues are sufficient to provide for annual expenditures. When the ratio exceeds 1.00 : 1, revenues generated from citizens are sufficient to provide for the costs of services received. When the ratio falls below 1.00 : 1, the City is using net position to fund operations.

The City's revenue coverage ratio has continuously improved and is greater than the peer group.

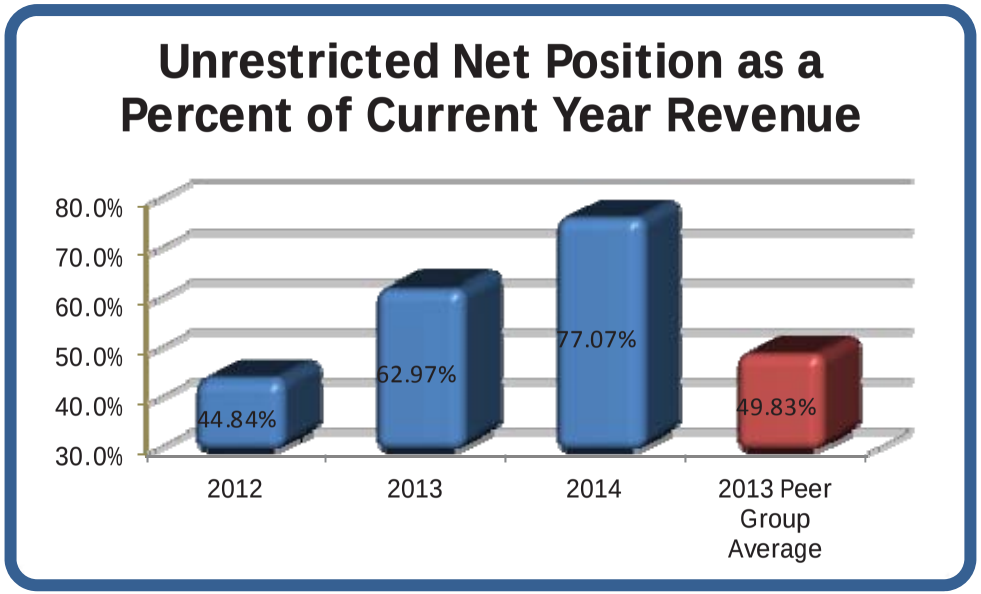
Unrestricted Net Position as a Percentage of Current Year Revenues

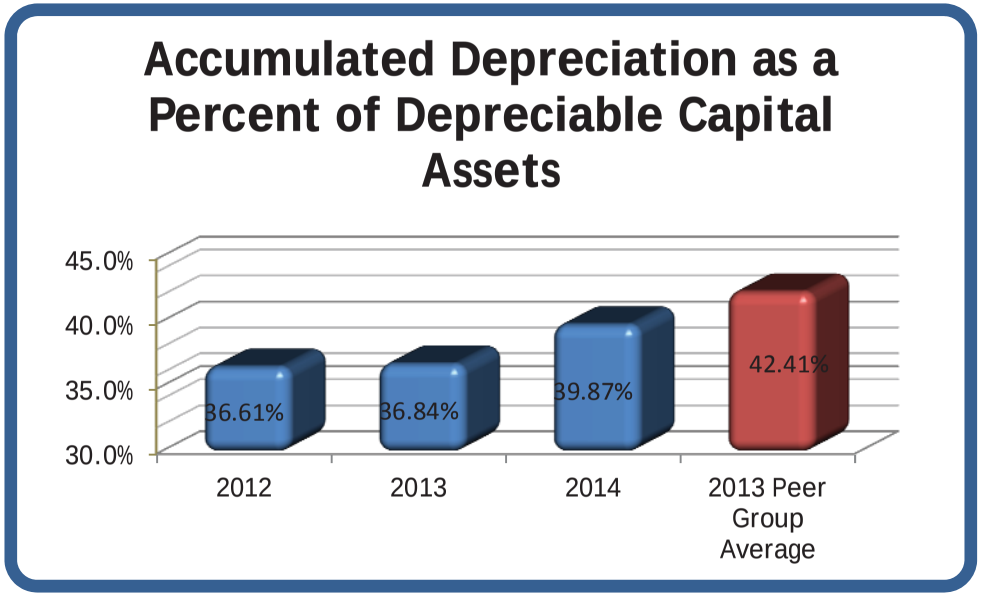
Governmental Activities Unrestricted Net Position

Governmental Activities Current Year Revenues

This measures the municipal organization's ability to sustain an interruption in revenues. For example, a percentage of 25% would indicate that the municipal organization would be able to continue to function at full capacity for a period of approximately three months.

The City of Evans has improved its position from 2012 through 2014, from just over five months in unrestricted Net Position to over nine months. The 2013 average for similar organizations was approximately six months. Further, this ratio is impacted by the City's charter established policy for maintaining an emergency reserve balance which exceeds the statutory 3.0% of defined revenue. The City's emergency reserve of $1 million represents approximately 5.0% of defined revenues.





Accumulated Depreciation as a Percent of Depreciable Capital Assets

Governmental Activities Accumulated Depreciation

Governmental Activities Depreciable Capital Assets

This measures the approximate age of depreciable capital assets. A lower percentage indicates a longer remaining average life of capital assets, and presumably a reduced level of repairs and maintenance. A higher percentage indicates that capital asset replacements or repairs are more likely in the near term.

The City of Evans has a relatively low percentage indicating that capital assets have an average remaining life of approximately 40 percent of the original estimated useful life. This is consistent or better than the average of similar organizations in Colorado.

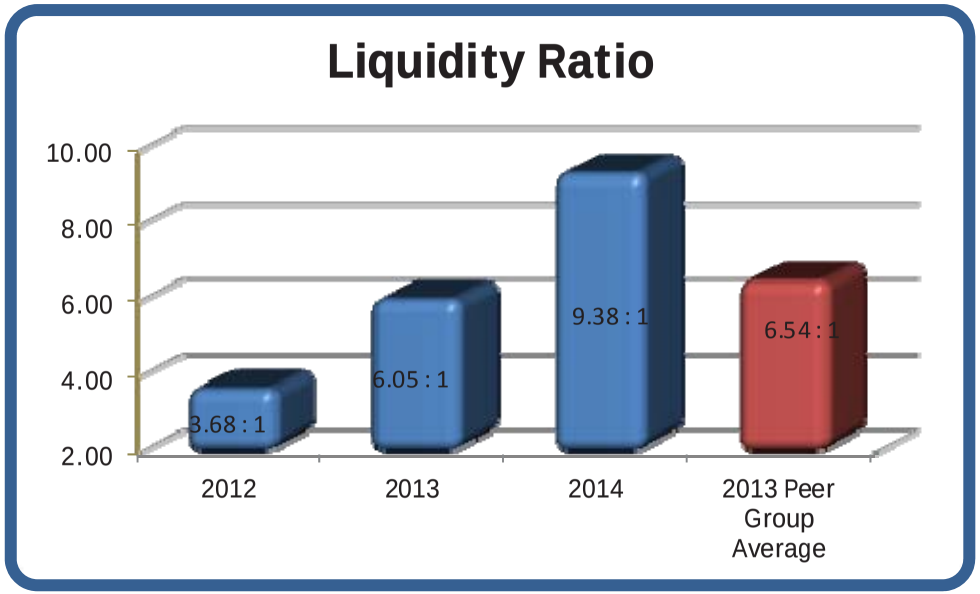
Liquidity Ratio

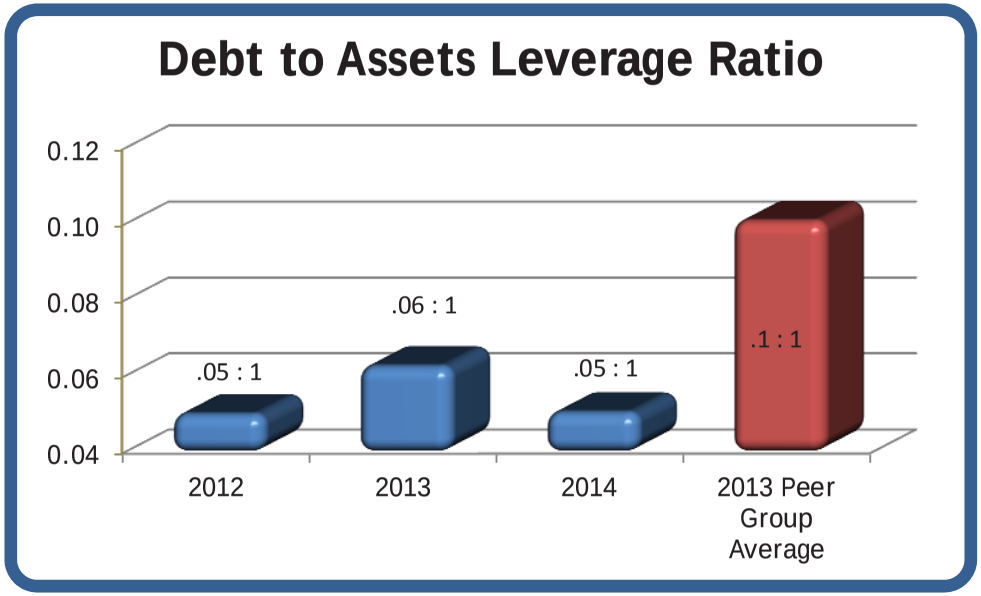
Governmental Activities Liquid Assets

Governmental Activities Current Liabilities

This ratio measures your ability to meet the demands of current obligations from existing cash and liquid investments. A higher ratio indicates that the municipal organization is better positioned to meet current obligations, and anything above 1.0 : 1.0 is considered acceptable, as it means the city is not illiquid.

The City of Evans has significantly improved liquidity over the past four years, and is in a considerably better position as of December 31, 2014 than in prior years, now exceeding the ratio of the peer group. Maintaining a 1.0 : 1.0 position should be considered a baseline threshold in cash management considerations.





Debt to Assets Leverage Ratio

Governmental Activities Total Debt

Governmental Activities Total Assets

This ratio measures how much of your assets have been financed using debt versus accumulated earnings (Net Position). It is generally considered favorable to have a lower ratio, and anything less than 0.25 : 1.0 would be considered acceptable.

The City of Evans paid off its General Obligation debt in 2013 and entered into a capital lease in 2013 for the Riverside Library and Cultural Center, a joint project of the City and the High Plains Library District. Capital asset balances comprise the majority of the balance in total assets, which are reduced by depreciation expense. Major capital improvements commonly require debt financing, so monitoring the remaining useful lives and the relative age of infrastructure and major capital assets serves to predict future borrowing requirements. See additional discussions above under "Accumulated Depreciation as a Percentage of Depreciable Capital Assets," and in later sections of this report.

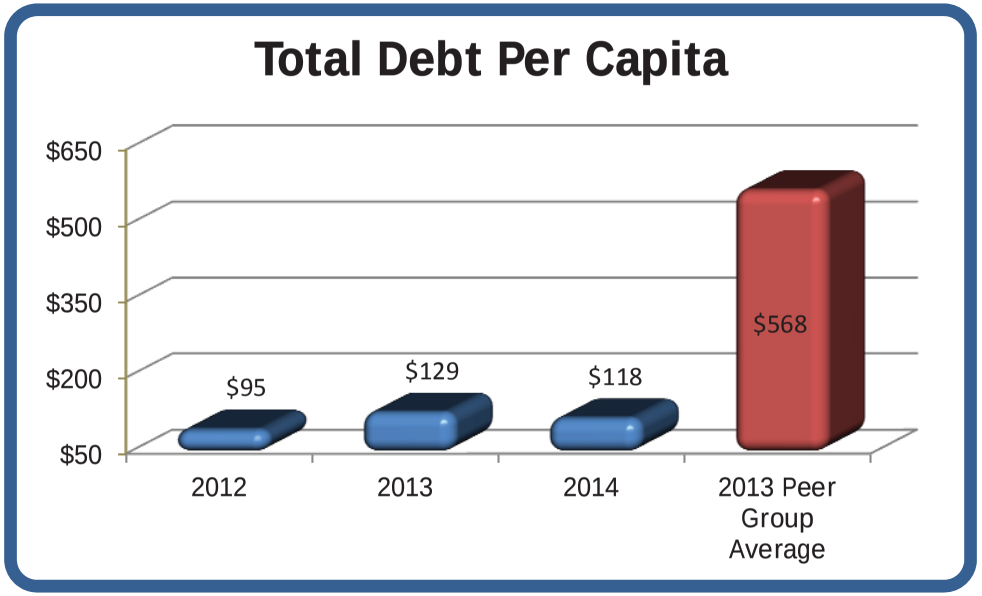
Total Debt Per Capita

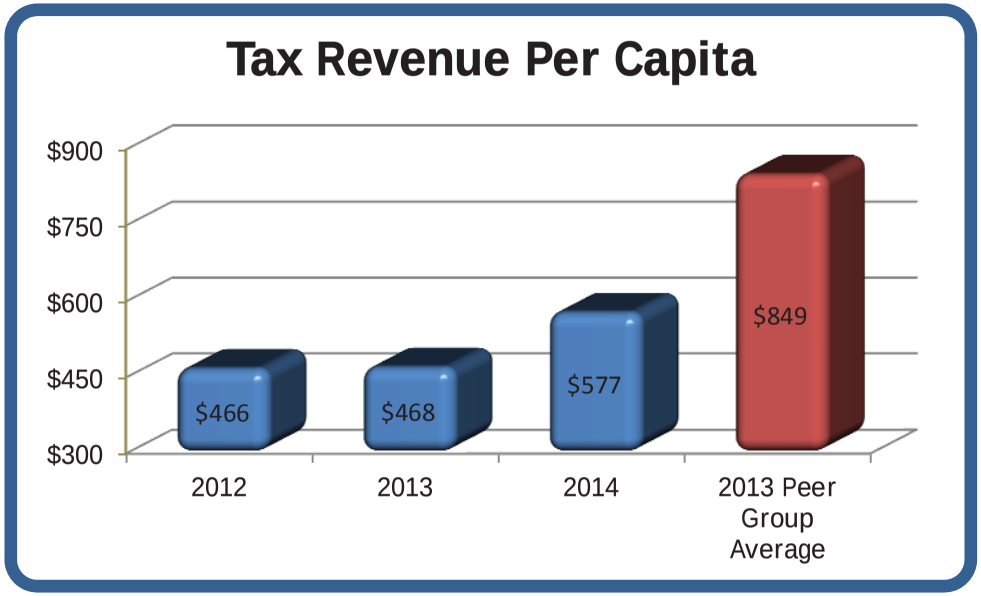
Governmental Activities Total Debt

Population

This measures the level of debt burden for which your citizens are responsible. A lower amount improves your ability to borrow future funds at a lower overall cost.

The City of Evans debt burden is considerably lower than the peer group. See additional discussion above under, "Debt to Assets Leverage Ratio."





Tax Revenue Per Capita

$$\frac{\text{Governmental Activities Tax Revenue}}{\text{Population}}$$

This measures how much tax each of your citizens is responsible for paying annually. A lower rate is considered favorable, as it indicates that the municipality is better positioned to raise taxes to meet future financial needs.

The City of Evans has seen increased taxes paid from 2012 through 2014; these increases are primarily a result of increased sales tax collections. Tax revenue also includes franchise fees collected by the City. Both sales tax and franchise fees disproportionally benefit the citizens of the City, as they can be significantly sourced from outside of the City's boundaries (i.e. citizens of other communities' spending money within the City.

Additionally, compared to the City's peer group, taxes per citizen are lower by over 30%.

Total Grants, Contributions and Other Intergovernmental Revenue as a Percent of Total Revenues

Governmental Activities Operating and Capital Grants/Contributions + Other Intergovernmental Revenue
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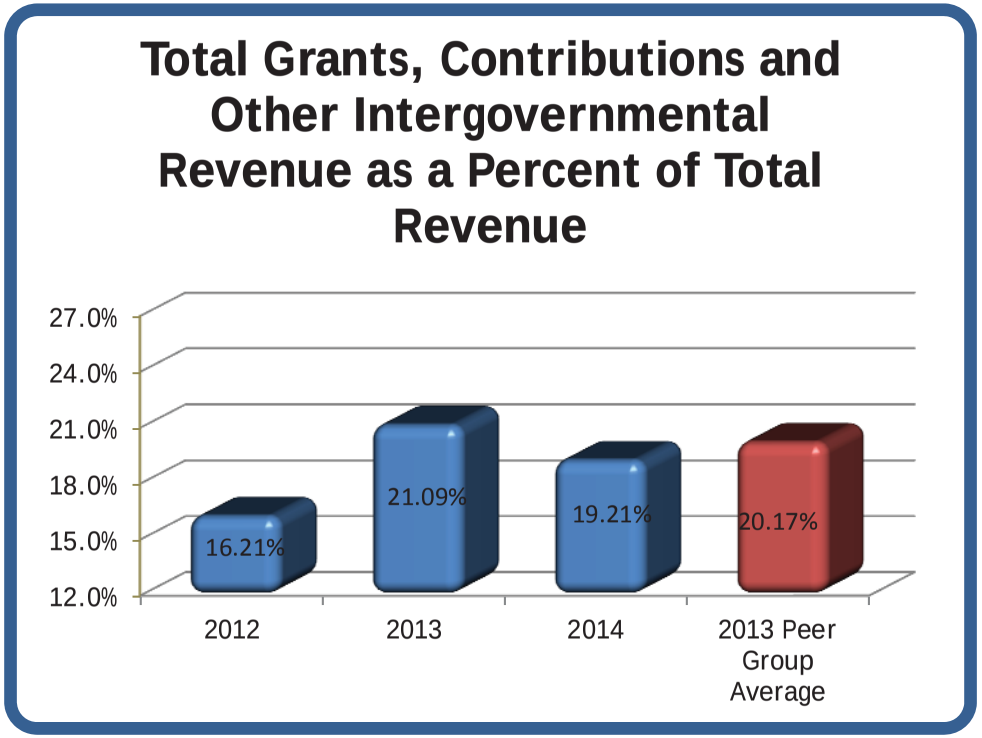
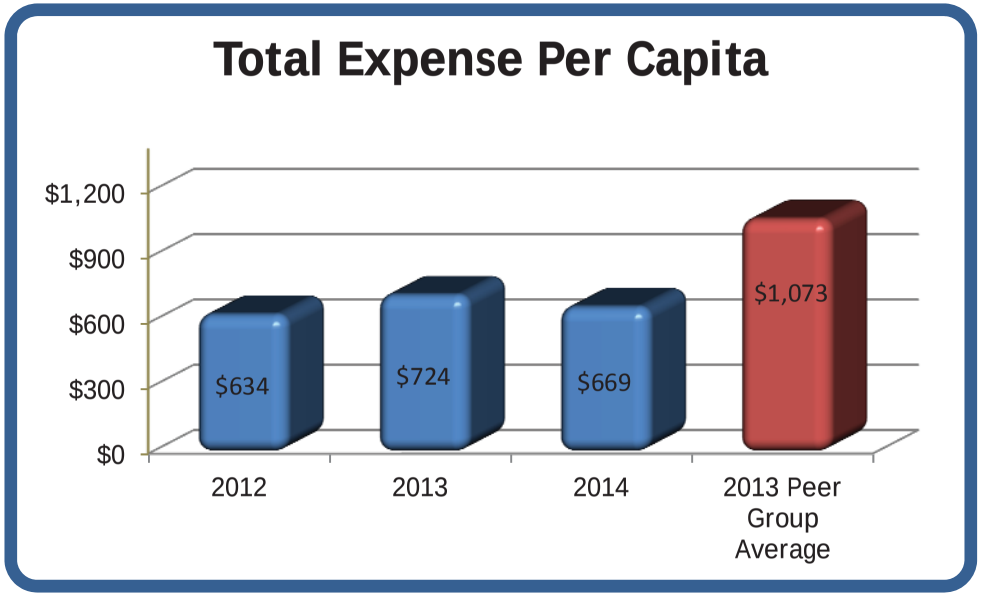
Governmental Activities Current Year Revenues

This measures your reliance on grants, contributions and other outside sources of financing. Generally, a lower ratio is considered encouraging, as it indicates that the municipality is less dependent on sources that are considered unreliable and unpredictable.

This ratio can vary depending on the availability of grants and contributions and the City's needs. The City of Evans is in line with the peer group data with regard to reliance on these sources of revenue.





Total Expense Per Capita

Governmental Activities Total Expense

Population

This measures the average level of cost necessary to provide services to each citizen. Generally, a lower cost per citizen is considered favorable. However, great care should be taken when considering this measure compared to other municipalities or even on a year over year basis. Major factors contributing to this amount include the quality of services provided, and the types of services available to the municipalities' citizens (i.e. fire protection, parks and recreation, and other services).

The City of Evans has maintained a fairly low level of costs per citizen over the last three years. Compared to the peer group, the City's costs per citizen are approximately 38% less.

Total General Government (Administration) Expense Per Capita

Governmental Activities Total General Government (Administration) Expense

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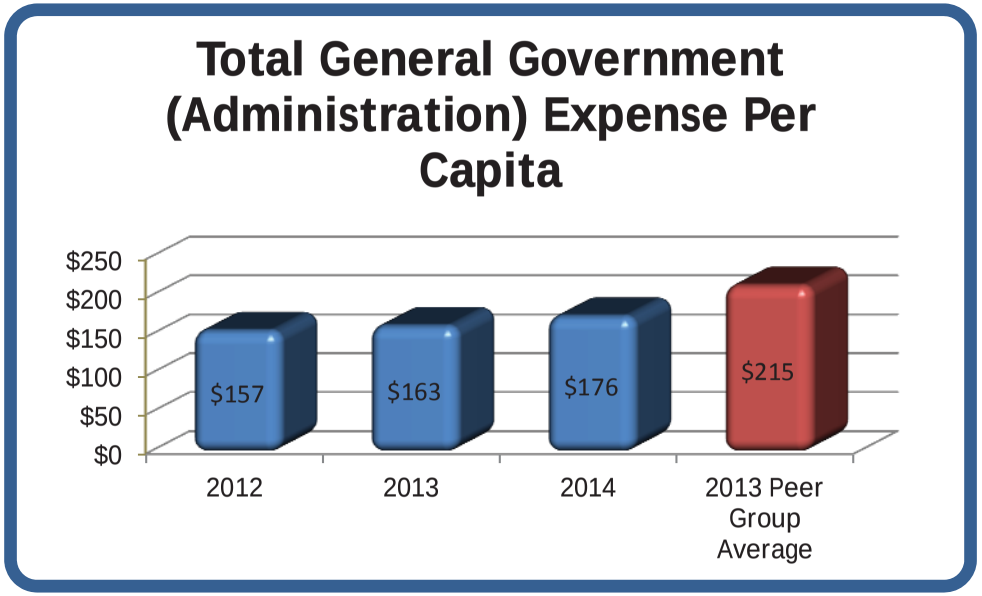
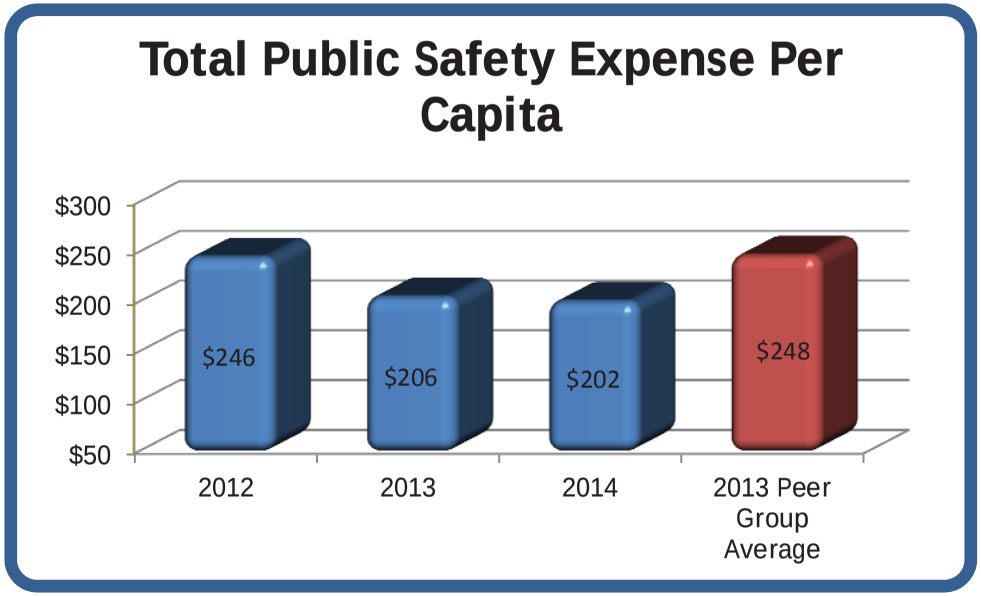
Population

This measures the average cost per citizen for the delivery of general administrative services. As noted above, a lower amount is generally considered positive; however, the level and quality of services provided significantly affects this number.

The trend for these costs is similar to total expenses. Compared to the peer group, the City of Evans' costs are approximately 18% less.





Total Public Safety Expense Per Capita

Governmental Activities Total Public Safety Expense

Population

This measures the average cost per citizen for the delivery of public safety services. As noted above, a lower amount is generally considered positive; however, the level and quality of services provided significantly affects this number.

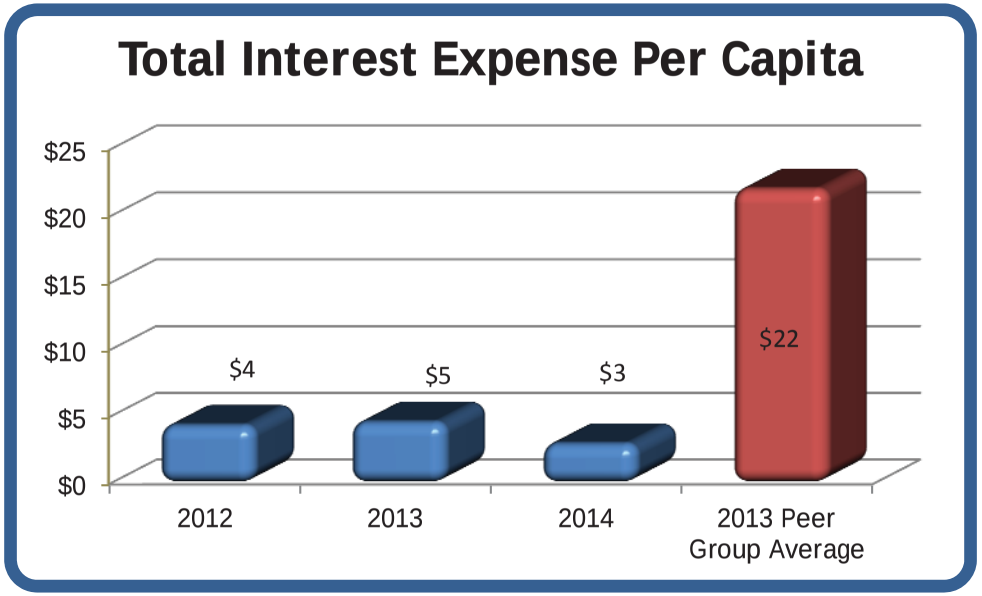
These costs have remained relatively unchanged in 2013 and 2014. In 2012, the Evans Fire Protection District was created and fire protection services were transferred from the City to the District at the beginning of fiscal year 2013.

Total Interest Expense Per Capita

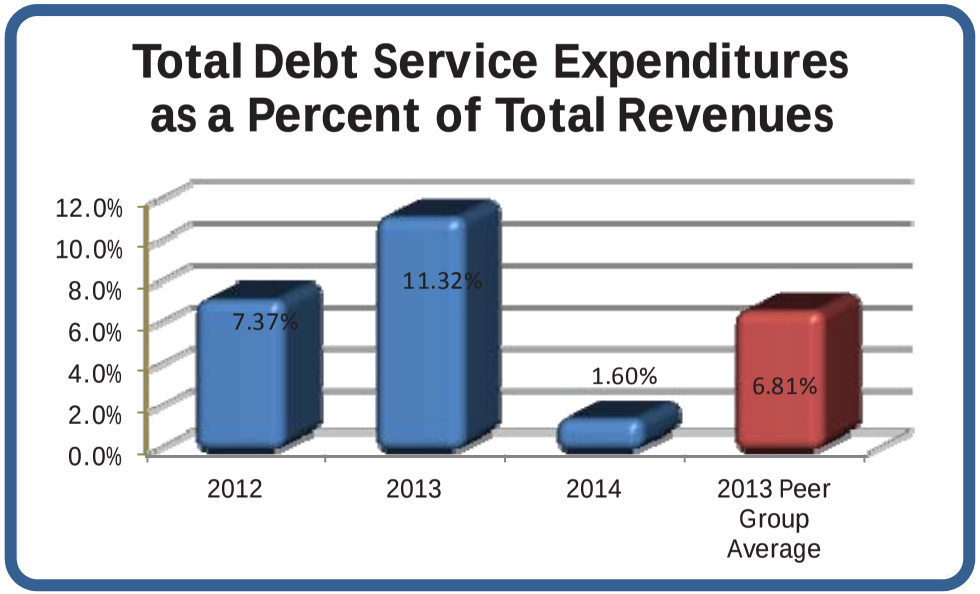
$$\frac{\text{Governmental Activities Total Interest Expense}}{\text{Population}}$$

Like the debt ratio, this measures the debt service burden on average per citizen. A lower amount is considered favorable and generally indicates lower debt service costs (i.e. lower effective interest rate, or less debt).

The City of Evans paid off its General Obligation debt in 2013, but entered into a new capital lease in 2013, as previously discussed. Also, the City's interest cost per citizen is considerably lower than the peer group, primarily due to the significantly higher debt load per citizen in the peer group (see analysis above).



Governmental Fund Information



Total Debt Service Expenditures as a Percent of Total Revenue

Governmental Funds Total Debt Service Expenditures

Governmental Funds Total Revenue

This measures the level of current year revenues that are dedicated to meeting the debt service requirements, thereby reducing the amount of revenues available for other services/needs.

This percentage increased in 2013, primarily due to the early retirement of the General Obligation debt of the City. The City's debt service is significantly lower than the peer group in 2014.

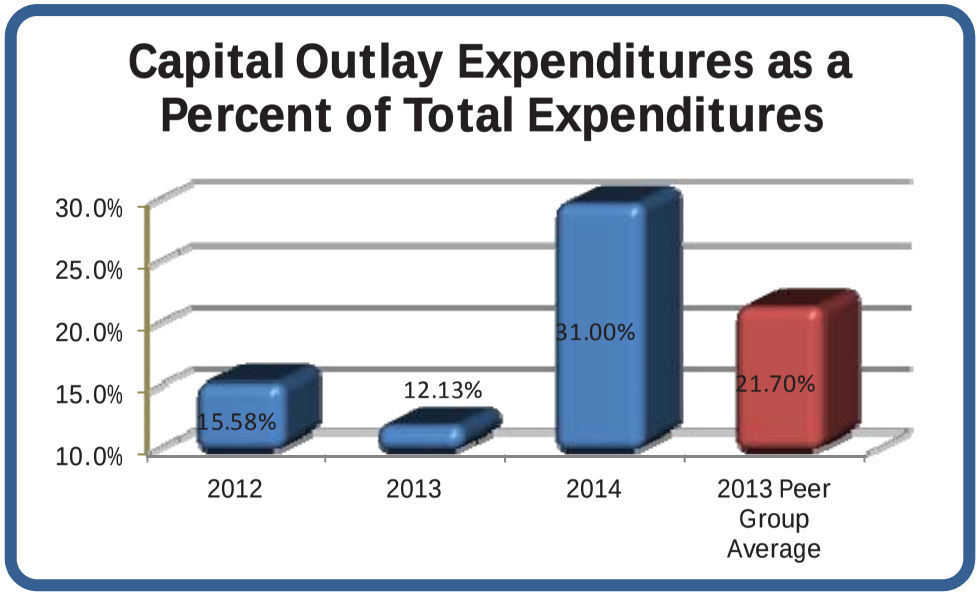
Capital Outlay Expenditures as a Percent of Total Expenditures

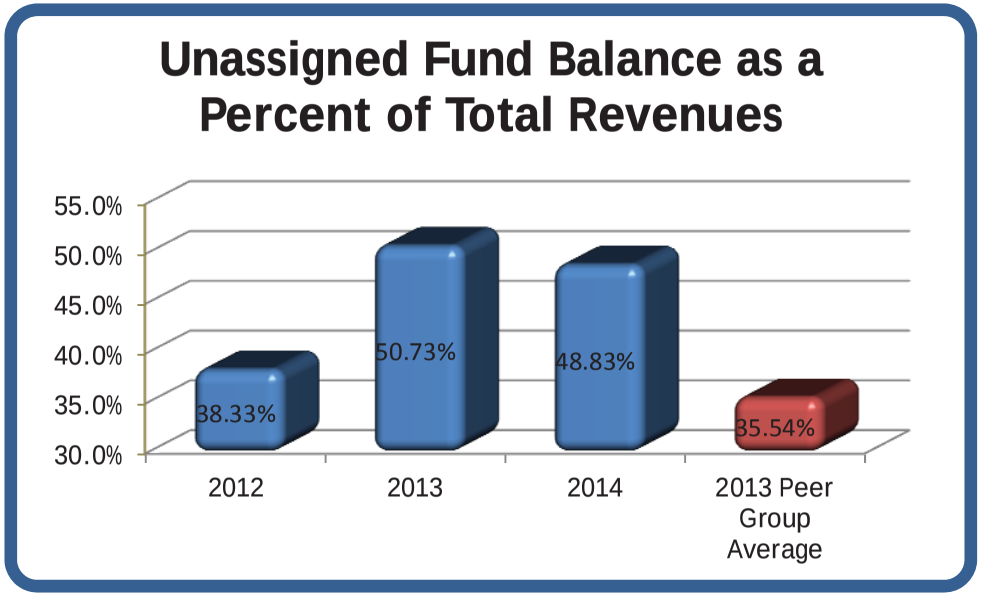
Governmental Funds Total Capital Outlay Expenditures

Governmental Funds Total Expenditures

This measures the amount of capital asset expenditures, relative to overall expenditures. Generally, this number fluctuates based on the capital improvement needs of the municipality. The relative age of capital assets may serve as a leading indicator for predicting fluctuations in this number.

The City of Evans has seen fluctuations over the past three years. The significant increase in capital outlay expenditures in 2014 was due to the Riverside Library and Cultural Center, a joint project of the City and the High Plains Library District. In addition, the Evans Redevelopment Agency, a blended component unit of the City, had significant land purchases in 2014.





General Fund Information

Unassigned Fund Balance as a Percent of Total Revenues

General Fund Unassigned Fund Balance

General Fund Total Revenues

This serves as an indicator of the how much of the annual expenditures of the municipality would be covered if the collection of revenues ceased for an indeterminable period of time. Higher percentages are generally viewed positively. However, excessive fund balances may be viewed by citizens as an unnecessary accumulation of resources, barring any planned major improvements.

Expressed in terms of days, the City had approximately 114 days, 143 days, and 145 days of annual governmental fund expenditures in unassigned fund balance as of December 31, 2014, 2013, and 2012, respectively. This is compared to 100 days for the Peer Group Average as of December 31, 2013.

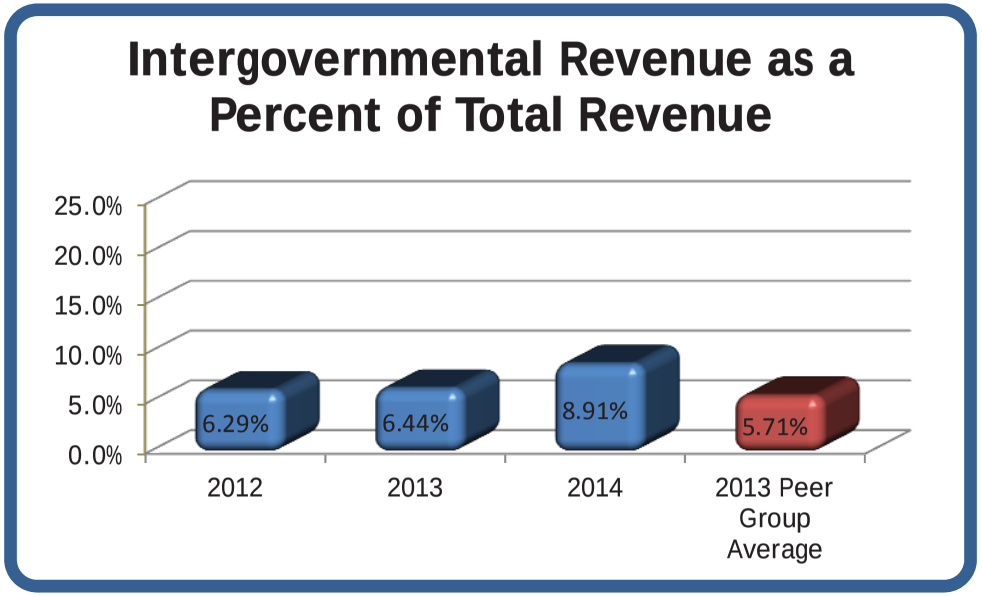
Intergovernmental Revenue as a Percent of Total Revenue

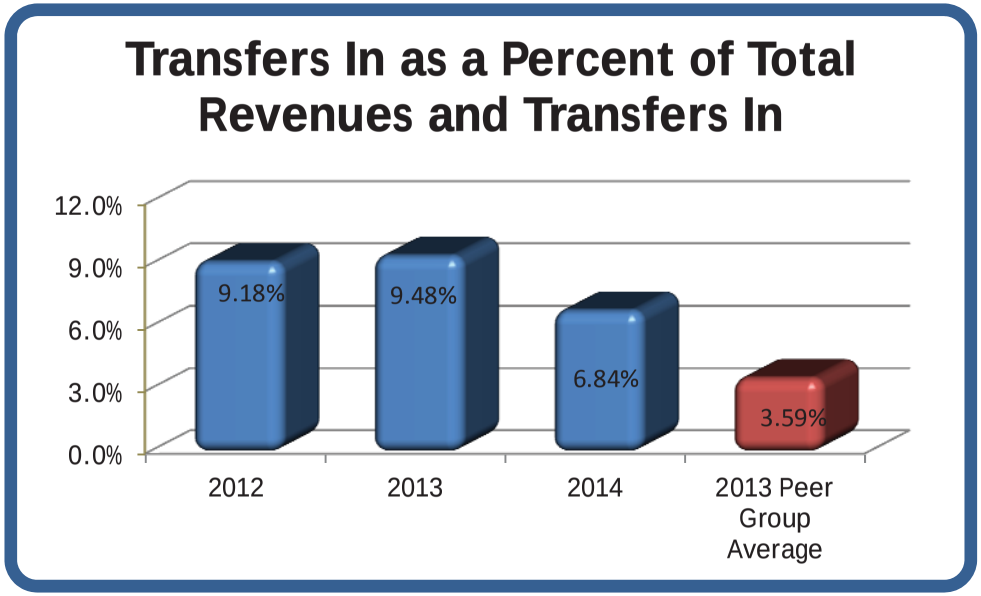
General Fund Intergovernmental Revenue

General Fund Total Revenue

This ratio reveals the portion of the general funds finances that are covered by external sources. A lower percentage is considered favorable as it indicates a reduced reliance on external sources.

Over the three year period ending December 31, 2014, the City of Evans's dependence on intergovernmental revenues has been consistent. Prior to 2014, a percentage of the intergovernmental revenues was recorded in the Debt Service Fund in order to pay debt service payments on the general obligation debt, This debt was paid off in 2013.





Transfers In as a Percent of Total Revenues and Transfers In

General Fund Transfers In

General Fund Total Revenues and Transfers In

This ratio measures the General Funds reliance on other funds to finance current operations. Higher numbers generally indicate an unfavorable reliance on funding from other funds.

The City of Evans has maintained a relatively consistent level of General Fund finances coming from other funds. The primary source of these transfers is from the Enterprise Funds, which represents the cost to the Enterprise Funds for services provided by the General Fund. The majority of this is related to salaries for employees who work primarily in the General Fund, but also provide services to the Enterprise Funds. It's also worth noting that without these transfers, the General Fund would have still seen an increase in fund balance from 2012 to 2014.

Capital Asset Analysis

The following analysis presents capital asset balances; cost and accumulated depreciation, and estimates the remaining useful lives by dividing depreciation expense into total net book value by category. This information can be compared to the range of estimated useful lives by category to get a general perspective for how soon assets may require replacement. This is a leading indicator of imminent major capital expenditures.

Governmental Activities

	Depreciable Lives	Cost	Accumulated Depreciation	Net Book Value	2014 Depreciation Expense	Average Remaining Life
Governmental Activities						
Capital Assets Being Depreciated						
Intangible assets	10 years	$ 137,247	$ (50,220)	$ 87,027	$ 18,479	4.71 Years
Land improvements	5 - 50 years	3,131,486	(1,706,906)	1,424,580	158,224	9. Years
Infrastructure	10 - 30 years	12,208,518	(3,545,664)	8,662,854	489,561	17.7 Years
Buildings and improvements	5 - 50 years	8,246,310	(2,731,995)	5,514,315	205,645	26.81 Years
Machinery and equipment	5 - 20 years	1,812,341	(1,623,401)	188,940	162,177	1.17 Years
Transportation equipment	6 - 15 years	1,576,495	(1,150,981)	425,514	121,055	3.52 Years
Totals		$ 27,112,397	$ (10,809,167)	$ 16,303,230	$ 1,155,141	

Business-type Activities

	Depreciable Lives	Cost	Accumulated Depreciation	Net Book Value	2014 Depreciation Expense	Average Remaining Life
Business-type Activities						
Capital Assets Being Depreciated						
System improvements	5 - 40 years	$ 45,291,631	$ (16,621,825)	28,669,806	$ 1,359,584	21.09 Years
Machinery and equipment	5 - 20 years	1,415,699	(1,175,041)	240,658	46,605	5.16 Years
Buildings and improvements	5 - 50 years	870,390	(492,830)	377,560	38,516	9.8 Years
Intangible assets	10 years	21,207	(12,201)	9,006	2,119	4.25 Years
Infrastructure	10 - 30 years	443,949	(76,311)	367,638	10,200	36.04 Years
Totals		$ 48,042,876	$ (18,378,208)	$ 29,664,668	$ 1,457,024	

Debt Service Analysis

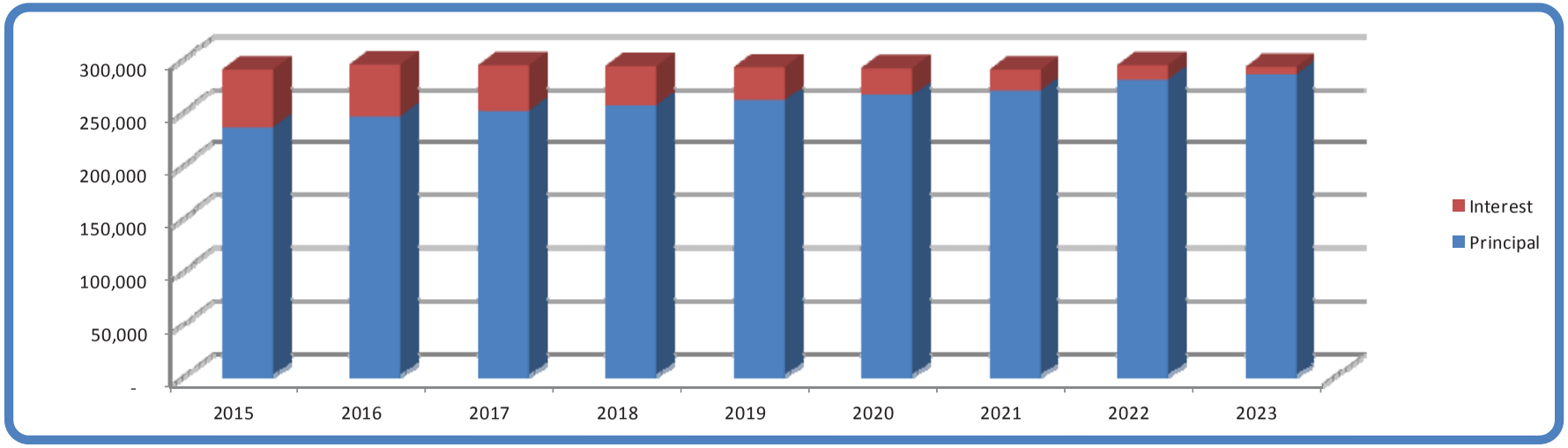
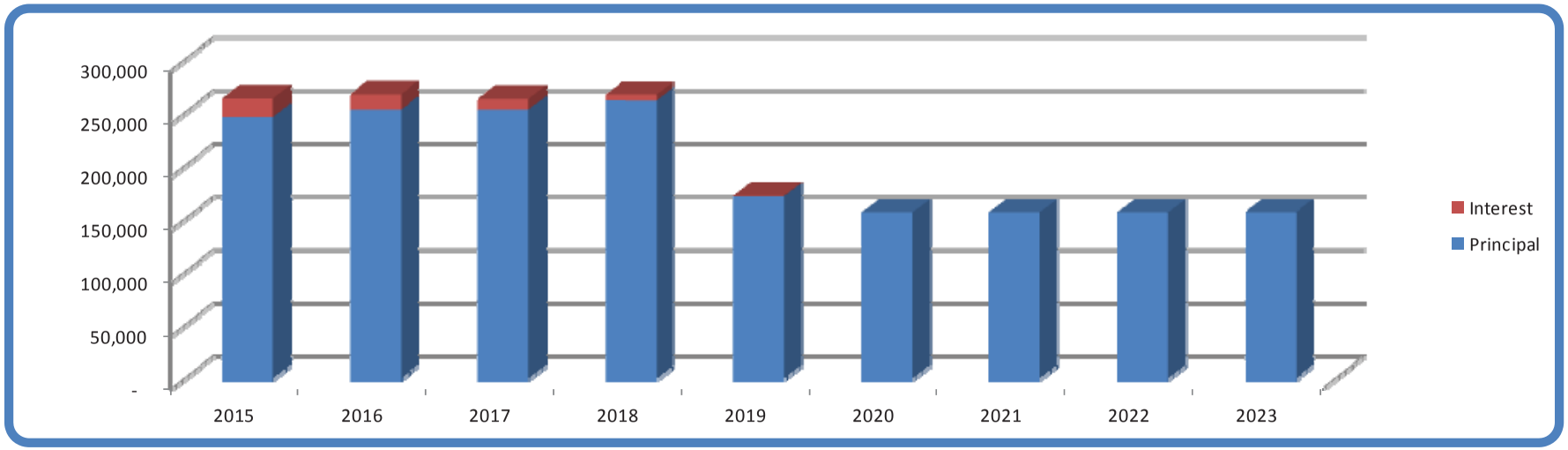
Debt Profile

Description		Balance	Interest Rate	Maturity	S&P Credit Rating
Governmental Activities:					
Capital Lease Obligations	$	2,345,000	2.31%	2023	Unrated
Business-type Activities:					
Business-type – Colorado Water Resources and Power Development Authority Loans		1,813,148	0.0% to 4.5%	2023	Unrated
	$	4,158,148			

Future Maturities

The following charts are a graphical depiction of future debt maturities, principal and interest, and serve to demonstrate the future funding requirements resulting from debt obligations.

Governmental Activities



Business-type Activities