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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED DECEMBER 31, 2016

CITY OF STERLING
421 N 4TH STREET
STERLING, CO 80751

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CITY OF STERLING, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

421 N 4TH STREET
STERLING, CO 80751

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Prepared by:
City of Sterling, Colorado
Department of Finance and Records
Debra Lyn Forbes
Director of Finance/City Clerk

City of Sterling, Colorado
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016

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INTRODUCTORY SECTION

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www.sterlingcolo.com

July 14, 2017

To the Honorable Mayor, Members of Council, and Citizens of the City of Sterling, Colorado:

The comprehensive annual financial report of the City of Sterling, Colorado, for the year ended December 31, 2016, has been prepared by the Director of Finance to present a comprehensive overview of the financial condition of the City.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Colorado Statutes and the City Charter require that a firm of certified public accountants, selected by City Council, audit the City's financial statements. Lauer, Szabo and Associates, PC, completed the 2016 audit. Their report on the basic and fund financial statements and other required supplemental schedules is included in the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Sterling, county seat of Logan County, is the largest city in the Northeastern corner of Colorado. Interstate 76, as well as Highways 6, 61, and 138, connect Sterling to the surrounding areas. Colorado Highway 14, Main Street, offers easy access westward to the Fort Collins area and the Northern Front Range. Sterling is located 128 miles from Denver on I-76, 90 minutes from DIA, and 40 minutes from I-80. Colorado's beautiful mountain range is only a 2 hour drive away.

In addition to an ideal location, Sterling can boast the best of both worlds. Its original development as an agricultural community has gifted it with a heritage rich in small town atmosphere, with a beautiful downtown area, friendly neighbors, and the feel of a real community. The distance of Sterling from the rapid growth of the Front Range has enabled the city to keep these positive qualities while developing big city resources rarely found in a community this size.

The area is strongly influenced by an agricultural lifestyle and economy. The City of Sterling serves as the shopping hub for Northeastern Colorado and portions of Kansas and Nebraska.

The City of Sterling, Colorado, incorporated in 1884, adopted a home rule charter in 1950, and operates under the council/manager form of government. The City Council consists of a seven member council, with one member elected as mayor and six serving as council members. The council is elected on a non-partisan basis. Three council members are elected every two years within their respective Ward, with staggered terms of four years. The Mayor is elected at large for a two-year term. The City Council is the legislative body of the City of Sterling. They are responsible, among other things, for setting policy by passing ordinances and resolutions and adopting the budget. The City Manager is the Chief Executive Officer of the City.

The City of Sterling provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and utility services of water, sewer and sanitation. The following services are included within the accompanying financial statements:

CITY OF STERLING, CENTENNIAL SQUARE, 421 NORTH 4TH STREET, P. O. BOX 4000, STERLING, COLORADO 80751-0400
CITY HALL (970) 522-9700 FAX (970)521-0632
SERVICE CENTER (970) 522-2619 FAX (970)521-7141
FIRE (970)522-3823
POLICE (970) 522-3512 FAX (970)522-3511
RECREATION CENTER (970)522-7882
LIBRARY (970) 522-2023 FAX (970)522-2657
MUSEUM (970) 522-3895 FAX (970)521-7135

- General Government – Council, Manager, Finance, Personnel, Attorney, and Municipal Court;
- Public Safety - Police, Dispatch, Youth Services, Fire Protection, and Ambulance Service;
- Parks, Library and Recreation - Recreational Administration, Parks, Forestry, Cemetery, Recreation Center, Library, Museum and Recreational Programs;
- Public Works – Planning and Engineering, Airport, Street, Water, Sewer, Wastewater, Sanitation and Service Center.

As required by the Home Rule Charter of the City of Sterling, an annual budget, which is the complete financial plan for the ensuing year, is adopted for all funds. The City's budget is consistent with Generally Accepted Accounting Principles except for the enterprise funds and internal service funds wherein depreciation is not budgeted. Also, capital outlay and debt service are budgeted as operating expense. The year-end financial reports are converted to comply with GAAP.

The Sterling Urban Renewal Authority (SURA) is included in the financial statements as a component unit of the City.

LOCAL ECONOMY

The City saw the economy remain steady in 2016. Sales tax revenue, which was 51% of the General Fund revenue in 2016, was the same as that collected in 2015. The City's General Fund saw a 3% decrease in revenues in 2016 compared to 2015, however if the grant revenue received in 2015 was taken out, the revenues would have remained the same as the 2015 revenue.

During 2016 the unemployment rate decreased from the 2.8% in 2015 to the current rate of 2.4%.

The City's Code Enforcement Specialist issued 74 building permits in 2016, which were 13 permits more than issued in 2015. The construction value for 2016 was estimated at approximately $3.3 million, of which $2.6 was for commercial construction.

Major businesses/employers located within the government's boundaries or in close proximity include Sterling Correctional Facility, Sterling Regional Med Center, RE-1 School District, Wal-Mart, Nichols Tillage Tools, Trinidad Benham, Burlington Northern Railroad and Northeastern Junior College.

In the past year we have seen the following growth in Sterling

- Holiday Inn Express began construction adding 84 rooms for visitors and citizens of Sterling.
- Best Western Sundowner began upgrading their location adding another 33 rooms.
- Transwest bought the Korf Continental property located at 1200 W Main; Transwest broke ground on a new facility in November.
- Viaero Wireless is in the process of finishing up their new building located on 516 W. Main.

Several restaurants have chosen Sterling to open up their businesses this includes: Blue Collar Steakhouse, Jimmy Johns Subs, Simkins Ice Cream Parlor, and Sam and Louie's Pizza.

MAJOR INITIATIVES

The City of Sterling's staff, following specific directives from City Council and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City of Sterling's commitment to ensuring that its citizens are able to live and work in a desirable environment.

The purchase of over a hundred acres of land adjacent to the South Platte River will be a great addition to the extremely popular Overland Trail Recreation Area. Through the PLR department, the City has applied for a GOCO planning grant to formulate ideas for developing the area. Work on existing features has already begun, cleaning the site, trail work and improvements to existing water features. We look

forward to the development of the area and the connection of these amenities, to the other parks and schools, via a new trail system.

Public Works staff over saw the completion of three major projects at the Airport in 2016. The construction of our Fuel Farm Facility was completed in December 2015, but was brought on line in late January 2016.

The 2015 runway painting project was also completed in 2016. The second coat of the runway painting was applied the spring of 2016 which fully completed this project.

The 2016 Aviation Grant was submitted for the first phase of constructing the Airport Wildlife and Security Perimeter Fence. This phase was finished late in 2016 and is a welcome addition to the overall safety of the airport.

In 2016 the City of Sterling Water Division completed a rehabilitation/equipment upgrade project on three of the four city's water storage tanks. The fourth tank is scheduled to be completed sometime in 2018. The city has two 500,000 gallon elevated tanks, one 2 million gallon ground storage tank and a 7.5 million gallon ground storage tank for 10.5 million gallons of potable water storage for customer use and firefighting demand.

The City of Sterling completed a meter replacement/retrofit project in 2016. The system is a drive -by/ radio read system. This installation will simplify the monthly reading of the meters as it will no longer be necessary to open the meter pit to read the meter and will reduce the number of miss reads and improperly functioning meters. This new accurate system will also enable the city to track water loss in the system. The project was completed in May of 2016.

LONG TERM FINANCIAL PLANNING

A five-year capital improvement plan is prepared each year that serves as a planning document to ensure that the City's facilities, equipment and infrastructure are well maintained and in safe operating condition. The plan is funded from a combination of dedicated taxes, grants, and reserves.

The Sterling City Council makes decisions and has implemented a policy that in the long-term will benefit the City of Sterling. These policies and incentives, which many have been in the form of a sales tax rebate, may help to bring in new businesses that will help to improve the City's long term financial status.

The City of Sterling continues to operate under the water decree terms and conditions. Continued familiarization of the decree and support from our water engineers is giving Staff the necessary tools to operate the water augmentation as established by decree.

RELEVANT FINANCIAL POLICIES

City Council's policy during budget preparation is that the budgeted fund balance must exceed 10% of the projected expenditures. Due to this policy, expenditures are budgeted high and revenues are budgeted more conservatively.

The City has also placed more investments in a short term investment due to the low interest rates due to the economy.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sterling for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be

awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Appreciation is acknowledged for the dedicated efforts of all officials and staff involved in managing and accounting for the City's financial operations. The process of financial planning, management, and accounting requires the concerted effort by the City Council and City Staff to successfully accomplish.

Respectfully submitted,

Donald Saling
City Manager

Debra Lyn Forbes, MMC
Director of Finance/City Clerk

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

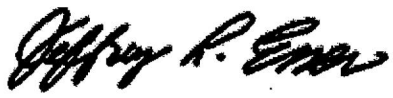
Presented to

City of Sterling

Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015



Executive Director/CEO

City of Sterling, Colorado
City Council and Senior Management
December 31, 2016

City Council

Mayor	Term expires 2017	Dan Torres
Council Member Ward 1	Term expires 2017	Bob McCarty
Council Member Ward 1	Term expires 2019	Janice Rice
Council Member Ward 2	Term expires 2017	Patrick Lawson
Council Member Ward 2	Term expires 2019	Alice Pitcher
Council Member Ward 3	Term expires 2017	Dave Appelhans
Council Member Ward 3	Term expires 2019	Marcus Flores

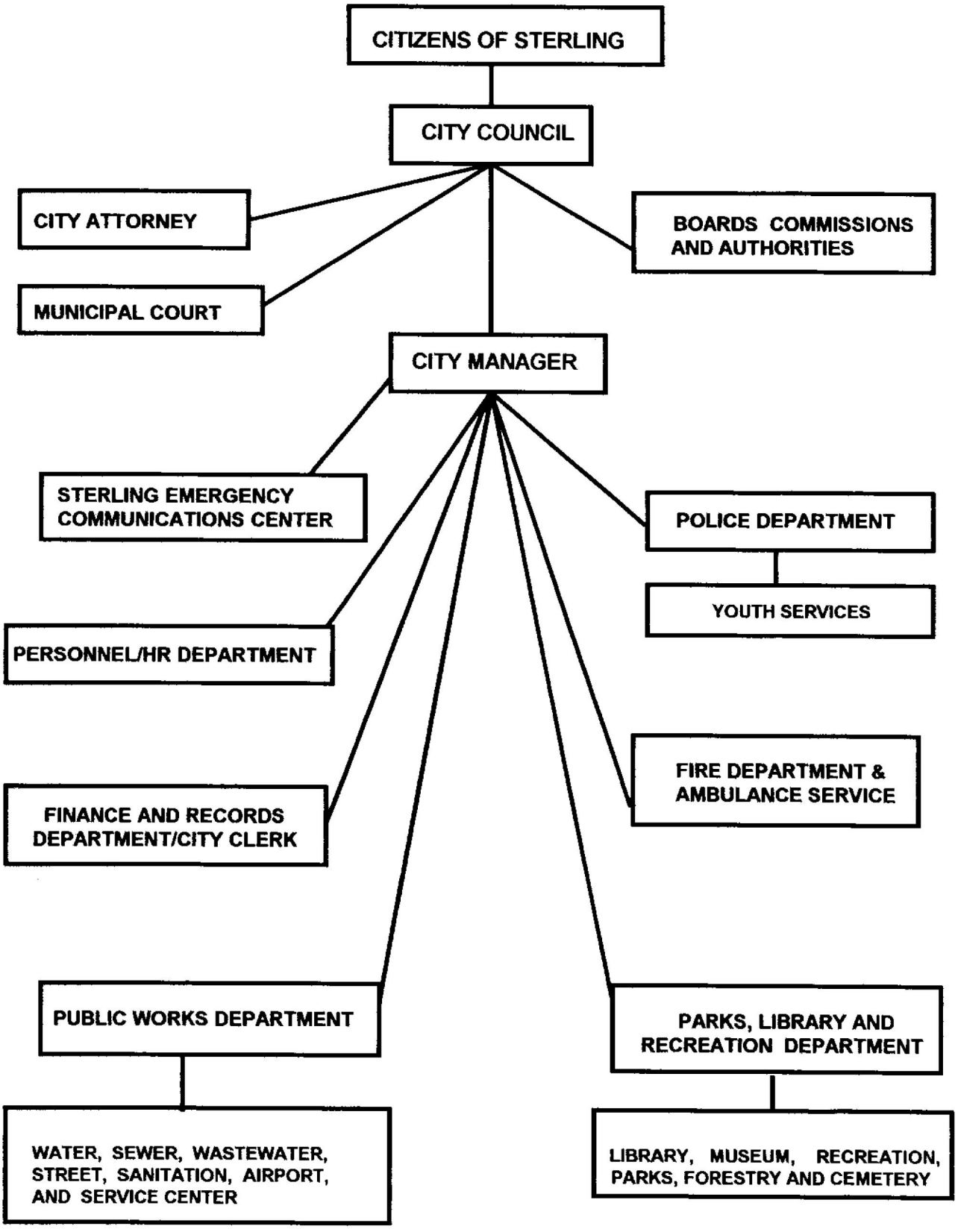
Appointed Officials

City Manager	Donald Saling
Municipal Court Judge	Jay Brammer
City Attorney	J. Curt Penny

Department Heads

Director of Public Works	George Good
Director of Finance/City Clerk	Debra Lyn Forbes
Director of Personnel	Robert Brown
Director of Parks, Library & Recreation	Wade Gandee
Fire Chief	Lavon Ritter
Police Chief	Tyson Kerr
Public Safety Communication Director	Walt Hardesty

CITY OF STERLING, COLORADO



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FINANCIAL SECTION

LAUER, SZABO & ASSOCIATES, PC
Certified Public Accountants
205 Main St. · P.O. Box 1886 · Sterling, CO 80751-7886
Phone 970-522-2218 · FAX 970-522-2220

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
City of Sterling
Sterling, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sterling (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, local highway finance report and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, local highway finance report and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2017, 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* in considering the City's internal control over financial reporting and compliance.

The introductory and statistical sections have 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 them.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
July 14, 2017

MANAGEMENT DISCUSSION & ANALYSIS

As management of the City of Sterling, we offer readers of the City of Sterling's financial statements this narrative overview and analysis of the financial activities of the City of Sterling for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the City's financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

- The assets of the City of Sterling exceeded its liabilities at the close of 2016 by $74 million (net position). Of this amount $18 million or 25% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

- During the year, the City's revenue from taxes and other revenues for governmental activities exceeded the expenses by $246 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sterling's basic financial statements. The City of Sterling's basic financial statements are comprised of three components (1) Government-wide financial statements; (2) Fund financial statements; and (3) Notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

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

The statement of activities presents information showing how the City of Sterling's net position changed during the most recent fiscal year. All changes in net position 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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused paid time off).

Both of the government-wide financial statements separate the functions of the City of Sterling between those supported by taxes and intergovernmental revenues (government activities) from those that recover all or a significant portion of the costs through user type fees (business type activities). Most of the City's basic services are considered government activities, such as the police, fire, dispatch, public works, parks, library, recreation, and general administration. Sales and use tax, property tax, franchise tax, intergovernmental revenue and charges for services finance most of these activities. The City charges fees to customers to recover most of the costs of certain services provided in the business type activities. The City's water, sewer, and sanitation systems are included here.

The government-wide financial statements include not only the City of Sterling itself (known as the primary government), but also a legally separate entity, the Sterling Urban Renewal Authority, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the City itself.

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. Some funds are required to be established by State law, however, City Council has established other funds to help control and manage money for particular purposes (the Perpetual Care Fund) or to show that it is properly using certain revenue (the Conservation Trust Fund). All of the funds of the City of Sterling can be divided into three categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows through these funds and the balances left at the year-end are available for future expenditures. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statement provides a detailed short-term view of cash, the governmental fund operations and the basic services it provides. Government fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The City of Sterling maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Sterling adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Proprietary funds. When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's other programs and activities, such as the City's Service Center, Employee Benefit, Risk Management and Capital Replacement Funds.

The City of Sterling adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic proprietary fund financial statements can be found starting on page 32 of this report.

Notes to the financial statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Sterling's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on page 101 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sterling, assets exceed liabilities by $74 million at the close of 2016.

CITY OF STERLING NET POSITION
(in thousands)

	Governmental Activities		Business Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	$ 11,522	$ 11,853	$ 15,955	$ 13,276	$ 27,477	$ 25,129
Capital assets	33,451	32,674	42,292	44,118	75,743	76,792
Total assets	44,973	44,527	58,247	57,394	103,220	101,921
Pension deferrals	254	818	-	-	254	818
Total deferred outflows of resources	254	818	-	-	254	818
Total assets and deferred outflows	$ 45,227	$ 45,345	$ 58,247	$ 57,394	$ 103,474	$ 102,739
Long-term debt outstanding	$ 1,648	$ 1,591	$ 24,177	$ 22,842	$ 25,825	$ 24,433
Other liabilities	1,042	941	2,098	1,860	3,140	2,801
Total liabilities	2,690	2,532	26,275	24,702	28,965	27,234
Deferred property tax revenues	1,094	1,111	-	-	1,094	1,111
Pension deferrals	14	27	-	-		27
Total deferred inflows of resources	1,108	1,138	-	-	1,094	1,138
Net position:						
Net Investment in capital assets	32,617	34,120	16,714	20,146	49,331	54,266
Restricted	2,260	1,499	1,957	184	4,217	1,683
Unrestricted (deficit)	6,552	6,056	13,301	12,362	19,853	18,418
Total net position	$ 41,429	$ 41,675	$ 31,972	$ 32,692	$ 73,401	$ 74,367
Total liabilities, deferred inflows and net position	$ 45,227	$ 45,345	$ 58,247	$ 57,394	$ 103,460	$ 102,739

The largest portion of the City of Sterling's net position, $54.3 million, reflects its investment in capital assets (land, buildings and equipment). The City of Sterling uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

In addition, a portion of the City of Sterling's net position, $1.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $18.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2016, the City of Sterling is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate Governmental and Business-type Activities. The same situation held true for the prior fiscal year.

Changes in Net Position

A summary of the City's governmental and business type activities for the period ending December 31, 2016 reflects net position increasing by $965 thousand. The prior period is also included for comparative purposes.

CITY OF STERLING CHANGES IN NET POSITION
(in thousands)

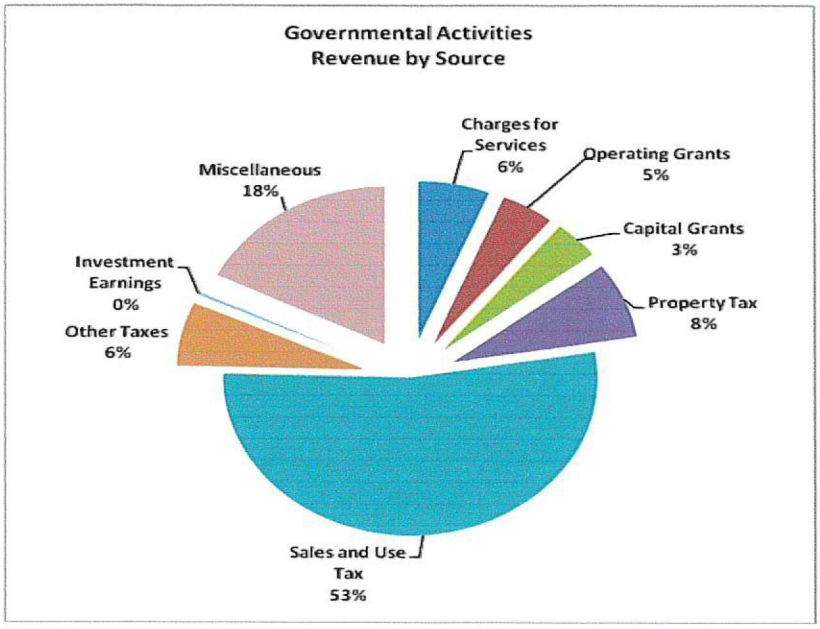
	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2016	2016
Program Revenue:						
Charges for Services	$ 845	$ 857	$ 7,162	$ 7,403	$ 8,007	$ 8,260
Operating Grants	662	638	-	-	662	638
Capital Grants	453	548	81	36	534	584
General Revenues:						
Property Tax	1,048	1,095	-	-	1,048	1,095
Specific Ownership Tax	126	119	-	-	126	119
Sales and Use Tax	7,620	7,427	-	-	7,620	7,427
Franchise Tax	664	632	-	-	664	632
Other Taxes	213	158	-	-	213	158
Unrestricted Earnings on Investments	14	47	20	73	34	120
Sale of assets	11	-	27	-	38	-
Miscellaneous	2,433	2,501	166	96	2,599	2,597
Total Revenues	$ 14,089	$ 14,022	$ 7,456	$ 7,608	$ 21,545	$ 21,630
Program Expenses:						
General Government	$ 3,042	$ 2,833	-	-	$ 3,042	$ 2,833
Public Safety	4,798	5,448	-	-	4,798	5,448
Public Works	1,629	2,503	-	-	1,629	2,503
Parks, Library, Recreation	2,497	3,053	-	-	2,497	3,053
Interest on Long-term Debt	45	35	-	-	45	35
Water	-	-	4,324	4,241	4,324	4,241
Sanitation	-	-	476	464	476	464
Sewer	-	-	1,863	2,088	1,863	2,088
Total Expenses	$ 12,011	$ 13,872	$ 6,663	$ 6,793	$ 18,674	$ 20,665
Overage Before Transfers	$ 2,078	$ 150	$ 793	$ 815	$ 2,871	$ 965
Transfers	94	96	(94)	(96)	-	-
Change in Net Assets	$ 2,172	$ 246	$ 699	$ 719	$ 2,871	$ 965

Net position beginning of year,						
as originally reported	39,281	41,429	31,608	-	70,889	-
Prior period adjustment	(24)	-	(335)	-	(359)	-
Net position beginning of year, as restated	39,257	41,429	31,273	31,972	70,530	73,401
Net position at end of year	$ 41,429	$ 41,675	$ 31,972	$ 32,691	$ 73,401	$ 74,366

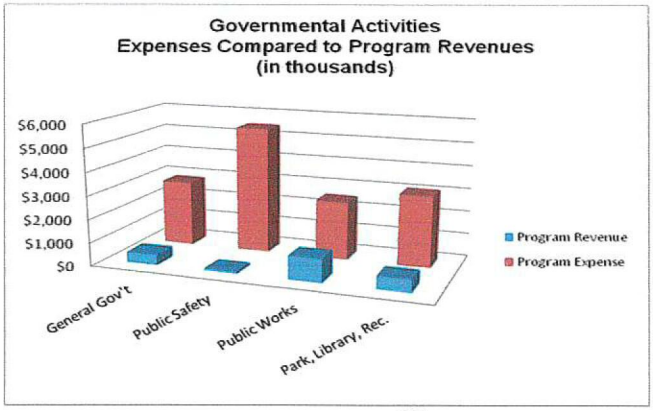
Governmental activities

Net position of the governmental activities increased by $246 thousand during 2016.

The sales and use tax revenue decreased 2.5%.

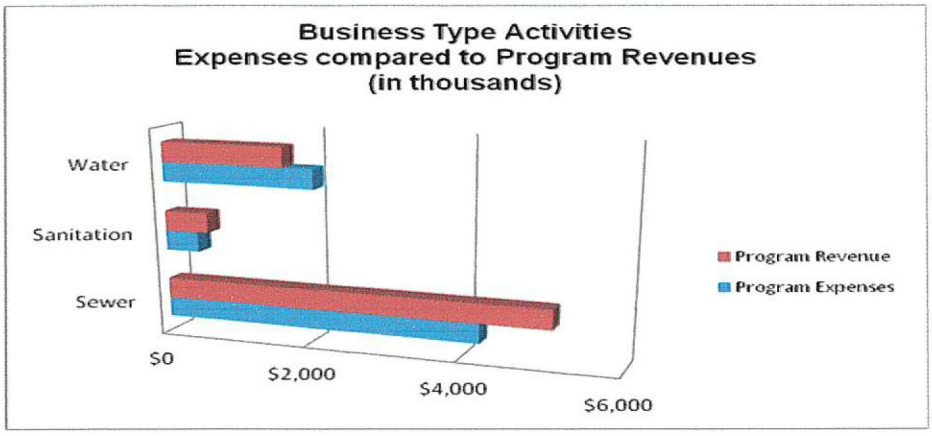


Expenses Compared to the Revenue presents the cost and revenue of each of the City's four largest programs – general government, public safety, public works and parks, library and recreation. The difference between the revenue and expense shows the financial burden that was placed on the City's taxpayers by each of these functions.



Business-type Activities

Net position in Business-type Activities increased by $719 thousand in 2016. Business-type activities include Water, Sanitation and Sewer services.



Expenses from the Water Fund operations exceeded the revenues. This is due to the loan payment ($1.9 million) for the funding of the $29 million loan for the construction of the new water plant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Sterling uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Sterling'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 of Sterling's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Sterling itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Sterling's Council.

The General Fund is the chief operating fund of the City of Sterling. At the end of 2016, the City of Sterling's General Fund reported an ending fund balance of $3.4 million, which was a decrease of $529 thousand from January 1, 2016. Of that fund balance, $3.1 million was unassigned and is available for spending at the City's discretion. The remainder of the fund balance is assigned and is not available for new spending because it is committed to the culture and recreation and prepaid items. The remainder of the Governmental funds had a combined fund balance of $1.6 million.

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

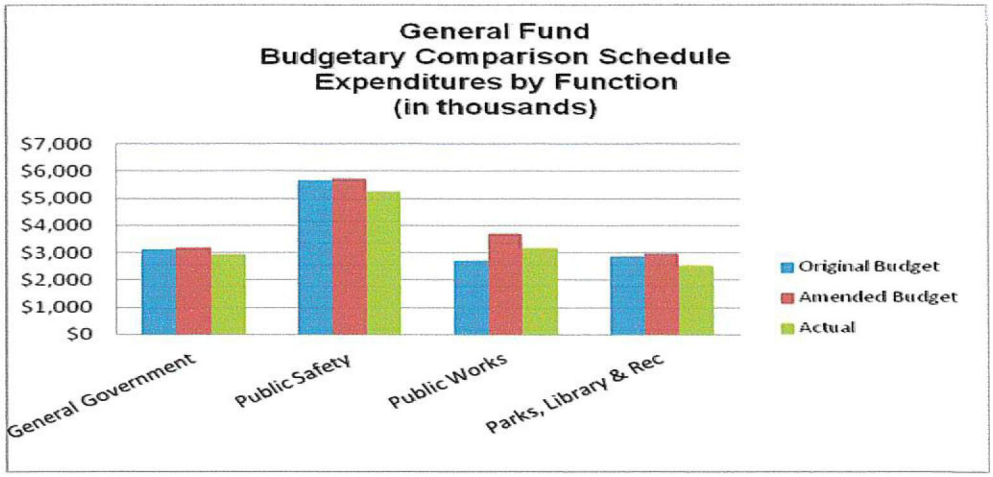
The three Enterprise Funds had a combined increase in net position of $691 thousand. The Sewer Fund decreased by $427 thousand, the Sanitation Funds increased by $122 thousand, and the Water Fund had an increase of $996 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of 2016, the City amended the General Fund budget five times. All recommended amendments for budget changes came through the Finance and City Manager's Department, to City Council via Ordinance as required by the City Code. The General Fund original budgeted expenditures were $14.3 million; and the final budgeted amount was $15.5 million. The main components of the increase were:

- Grant expenditures of $496 thousand; which included the safe routes to school grant-sidewalks ($269 thousand), airport grant for perimeter fencing ($172 thousand), marijuana impact grant ($26 thousand) and safe routes to school-non infrastructure grant ($29 thousand).
- Purchase of land for trails ($143 thousand).
- Carry over street project from 2015 ($486 thousand).
- Carry over purchase orders from 2015 ($58 thousand).

In order to consider the additional appropriations, the budgeted revenues were also amended. The original budgeted revenues for the General Fund were $13.7 million; the final budgeted amount was $14.2 million. The majority of the increased revenue was money anticipated to be received for the grants, mentioned above.



The variance between actual expenditures and the final budget amounted to $1.7 million in unspent appropriation and is summarized below.

- All departments/divisions in the General Fund had unexpended funds due to the budgeting of personnel costs. Due to turnover, vacancies and the budgeting of medical insurance, there were unspent budgeted funds at the end of the year. The City budgets the total premium for each employee during the budget process; however there are employees that do not take the City's insurance.

- Changes in personnel throughout the year resulted in $383 thousand, or 23% of the unspent budget.

- Public Works – The remaining grant funds for the airport perimeter fence of $78 thousand was not spent.

- The street program had $279 thousand left in 2016; which will be completed in 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City of Sterling's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to $79 million (net of accumulated depreciation). This amount includes a broad range of capital assets, including police and fire equipment, roads, water and wastewater lines, storm drainage and other infrastructure.

The City remains committed to the upkeep and maintenance of the City's largest assets. More detailed information about the City's capital assets is presented in Note E to the financial statements.

CITY OF STERLING
CAPITAL ASSETS ON DECEMBER 31, 2016
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	$ 1,754	$ 1,900	$ 1,370	$ 1,370	$ 3,124	$ 3,270
Construction in Progress	962	110	19	110	981	220
Water rights	-	-	708	708	708	708
Buildings	7,113	6,795	2,210	2,062	9,323	8,857
Equipment	3,193	3,839	1,037	953	4,230	4,792
Improvements	7,949	8,614	36,948	39,025	44,897	47,639
Infrastructure	12,480	13,426	-	-	12,480	13,426
Total	$ 33,451	$ 34,684	$ 42,292	$ 44,228	$ 75,743	$ 78,912

The major capital asset additions during 2016 included:

- 2016 street improvements, curb ramps and alley projects
- Front Street Park
- Land purchase for the trail project
- Airport fuel farm
- Water meter replacement/radio read system

Long-term debt. The City had $26 million in debt outstanding at year-end 2016. More detailed information about the City's long-term debt is presented in Note F to the financial statements.

City of Sterling
Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
CWRPDA Loan - Sewer	$ -	$ -	$ 186	$ -	$ 186	$ -
CWRPDA Loan - Water	-	-	24,800	23,525	24,800	23,525
Premium on notes	-	-	592	556	592	556
Service Center Lease	635	430	-	-	635	430
Fire Truck Lease	35	-	-	-	35	-
Air Pack Lease	164	134	-	-	164	134
Net Pension Liability	616	771	-	-	616	771
Compensated Absences	508	538	64	60	572	598
TOTAL	$ 1,958	$ 1,873	$ 25,642	$ 24,141	$ 27,600	$ 26,014

ECONOMIC FACTORS AND THE 2017 BUDGET

In preparing the 2017 Budget, the City took into consideration the current economy. The 2017 adopted expenditure budget was appropriated at $14 million for the General Fund, which was $1.5 million less that the final 2016 budget. The adopted revenue budget for 2017 was $13 million, which was $1.2 million less than the final budget for 2016.

The City is conducting a study to determine the capacity of the wastewater treatment plant. With the industries and projected growth of the City, the loading on the plan is approaching the 85% of published capacity, the trigger point for starting planning for an expansion.

The City is being cautious with its spending in 2017. Staff is monitoring on a monthly basis the 2017 revenues and expenditures to the same month in 2016, year to date 2017 compared to 2016, and year to date 2017 budget projections.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the City of Sterling Director of Finance, 421 N 4th Street, Sterling, CO 80751.

Basic Financial Statements

The basic financial statements of the City include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

CITY OF STERLING, COLORADO
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	$ 484,240	$ 679,941	$ 1,164,181
Cash with county treasurer	12,155		12,155
Certificates of deposit		106,523	106,523
Investments	6,277,513	11,041,534	17,319,047
Receivables	2,861,645	703,872	3,565,517
Internal balances	(98,937)	98,937	-
Inventory		351,853	351,853
Prepaid items	93,422		93,422
Net pension asset	212,490		212,490
Restricted cash		183,671	183,671
Land, construction in progress and water rights	2,009,672	109,800	2,119,472
Capital assets, net of depreciation	32,674,234	44,118,450	76,792,684
Total assets	44,526,434	57,394,581	101,921,015
Deferred outflows of resources			
Pension deferrals	818,349		818,349
Total assets and deferred outflows of resources	$ 45,344,783	$ 57,394,581	$ 102,739,364

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

Component Unit
$ 2,198,746
115,033
2,313,779
$ 2,313,779

(continued)

CITY OF STERLING, COLORADO
Statement of Net Position
December 31, 2016

(continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	$ 544,625	$ 308,204	$ 852,829
Accrued salaries and benefits	103,556	16,178	119,734
Accrued interest payable	5,635	235,453	241,088
Unearned revenues	5,734		5,734
Noncurrent liabilities			
Due within one year	281,567	1,300,773	1,582,340
Due in more than one year	1,591,036	22,841,550	24,432,586
Total liabilities	2,532,153	24,702,158	27,234,311
Deferred inflows of resources			
Property taxes levied in advance	1,110,749		1,110,749
Pension deferrals	26,851		26,851
Total deferred inflows of resources	1,137,600	-	1,137,600
Net position			
Net investment in capital assets	34,120,059	20,146,350	54,266,409
Restricted for emergencies	420,000		420,000
Restricted for public safety	352,082		352,082
Restricted for culture and recreation	514,100		514,100
Restricted for pensions	212,490		212,490
Restricted for system improvements		183,671	183,671
Unrestricted	6,056,299	12,362,402	18,418,701
Total net position	41,675,030	32,692,423	74,367,453
Total liabilities, deferred inflows of resources and net position	$ 45,344,783	$ 57,394,581	$ 102,739,364

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

Component Unit
$ 1,402
1,402
2,312,377
2,312,377
$ 2,313,779

CITY OF STERLING, COLORADO
Statement of Activities
For the Year Ended December 31, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 2,832,942	$ 198,425	$ 300	$ 237,250
Public safety	5,447,840	75,517	7,301	
Public works	2,503,091	216,141	463,042	310,499
Health and welfare	207,844	138,988		
Culture and recreation	2,845,546	228,529	167,546	
Interest on long-term debt	35,486			
Total governmental activities	13,872,749	857,600	638,189	547,749
Business-type activities				
Water services	4,241,158	5,130,328		15,520
Sanitation services	463,432	609,272		
Sewer services	2,088,010	1,662,993		20,800
Total business-type activities	6,792,600	7,402,593	-	36,320
Total primary government	$ 20,665,349	$ 8,260,193	$ 638,189	$ 584,069
Component unit				
Sterling Urban Renewal Authority	$ 257,392	$ -	$ -	$ -

General revenues
Taxes
Property taxes, levied for general purposes
Specific ownership taxes
Sales and use taxes
Franchise taxes
Other taxes
Unrestricted earnings on investments
Miscellaneous
Sale of assets
Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (2,396,967)		$ (2,396,967)	
(5,365,022)		(5,365,022)	
(1,513,409)		(1,513,409)	
(68,856)		(68,856)	
(2,449,471)		(2,449,471)	
(35,486)		(35,486)	
(11,829,211)	$ -	(11,829,211)	
	904,690	904,690	
	145,840	145,840	
	(404,217)	(404,217)	
-	646,313	646,313	
(11,829,211)	646,313	(11,182,898)	
			$ (257,392)
1,094,656		1,094,656	
118,645		118,645	
7,427,415		7,427,415	
632,826		632,826	
158,281		158,281	748,515
46,693	73,511	120,204	2,289
2,500,653	95,878	2,596,531	
95,617	(95,617)	-	
12,074,786	73,772	12,148,558	750,804
245,575	720,085	965,660	493,412
41,429,455	31,972,338	73,401,793	1,818,965
$ 41,675,030	$ 32,692,423	$ 74,367,453	$ 2,312,377

CITY OF STERLING, COLORADO
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 349,802	$ 35,902	$ 385,704
Cash with county treasurer	12,155		12,155
Investments	1,975,251	1,563,301	3,538,552
Property taxes receivable	1,110,749		1,110,749
Other taxes receivable	743,089		743,089
Other receivables	514,151	280,859	795,010
Special assessments receivable	4,022		4,022
Prepaid items	93,422		93,422
Total assets	$ 4,802,641	$ 1,880,062	$ 6,682,703
Liabilities			
Accounts payable	$ 224,990	$ 300,410	$ 525,400
Accrued salaries and benefits	97,233		97,233
Deposits	3,734		3,734
Unearned revenues	2,000		2,000
Total liabilities	327,957	300,410	628,367
Deferred inflows of resources			
Deferred property tax revenues	1,110,749		1,110,749
Total deferred inflows of resources	1,110,749	-	1,110,749
Fund balance			
Nonspendable - prepaid items	93,422		93,422
Restricted - public safety		352,082	352,082
Restricted - culture and recreation		514,100	514,100
Committed - capital improvements		488,097	488,097
Committed - culture and recreation	126,820		126,820
Committed - health and welfare		225,373	225,373
Unassigned	3,143,693		3,143,693
Total fund balance	3,363,935	1,579,652	4,943,587
Total liabilities, deferred inflows of resources and fund balance	$ 4,802,641	$ 1,880,062	$ 6,682,703

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

CITY OF STERLING, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	$ 4,943,587
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	30,189,734
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,282,905)
Net pension assets and deferrals used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,003,988
Internal service funds are used by management to charge the costs of certain activities to individual funds, such as insurance, fleet and service center management. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	6,820,626
Net position of the governmental activities	$ 41,675,030

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

CITY OF STERLING, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 9,291,292	$ 140,531	$ 9,431,823
Licenses and permits	250,880		250,880
Intergovernmental	2,279,235	158,122	2,437,357
Charges for services	257,368	20,435	277,803
Fines and forfeitures	100,757		100,757
Earnings on investments	16,858	10,664	27,522
Miscellaneous	1,202,083	40,248	1,242,331
Total revenues	13,398,473	370,000	13,768,473
Expenditures			
Current			
General government	2,928,655	106,917	3,035,572
Public safety	5,214,514	182,589	5,397,103
Public works	3,152,422		3,152,422
Health and welfare	201,911	630	202,541
Culture and recreation	2,289,842	499,546	2,789,388
Total expenditures	13,787,344	789,682	14,577,026
Excess of revenues over (under) expenditures	(388,871)	(419,682)	(808,553)
Other financing sources (uses)			
Transfers in	1,000		1,000
Transfers out	(141,453)	(200)	(141,653)
Total other financing sources (uses)	(140,453)	(200)	(140,653)
Net change in fund balance	(529,324)	(419,882)	(949,206)
Fund balance at beginning of year	3,893,259	1,999,534	5,892,793
Fund balance at end of year	$ 3,363,935	$ 1,579,652	$ 4,943,587

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

CITY OF STERLING, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	$ (949,206)
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 position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays ($2,272,716) exceeded depreciation ($1,338,534) in the current period.	934,182
Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.	(61,631)
In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.)	(30,880)
Internal service funds are used by management to charge the costs of certain activities to individual funds, such as insurance, fleet and service center management. The net revenue (expense) of the certain internal service funds is reported with governmental activities.	353,110
Change in net position of governmental activities	$ 245,575

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

CITY OF STERLING, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Assets			
Current assets			
Cash	$ 192,544	$ 230,894	$ 256,503
Certificates of deposit			106,523
Investments	6,230,336	487,612	4,323,586
Receivables	442,025	70,979	190,868
Due from other funds			149,155
Inventory	257,879	9,382	84,592
Total current assets	7,122,784	798,867	5,111,227
Noncurrent assets			
Restricted cash with fiscal agent	183,671		
Construction in progress			109,800
Capital assets, net of depreciation	35,652,748	179,530	8,286,172
Total noncurrent assets	35,836,419	179,530	8,395,972
Total assets	$ 42,959,203	$ 978,397	$ 13,507,199

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

Total	Governmental Activities - Internal Service Funds
$ 679,941	$ 98,536
106,523	
11,041,534	2,738,961
703,872	208,775
149,155	
351,853	
13,032,878	3,046,272
183,671	
109,800	
44,118,450	4,494,172
44,411,921	4,494,172
$ 57,444,799	$ 7,540,444

(continued)

CITY OF STERLING, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2016

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Liabilities			
Current liabilities			
Accounts payable	$ 145,207	$ 2,499	$ 160,498
Accrued salaries and benefits payable	7,743	1,791	6,644
Accrued interest payable	235,453		
Due to other funds	149,155		
Current portion of compensated absences	1,000	2,000	2,000
Current portion of note payable	1,295,773		
Current portion of capital lease obligation			
Total current liabilities	1,834,331	6,290	169,142
Long-term liabilities			
Accrued compensates absences	21,498	7,923	26,002
Note payable	22,786,127		
Capital lease obligation			
Total long-term liabilities	22,807,625	7,923	26,002
Total liabilities	24,641,956	14,213	195,144
Net position			
Net investment in capital assets	11,570,848	179,530	8,395,972
Restricted for system improvements	183,671		
Restricted for emergencies			
Unrestricted	6,562,728	784,654	4,916,083
Total net position	18,317,247	964,184	13,312,055
Total liabilities and net position	$ 42,959,203	$ 978,397	$ 13,507,199

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

Total	Governmental Activities - Internal Service Funds
$ 308,204	$ 19,225
16,178	6,323
235,453	5,635
149,155	
5,000	
1,295,773	
-	241,567
2,009,763	272,750
55,423	25,851
22,786,127	
-	322,280
22,841,550	348,131
24,851,313	620,881
20,146,350	3,930,325
183,671	
-	420,000
12,263,465	2,569,238
32,593,486	6,919,563
$ 57,444,799	$ 7,540,444

Total net position - enterprise funds	$ 32,593,486
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.	98,937
Net position of the business-type activities	$ 32,692,423

CITY OF STERLING, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Operating revenues			
Charges for services	$ 5,130,328	$ 609,272	$ 1,662,993
Miscellaneous			
Total operating revenues	5,130,328	609,272	1,662,993
Operating expenses			
Personnel	599,563	179,377	462,415
Maintenance and supplies	1,768,041	189,973	672,161
Administrative cost allocation	526,449	76,989	298,008
Depreciation and amortization	818,275	22,419	656,731
Claims			
Premiums			
Total operating expenses	3,712,328	468,758	2,089,315
Operating income (loss)	1,418,000	140,514	(426,322)
Nonoperating revenues (expenses)			
Earnings on investments	43,057	2,644	27,810
Rents and rights	87,976		
Miscellaneous	7,902		
Contributions			
Insurance proceeds			
Federal and state grants			
Gain (loss) on disposal of assets	(1,464)		
Debt service interest and fiscal charges	(540,635)		(8,839)
Total nonoperating revenues (expenses)	(403,164)	2,644	18,971
Income (loss) before transfers and capital contributions	1,014,836	143,158	(407,351)

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

Total	Governmental Activities - Internal Service Funds
$ 7,402,593	$ 3,757,914
-	1,796
7,402,593	3,759,710
1,241,355	446,521
2,630,175	386,078
901,446	
1,497,425	327,526
-	115,525
-	2,631,822
6,270,401	3,907,472
1,132,192	(147,762)
73,511	19,171
87,976	
7,902	
-	149,495
-	89,270
-	79,314
(1,464)	(8,423)
(549,474)	(35,486)
(381,549)	293,341
750,643	145,579

(continued)

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Transfers in			
Transfers out	(34,557)	(20,605)	(40,455)
Capital contributions	15,520		20,800
Change in net position	995,799	122,553	(427,006)
Net position at beginning of year	17,321,448	841,631	13,739,061
Net position at end of year	$ 18,317,247	$ 964,184	$ 13,312,055

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

Total	Governmental Activities - Internal Service Funds
-	237,070
(95,617)	(800)
36,320	
691,346	381,849
31,902,140	6,537,714
$ 32,593,486	$ 6,919,563

Net change in net position - proprietary funds	$ 691,346
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.	28,739
Change in net position of business-type activities	$ 720,085

CITY OF STERLING, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Cash flows from operating activities			
Receipts from customers	$ 5,101,344	$ 592,294	$ 1,663,628
Internal activity - receipts from (payments to) other funds	(32,438)		32,438
Payments to providers			
Payments to claimants			
Payments to suppliers	(2,400,597)	(266,955)	(904,639)
Payments to employees	(607,766)	(179,014)	(451,867)
Net cash provided by operating activities	2,060,543	146,325	339,560
Cash flows from noncapital financing activities			
Insurance proceeds			
Federal and state grants			
Transfers from other funds			
Transfers to other funds	(32,967)	(20,605)	(40,455)
Net cash provided (used) by noncapital financing activities	(32,967)	(20,605)	(40,455)
Cash flows from capital and related financing activities			
Capital contributions	15,520		20,800
Receipts from rents and rights	87,976		
Reimbursements and other revenues	7,902		
Purchase of capital assets	(3,249,710)		(186,812)
Proceeds from sale of capital assets			
Principal paid on capital debt	(1,278,496)		(181,978)
Interest and fiscal charges paid on capital debt	(584,381)		(11,577)
Net cash used by capital and related financing activities	(5,001,189)	-	(359,567)

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

Total	Governmental Activities - Internal Service Funds
$ 7,357,266	$ 3,759,710
-	
-	(2,631,822)
-	(115,525)
(3,572,191)	(469,077)
(1,238,647)	(445,162)
2,546,428	98,124
-	89,270
-	267,796
-	235,480
(94,027)	(800)
(94,027)	591,746
36,320	149,495
87,976	
7,902	
(3,436,522)	(636,618)
-	3,461
(1,460,474)	(270,083)
(595,958)	(37,328)
(5,360,756)	(791,073)

(continued)

CITY OF STERLING, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Cash flows from investing activities			
Proceeds from the sale of investments	1,205,000		100,000
Purchase of investments		(130,000)	(104,884)
Net cash provided by investing activities	1,205,000	(130,000)	(4,884)
Net increase (decrease) in cash and cash equivalents	(1,768,613)	(4,280)	(65,346)
Cash and cash equivalents at beginning of year	2,144,828	235,174	321,849
Cash and cash equivalents at end of year	$ 376,215	$ 230,894	$ 256,503
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ 1,418,000	$ 140,514	$ (426,322)
Adjustments to reconcile operating income (loss) to net cash used by operating activities			
Depreciation and amortization	818,275	22,419	656,731
Changes in assets and liabilities			
Receivables	(28,984)	(16,978)	635
Interfund items	(32,438)		32,438
Inventory	28,325	2,773	(3,197)
Accounts payable	(134,432)	(2,766)	68,727
Accrued salaries and benefits payable	2,178	558	3,786
Accrued compensated absences	(10,381)	(195)	6,762
Net cash provided (used) by operating activities	$ 2,060,543	$ 146,325	$ 339,560
Cash and cash equivalents at end of year consist of:			
Cash	$ 192,544	$ 230,894	$ 256,503
Restricted cash with fiscal agent	183,671		
Total	$ 376,215	$ 230,894	$ 256,503

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

Total	Governmental Activities - Internal Service Funds
1,305,000	283,996
(234,884)	(155,000)
1,070,116	128,996
(1,838,239)	27,793
2,701,851	70,743
$ 863,612	$ 98,536
$ 1,132,192	$ (147,762)
1,497,425	327,526
(45,327)	
-	
27,901	
(68,471)	(82,999)
6,522	2,676
(3,814)	(1,317)
$ 2,546,428	$ 98,124
$ 679,941	$ 98,536
183,671	
$ 863,612	$ 98,536

Note A – Summary of significant accounting policies

This summary of the City of Sterling's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The more significant of the City's accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (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. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The City has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Sterling Urban Renewal Authority (SURA) is included in the financial statements as a component unit of the City. The SURA was created by ordinance passed in 1978 by the City Council under authorization of State Statutes. The purpose of SURA is to acquire and develop or redevelop certain areas in the City to maintain public welfare. The financial statements of the SURA are included in the City's financial statements using discrete presentation, because the City officials appoint a voting majority of the organization's governing body and its tax increment financing indicates financial interdependency; however, the presentation is in a separate column to recognize legal separation from the City. Legal counsel is of the opinion that under State Statutes, the City is not liable with respect to any debt of the SURA. Complete financial statements of the SURA are not available as the entity is not required by Colorado Local Government Audit Laws to issue audited financial statements.

Note A – Summary of significant accounting policies (Continued)

A.2 – Fund accounting

The City uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), major capital projects (capital projects fund), and the servicing of general long-term debt (debt service fund). The following is the City's major governmental fund:

General Fund – The General Fund is the operating fund of the City. It is used to account for most of the day-to-day operations of the City which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the City, except for activities of the enterprise funds.

The following are the City's nonmajor governmental funds:

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

Perpetual Care Fund – This fund is a special revenue fund established for the purpose of using revenues generated from investments for operations and care of the cemetery.

Karl Falch Library Trust Fund – This fund is a special revenue fund established to account for resources held by the City in a fiduciary capacity as willed by Karl Falch to be used for library purposes.

Hotel Tax Fund – This fund is a special revenue fund established to account for the hotel lodging tax revenues and allowable expenditures.

Library Improvement Fund – This fund is a special revenue fund established to account for contributions and expenditures related to the renovation of the municipal library.

Note A – Summary of significant accounting policies (Continued)

Old Hire Police Pension Fund – This fund is a special revenue fund established to account for the proceeds of the idle pension funds in the Old Hire Police Pension Plan and expenditures thereof.

Capital Improvement Fund – This fund is a capital projects fund established to account for rental and sales proceeds from City owned land, with the proceeds being used to pay for capital improvements.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major proprietary funds:

Water Fund – This fund was established to account for all operations of the water utility services provided by the City.

Sanitation Fund – This fund was established to account for all operations of the sanitation services provided by the City.

Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the City.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the City's own programs. The City does not have any fiduciary funds.

Additionally, the City reports the following fund type:

Internal Service Funds – These funds account for insurance, fleet and service center management services provided to other departments or agencies of the City on a cost reimbursement basis.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Note A – Summary of significant accounting policies (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund financial statements – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Note A – Summary of significant accounting policies (Continued)

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note A – Summary of significant accounting policies (Continued)

Unearned revenue - Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the City to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year's budget, therefore no amounts are reported in the financial statements.

A.6 – Cash and cash investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Short-term investments, including government securities and certificates of deposit, are purchased with pooled cash. Interest earned is allocated to individual funds based on their proportional equity in each investment purchased. Certain funds have made disbursements for investments in excess of the fund's individual equity. The deficit balances of these funds are reported as a liability "due to other funds."

A.7 – Cash and cash equivalents

For the purposes of the statement of cash flows, the City considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.8 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

Note A – Summary of significant accounting policies (Continued)

A.9 – Receivables

Monthly charges for water, sanitation and sewer services are included with monthly utility billings. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

A.10 – Inventories

Inventories in the proprietary funds consist of supplies and are recorded at the lower of cost or market using the first-in, first-out method.

A.11 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

All capital assets with a unit cost greater than $5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) have been capitalized on a prospective basis beginning in 2004.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

Note A – Summary of significant accounting policies (Continued)

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities	Business-type Activities
Buildings	50 years	40 years
Equipment	10-25 years	3-10 years
Improvements other than buildings	10-50 years	25-50 years
Infrastructure	6-50 years	n/a

A.12 – Compensated absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." In recognition of the varying work schedules of city employees and each employee's diverse needs for time away from work, the City provides a general leave policy of paid time off (PTO) for its employees. Paid time off shall be accrued by regular employees and is determined by the work period that each employee is scheduled.

Employees with a regular work period of forty (40) hours per week shall accrue the following amount of PTO on a biweekly basis for twenty-six (26) pay periods each year:

Years of service	Annual accrual hours	Maximum accrual
0-5 years	192 hours	288 hours
6-9 years	216 hours	288 hours
10-19 years	240 hours	288 hours
20 & over	264 hours	288 hours

Employees with a regular work period of one hundred seventy one (171) hours per month shall accrue the following amounts of PTO on a biweekly basis for twenty-six (26) pay periods each year:

Years of service	Annual accrual hours	Maximum accrual
0-5 years	210.94 hours	327.42 hours
6-9 years	236.68 hours	327.42 hours
10-19 years	262.42 hours	327.42 hours
20 & over	328.16 hours	327.42 hours

Note A – Summary of significant accounting policies (Continued)

Employees with a regular work period of two hundred twelve (212) hours per month shall accrue the following amount of PTO on a biweekly basis for twenty-six (26) pay periods each year:

Years of service	Annual accrual hours	Maximum accrual
0-5 years	254.28 hours	383.04 hours
6-9 years	286.26 hours	383.04 hours
10-19 years	317.98 hours	383.04 hours
20 & over	349.96 hours	383.04 hours

Regular part-time employees working between twenty (20) and thirty (30) hours per week will receive a proportionate amount of PTO equivalent to the number of hours worked, with the exception that there will be no days granted as holidays to these persons. Employees working between thirty (30) and forty (40) hours per week will earn a proportionate amount of PTO at the same rate as other earnings.

Upon separation, employees will be paid for accrued but unused PTO up to the maximum limits as established by the City as follows:

Scheduled Work Periods	Maximum Hours Paid
40 hours	288.00 hours
171 hours	308.16 hours
212 hours	383.04 hours

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of the compensated absences is reported as a fund liability.

The amounts recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

Note A – Summary of significant accounting policies (Continued)

A.13– Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.14 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

A.15 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are service charges for water, sanitation and sewer utility services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note A – Summary of significant accounting policies (Continued)

A.16 – Interfund transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

A.17 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the city council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.18 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

- *Nonspendable,* such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the city council (the City's highest level of decision-making authority),
- *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- *Unassigned* fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

Note A – Summary of significant accounting policies (Continued)

Committed fund balance is established by a formal passage of a resolution. Assigned fund balance is established by the city council through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the City applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

Fund balances are reported as restricted or committed for the following purposes:

	Restricted Fund Balance	Committed Fund Balance
Public safety – police department	$ 352,082	$ -
Culture and recreation – parks	151,302	-
Culture and recreation – library	41,872	-
Culture and recreation - beautification	320,926	-
Capital improvements	-	488,097
Culture and recreation – museum	-	71,119
Culture and recreation – arts	-	55,701
Health and welfare – cemetery	-	225,373
Totals	$ 866,182	$ 840,290

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the City's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have deposit policy for custodial credit risk. As of year-end, the city had total deposits of $1,432,139, of which $250,000 were insured and $1,182,139 was collateralized with securities held by the pledging institution's trust department or agent in the City's name.

Note B – Cash and investments (Continued)

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the City's own investment policies and procedures. Investments of the City may include:

- Obligations of the United States Government, such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the City had the following investments:

		Investment maturities (in years)		
Investment type	Fair value	Less than 1	1-5	6-10
State investment pool	$ 17,319,047	$17,319,047	$ -	$ -

Interest rate risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit risk – State law limits investments in commercial paper, corporate bonds and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The City has no investment policy that would further limit its investment choices. The City invests funds in Colotrust, a state investment pool operated under C.R.S. 24-75-701, with the Colorado Securities Commissioner having oversight authority. The pool operates similar to a 2a-7-like money market fund with a share value equal to $1.00 and a maximum weighted average maturity of 60 days. At year-end, the City's investment in the state investment pool was rated AAA by Standard & Poor's.

Note C – Receivables

Receivables at year-end consist of the following:

	Governmental Activities	Business-type Activities	Total Receivables
Utility accounts	$ -	$ 703,872	$ 703,872
Property taxes	1,110,749	-	1,110,749
Other taxes	743,089	-	743,089
Other	1,003,785	-	1,003,785
Special assessments	4,022	-	4,022
Total	$ 2,861,645	$ 703,872	$ 3,565,517

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Logan County bills and collects property taxes for all taxing entities within the County.

Note D – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

Due From	Due To	Amount
Sewer Fund	Water Fund	$ 149,155

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	$ 200
General Fund	Internal Service Funds	800
Internal Service Funds	General Fund	141,453
Internal Service Funds	Water Fund	34,557
Internal Service Funds	Sanitation Fund	20,605
Internal Service Funds	Sewer Fund	40,455
Total		$ 238,070

Note D – Interfund transactions (Continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The City annually transfers funds from the Other Governmental Funds (Perpetual Care Fund) to the General Fund to provide support for the maintenance of the cemetery. In addition, the City annually transfers funds from the General Fund and all Enterprise Funds (Water, Sanitation and Sewer) to the Internal Service Funds (Service Center Fund) to make the required lease payment on the service center building.

Note E – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Adjustments	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 1,754,160	$ 145,500	$ -	$ 1,899,660
Construction in progress	962,189	132,519	(984,696)	110,012
Total capital assets, not being depreciated	2,716,349	278,019	(984,696)	2,009,672
Capital assets, being depreciated:				
Buildings	11,753,310	-	-	11,753,310
Equipment	8,899,241	969,094	(618,456)	9,249,879
Improvements	14,756,032	1,177,749	(17,750)	15,916,031
Infrastructure	23,988,536	1,503,919	-	25,492,455
Total capital assets, being depreciated	59,397,119	3,650,762	(636,206)	62,411,675
Total capital assets	62,113,468	3,928,781	(1,620,902)	64,421,347
Less accumulated depreciation for:				
Buildings	(4,708,841)	(249,308)	-	(4,958,149)
Equipment	(5,628,896)	(366,686)	584,358	(5,411,224)
Improvements	(6,816,069)	(492,604)	6,804	(7,301,869)
Infrastructure	(11,508,736)	(557,463)	-	(12,066,199)
Total accumulated depreciation	(28,662,542)	(1,666,061)	591,162	(29,737,441)
Governmental activities capital assets, net	$ 33,450,926	$ 2,262,720	$ (1,029,740)	$ 34,683,906

Note E – Capital assets (Continued)

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 1,369,839	$ -	$ -	$ 1,369,839
Construction in progress	19,260	109,800	(19,260)	109,800
Water rights	707,637	-	-	707,637
Total capital assets, not being depreciated	2,096,736	109,800	(19,260)	2,187,276
Capital assets, being depreciated				
Buildings	5,944,483	-	-	5,944,483
Equipment	3,381,144	68,167	(105,180)	3,344,131
Improvements	55,961,661	3,294,923	-	59,256,584
Total capital assets, being depreciated	65,287,288	3,363,090	(105,180)	68,545,198
Total capital assets	67,384,024	3,472,890	(124,440)	70,732,474
Less accumulated depreciation for:				
Buildings	(3,734,433)	(147,519)	-	(3,881,952)
Equipment	(2,343,610)	(132,453)	85,018	(2,391,045)
Improvements	(19,013,774)	(1,217,453)	-	(20,231,227)
Total accumulated depreciation	(25,091,817)	(1,497,425)	85,018	(26,504,224)
Business-type activities capital assets, net	$ 42,292,207	$ 1,975,465	$ (39,422)	$ 44,228,250

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	$ 31,432
Public safety	84,501
Public works	797,825
Health and welfare	8,238
Culture and recreation	416,539
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on the percentage of contribution to the fund.	327,526
Total governmental activities	$ 1,666,061

Note E – Capital assets (Continued)

Business-type activities	
Water	$ 818,275
Sanitation	22,419
Sewer	656,731
Total business-type activities	$ 1,497,425

Note F – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Governmental activities					
Capital lease	$ 833,930	$ -	$ (270,083)	$ 563,847	$ 241,567
Net pension liability	615,702	155,364	-	771,066	-
Compensated absences	508,127	524,399	(494,836)	537,690	40,000
Total	$ 1,957,759	$ 679,763	$ (764,919)	$ 1,872,603	$ 281,567

The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Business-type activities					
Notes payable	$ 24,985,959	$ -	$ (1,460,474)	$ 23,525,485	$ 1,295,773
Premium on notes	592,121	-	(35,706)	556,415	-
Compensated absences	64,237	78,557	(82,371)	60,423	5,000
Total	$ 25,642,317	$ 78,557	$ (1,578,551)	$ 24,142,323	$ 1,300,773

Note F – Long-term debt (Continued)

Capital lease obligations

Service Center – The City has entered into an annually renewable lease and purchase option agreement for the construction of a service center. The City has capitalized $2,405,000 of assets under this capital lease. This lease, dated October 1, 1998 requires varying semiannual payments with a fixed interest rate of 5.30%, with final payment due December 1, 2018. This lease agreement includes an annual purchase option at a price equal to such amount as shall be necessary to discharge the indebtedness. The lessor has a first lien security interest in the property until the payments are completed. In July 2004, the City entered into a refinancing arrangement lowering the interest rate to 4.80% and reducing the remaining payments by $99,782.

Air packs – The City has entered into an annually renewal lease and purchase option agreement for the acquisition of 35 MSA G1 complete air packs. The City has capitalized $201,015 of assets under this capital lease. This lease, dated March 30, 2016 requires annual payments of $36,787 and has a fixed rate of 3.9%, with a final payment due April 1, 2020.

The following is a schedule by years of future minimum lease payments under the capital lease above, together with the present value of the net minimum lease payments at year-end:

Year ended December 31,	Debt service requirement
2017	$ 267,426
2018	267,347
2019	36,787
2020	36,787
Total minimum lease payments	608,347
Less amount representing interest	(44,500)
Present value of future net minimum lease payments	$ 563,847

Note F – Long-term debt

Notes payable

CWRPDA Note payable – Water Fund – The City has entered into a $28,558,845 note agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) dated March 1, 2016, due in semi-annual installments ranging from $275,515 to $931,388 through 2032. The agreement provides for the disbursement of funds at the City's request to facilitate the construction of a 9.6 MGD water treatment plant, pumping facilities, raw water piping to convey raw water to the new treatment plant, finish water piping to convey potable water from the plant to the City's distribution system, and piping to convey concentrate from the plant to a deep injection well. $ 23,525,485

The following schedule represents the City's debt service requirements to maturity for the outstanding notes payable at year-end:

Year ended December 31,	Principal	Interest	Total
2017	$ 1,295,773	$ 565,087	$ 1,860,860
2018	1,313,050	548,126	1,861,176
2019	1,330,327	533,129	1,863,456
2020	1,353,364	508,308	1,861,672
2021	1,376,399	484,714	1,861,113
2022-2026	7,216,018	2,092,452	9,308,470
2027-2031	7,861,025	1,444,891	9,305,916
2032	1,779,529	83,248	1,862,777
Total	$23,525,485	$ 6,259,955	$ 29,785,440

Note G – Risk management

Employee Benefits Fund

Employee health and dental program – The City changed its health and dental program from a partially self-funded plan to a fully funded plan through County Health Pool. Current provisions of the plan provide benefits subject to a deductible ranging from $0 - $1,000, with an annual maximum out-of-pocket expense ranging from $2,000 to $2,500 per individual, and $5,000 to $6,000 per family. Employees are required to pay 10% of the premium, with the City paying the remaining 90%.

Life – All eligible employees receive life insurance coverage with a policy face value of $20,000. All spouses are covered for $2,000 and dependents are covered for $1,000. This coverage is purchased through an outside insurance carrier.

Employee disability programs – The City has established a program which provides covered employees with disability benefits. The City contributes, on behalf of its employees who work a minimum of thirty (30) hours per week, sufficient amounts to provide for both short-term and long-term disability benefits as defined by the plan. Contributions are determined annually, and were initially established at $.32 per $10 of earnings for short-term disability coverage, and .81% of total covered payroll per month for long-term disability coverage.

Short-term disability – Current provisions of this plan provide for disability payments of 70% of weekly earnings up to a maximum of $900 per week, less any amounts the employee receives, or is entitled to receive, under any state compulsory benefit act or law.

Long-term disability – Current provisions of this plan provide for disability payments of 60% of basic monthly earnings, not to exceed the maximum monthly benefit of $3,500, less other income benefits. The maximum benefit period for employees who had not reached the age of 60 at the date of disability runs through age 65, with benefit periods ranging from sixty (60) months at age 60 to twelve (12) months for individuals age 69 and over.

Risk Management Fund

During 1990, The City joined the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool that provides member municipalities defined liability and property as well as workers compensation coverages through self-insurance, insurance, re-insurance or any combination thereof, and to assist members in loss prevention measures. The City pays an annual contribution to CIRSA for its insurance coverage. For the year, the City's financial contribution to CIRSA was $559,167. CIRSA was organized to be self-sustaining through member contributions with excess coverages being purchased from commercial companies.

Note G – Risk management (Continued)

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1990, the City established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss which amount to $1,000 for property and liability claims. Under this program, the fund provides coverage up to $150,000 per person and $600,000 per occurrence for each property or general liability claim. All departments of the City participate in the program and make payments to the Risk Management Fund based on a historical cost basis of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The City does not believe any accrued liability in excess of insurance limits is warranted at year-end based upon previous history of insurance claims. Settled claims resulting from any of the above risks have not exceeded the insurance coverages provided in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Pension plans

Statewide Defined Benefit Plan - Police

Summary of significant accounting policies

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

General information about the pension plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Note H – Pension plans (Continued)

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

Benefits provided. The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Note H – Pension plans (Continued)

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8.5 percent and 8.0 percent, respectively, of base salary for a total contribution rate of 16.5 percent through 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20 percent of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, members of the affiliate social security group will have their required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the Plan from the City on behalf of its police officers were $75,420.

Note H – Pension plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported an asset of $3,652 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net position asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2015, the City's proportion was .2072 percent, which was a decrease of .0004 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense (income) of $(20,398). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 185,874	$ -
Changes in assumptions or other inputs	57,364	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	6,260
Contributions subsequent to measurement date	75,420	
Difference between expected and actual experience	29,537	4,312
Totals	$ 348,195	$ 10,572

$75,420 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note H – Pension plans (Continued)

Year Ended December 31,	Amount
2017	$ 55,869
2018	55,869
2019	55,869
2020	51,261
2021	8,249
Thereafter	35,086
Totals	$ 262,203

Actuarial assumptions. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2016
Actuarial method	Entry age normal
Amortization method	Level percent of payroll, open
Amortization period	30 years
Long-term investment rate of return *	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of living adjustments	0.0 percent
* Includes inflation at	2.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

At least every five years the FPPA's Board of Directors reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

Note H – Pension plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

Note H – Pension plans (Continued)

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability (asset)	$ 511,604	$ (3,652)	$ (431,039)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

Statewide Defined Benefit Plan - Fire

Summary of significant accounting policies

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

General information about the pension plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Note H – Pension plans (Continued)

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

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Benefits provided. The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Note H – Pension plans (Continued)

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent through 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary through 2015. It is a local decision as to whether the member of employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, members of the affiliate social security group will have their required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the Plan from the City on behalf of its fire fighters were $69,295.

Note H – Pension plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported an asset of $3,037 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net position asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2015, the City's proportion was .1723 percent, which was an increase of .0010 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense (income) of $(23,102). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 154,589	$ -
Changes in assumptions and other inputs	47,709	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,068	6,733
Contributions subsequent to measurement date	69,295	
Difference between expected and actual experience	24,565	3,586
Totals	$ 301,226	$ 10,319

$69,295 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note H – Pension plans (Continued)

Year Ended December 31,	Amount
2017	$ 46,897
2018	46,897
2019	46,897
2020	43,064
2021	7,291
Thereafter	30,566
Totals	$ 221,612

Actuarial assumptions. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2016
Actuarial method	Entry age normal
Amortization method	Level percent of payroll, open
Amortization period	30 years
Long-term investment rate of return*	7.5%
Projected salary increases*	4.0% – 14.0%
Cost of living adjustment	0.0%
*Includes inflation at	2.5%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

At least every five years the FPPA's Board of Directors reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

Note H – Pension plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

Note H7 – Pension plans (Continued)

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability (asset)	$ 425,494	$ (3,037)	$ (358,489)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.65 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

Statewide Hybrid Plan

Summary of significant accounting policies

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

General information about the pension plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering full-time firefighters and police officers from departments that elect coverage. The Plan may also cover clerical staff or other fire district personnel whose services are auxiliary to fire protection. The Plan is comprised of two components: Defined Benefit and Money Purchase. With the latter component, employees have the option of choosing among various mutual funds offered by an outside investment manager. As of December 31, 2015, the Plan has 36 participating employer departments.

Note H – Pension plans (Continued)

Employers may not withdraw from the Plan once affiliated.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

Benefits provided. The Plan document states that any member may retire from further service and become eligible for a normal retirement pension at any time after age 55, if the member has at least 25 years of service.

The annual normal pension of the Defined Benefit Component is 1.5 percent of the average of the member's highest three years' base salary for each year of credited service. Benefits paid to retired members of the Defined Benefit Component are evaluated and may be re-determined annually on October 1. The amount of any increase is based on the Board's discretion and can range from 0 to 3 percent.

A member is eligible for early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, a member may elect to have all contributions, along with 5 percent as interest, returned as a lump sum distribution from the Defined Benefit Component. Alternatively, a member with at least five years of accredited service may leave contributions with the Defined Benefit Component of the Plan and remain eligible for a retirement pension at age 55 equal to 1.5 percent of the average of the member's highest three years' base salary for each year of credited service.

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds.

Note H – Pension plans (Continued)

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. The members of this Plan and their employers are currently contributing at the rate determined by the individual employer, however, the rate for both employer and members must be at least 8 percent of the member's base salary. The amount allocated to the Defined Benefit Component is set annually by the FPPA Board of Directors. Excess contributions fund the Money Purchase Component of the Plan. The Defined Benefit Component contribution rate from July 1, 2015 through June 30, 2016 was 12.6 percent. The Defined Benefit Component contribution rate from July 1, 2014 through June 30, 2015 was 12.5 percent.

With the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service to be 100 percent vested after 5 years of service. Unvested Department contributions and earnings thereon are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. Any administrative expenses not covered by forfeitures are charged directly to member accounts.

A member may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan.

Employer and member contributions are invested in funds at the discretion of members.

Contributions to the Plan from the City were $1,995 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported an asset of $53,628 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2015, the City's proportion was .5092 percent, which was a decrease of .0094 percent from its proportion measured as of December 31, 2014.

Note H – Pension plans (Continued)

For the year ended December 31, 2016, the City recognized pension expense (income) of $(16,080). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 11,198	$ -
Changes in assumptions and other inputs	2,831	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,272	5,960
Contributions subsequent to measurement date	1,995	-
Difference between expected and actual experience	16,046	-
Totals	$ 33,342	$ 5,960

$1,995 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	$ 4,722
2018	4,722
2019	4,722
2020	4,488
2021	1,864
Thereafter	4,869
Totals	$ 25,387

Note H – Pension plans (Continued)

Actuarial assumptions. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2016
Actuarial method	Entry age normal
Amortization method	Level percent of payroll, open
Amortization period	30 years
Long-term investment rate of return*	7.50%
Projected salary increases*	4.0% – 14.0%
Cost of living adjustment	0.0%
*Includes inflation at	2.5%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

At least every five years the FPPA's Board of Directors reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

Note H – Pension plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability (asset)	$ (31,056)	$ (53,628)	$ (72,498)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

Note H – Pension plans (Continued)

Sterling Volunteer Fire Department Pension Fund

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sterling Volunteer Fire Department Pension Fund and additions to/deductions from Sterling Volunteer Fire Department Pension Fund's net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan administration. The City's defined benefit pension plan for volunteers provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information for Public Employee Retirement System (PERS) Affiliated Local Plans that can be obtained at www.fppaco.org.

Management of the Sterling Volunteer Fire Department Pension Fund is vested in the local Pension Board, which consists of the City Mayor, City Clerk, two persons appointed by the governing body of the City, and three representatives of the local fire department serving the City.

Plan membership. At year-end, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	14
Total	33

Benefits provided. The plan provides retirement and death benefits. Any firefighter who has both reached the age of 50 and completed 20 years of active service shall be eligible for a monthly pension (currently $300 per month). Vesting for reduced monthly pension benefits begins at 10 years of service, with full pension after 20 years. The plan also provides for a long-term disability for line of duty injury lifetime benefit of $300, survivor benefits (currently $150 per month) and a lump-sum burial benefit of $500 upon the death of an active or retired firefighter.

Note H – Pension plans (Continued)

Contributions. Contribution requirements of the plan are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2016 included $15,026 from the State of Colorado matching funds and $13,881 from the City.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported a net pension liability of $107,215. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

For the year ended December 31, 2016, the City recognized pension expense (income) of $(5,195). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings	$ 20,182
Contributions subsequent to measurement date	13,881
Difference between expected and actual experience	119
Totals	$ 34,182

$13,881 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	$ 5,286
2018	5,279
2019	5,222
2020	4,514
Totals	$ 20,301

Note H – Pension plans (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2007 – December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumptions from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

Note H – Pension plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 506,705	$ 408,756	$ 97,949
Changes for the year			
Service cost	5,046	-	5,046
Interest	36,448	-	36,448
Contributions – employer	-	16,696	(16,696)
Contributions – state of colorado	-	11,251	(11,251)
Net investment income	-	7,273	(7,273)
Benefit and refund payments	(47,270)	(47,270)	-
Administrative expenses	-	(2,992)	2,992
Net changes	(5,776)	(15,042)	9,266
Balances at end of year	$ 500,929	$ 393,714	$ 107,215

Note H – Pension plans (Continued)

Sensitivity of the City's net pension liability to changes in the discount rate. The following presents the City's net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Net pension liability (asset)	$ 161,109	$ 107,215	$ 62,388

The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Sterling Volunteer Fire Department Pension Fund financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

City of Sterling Old Hire Fire Pension Fund

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Sterling Old Hire Fire Pension Fund and additions to/deductions from City of Sterling Old Hire Fire Pension Fund's net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note H – Pension plans (Continued)

General information about the pension plan

Plan administration. The City contributes to the Fire Old Hire Pension Plan which is an affiliated local plan of the Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. The pension plan provides retirement benefits, postretirement death and disability benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Currently the plan's membership consists of four retired members. The City has elected to affiliate with FPPA to manage the pension plan's assets for plan administration and investment purposes only. The FPPA Board of Directors is responsible for formulating official rules and regulations to implement state statutes governing fire and police pensions. These statutes may be found in Title 31, Article 30.5 of the *Colorado Revised Statutes (CRS)*, as amended. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information for Public Employee Retirement System (PERS) Affiliated Local Plans that can be obtained at www.fppaco.org.

Benefits provided. The plan provides normal retirement and certain post-retirement death and disability benefits. Any firefighter who has both reached the age of 55 and completed 20 years of active service or, upon completing 25 years of active service, if earlier, shall be eligible for a monthly pension benefit equal to one-half of the average monthly salary received one year before retirement. The plan also provides a post-retirement death and disability benefit to the surviving spouse of a deceased retired firefighter in the amount of one-half of the monthly pension the officer was entitled to receive prior to death.

Contributions. The authority for establishing and amending the plan's funding policy is governed by Title 31, Article 30.5 of the *CRS*, as amended. The City contributed $50,937 to the plan in accordance with actuarially determined requirements based on the January 1, 2016 valuation. No contributions are required of plan members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported a net pension liability of $663,851. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

Note H – Pension plans (Continued)

For the year ended December 31, 2016, the City recognized pension expense (income) of $115,359. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings	$ 36,133
Contributions subsequent to measurement date	50,937
Totals	$ 87,070

$50,937 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	$ 9,370
2018	9,370
2019	9,372
2020	8,021
Totals	$ 36,133

Actuarial assumptions. The total pension asset in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	Any remaining actives are assumed to retire immediately

Note H – Pension plans (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2007 – December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumptions from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Note H – Pension plans (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 1,256,277	$ 738,524	$ 517,753
Changes for the year			
Interest	90,203	-	90,203
Differences between expected and actual experience	37,048	-	37,048
Changes of assumptions	81,512	-	81,512
Contributions – employer	-	50,937	(50,937)
Net investment income	-	13,088	(13,088)
Benefit and refund payments	(109,122)	(109,122)	-
Administrative expenses	-	(1,360)	1,360
Net changes	99,641	(46,457)	146,098
Balances at end of year	$ 1,355,918	$ 692,067	$ 663,851

Sensitivity of the City's net pension liability to changes in the discount rate. The following presents the City's net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Net pension liability (asset)	$ 790,687	$ 663,851	$ 554,889

Note H – Pension plans (Continued)

The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Sterling Old Hire Fire Pension Fund financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

City of Sterling Old Hire Police Pension Fund

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Sterling Old Hire Police Pension Fund and additions to/deductions from City of Sterling Old Hire Police Pension Fund's net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan administration. The City contributes to the Police Old Hire Pension Plan which is an affiliated local plan of the Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. The pension plan provides retirement benefits, postretirement death and disability benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Currently the plan's membership consists of one retired member. The City has elected to affiliate with FPPA to manage the pension plan's assets for plan administration and investment purposes only. The FPPA Board of Directors is responsible for formulating official rules and regulations to implement state statutes governing fire and police pensions. These statutes may be found in Title 31, Article 30.5 of the *Colorado Revised Statutes (CRS)*, as amended. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information for Public Employee Retirement System (PERS) Affiliated Local Plans that can be obtained at www.fppaco.org.

Note H – Pension plans (Continued)

Benefits provided. The plan provides normal retirement and certain post-retirement death and disability benefits. Any police officer who has both reached the age of 55 and completed 20 years of active service or, upon completing 25 years of active service, if earlier, shall be eligible for a monthly pension benefit equal to one-half of the average monthly salary received one year before retirement. The plan also provides a post-retirement death and disability benefit to the surviving spouse of a deceased retired police officer in the amount of one-half of the monthly pension the officer was entitled to receive prior to death.

Contributions. The authority for establishing and amending the plan's funding policy is governed by Title 31, Article 30.5 of the *CRS*, as amended. The City did not make any contributions to the plan in accordance with actuarially determined requirements based on the January 1, 2016 valuation. No contributions are required of plan members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported a net pension asset of $152,173. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016.

For the year ended December 31, 2016, the City recognized pension expense (income) of $15,820. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings	$ 14,334

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	$ 3,676
2018	3,676
2019	3,677
2020	3,305
Totals	$ 14,334

Note H – Pension plans (Continued)

Actuarial assumptions. The total pension asset in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	9 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	Any remaining actives are assumed to retire immediately

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2007 – December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumptions from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Totals	100%	

Note H – Pension plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 121,769	$ 302,619	$ (180,850)
Changes for the year			
Interest	8,459	-	8,459
Differences between expected and actual experience	13,638	-	13,638
Changes of assumptions	11,250	-	11,250
Net investment income	-	5,461	(5,461)
Benefit and refund payments	(18,295)	(18,295)	-
Administrative expenses	-	(791)	791
Net changes	15,052	(13,625)	28,677
Balances at end of year	$ 136,821	$ 288,994	$ (152,173)

Note H – Pension plans (Continued)

Sensitivity of the City's net pension liability to changes in the discount rate. The following presents the City's net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Net pension liability (asset)	$ (144,814)	$ (152,173)	$ (158,870)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Sterling Old Hire Police Pension Fund financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

Defined Contribution Plan

The City contributes to the General Employees' Retirement Plan (the Plan), a defined contribution plan administered by Great West Retirement Services.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by City Council. The City's contribution is 5.37% of annual covered payroll. No contributions are required of employees. For the year, the City recognized pension expense of $154,325.

Employees are immediately vested in City contributions and earnings on those contributions.

Note I – Deferred compensation plans

The City has three deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans are administered by independent plan administrators through administrative service agreements. The plans are available to all permanent City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The City approved plan amendments such that plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

Note J – Stewardship, compliance and accountability

Throughout the year the city council revised the budget through ordinances by adjusting revenue budgets and appropriations in many budgeted funds. The city council appropriated the budget as provided in its home rule charter, whereby the aggregate sum of $38,718,531 was appropriated for all funds. Original and revised budgets, with corresponding actual expenditures on the budget basis of accounting are as follows:

Fund	Original Budget Appropriation	Budget as Amended	Actual Expenditures	Variance – Favorable (Unfavorable)
General Fund	$ 14,461,427	$ 15,677,050	$ 13,928,797	$ 1,748,253
Water Fund	6,958,413	9,970,749	8,014,558	1,956,191
Sanitation Fund	600,676	600,676	466,944	133,732
Sewer Fund	3,505,776	3,512,583	1,850,668	1,661,915
Hotel Tax Fund	50	409,256	402,935	6,321
Perpetual Care Fund	1,020	1,020	830	190
Library Improvement Fund	50	50	50	-
Conservation Trust Fund	50,000	116,854	96,506	20,348
Karl Falch Library Trust Fund	855	855	55	800
Old Hire Police Pension Fund	203,514	203,514	182,589	20,925
Employee Benefits Fund	2,416,218	2,416,218	2,078,214	338,004
Service Center Fund	838,948	905,068	854,888	50,180
Risk Management Fund	666,070	767,779	679,181	88,598
Capital Replacement Fund	794,814	1,029,559	910,650	118,909
Capital Improvement Fund	300	107,300	106,917	383
Total	$ 30,498,131	$ 35,718,531	$ 29,573,782	$ 6,144,749

Note K – Conduit debt obligations

On April 12, 2002, the City issued a development revenue bond in the amount of $1,183,993 under the County and Municipality Development Revenue Bond Act, constituting Article 3, Title 29, Colorado Revised Statutes (the Act) to enable the Centennial Mental Health Center, Inc. (the Center) to finance the costs of refinancing certain healthcare facilities for the Center. The proceeds of this bond were loaned by the City to the Center pursuant to a financing agreement, dated April 12, 2002, among the City, the Center and Wells Fargo Bank West, N.A. Under the terms of the agreement, the Center is obligated to repay the loan by paying to the registered owner of the bond on behalf of the City moneys sufficient to pay the principal and interest on the bond.

The Act provides that the bond issued constitutes a special, limited obligation of the City payable solely out of the revenues paid by the Center and other security pledged and does not constitute the debt or indebtedness of the City within the meaning of the Constitution or statutes of the state, and does not constitute a pecuniary liability of the City or a charge against its general credit or taxing powers. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At year-end, the outstanding development revenue bonds totaled $37,539.

Note L – Commitments and contingencies

Federal and state funding

The City receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be

Note L – Commitments and contingencies (Continued)

refunded or approved to be retained by the City under specified voting requirements by the entire electorate. On November 5, 1996, the voters of the City approved a ballot initiative permitting the City to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of TABOR. However, the City has made certain interpretations of TABOR's language in order to determine its compliance. The City has restricted funds in the Risk Management Fund in the amount of $420,000 for the emergency reserve.

Contingent liabilities

The City is a defendant in various threatened or pending legal action for property damages and other miscellaneous claims. The ultimate liability that might result from the financial resolution of these matters is not presently determinable. Adequate insurance is carried to cover actual damages in most cases. Management and legal counsel are of the opinion that the final outcome of the claims will not have a material adverse effect on the City's financial statements.

CWRPDA loan covenants

Rate covenant – during the loan term, the City shall establish, impose and collect, rents, rates and other charges for the products and services provided by the system, which shall be at least sufficient, together with other amounts available therefore, and after meeting the operation and maintenance expenses of the system, to pay 110% of the debt service coming due in such calendar year. The net operating revenues of the Water Fund were 128% of the current year's debt service.

Operations and maintenance fund – the City shall maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. Said reserve may be in the form of unobligated fund balances or other unobligated cash or securities or may be in a separate segregated fund. Unobligated fund balances in the Water Fund exceeded the required reserve by $5,172,880.

Note L – Commitments and contingencies (Continued)

Noncompliance – During 2016, various staff members at the City learned that a former employee had entered into contracts and agreements in the name of the City without having first obtained the proper approval of the City; subsequently fraudulently submitted claims for reimbursements, and ultimately diverted those funds into a separate bank account not maintained by the City. The individual plead guilty to theft, a class 3 felony, with restitution ordered to the City of Sterling for $149,496.60 and the Sterling Fire Department in the amount of $26,008.83. These amounts have not been reported as receivables as collectability is uncertain.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the City's Proportionate Share of the Net Pension Asset – Fire & Police Statewide Defined Benefit Plan – Police
- Schedule of City Contributions – Fire & Police Statewide Defined Benefit Plan – Police
- Schedule of the City's Proportionate Share of the Net Pension Asset – Fire & Police Statewide Defined Benefit Plan – Fire
- Schedule of City Contributions – Fire & Police Statewide Defined Benefit Plan – Fire
- Schedule of the City's Proportionate Share of the Net Pension Asset – Fire & Police Statewide Hybrid Plan
- Schedule of City Contributions – Fire & Police Statewide Hybrid Plan
- Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios – Sterling Volunteer Fire Department Pension Fund
- Schedule of City Contributions – Sterling Volunteer Fire Department Pension Fund
- Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios – Sterling Old Hire Fire Pension Fund
- Schedule of City Contributions – Sterling Old Hire Fire Pension Fund
- Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios – Sterling Old Hire Police Pension Fund
- Schedule of City Contributions – Sterling Old Hire Police Pension Fund
- Budgetary Comparison Schedule – General Fund
- Notes to Required Supplementary Information

CITY OF STERLING, COLORADO
Schedule of the City's Proportionate Share of the Net Pension Asset [1]
Fire & Police Statewide Defined Benefit Plan - Police
December 31, 2016

	2016	2015	2014
City's proportion of the net pension asset	0.2071693%	0.2076073%	0.2069202%
City's proportionate share of the net pension asset	$ 3,652	$ 234,301	$ 185,025
City's covered-employee payroll	$ 942,750	$ 918,025	$ 933,616
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.4%	25.5%	19.8%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%	105.8%

1 Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions [1]
Fire & Police Statewide Defined Benefit Plan - Police
December 31, 2016

	2016	2015	2014
Contractually required contribution	$ 75,420	$ 73,442	$ 74,689
Contributions in relation to the contractually required contributions	(75,420)	(73,442)	(74,689)
Contribution deficiency (excess)	$ -	$ -	$ -
City's covered-employee payroll	$ 942,750	$ 918,025	$ 933,613
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

1 Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of the City's Proportionate Share of the Net Pension Asset [1]
Fire & Police Statewide Defined Benefit Plan - Fire
December 31, 2016

	2016	2015	2014
City's proportion of the net pension asset	0.1722999%	0.1713403%	0.1782880%
City's proportionate share of the net pension asset	$ 3,037	$ 193,370	$ 159,423
City's covered-employee payroll	$ 866,188	$ 756,850	$ 770,525
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.4%	25.5%	20.7%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%	105.8%

1 Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions 1
Fire & Police Statewide Defined Benefit Plan - Fire
December 31, 2016

	2016	2015	2014
Contractually required contribution	$ 69,295	$ 60,548	$ 61,642
Contributions in relation to the contractually required contribution	(69,295)	(60,548)	(61,642)
Contribution deficiency (excess)	$ -	$ -	$ -
City's covered-employee payroll	$ 866,188	$ 756,850	$ 770,525
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

1 Information is not available prior to 2014.. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of the City's Proportionate Share of the Net Pension Asset [1]
Fire & Police Statewide Hybrid Plan
December 31, 2016

	2016	2015	2014
City's proportion of the net pension asset	0.5091522%	0.5186257%	0.4447792%
City's proportionate share of the net pension asset	$ 53,628	$ 61,507	$ 45,368
City's covered-employee payroll	$ 24,938	$ 87,038	$ 80,246
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	215.0%	70.7%	56.5%
Plan fiduciary net position as a percentage of the total pension liability	129.4%	140.6%	139.0%

1 Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions [1]
Fire & Police Statewide Hybrid Plan
December 31, 2016

	2016	2015	2014
Contractually required contribution	$ 1,995	$ 6,963	$ 6,420
Contributions in relation to the contractually required contribution	(1,995)	(6,963)	(6,420)
Contribution deficiency (excess)	$ -	$ -	$ -
City's covered-employee payroll	$ 24,938	$ 87,038	$ 80,246
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

1 Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios [1]
Sterling Volunteer Fire Department Pension Fund
Last 10 Fiscal Years

	2015	2014
Total pension liability		
Service cost	$ 5,046	$ 5,331
Interest on the total pension liability	36,448	36,897
Benefit changes	-	-
Differences between expected and actual experience	-	245
Assumption changes	-	-
Benefit payments	(47,270)	(49,320)
Net change in total pension liability	(5,776)	(6,847)
Total pension liability - beginning	506,705	513,552
Total pension liability - ending (a)	$ 500,929	$ 506,705
Plan fiduciary net position		
Employer contributions	$ 16,696	$ 12,501
Pension plan net investment income	7,273	26,155
Benefit payments	(47,270)	(49,320)
Pension plan administrative expenses	(2,992)	(987)
State of Colorado supplemental discretionary payment	11,251	11,251
Net change in plan fiduciary net position	(15,042)	(400)
Plan fiduciary net position - beginning	408,756	409,156
Plan fiduciary net position - ending (b)	$ 393,714	$ 408,756
City's net pension liability/(asset) - ending (a) - (b)	$ 107,215	$ 97,949
Plan fiduciary net position as a percentage of the total pension liability	78.60%	80.67%
Covered-employee payroll	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions 1
Sterling Volunteer Fire Department Pension Fund
Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	$ 16,696	$ 27,947	$ (11,251)	N/A	N/A
2014	16,696	23,752	(7,056)	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment.

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios [1]
Sterling Old Hire Fire Pension Fund
Last 10 Fiscal Years

	2015	2014
Total pension liability		
Service cost	$ -	$ -
Interest on the total pension liability	90,203	91,410
Benefit changes	-	-
Differences between expected and actual experience	37,048	-
Assumption changes	81,512	-
Benefit payments	(109,122)	(105,943)
Net change in total pension liability	99,641	(14,533)
Total pension liability - beginning	1,256,277	1,270,810
Total pension liability - ending (a)	$ 1,355,918	$ 1,256,277
Plan fiduciary net position		
Employer contributions	$ 50,937	$ 50,937
Employee contributions	-	-
Pension plan net investment income	13,088	47,348
Benefit payments	(109,122)	(105,943)
Pension plan administrative expenses	(1,360)	(3,978)
Net change in plan fiduciary net position	(46,457)	(11,636)
Plan fiduciary net position - beginning	738,524	750,160
Plan fiduciary net position - ending (b)	$ 692,067	$ 738,524
City's net pension liability/(asset) - ending (a) - (b)	$ 663,851	$ 517,753
Plan fiduciary net position as a percentage of the total pension liability	51.04%	58.79%
Covered-employee payroll	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions 1
Sterling Old Hire Fire Pension Fund
Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution *	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	$ 50,937	$ 50,937	$ -	N/A	N/A
2014	47,868	50,937	(3,069)	N/A	N/A

* Actuarially determined contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios [1]
Sterling Old Hire Police Pension Fund
Last 10 Fiscal Years

	2015	2014
Total pension liability		
Service cost	$ -	$ -
Interest on the total pension liability	8,459	9,126
Benefit changes	-	-
Differences between expected and actual experience	13,638	-
Assumption changes	11,250	-
Benefit payments	(18,295)	(17,762)
Net change in total pension liability	15,052	(8,636)
Total pension liability - beginning	121,769	130,405
Total pension liability - ending (a)	$ 136,821	$ 121,769
Plan fiduciary net position		
Employer contributions	$ -	$ -
Employee contributions	-	-
Pension plan net investment income	5,461	20,145
Benefit payments	(18,295)	(17,762)
Pension plan administrative expenses	(791)	(3,347)
Net change in plan fiduciary net position	(13,625)	(964)
Plan fiduciary net position - beginning	302,619	303,583
Plan fiduciary net position - ending (b)	$ 288,994	$ 302,619
City's net pension liability/(asset) - ending (a) - (b)	$ (152,173)	$ (180,850)
Plan fiduciary net position as a percentage of the total pension liability	211.22%	248.52%
Covered-employee payroll	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
Schedule of City Contributions 1
Sterling Old Hire Police Pension Fund
Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution *	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	$ -	$ -	$ -	N/A	N/A
2014	-	-	-	N/A	N/A

* Actuarially determined contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.

1 Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF STERLING, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	$ 9,998,481	$ 9,998,481	$ 9,291,292	$ (707,189)
Licenses and permits	186,715	186,715	250,880	64,165
Intergovernmental	1,969,927	2,442,716	2,279,235	(163,481)
Charges for services	259,403	259,403	257,368	(2,035)
Fines and forfeitures	98,100	98,100	100,757	2,657
Earnings on investments	2,500	2,500	16,858	14,358
Miscellaneous	1,184,529	1,249,492	1,202,083	(47,409)
Total revenues	13,699,655	14,237,407	13,398,473	(838,934)
Expenditures				
Current				
General government	3,129,059	3,178,142	2,928,655	249,487
Public safety	5,630,406	5,716,574	5,214,514	502,060
Public works	2,694,183	3,686,592	3,152,422	534,170
Health and welfare	238,500	238,500	201,911	36,589
Culture and recreation	2,627,826	2,715,789	2,289,842	425,947
Total expenditures	14,319,974	15,535,597	13,787,344	1,748,253
Excess of revenues over (under) expenditures	(620,319)	(1,298,190)	(388,871)	909,319
Other financing sources (uses)				
Transfers in	1,000	1,000	1,000	-
Transfers out	(141,453)	(141,453)	(141,453)	-
Total other financing sources (uses)	(140,453)	(140,453)	(140,453)	-
Net change in fund balance	$ (760,772)	$ (1,438,643)	(529,324)	$ 909,319
Fund balance at beginning of year			3,893,259	
Fund balance at end of year			$ 3,363,935	

Note A – Budgets and budgetary accounting

Annual budgets are established for all funds of the City, except for the pension trust funds, as required by its local charter. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds (water, sanitation and sewer) and two internal service funds (capital replacement and service center) in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by city council. Within these control levels, management may transfer appropriations without city council approval. Revisions to the budget were made throughout the year.

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

- On or before September 20th of each year, or in conformity with the general state law, the city manager submits to the city council a budget which shall be a complete financial plan for the ensuing fiscal year.

- The budget may provide an additional amount as a reserve to meet and care for expenditures to be made from such fund during the months of January to April in the year following the year for which the budget and appropriation ordinance shall apply but the amount which may be included in such reserve shall not exceed 20 percent of the total amount appropriated and authorized to be expended during the budget year.

- At the same time the budget is submitted, the city manager shall also prepare an appropriation ordinance making a levy in mills upon all taxable property within the City for the ensuing fiscal year. A public hearing on the budget shall be held by city council two weeks after its submission. Notice of the time and place of said hearing shall be published within three days after the submission of the budget.

- Prior to December 15th, or in conformity with the general state law, the city council shall adopt the budget and the tax levy ordinance.

Note A – Budgets and budgetary accounting (continued)

- The city manager may, at any time, transfer an unencumbered appropriation balance, or portion thereof, from one classification of expenditure to another within the same department, office, agency or funds.

- Appropriations in addition to those contained in the budget shall be made only on the recommendation of the city manager and only if the director of finance certifies that there is available a cash surplus to meet such appropriations.

- Any portion of any annual appropriation remaining unexpended and unencumbered at the close of the budget year shall be declared surplus and included in the budget for the ensuing year as those appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules – Fire & Police Statewide Defined Benefit Plan

Changes in plan provisions. The plan provisions have not changed since the prior valuation. The member contribution rates will increase in 2016 as a result of the member election.

Benefit adjustments. Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Changes of assumptions. Beginning in the January 1, 2016 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- General Fund – Budgetary Comparison Schedules of Revenues and Expenditures
- Combining Statements and Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Enterprise Funds
- Combining Statements and Budgetary Comparison Schedules – Internal Service Funds
- Budgetary Comparison Schedule – Sterling Urban Renewal Authority

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General Fund

The General Fund accounts for all transactions of the City not required to be accounted for in other funds. This fund represents an accounting of the City's ordinary operations financed primarily from tax dollars and intergovernmental aid. It is the most significant fund in relation to the City's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

CITY OF STERLING, COLORADO
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Taxes				
General property	$ 1,094,056	$ 1,094,056	$ 1,094,656	$ 600
Specific ownership	130,000	130,000	118,645	(11,355)
General sales and use	8,065,725	8,065,725	7,427,415	(638,310)
Franchise	692,000	692,000	632,826	(59,174)
Employee occupation	16,700	16,700	17,750	1,050
Total taxes	9,998,481	9,998,481	9,291,292	(707,189)
Licenses and permits				
Business	27,000	27,000	24,967	(2,033)
Non-business	159,715	159,715	225,913	66,198
Total licenses and permits	186,715	186,715	250,880	64,165
Intergovernmental				
Federal and state grants	18,000	490,789	320,561	(170,228)
State shared revenue	479,486	479,486	489,964	10,478
Road and bridge	100,000	100,000	65,296	(34,704)
Special districts	1,372,441	1,372,441	1,403,414	30,973
Total intergovernmental	1,969,927	2,442,716	2,279,235	(163,481)
Charges for services				
General government	5,600	5,600	5,477	(123)
Public safety	1,950	1,950	2,110	160
Highways and streets	8,088	8,088	13,440	5,352
Health	355	355	50	(305)
Cemeteries	19,000	19,000	19,425	425
Culture and recreation	213,900	213,900	205,438	(8,462)
Museum fees	10,510	10,510	11,428	918
Total charges for services	259,403	259,403	257,368	(2,035)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Fines and forfeitures				
Court	89,900	89,900	93,930	4,030
Library	8,200	8,200	6,827	(1,373)
Total fines and forfeitures	98,100	98,100	100,757	2,657
Earnings on investments	2,500	2,500	16,858	14,358
Miscellaneous				
Rents	30,283	30,283	34,084	3,801
Fuel sales	205,000	205,000	148,403	(56,597)
Contributions	3,000	3,540	5,463	1,923
Refunds of expenditures		452	3,466	3,014
Sale of assets	5,000	5,000	2,176	(2,824)
Administrative cost reimbursement	901,446	901,446	901,446	-
Miscellaneous	39,800	103,771	107,045	3,274
Total miscellaneous	1,184,529	1,249,492	1,202,083	(47,409)
Total revenues	$ 13,699,655	$ 14,237,407	$ 13,398,473	$ (838,934)

CITY OF STERLING, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
General government				
City council	$ 59,750	$ 62,583	$ 44,736	$ 17,847
City manager	369,065	370,635	376,591	(5,956)
City attorney	257,557	257,557	251,204	6,353
Municipal court	133,460	133,460	126,247	7,213
Finance department	512,799	512,799	504,308	8,491
City hall and non-departmental	1,577,940	1,622,620	1,434,411	188,209
Personnel	218,488	218,488	191,158	27,330
Total general government	3,129,059	3,178,142	2,928,655	249,487
Public safety				
Police department	2,115,911	2,160,820	1,880,486	280,334
Dispatch center	865,312	880,312	861,259	19,053
Youth services	122,319	122,319	112,695	9,624
Fire department	1,760,658	1,783,546	1,612,150	171,396
Ambulance services	766,206	769,577	747,924	21,653
Total public safety	5,630,406	5,716,574	5,214,514	502,060
Public works				
Street division	1,959,323	2,757,463	2,362,770	394,693
Administration	428,645	428,645	397,475	31,170
Airport	306,215	500,484	392,177	108,307
Total public works	2,694,183	3,686,592	3,152,422	534,170
Health and welfare				
Cemetery	238,500	238,500	201,911	36,589
Culture and recreation				
Museum	336,035	340,174	265,454	74,720
Parks	462,253	473,752	403,270	70,482
Recreation center	721,078	699,938	604,948	94,990
Forestry	143,741	143,741	114,941	28,800
Recreation division	360,388	415,323	352,046	63,277
Library	604,331	642,861	549,183	93,678
Total culture and recreation	2,627,826	2,715,789	2,289,842	425,947
Total expenditures	$ 14,319,974	$ 15,535,597	$ 13,787,344	$ 1,748,253

Combining Statements and Budgetary Comparison Schedules
Nonmajor Governmental Funds

The City reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Conservation Trust Fund – This fund was established to account for the state lottery proceeds and allowable expenditures.
- Perpetual Care Fund – This fund was established for the purpose of using revenue generated from investments and fees for operations and care of the cemetery.
- Karl Falch Library Trust Fund – This fund was established to account for resources held by the City of Sterling in a fiduciary capacity as willed by Karl Falch to be used for library purposes.
- Hotel Tax Fund – This fund was established to account for the hotel lodging tax revenues and allowable expenditures.
- Library Improvement Fund – This fund was established to account for contributions and expenditures related to the renovation of the municipal library.
- Old Hire Police Pension Fund – This fund was established to account for the proceeds of the idle pension funds in the Old Hire Police Pension Plan and expenditures thereof.

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Improvement Fund – This fund was established to account for rental and sales proceeds from City owned land, with the proceeds being used to pay for capital improvements.

CITY OF STERLING, COLORADO
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Special Revenue Funds		
	Conservation Trust Fund	Perpetual Care Fund	Karl Falch Library Fund
Assets			
Cash	$ 1	$ 4,280	$ 156
Investments	161,297	221,093	31,429
Receivables			
Total assets	$ 161,298	$ 225,373	$ 31,585
Liabilities and fund balance			
Liabilities			
Accounts payable	$ 9,996		
Total liabilities	9,996	$ -	$ -
Fund balance			
Restricted for public safety			
Restricted for culture and recreation	151,302		31,585
Committed to capital improvements			
Committed to health and welfare		225,373	
Total fund balance	151,302	225,373	31,585
Total liabilities and fund balance	$ 161,298	$ 225,373	$ 31,585

Special Revenue Funds			Capital Projects Fund	
Hotel Tax Fund	Library Improvement Fund	Old Hire Police Pension Fund	Capital Improvement Fund	Total
$ 12,300	$ 1,213	$ 308	$ 17,644	$ 35,902
305,861	9,074	364,295	470,252	1,563,301
11,906		268,752	201	280,859
$ 330,067	$ 10,287	$ 633,355	$ 488,097	$ 1,880,062
$ 9,141		$ 281,273		$ 300,410
9,141	$ -	281,273	$ -	300,410
		352,082		352,082
320,926	10,287			514,100
			488,097	488,097
				225,373
320,926	10,287	352,082	488,097	1,579,652
$ 330,067	$ 10,287	$ 633,355	$ 488,097	$ 1,880,062

CITY OF STERLING, COLORADO
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2016

	Special Revenue Funds		
	Conservation Trust Fund	Perpetual Care Fund	Karl Falch Library Fund
Revenues			
Taxes			
Intergovernmental revenue	$ 158,122		
Earnings on investments	722	$ 1,305	$ 203
Charges for services			
Miscellaneous		38,988	
Total revenues	158,844	40,293	203
Expenditures			
Current			
General government			
Public safety			
Health and welfare		630	
Culture and recreation	96,506		55
Total expenditures	96,506	630	55
Excess of revenues over (under) expenditures	62,338	39,663	148
Other financing uses			
Transfers out		(200)	
Total other financing uses	-	(200)	-
Net change in fund balance	62,338	39,463	148
Fund balance at beginning of year	88,964	185,910	31,437
Fund balance at end of year	$ 151,302	$ 225,373	$ 31,585

Special Revenue Funds			Capital Projects Fund	
Hotel Tax Fund	Library Improvement Fund	Old Hire Police Pension Fund	Capital Improvement Fund	Total
$ 140,531				$ 140,531
				158,122
2,624	$ 59	$ 2,575	$ 3,176	10,664
			20,435	20,435
	1,250		10	40,248
143,155	1,309	2,575	23,621	370,000
			106,917	106,917
		182,589		182,589
				630
402,935	50			499,546
402,935	50	182,589	106,917	789,682
(259,780)	1,259	(180,014)	(83,296)	(419,682)
				(200)
-	-	-	-	(200)
(259,780)	1,259	(180,014)	(83,296)	(419,882)
580,706	9,028	532,096	571,393	1,999,534
$ 320,926	$ 10,287	$ 352,082	$ 488,097	$ 1,579,652

CITY OF STERLING, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Intergovernmental revenue	$ 140,000	$ 140,000	$ 158,122	$ 18,122
Earnings on investments	150	150	722	572
Total revenues	140,150	140,150	158,844	18,694
Expenditures				
Current				
Culture and recreation	50,000	116,854	96,506	20,348
Total expenditures	50,000	116,854	96,506	20,348
Net change in fund balance	$ 90,150	$ 23,296	62,338	$ 39,042
Fund balance at beginning of year			88,964	
Fund balance at end of year			$ 151,302	

CITY OF STERLING, COLORADO
Perpetual Care Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Earnings on investments	$ 200	$ 200	$ 1,305	$ 1,105
Miscellaneous	11,500	11,500	38,988	27,488
Total revenues	11,700	11,700	40,293	28,593
Expenditures				
Current				
Health and welfare	820	820	630	190
Total expenditures	820	820	630	190
Excess of revenues over (under) expenditures	10,880	10,880	39,663	28,783
Other financing uses				
Transfers out	(200)	(200)	(200)	-
Net change in fund balance	$ 10,680	$ 10,680	39,463	$ 28,783
Fund balance at beginning of year			185,910	
Fund balance at end of year			$ 225,373	

CITY OF STERLING, COLORADO
Karl Falch Library Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Earnings on investments	$ 40	$ 40	$ 203	$ 163
Total revenues	40	40	203	163
Expenditures				
Current				
Culture and recreation	855	855	55	800
Total expenditures	855	855	55	800
Net change in fund balance	$ (815)	$ (815)	148	$ 963
Fund balance at beginning of year			31,437	
Fund balance at end of year			$ 31,585	

CITY OF STERLING, COLORADO
Hotel Tax Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Hotel lodging tax	$ 200,000	$ 200,000	$ 140,531	$ (59,469)
Penalties and interest	100	100		(100)
Earnings on investments	600	600	2,624	2,024
Total revenues	200,700	200,700	143,155	(57,545)
Expenditures				
Current				
Culture and recreation	50	409,256	402,935	6,321
Total expenditures	50	409,256	402,935	6,321
Net change in fund balance	$ 200,650	$ (208,556)	(259,780)	$ (63,866)
Fund balance at beginning of year			580,706	
Fund balance at end of year			$ 320,926	

CITY OF STERLING, COLORADO
Library Improvement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Contributions			$ 1,250	$ 1,250
Earnings on investments	$ 35	$ 35	59	24
Total revenues	35	35	1,309	1,274
Expenditures				
Current				
Culture and recreation	50	50	50	-
Total expenditures	50	50	50	-
Net change in fund balance	$ (15)	$ (15)	1,259	$ 1,274
Fund balance at beginning of year			9,028	
Fund balance at end of year			$ 10,287	

CITY OF STERLING, COLORADO
Old Hire Police Pension Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Earnings on investments	$ 600	$ 600	$ 2,575	$ 1,975
Total revenues	600	600	2,575	1,975
Expenditures				
Current				
Public safety	203,514	203,514	182,589	20,925
Total expenditures	203,514	203,514	182,589	20,925
Net change in fund balance	$ (202,914)	$ (202,914)	(180,014)	$ 22,900
Fund balance at beginning of year			532,096	
Fund balance at end of year			$ 352,082	

CITY OF STERLING, COLORADO
Capital Improvement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Earnings on investments	$ 900	$ 900	$ 3,176	$ 2,276
Rents	14,247	14,247	20,435	6,188
Sale of assets			10	10
Total revenues	15,147	15,147	23,621	8,474
Expenditures				
Current				
General government	300	107,300	106,917	383
Total expenditures	300	107,300	106,917	383
Net change in fund balance	$ 14,847	$ (92,153)	(83,296)	$ 8,857
Fund balance at beginning of year			571,393	
Fund balance at end of year			$ 488,097	

Budgetary Comparison Schedules – Enterprise Funds

The City reports the following major proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Water Fund – This fund was established to account for all operations of the water utility service provided by the City.
- Sanitation Fund – This fund was established to account for all operations of the sanitation services provided by the City.
- Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the City.

CITY OF STERLING, COLORADO
Water Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 4,919,131	$ 4,919,131	$ 5,130,328	$ 211,197
Total operating revenues	4,919,131	4,919,131	5,130,328	211,197
Operating expenses				
Personnel	681,896	681,896	599,563	82,333
Maintenance and supplies	2,795,724	2,801,778	1,768,041	1,033,737
Administrative cost allocation	526,449	526,449	526,449	-
Capital purchases	1,058,500	4,064,782	3,249,710	815,072
Total operating expenses	5,062,569	8,074,905	6,143,763	1,931,142
Operating income (loss)	(143,438)	(3,155,774)	(1,013,435)	2,142,339
Nonoperating revenues (expenses)				
Earnings on investments	8,000	8,000	43,057	35,057
Rents and rights	101,000	101,000	87,976	(13,024)
Miscellaneous	1,697	1,697	7,902	6,205
Principal paid on notes	(1,278,496)	(1,278,496)	(1,278,496)	-
Interest and fiscal charges	(584,381)	(584,381)	(540,635)	43,746
Total nonoperating revenues (expenses)	(1,752,180)	(1,752,180)	(1,680,196)	71,984
Net loss before transfers and capital contributions	(1,895,618)	(4,907,954)	(2,693,631)	2,214,323

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Transfers out	(32,967)	(32,967)	(34,557)	(1,590)
Capital contributions	24,500	24,500	15,520	(8,980)
Change in net position	$ (1,904,085)	$ (4,916,421)	(2,712,668)	$ 2,203,753
Adjustments to GAAP Basis				
Add capital purchases			3,249,710	
Add principal paid on notes			1,278,496	
Deduct loss on disposal of assets			(1,464)	
Deduct depreciation			(818,275)	
Change in net position - GAAP Basis			995,799	
Net position at beginning of year			17,321,448	
Net position at end of year			$ 18,317,247	

CITY OF STERLING, COLORADO
Sanitation Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 591,845	$ 591,845	$ 609,272	$ 17,427
Total operating revenues	591,845	591,845	609,272	17,427
Operating expenses				
Personnel	204,847	204,847	179,377	25,470
Maintenance and supplies	298,235	298,235	189,973	108,262
Administrative cost allocation	76,989	76,989	76,989	-
Total operating expenses	580,071	580,071	446,339	133,732
Operating income	11,774	11,774	162,933	151,159
Nonoperating revenues				
Earnings on investments	400	400	2,644	2,244
Total nonoperating revenues	400	400	2,644	2,244
Net income before transfers	12,174	12,174	165,577	153,403
Transfers out	(20,605)	(20,605)	(20,605)	-
Change in net position	$ (8,431)	$ (8,431)	144,972	$ 153,403
Adjustments to GAAP Basis				
Deduct depreciation			(22,419)	
Change in net position - GAAP Basis			122,553	
Net position at beginning of year			841,631	
Net position at end of year			$ 964,184	

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CITY OF STERLING, COLORADO
Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 1,668,675	$ 1,668,675	$ 1,662,993	$ (5,682)
Total operating revenues	1,668,675	1,668,675	1,662,993	(5,682)
Operating expenses				
Personnel	540,621	540,621	462,415	78,206
Maintenance and supplies	1,405,643	1,412,450	672,161	740,289
Administrative cost allocation	298,008	298,008	298,008	-
Capital purchases	1,025,000	1,025,000	186,812	838,188
Total operating expenses	3,269,272	3,276,079	1,619,396	1,656,683
Operating income (loss)	(1,600,597)	(1,607,404)	43,597	1,651,001
Nonoperating revenues (expenses)				
Earnings on investments	5,835	5,835	27,810	21,975
Gain on disposal of capital assets	1,520	1,520		(1,520)
Principal paid on lease	(181,978)	(181,978)	(181,978)	-
Interest and fiscal charges	(14,071)	(14,071)	(8,839)	5,232
Total nonoperating revenues (expenses)	(188,694)	(188,694)	(163,007)	25,687
Net loss before transfers and capital contributions	(1,789,291)	(1,796,098)	(119,410)	1,676,688

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Transfers out	(40,455)	(40,455)	(40,455)	-
Capital contributions	32,000	32,000	20,800	(11,200)
Change in net position	$ (1,797,746)	$ (1,804,553)	(139,065)	$ 1,665,488
Adjustments to GAAP Basis				
Add capital purchases			186,812	
Add principal paid on lease			181,978	
Deduct depreciation and amortization			(656,731)	
Change in net position - GAAP Basis			(427,006)	
Net position at beginning of year			13,739,061	
Net position at end of year			$ 13,312,055	

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Combining Statements and Budgetary Comparison Schedules - Internal Service Funds

Internal Service Funds – These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City reports the following internal service funds:

- Capital Replacement Fund – This fund was established to account and provide for equipment for the General Fund. Each division within the General Fund will provide monies via transfers based on the current asset holdings and provide for future year purchases.

- Employee Benefits Fund – This fund was established to provide medical and life insurance benefits for City benefits.

- Risk Management Fund – This fund was established to account for and finance the City's uninsured risk of loss. The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. This fund provides coverage up to $150,000 per person and $600,000 per occurrence for each property or general liability claim. There are various other limits carried depending upon the circumstances. All departments of the City participate in the program and make payments to the Risk Management Fund based on historical cost basis of amounts needed and to pay prior and current year claims and to establish a reserve for that and catastrophe losses.

- Service Center Fund – This fund was established to account for warehouse services to various funds of the City.

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Net Position
December 31, 2016

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Assets			
Current assets			
Cash	$ 15,684	$ 36,804	$ 24,940
Investments	1,006,384	552,766	866,157
Receivables			147,961
Total current assets	1,022,068	589,570	1,039,058
Noncurrent assets			
Capital assets, net of accumulated depreciation	2,693,134		
Total noncurrent assets	2,693,134	-	-
Total assets	$ 3,715,202	$ 589,570	$ 1,039,058
Liabilities			
Current liabilities			
Accounts payable	$ 13,728	$ 234	
Accrued salaries and benefits payable			
Accrued interest payable	3,915		
Current portion of capital lease obligation	31,567		
Total current liabilities	49,210	234	$ -
Long-term liabilities			
Accrued compensated absences			
Capital lease obligation	102,280		
Total long-term liabilities	102,280	-	-
Total liabilities	151,490	234	-
Net position			
Net investment in capital assets	2,559,287		
Restricted for emergencies			420,000
Unrestricted	1,004,425	589,336	619,058
Total net position	3,563,712	589,336	1,039,058
Total liabilities and net position	$ 3,715,202	$ 589,570	$ 1,039,058

Service Center Fund	Total
$ 21,108	$ 98,536
313,654	2,738,961
60,814	208,775
395,576	3,046,272
1,801,038	4,494,172
1,801,038	4,494,172
$ 2,196,614	$ 7,540,444
$ 5,263	$ 19,225
6,323	6,323
1,720	5,635
210,000	241,567
223,306	272,750
25,851	25,851
220,000	322,280
245,851	348,131
469,157	620,881
1,371,038	3,930,325
	420,000
356,419	2,569,238
1,727,457	6,919,563
$ 2,196,614	$ 7,540,444

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2016

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Operating revenues			
Charges for services	$ 463,909	$ 2,079,377	$ 613,090
Miscellaneous			1,796
Total operating revenues	463,909	2,079,377	614,886
Operating expenses			
Claims			115,525
Premiums		2,072,655	559,167
Personnel			
Maintenance and supplies	272,573	5,559	3,689
Depreciation and amortization	246,983		
Total operating expenses	519,556	2,078,214	678,381
Operating income (loss)	(55,647)	1,163	(63,495)
Nonoperating revenues (expenses)			
Earnings on investments	7,862	3,636	4,773
Contributions	149,495		
Insurance proceeds	12,700		76,570
Federal and state grants	18,500		
Gain (loss) on disposal of assets	(8,423)		
Debt service interest and fiscal charges	(5,827)		
Total nonoperating revenues (expenses)	174,307	3,636	81,343
Net income before transfers	118,660	4,799	17,848
Transfers in	1,590		
Transfers out			(800)
Change in net position	120,250	4,799	17,048
Net position at beginning of year	3,443,462	584,537	1,022,010
Net position at end of year	$ 3,563,712	$ 589,336	$ 1,039,058

Service Center Fund	Total
$ 601,538	$ 3,757,914
	1,796
601,538	3,759,710
	115,525
	2,631,822
446,521	446,521
104,257	386,078
80,543	327,526
631,321	3,907,472
(29,783)	(147,762)
2,900	19,171
	149,495
	89,270
60,814	79,314
	(8,423)
(29,659)	(35,486)
34,055	293,341
4,272	145,579
235,480	237,070
	(800)
239,752	381,849
1,487,705	6,537,714
$ 1,727,457	$ 6,919,563

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2016

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Cash flows from operating activities			
Receipts from customers	$ 463,909	$ 2,079,377	$ 614,886
Payments to providers		(2,072,655)	(559,167)
Payments to claimants			(115,525)
Payments to suppliers	(261,528)	(5,325)	(102,478)
Payments to employees			
Net cash provided (used) by operating activities	202,381	1,397	(162,284)
Cash flows from noncapital financing activities			
Insurance proceeds	12,700		76,570
Federal and state grant funds	18,500		249,296
Transfers from other funds			
Transfers to other funds			(800)
Net cash provided by noncapital financing activities	31,200	-	325,066
Cash flows from capital and related financing activities			
Purchase of capital assets	(567,167)		
Contributions	149,495		
Proceeds from sale of capital assets	3,461		
Principal paid on capital debt	(65,083)		
Interest and fiscal charges paid on capital debt	(6,849)		
Net cash used by capital and related financing activities	(486,143)	-	-
Cash flows from investing activities			
Sale of investments	251,999	15,000	
Purchase of investments			(155,000)
Net cash provided (used) by investing activities	251,999	15,000	(155,000)
Net change in cash and cash equivalents	(563)	16,397	7,782
Cash and cash equivalents at beginning of year	16,247	20,407	17,158
Cash and cash equivalents at end of year	$ 15,684	$ 36,804	$ 24,940

Service Center Fund	Total
$ 601,538	$ 3,759,710
	(2,631,822)
	(115,525)
(99,746)	(469,077)
(445,162)	(445,162)
56,630	98,124
	89,270
	267,796
235,480	235,480
	(800)
235,480	591,746
(69,451)	(636,618)
	149,495
	3,461
(205,000)	(270,083)
(30,479)	(37,328)
(304,930)	(791,073)
16,997	283,996
	(155,000)
16,997	128,996
4,177	27,793
16,931	70,743
$ 21,108	$ 98,536

(continued)

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2016

(continued)	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (55,647)	$ 1,163	$ (63,495)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	246,983		
Changes in operating assets and liabilities			
Accounts payable	11,045	234	(98,789)
Accrued salaries and benefits payable			
Accrued compensated absences			
Net cash provided (used) by operating activities	$ 202,381	$ 1,397	$ (162,284)

Service Center Fund	Total
$ (29,783)	$ (147,762)
80,543	327,526
4,511	(82,999)
2,676	2,676
(1,317)	(1,317)
$ 56,630	$ 98,124

CITY OF STERLING, COLORADO
Capital Replacement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 448,634	$ 448,634	$ 463,909	$ 15,275
Total operating revenues	448,634	448,634	463,909	15,275
Operating expenses				
Maintenance and supplies	905	905	905	-
Noncapital purchases			271,668	(271,668)
Capital purchases	793,909	1,028,654	567,167	461,487
Total operating expenses	794,814	1,029,559	839,740	189,819
Operating income (loss)	(346,180)	(580,925)	(375,831)	205,094
Nonoperating revenues (expenses)				
Earnings on investments	1,200	1,200	7,862	6,662
Contributions		149,005	149,495	490
Insurance proceeds		12,700	12,700	-
Federal and state grants		18,500	18,500	-
Proceeds from sale of assets			3,461	3,461
Principal paid on lease			(65,083)	(65,083)
Interest and fiscal charges			(5,827)	(5,827)
Total nonoperating revenues (expenses)	1,200	181,405	121,108	(60,297)
Net loss before transfers	(344,980)	(399,520)	(254,723)	144,797
Transfers in			1,590	1,590
Change in net position	$ (344,980)	$ (399,520)	(253,133)	$ 146,387

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Adjustments to GAAP Basis				
Add principal paid on lease			65,083	
Add capital purchases			567,167	
Deduct loss on disposal of assets			(11,884)	
Deduct depreciation			(246,983)	
Change in net position - GAAP Basis			120,250	
Net position at beginning of year			3,443,462	
Net position at end of year			$ 3,563,712	

CITY OF STERLING, COLORADO
Employee Benefits Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 2,412,588	$ 2,412,588	$ 2,079,377	$ (333,211)
Total operating revenues	2,412,588	2,412,588	2,079,377	(333,211)
Operating expenses				
Premiums	2,412,588	2,412,588	2,072,655	339,933
Maintenance and supplies	3,630	3,630	5,559	(1,929)
Total operating expenses	2,416,218	2,416,218	2,078,214	338,004
Operating income (loss)	(3,630)	(3,630)	1,163	4,793
Nonoperating revenues				
Earnings on investments	650	650	3,636	2,986
Total nonoperating revenues	650	650	3,636	2,986
Change in net position	$ (2,980)	$ (2,980)	4,799	$ 7,779
Net position at beginning of year			584,537	
Net position at end of year			$ 589,336	

CITY OF STERLING, COLORADO
Risk Management Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 604,380	$ 604,380	$ 613,090	$ 8,710
Miscellaneous	10,000	43,800	1,796	(42,004)
Total operating revenues	614,380	648,180	614,886	(33,294)
Operating expenses				
Claims	50,000	151,709	115,525	36,184
Premiums	614,380	614,380	559,167	55,213
Maintenance and supplies	890	890	3,689	(2,799)
Total operating expenses	665,270	766,979	678,381	88,598
Operating loss	(50,890)	(118,799)	(63,495)	55,304
Nonoperating revenues				
Insurance proceeds			76,570	76,570
Earnings on investments	950	950	4,773	3,823
Total nonoperating revenues	950	950	81,343	80,393
Net income (loss) before transfers	(49,940)	(117,849)	17,848	135,697
Transfers out	(800)	(800)	(800)	-
Change in net position	$ (50,740)	$ (118,649)	17,048	$ 135,697
Net position at beginning of year			1,022,010	
Net position at end of year			$ 1,039,058	

CITY OF STERLING, COLORADO
Service Center Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	$ 601,538	$ 601,538	$ 601,538	$ -
Total operating revenues	601,538	601,538	601,538	-
Operating expenses				
Personnel	472,817	472,817	446,521	26,296
Maintenance and supplies	130,651	130,651	104,257	26,394
Capital purchases		66,120	69,451	(3,331)
Total operating expenses	603,468	669,588	620,229	49,359
Operating income (loss)	(1,930)	(68,050)	(18,691)	49,359
Nonoperating revenues (expenses)				
Earnings on investments	500	500	2,900	2,400
Federal and state grants		57,855	60,814	2,959
Principal paid on lease	(205,000)	(205,000)	(205,000)	-
Debt service interest and fiscal charges	(30,480)	(30,480)	(29,659)	821
Total nonoperating revenues (expenses)	(234,980)	(177,125)	(170,945)	6,180
Net loss before transfers	(236,910)	(245,175)	(189,636)	55,539
Transfers in	235,480	235,480	235,480	-
Change in net position	$ (1,430)	$ (9,695)	45,844	$ 55,539
Adjustments to GAAP Basis				
Add principal paid on lease			205,000	
Add capital purchases			69,451	
Deduct depreciation			(80,543)	
Change in net position - GAAP Basis			239,752	
Net position at beginning of year			1,487,705	
Net position at end of year			$ 1,727,457	

Component Unit Fund

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has the following component unit:

- Sterling Urban Renewal Authority – The Authority was created by ordinance passed June 27, 1989 by the Council of the City of Sterling under authorization of State Statutes for the purpose of acquiring and developing or redeveloping certain areas in the City to maintain public welfare.

CITY OF STERLING, COLORADO
Component Unit - Sterling Urban Renewal Authority
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Tax increment financing	$ 756,000	$ 756,000	$ 748,515	$ (7,485)
Earnings on investments	1,000	1,000	2,289	1,289
Total revenues	757,000	757,000	750,804	(6,196)
Expenditures				
Grants and contributions	300,000	300,000	54,600	245,400
Executive director	15,000	15,000	15,000	-
Legal and professional fees	15,000	15,000	14,434	566
County treasurer's fees	15,000	15,000	14,970	30
Contribution to LCEDC	15,000	15,000	15,000	-
Improvement projects	375,000	375,000	138,849	236,151
Miscellaneous	11,500	11,500	4,539	6,961
Total expenditures	746,500	746,500	257,392	489,108
Net change in fund balance	$ 10,500	$ 10,500	493,412	$ 482,912
Fund balance at beginning of year			1,818,965	
Fund balance at end of year			$ 2,312,377	

Colorado Department of Highways
Local Highway Finance Report

This calendar-year report of receipts and expenditures is required by the Colorado Department of Highways to maintain Statewide accountability for moneys used for highway and street purposes. To ensure data accuracy, House Bill 1008 mandates that this report be included in the City's financial statements.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Sterling
	YEAR ENDING : December 2016
This Information From The Records Of (example - City of _ or County of _) City of Sterling	Prepared By: Deb Forbes Phone: (970) 522-9700

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	2,132,751
3. Other local imposts (from page 2)	183,941
4. Miscellaneous local receipts (from page 2)	41,192
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	2,357,884
B. Private Contributions	
C. Receipts from State government (from page 2)	394,597
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	2,752,481

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	956,295
2. Maintenance:	642,799
3. Road and street services:	
a. Traffic control operations	41,731
b. Snow and ice removal	155,813
c. Other	236,956
d. Total (a. through c.)	434,500
4. General administration & miscellaneous	170,538
5. Highway law enforcement and safety	548,349
6. Total (1 through 5)	2,752,481
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	2,752,481

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,752,481	2,752,481		0

Notes and Comments:

FORM FHWA-536 (Rev. 1-05) PREVIOUS EDITIONS OBSOLETE (Next Page)

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2016

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		**A.4. Miscellaneous local receipts:**	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalities	41,192
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	183,941	g. Other Misc. Receipts	
6. Total (1. through 5.)	183,941	h. Other	
c. Total (a. + b.)	183,941	i. Total (a. through h.)	41,192
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user taxes	353,880	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	40,717	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	40,717	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	394,597	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		956,295	956,295
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	956,295	956,295
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	956,295	956,295
			(Carry forward to page 1)

Notes and Comments:

STERLING
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STERLING
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STATISTICAL SECTION

STATISTICAL SECTION

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	165-169
Revenue Capacity Information These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	170-173
Debt Capacity Information These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	174-176
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	177
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government and the activities it performs.	178-180

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STERLING
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City of Sterling, Colorado
Net Position by Component
Last Ten Fiscal Years
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in Capital Assets	$ 18,675	$ 19,280	$ 19,977	$ 27,171	$ 28,048	$ 28,225	$ 28,664	$ 30,638	$ 32,617	$ 34,120
Nonspendable prepaid expenses	-	-	-	-	122	-	-	-	-	
Restricted for:										
Emergencies	350	350	350	350	360	370	370	370	420	420
Public Safety	-	-	-	-	-	-	754	637	460	352
Culture and recreation	-	-	-	-	229	342	483	767	710	514
Pensions	-	-	-	-	-	-	-	-	670	213
Unrestricted	6,295	6,526	7,063	6,170	5,658	6,129	6,175	6,869	6,552	6,056
Total governmental activities net position	$ 25,320	$ 26,156	$ 27,390	$ 33,691	$ 34,417	$ 35,066	$ 36,446	$ 39,281	$ 41,429	$ 41,675
Business-type activities										
Net investment in Capital Assets	$ 16,349	$ 16,100	$ 16,618	$ 18,837	$ 12,631	$ 21,339	$ 22,519	$ 15,973	$ 16,714	$ 20,146
Restricted for system improvements	-	-	-	-	-	-	-	1,957	1,957	184
Unrestricted	4,988	5,654	5,604	4,474	12,551	6,720	7,524	13,678	13,301	12,362
Total business-type activities net position	$ 21,337	$ 21,754	$ 22,222	$ 23,311	$ 25,182	$ 28,059	$ 30,043	$ 31,608	$ 31,972	$ 32,692
Primary government										
Net investment in Capital Assets	$ 35,024	$ 35,380	$ 36,595	$ 46,008	$ 40,679	$ 49,564	$ 51,183	$ 46,611	$ 49,331	$ 54,266
Nonspendable prepaid expenses	-	-	-	-	122	-	-	-	-	-
Restricted for:										
Emergencies	350	350	350	350	360	370	370	370	420	420
Public Safety	-	-	-	-	-	-	754	637	460	352
Culture and recreation	-	-	-	-	229	342	483	767	710	514
Pensions	-	-	-	-	-	-	-	-	670	213
System Improvements	-	-	-	-	-	-	-	1,957	1,957	184
Unrestricted	11,283	12,180	12,667	10,644	18,209	12,849	13,699	20,547	19,853	18,418
Total primary government net position	$ 46,657	$ 47,910	$ 49,612	$ 57,002	$ 59,599	$ 63,125	$ 66,489	$ 70,889	$ 73,401	$ 74,367

City of Sterling, Colorado
Changes in Net Position
Last Ten Fiscal Years
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	$ 2,493	$ 2,470	$ 2,443	$ 2,348	$ 2,777	$ 2,395	$ 2,698	$ 2,664	$ 3,042	$ 2,833
Public Safety	3,211	3,536	3,479	3,522	4,285	4,189	4,384	4,618	4,798	5,448
Public Works	2,419	2,174	2,098	2,150	1,677	2,378	2,470	2,487	1,629	2,503
Parks, Library, Recreation	2,446	2,438	2,591	2,475	2,751	2,861	2,827	2,860	2,497	3,053
Interest on Long-term debt	107	106	99	90	87	82	58	49	45	35
Total governmental activities expenses	10,676	10,724	10,710	10,585	11,577	11,905	12,437	12,678	12,011	13,872
Business-type activities:										
Water	1,892	1,653	1,631	1,650	2,354	2,679	2,814	3,361	4,324	4,241
Sanitation	390	443	399	483	434	493	446	476	476	464
Sewer	1,751	1,767	1,818	1,670	1,815	1,640	1,693	1,851	1,863	2,088
Total business-type activities expenses	4,033	3,863	3,848	3,803	4,603	4,812	4,953	5,688	6,663	6,793
Total primary government expenses	$ 14,709	$ 14,587	$ 14,558	$ 14,388	$ 16,180	$ 16,717	$ 17,390	$ 18,366	$ 18,674	$ 20,665
Program Revenue										
Governmental activities:										
Charge for Services - General Government	$ 195	$ 175	$ 198	$ 148	$ 263	$ 216	$ 149	$ 158	$ 219	$ 198
Charge for Services - Public Safety	122	169	161	150	103	94	81	80	83	76
Charge for Services - Public Works	473	415	216	230	354	360	339	335	225	216
Charge for Services - Parks, Library, Rec.	319	343	365	326	353	352	356	358	318	367
Operating grants	768	704	973	898	779	687	890	818	662	638
Capital grants	1,017	290	1,014	5,879	340	217	-	1,913	453	548
Total governmental activities program revenues	2,894	2,096	2,927	7,631	2,192	1,926	1,815	3,662	1,960	2,043
Business-type activities:										
Charge for Services - Water	1,566	1,996	2,188	2,727	4,252	5,470	4,910	5,016	5,003	5,130
Charge for Services - Sanitation	437	445	466	447	458	457	466	479	471	609
Charge for Services - Sewer	1,673	1,643	1,641	1,681	1,739	1,718	1,658	1,736	1,688	1,663
Capital grants	119	68	20	44	40	32	45	28	81	36
Total business-type activities program revenues	3,795	4,152	4,315	4,899	6,489	7,677	7,079	7,259	7,243	7,438
Total primary government program revenues	$ 6,689	$ 6,248	$ 7,242	$ 12,530	$ 8,681	$ 9,603	$ 8,894	$ 10,921	$ 9,203	$ 9,481

City of Sterling, Colorado
Changes in Net Position (continued)
Last Ten Fiscal Years
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	$ (7,782)	$ (8,628)	$ (7,783)	$ (2,954)	$ (9,385)	$ (9,979)	$ (10,622)	$ (9,016)	$ (10,051)	$ (11,829)
Business-type activities	(238)	289	467	1,096	1,886	2,865	2,126	1,571	580	645
Total primary government net expense	$ (8,020)	$ (8,339)	$ (7,316)	$ (1,858)	$ (7,499)	$ (7,114)	$ (8,496)	$ (7,445)	$ (9,471)	$ (11,184)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property Tax	$ 956	$ 1,006	$ 988	$ 1,024	$ 1,029	$ 1,011	$ 1,018	$ 1,038	$ 1,048	$ 1,095
Specific Ownership Tax	-	-	-	-	-	-	-	127	126	119
Sales and Use Tax	6,110	6,230	5,975	6,208	6,655	6,799	6,912	7,703	7,620	7,427
Franchise Tax	643	720	649	677	686	652	685	699	664	632
Other Taxes	162	161	144	123	112	243	292	227	213	158
Unrestricted Earnings on Investments	269	153	28	14	6	14	8	8	14	47
Miscellaneous	1,124	1,117	1,162	1,122	1,450	1,816	3,022	1,956	2,433	2,501
Sale of Assets	2	6	-	13	100	1	-	-	11	-
Transfers	69	71	70	74	73	92	93	93	94	96
Total governmental activities	$ 9,335	$ 9,464	$ 9,016	$ 9,255	$10,111	$ 10,628	$ 12,030	$ 11,851	$ 12,223	$ 12,075
Business-type activities:										
Unrestricted Earnings on Investments	$ 227	$ 122	$ 22	$ 16	$ 5	$ 13	$ 9	$ 11	$ 20	$ 74
Miscellaneous	48	64	48	50	49	91	238	12	166	96
Sale of Assets	-	13	2	-	4	-	1	165	27	
Transfers	(69)	(71)	(70)	(74)	(73)	(92)	(93)	(93)	(94)	(96)
Total business-type activities	206	128	2	(8)	(15)	12	155	95	119	74
Total primary government	$ 9,541	$ 9,592	$ 9,018	$ 9,247	$10,096	$ 10,640	$ 12,185	$ 11,946	$ 12,342	$ 12,149
Changes in Net Position										
Governmental activities	$ 1,553	$ 836	$ 1,233	$ 6,301	$ 726	$ 649	$ 1,408	$ 2,835	$ 2,172	$ 246
Business-type activities	(32)	417	469	1,088	1,871	2,877	2,281	1,666	699	719
Total primary government	$ 1,521	$ 1,253	$ 1,702	$ 7,389	$ 2,597	$ 3,526	$ 3,689	$ 4,501	$ 2,871	$ 965

City of Sterling, Colorado
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund											
Reserved		$ 139	$ 121	$ 107	$ 102	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved		2,215	2,103	2,144	2,058	-	-	-	-	-	-
Nonspendable - prepaid items	(a)	-	-	-	-	-	119	-	85	70	93
Committed to:											
Culture and recreation	(a)	-	-	-	-	88	131	141	140	141	127
Unassigned	(a)	-	-	-	-	2,721	2,875	2,667	3,132	3,682	3,144
Total General Fund		$ 2,354	$ 2,224	$ 2,251	$ 2,160	$ 2,809	$ 3,125	$ 2,808	$ 3,357	$ 3,893	$ 3,364
All other governmental funds											
Reserved		$ 455	$ 465	$ 468	$ 301	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:											
Special revenue funds		1,086	1,169	1,667	430	-	-	-	-	-	-
Capital projects funds		911	1,075	866	1,364	-	-	-	-	-	-
Nonspendable - prepaid items		-	-	-	-	-	-	230	155	72	-
Restricted for:											
Public safety		-	-	-	-	-	-	754	637	460	352
Culture and recreation	(a)	-	-	-	-	229	342	483	768	710	514
Committed to:											
Capital Improvement	(a)	-	-	-	-	827	791	825	841	572	488
Health & Welfare	(a)	-	-	-	-	154	174	202	190	185	225
Total all other governmental funds		$ 2,452	$ 2,709	$ 3,001	$ 2,095	$ 1,210	$ 1,307	$ 2,494	$ 2,591	$ 1,999	$ 1,579

(a) In 2011, reporting of fund balances was changed to meet the requirements of GASB 54.

City of Sterling, Colorado
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue										
Taxes	$ 7,871	$ 8,117	$ 7,756	$ 8,032	$ 8,483	$ 8,699	$ 8,925	$ 9,795	$ 9,672	$ 9,432
Licenses and Permits	209	256	207	175	282	251	182	212	267	251
Intergovernmental	1,641	1,440	1,682	6,125	1,828	2,098	2,135	4,031	2,572	2,437
Charges for services	248	296	271	255	268	283	293	279	259	278
Fines and forfeitures	156	201	202	180	137	127	108	106	105	101
Earnings on investments	171	99	18	9	3	8	5	5	9	27
Miscellaneous	1,769	1,016	1,737	2,033	1,120	985	2,126	989	1,200	1,242
Total Revenue	$ 12,065	$ 11,425	$ 11,873	$ 16,809	$ 12,121	$ 12,451	$ 13,774	$ 15,417	$ 14,084	$ 13,768
Expenditures										
General Government	$ 2,539	$ 2,464	$ 2,453	$ 2,389	$ 2,562	$ 2,508	$ 2,745	$ 2,658	$ 3,140	$ 3,036
Public Safety	3,335	3,593	3,529	3,555	3,641	4,295	4,577	4,761	5,335	5,397
Public Works	2,161	2,535	2,277	6,853	2,414	2,507	2,965	4,628	2,757	3,152
Cemetery	195	230	233	194	201	192	168	237	184	203
Recreation	2,572	2,259	2,262	2,048	2,338	2,308	2,312	2,348	2,607	2,789
Capital Outlay	344	60	652	2,616	1,176	93	-	-	-	-
Total Expenditures	$ 11,146	$ 11,141	$ 11,406	$ 17,655	$ 12,332	$ 11,903	$ 12,767	$ 14,632	$ 14,023	$ 14,577
Excess of revenues over (under) expenditures	$ 919	$ 284	$ 467	$ (846)	$ (211)	$ 548	$ 1,007	$ 785	$ 61	$ (809)
Other financing sources (uses)										
Transfers in	5	3	8	1,534	294	47	1	1	39	1
Transfers out	(159)	(160)	(156)	(1,685)	(420)	(181)	(139)	(140)	(155)	(141)
Total other financing sources (uses)	(154)	(157)	(148)	(151)	(126)	(134)	(138)	(139)	(116)	(140)
Sale of land and buildings	-	-	-	-	100	-	-	-	-	-
Net change in fund balances	$ 765	$ 127	$ 319	$ (997)	$ (237)	$ 414	$ 869	$ 646	$ (55)	$ (949)
Debt Service as a % of Noncapital Expenditures[1]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

[1]The City of Sterling has no debt service in the Governmental Funds.

City of Sterling, Colorado
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Vehicle Use Tax	Building Use Tax	Franchise Tax	Hotel Tax[1]	Other Tax	Total
2007	$ 956	$ 5,803	$ 237	$ 71	$ 643	$ -	$ 162	$ 7,872
2008	$ 1,006	$ 5,903	$ 214	$ 113	$ 720	$ -	$ 161	$ 8,117
2009	$ 988	$ 5,657	$ 183	$ 135	$ 649	$ -	$ 144	$ 7,756
2010	$ 1,024	$ 5,937	$ 195	$ 77	$ 676	$ -	$ 123	$ 8,032
2011	$ 1,029	$ 6,283	$ 226	$ 147	$ 686	$ -	$ 112	$ 8,483
2012	$ 1,011	$ 6,417	$ 258	$ 118	$ 652	$ 116	$ 127	$ 8,699
2013	$ 1,018	$ 6,555	$ 288	$ 87	$ 685	$ 152	$ 140	$ 8,925
2014	$ 1,038	$ 7,282	$ 295	$ 126	$ 699	$ 212	$ 143	$ 9,795
2015	$ 1,048	$ 7,134	$ 338	$ 148	$ 664	$ 196	$ 143	$ 9,671
2016	$ 1,095	$ 6,905	$ 321	$ 201	$ 632	$ 141	$ 137	$ 9,432
Change 2007-2016	15%	19%	35%	183%	-2%	22%	-15%	

[1]Voters approved a 5% hotel tax effective January 1, 2012. Of that collected, 38% is remitted to Logan County for the Logan County Taxing Board.

City of Sterling, Colorado
Property Tax Rate
For Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Sterling	Overlapping Governments			
		Logan County	RE-1 Valley School District	Other	Total
2007	14.364	31.179	43.000	2.496	91.039
2008	14.041	29.877	40.571	2.352	86.841
2009	14.183	30.098	40.571	2.280	87.132
2010	14.027	30.774	40.571	2.324	87.696
2011	14.051	29.919	40.488	2.330	86.788
2012	14.051	29.925	40.366	2.333	86.675
2013	14.030	29.943	40.387	2.361	86.721
2014	14.030	29.963	40.212	2.386	86.591
2015	14.031	27.390	38.752	2.282	82.455
2016	14.033	27.385	38.693	2.274	82.385

Source: Logan County Assessor.

City of Sterling, Colorado
Sales Tax Rate
For Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Sterling	Logan County	South Platte Rural Transportation Auth (1)	State of Colorado
2007	3.00%	1.00%	-	2.90%
2008	3.00%	1.00%	0.10%	2.90%
2009	3.00%	1.00%	0.10%	2.90%
2010	3.00%	1.00%	0.10%	2.90%
2011	3.00%	1.00%	0.10%	2.90%
2012	3.00%	1.00%	0.10%	2.90%
2013	3.00%	1.00%	0.10%	2.90%
2014	3.00%	1.00%	0.10%	2.90%
2015	3.00%	1.00%	0.10%	2.90%
2016	3.00%	1.00%	0.10%	2.90%

(1) South Platte Rural Transportation Authority effective date July 1, 2008.

City of Sterling, Colorado
Sales Tax Revenue by Category
December 31, 2015
(amounts expressed in thousands)

Taxpayer Category[1]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, Forestry & Fishing	$6	$8	$3	$2	$3	$5	$7	$8	$19	$71
Mining	$7	$10	$3	$5	$7	$6	$8	$8	$11	$12
Construction	$96	$75	$50	$41	$45	$65	$48	$57	$59	$79
Manufacturing	$175	$167	$141	$142	$216	$213	$200	$163	$169	$158
Transportation & Public Utilities	$542	$558	$588	$602	$753	$640	$640	$628	$608	$542
Wholesale Trade	$217	$240	$160	$150	$172	$220	$202	$516	$332	$228
Retail Trade	$4,380	$4,377	$4,326	$4,438	$4,626	$4,832	$4,933	$5,149	$5,386	$5,257
Finance, Insurance & Real Estate	$2	$3	$3	$1	$1	$2	$2	$7	$6	$8
Services	$437	$437	$442	$436	$510	$664	$722	$960	$848	$498

[1]Due to requirements under City Charter, the names of the sales taxpayers are confidential.
The categories presented provide information regarding the sources of the City's sales tax revenue.

City of Sterling, Colorado
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita and personal income amount)

	Governmental Activities			Business-Type Activities					
Fiscal Year	Service Center Lease	Fire Truck Lease	Air Pack Lease	CWRPDA Loan Sewer Fund	CWRPDA Loan Water Fund	Total Outstanding Debt	Percentage of Personal Income[1]	Popluation[1]	Total Debt Per Capita
2007	$1,935	$317	$0	$1,370	$0	$3,622	0.53%	13,917	$260
2008	$1,814	$269	$0	$1,237	$0	$3,320	0.43%	13,903	$239
2009	$1,660	$249	$0	$1,102	$0	$3,011	0.40%	14,065	$214
2010	$1,510	$213	$0	$963	$4,800	$7,486	0.99%	14,350	$522
2011	$1,355	$176	$0	$819	$29,294	$31,644	3.90%	14,343	$2,206
2012	$1,190	$147	$0	$669	$29,252	$31,258	3.51%	14,125	$2,213
2013	$1,015	$103	$0	$514	$27,984	$29,616	3.29%	13,983	$2,118
2014	$830	$69	$0	$353	$26,699	$27,951	3.05%	14,182	$1,971
2015	$635	$35	$164	$186	$25,392	$26,412	2.88%	14,066	$1,878
2016	$430	$0	$134	$0	$23,525	$24,089	2.24%	14,104	$1,708

[1] See demographic and economic statistics on page 177 for personal income and population data.

City of Sterling, Colorado
Direct and Overlapping Governmental Activities Debt
December 31, 2016
(amounts expresssed in thousands)

Governmental Unit	Debt Outstanding	Percentage Applicable	Amount Applicable
City of Sterling Direct Debt	$564	100.00%	$564
City of Sterling Overlapping Debt	$0		$0
Total	$564		$564

Source: Assessed value data used to estimate applicable percentages provided by Logan County Government. City of Sterling's Direct Debt details can be found on page 174.

City of Sterling, Colorado
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	$14,366	$ 15,275	$14,603	$14,603	$17,073	$17,353	$17,462	$17,677	$18,520	18627
Debt applicable to limit	2,252	2,083	1,909	1,723	1,531	1,337	1,118	899	834	564
Legal Debt Margin	$12,114	$ 13,192	$12,694	$12,880	$15,542	$16,016	$16,344	$16,778	$17,686	$18,063

Legal Debt Margin Calculation for Fiscal Year 2016

Actual valuation	$620,898	
Debt limit - 3% of actual valuation		$18,627
Amount of debt outstanding	$ 24,089	
Less deductions allowed:		
Sewer Loan	$ -	
Water Loan	$ 23,525	
Total amount of debt applicable to debt limit		$ 564
Legal Debt Margin		$18,063

Note: Per City of Sterling Charter, Section 6-8, the City of Sterling's outstanding debt should not exceed 3% of the actual valuation of taxable property within the City, but in any determination of the limitation of the City's power to incur indebtedness there shall not be included bonds issued for the acquisition or extension of a water supply, public utilities, enterprises, which do not constitute an indebtedness.

City of Sterling, Colorado
Demographic Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population[1]	County Population[2]	Per Capita Income[2]	Personal Income[2]	School Enrollment[3]	Unemployment Rate Percent[4]
			(in thousands)			
2007	13,917	22,163	$30,835	$683,406	2,503	4.4%
2008	13,903	22,128	$34,654	$766,925	2,479	4.1%
2009	14,065	22,451	$33,548	$753,197	2,502	5.5%
2010	14,350	22,792	$33,045	$753,167	2,436	5.9%
2011	14,343	22,739	$35,707	$811,933	2,350	5.7%
2012	14,125	22,603	$37,742	$891,058	2,287	6.2%
2013	13,983	22,450	$39,414	$900,378	2,317	5.2%
2014	14,182	22,709	$40,888	$914,984	2,274	4.7%
2015	14,066	22,212	$40,937	$916,070	2,295	2.8%
2016	14,104	22,036	$48,755	$1,074,369	2,284	2.4%

Data sources

[1]Colorado Division of Local Government Demography Office

[2]Bureau of Economic Analysis. Information for per capita income and personal income is for Logan County.

[3]RE-1 School District

[4]Bureau of Labor Statistics; percentage for Logan County

City of Sterling, Colorado
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government	18	18	18	18	17	17	17	16	15	15
Public safety										
Police										
Officers	22	22	22	22	21	21	21	23	20	20
Civilians	5	5	5	5	5	5	5	5	5	6
Fire										
Firefighters	16	15	16	16	21	21	22	22	22	22
Civilians	1	1	1	1	1	1	1	1	1	1
Dispatch	11	11	11	11	8	9	8	7	10	11
Parks, Library, Recreation	24	24	24	24	25	22	23	26	24	25
Public Works	15	15	15	15	14	14	14	14	16	15
Water	4	4	4	4	4	5	8	9	9	9
Sanitation	4	4	4	4	4	4	4	4	4	4
Sewer System										
Sewer	2	2	3	3	2	2	2	1	1	4
Wastewater	5	5	5	5	4	4	3	4	4	5
Service Center	6	6	6	6	6	6	6	6	8	7
TOTAL	133	132	134	134	132	131	134	138	139	144

The data includes all employees, exempt and non exempt.
Source : City of Sterling HR Department

City of Sterling, Colorado
Operating Indicators by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	851	925	823	781	549	532	627	641	665	454
Traffic Accidents	294	316	287	254	308	250	267	297	257	256
Traffic charges	5,678	8,930	7,314	6,909	4,752	4,857	4,368	4,014	4,377	4,057
Fire										
Medical calls	964	966	948	908	1,048	1,283	1,403	1,743	2,077	1,990
Fire calls	101	127	80	95	110	151	90	95	140	116
Hazardous Calls	306	118	344	359	319	379	265	460	103	78
Public Works										
Building Permits:										
Residential	1	0	1	1	2	3	7	7	5	6
Non-residential	41	51	32	65	45	46	33	38	56	68
Construction Value:										
Residential[1]	$105	$0	$66	$187	$205	$373	$773	$1,165	$611	$807
Non-residential[1]	$1,056	$4,294	$2,439	$5,467	$2,561	$3,474	$2,260	$1,568	$2,465	$2,562
Parks, Library, Recreation										
Patrons using Library	59,163	57,313	54,573	47,816	55,951	57,214	49,085	47,707	39,507	42,072
Recreation Division Programs	9	9	6	6	7	7	6	6	6	6
Recreation Division Teams	272	270	258	275	261	269	254	258	275	266
Sanitation										
Compacted refuse (tons)	6,068	5,955	6,052	6,113	5,866	5,547	5,701	5,756	5,742	5,842
Loose collected (tons)	981	854	785	1,446	789	990	1,061	742	801	891
Water										
Meters Read	55,569	55,560	55,761	55,513	55,514	55,617	58,533	57,548	56,513	57,886
Services Installed	5	5	3	1	3	3	6	9	29	10

Sources: Various city departments.

[1]Information presented in thousands.

City of Sterling, Colorado
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	26	26	26	26	26	26	26	26	26
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Streets										
Streets (miles)	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5
Streetlights	670	670	670	670	670	670	670	670	670	670
Culture and Recreation										
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks	16	17	17	17	17	17	17	17	17	17
Park Acreage	109	116	116	116	116	116	116	116	116	116
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	8	8	12	12	10	10	10	10	10	10
Public Library	1	1	1	1	1	1	1	1	1	1
Museum	1	1	1	1	1	1	1	1	1	1
Sewer System:										
Sanitary sewers (miles)	82.42	82.42	82.42	82.42	82.42	82.42	82.42	82.42	82.42	82.42
Storm sewers (miles)	34.56	34.56	34.56	34.82	34.82	34.82	34.82	34.82	34.82	34.82
Max. daily capacity (thousands of gallons)	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68
Water System:										
Water mains (miles)	97.35	97.35	97.35	97.35	97.35	97.35	97.35	97.35	97.35	97.35
Fire hydrants	379	379	379	381	383	383	386	386	386	386
Max. daily capacity (thousands of gallons)	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500

Sources: Various city departments.

STERLING
A Colorado Treasure

SINGLE AUDIT SECTION

CITY OF STERLING, COLORADO
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation:				
Airport Improvement Program	20.106	TAP MS26-014	$ -	$ 122,133
Highway Planning and Construction	20.205	3-08-0052	-	144,345
State and Community Highway Safety	20.600	211015460	-	7,301
Total U.S. Department of Transportation				273,779
Drinking Water State Revolving Fund Cluster:				
U.S. Environmental Protection Agency:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	D11A110	-	971,161
Total Drinking Water State Revolving Loan Cluster				971,161
Total Expenditures of Federal Awards				$ 1,244,940

See accompanying Notes to Schedule of Expenditures of Federal Awards.

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Sterling, Colorado, under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Sterling, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Sterling, Colorado.

Note B – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual or full accrual basis of accounting, as appropriate. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect cost rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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Certified Public Accountants
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Independent Auditors' 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*

To the Honorable Mayor and Members of City Council
City of Sterling, Colorado
Sterling, Colorado

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sterling, Colorado (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
July 14, 2017

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of City Council
City of Sterling, Colorado
Sterling, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Sterling, Colorado's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
July 14, 2017

CITY OF STERLING, COLORADO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Summary of audit results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Sterling, Colorado (the City) were prepared in accordance with GAAP.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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.*

3. One instance of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards,* was disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.

6. The audit did not disclose any findings that are required to be reported in accordance with 2 CFR section 200.516(a).

7. The programs tested as major were:

   Capitalization Grants for Drinking Water
   State Revolving Funds — CFDA No. 66.468

8. The threshold for distinguishing Type A and B programs was $750,000.

9. The City was not determined to be a low-risk auditee.

Findings – Financial statement audit

2016-001 – NONCOMPLIANCE

Criteria – The City has controls in place requiring management approval when entering into contracts and grant agreements, submitting claims for reimbursements, and establishing bank accounts on behalf of the City.

Condition – A former employee circumvented those policies and procedures and entered into contracts and grant agreements, submitted claims for reimbursement, and established a separate bank account, without the City's prior knowledge or approval.

Cause – Procedures in place were not followed, allowing the former employee to enter into agreements and divert funds into a separate bank account.

Effect – A former employee was tried and convicted, with restitution due the City in the amount of $149,467.

Recommendation – We recommend reviewing controls and providing proper training for all staff to provide greater assurance that controls in place are followed.

Management's Response – Management agrees – while internal controls in place were designed to require proper approvals by management, the individual circumvented those controls. We will continue to provide training to all staff to be sure they are aware of the City's policies and procedures in an effort to ensure those policies and procedures are being followed.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.