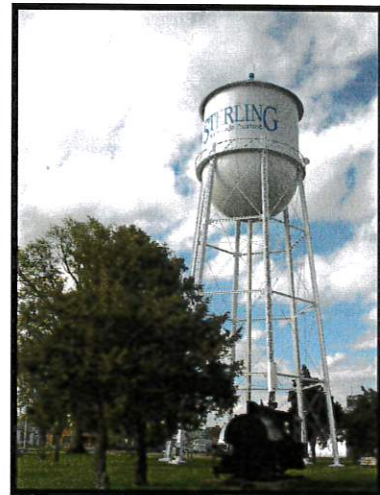
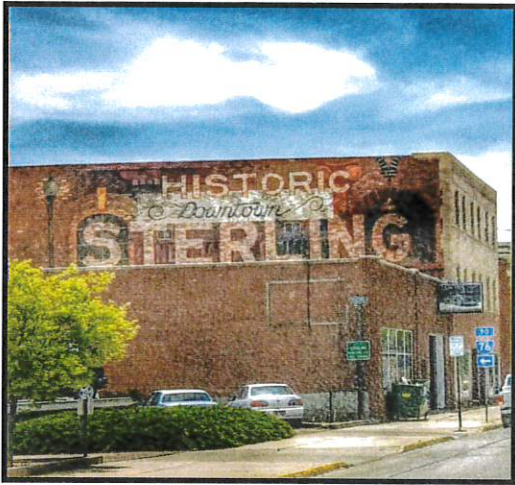


City of Sterling, Colorado

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2017



STERLING
A Colorado Treasure

E

RECEIVED

Office of the State Auditor

June 19, 2018



City of Sterling, Colorado

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2017

Prepared by:

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, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	5
City Council & Senior Management.....	6
Organizational Flow Chart.....	7
 FINANCIAL SECTION	
Independent Auditors' Report.....	9
Management's Discussion and Analysis.....	12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities.....	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31
Statement of Net Position - Proprietary Funds.....	32
Statement of Revenues, Expenses and Changes in Net Fund Position - Proprietary Funds.....	36
Statement of Cash Flows - Proprietary Funds.....	40
Notes to Financial Statements.....	44
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset) Fire & Police Statewide Defined Benefit Plan - Police.....	98
Schedule of City Contributions - Fire & Police Statewide Defined Benefit Plan - Police.....	99
Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset) Fire & Police Statewide Defined Benefit Plan - Fire.....	100
Schedule of City Contributions - Fire & Police Statewide Defined Benefit Plan - Fire.....	101
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios Sterling Volunteer Fire Department Pension Plan.....	102
Schedule of City Contributions - Sterling Volunteer Fire Department Pension Fund.....	103
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios Sterling Old Hire Fire Pension Fund.....	104
Schedule of City Contributions - Sterling Old Hire Fire Pension Fund.....	105

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	Page
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios	
Sterling Old Hire Police Pension Fund.....	106
Schedule of City Contributions - Sterling Old Hire Police Pension Fund.....	107
General Fund - Budgetary Comparison Schedule.....	108
Notes to Required Supplementary Information.....	109
Other Supplementary Information:	
General Fund	
Budgetary Comparison Schedule - Revenues.....	114
Budgetary Comparison Schedule - Expenditures.....	116
Combining Statements and Budgetary Comparison Schedules -	
Nonmajor Government Funds	
Combining Balance Sheet.....	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	120
Conservation Trust Fund - Budgetary Comparison Schedule.....	122
Perpetual Care Fund - Budgetary Comparison Schedule.....	123
Karl Falch Library Fund - Budgetary Comparison Schedule.....	124
Hotel Tax Fund - Budgetary Comparison Schedule.....	125
Library Improvement Fund - Budgetary Comparison Schedule.....	126
Old Hire Police Pension Fund - Budgetary Comparison Schedule.....	127
Capital Improvement Fund - Budgetary Comparison Schedule.....	128
Budgetary Comparison Schedules - Enterprise Funds	
Water Fund - Budgetary Comparison Schedule.....	130
Sanitation Fund - Budgetary Comparison Schedule.....	132
Sewer Fund - Budgetary Comparison Schedule.....	134
Combining Statements and Budgetary Comparison Schedules - Internal Service Funds	
Combining Statement of Net Position.....	136
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	138
Combining Statement of Cash Flows.....	140
Capital Replacement Fund - Budgetary Comparison Schedule.....	144
Employee Benefits Fund - Budgetary Comparison Schedule.....	146
Risk Management Fund - Budgetary Comparison Schedule.....	147
Service Center Fund - Budgetary Comparison Schedule.....	148
Component Unit	
Component Unit - Sterling Urban Renewal Authority Budget Comparison Schedule.....	150
Colorado Department of Highways Local Highway Finance.....	152
 STATISTICAL SECTION	
Net Position by Component.....	157
Changes in Net Position.....	158
Fund Balances of Governmental Funds.....	160
Changes in Fund Balances of Governmental Funds.....	161
General Governmental Tax Revenues by Source.....	162
Property Tax Rate for Direct and Overlapping Governments.....	163
Assessed Value and Actual Value of Taxable Property.....	164
Sales Tax Rate for Direct and Overlapping Governments.....	165

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION (CONTINUED)	Page
Sales Tax Revenue by Category.....	166
Ratio of Outstanding Debt by Type.....	167
Direct and Overlapping Governmental Activities Debt.....	168
Legal Debt Margin Information.....	169
Demographic Economic Statistics.....	170
Principal Employers.....	171
Full-time Equivalent Employees by Function.....	172
Operating Indicators by Function.....	173
Capital Asset Statistics by Function.....	174



INTRODUCTORY SECTION



June 1, 2018

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, 2017, 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 2017 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:

- 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 (GAAP) 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 2017. Sales tax revenue, which was 52% of the General Fund revenue in 2017, was 1.05% lower than that collected in 2016. The City's General Fund saw a .4% increase in revenues in 2017 compared to 2016, however if the insurance proceeds received in 2017 were taken out, the revenues would have been .1% less than the 2016 revenue.

During 2017 the unemployment rate decreased from the 2.4% in 2016 to the current rate of 2.2%.

The City's Code Enforcement Specialist issued 65 building permits in 2017, which were 9 permits less than issued in 2016. The construction value for 2017 was estimated at approximately \$2.8 million, of which \$2.4 was for commercial construction.

Major businesses/employers located within the government's boundaries or in close proximity include Sterling Correctional Facility, Banner Health, RE-1 School District, Wal-Mart and Northeastern Junior College.

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.

In 2017 the City continued updating the water distribution infrastructure in the City. Public Works assembled plans and specifications, advertised for bids, and oversaw the construction of one of the major antiquated waterlines on the south side of town. The 10" water main was replaced with 3,212 lin. ft. of 10" waterline, in addition to 285 ft. of 6" waterline and 85 ft. of 4" waterline. 3 new fire hydrants were also installed and 27 services were replaced.

The City of Sterling, like many Colorado communities, is facing significant challenges due to aging infrastructure and compliance with new wastewater treatment regulations. In addition, Sterling is subject to inflow and infiltration (I&I) of large amounts of groundwater and storm water into the wastewater system. The city has retained the services of Mott MacDonald (wastewater consultants/engineers) to perform a study of the existing wastewater treatment system with the goal of developing recommended improvements for the system.

Many of the improvements are needed because of age and state of disrepair and some are needed because of new wastewater treatment regulations of the Colorado Water Quality Control Commission.

At this point in time, Sterling has not been able to meet the compliance schedule for Total Inorganic Nitrogen. (TIN) removal and is subject to potential formal enforcement actions, up to \$10,000/day per violation.

It was another busy year at the Sterling Municipal Airport. The Airport was able to finish phase two of the perimeter fence project. The Airport now has a continuous 8 foot wildlife/ security fence around the entire perimeter of the airport.

With the purchase of new land along the South Platte River the Parks Library and Recreation Department applied for a planning grant to gather information, from the community, on the amenities desired for the site. A grant from Great Outdoors Colorado was received and Confluent Design was chosen as the company to develop the plan. The company has met with the PLR and City staff, conducted site visits, held two public meeting and designed three different concepts using the public ideas. A third public meeting will be held in 2018 and a final plan delivered in April 2018.

In 2017, the PLR department began the process of becoming a HEAL (Healthy Eating Active Living) City. With the help of the Livewell staff a resolution was prepared and passed by the Sterling City Council to implement the different aspects and requirements of the Heal City designation. The PLR department will work with all city departments to employ healthy and active planning in all future ventures, from organized walks and runs, walking meetings, healthy foods at receptions, pedestrian travel in design specification and healthy food alternative for underserved communities.

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.

The City has retained the services of an additional consultant to develop a water/wastewater rate study to recommend to City Council a financial plan including proposed rates to finance the proposed improvements to the wastewater system but also for the water system

It is anticipated that in November of 2018, the City will have a ballot issue asking the residents of the City to permit the issuance of revenue bonds payable from the City's Wastewater Utility Enterprise revenues to finance the improvements to the wastewater treatment plant, as required by Article 14, Section 14-8 (b) of the Charter.

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.

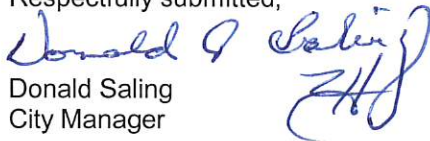
AWARDS AND ACKNOWLEDGEMENTS

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, 2016. This was the twenty-sixth 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, 2016

Christopher P. Morrell

Executive Director/CEO

**City of Sterling, Colorado
City Council and Senior Management
December 31, 2017**

City Council

Mayor	Term expires 2019	Dan Torres
Council Member Ward 1	Term expires 2021	Bob McCarty
Council Member Ward 1	Term expires 2019	Janice Rice
Council Member Ward 2	Term expires 2021	Brenda Rhodes
Council Member Ward 2	Term expires 2019	Alice Pitcher
Council Member Ward 3	Term expires 2021	Dave Appelhans
Council Member Ward 3	Term expires 2019	Marcus Flores

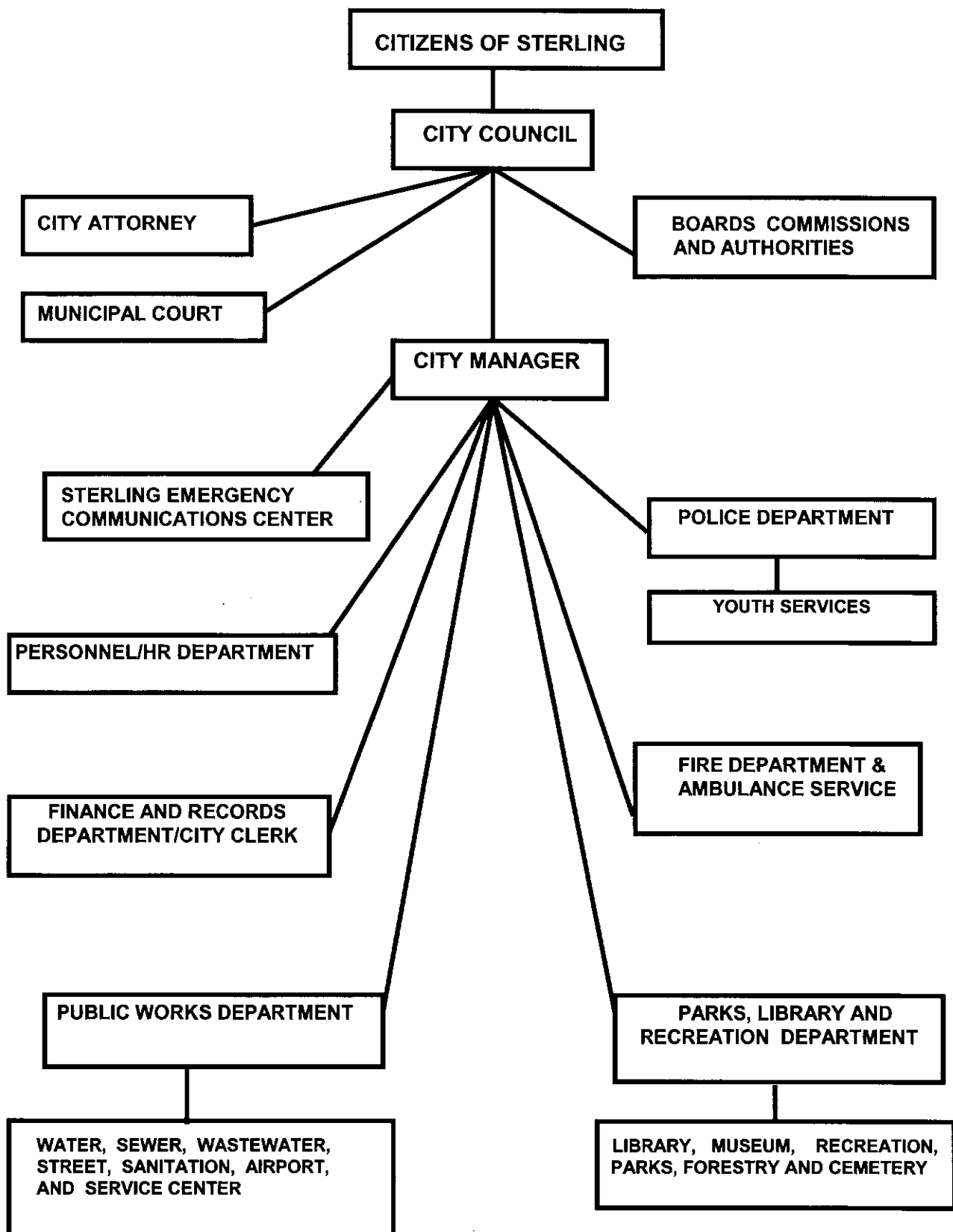
Appointed Officials

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	Valicia Lybrand

CITY OF STERLING, COLORADO



STERLING

A Colorado Treasure

This page intentionally left blank.



FINANCIAL SECTION



Independent Auditors' Report

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

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, 2017, 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. 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, 2017, 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 other supplementary information and local highway finance report 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 and local highway finance report are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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
April 24, 2018

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, 2017. 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 2017 by \$76 million (net position). Of this amount \$17.2 million or 23% 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 \$383 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, ambulance, 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 98 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 \$76 million at the close of 2017.

CITY OF STERLING NET POSITION (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 9,843	\$ 9,757	\$ 13,166	\$ 11,877	\$ 23,009	\$ 21,635
Land, construction in progress and water rights	2,010	1,900	110	386	2,120	2,285
Capital assets - Net of Depreciation	32,674	33,151	44,118	44,692	76,792	77,843
Total assets	44,527	44,808	57,394	56,955	101,921	101,763
Pension deferrals	818	876	-	-	818	876
Total deferred outflows of resources	818	876	-	-	818	876
Total assets and deferred outflows	\$ 45,345	\$ 45,684	\$ 57,394	\$ 56,955	\$ 102,739	\$ 102,639
Long-term debt outstanding	\$ 1,591	\$ 1,486	\$ 22,842	\$ 21,504	\$ 24,433	\$ 22,990
Other liabilities	941	875	1,860	1,809	2,801	2,684
Total liabilities	2,532	2,361	24,702	23,313	27,234	25,674
Deferred property tax revenues	1,111	1,132	-	-	1,111	1,132
Pension deferrals	27	19	-	-	27	19
Total deferred inflows of resources	1,138	1,151	-	-	1,138	1,151
Net position:						
Net Investment in capital assets	34,120	34,729	20,146	22,327	54,266	57,056
Restricted	1,499	1,432	184	80	1,683	1,512
Unrestricted (deficit)	6,056	6,011	12,362	11,235	18,418	17,246
Total net position	\$ 41,675	\$ 42,172	\$ 32,692	\$ 33,642	\$ 74,367	\$ 75,814
Total liabilities, deferred inflows and net position	\$ 45,345	\$ 45,684	\$ 57,394	\$ 56,955	\$ 102,739	\$ 102,639

The largest portion of the City of Sterling's net position, \$57 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, \$1.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$17.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2017, 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, 2017 reflects net position increasing by \$1.3 million. The prior period is also included for comparative purposes.

CITY OF STERLING CHANGES IN NET POSITION (in thousands)

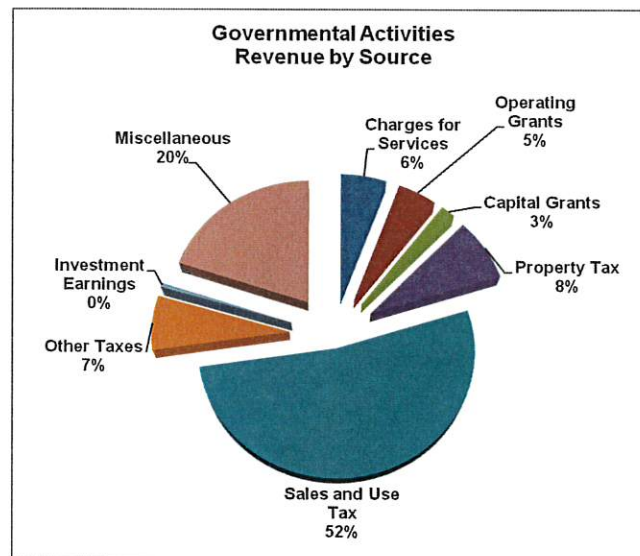
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program Revenue:						
Charges for Services	\$ 857	\$ 776	\$ 7,403	\$ 8,026	\$ 8,260	\$ 8,802
Operating Grants	638	669	-	6	638	675
Capital Grants	548	249	36	37	584	286
General Revenues:						
Property Tax	1,095	1,116	-	-	1,095	1,116
Specific Ownership Tax	119	122	-	-	119	122
Sales and Use Tax	7,427	7,349	-	-	7,427	7,349
Franchise Tax	632	635	-	-	632	635
Other Taxes	158	222	-	-	158	222
Unrestricted Earnings on Investments	47	72	73	135	120	207
Sale of assets	-	8	-	-	-	8
Miscellaneous	2,501	2,685	96	89	2,597	2,774
Total Revenues	\$ 14,022	\$ 13,903	\$ 7,608	\$ 8,293	\$ 21,630	\$ 22,196
Program Expenses:						
General Government	\$ 2,833	\$ 2,772	-	-	\$ 2,833	\$ 2,772
Public Safety	5,448	5,542	-	-	5,448	5,542
Public Works	2,503	2,182	-	-	2,503	2,182
Parks, Library, Recreation	3,053	3,092	-	-	3,053	3,092
Interest on Long-term Debt	35	24	-	-	35	24
Water	-	-	4,241	4,403	4,241	4,403
Sanitation	-	-	464	504	464	504
Sewer	-	-	2,088	2,344	2,088	2,344
Total Expenses	\$ 13,872	\$ 13,612	\$ 6,793	\$ 7,251	\$ 20,665	\$ 20,863
Overage Before Transfers	\$ 150	\$ 291	\$ 815	\$ 1,042	\$ 965	\$ 1,333
Transfers	96	92	(96)	(92)	-	-
Change in Net Position	\$ 246	\$ 383	\$ 719	\$ 950	\$ 965	\$ 1,333

Net position beginning of year, as originally reported	41,429	41,675	31,973	32,692	73,402	74,367
Prior period adjustment	-	114	-	-	-	114
Net position beginning of year, as restated	41,429	41,789	31,973	32,692	73,402	74,481
Net position at end of year	\$ 41,675	\$ 42,172	\$ 32,692	\$ 33,642	\$ 74,367	\$ 75,814

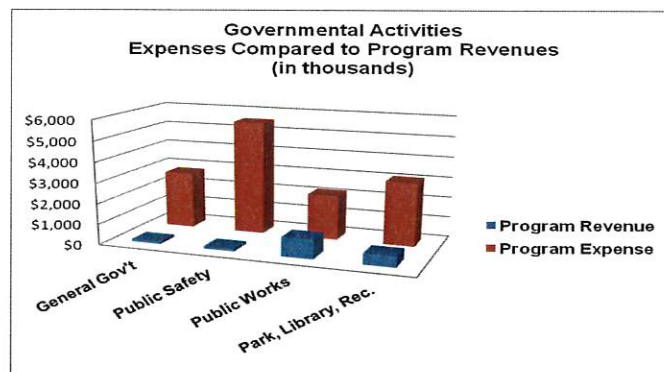
Governmental activities

Net position of the governmental activities increased by \$383 thousand during 2017.

The sales and use tax revenue decreased 1.05%.

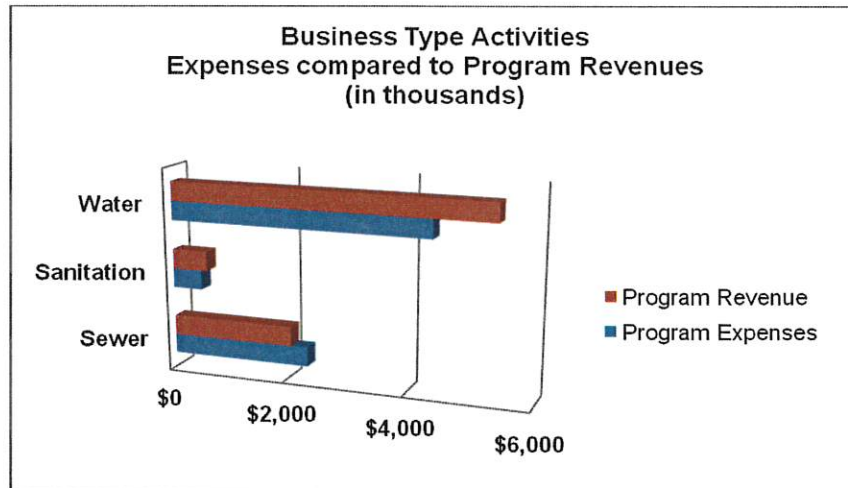


Expenses Compared to the Revenue presents the cost and revenue of each of the City's four largest programs – general government, public safety, public works and parks, library and recreation. The difference between the revenue and expense shows the financial burden that was placed on the City's taxpayers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



Business-type Activities

Net position in Business-type Activities increased by \$950 thousand in 2017. Business-type activities include Water, Sanitation and Sewer services.



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 2017, the City of Sterling's General Fund reported an ending fund balance of \$3.4 million, which was an increase of \$6 thousand from January 1, 2017. 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.

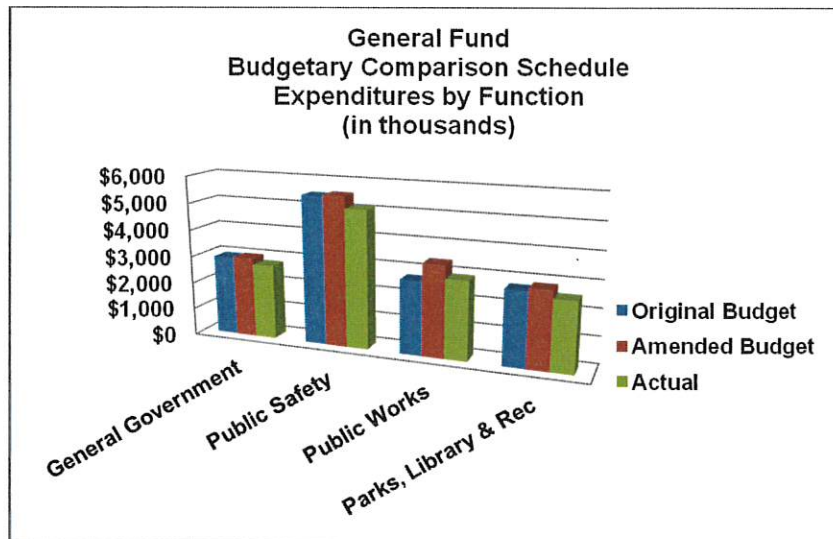
The three Enterprise Funds had a combined increase in net position of \$969 thousand. The Sewer Fund decreased by \$267 thousand, the Sanitation Funds increased by \$85 thousand, and the Water Fund had an increase of \$1.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of 2017, the City amended the General Fund budget nine 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 \$13.9 million; and the final budgeted amount was \$14.7 million. The main components of the increase were:

- Grant expenditures of \$302 thousand; which included the safe routes to school grant-sidewalks (\$35 thousand), airport grant for perimeter fencing (\$232 thousand), marijuana impact grant (\$26 thousand) and safe routes to school-non infrastructure grant (\$9 thousand).
- Carry over street project from 2016 (\$281 thousand).
- Carry over purchase orders and projects from 2016 (\$154 thousand).

In order to consider the additional appropriations, the budgeted revenues were also amended. The original budgeted revenues for the General Fund were \$13 million; the final budgeted amount was \$13.4 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 \$1.4 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 \$453 thousand, or 31% of the unspent budget.
- The remaining grant funds for marijuana impact, the airport perimeter fence, River Bottom and Safe Routes to School had \$119 thousand unspent.
- The street program had \$189 thousand left 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, 2017, amounts to \$80 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, 2017 (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 1,900	\$ 1,900	\$ 1,370	\$ 1,370	\$ 3,270	\$ 3,270
Construction in Progress	110	-	110	385	220	385
Water rights	-	-	708	708	708	708
Buildings	6,795	6,669	2,062	1,915	8,857	8,584
Equipment	3,839	3,908	953	1,055	4,792	4,963
Improvements	8,614	8,326	39,025	39,644	47,639	47,970
Infrastructure	13,426	14,248	-	-	13,426	14,248
Total	<u>\$ 34,684</u>	<u>\$ 35,051</u>	<u>\$ 44,228</u>	<u>\$ 45,077</u>	<u>\$ 78,912</u>	<u>\$ 80,128</u>

The major capital asset additions during 2017 included:

- 2017 street improvements
- Engineering costs for Wastewater Improvements
- Radio equipment for the Emergency Operations Center
- Sanitation truck
- Waterline replacements on S Division Street

Long-term debt. The City had \$25 million in debt outstanding at year-end 2017. 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	
	2016	2017	2016	2017	2016	2017
CWRPDA Loan - Water	\$ -	\$ -	\$ 23,525	\$ 22,230	\$ 23,525	\$ 22,230
Premium on notes	-	-	556	521	556	521
Service Center Lease	430	212	-	-	430	212
Air Pack Lease	134	110	-	-	134	110
Net Pension Liability	771	911	-	-	771	911
Compensated Absences	538	546	60	71	598	617
TOTAL	<u>\$ 1,873</u>	<u>\$ 1,779</u>	<u>\$ 24,141</u>	<u>\$ 22,822</u>	<u>\$ 26,014</u>	<u>\$ 24,601</u>

ECONOMIC FACTORS AND THE 2017 BUDGET

In preparing the 2018 Budget, the City took into consideration the current economy. The 2018 adopted expenditure budget was appropriated at \$13.6 million for the General Fund, which was \$1.1 million less than the final 2017 budget. The adopted revenue budget for 2018 was \$13 million, which was \$400 thousand less than the final budget for 2017.

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 plant 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 2018. Staff is monitoring on a monthly basis the 2018 revenues and expenditures to the same month in 2017, year to date 2018 compared to 2017, and year to date 2018 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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 436,664	\$ 692,149	\$ 1,128,813
Cash with county treasurer	12,200		12,200
Certificates of deposit		107,165	107,165
Investments	6,453,822	9,765,463	16,219,285
Receivables	2,655,022	797,964	3,452,986
Internal balances	(80,566)	80,566	-
Inventory		354,169	354,169
Prepaid items	124,310		124,310
Net pension asset	155,155		155,155
Restricted cash		80,269	80,269
Land, construction in progress and water rights	1,899,660	385,750	2,285,410
Capital assets, net of depreciation	33,151,406	44,691,694	77,843,100
Total assets	44,807,673	56,955,189	101,762,862
Deferred outflows of resources			
Pension deferrals	876,533		876,533
Total assets and deferred outflows of resources	\$ 45,684,206	\$ 56,955,189	\$ 102,639,395

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

Component Unit

\$ 2,841,103
8,846
58,801

2,908,750

<u>\$ 2,908,750</u>

(continued)

CITY OF STERLING, COLORADO
Statement of Net Position
December 31, 2017

(continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 450,142	\$ 243,932	\$ 694,074
Accrued salaries and benefits	122,427	18,659	141,086
Accrued interest payable	3,872	228,386	232,258
Unearned revenues	5,955		5,955
Noncurrent liabilities			
Due within one year	292,798	1,318,050	1,610,848
Due in more than one year	1,486,302	21,503,565	22,989,867
Total liabilities	2,361,496	23,312,592	25,674,088
Deferred inflows of resources			
Property taxes levied in advance	1,131,682		1,131,682
Pension deferrals	19,106		19,106
Total deferred inflows of resources	1,150,788	-	1,150,788
Net position			
Net investment in capital assets	34,728,786	22,327,020	57,055,806
Restricted for emergencies	420,000		420,000
Restricted for public safety	141,843		141,843
Restricted for culture and recreation	715,284		715,284
Restricted for pensions	155,155		155,155
Restricted for system improvements		80,269	80,269
Unrestricted	6,010,854	11,235,308	17,246,162
Total net position	42,171,922	33,642,597	75,814,519
Total liabilities, deferred inflows of resources and net position	\$ 45,684,206	\$ 56,955,189	\$ 102,639,395

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

Component Unit	
\$	33,098
	15,435
	48,533
	2,860,217
	2,860,217
\$	2,908,750

CITY OF STERLING, COLORADO
Statement of Activities
For the Year Ended December 31, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,771,680	\$ 112,905	\$ 2,650	
Public safety	5,541,830	68,564	9,119	\$ 44,701
Public works	2,181,928	225,289	503,227	198,632
Health and welfare	218,030	139,715	153,720	
Culture and recreation	2,874,009	229,589		5,441
Interest on long-term debt	24,096			
Total governmental activities	13,611,573	776,062	668,716	248,774
Business-type activities				
Water services	4,402,733	5,371,781	3,148	29,312
Sanitation services	504,546	600,718		
Sewer services	2,343,694	2,053,342	3,148	7,590
Total business-type activities	7,250,973	8,025,841	6,296	36,902
Total primary government	\$ 20,862,546	\$ 8,801,903	\$ 675,012	\$ 285,676
Component unit				
Sterling Urban Renewal Authority	\$ 179,538	\$ -	\$ -	\$ -
General revenues and transfers				
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, as originally reported				
Prior period adjustment				
Net position at beginning of year, as restated				
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
\$ (2,656,125)		\$ (2,656,125)	
(5,419,446)		(5,419,446)	
(1,254,780)		(1,254,780)	
75,405		75,405	
(2,638,979)		(2,638,979)	
(24,096)		(24,096)	
(11,918,021)	\$ -	(11,918,021)	
	1,001,508	1,001,508	
	96,172	96,172	
	(279,614)	(279,614)	
-	818,066	818,066	
(11,918,021)	818,066	(11,099,955)	
			\$ (179,538)
1,116,089		1,116,089	
121,899		121,899	
7,349,103		7,349,103	
635,047		635,047	
221,932		221,932	703,044
72,229	135,229	207,458	14,769
2,684,769	88,973	2,773,742	9,565
7,885		7,885	
92,094	(92,094)	-	
12,301,047	132,108	12,433,155	727,378
383,026	950,174	1,333,200	547,840
41,675,030	32,692,423	74,367,453	2,312,377
113,866		113,866	
41,788,896	32,692,423	74,481,319	2,312,377
\$ 42,171,922	\$ 33,642,597	\$ 75,814,519	\$ 2,860,217

CITY OF STERLING, COLORADO
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 319,862	\$ 37,312	\$ 357,174
Cash with county treasurer	12,200		12,200
Investments	2,119,540	1,549,572	3,669,112
Property taxes receivable	1,131,682		1,131,682
Other taxes receivable	727,486	13,502	740,988
Other receivables	348,944	268,957	617,901
Special assessments receivable	3,580		3,580
Prepaid items	124,310		124,310
Total assets	\$ 4,787,604	\$ 1,869,343	\$ 6,656,947
Liabilities			
Accounts payable	\$ 164,344	\$ 280,710	\$ 445,054
Accrued salaries and benefits	115,884		115,884
Deposits	3,455		3,455
Unearned revenues	2,500		2,500
Total liabilities	286,183	280,710	566,893
Deferred inflows of resources			
Deferred property tax revenues	1,131,682		1,131,682
Total deferred inflows of resources	1,131,682	-	1,131,682
Fund balance			
Nonspendable - prepaid items	124,310		124,310
Restricted - public safety		141,843	141,843
Restricted - culture and recreation		715,284	715,284
Committed - capital improvements		508,503	508,503
Committed - culture and recreation	127,151		127,151
Committed - health and welfare		223,003	223,003
Unassigned	3,118,278		3,118,278
Total fund balance	3,369,739	1,588,633	4,958,372
Total liabilities, deferred inflows of resources and fund balance	\$ 4,787,604	\$ 1,869,343	\$ 6,656,947

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, 2017**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 4,958,372
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	30,532,641
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,428,308)
Net pension assets and deferrals used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,012,582
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.	<u>7,096,635</u>
Net position of the governmental activities	<u><u>\$ 42,171,922</u></u>

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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 9,238,988	\$ 208,274	\$ 9,447,262
Licenses and permits	162,800		162,800
Intergovernmental	2,339,627	140,344	2,479,971
Charges for services	275,168	13,742	288,910
Fines and forfeitures	93,152		93,152
Earnings on investments	24,289	17,190	41,479
Miscellaneous	1,315,418	42,763	1,358,181
Total revenues	13,449,442	422,313	13,871,755
Expenditures			
Current			
General government	2,764,246	305	2,764,551
Public safety	5,089,119	213,234	5,302,353
Public works	2,898,199		2,898,199
Health and welfare	191,521	44,396	235,917
Culture and recreation	2,366,758	154,397	2,521,155
Total expenditures	13,309,843	412,332	13,722,175
Excess of revenues over (under) expenditures	139,599	9,981	149,580
Other financing sources (uses)			
Transfers in	4,750		4,750
Transfers out	(138,545)	(1,000)	(139,545)
Total other financing sources (uses)	(133,795)	(1,000)	(134,795)
Net change in fund balance	5,804	8,981	14,785
Fund balance at beginning of year	3,363,935	1,579,652	4,943,587
Fund balance at end of year	\$ 3,369,739	\$ 1,588,633	\$ 4,958,372

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, 2017**

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

Net change in fund balances - governmental funds	\$ 14,785
--	-----------

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 (\$1,710,843) exceeded depreciation (\$1,367,937) in the current period.	342,906
--	---------

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.	(130,969)
---	-----------

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.)	(5,839)
---	---------

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.	162,143
--	---------

Change in net position of governmental activities	<u>\$ 383,026</u>
---	-------------------

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

CITY OF STERLING, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Assets			
Current assets			
Cash	\$ 170,260	\$ 225,345	\$ 296,544
Certificates of deposit			107,165
Investments	5,659,234	393,273	3,712,956
Receivables	499,434	71,838	226,692
Due from other funds			118,249
Inventory	292,131	9,156	52,882
Total current assets	6,621,059	699,612	4,514,488
Noncurrent assets			
Restricted cash with fiscal agent	80,269		
Construction in progress	23,220		362,530
Capital assets, net of depreciation	36,003,695	373,941	8,314,058
Total noncurrent assets	36,107,184	373,941	8,676,588
Total assets	<u>\$ 42,728,243</u>	<u>\$ 1,073,553</u>	<u>\$ 13,191,076</u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 692,149	\$ 79,490
107,165	
9,765,463	2,784,710
797,964	160,871
118,249	
354,169	
<u>11,835,159</u>	<u>3,025,071</u>
80,269	
385,750	
44,691,694	4,518,425
<u>45,157,713</u>	<u>4,518,425</u>
<u>\$ 56,992,872</u>	<u>\$ 7,543,496</u>

(continued)

CITY OF STERLING, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2017

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Liabilities			
Current liabilities			
Accounts payable	\$ 124,180	\$ 7,003	\$ 112,749
Accrued salaries and benefits payable	8,158	3,371	7,130
Accrued interest payable	228,386		
Due to other funds	118,249		
Current portion of compensated absences	1,000	2,000	2,000
Current portion of note payable	1,313,050		
Current portion of capital lease obligation			
Total current liabilities	1,793,023	12,374	121,879
Long-term liabilities			
Accrued compensates absences	29,396	12,281	24,514
Note payable	21,437,374		
Capital lease obligation			
Total long-term liabilities	21,466,770	12,281	24,514
Total liabilities	23,259,793	24,655	146,393
Net position			
Net investment in capital assets	13,276,491	373,941	8,676,588
Restricted for system improvements	80,269		
Restricted for emergencies			
Unrestricted	6,111,690	674,957	4,368,095
Total net position	19,468,450	1,048,898	13,044,683
Total liabilities and net position	\$ 42,728,243	\$ 1,073,553	\$ 13,191,076

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 243,932	\$ 5,088
18,659	6,543
228,386	3,872
118,249	
5,000	
1,313,050	
-	252,798
<u>1,927,276</u>	<u>268,301</u>
66,191	28,512
21,437,374	
-	69,482
<u>21,503,565</u>	<u>97,994</u>
23,430,841	366,295
22,327,020	4,196,145
80,269	
-	420,000
11,154,742	2,561,056
<u>33,562,031</u>	<u>7,177,201</u>
<u>\$ 56,992,872</u>	<u>\$ 7,543,496</u>

Total net position - enterprise funds \$ 33,562,031

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.

80,566

Net position of the business-type activities

\$ 33,642,597

CITY OF STERLING, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Operating revenues			
Charges for services	\$ 5,371,781	\$ 600,718	\$ 2,053,342
Miscellaneous			
Total operating revenues	5,371,781	600,718	2,053,342
Operating expenses			
Personnel	606,052	188,106	532,834
Maintenance and supplies	1,830,913	200,397	855,545
Administrative cost allocation	483,201	79,150	291,914
Depreciation and amortization	851,236	33,831	656,546
Claims			
Premiums			
Total operating expenses	3,771,402	501,484	2,336,839
Operating income (loss)	1,600,379	99,234	(283,497)
Nonoperating revenues (expenses)			
Earnings on investments	84,557	5,661	45,011
Rents and rights	74,943		
Miscellaneous	14,030		
Contributions			
Insurance proceeds			
Federal and state grants	3,148		3,148
Gain (loss) on disposal of assets	(100,561)		
Debt service interest and fiscal charges	(522,316)		
Total nonoperating revenues (expenses)	(446,199)	5,661	48,159
Income (loss) before transfers and capital contributions	1,154,180	104,895	(235,338)

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 8,025,841	\$ 3,267,932
-	318
8,025,841	3,268,250
1,326,992	421,885
2,886,855	111,288
854,265	
1,541,613	398,100
-	279,901
-	2,648,726
6,609,725	3,859,900
1,416,116	(591,650)
135,229	30,750
74,943	
14,030	
-	154,944
-	288,873
6,296	24,000
(100,561)	34,062
(522,316)	(24,096)
(392,379)	508,533
1,023,737	(83,117)

(continued)

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Transfers in			
Transfers out	(32,289)	(20,181)	(39,624)
Capital contributions	29,312		7,590
Change in net position	1,151,203	84,714	(267,372)
Net position at beginning of year, as originally reported	18,317,247	964,184	13,312,055
Prior period adjustment			
Net position at beginning of year, as restated	18,317,247	964,184	13,312,055
Net position at end of year	<u>\$ 19,468,450</u>	<u>\$ 1,048,898</u>	<u>\$ 13,044,683</u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>		
-	230,639	Net change in net position - proprietary funds	\$ 968,545
(92,094)	(3,750)	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.	
36,902			
968,545	143,772		
32,593,486	6,919,563		(18,371)
	113,866	Change in net position of business-type activities	\$ 950,174
32,593,486	7,033,429		
<u>\$ 33,562,031</u>	<u>\$ 7,177,201</u>		

CITY OF STERLING, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Cash flows from operating activities			
Receipts from customers	\$ 5,314,372	\$ 599,859	\$ 2,017,518
Internal activity - receipts from (payments to) other funds	(30,906)		30,906
Payments to providers			
Payments to claimants			
Payments to suppliers	(2,369,393)	(274,817)	(1,163,498)
Payments to employees	(597,739)	(182,168)	(533,836)
Net cash provided (used) by operating activities	2,316,334	142,874	351,090
Cash flows from noncapital financing activities			
Insurance proceeds			
Federal and state grants	3,148		3,148
Transfers from other funds			
Transfers to other funds	(32,289)	(20,181)	(39,624)
Net cash provided (used) by noncapital financing activities	(29,141)	(20,181)	(36,476)
Cash flows from capital and related financing activities			
Capital contributions	29,312		7,590
Receipts from rents and rights	74,943		
Reimbursements and other revenues	14,030		
Purchase of capital assets	(1,325,963)	(228,242)	(937,161)
Proceeds from sale of capital assets			
Principal paid on capital debt	(1,295,773)		
Interest and fiscal charges paid on capital debt	(544,725)		
Net cash used by capital and related financing activities	(3,048,176)	(228,242)	(929,571)

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 7,931,749	\$ 3,268,250
-	
-	(2,648,726)
-	(278,835)
(3,807,708)	(126,491)
<u>(1,313,743)</u>	<u>(419,004)</u>
2,810,298	(204,806)
-	288,873
6,296	71,904
-	230,639
<u>(92,094)</u>	<u>(3,750)</u>
(85,798)	587,666
36,902	83,000
74,943	
14,030	
(2,491,366)	(261,822)
-	59,342
(1,295,773)	(241,567)
<u>(544,725)</u>	<u>(25,859)</u>
(4,205,989)	(386,906)

(continued)

CITY OF STERLING, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

(continued)

	Business-type Activities - Enterprise Funds		
	Water Fund	Sanitation Fund	Sewer Fund
Cash flows from investing activities			
Proceeds from the sale of investments	635,297	100,000	654,998
Purchase of investments			
Net cash provided (used) by investing activities	635,297	100,000	654,998
Net increase (decrease) in cash and cash equivalents	(125,686)	(5,549)	40,041
Cash and cash equivalents at beginning of year	376,215	230,894	256,503
Cash and cash equivalents at end of year	<u>\$ 250,529</u>	<u>\$ 225,345</u>	<u>\$ 296,544</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,600,379	\$ 99,234	\$ (283,497)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities			
Depreciation and amortization	851,236	33,831	656,546
Changes in assets and liabilities			
Receivables	(57,409)	(859)	(35,824)
Interfund items	(30,906)		30,906
Inventory	(34,252)	226	31,710
Accounts payable	(21,027)	4,504	(47,749)
Accrued salaries and benefits payable	415	1,580	486
Accrued compensated absences	7,898	4,358	(1,488)
Net cash provided (used) by operating activities	<u>\$ 2,316,334</u>	<u>\$ 142,874</u>	<u>\$ 351,090</u>
Cash and cash equivalents at end of year consist of:			
Cash	\$ 170,260	\$ 225,345	\$ 296,544
Restricted cash with fiscal agent	80,269		
Total	<u>\$ 250,529</u>	<u>\$ 225,345</u>	<u>\$ 296,544</u>
Noncash capital financing activities			
Assets acquired through contributions from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
1,390,295	86,000
-	(101,000)
<u>1,390,295</u>	<u>(15,000)</u>
(91,194)	(19,046)
<u>863,612</u>	<u>98,536</u>
<u>\$ 772,418</u>	<u>\$ 79,490</u>
\$ 1,416,116	\$ (591,650)
1,541,613	398,100
(94,092)	
-	
(2,316)	
(64,272)	(14,137)
2,481	220
<u>10,768</u>	<u>2,661</u>
<u>\$ 2,810,298</u>	<u>\$ (204,806)</u>
\$ 692,149	\$ 79,490
<u>80,269</u>	
<u>\$ 772,418</u>	<u>\$ 79,490</u>
<u>\$ -</u>	<u>\$ 71,944</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to 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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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. The City does not have any significant encumbrances outstanding at year-end.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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:

<u>Years of service</u>	<u>Annual accrual hours</u>	<u>Maximum accrual</u>
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:

<u>Years of service</u>	<u>Annual accrual hours</u>	<u>Maximum accrual</u>
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

CITY OF STERLING, COLORADO
Notes to Financial Statements

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:

<u>Years of service</u>	<u>Annual accrual hours</u>	<u>Maximum accrual</u>
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:

<u>Scheduled Work Periods</u>	<u>Maximum Hours Paid</u>
40 hours	288.00 hours
171 hours	327.42 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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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:

	<u>Restricted</u> <u>Fund Balance</u>	<u>Committed</u> <u>Fund Balance</u>
Public safety – police department	\$ 141,843	\$ -
Culture and recreation – parks	158,847	-
Culture and recreation – library	32,751	-
Culture and recreation - beautification	523,686	-
Capital improvements	-	508,503
Culture and recreation – museum	-	71,450
Culture and recreation – arts	-	55,701
Health and welfare – cemetery	-	223,003
	<u> </u>	<u> </u>
Totals	<u>\$ 857,127</u>	<u>\$ 858,657</u>

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 \$1,359,216, of which \$250,000 were insured and \$1,109,216 was collateralized with securities held by the pledging institution's trust department or agent in the City's name.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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

During the year, the City invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of December 31, 2017, the City had invested \$16,219,285 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

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

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
State investment pool	<u>\$ 16,219,285</u>	<u>\$16,219,285</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Utility accounts	\$ -	\$ 797,964	\$ 797,964
Property taxes	1,131,682	-	1,131,682
Other taxes	740,988	-	740,988
Other	778,772	-	778,772
Special assessments	3,580	-	3,580
Total	<u>\$ 2,655,022</u>	<u>\$ 797,964</u>	<u>\$ 3,452,986</u>

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:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Sewer Fund	Water Fund	\$ <u>118,249</u>

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.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,000
General Fund	Internal Service Funds	3,750
Internal Service Funds	General Fund	138,545
Internal Service Funds	Water Fund	32,289
Internal Service Funds	Sanitation Fund	20,181
Internal Service Funds	Sewer Fund	<u>39,624</u>
Total		<u>\$ 235,389</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

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:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,899,660	\$ -	\$ -	\$ 1,899,660
Construction in progress	<u>110,012</u>	<u>46,447</u>	<u>(156,459)</u>	<u>-</u>
Total capital assets, not being depreciated	2,009,672	46,447	(156,459)	1,899,660
Capital assets, being depreciated:				
Buildings	11,753,310	123,518	-	11,876,828
Equipment	9,249,879	547,307	(198,290)	9,598,896
Improvements	15,916,031	49,865	156,459	16,122,355
Infrastructure	<u>25,492,455</u>	<u>1,403,859</u>	<u>-</u>	<u>26,896,314</u>
Total capital assets, being depreciated	<u>62,411,675</u>	<u>2,124,549</u>	<u>(41,831)</u>	<u>64,494,393</u>
Total capital assets	64,421,347	2,170,996	(198,290)	66,394,053
Less accumulated depreciation for:				
Buildings	(4,958,148)	(249,655)	-	(5,207,803)
Equipment	(5,411,224)	(439,891)	160,490	(5,690,625)
Improvements	(7,301,869)	(493,971)	-	(7,795,840)
Infrastructure	<u>(12,066,199)</u>	<u>(582,520)</u>	<u>-</u>	<u>(12,648,719)</u>
Total accumulated depreciation	<u>(29,737,440)</u>	<u>(1,766,037)</u>	<u>160,490</u>	<u>(31,342,987)</u>
Governmental activities capital assets, net	<u>\$ 34,683,907</u>	<u>\$ 404,959</u>	<u>\$ (37,800)</u>	<u>\$ 35,051,066</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,369,839	\$ -	\$ -	\$ 1,369,839
Construction in progress	109,800	275,950	-	385,750
Water rights	<u>707,637</u>	<u>-</u>	<u>-</u>	<u>707,637</u>
Total capital assets, not being depreciated	2,187,276	275,950	-	2,463,226
Capital assets, being depreciated				
Buildings	5,944,483	-	-	5,944,483
Equipment	3,344,131	246,985	(4,609)	3,586,507
Improvements	<u>59,256,586</u>	<u>1,968,431</u>	<u>(728,325)</u>	<u>60,496,692</u>
Total capital assets, being depreciated	<u>68,545,200</u>	<u>2,215,416</u>	<u>(732,934)</u>	<u>70,027,682</u>
Total capital assets	70,732,476	2,491,366	(732,934)	72,490,908
Less accumulated depreciation for:				
Buildings	(3,881,952)	(147,449)	-	(4,029,401)
Equipment	(2,391,045)	(144,069)	4,229	(2,530,885)
Improvements	<u>(20,231,227)</u>	<u>(1,250,095)</u>	<u>628,144</u>	<u>(20,853,178)</u>
Total accumulated depreciation	<u>(26,504,224)</u>	<u>(1,541,613)</u>	<u>632,373</u>	<u>(27,413,464)</u>
Business-type activities capital assets, net	<u>\$ 44,228,252</u>	<u>\$ 949,753</u>	<u>\$ (100,561)</u>	<u>\$ 45,077,444</u>

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

Governmental activities

General government	\$ 38,695
Public safety	83,966
Public works	824,961
Health and welfare	8,110
Culture and recreation	412,205
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.	<u>398,100</u>
Total governmental activities	<u>\$ 1,766,037</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note E - Capital assets (Continued)

Business-type activities		
Water		\$ 851,236
Sanitation		33,831
Sewer		<u>656,546</u>
Total business-type activities		<u>\$ 1,541,613</u>

Note F - Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Capital lease	\$ 563,847	\$ -	\$ (241,567)	\$ 322,280	\$ 252,798
Net pension liability	771,066	139,564	-	910,630	-
Compensated absences	<u>537,690</u>	<u>545,500</u>	<u>(537,000)</u>	<u>546,190</u>	<u>40,000</u>
Total	<u>\$ 1,872,603</u>	<u>\$ 685,064</u>	<u>\$ (778,567)</u>	<u>\$ 1,779,100</u>	<u>\$ 292,798</u>

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Business-type activities					
Notes payable	\$ 23,525,485	\$ -	\$ (1,295,773)	\$ 22,229,712	\$ 1,313,050
Premium on notes	556,415	-	(35,703)	520,712	-
Compensated absences	<u>60,423</u>	<u>102,632</u>	<u>(91,864)</u>	<u>71,191</u>	<u>5,000</u>
Total	<u>\$ 24,142,323</u>	<u>\$ 102,632</u>	<u>\$ (1,423,340)</u>	<u>\$ 22,821,615</u>	<u>\$ 1,318,050</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

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, 2014 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:

<u>Year ended December 31,</u>	<u>Debt service requirement</u>
2018	\$ 267,347
2019	36,787
2020	<u>36,787</u>
Total minimum lease payments	340,921
Less amount representing interest	<u>(18,641)</u>
Present value of future net minimum lease payments	<u>\$ 322,280</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note F – Long-term debt (Continued)

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, 2011, 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.

\$ 22,229,712

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

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,313,050	\$ 548,126	\$ 1,861,176
2019	1,330,328	533,129	1,863,457
2020	1,353,363	508,309	1,861,672
2021	1,376,399	484,714	1,861,113
2022	1,399,435	461,713	1,861,148
2023-2027	7,319,680	1,987,243	9,306,923
2028-2032	<u>8,137,457</u>	<u>1,171,634</u>	<u>9,309,091</u>
Total	<u>\$22,229,712</u>	<u>\$ 5,694,868</u>	<u>\$ 27,924,580</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

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 \$577,832. CIRSA was organized to be self-sustaining through member contributions with excess coverages being purchased from commercial companies.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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, 2016 has 216 participating employer fire and police departments.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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.

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.

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 the SWDB 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 the SWDB plan and their employers are contributing at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent through 2016. In 2014, the members elected to increase the member contribution rate to the SWDB 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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Contributions from members and employers of departments reentering 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 in 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 in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.5 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. 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 \$67,064.

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 liability of \$71,075 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The City's proportion of the net position liability 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, 2016, the City's proportion was .1967 percent, which was a decrease of .0105 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense (income) of \$107,490. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 198,854	\$ -
Changes in assumptions or other inputs	51,135	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	563	439
Contributions subsequent to measurement date	67,064	-
Difference between expected and actual experience	<u>64,792</u>	<u>3,815</u>
Totals	<u>\$ 382,408</u>	<u>\$ 4,254</u>

\$67,064 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 liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 76,110
2019	76,110
2020	71,491
2021	28,479
2022	13,334
2023	13,334
2024	13,334
2025	13,591
2026	<u>5,307</u>
Totals	<u>\$ 311,090</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H - Pension plans (Continued)

Actuarial assumptions. The collective total pension liability as of December 31, 2016 is based upon the January 1, 2017 actuarial valuation, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
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 adjustments	0.0%
* Includes inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H -- Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.00%*
Totals	<u>100%</u>	

*While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized.

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 Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Sensitivity of the City's proportionate share of the net pension liability/(asset) to changes in the discount rate. Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the City's proportionate share of the net pension liability/(asset) calculated using a Single Discount Rate of 7.50%, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower one percent higher:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability/(asset)	\$ 604,736	\$ 71,075	\$ (372,156)

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, 2016 has 216 participating employer fire and police departments.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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.

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.

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 the SWDB 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 the SWDB Plan and their employers are contributing at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. In 2014, the members elected to increase the member contribution rate to the SWDB 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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Contributions from members and employers of plans reentering 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 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 in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.5 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. 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 \$59,186.

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 liability of \$62,539 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The City's proportion of the net position liability 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, 2016, the City's proportion was .1731 percent, which was an increase of .0008 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense (income) of \$95,234. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 168,246	\$ -
Changes in assumptions and other inputs	42,528	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,445	883
Contributions subsequent to measurement date	59,186	
Difference between expected and actual experience	<u>55,741</u>	<u>3,149</u>
Totals	<u>\$ 330,146</u>	<u>\$ 4,032</u>

\$59,186 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 liability in the year ended December 31, 2017. 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
2018	\$ 64,689
2019	64,689
2020	60,878
2021	25,105
2022	11,779
2023	11,779
2024	11,779
2025	11,700
2026	<u>4,530</u>
Totals	<u>\$ 266,928</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Actuarial assumptions. The collective total pension liability as of December 31, 2016 is based upon the January 1, 2017 actuarial valuation, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
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%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	36.0%	9.25%
Equity Long/Short	10.0%	7.35%
Illiquid Alternatives	23.0%	10.75%
Fixed Income	15.0%	4.10%
Absolute Return	10.0%	6.55%
Managed Futures	4.0%	5.50%
Cash	2.0%	0.00%*
Totals	<u>100%</u>	

*While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized.

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 Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Sensitivity of the City's proportionate share of the net pension liability/(asset) to changes in the discount rate. Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the City's proportionate share of the net pension liability/(asset) calculated using a Single Discount Rate of 7.50%, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower one percent higher:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability (asset)	\$ 532,108	\$ 62,539	\$ (327,461)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.78 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.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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	16
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>9</u>
Total	<u>27</u>

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.

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, 2017 included \$12,493 from the State of Colorado matching funds and \$13,881 from the City.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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, 2017 the City reported a net pension liability of \$97,767. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the City recognized pension expense (income) of \$1,583. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 22,060	\$ -
Changes in assumptions and other inputs	8,913	-
Contributions subsequent to measurement date	13,881	
Difference between expected and actual experience	<u>57</u>	<u>10,820</u>
Totals	<u>\$ 44,911</u>	<u>\$ 10,820</u>

\$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, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 6,425
2019	6,368
2020	5,660
2021	<u>1,757</u>
Totals	<u>\$ 20,210</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed fair value
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, 2017 valuation were based on the results of a regularly scheduled experience study in 2015. As a result of the 2015 experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.0 percent to 2.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H - Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute Return	10.00%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Totals	<u>100.00%</u>	

*While expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

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 Board's 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.

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

For purposes of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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	\$ 500,929	\$ 393,714	\$ 107,215
Changes for the year			
Service cost	5,046	-	5,046
Interest	36,043	-	36,043
Benefit changes	-	-	-
Difference between expected and actual experience	(14,390)	-	(14,390)
Changes of assumptions	11,855	-	11,855
Contributions – employer	-	13,881	(13,881)
Contributions – state of colorado	-	15,026	(15,026)
Net investment income	-	19,972	(19,972)
Benefit and refund payments	(46,520)	(46,520)	-
Administrative expenses	-	(877)	877
Net changes	(7,966)	1,482	(9,448)
Balances at end of year	<u>\$ 492,963</u>	<u>\$ 395,196</u>	<u>\$ 97,767</u>

Sensitivity of the City's net pension liability/(asset) to changes in the discount rate. Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Net pension liability (asset)	<u>\$ 150,886</u>	<u>\$ 97,767</u>	<u>\$ 53,563</u>

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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 \$64,508 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, 2017 the City reported a net pension liability of \$679,249. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability 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 \$63,385. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 39,083	\$ -
Contributions subsequent to measurement date	<u>64,508</u>	<u>-</u>
Totals	<u>\$ 103,591</u>	<u>\$ -</u>

\$64,508 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, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 12,450
2019	12,452
2020	11,101
2021	<u>3,080</u>
Totals	<u>\$ 39,083</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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

Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed fair value
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 a regularly scheduled experience study in 2015. As a result of the 2015 experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.0 percent to 2.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return, which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H - Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute Return	10.00%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Totals	<u>100.00%</u>	

*While expected inflation exceeds the expected rate of return for cash, a 0.0 real rate of return is utilized.

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 Board's 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.

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

For purposes of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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	\$ 1,355,918	\$ 692,067	\$ 663,851
Changes for the year			
Service cost	-	-	-
Interest on the total pension liability	97,555	-	97,555
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – employer	-	50,937	(50,937)
Net investment income	-	34,135	(34,135)
Benefit and refund payments	(112,395)	(112,395)	-
Administrative expenses	-	(2,915)	2,915
Net changes	(14,840)	(30,238)	15,398
Balances at end of year	\$ 1,341,078	\$ 661,829	\$ 679,249

Sensitivity of the City's net pension liability/(asset) to changes in the discount rate. Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 801,314	\$ 679,249	\$ 574,044

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, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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 a net pension asset of \$155,155. The net pension asset was measured as of December 31, 2016, 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 \$(4,126). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ <u>15,478</u>	\$ <u>-</u>

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 4,881
2019	4,882
2020	4,510
2021	<u>1,205</u>
Totals	\$ <u>15,478</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

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 valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	9 years
Asset valuation method	5-year smoothed fair value
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 a regularly scheduled experience study in 2015. As a result of the 2015 experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.0 percent to 2.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return, which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	36.00%	6.75%
Equity Long/Short	10.00%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	0.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Totals	<u>100.00%</u>	

*While expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

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 Board's 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.

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

For purposes of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Changes in the net pension liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at beginning of year	\$ 136,821	\$ 288,994	\$ (152,173)
Changes for the year			
Service cost	-	-	-
Interest on total pension liability	9,568	-	9,568
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Net investment income	-	14,870	(14,870)
Benefit and refund payments	(18,844)	(18,844)	-
Administrative expenses	-	(2,320)	2,320
Net changes	(9,276)	(6,294)	(2,982)
Balances at end of year	<u>\$ 127,545</u>	<u>\$ 282,700</u>	<u>\$ (155,155)</u>

Sensitivity of the City's net pension liability/(asset) to changes in the discount rate. Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.50%)</u>	<u>(7.50)</u>	<u>(8.50)</u>
Net pension liability (asset)	<u>\$ (148,595)</u>	<u>\$ (155,155)</u>	<u>\$ (161,144)</u>

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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 \$173,353.

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.

CITY OF STERLING, COLORADO
Notes to Financial Statements

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 \$31,842,762 was appropriated for all funds. Original and revised budgets, with corresponding actual expenditures on the budget basis of accounting are as follows:

<u>Fund</u>	<u>Original Budget Appropriation</u>	<u>Budget as Amended</u>	<u>Actual Expenditures</u>	<u>Variance – Favorable (Unfavorable)</u>
General Fund	\$ 14,015,051	\$ 14,886,194	\$ 13,448,388	\$ 1,437,806
Water Fund	6,425,159	6,936,951	6,096,507	840,444
Sanitation Fund	840,521	840,521	716,076	124,445
Sewer Fund	3,395,079	3,820,726	2,657,078	1,163,648
Hotel Tax Fund	50	11,426	10,001	1,425
Perpetual Care Fund	50,325	50,325	45,396	4,929
Library Improvement Fund	3,850	15,727	10,168	5,559
Conservation Trust Fund	130,000	155,000	134,173	20,827
Karl Falch Library Trust Fund	855	855	55	800
Old Hire Police Pension Fund	238,147	238,147	213,234	24,913
Employee Benefits Fund	2,316,016	2,316,016	2,075,325	240,691
Service Center Fund	891,846	891,846	782,505	109,341
Risk Management Fund	615,621	858,947	863,025	(4,078)
Capital Replacement Fund	181,284	819,776	272,180	547,596
Capital Improvement Fund	305	305	305	-
Total	\$ 29,104,109	\$ 31,842,762	\$ 27,324,416	\$ 4,518,346

Note K – 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

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note K - 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 144% 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 \$4,579,494.

CITY OF STERLING, COLORADO
Notes to Financial Statements

Note L - Prior period restatement

The City made an error in capitalizing certain assets in the prior year, resulting in a restatement of beginning net position in the amount of \$113,866 in the Governmental Activities and the Capital Replacement Fund.

Note M - FPPA Statewide Hybrid Plan

The FPPA Statewide Hybrid Plan is a cost-sharing multiple-employer defined benefit pension plan covering full-time firefighters and police officers from departments that elect coverage. The City did not make any contributions to the Plan in the current year, and does not anticipate making any in future years as it has no employees participating in the Plan any longer. As such, the net pension asset and related deferred outflows of resources relating to the Plan have been written off and fully amortized in the current period.

This page intentionally left blank.

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 Liability/(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 Liability/(Asset) – Fire & Police Statewide Defined Benefit Plan – Fire
- Schedule of City Contributions – Fire & Police Statewide Defined Benefit Plan – Fire
- 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 Liability/(Asset) ¹****Fire & Police Statewide Defined Benefit Plan - Police****December 31, 2017**

Measurement period ending December 31,	2016	2015	2014
City's proportion of the net pension liability/(asset)	0.1966997%	0.2071693%	0.2076073%
City's proportionate share of the net pension liability/(asset)	\$ 71,075	\$ (3,652)	\$ (234,301)
City's covered-employee payroll	\$ 838,300	\$ 942,750	\$ 918,025
City's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	8.5%	0.4%	25.5%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	98.21%	100.10%	106.80%

- ¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF STERLING, COLORADO**Schedule of City Contributions ¹****Fire & Police Statewide Defined Benefit Plan - Police****December 31, 2017**

Measurement period ending December 31,	2016	2015	2014
Contractually required contribution	\$ 67,064	\$ 75,420	\$ 73,442
Contributions in relation to the contractually required contributions	(67,064)	(75,420)	(73,442)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 838,300	\$ 942,750	\$ 918,025
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

- ¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF STERLING, COLORADO**Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset) ¹****Fire & Police Statewide Defined Benefit Plan - Fire****December 31, 2017**

Measurement period ending December 31,	2016	2015	2014
City's proportion of the net pension liability/(asset)	0.1730764%	0.1722999%	0.1713403%
City's proportionate share of the net pension liability/(asset)	\$ 62,539	\$ (3,037)	\$ (193,370)
City's covered-employee payroll	\$ 739,825	\$ 866,188	\$ 756,850
City's proportionate share of the net pension asset liability/(asset) as a percentage of its covered-employee payroll	8.5%	0.4%	25.5%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	98.21%	100.10%	106.80%

- ¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF STERLING, COLORADO
Schedule of City Contributions ¹
Fire & Police Statewide Defined Benefit Plan - Fire
December 31, 2017

Measurement period ending December 31,	2016	2015	2014
Contractually required contribution	\$ 59,186	\$ 69,295	\$ 60,548
Contributions in relation to the contractually required contribution	(59,186)	(69,295)	(60,548)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 739,825	\$ 866,188	\$ 756,850
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

- ¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Measurement period ending December 31,	2016	2015	2014
Total pension liability			
Service cost	\$ 5,046	\$ 5,046	\$ 5,331
Interest on the total pension liability	36,043	36,448	36,897
Benefit changes	-	-	-
Differences between expected and actual experience	(14,390)	-	245
Changes of assumptions	11,855	-	-
Benefit payments	(46,520)	(47,270)	(49,320)
Net change in total pension liability	(7,966)	(5,776)	(6,847)
Total pension liability - beginning	500,929	506,705	513,552
Total pension liability - ending (a)	<u>\$ 492,963</u>	<u>\$ 500,929</u>	<u>\$ 506,705</u>
Plan fiduciary net position			
Contributions - employer	\$ 13,881	\$ 16,696	\$ 12,501
Net investment income	19,972	7,273	26,155
Benefit payments	(46,520)	(47,270)	(49,320)
Pension plan administrative expenses	(877)	(2,992)	(987)
State of Colorado supplemental discretionary payment	15,026	11,251	11,251
Net change in plan fiduciary net position	1,482	(15,042)	(400)
Plan fiduciary net position - beginning	393,714	408,756	409,156
Plan fiduciary net position - ending (b)	<u>\$ 395,196</u>	<u>\$ 393,714</u>	<u>\$ 408,756</u>
City's net pension liability/(asset) - ending (a) - (b)	<u>\$ 97,767</u>	<u>\$ 107,215</u>	<u>\$ 97,949</u>
Plan fiduciary net position as a percentage of the total pension liability	80.17%	78.60%	80.67%
Covered-employee payroll	N/A	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

1 Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Measurement Period 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)
2016	\$ 13,881	\$ 28,907	\$ (15,026)	N/A	N/A
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 Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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**

Measurement period ending December 31,	2016	2015	2014
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest on the total pension liability	97,555	90,203	91,410
Benefit changes	-	-	-
Differences between expected and actual experience	-	37,048	-
Changes of assumptions	-	81,512	-
Benefit payments	(112,395)	(109,122)	(105,943)
Net change in total pension liability	(14,840)	99,641	(14,533)
Total pension liability - beginning	1,355,918	1,256,277	1,270,810
Total pension liability - ending (a)	<u>\$ 1,341,078</u>	<u>\$ 1,355,918</u>	<u>\$ 1,256,277</u>
Plan fiduciary net position			
Contributions - employer	\$ 50,937	\$ 50,937	\$ 50,937
Contributions - employee	-	-	-
Net investment income	34,135	13,088	47,348
Benefit payments	(112,395)	(109,122)	(105,943)
Pension plan administrative expenses	(2,915)	(1,360)	(3,978)
Net change in plan fiduciary net position	(30,238)	(46,457)	(11,636)
Plan fiduciary net position - beginning	692,067	738,524	750,160
Plan fiduciary net position - ending (b)	<u>\$ 661,829</u>	<u>\$ 692,067</u>	<u>\$ 738,524</u>
City's net pension liability/(asset) - ending (a) - (b)	<u>\$ 679,249</u>	<u>\$ 663,851</u>	<u>\$ 517,753</u>
Plan fiduciary net position as a percentage of the total pension liability	49.35%	51.04%	58.79%
Covered-employee payroll	N/A	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Measurement Period 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)
2016	\$ 50,937	\$ 50,937	\$ -	N/A	N/A
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 Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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**

Measurement period ending December 31,	2016	2015	2014
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest on the total pension liability	9,568	8,459	9,126
Benefit changes	-	-	-
Differences between expected and actual experience	-	13,638	-
Changes of assumptions	-	11,250	-
Benefit payments	(18,844)	(18,295)	(17,762)
Net change in total pension liability	(9,276)	15,052	(8,636)
Total pension liability - beginning	136,821	121,769	130,405
Total pension liability - ending (a)	<u>\$ 127,545</u>	<u>\$ 136,821</u>	<u>\$ 121,769</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - employee	-	-	-
Net investment income	14,870	5,461	20,145
Benefit payments	(18,844)	(18,295)	(17,762)
Pension plan administrative expenses	(2,320)	(791)	(3,347)
Net change in plan fiduciary net position	(6,294)	(13,625)	(964)
Plan fiduciary net position - beginning	288,994	302,619	303,583
Plan fiduciary net position - ending (b)	<u>\$ 282,700</u>	<u>\$ 288,994</u>	<u>\$ 302,619</u>
City's net pension liability/(asset) - ending (a) - (b)	<u>\$ (155,155)</u>	<u>\$ (152,173)</u>	<u>\$ (180,850)</u>
Plan fiduciary net position as a percentage of the total pension liability	221.65%	211.22%	248.52%
Covered-employee payroll	N/A	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

¹ Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Measurement Period 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)
2016	\$ -	\$ -	\$ -	N/A	N/A
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 Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF STERLING, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 9,282,408	\$ 9,282,408	\$ 9,238,988	\$ (43,420)
Licenses and permits	223,600	223,600	162,800	(60,800)
Intergovernmental	2,079,369	2,370,980	2,339,627	(31,353)
Charges for services	262,898	262,898	275,168	12,270
Fines and forfeitures	103,000	103,000	93,152	(9,848)
Earnings on investments	15,000	15,000	24,289	9,289
Miscellaneous	1,108,090	1,146,479	1,315,418	168,939
Total revenues	13,074,365	13,404,365	13,449,442	45,077
Expenditures				
Current				
General government	2,944,251	2,977,101	2,764,246	212,855
Public safety	5,468,043	5,531,040	5,089,119	441,921
Public works	2,722,376	3,383,522	2,898,199	485,323
Health and welfare	213,771	206,580	191,521	15,059
Culture and recreation	2,528,065	2,649,406	2,366,758	282,648
Total expenditures	13,876,506	14,747,649	13,309,843	1,437,806
Excess of revenues over (under) expenditures	(802,141)	(1,343,284)	139,599	1,482,883
Other financing sources (uses)				
Transfers in	4,750	4,750	4,750	-
Transfers out	(138,545)	(138,545)	(138,545)	-
Total other financing sources (uses)	(133,795)	(133,795)	(133,795)	-
Net change in fund balance	\$ (935,936)	\$ (1,477,079)	5,804	\$ 1,482,883
Fund balance at beginning of year			3,363,935	
Fund balance at end of year			\$ 3,369,739	

CITY OF STERLING, COLORADO
Notes to Required Supplementary Information

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.

CITY OF STERLING, COLORADO
Notes to Required Supplementary Information

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

Information about factors that significantly affect trends in the amounts reported in the pension schedules is available in FPPA's comprehensive annual financial report which can be obtained at www.fppaco.org/annual-reports.html.

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

This page intentionally left blank.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
General property	\$ 1,108,208	\$ 1,108,208	\$ 1,116,089	\$ 7,881
Specific ownership	125,000	125,000	121,899	(3,101)
General sales and use	7,355,000	7,355,000	7,349,103	(5,897)
Franchise	676,500	676,500	635,047	(41,453)
Employee occupation	17,700	17,700	16,850	(850)
Total taxes	9,282,408	9,282,408	9,238,988	(43,420)
Licenses and permits				
Business	28,000	28,000	24,340	(3,660)
Non-business	195,600	195,600	138,460	(57,140)
Total licenses and permits	223,600	223,600	162,800	(60,800)
Intergovernmental				
Federal and state grants	19,730	311,341	264,254	(47,087)
State shared revenue	505,576	505,576	473,217	(32,359)
Road and bridge	100,000	100,000	104,894	4,894
Special districts	1,454,063	1,454,063	1,497,262	43,199
Total intergovernmental	2,079,369	2,370,980	2,339,627	(31,353)
Charges for services				
General government	5,600	5,600	6,445	845
Public safety	2,200	2,200	3,326	1,126
Highways and streets	11,588	11,588	17,383	5,795
Health	800	800		(800)
Cemeteries	16,000	16,000	30,600	14,600
Culture and recreation	216,200	216,200	203,420	(12,780)
Museum fees	10,510	10,510	13,994	3,484
Total charges for services	262,898	262,898	275,168	12,270

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Fines and forfeitures				
Court	95,500	95,500	86,499	(9,001)
Library	7,500	7,500	6,653	(847)
Total fines and forfeitures	103,000	103,000	93,152	(9,848)
Earnings on investments	15,000	15,000	24,289	9,289
Miscellaneous				
Rents	32,000	32,000	35,310	3,310
Fuel sales	175,000	175,000	151,789	(23,211)
Contributions	3,000	5,250	6,715	1,465
Refunds of expenditures			2,292	2,292
Sale of assets	1,025	1,025	7,885	6,860
Administrative cost reimbursement	854,265	854,265	854,265	-
Miscellaneous	42,800	78,939	257,162	178,223
Total miscellaneous	1,108,090	1,146,479	1,315,418	168,939
Total revenues	<u>\$ 13,074,365</u>	<u>\$ 13,404,365</u>	<u>\$ 13,449,442</u>	<u>\$ 45,077</u>

CITY OF STERLING, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
City council	\$ 42,743	\$ 59,443	\$ 55,163	\$ 4,280
City manager	370,891	372,091	374,753	(2,662)
City attorney	266,247	266,247	235,439	30,808
Municipal court	126,216	126,216	110,295	15,921
Finance department	520,842	544,342	530,184	14,158
City hall and non-departmental	1,408,876	1,400,326	1,255,457	144,869
Personnel	208,436	208,436	202,955	5,481
Total general government	2,944,251	2,977,101	2,764,246	212,855
Public safety				
Police department	2,123,848	2,176,618	1,945,775	230,843
Dispatch center	891,176	891,176	737,448	153,728
Youth services	124,270	124,270	112,443	11,827
Fire department	1,551,965	1,562,192	1,493,490	68,702
Ambulance services	776,784	776,784	799,963	(23,179)
Total public safety	5,468,043	5,531,040	5,089,119	441,921
Public works				
Street division	1,941,032	2,370,628	2,011,819	358,809
Administration	459,395	459,395	420,445	38,950
Airport	321,949	553,499	465,935	87,564
Total public works	2,722,376	3,383,522	2,898,199	485,323
Health and welfare				
Cemetery	213,771	206,580	191,521	15,059
Culture and recreation				
Museum	266,329	281,703	255,681	26,022
Parks	440,279	452,490	421,644	30,846
Recreation center	671,064	671,064	631,174	39,890
Forestry	132,064	135,144	126,341	8,803
Recreation division	441,428	491,805	390,790	101,015
Library	576,901	617,200	541,128	76,072
Total culture and recreation	2,528,065	2,649,406	2,366,758	282,648
Total expenditures	\$ 13,876,506	\$ 14,747,649	\$ 13,309,843	\$ 1,437,806

**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, 2017

	Special Revenue Funds		
	Conservation Trust Fund	Perpetual Care Fund	Karl Falch Library Fund
Assets			
Cash		\$ 5,449	\$ 101
Investments	\$ 158,847	217,554	31,783
Receivables			
Total assets	<u>\$ 158,847</u>	<u>\$ 223,003</u>	<u>\$ 31,884</u>
Liabilities and fund balance			
Liabilities			
Accounts payable			
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Restricted for public safety			
Restricted for culture and recreation	158,847		31,884
Committed to capital improvements		223,003	
Committed to health and welfare			
Total fund balance	<u>158,847</u>	<u>223,003</u>	<u>31,884</u>
Total liabilities and fund balance	<u>\$ 158,847</u>	<u>\$ 223,003</u>	<u>\$ 31,884</u>

Special Revenue Funds			Capital Projects Fund	
Hotel Tax Fund	Library Improvement Fund	Old Hire Police Pension Fund	Capital Improvement Fund	Total
\$ 10,293	\$ 867	\$ 3,054	\$ 17,548	\$ 37,312
511,849		138,789	490,750	1,549,572
13,502		268,752	205	282,459
<u>\$ 535,644</u>	<u>\$ 867</u>	<u>\$ 410,595</u>	<u>\$ 508,503</u>	<u>\$ 1,869,343</u>
 \$ 11,958		 \$ 268,752		 \$ 280,710
11,958	\$ -	268,752	\$ -	280,710
		141,843		141,843
523,686	867			715,284
			508,503	508,503
				223,003
<u>523,686</u>	<u>867</u>	<u>141,843</u>	<u>508,503</u>	<u>1,588,633</u>
<u>\$ 535,644</u>	<u>\$ 867</u>	<u>\$ 410,595</u>	<u>\$ 508,503</u>	<u>\$ 1,869,343</u>

CITY OF STERLING, COLORADO**Nonmajor Governmental Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balance****For the Year Ended December 31, 2017**

	Special Revenue Funds		
	Conservation Trust Fund	Perpetual Care Fund	Karl Falch Library Fund
Revenues			
Taxes			
Intergovernmental revenue	\$ 140,344		
Earnings on investments	1,374	\$ 2,461	\$ 354
Charges for services		40,565	
Miscellaneous			
Total revenues	141,718	43,026	354
Expenditures			
Current			
General government			
Public safety		44,396	
Health and welfare			55
Culture and recreation	134,173		
Total expenditures	134,173	44,396	55
Excess of revenues over (under) expenditures	7,545	(1,370)	299
Other financing uses			
Transfers out		(1,000)	
Total other financing uses	-	(1,000)	-
Net change in fund balance	7,545	(2,370)	299
Fund balance at beginning of year	151,302	225,373	31,585
Fund balance at end of year	\$ 158,847	\$ 223,003	\$ 31,884

Special Revenue Funds			Capital Projects Fund	
Hotel Tax Fund	Library Improvement Fund	Old Hire Police Pension Fund	Capital Improvement Fund	Total
\$ 208,274				\$ 208,274
				140,344
4,487	\$ 48	\$ 2,995	\$ 5,471	17,190
			13,742	13,742
	700		1,498	42,763
212,761	748	2,995	20,711	422,313
			305	305
		213,234		213,234
10,001	10,168			44,396
				154,397
10,001	10,168	213,234	305	412,332
202,760	(9,420)	(210,239)	20,406	9,981
				(1,000)
	-	-	-	(1,000)
202,760	(9,420)	(210,239)	20,406	8,981
320,926	10,287	352,082	488,097	1,579,652
\$ 523,686	\$ 867	\$ 141,843	\$ 508,503	\$ 1,588,633

CITY OF STERLING, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 150,000	\$ 150,000	\$ 140,344	\$ (9,656)
Earnings on investments	450	450	1,374	924
Total revenues	150,450	150,450	141,718	(8,732)
Expenditures				
Current				
Culture and recreation	130,000	155,000	134,173	20,827
Total expenditures	130,000	155,000	134,173	20,827
Net change in fund balance	\$ 20,450	\$ (4,550)	7,545	\$ 12,095
Fund balance at beginning of year			151,302	
Fund balance at end of year			\$ 158,847	

CITY OF STERLING, COLORADO
Perpetual Care Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 1,000	\$ 1,000	\$ 2,461	\$ 1,461
Miscellaneous	42,000	42,000	40,565	(1,435)
Total revenues	43,000	43,000	43,026	26
Expenditures				
Current				
Health and welfare	49,325	49,325	44,396	4,929
Total expenditures	49,325	49,325	44,396	4,929
Excess of revenues over (under) expenditures	(6,325)	(6,325)	(1,370)	4,955
Other financing uses				
Transfers out	(1,000)	(1,000)	(1,000)	-
Net change in fund balance	<u>\$ (7,325)</u>	<u>\$ (7,325)</u>	(2,370)	<u>\$ 4,955</u>
Fund balance at beginning of year			225,373	
Fund balance at end of year			<u>\$ 223,003</u>	

CITY OF STERLING, COLORADO
Karl Falch Library Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 165	\$ 165	\$ 354	\$ 189
Total revenues	165	165	354	189
Expenditures				
Current				
Culture and recreation	855	855	55	800
Total expenditures	855	855	55	800
Net change in fund balance	\$ (690)	\$ (690)	299	\$ 989
Fund balance at beginning of year			31,585	
Fund balance at end of year			\$ 31,884	

CITY OF STERLING, COLORADO
Hotel Tax Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Hotel lodging tax	\$ 180,000	\$ 180,000	\$ 205,082	\$ 25,082
Penalties and interest			3,192	3,192
Earnings on investments	2,750	2,750	4,487	1,737
Total revenues	182,750	182,750	212,761	30,011
Expenditures				
Current				
Culture and recreation	50	11,426	10,001	1,425
Total expenditures	50	11,426	10,001	1,425
Net change in fund balance	\$ 182,700	\$ 171,324	202,760	\$ 28,586
Fund balance at beginning of year			320,926	
Fund balance at end of year			\$ 523,686	

CITY OF STERLING, COLORADO
Library Improvement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions		\$ 2,000	\$ 700	\$ (1,300)
Earnings on investments	\$ 55	55	48	(7)
Total revenues	55	2,055	748	(1,307)
Expenditures				
Current				
Culture and recreation	3,850	15,727	10,168	5,559
Total expenditures	3,850	15,727	10,168	5,559
Net change in fund balance	\$ (3,795)	\$ (13,672)	(9,420)	\$ (6,866)
Fund balance at beginning of year			10,287	
Fund balance at end of year			\$ 867	

CITY OF STERLING, COLORADO
Old Hire Police Pension Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 2,200	\$ 2,200	\$ 2,995	\$ 795
Total revenues	2,200	2,200	2,995	795
Expenditures				
Current				
Public safety	238,147	238,147	213,234	24,913
Total expenditures	238,147	238,147	213,234	24,913
Net change in fund balance	\$ (235,947)	\$ (235,947)	(210,239)	\$ 25,708
Fund balance at beginning of year			352,082	
Fund balance at end of year			\$ 141,843	

CITY OF STERLING, COLORADO
Capital Improvement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 2,750	\$ 2,750	\$ 5,471	\$ 2,721
Rents	14,098	14,098	13,742	(356)
Miscellaneous			1,498	1,498
Total revenues	16,848	16,848	20,711	3,863
Expenditures				
Current				
General government	305	305	305	-
Total expenditures	305	305	305	-
Net change in fund balance	\$ 16,543	\$ 16,543	20,406	\$ 3,863
Fund balance at beginning of year			488,097	
Fund balance at end of year			\$ 508,503	

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 5,403,014	\$ 5,403,014	\$ 5,371,781	\$ (31,233)
Total operating revenues	5,403,014	5,403,014	5,371,781	(31,233)
Operating expenses				
Personnel	668,353	668,353	606,052	62,301
Maintenance and supplies	2,490,455	2,603,246	1,830,913	772,333
Administrative cost allocation	483,201	483,201	483,201	-
Capital purchases	890,000	1,289,001	1,325,963	(36,962)
Total operating expenses	4,532,009	5,043,801	4,246,129	797,672
Operating income	871,005	359,213	1,125,652	766,439
Nonoperating revenues (expenses)				
Earnings on investments	30,000	30,000	84,557	54,557
Rents and rights	78,506	78,506	74,943	(3,563)
Miscellaneous	3,797	3,797	14,030	10,233
Federal and state grants			3,148	3,148
Principal paid on notes	(1,295,773)	(1,295,773)	(1,295,773)	-
Interest and fiscal charges	(565,088)	(565,088)	(522,316)	42,772
Total nonoperating revenues (expenses)	(1,748,558)	(1,748,558)	(1,641,411)	107,147
Net loss before transfers and capital contributions	(877,553)	(1,389,345)	(515,759)	873,586

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Transfers out	(32,289)	(32,289)	(32,289)	-
Capital contributions	24,500	24,500	29,312	4,812
Change in net position	<u>\$ (885,342)</u>	<u>\$ (1,397,134)</u>	(518,736)	<u>\$ 878,398</u>
Adjustments to GAAP Basis				
Add capital purchases			1,325,963	
Add principal paid on notes			1,295,773	
Deduct loss on disposal of assets			(100,561)	
Deduct depreciation			<u>(851,236)</u>	
Change in net position - GAAP Basis			1,151,203	
Net position at beginning of year			<u>18,317,247</u>	
Net position at end of year			<u>\$ 19,468,450</u>	

CITY OF STERLING, COLORADO
Sanitation Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 594,500	\$ 594,500	\$ 600,718	\$ 6,218
Total operating revenues	594,500	594,500	600,718	6,218
Operating expenses				
Personnel	211,145	211,145	188,106	23,039
Maintenance and supplies	290,045	290,045	200,397	89,648
Administrative cost allocation	79,150	79,150	79,150	-
Capital purchases	240,000	240,000	228,242	11,758
Total operating expenses	820,340	820,340	695,895	124,445
Operating loss	(225,840)	(225,840)	(95,177)	130,663
Nonoperating revenues				
Earnings on investments	1,500	1,500	5,661	4,161
Total nonoperating revenues	1,500	1,500	5,661	4,161
Net loss before transfers	(224,340)	(224,340)	(89,516)	134,824
Transfers out	(20,181)	(20,181)	(20,181)	-
Change in net position	\$ (244,521)	\$ (244,521)	(109,697)	\$ 134,824
Adjustments to GAAP Basis				
Add capital purchases			228,242	
Deduct depreciation			(33,831)	
Change in net position - GAAP Basis			84,714	
Net position at beginning of year			964,184	
Net position at end of year			\$ 1,048,898	

This page intentionally left blank.

CITY OF STERLING, COLORADO
Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 2,009,336	\$ 2,009,336	\$ 2,053,342	\$ 44,006
Total operating revenues	2,009,336	2,009,336	2,053,342	44,006
Operating expenses				
Personnel	565,392	565,392	532,834	32,558
Maintenance and supplies	1,358,149	1,362,410	855,545	506,865
Administrative cost allocation	291,914	291,914	291,914	-
Capital purchases	1,140,000	1,561,386	937,161	624,225
Total operating expenses	3,355,455	3,781,102	2,617,454	1,163,648
Operating loss	(1,346,119)	(1,771,766)	(564,112)	1,207,654
Nonoperating revenues				
Earnings on investments	22,000	22,000	45,011	23,011
Grants			3,148	3,148
Total nonoperating revenues	22,000	22,000	48,159	26,159
Net loss before transfers and capital contributions	(1,324,119)	(1,749,766)	(515,953)	1,233,813
Transfers out	(39,624)	(39,624)	(39,624)	-
Capital contributions	32,000	32,000	7,590	(24,410)
Change in net position	\$ (1,331,743)	\$ (1,757,390)	(547,987)	\$ 1,209,403
Adjustments to GAAP Basis				
Add capital purchases			937,161	
Deduct depreciation and amortization			(656,546)	
Change in net position - GAAP Basis			(267,372)	
Net position at beginning of year			13,312,055	
Net position at end of year			\$ 13,044,683	

**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, 2017

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Assets			
Current assets			
Cash	\$ 14,282	\$ 36,092	\$ 17,984
Investments	967,519	558,984	838,403
Receivables			147,961
Total current assets	981,801	595,076	1,004,348
Noncurrent assets			
Capital assets, net of accumulated depreciation	2,773,048		
Total noncurrent assets	2,773,048	-	-
Total assets	<u>\$ 3,754,849</u>	<u>\$ 595,076</u>	<u>\$ 1,004,348</u>
Liabilities			
Current liabilities			
Accounts payable		\$ 222	\$ 1,066
Accrued salaries and benefits payable			
Accrued interest payable	\$ 2,992		
Current portion of capital lease obligation	32,798		
Total current liabilities	35,790	222	1,066
Long-term liabilities			
Accrued compensated absences			
Capital lease obligation	69,482		
Total long-term liabilities	69,482	-	-
Total liabilities	105,272	222	1,066
Net position			
Net investment in capital assets	2,670,768		
Restricted for emergencies			420,000
Unrestricted	978,809	594,854	583,282
Total net position	3,649,577	594,854	1,003,282
Total liabilities and net position	<u>\$ 3,754,849</u>	<u>\$ 595,076</u>	<u>\$ 1,004,348</u>

Service Center Fund	Total
\$ 11,132	\$ 79,490
419,804	2,784,710
12,910	160,871
443,846	3,025,071
1,745,377	4,518,425
1,745,377	4,518,425
<u>\$ 2,189,223</u>	<u>\$ 7,543,496</u>
\$ 3,800	\$ 5,088
6,543	6,543
880	3,872
220,000	252,798
231,223	268,301
28,512	28,512
	69,482
28,512	97,994
259,735	366,295
1,525,377	4,196,145
404,111	420,000
	2,561,056
1,929,488	7,177,201
<u>\$ 2,189,223</u>	<u>\$ 7,543,496</u>

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2017

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Operating revenues			
Charges for services	\$ 51,637	\$ 2,074,626	\$ 547,262
Miscellaneous			318
Total operating revenues	51,637	2,074,626	547,580
Operating expenses			
Claims			279,901
Premiums		2,070,131	578,595
Personnel			
Maintenance and supplies	3,622	5,194	779
Depreciation and amortization	313,311		
Total operating expenses	316,933	2,075,325	859,275
Operating loss	(265,296)	(699)	(311,695)
Nonoperating revenues (expenses)			
Earnings on investments	10,136	6,217	9,246
Contributions	154,944		
Insurance proceeds	18,450		270,423
Federal and state grants	24,000		
Gain (loss) on disposal of assets	34,062		
Debt service interest and fiscal charges	(4,297)		
Total nonoperating revenues (expenses)	237,295	6,217	279,669
Net income (loss) before transfers	(28,001)	5,518	(32,026)
Transfers in			
Transfers out			(3,750)
Change in net position	(28,001)	5,518	(35,776)
Net position at beginning of year, as originally reported	3,563,712	589,336	1,039,058
Prior period adjustment	113,866		
Net position at beginning of year, as restated	3,677,578	589,336	1,039,058
Net position at end of year	\$ 3,649,577	\$ 594,854	\$ 1,003,282

Service Center Fund	Total
\$ 594,407	\$ 3,267,932
	318
594,407	3,268,250
	279,901
	2,648,726
421,885	421,885
101,693	111,288
84,789	398,100
608,367	3,859,900
(13,960)	(591,650)
5,151	30,750
	154,944
	288,873
	24,000
	34,062
(19,799)	(24,096)
(14,648)	508,533
(28,608)	(83,117)
230,639	230,639
	(3,750)
202,031	143,772
1,727,457	6,919,563
	113,866
1,727,457	7,033,429
\$ 1,929,488	\$ 7,177,201

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Cash flows from operating activities			
Receipts from customers	\$ 51,637	\$ 2,074,626	\$ 547,580
Payments to providers		(2,070,131)	(578,595)
Payments to claimants			(278,835)
Payments to suppliers	(17,350)	(5,207)	(779)
Payments to employees			
Net cash provided (used) by operating activities	34,287	(712)	(310,629)
Cash flows from noncapital financing activities			
Insurance proceeds	18,450		270,423
Federal and state grant funds	24,000		
Transfers from other funds			
Transfers to other funds			(3,750)
Net cash provided by noncapital financing activities	42,450	-	266,673
Cash flows from capital and related financing activities			
Purchase of capital assets	(232,694)		
Contributions	83,000		
Proceeds from sale of capital assets	59,342		
Principal paid on capital debt	(31,567)		
Interest and fiscal charges paid on capital debt	(5,220)		
Net cash used by capital and related financing activities	(127,139)	-	-
Cash flows from investing activities			
Sale of investments	49,000		37,000
Purchase of investments			
Net cash provided (used) by investing activities	49,000	-	37,000
Net change in cash and cash equivalents	(1,402)	(712)	(6,956)
Cash and cash equivalents at beginning of year	15,684	36,804	24,940
Cash and cash equivalents at end of year	\$ 14,282	\$ 36,092	\$ 17,984

Service Center Fund	Total
\$ 594,407	\$ 3,268,250
	(2,648,726)
	(278,835)
(103,155)	(126,491)
(419,004)	(419,004)
72,248	(204,806)
	288,873
47,904	71,904
230,639	230,639
	(3,750)
278,543	587,666
(29,128)	(261,822)
	83,000
	59,342
(210,000)	(241,567)
(20,639)	(25,859)
(259,767)	(386,906)
	86,000
(101,000)	(101,000)
(101,000)	(15,000)
(9,976)	(19,046)
21,108	98,536
\$ 11,132	\$ 79,490

(continued)

CITY OF STERLING, COLORADO
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

(continued)	Capital Replacement Fund	Employee Benefits Fund	Risk Management Fund
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (265,296)	\$ (699)	\$ (311,695)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation and amortization	313,311		
Changes in operating assets and liabilities			
Accounts payable	(13,728)	(13)	1,066
Accrued salaries and benefits payable			
Accrued compensated absences			
Net cash provided (used) by operating activities	<u>\$ 34,287</u>	<u>\$ (712)</u>	<u>\$ (310,629)</u>
Noncash capital financing activities			
Assets acquired through contributions from other funds	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ -</u>

Service Center Fund	Total
\$ (13,960)	\$ (591,650)
84,789	398,100
(1,462)	(14,137)
220	220
2,661	2,661
<u>\$ 72,248</u>	<u>\$ (204,806)</u>
<u>\$ -</u>	<u>\$ 71,944</u>

CITY OF STERLING, COLORADO
Capital Replacement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 14,850	\$ 14,850	\$ 51,637	\$ 36,787
Total operating revenues	14,850	14,850	51,637	36,787
Operating expenses				
Maintenance and supplies	920	920	920	-
Noncapital purchases			2,702	(2,702)
Capital purchases	180,364	818,856	232,694	586,162
Total operating expenses	181,284	819,776	236,316	583,460
Operating loss	(166,434)	(804,926)	(184,679)	620,247
Nonoperating revenues (expenses)				
Earnings on investments	6,500	6,500	10,136	3,636
Contributions			83,000	83,000
Insurance proceeds		18,405	18,450	45
Federal and state grants		481,273	24,000	(457,273)
Proceeds from sale of assets			59,342	59,342
Principal paid on lease			(31,567)	(31,567)
Interest and fiscal charges			(4,297)	(4,297)
Total nonoperating revenues (expenses)	6,500	506,178	159,064	(347,114)
Change in net position	\$ (159,934)	\$ (298,748)	(25,615)	\$ 273,133

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Adjustments to GAAP Basis				
Add principal paid on lease			31,567	
Add capital purchases			232,694	
Add contributed assets			71,944	
Deduct loss on disposal of assets			(25,280)	
Deduct depreciation			(313,311)	
Change in net position - GAAP Basis			(28,001)	
Net position at beginning of year, as originally reported			3,563,712	
Prior period adjustment			113,866	
Net position at beginning of year, as restated			3,677,578	
Net position at end of year			\$ 3,649,577	

CITY OF STERLING, COLORADO
Employee Benefits Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 2,312,376	\$ 2,312,376	\$ 2,074,626	\$ (237,750)
Total operating revenues	2,312,376	2,312,376	2,074,626	(237,750)
Operating expenses				
Premiums	2,312,376	2,312,376	2,070,131	242,245
Maintenance and supplies	3,640	3,640	5,194	(1,554)
Total operating expenses	2,316,016	2,316,016	2,075,325	240,691
Operating loss	(3,640)	(3,640)	(699)	2,941
Nonoperating revenues				
Earnings on investments	3,000	3,000	6,217	3,217
Total nonoperating revenues	3,000	3,000	6,217	3,217
Change in net position	\$ (640)	\$ (640)	5,518	\$ 6,158
Net position at beginning of year			589,336	
Net position at end of year			\$ 594,854	

CITY OF STERLING, COLORADO
Risk Management Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 551,558	\$ 551,558	\$ 547,262	\$ (4,296)
Miscellaneous	5,000	20,170	318	(19,852)
Total operating revenues	556,558	571,728	547,580	(24,148)
Operating expenses				
Claims	50,000	293,326	279,901	13,425
Premiums	560,971	560,971	578,595	(17,624)
Maintenance and supplies	900	900	779	121
Total operating expenses	611,871	855,197	859,275	(4,078)
Operating loss	(55,313)	(283,469)	(311,695)	(28,226)
Nonoperating revenues				
Insurance proceeds	5,000	159,374	270,423	111,049
Earnings on investments	3,750	3,750	9,246	5,496
Total nonoperating revenues	8,750	163,124	279,669	116,545
Net loss before transfers	(46,563)	(120,345)	(32,026)	88,319
Transfers out	(3,750)	(3,750)	(3,750)	-
Change in net position	\$ (50,313)	\$ (124,095)	(35,776)	\$ 88,319
Net position at beginning of year			1,039,058	
Net position at end of year			\$ 1,003,282	

CITY OF STERLING, COLORADO
Service Center Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 594,406	\$ 594,406	\$ 594,407	\$ 1
Total operating revenues	594,406	594,406	594,407	1
Operating expenses				
Personnel	488,825	488,825	421,885	66,940
Maintenance and supplies	98,381	98,381	101,693	(3,312)
Capital purchases	74,000	74,000	29,128	44,872
Total operating expenses	661,206	661,206	552,706	108,500
Operating income (loss)	(66,800)	(66,800)	41,701	108,501
Nonoperating revenues (expenses)				
Earnings on investments	2,000	2,000	5,151	3,151
Principal paid on lease	(210,000)	(210,000)	(210,000)	-
Debt service interest and fiscal charges	(20,640)	(20,640)	(19,799)	841
Total nonoperating revenues (expenses)	(228,640)	(228,640)	(224,648)	3,992
Net loss before transfers	(295,440)	(295,440)	(182,947)	112,493
Transfers in	230,640	230,640	230,639	(1)
Change in net position	\$ (64,800)	\$ (64,800)	47,692	\$ 112,492
Adjustments to GAAP Basis				
Add principal paid on lease			210,000	
Add capital purchases			29,128	
Deduct depreciation			(84,789)	
Change in net position - GAAP Basis			202,031	
Net position at beginning of year			1,727,457	
Net position at end of year			\$ 1,929,488	

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, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Tax increment financing	\$ 756,000	\$ 756,000	\$ 703,044	\$ (52,956)
Contributions			9,565	9,565
Earnings on investments	2,000	2,000	14,769	12,769
Total revenues	758,000	758,000	727,378	(30,622)
Expenditures				
Grants and contributions	630,000	630,000	4,563	625,437
Executive director	15,000	15,000	15,000	-
Legal and professional fees	10,000	10,000	10,209	(209)
County treasurer's fees	15,000	15,000	14,061	939
Contribution to LCEDC	15,000	15,000	15,000	-
Improvement projects	65,000	65,000	116,982	(51,982)
Miscellaneous	3,000	3,000	3,723	(723)
Total expenditures	753,000	753,000	179,538	573,462
Net change in fund balance	\$ 5,000	\$ 5,000	547,840	\$ 542,840
Fund balance at beginning of year			2,312,377	
Fund balance at end of year			\$ 2,860,217	

**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: City of Sterling YEAR ENDING : December 2017
This Information From The Records Of (example - City of _ or County of _) City of Sterling, Colorado	
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	1,777,439
3. Other local imposts (from page 2)	226,793
4. Miscellaneous local receipts (from page 2)	41,110
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)	2,045,342
B. Private Contributions	
C. Receipts from State government (from page 2)	393,823
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	2,439,165

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	1,092,185
2. Maintenance:	278,622
3. Road and street services:	
a. Traffic control operations	114,696
b. Snow and ice removal	66,563
c. Other	218,541
d. Total (a. through c.)	399,800
4. General administration & miscellaneous	131,913
5. Highway law enforcement and safety	536,645
6. Total (1 through 5)	2,439,165
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)	2,439,165

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
	0	2,439,165	2,439,165	0	0

Notes and Comments:

STATE:	Colorado
YEAR ENDING (mm/yy):	December 2017

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 & Penalties	41,110
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	226,793	g. Other Misc. Receipts	
6. Total (1. through 5.)	226,793	h. Other	
c. Total (a. + b.)	226,793	i. Total (a. through h.)	41,110
	(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	353,224	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	40,599	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.)	40,599	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	393,823	3. Total (1. + 2.g)	
			(Carry forward to page 1)

	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		1,092,185	1,092,185
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,092,185	1,092,185
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,092,185	1,092,185
			(Carry forward to page 1)

STERLING

A Colorado Treasure

This page intentionally left blank.



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.

Financial Trends Information	Page 157-161
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity Information	162-166
These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	
Debt Capacity Information	167-169
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.	
Demographic and Economic Information	170-171
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	172-174
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.	

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

STERLING

A Colorado Treasure

This page intentionally left blank.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in Capital Assets	\$ 19,280	\$ 19,977	\$ 27,171	\$ 28,048	\$ 28,225	\$ 28,664	\$ 30,638	\$ 32,617	\$ 34,120	\$ 34,729
Nonspendable prepaid expenses	-	-	-	122	-	-	-	-	-	-
Restricted for:										
Emergencies	350	350	350	360	370	370	370	420	420	420
Public Safety	-	-	-	-	-	754	637	460	352	142
Culture and recreation	-	-	-	229	342	483	767	710	514	715
Pensions	-	-	-	-	-	-	-	670	213	155
Unrestricted	6,526	7,063	6,170	5,658	6,129	6,175	6,869	6,552	6,056	6,011
Total governmental activities net position	\$ 26,156	\$ 27,390	\$ 33,691	\$ 34,417	\$ 35,066	\$ 36,446	\$ 39,281	\$ 41,429	\$ 41,675	\$ 42,172
Business-type activities										
Net investment in Capital Assets	\$ 16,100	\$ 16,618	\$ 18,837	\$ 12,631	\$ 21,339	\$ 22,519	\$ 15,973	\$ 16,714	\$ 20,146	\$ 22,327
Restricted for system improvements	-	-	-	-	-	-	1,957	1,957	184	80
Unrestricted	5,654	5,604	4,474	12,551	6,720	7,524	13,678	13,301	12,362	11,235
Total business-type activities net position	\$ 21,754	\$ 22,222	\$ 23,311	\$ 25,182	\$ 28,059	\$ 30,043	\$ 31,608	\$ 31,972	\$ 32,692	\$ 33,642
Primary government										
Net investment in Capital Assets	\$ 35,380	\$ 36,595	\$ 46,008	\$ 40,679	\$ 49,564	\$ 51,183	\$ 46,611	\$ 49,331	\$ 54,266	\$ 57,056
Nonspendable prepaid expenses	-	-	-	122	-	-	-	-	-	-
Restricted for:										
Emergencies	350	350	350	360	370	370	370	420	420	420
Public Safety	-	-	-	-	-	754	637	460	352	142
Culture and recreation	-	-	-	229	342	483	767	710	514	715
Pensions	-	-	-	-	-	-	-	670	213	155
System Improvements	-	-	-	-	-	-	1,957	1,957	184	80
Unrestricted	12,180	12,667	10,644	18,209	12,849	13,699	20,547	19,853	18,418	17,246
Total primary government net position	\$ 47,910	\$ 49,612	\$ 57,002	\$ 59,599	\$ 63,125	\$ 66,489	\$ 70,889	\$ 73,401	\$ 74,367	\$ 75,814

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 2,470	\$ 2,443	\$ 2,348	\$ 2,777	\$ 2,395	\$ 2,698	\$ 2,664	\$ 3,042	\$ 2,833	\$ 2,772
Public Safety	3,536	3,479	3,522	4,285	4,189	4,384	4,618	4,798	5,448	5,542
Public Works	2,174	2,098	2,150	1,677	2,378	2,470	2,487	1,629	2,503	2,182
Parks, Library, Recreation	2,438	2,591	2,475	2,751	2,861	2,827	2,860	2,497	3,053	3,092
Interest on Long-term debt	106	99	90	87	82	58	49	45	35	24
Total governmental activities expenses	10,724	10,710	10,585	11,577	11,905	12,437	12,678	12,011	13,872	13,612
Business-type activities:										
Water	1,653	1,631	1,650	2,354	2,679	2,814	3,361	4,324	4,241	4,403
Sanitation	443	399	483	434	493	446	476	476	464	504
Sewer	1,767	1,818	1,670	1,815	1,640	1,693	1,851	1,863	2,088	2,344
Total business-type activities expenses	3,863	3,848	3,803	4,603	4,812	4,953	5,688	6,663	6,793	7,251
Total primary government expenses	\$ 14,587	\$ 14,558	\$ 14,388	\$ 16,180	\$ 16,717	\$ 17,390	\$ 18,366	\$ 18,674	\$ 20,665	\$ 20,863
Program Revenue										
Governmental activities:										
Charge for Services - General Government	\$ 175	\$ 198	\$ 148	\$ 263	\$ 216	\$ 149	\$ 158	\$ 219	\$ 198	\$ 113
Charge for Services - Public Safety	169	161	150	103	94	81	80	83	76	69
Charge for Services - Public Works	415	216	230	354	360	339	335	225	216	225
Charge for Services - Parks, Library, Rec.	343	365	326	353	352	356	358	318	367	369
Operating grants	704	973	898	779	687	890	818	662	638	669
Capital grants	290	1,014	5,879	340	217	-	1,913	453	548	249
Total governmental activities program revenues	2,096	2,927	7,631	2,192	1,926	1,815	3,662	1,960	2,043	1,694
Business-type activities:										
Charge for Services - Water	1,996	2,188	2,727	4,252	5,470	4,910	5,016	5,003	5,130	5,372
Charge for Services - Sanitation	445	466	447	458	457	466	479	471	609	601
Charge for Services - Sewer	1,643	1,641	1,681	1,739	1,718	1,658	1,736	1,688	1,663	2,053
Operating grants	-	-	-	-	-	-	-	-	-	6
Capital grants	68	20	44	40	32	45	28	81	36	37
Total business-type activities program revenues	4,152	4,315	4,899	6,489	7,677	7,079	7,259	7,243	7,438	8,069
Total primary government program revenues	\$ 6,248	\$ 7,242	\$ 12,530	\$ 8,681	\$ 9,603	\$ 8,894	\$ 10,921	\$ 9,203	\$ 9,481	\$ 9,763

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (8,628)	\$ (7,783)	\$ (2,954)	\$ (9,385)	\$ (9,979)	\$ (10,622)	\$ (9,016)	\$ (10,051)	\$ (11,829)	\$ (11,918)
Business-type activities	289	467	1,096	1,886	2,865	2,126	1,571	580	645	818
Total primary government net expense	<u>\$ (8,339)</u>	<u>\$ (7,316)</u>	<u>\$ (1,858)</u>	<u>\$ (7,499)</u>	<u>\$ (7,114)</u>	<u>\$ (8,496)</u>	<u>\$ (7,445)</u>	<u>\$ (9,471)</u>	<u>\$ (11,184)</u>	<u>\$ (11,100)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property Tax	\$ 1,006	\$ 988	\$ 1,024	\$ 1,029	\$ 1,011	\$ 1,018	\$ 1,038	\$ 1,048	\$ 1,095	\$ 1,116
Specific Ownership Tax	-	-	-	-	-	-	127	126	119	122
Sales and Use Tax	6,230	5,975	6,208	6,655	6,799	6,912	7,703	7,620	7,427	7,349
Franchise Tax	720	649	677	686	652	685	699	664	632	635
Other Taxes	161	144	123	112	243	292	227	213	158	222
Unrestricted Earnings on Investments	153	28	14	6	14	8	8	14	47	72
Miscellaneous	1,117	1,162	1,122	1,450	1,816	3,022	1,956	2,433	2,501	2,685
Sale of Assets	6	-	13	100	1	-	-	11	-	8
Transfers	71	70	74	73	92	93	93	94	96	92
Total governmental activities	<u>\$ 9,464</u>	<u>\$ 9,016</u>	<u>\$ 9,255</u>	<u>\$ 10,111</u>	<u>\$ 10,628</u>	<u>\$ 12,030</u>	<u>\$ 11,851</u>	<u>\$ 12,223</u>	<u>\$ 12,075</u>	<u>\$ 12,301</u>
Business-type activities:										
Unrestricted Earnings on Investments	\$ 122	\$ 22	\$ 16	\$ 5	\$ 13	\$ 9	\$ 11	\$ 20	\$ 74	\$ 135
Miscellaneous	64	48	50	49	91	238	12	166	96	89
Sale of Assets	13	2	-	4	-	1	165	27	-	-
Transfers	(71)	(70)	(74)	(73)	(92)	(93)	(93)	(94)	(96)	(92)
Total business-type activities	<u>128</u>	<u>2</u>	<u>(8)</u>	<u>(15)</u>	<u>12</u>	<u>155</u>	<u>95</u>	<u>119</u>	<u>74</u>	<u>132</u>
Total primary government	<u>\$ 9,592</u>	<u>\$ 9,018</u>	<u>\$ 9,247</u>	<u>\$ 10,096</u>	<u>\$ 10,640</u>	<u>\$ 12,185</u>	<u>\$ 11,946</u>	<u>\$ 12,342</u>	<u>\$ 12,149</u>	<u>\$ 12,433</u>
Changes in Net Position										
Governmental activities	\$ 836	\$ 1,233	\$ 6,301	\$ 726	\$ 649	\$ 1,408	\$ 2,835	\$ 2,172	\$ 246	\$ 383
Business-type activities	417	469	1,088	1,871	2,877	2,281	1,666	699	719	950
Total primary government	<u>\$ 1,253</u>	<u>\$ 1,702</u>	<u>\$ 7,389</u>	<u>\$ 2,597</u>	<u>\$ 3,526</u>	<u>\$ 3,689</u>	<u>\$ 4,501</u>	<u>\$ 2,871</u>	<u>\$ 965</u>	<u>\$ 1,333</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 121	\$ 107	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,103	2,144	2,058	-	-	-	-	-	-	-
Nonspendable - prepaid items	(a) -	-	-	-	119	-	85	70	93	124
Committed to:										
Culture and recreation	(a) -	-	-	88	131	141	140	141	127	127
Unassigned	(a) -	-	-	2,721	2,875	2,667	3,132	3,682	3,144	3,118
Total General Fund	\$ 2,224	\$ 2,251	\$ 2,160	\$ 2,809	\$ 3,125	\$ 2,808	\$ 3,357	\$ 3,893	\$ 3,364	\$ 3,369
All other governmental funds										
Reserved	\$ 465	\$ 468	\$ 301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,169	1,667	430	-	-	-	-	-	-	-
Capital projects funds	1,075	866	1,364	-	-	-	-	-	-	-
Nonspendable - prepaid items	-	-	-	-	-	230	155	72	-	-
Restricted for:										
Public safety	-	-	-	-	-	754	637	460	352	142
Culture and recreation	(a) -	-	-	229	342	483	768	710	514	715
Committed to:										
Capital Improvement	(a) -	-	-	827	791	825	841	572	488	509
Health & Welfare	(a) -	-	-	154	174	202	190	185	225	223
Total all other governmental funds	\$ 2,709	\$ 3,001	\$ 2,095	\$ 1,210	\$ 1,307	\$ 2,494	\$ 2,591	\$ 1,999	\$ 1,579	\$ 1,589

(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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Taxes	\$ 8,117	\$ 7,756	\$ 8,032	\$ 8,483	\$ 8,699	\$ 8,925	\$ 9,795	\$ 9,672	\$ 9,432	\$ 9,447
Licenses and Permits	256	207	175	282	251	182	212	267	251	163
Intergovernmental	1,440	1,682	6,125	1,828	2,098	2,135	4,031	2,572	2,437	2,480
Charges for services	296	271	255	268	283	293	279	259	278	290
Fines and forfeitures	201	202	180	137	127	108	106	105	101	93
Earnings on investments	99	18	9	3	8	5	5	9	27	41
Miscellaneous	1,016	1,737	2,033	1,120	985	2,126	989	1,200	1,242	1,358
Total Revenue	\$ 11,425	\$ 11,873	\$ 16,809	\$ 12,121	\$ 12,451	\$ 13,774	\$ 15,417	\$ 14,084	\$ 13,768	\$ 13,872
Expenditures										
General Government	\$ 2,464	\$ 2,453	\$ 2,389	\$ 2,562	\$ 2,508	\$ 2,745	\$ 2,658	\$ 3,140	\$ 3,036	\$ 2,765
Public Safety	3,593	3,529	3,555	3,641	4,295	4,577	4,761	5,335	5,397	5,303
Public Works	2,535	2,277	6,853	2,414	2,507	2,965	4,628	2,757	3,152	2,898
Cemetery	230	233	194	201	192	168	237	184	203	235
Recreation	2,259	2,262	2,048	2,338	2,308	2,312	2,348	2,607	2,789	2,521
Capital Outlay	60	652	2,616	1,176	93	-	-	-	-	-
Total Expenditures	\$ 11,141	\$ 11,406	\$ 17,655	\$ 12,332	\$ 11,903	\$ 12,767	\$ 14,632	\$ 14,023	\$ 14,577	\$ 13,722
Excess of revenues over (under) expenditures	\$ 284	\$ 467	\$ (846)	\$ (211)	\$ 548	\$ 1,007	\$ 785	\$ 61	\$ (809)	\$ 150
Other financing sources (uses)										
Transfers in	3	8	1,534	294	47	1	1	39	1	5
Transfers out	(160)	(156)	(1,685)	(420)	(181)	(139)	(140)	(155)	(141)	(140)
Total other financing sources (uses)	(157)	(148)	(151)	(126)	(134)	(138)	(139)	(116)	(140)	(135)
Sale of land and buildings	-	-	-	100	-	-	-	-	-	-
Net change in fund balances	\$ 127	\$ 319	\$ (997)	\$ (237)	\$ 414	\$ 869	\$ 646	\$ (55)	\$ (949)	\$ 15
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%

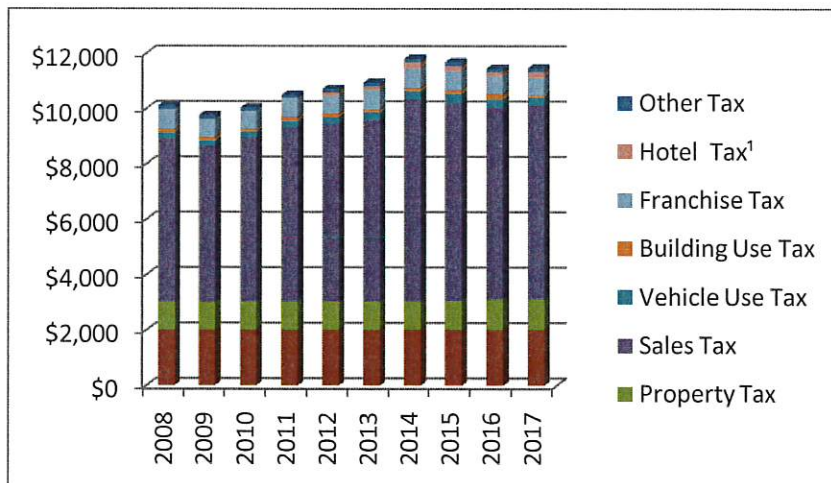
¹The City of Sterling has no debt service in the Governmental Funds.

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
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
2017	\$ 1,116	\$ 7,002	\$ 285	\$ 62	\$ 635	\$ 208	\$ 139	\$ 9,447

Change								
2008-2017	11%	19%	33%	-45%	-12%	79%	-14%	

¹Voters 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	Overlapping Governments				Total
	City of Sterling	Logan County	RE-1 Valley School District	Other	
2008	14.364	31.179	43.000	2.496	91.039
2009	14.041	29.877	40.571	2.352	86.841
2010	14.183	30.098	40.571	2.280	87.132
2011	14.027	30.774	40.571	2.324	87.696
2012	14.051	29.919	40.488	2.330	86.788
2013	14.051	29.925	40.366	2.333	86.675
2014	14.030	29.943	40.387	2.361	86.721
2015	14.030	29.963	40.212	2.386	86.591
2016	14.031	27.390	38.752	2.282	82.455
2017	14.033	27.385	38.693	2.274	82.385

Source: Logan County Assessor.

City of Sterling, Colorado
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Year	Commercial	Residential	Vacant Land	Industrial	Agriculture	Natural Resources	Gas & Oil	State Assessed
2008	\$42,927	\$56,094	\$2,983	\$14,918	\$28,429	\$10,733	\$0	\$46,430
2009	\$42,899	\$56,661	\$2,874	\$15,296	\$28,973	\$11,852	\$0	\$83,848
2010	\$42,171	\$58,816	\$2,776	\$17,929	\$32,496	\$15,037	\$0	\$102,828
2011	\$41,234	\$59,127	\$2,710	\$15,344	\$32,483	\$10,811	\$0	\$97,719
2012	\$39,330	\$58,481	\$2,651	\$15,088	\$34,456	\$13,686	\$0	\$103,214
2013	\$39,629	\$58,777	\$2,615	\$14,419	\$35,980	\$18,486	\$0	\$101,263
2014	\$40,304	\$59,278	\$2,310	\$11,461	\$41,276	\$357	\$18,708	\$93,186
2015	\$40,914	\$60,099	\$2,271	\$13,707	\$43,987	\$381	\$16,803	\$89,916
2016	\$42,250	\$64,856	\$2,467	\$15,167	\$60,737	\$263	\$15,022	\$109,583
2017	\$43,696	\$65,556	\$2,381	\$24,560	\$61,284	\$393	\$6,788	\$117,331

Source: Logan County Assessor. Information for Logan County.

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

<u>Fiscal Year</u>	<u>City of Sterling</u>	<u>Logan County</u>	<u>South Platte Rural Transportation Auth</u>	<u>State of Colorado</u>
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%
2016	3.00%	1.00%	0.10%	2.90%

City of Sterling, Colorado
Sales Tax Revenue by Category
Last Ten Fiscal Years
(amounts expressed in thousands)

Taxpayer Category ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, Forestry & Fishing	\$8	\$3	\$2	\$3	\$5	\$7	\$8	\$19	\$71	\$50
Mining	\$10	\$3	\$5	\$7	\$6	\$8	\$8	\$11	\$12	\$1
Construction	\$75	\$50	\$41	\$45	\$65	\$48	\$57	\$59	\$79	\$64
Manufacturing	\$167	\$141	\$142	\$216	\$213	\$200	\$163	\$169	\$158	\$160
Transportation & Public Utilities	\$558	\$588	\$602	\$753	\$640	\$640	\$628	\$608	\$542	\$570
Wholesale Trade	\$240	\$160	\$150	\$172	\$220	\$202	\$516	\$332	\$228	\$968
Retail Trade	\$4,377	\$4,326	\$4,438	\$4,626	\$4,832	\$4,933	\$5,149	\$5,386	\$5,257	\$4,638
Finance, Insurance & Real Estate	\$3	\$3	\$1	\$1	\$2	\$2	\$7	\$6	\$8	\$9
Services	\$465	\$383	\$556	\$460	\$434	\$515	\$746	\$544	\$550	\$542

¹Due 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 population)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Outstanding Debt	Percentage of Personal Income ¹	Population ¹	Total Debt Per Capita
	Service Center Lease	Fire Truck Lease	Air Pack Lease	CWRPDA Loan Sewer Fund	CWRPDA Loan Water Fund				
2008	\$1,814	\$269	\$0	\$1,237	\$0	\$3,320	0.40%	13,903	\$239
2009	\$1,660	\$249	\$0	\$1,102	\$0	\$3,011	0.39%	14,065	\$214
2010	\$1,510	\$213	\$0	\$963	\$4,800	\$7,486	0.98%	14,354	\$522
2011	\$1,355	\$176	\$0	\$819	\$29,294	\$31,644	3.68%	14,342	\$2,206
2012	\$1,190	\$147	\$0	\$669	\$29,252	\$31,258	3.41%	14,115	\$2,215
2013	\$1,015	\$103	\$0	\$514	\$27,984	\$29,616	3.14%	13,971	\$2,120
2014	\$830	\$69	\$0	\$353	\$26,699	\$27,951	2.76%	14,193	\$1,969
2015	\$635	\$35	\$164	\$186	\$25,392	\$26,412	2.53%	14,168	\$1,864
2016	\$430	\$0	\$134	\$0	\$23,525	\$24,089	2.35%	14,104	\$1,708
2017	\$220	\$0	\$102	\$0	\$22,230	\$22,552	2.30%	14,777	\$1,526

¹ See demographic economic statistics on page 170 for personal income and population data.

City of Sterling, Colorado
Direct and Overlapping Governmental Activities Debt
December 31, 2017
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Percentage Applicable	Amount Applicable
City of Sterling Direct Debt	\$322	100.00%	\$322
City of Sterling Overlapping Debt	<u>\$0</u>		<u>\$0</u>
Total	<u><u>\$322</u></u>		<u><u>\$322</u></u>

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 167.

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	2014	2015	2016	2017
Debt Limit	\$15,234	\$ 15,275	\$14,603	\$14,603	\$17,073	\$17,353	\$17,462	\$17,677	\$18,520	\$18,627
Debt applicable to limit	<u>2,083</u>	<u>1,909</u>	<u>1,723</u>	<u>1,531</u>	<u>1,337</u>	<u>1,118</u>	<u>899</u>	<u>834</u>	<u>564</u>	<u>322</u>
Legal Debt Margin	<u>\$13,151</u>	<u>\$ 13,366</u>	<u>\$12,880</u>	<u>\$13,072</u>	<u>\$15,736</u>	<u>\$16,235</u>	<u>\$16,563</u>	<u>\$16,843</u>	<u>\$17,956</u>	<u>\$18,305</u>

Legal Debt Margin Calculation for Fiscal Year 2017

Actual valuation	\$620,898
Debt limit - 3% of actual valuation	\$18,627
Amount of debt outstanding	\$ 22,552
Less deductions allowed:	
Sewer Loan	\$ -
Water Loan	<u>\$ 22,230</u>
Total amount of debt applicable to debt limit	<u>\$ 322</u>
Legal Debt Margin	<u>\$18,305</u>

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)						
2008	13,903	22,128	\$37,980	\$840,421	2,479	4.1%
2009	14,065	22,451	\$34,242	\$768,768	2,502	5.5%
2010	14,354	22,792	\$34,371	\$760,535	2,436	5.9%
2011	14,342	22,739	\$38,890	\$859,310	2,350	5.7%
2012	14,115	22,603	\$41,947	\$916,377	2,287	6.2%
2013	13,971	22,450	\$43,610	\$944,591	2,317	5.2%
2014	14,193	22,709	\$46,148	\$1,012,496	2,274	4.7%
2015	14,168	22,212	\$47,645	\$1,045,621	2,295	2.8%
2016	14,101	22,036	\$46,730	\$1,024,269	2,284	2.4%
2017	14,777	22,631	\$43,340	\$980,828	2,277	2.2%

Data sources

¹Colorado Division of Local Government Demography Office

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

³RE-1 School District

⁴Bureau of Labor Statistics; percentage for Logan County

**City of Sterling
Principal Employers
December 31, 2017**

Company Name	2017	
	Employees	Percentage of Total County Employment
Sterling Correctional Facility	850	7.92%
Re-1 Valley School District	375	3.50%
Banner Health	325	3.03%
Wal-Mart Super Center	270	2.52%
Northeastern Junior College	224	2.09%
Logan County	205	1.91%
City of Sterling	148	1.38%
Devonshire Acres	123	1.15%
Home Depot	120	1.12%
Eastern CO Services for Disabled	120	1.12%
	<u>2,760</u>	<u>25.73%</u>
Total Employed Logan County Labor Force	<u>10,726</u>	

Source: Logan County Economic Development Corporation

Largest employers from nine years ago is not available.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General government	18	18	18	17	17	17	16	15	15	14
Public safety										
Police										
Officers	22	22	22	21	21	21	23	20	20	22
Civilians	5	5	5	5	5	5	5	5	6	6
Fire										
Firefighters	15	16	16	21	21	22	22	22	22	22
Civilians	1	1	1	1	1	1	1	1	1	1
Dispatch	11	11	11	8	9	8	7	10	11	11
Parks, Library, Recreation	24	24	24	25	22	23	26	24	25	27
Public Works	15	15	15	14	14	14	14	16	15	15
Water	4	4	4	4	5	8	9	9	9	10
Sanitation	4	4	4	4	4	4	4	4	4	4
Sewer System										
Sewer	2	3	3	2	2	2	1	1	4	4
Wastewater	5	5	5	4	4	3	4	4	5	4
Service Center	6	6	6	6	6	6	6	8	7	6
TOTAL	132	134	134	132	131	134	138	139	144	146

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
Police										
Physical arrests	925	823	781	549	532	627	641	665	454	753
Traffic Accidents	316	287	254	308	250	267	297	257	256	250
Traffic charges	8,930	7,314	6,909	4,752	4,857	4,368	4,014	4,377	4,057	4,433
Fire										
Medical calls	966	948	908	1,048	1,283	1,403	1,743	2,077	1,990	2,034
Fire calls	127	80	95	110	151	90	95	140	116	118
Hazardous Calls	118	344	359	319	379	265	460	103	78	114
Public Works										
Building Permits:										
Residential	0	1	1	2	3	7	7	5	6	4
Non-residential	51	32	65	45	46	33	38	56	68	61
Construction Value:										
Residential ¹	\$0	\$66	\$187	\$205	\$373	\$773	\$1,165	\$611	\$807	\$392
Non-residential ¹	\$4,294	\$2,439	\$5,467	\$2,561	\$3,474	\$2,260	\$1,568	\$2,465	\$2,562	\$2,366
Parks, Library, Recreation										
Patrons using Library	57,313	54,573	47,816	55,951	57,214	49,085	47,707	39,507	42,072	36,041
Recreation Division Programs	9	6	6	7	7	6	6	6	6	6
Recreation Division Teams	270	258	275	261	269	254	258	275	266	227
Sanitation										
Compacted refuse (tons)	5,955	6,052	6,113	5,866	5,547	5,701	5,756	5,742	5,842	5,901
Loose collected (tons)	854	785	1,446	789	990	1,061	742	801	891	1,058
Water										
Meters Read	55,560	55,761	55,513	55,514	55,617	58,533	57,548	56,513	57,886	57,977
Services Installed	5	3	1	3	3	6	9	29	10	7

Sources: Various city departments.

¹Information presented in thousands.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function											
Public safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	26	26	26	26	26	26	26	26	26	26	26
Fire											
Stations	1	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	64.5
Streetlights	670	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	1
Parks	16	17	17	17	17	17	17	17	17	17	17
Park Acreage	109	116	116	116	116	116	116	116	116	116	116
Golf Courses	1	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2	2
Tennis Courts	8	8	12	12	10	10	10	10	10	10	9
Public Library	1	1	1	1	1	1	1	1	1	1	1
Museum	1	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	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	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	2.68
Water System:											
Water mains (miles)	97	97	97	97	97	97	97	97	97	97	97
Fire hydrants	379	379	379	381	383	383	386	386	386	386	389
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	8,500

Sources: Various city departments.