



# Comprehensive Annual Financial Report

**Michael C. Taylor**  
*Mayor*

**Joseph V. Romano**  
*Mayor Pro Tem*

**Deanna Koski**  
*Councilwoman*

**Maria G. Schmidt**  
*Councilwoman*

**Doug Skrzyniarz**  
*Councilman*

**Barbara A. Ziarko**  
*Councilwoman*

**Nate Shannon**  
*Councilman*

**Mark D. Vanderpool**  
*City Manager*

**Brian S. Baker**  
*Finance and Budget Director*

**Leslie D. Reinhart, CPA**  
*Controller*

**Nick Makie, CPA**  
*Controller*

**For the Fiscal Year Ended June 30, 2015**

---

Prepared by the Office of Financial Services, City of Sterling Heights, Michigan

# City of Sterling Heights, Michigan

---

## Contents

### Introductory Section

Letter of Transmittal	i-vi
GFOA Certificate of Achievement	vii
City Organization Chart	viii
List of Principal Officials	ix
Fund Organization Chart	x

### Financial Section

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-17
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19-20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21-22
Reconciliation of Balance Sheet to the Statement of Net Position	23
Statement of Revenue, Expenditures, and Changes in Fund Balances	24-25
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
Statement of Net Position	27
Statement of Revenue, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29-30
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32

# City of Sterling Heights, Michigan

## Contents (Continued)

### Financial Section (Continued)

Component Units:	
Statement of Net Position	33
Statement of Activities	34
Notes to Financial Statements	35-89

### Supplemental Information

<b>Required Supplemental Information</b>	90
Budgetary Comparison Schedule - General Fund	91
Budgetary Comparison Schedule - Major Roads Fund	92
Budgetary Comparison Schedule - Community Development Block Grant Fund	93
Note to Required Supplemental Information	94-95
Pension Systems Schedules	96-102
<b>Other Financial and Supplemental Information</b>	103
Nonmajor Governmental Funds:	104
Combining Balance Sheet	105-106
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	107-108
Budgetary Comparison Schedules	109-113
Major Funds - Budgetary Comparison Schedule - Major Debt Service and Capital Projects Funds	114-116
Fiduciary and Agency Funds:	117
Combining Statement of Fiduciary Net Position - Trust Funds	118
Combining Statement of Changes in Fiduciary Net Position - Trust Funds	119
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	120
Combining Statement of Changes in Assets and Liabilities - Agency Funds	121

# City of Sterling Heights, Michigan

## Contents (Continued)

### Statistical and Continuing Disclosure Section

<b>Statistical Information and Continuing Disclosure Contents</b>	122-123
<b><u>Statistical Information</u></b>	124
<b>Financial Trends</b>	
Net Position by Component	125
Changes in Net Position	126-127
Fund Balances of Governmental Funds	128
Changes in Fund Balances of Governmental Funds	129-130
General Governmental Tax Revenue by Source	131
<b>Revenue Capacity</b>	
Property Tax Levies and Collections	132
Property Tax Rates - Direct and Overlapping Governments	133-134
Assessed Taxable Values (History of Property Values)	135-136
Principal Property Taxpayers (Major Taxpayers)	137
<b>Debt Capacity</b>	
Ratios of General Bonded Debt Outstanding	138
Ratios of Outstanding Debt by Type	139
Direct and Overlapping Governmental Activities Debt	140
Legal Debt Margin	141
Legal Debt Margin Information	142
Pledged Revenue Coverage	143
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics	144
Miscellaneous Demographics	145
Principal Employers (Major Employers)	146
<b>Operating Information</b>	
Operating Indicators by Function	147-148
Capital Asset Statistics by Function	149
Building Permits at Market Value	150
Full-time Equivalent City Government Employees by Function	151
<b><u>Continuing Disclosure</u></b>	152
State-shared Revenue	153
Gas and Weight Taxes	153
Labor Agreements	154



November 17, 2015

Honorable Mayor, City Council, and Citizens  
 of the City of Sterling Heights  
 40555 Utica Road  
 P.O. Box 8009  
 Sterling Heights, MI 48311-8009

The Comprehensive Annual Financial Report (CAFR) of the City of Sterling Heights, Michigan (the "City") as of and for the year ended June 30, 2015 is hereby submitted. As required by City Charter and state laws, the basic financial statements as defined in the table of contents were audited by Plante & Moran, PLLC, certified public accountants. Their unmodified opinion follows this letter of transmittal. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the governmental activities, business-type activities, the various funds and component units of the City of Sterling Heights. All disclosures necessary to enable the reader to gain an understanding of the City activities have been included.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Sterling Heights' MD&A can be found immediately following the report of the independent auditor.

In addition, during the current year, an audit was performed in accordance with the requirements of the Single Audit Act Amendments of 1996 (P.L. 104-156). The auditor's reports related specifically to the single audit are issued under separate cover.

## **The Reporting Entity and Services Provided**

The City of Sterling Heights has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City includes all the funds, boards, commissions, and authorities that are controlled by or dependent upon the mayor and City Council. Based upon these criteria, the Brownfield Redevelopment Authority, Corridor Improvement Authority, Economic Development Corporation, and Local Development Finance Authority have been included in this report.

The City provides a full range of municipal services including police and fire protection; refuse services; construction and maintenance of highways, streets and infrastructure; planning and zoning; library services; and recreational and cultural events. Additionally, water and sewer services are provided under an Enterprise Fund, with user charges set by the City Council to ensure adequate coverage of operating expenses.

## **Governmental Structure and Local Economy**

Sterling Heights is a vibrant community with a strong sense of civic pride and determination by its community leaders. Located in the northwest quadrant of Macomb County, at 36.8 square miles, there are 395 miles of roadway in Sterling Heights, of which 349 miles are maintained by the City. City services are provided to 49,451 households and 4,274 commercial and industrial businesses. The 2015 estimated population for the City stands at 129,699, making Sterling Heights the fourth largest populated city in Michigan. At the end of the fiscal year, the City had a 6.0 percent unemployment rate as compared to a Macomb County rate of 6.3 percent, a statewide rate of 5.8 percent, and a national average of 5.5 percent.

Incorporated July 1, 1968, the City operates under a Council-Manager form of government. Voters elect a mayor and a six-member City Council, who individually serve two-year terms. The mayor and City Council are the legislative body of the City, responsible for adoption and implementation of ordinances, policies, budget guidelines, and upholding the Charter. The city manager is appointed by the City Council as the chief administrative officer, who is responsible for daily operations and makes recommendations to the City Council.

The City has grown over the years to the point where less than 5 percent of its total land area is vacant. The most recent growth that took place in Macomb County largely occurred to the northeast. The M-53 highway running through the City and the M-59 highway bordering the City continue to provide a corridor of opportunity for redevelopment and enhancement of existing development.

## **Long-term Financial Planning**

The City has successfully followed its long-term financial plan of providing excellent services with a low tax rate and by continually monitoring revenue trends. Due to revenue losses, and despite continual expenditure cuts, General Fund reserves fell from \$14.0 million in 2005 to \$5.2 million in 2014. In addition, the City used Internal Service Fund reserves to help offset General Fund losses. As a result, a six-year 2.5 mill Safe Streets tax was approved by City residents in November 2013 and was first levied in 2015. The millage has allowed the City to partially recover a portion of lost tax revenues. The millage provides \$3.3 million in new funding for neighborhood street repairs and \$7.0 million to prevent further reductions in the number of sworn police and firefighters.

Because of the approved millage, the City is now able to maintain quality core services. However, the City will continue to look for ways to achieve expenditure savings where possible. The City has also adopted prudent and conservative financial policies that will help guide us through the upcoming years.

Even with the new millage, the growth of the City's existing tax base remains limited to inflation under State law (Proposal A) such that past tax losses are permanent. Further, the State has reduced commercial personal property taxes and eliminated manufacturing personal property taxes that together account for 15 percent of tax revenues. While the State has promised full reimbursement of personal property tax losses, concern remains about the State's ability to preserve this commitment over the long run.

Despite labor contract savings and lower full-time staffing, funding for long-term retirement liabilities is expected to continue to rise primarily due to the lower assumed rates of return compounded by the temporary impact of closing plans to new employees. However, with the approval of the 2.5 mills, the City is now able to restore funding for replacement capital equipment and infrastructure, which had been dramatically reduced over the past six years.

## **Relevant Financial Policies**

The City continues to rely on its five-year financial plan to make financial adjustments as needed. The plan enables administration to project fund balance given various assumptions based on changes in major revenue and expenditures. This plan has resulted in a full-time workforce reduction of 202 positions since 2002 and labor contract savings totaling 15 percent, as well as reducing future long-term legacy costs. Going forward, the plan allows the City to maintain low operational costs, while offering modest wage adjustments, and provides the resources to make the necessary long-term investments in the community as part of the City's Visioning process. This strategy benefits the City by helping to eliminate the past structural imbalance caused by declining revenues and allows the City to continue to provide excellent services, and maintain adequate reserves and strong bond ratings.

## **Major Initiatives**

The following were among the many activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2014-2015:

1. With a return to financial stability due to the passage of the Safe Streets millage, the City completed the 2030 Visioning Plan thereby setting the stage to formally update the City's Master Land Use Plan, Parks & Recreation Plan, Technology Plan, and Master Road Plan.
2. The City developed a 2016 budget that funded increased road improvements and needed facility repairs, while also increasing reserves. The budget also funded City placemaking efforts resulting from the Visioning process and achieved promised savings from the transfer of dispatch operations to the County.
3. After reducing the number of employees for six years, the City developed a successful succession plan and restored 13 full-time positions, some of which were converted from part-time. The budget included the early hire of 12 additional Police Officers, a Police Captain, and two Fire Inspectors. Twelve additional part-time positions were added mainly due to increased demands in Public Works. The City negotiated new collective bargaining agreements which provided the first wage increase in five years, the restoration of unpaid holidays and furlough days, and worked toward eliminating the two-tiered wage structure.
4. For the second consecutive year, the City increased funding for neighborhood road repairs, and the replacement of much-needed capital equipment and vehicles which had been delayed during the economic downturn. The budget also funded needed capital infrastructure repairs including upgrades to City parking lots, and the reconstruction of Van Dyke and Dodge Park Roads.
5. By continuing to follow its long-term financial plan, the City maintained its superior Aa1 and AA+ bond ratings, which saves the City and its taxpayers hundreds of thousands of dollars annually

## **Major Initiatives for July 1, 2015 and Thereafter**

1. After successfully weathering the financial storm and achieving a path toward financial stability, the City is now able to focus on the future. The City's new Visioning plan will help guide future growth and redevelopment of the City. During the year, the City will formally update the City's Master Land Use Plan, Parks & Recreation Plan, Technology Plan, and Master Road Plan.
2. The City will further advance its economic development initiatives with renewed emphasis on marketing for VELOCITY, the Defense Corridor, the Blue Water Economy (Clinton River) and Sterling Heights Initiative for Neighborhood Excellence (SHINE). The Economic Development Team will include a renewed focus on areas like Lakeside Mall and the M-59 Corridor.

3. The City will continue to implement its succession plan for directors, managers and employees to prepare for staff turnover, will further develop employee training opportunities, and continue to provide the tools employees need to provide excellent services.
4. The City will enhance quality of life services that retain existing residents and businesses, while attracting new residents and businesses. Plans include expansion of the Music in the Park concert series in conjunction with the new Farmer's Market, funding for a dog park, and a \$4.5 million grant to better preserve the Clinton River through the City.

### **Budgeting and Internal Controls**

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, the City's accounting system is organized and operated on a "funds basis." Each fund is a distinct, self-balancing accounting entity. The *Fund Organization Chart* on page x provides a list of funds used by the City.

An annual budget is adopted in accordance with the legal requirements set forth in the Uniform Budgeting Act, State of Michigan P.A. 621 of 1978. The City's budget is prepared on the modified accrual basis for governmental-type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenue is recorded when it is both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued leave time. The City's governmental fund types, such as the General Fund, special revenue funds, debt service funds, and capital project funds, are reported on the modified accrual basis. The City's enterprise funds, internal service fund, and pension and other retirement benefits trust funds are reported on the full accrual basis, under which revenue is recorded when earned and expenses are recorded when incurred.

Also required under the Uniform Budgeting Act are budgetary controls. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level for the General Fund, special revenue funds, and certain debt service funds. However, budgetary control is maintained by object class (line account) for all funds for internal accounting purposes. The City maintains this control through the use of an encumbrance system. As purchase orders are issued, corresponding amounts of appropriations are reserved by the use of encumbrances so that appropriations are not overspent. Budget transfers may be made within a budgetary center with approval of the Office of City Management. The City Council approves necessary transfers between budgetary centers or from fund balance periodically. In addition, the Office of City Management monitors department budgets on a monthly basis. Department directors and office managers must justify all variances.

The City relies on a sound system of internal controls over financial reporting and federal program compliance. A system of internal control has been established for the purpose of preventing or detecting errors, misappropriations of assets, and fraudulent financial reporting. The system of internal controls relies on the integrity of the people who work for the City. Since the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatement.

### **Certificate of Achievement**

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 Heights, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Sterling Heights, Michigan has received a Certificate of Achievement for the last 27 consecutive years (fiscal years 1988-2014). We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of the entire staff of the Office of Financial Services. We wish to express our sincere appreciation to each of them and to various employees from other offices for their cooperation and assistance. Appreciation is also expressed to the City Council for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Mark D. Vanderpool  
City Manager



Brian S. Baker  
Finance and Budget Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sterling Heights  
Michigan**

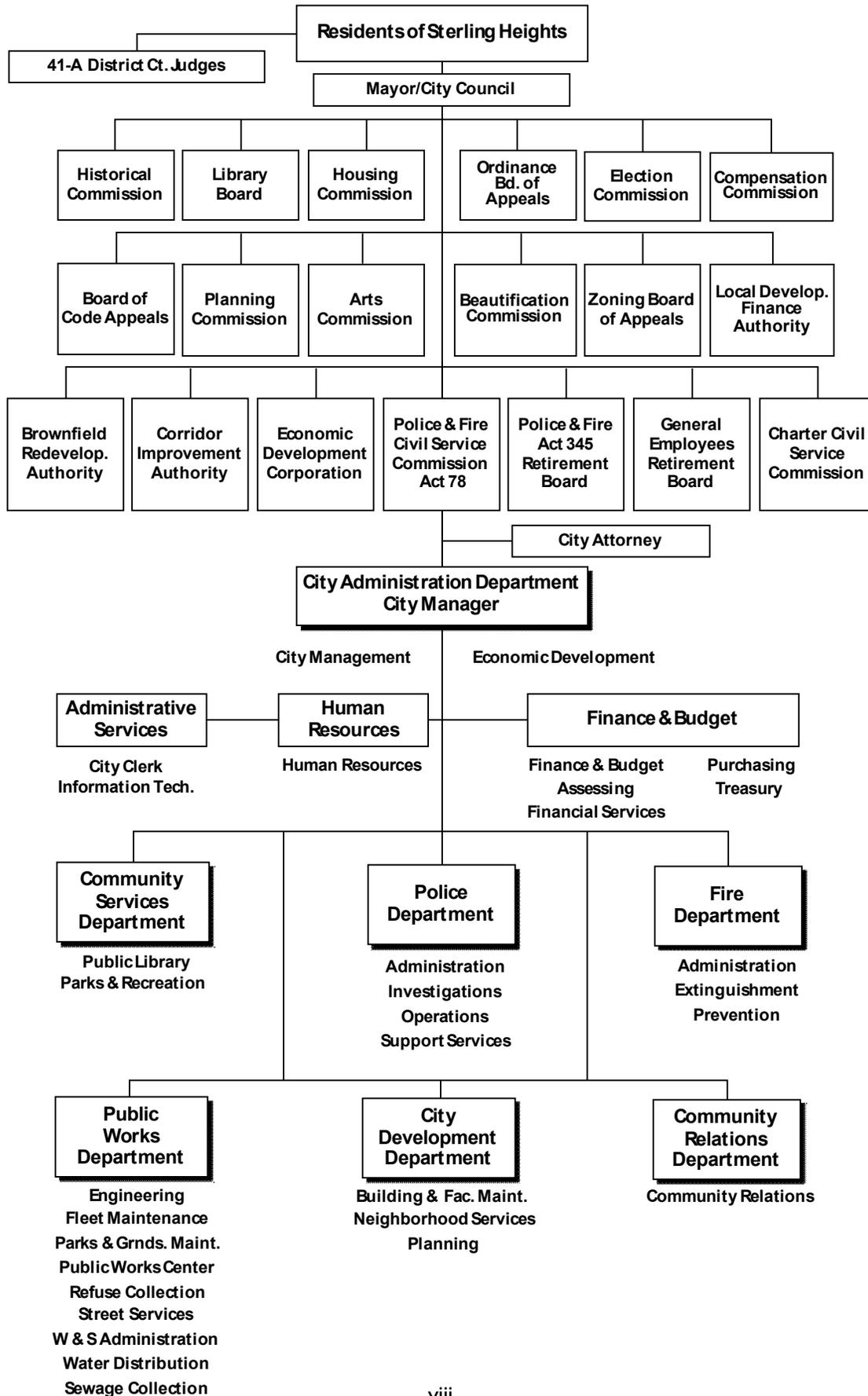
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# City of Sterling Heights, Michigan

## City Organization Chart



# City of Sterling Heights, Michigan

## List of Principal Officials

Title	Name
City Manager	Mark D. Vanderpool
Building Official/Facilities Maintenance Manager	Michael Viazanko
City Assessor	Dwayne McLachlan
City Attorney	Jeffrey A. Bahorski
City Clerk/Risk Manager	Mark Carufel
City Development Director	Denice A. Gerstenberg
City Development Manager	Jason Castor
City Engineer	Brent S. Bashaw
City Planner	Donald Mende
City Planner	Christopher McLeod
City Treasurer	Jennifer L. Varney
Community Relations Director	Bridget Doyle
Community Services/Library Director	Tammy L. Turgeon
Controller	Leslie D. Reinhart
Controller	Nick Makie
Economic Development Manager	Luke Bonner
Finance and Budget Director	Brian S. Baker
Fire Chief	Christopher Martin
Interim Public Works Director	Michael Moore
Human Resources Director/Assistant City Manager	Walter C. Blessed
Information Technology Manager	Steve Deon
Parks and Recreation Manager	Kyle Langlois
Police Chief	Michael Reese
Purchasing Manager	James P. Buhlinger

# City of Sterling Heights, Michigan

## Fund Organization Chart

### Governmental Funds

General *	Special Revenue
	Major Roads *
	Local Roads
	Public Safety Forfeiture
	Community Development Block Grant (CDBG)*
	Neighborhood Stabilization
Debt Service	Capital Projects
General Drain	General Improvements *
Voted Tax General Obligation	Road Bond Construction *
Road Bond Debt Retirement*	Land and Water Conservation
Limited Tax General Obligation	

### Proprietary Funds

Enterprise	Internal Service
------------	------------------

### Fiduciary Funds

Water and Sewer *	Self-insurance
Trust	Agency
General Employees' Retirement System	Tax Collections
Police and Fire Retirement System	General Agency
Retiree Medical Benefits	

### Component Units

Economic Development Corporation  
 Brownfield Redevelopment Authority  
 Corridor Improvement Authority  
 Local Development Finance Authority

\* Major funds under GASB No. 34

## Independent Auditor's Report

To the Honorable Mayor and Members of  
the City Council  
City of Sterling Heights, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sterling Heights, Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sterling Heights, Michigan'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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

To the Honorable Mayor and Members of  
the City Council  
City of Sterling Heights, Michigan

### **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 units, each major fund, and the aggregate remaining fund information of the City of Sterling Heights, Michigan as of June 30, 2015, and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 18, during the year ended June 30, 2015, the City of Sterling Heights adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In accordance with Statement No. 68, the City is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the City net pension liability and related ratios, schedule of City contributions, other postemployment benefits schedule of funding progress, and the budgetary comparison schedules, as identified 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, which 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**

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of  
the City Council  
City of Sterling Heights, Michigan

The statistical and continuing disclosure 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of the City of Sterling Heights, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sterling Heights, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 17, 2015

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis

### Overview of the Financial Statements

Our discussion and analysis of the City of Sterling Heights' (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i-vi and is intended to serve as an introduction to the City of Sterling Heights' basic financial statements which begin on page 18.

### Financial Highlights

- As a result of this year's operations, the City's overall net position decreased by \$132.1 million or 38.9 percent. The net position of our governmental activities decreased by \$124.1 million or 64.3 percent and the net position of our business-type activities decreased by \$8.0 million or 5.5 percent. As noted, the decrease in overall net position is primarily related to the implementation of GASB No. 68, in which net pension liabilities of the City in the amount of \$165.6 million were recorded for the first time.
- Net position for governmental activities decreased primarily due to increased long-term liabilities totaling \$162.2 million as the result of recording net pension liabilities based on new accounting rules. These rules now require the measurement of pension expense as it is earned, rather than as it is funded. The increase in liabilities was partially offset by the \$31.0 million recognition of deferred pension outflows which will be amortized over future periods. Additional information regarding these accounting changes may be found in Notes 7, 12, and 18 of the notes to the financial statements. Assets increased by \$4.1 million due largely to increased capital asset activity.
- The General Fund reported a \$10.9 million or 13.3 percent increase in revenue. Property tax revenues rose by \$7.8 million or 15.5 percent due to the new Safe Streets millage and the first increase in overall property assessments in seven years. Transfers from the Self-insurance Fund increased by \$1.7 million due to a planned equity drawdown to stabilize General Fund reserves. Engineering revenues rose by \$1.0 million or 127.0 percent due to increased road repair efforts. State revenue sharing payments increased \$0.3 million or 2.6 percent, while 41A District Court revenues increased by \$0.2 million or 7.2 percent primarily due to increased traffic violations.
- General Fund expenditures increased by \$8.1 million or 9.9 percent. A total of \$7.0 million or two-thirds of the increase is due to higher funding for needed replacement capital purchases, facility and park repairs, and the reconstruction of Van Dyke. Contracted services rose by \$0.8 million due in part to the transfer of dispatch operations to Macomb County. Overtime expenditures increased \$0.5 million or 13.3 percent, while wages for full-time employees increased only \$0.3 million or 1.2 percent. Expenditure savings were achieved with a planned decrease in the funding of liability insurance to the Self-insurance Fund (\$1.0 million), lower pension contributions (\$0.2 million), lower fuel costs (\$0.2 million), and utility savings (\$0.1 million).

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

- General Fund reserves increased by \$2.3 million due to continued expenditure savings and the passage of the Safe Streets initiative. These actions have allowed the City to avoid further reductions in police and fire staffing, have funded needed capital replacements and repairs, and have allowed the City to partially restore depleted General Fund reserves.
- Despite stabilizing State gas tax revenues and savings achieved from delaying new major road construction projects, long-term funding remains inadequate to repair all major roads in the City. However, the respective portion of the 2.5 mills approved by the voters has generated \$3.3 million in its first year and will allow the City to invest \$20 million in neighborhood road repairs over the next five years. The City is actively working with the Michigan Municipal League to increase the State funding of roads as the State's flat gas tax has risen only once in the past 30 years.
- The City continues to fully fund its retirement systems and has done so even through the economic downturn. Due to a reduction in retirement benefits and by eliminating retiree health insurance benefits for all new hires, the growth in retiree liabilities is anticipated to be moderate. By fully funding long-term obligations, maintaining low debt levels and having a diversified tax base, the City is able to maintain very low tax and water and sewer rates, while continuing to provide core services to residents and business customers.

### 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 includes all of the City's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's assets and liabilities which is one way to measure the City's financial health.

The City's government-wide financial statements are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here such as general government, 41A District Court, public safety, public works, and recreation and culture. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

- **Component Units** - The City includes four other separate entities in its report: the Economic Development Corporation, the Brownfield Redevelopment Authority, the Corridor Improvement Authority, and the Local Development Finance Authority. Although legally separate, these "component units" are important because the City is considered financially accountable. The Sterling Heights Building Authority is also legally separate; however, it functions as a department of the City, and therefore has been included as an integral part of the primary government.

### The City as a Whole

The City's overall net position decreased 38.9 percent from a year ago, falling from \$339.5 million to \$207.4 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of \$124.1 million in net position, or 64.3 percent, during fiscal year 2015. While the passage of the Safe Streets proposal increased our net position, the overall decrease is a result of disclosing net pension liabilities and deferred outflows for the first time. Going forward, we anticipate an increase in net position due to positive General Fund performance.

As of June 30, 2015, unrestricted net position for governmental activities, which is the part of total net position available to finance day-to-day operations and future growth, was a negative \$107.2 million. This represents a \$131.5 million decrease as compared to June 30, 2014 (see Note 18 in the notes to financial statements for additional information). The major factor contributing to the decrease was the recognition of future pension liabilities. These long-term liabilities will continue to be funded on a yearly basis.

The business-type activities experienced a decrease in net position of \$8.0 million, down slightly from the \$8.7 million net decrease the previous year. This decrease includes the beginning of year net position which was reduced by \$2.3 million as the result of implementing new accounting standards (see Note 18 in the notes to financial statements for additional information). In the current year, the business-type activities experienced a decrease in net position of \$5.7 million which was primarily due to lower water and sewer consumption attributable to a rainy summer, without a corresponding decrease in fixed water and sewer charges from the City of Detroit and Macomb County. The decrease was due to depreciation expense which the City does not fund through its operating rates. The overall decrease in net position flowed through the balance sheet of the business-type activities as an increase in restricted net position of \$1.1 million, which was offset by a decrease in capital assets net of debt of \$4.2 million and a \$4.9 million use of unrestricted net position.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows net position (in millions of dollars) as of June 30, 2015 and 2014. The 2014 columns included in the table are prior to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 (see Note 18 of the notes to the basic financial statements for additional information):

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2015	2014
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current assets	\$ 42.4	\$ 42.3	\$ 16.5	\$ 21.9	\$ 58.9	\$ 64.2
Noncurrent assets:						
Restricted assets and other assets	5.8	6.0	10.5	9.4	16.3	15.4
Capital assets	<u>181.9</u>	<u>177.7</u>	<u>172.9</u>	<u>170.8</u>	<u>354.8</u>	<u>348.5</u>
Total assets	230.1	226.0	199.9	202.1	430.0	428.1
<b>Deferred Outflows</b>	31.0	-	1.0	-	32.0	-
<b>Liabilities</b>						
Current liabilities	9.3	9.4	3.9	8.5	13.2	17.9
Long-term liabilities	<u>183.0</u>	<u>23.7</u>	<u>58.4</u>	<u>47.0</u>	<u>241.4</u>	<u>70.7</u>
Total liabilities	<u>192.3</u>	<u>33.1</u>	<u>62.3</u>	<u>55.5</u>	<u>254.6</u>	<u>88.6</u>
<b>Net Position</b>						
Net investment in capital assets	166.3	159.6	118.1	122.3	284.4	281.9
Restricted	9.7	9.0	10.5	9.4	20.2	18.4
Unrestricted	<u>(107.2)</u>	<u>24.3</u>	<u>10.0</u>	<u>14.9</u>	<u>(97.2)</u>	<u>39.2</u>
Total net position	<u>\$ 68.8</u>	<u>\$ 192.9</u>	<u>\$ 138.6</u>	<u>\$ 146.6</u>	<u>\$ 207.4</u>	<u>\$ 339.5</u>

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows the change in net position (in millions of dollars) as of June 30, 2015 and 2014. The 2014 columns included in the table are prior to the implementation of GASB Statement No. 68 (see Note 18 of the notes to the basic financial statements for additional information):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenue</b>						
Charges for services	\$ 11.4	\$ 10.4	\$ 36.0	\$ 32.1	\$ 47.4	\$ 42.5
Operating grants and contributions	3.6	2.7	0.6	-	4.2	2.7
Capital grants and contributions	8.1	8.6	2.0	0.3	10.1	8.9
Property taxes	62.2	51.4	-	-	62.2	51.4
State-shared revenue	10.8	10.6	-	-	10.8	10.6
Investment earnings	0.6	0.6	0.6	0.6	1.2	1.2
Other nonprogram revenue	2.5	2.3	-	-	2.5	2.3
Total revenue	99.2	86.6	39.2	33.0	138.4	119.6
<b>Program Expenses</b>						
General government	6.2	5.5	-	-	6.2	5.5
41A District Court	3.3	3.3	-	-	3.3	3.3
Public safety	61.1	52.9	-	-	61.1	52.9
Public works	24.4	24.4	-	-	24.4	24.4
Recreation and culture	4.9	4.6	-	-	4.9	4.6
Interest on long-term debt	0.6	0.7	-	-	0.6	0.7
Water and sewer	-	-	44.9	41.7	44.9	41.7
Total program expenses	100.5	91.4	44.9	41.7	145.4	133.1
<b>Change in Net Position</b>	(1.3)	(4.8)	(5.7)	(8.7)	(7.0)	(13.5)
<b>Net Position - Beginning of year</b>	70.1	197.7	144.3	155.3	214.4	353.0
<b>Net Position - End of year</b>	<u>\$ 68.8</u>	<u>\$ 192.9</u>	<u>\$ 138.6</u>	<u>\$ 146.6</u>	<u>\$ 207.4</u>	<u>\$ 339.5</u>

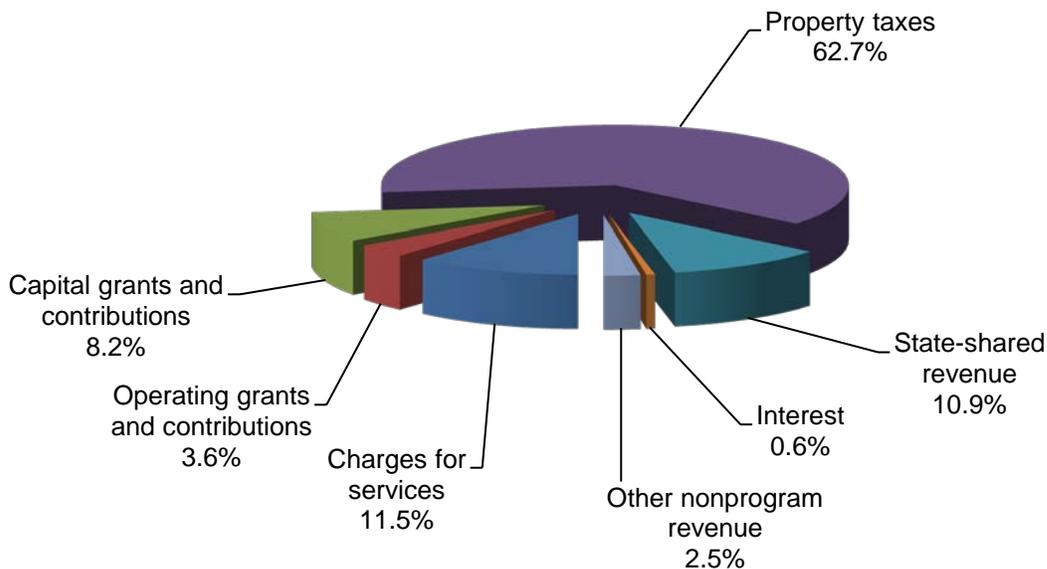
# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

During fiscal year 2015, the City's total governmental revenue increased by \$12.6 million or 14.6 percent. The increase was largely due to higher property tax receipts from the Safe Streets initiative, increased one-time State road funding, and higher engineering revenue due to increased road repair efforts.

### Revenue by Source - Governmental Activities

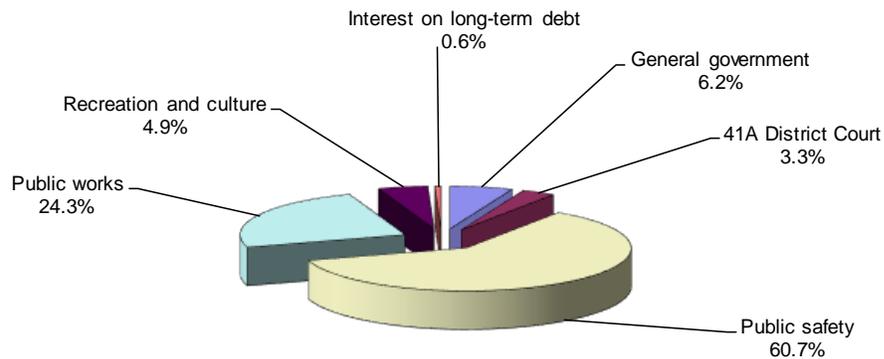


Expenses increased by \$9.1 million or 10.0 percent over the previous fiscal year. A total of \$8.3 million, of which \$7.9 million is attributable to police and fire, of the increase is the result of implementing GASB Statement No. 68 which requires recognition of the current year's portion of net pension liabilities. Expenses also rose due to increased road and capital related investments, and an increase of eight full-time positions.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

### Program Expenses - Governmental Activities



During the year, the City continued meeting the actuarial required contributions for both defined benefit pension systems and the retiree medical benefits trust fund. This is important for the City since future taxpayers should not be required to fund benefit payments that are currently earned. Meanwhile, the City has achieved further success by lowering future retirement pension and healthcare liabilities through changes to labor contracts.

### Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water, which is purchased from the City of Detroit Water System, to nearly all residents. Water rates and fixed charges from the City of Detroit for fiscal year 2015 increased by 6.2 percent, while the City passed on a 7.9 percent water rate adjustment to its retail customers, due primarily to declining sales volumes. The City provides sewage treatment to 99.0 percent of its residents through the Macomb County Sewage District. The City passed on an 11.9 percent sewage rate adjustment to its customers primarily due to higher debt payments from the City's share of the District's sewer rehabilitation projects. During fiscal year 2015, the water and sewer system experienced a 1.7 percent decrease in water purchased from the City of Detroit. Volumes are down 25.0 percent since 2006.

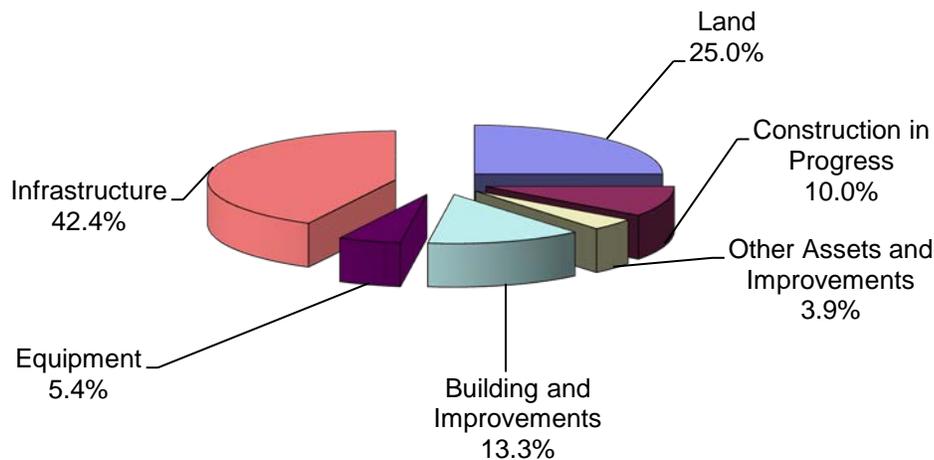
# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

At the end of fiscal year 2015, the City had \$284.4 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$232.4 million and \$242.3 million for fiscal years 2015 and 2014, respectively (see Note 6 of the notes to the basic financial statements for additional information).

### Capital Assets (Net of Depreciation) - Governmental



The City's general obligation bonds maintained their excellent ratings from all bond rating agencies including Fitch (AA+), Moody's (Aa1), and Standard & Poor's (AA+). No additional direct debt was issued by the City during the year. Debt service for all outstanding direct debt during fiscal year 2015 consisted of \$2.6 million in principal and \$0.6 million in interest after adjustments for recognition of amortized premiums (see Note 10 of the notes to the basic financial statements for additional information).

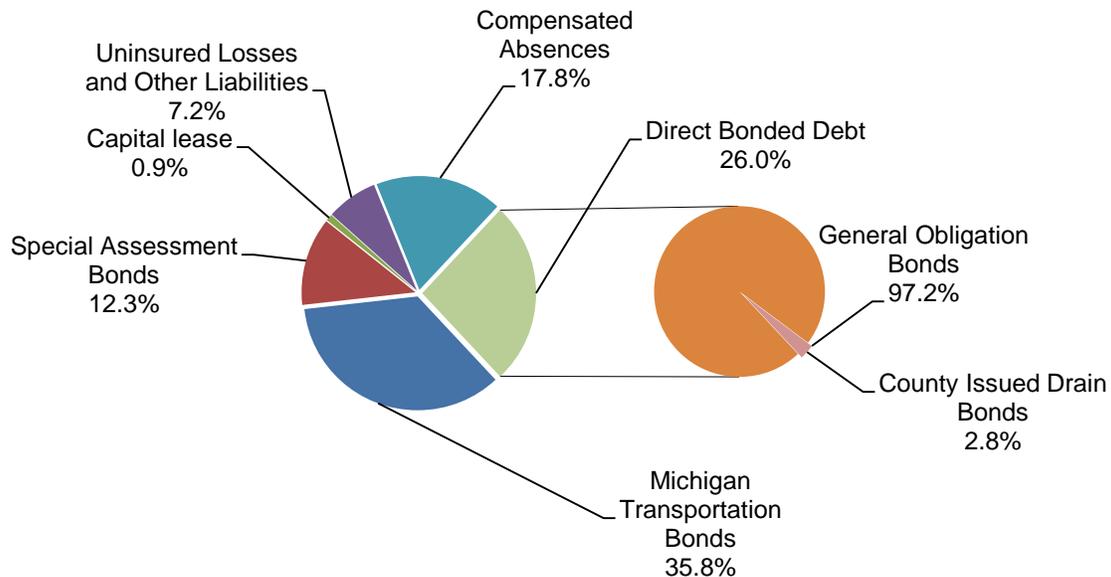
# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

	2015	2014
Net debt outstanding (direct and indirect)	\$ 38,457,473	\$ 40,797,155
Ratio of net debt outstanding to total taxable value	0.9308%	0.9941%
Net debt outstanding per capita	\$ 296.51	\$ 314.55

### Long-term Obligations - Governmental



### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants. The City Council also established other funds to control and manage money for particular purposes. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. This comparison may allow the reader to better understand the long-term impact of the City's short-term financing decisions. Both the balance sheet and the statement of revenue, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and government activities.
- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provides both short-term and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring the assets in these funds are used for their intended purposes. Therefore, we exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fund financial statements begin on pages 21-22 and provide detailed information on the most significant funds. The City's major funds for 2015 include the General Fund, Major Roads Fund, Community Development Block Grant Fund, Road Bond Debt Retirement Fund, General Improvements Fund, and Road Bond Construction Fund.

The major components of revenue for all funds are property taxes and state sources. The major components of expenditures of governmental funds are public safety (police and fire) and public works. Revenues were higher than expenditures (including transfers) in these funds by \$3.7 million. In the General Fund, revenues exceeded expenditures by \$2.3 million due largely to a \$3.1 million transfer from the Self-insurance Fund, up from the \$1.3 million transfer in 2014. For the first time in nine years, the City was able to contribute to fund balance reserves. Expenditures rose primarily due to increased investments in capital replacements, facility repairs, and road construction. The Major Roads Fund net increase of \$1.0 million in fund balance was a result of an increase in one-time State funding and a General Fund transfer for the Van Dyke Road reconstruction project which is not yet fully completed and expensed. The General Improvements Fund showed a net increase in fund balance of \$1.0 million, largely related to the one-time transfer of General Fund dollars for City Hall parking lot repairs which will be completed in 2016. The Community Development Block Grant Fund is a reimbursement-based grant fund, and the Road Bond Construction Fund had no expenditure activity this past year. Other nonmajor governmental funds showed a \$0.6 million net decrease due to declining Public Safety Forfeiture revenue and the planned drawdown of Land & Water Conservation Fund reserves to replace the Delia ball field lighting.

# **City of Sterling Heights, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Over the course of the year, City administration and the City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was amended twice during fiscal 2015. Final budgeted expenditures were \$2.1 million or 2.4 percent higher than the original budget primarily due to increased road repairs, additional property maintenance efforts, and needed repairs to City facilities and parking lots. Final budgeted revenue was \$2.2 million higher than the original budget due to higher engineering and road fund cross-charges, higher investment returns, and the receipt of FEMA funds due to a weather-related event.

At year end, actual General Fund expenditures came in at 98.8 percent of the budget or \$1.1 million under budget due to a slight delay in hiring additional police and firefighters. General Fund revenue came in at 99.4 percent or \$0.6 million under budget due to lower property tax revenue and grant funds, partially offset by higher Court and Cable revenue.

### **Current Economic Conditions**

The City's finances have stabilized due to the passage of the Safe Streets millage by voters in November 2013 and the improvement in the housing market. As a result, the City now has the ability to stabilize operations and reinvest in the community. While the City will never recover the lost property tax revenue that occurred between 2008 and 2014, the City was able to take corrective action that will continue to financially benefit the community going forward. The City's cost structure has been reduced, and legacy benefit reforms have been achieved including the closing of the general employees' pension system to new members and eliminating retiree medical benefits for all new hires.

While the City continues to carry out its long-term financial plan, there still remains a structural funding problem facing communities in Michigan. Unfortunately, the City's future revenue growth is limited. The City will only see an inflationary adjustment from property tax revenue going forward as most of the City is developed. Of concern, long-term is the State's ability to fully fund the reimbursement of lost personal property tax for major manufacturers which has been eliminated. State revenue sharing, the City's second largest revenue, is tied to sales tax receipts and is always at risk of further cuts. In fact, there is talk that the State will seek to cut revenue sharing in order to increase road funding to communities. The State's gas tax has increased only once in the past 31 years and has been seriously eroded by inflation during that time.

# **City of Sterling Heights, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Assessments Caused Lower Property Tax Bills and Related Revenue**

The City's overall property tax assessments rose for the first time in seven years in fiscal year 2015 by 0.7 percent. Assessments rose for the second straight year in fiscal year 2016 by 2.0 percent. However, taxable values have still fallen by 22.0 percent since 2008, resulting in a cumulative \$11 million loss and a \$79.0 million loss of tax revenue growth. Even as property values grow, Proposal A will limit increases to the rate of inflation, such that the City has permanently lost property tax dollars. As a result, taxable values are not projected to return to 2008 levels until 2026 at the earliest. In addition, the inflationary adjustment for 2015 was only 1.6 percent, which was well below the average 2.4 percent adjustment over the past 20 years. Furthermore, the inflationary adjustment for 2016 is expected to be near zero, resulting in a loss of an additional \$1 million of tax revenue growth compared to 2015. As a result of these revenue losses and despite the new Safe Streets millage, the City will not be able to restore the millions in operational cuts made to date. The average property tax bill remains \$206 or 7.5 percent less than it was eight years ago. The City's tax rate remains lower than two-thirds of all cities in the state and one of the lowest of any city in Macomb County. The City's tax rate is 5.9 mills below the average of all cities in the County.

### **State Revenue-sharing Cuts**

The City's second largest revenue source is state revenue sharing, which is distributed to communities from sales tax receipts collected by the State of Michigan. Revenue sharing previously represented 20.0 percent of the City's budget, while it currently represents less than 12.0 percent. The State has cut revenue-sharing payments, resulting in a cumulative \$37.8 million reduction since 2002, despite a growing City population and inflationary cost factors.

### **Road Funding**

Gas tax receipts from the State remain lower, on an inflation adjusted basis, than 2004 levels due to higher gas prices and the use of more fuel-efficient vehicles which have lessened gas consumption and corresponding tax revenue. The State's gas tax of 19 cents per gallon has increased once in the past 31 years. As a result, the City cumulatively lost \$3.4 million in State gas tax revenue since 2004. While the Safe Streets millage will provide \$3.3 million annually for neighborhood road repairs, the ability of the City to fund major road construction remains a concern without increased State road funding.

# **City of Sterling Heights, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Expenditure Savings**

As a result of the declining revenue, the City developed a proactive multi-faceted financial strategy to successfully navigate the financial challenges. The City implemented numerous budgeted savings and limited revenue enhancement measures over the past several years. During this time, the City also achieved 15.0 percent wage and benefit concessions from all 12 labor groups. The City has eliminated 202 full-time budgeted positions or 31.0 percent of its full-time workforce since 2002 while relying more on part-time staff, saving \$15.6 million annually.

The City has also achieved significant reform of employee retirement benefits which has begun to reduce our actuarial contributions to our retirement systems. The City no longer offers fixed pensions for general employees, has reduced pensions for future retirees who are still entitled to fixed pensions, eliminated retiree medical for all new employees, and reduced future retiree healthcare benefits. The City has contracted out the police detention facility, the cleaning of City buildings and certain park maintenance functions, as well as transferred dispatch operations to the County. The City continues to pursue service-sharing agreements with surrounding communities, and outsource services where feasible. Today, nearly 75.0 percent of the budget is directed toward the City's largest departments which are police, fire, and public works.

With the rebound in housing and the passage of the Safe Streets millage, the City is now able to avoid further staffing reductions, grant modest wage adjustments, and restore funding for needed capital replacements and facility repairs that had been delayed over the past seven years. The City has also funded the early hiring of replacement police officers and firefighters, developed succession plans, and funded more place-making initiatives as part of the City's new Visioning plan.

### **City Staffing**

Due to past revenue losses, the City had to eliminate numerous positions over the past eight years given that nearly 77.0 percent of the City budget is comprised of personnel costs. The City now has 447 budgeted full-time employees - one of the lowest numbers since the 1970s. With the approval of the Safe Streets millage for 2015, the City was able to restore eight full-time positions, most of which were converted from part-time. An additional 13 new full-time positions were funded in 2016, but this increase was offset by a reduction of 22 full-time positions eliminated due to the transfer of dispatch operations to Macomb County. Part-time staffing has increased by 60 percent since 2004. Our ratio of full-time employees per 1,000 residents is well below any comparable city in Michigan and is lower than 89.0 percent of cities across the country. Over the years, staffing reductions have primarily occurred at City Hall and public works, as fewer cuts have been made to public safety. Going forward, no further staffing reductions are planned.

# **City of Sterling Heights, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Use of Fund Balance**

Despite the expenditure savings, the City needed to use its fund balance reserves in both the General Fund and Self-insurance Fund. General Fund reserves declined from \$15.7 million in 2007 to \$5.2 million in 2014. The City used \$2.7 million of Self-insurance Fund reserves in 2013, \$1.4 million in 2014, and \$3.1 million in 2015. With the passage of the Safe Streets millage, the City was able to contribute \$2.3 million to General Fund reserves in 2015, the first increase in reserves in nine years. General Fund reserves now total \$7.5 million. Furthermore, the 2016 budget also contributes to General Fund reserves and continues to set the City on its path to restore reserves to acceptable levels. By following the City's long-term financial plan, the City has avoided compromising its superior AA+ bond rating, which saves hundreds of thousands of dollars in annual interest costs.

### **Future Actions Needed for 2016 and Beyond**

Because the City has successfully approached challenging financial times in a comprehensive, long-term manner, we have weathered the financial storm and achieved financial stability. As such, we are now able to continue to focus on the future by implementing the City's new Visioning plan. This process will further guide our master land use, parks and recreation, and succession and technology plans, allowing the City to better plan for its long-term success.

Due to the City's cost-cutting efforts, the City is better positioned than most communities. Regularly updating the City's financial forecast allowed the City to take corrective action early on. The City has low debt levels, high bond ratings, and excellent services funded by very low property taxes and water and sewer rates. The City's tax rate continues to be one of the lowest of any city in the county and is lower than the vast majority of cities throughout the state. The City also continues to have the lowest residential water and sewer rates of any city in the state with more than 25,000 residents. While we are not able to return to prior staffing levels due to property tax losses, with the Safe Streets millage we are able to invest in replacing needed capital, make repairs to local neighborhood streets, and avoid further police and fire staffing reductions.

The City Council and City administration will further develop the City's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. In the meantime, the City will keep residents informed and ensure they continue to receive maximum value for their tax dollars.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the resources it receives. If you have any questions about this report or need additional information, we invite you to contact the administration offices at City Hall.

# City of Sterling Heights, Michigan

## Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 15,496,157	\$ -	\$ 15,496,157	\$ 1,458,054
Investments - At fair value (Note 3)	16,529,839	11,676,299	28,206,138	-
Receivables:				
Customers	-	4,252,374	4,252,374	21,990
Special assessments - Current	195,926	-	195,926	-
Accrued interest	218,125	125,698	343,823	-
Other	1,592,956	-	1,592,956	-
Internal balances	(35,934)	35,934	-	-
Due from other governmental units	4,214,985	239,445	4,454,430	-
Prepaid costs and other assets	3,772,322	-	3,772,322	-
Inventories	437,736	220,653	658,389	-
Special assessments	2,030,771	-	2,030,771	-
Restricted assets (Note 4)	2,057,850	10,521,601	12,579,451	-
Loans receivable (Note 5)	1,677,583	-	1,677,583	-
Capital assets:				
Nondepreciable (Note 6)	64,007,622	15,591,972	79,599,594	1,209,203
Depreciable - Net (Note 6)	117,904,174	157,288,789	275,192,963	1,912,611
Total assets	230,100,112	199,952,765	430,052,877	4,601,858
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pension (Notes 7 and 12)	31,013,823	968,251	31,982,074	-
<b>Liabilities</b>				
Accounts payable	4,738,121	3,714,213	8,452,334	77,354
Accrued and other liabilities	2,699,331	126,287	2,825,618	665,957
Due to other governmental units	11,842	-	11,842	24,329
Unearned revenue (Note 8)	1,816,284	91,921	1,908,205	-
Noncurrent liabilities:				
Due within one year - Current portion of long-term debt (Notes 9, 10, and 11)	2,606,794	2,316,261	4,923,055	-
Net pension liability (Note 12)	162,208,961	3,403,285	165,612,246	-
Due in more than one year - Long-term debt (Notes 9, 10, and 11)	18,190,008	52,690,161	70,880,169	-
Total liabilities	192,271,341	62,342,128	254,613,469	767,640
<b>Net Position</b>				
Net investment in capital assets (Notes 6 and 10)	166,305,991	118,109,220	284,415,211	3,121,814
Restricted:				
Roads	4,556,567	-	4,556,567	-
Public safety	515,210	-	515,210	-
Debt service	2,557,973	-	2,557,973	-
County drains (Note 4)	2,057,850	596,463	2,654,313	-
Ordinance requirements (Note 4)	-	9,925,138	9,925,138	-
Unrestricted	(107,150,997)	9,948,067	(97,202,930)	712,404
Total net position	<b>\$ 68,842,594</b>	<b>\$ 138,578,888</b>	<b>\$ 207,421,482</b>	<b>\$ 3,834,218</b>

# City of Sterling Heights, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 6,200,880	\$ 3,760,720	\$ 30,459	\$ -
41A District Court	3,351,422	2,368,667	137,172	-
Public safety	61,063,426	1,562,339	106,927	48,324
Public works	24,385,159	2,936,122	2,944,431	8,080,980
Recreation and culture	4,892,593	760,007	347,917	-
Interest on long-term debt	603,500	-	-	-
Total governmental activities	100,496,980	11,387,855	3,566,906	8,129,304
Business-type activities - Water and sewer	44,886,232	36,020,248	602,738	1,954,700
Total primary government	<b><u>\$ 145,383,212</u></b>	<b><u>\$ 47,408,103</u></b>	<b><u>\$ 4,169,644</u></b>	<b><u>\$ 10,084,004</u></b>
Component units:				
Economic Development Corporation	\$ -	\$ -	\$ 300,000	\$ -
Brownfield Redevelopment Authority	104,671	-	104,376	-
Corridor Improvement Authority	-	-	18,673	-
Local Development Finance Authority	719,515	152,200	615,091	-
Total component units	<b><u>\$ 824,186</u></b>	<b><u>\$ 152,200</u></b>	<b><u>\$ 1,038,140</u></b>	<b><u>\$ -</u></b>
General revenue:				
Property taxes				
Unrestricted state revenue-sharing program				
Investment income				
Other nonprogram generated revenue				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year - As restated (Note 18)</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2015

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,409,701)	\$ -	\$ (2,409,701)	\$ -
(845,583)	-	(845,583)	-
(59,345,836)	-	(59,345,836)	-
(10,423,626)	-	(10,423,626)	-
(3,784,669)	-	(3,784,669)	-
(603,500)	-	(603,500)	-
(77,412,915)	-	(77,412,915)	-
-	(6,308,546)	(6,308,546)	-
(77,412,915)	(6,308,546)	(83,721,461)	-
300,000	-	-	300,000
(295)	-	-	(295)
18,673	-	-	18,673
47,776	-	-	47,776
366,154	-	-	366,154
62,231,352	-	62,231,352	-
10,785,806	-	10,785,806	-
630,068	635,502	1,265,570	1,220
2,533,069	-	2,533,069	-
76,180,295	635,502	76,815,797	1,220
(1,232,620)	(5,673,044)	(6,905,664)	367,374
70,075,214	144,251,932	214,327,146	3,466,844
<b>\$ 68,842,594</b>	<b>\$ 138,578,888</b>	<b>\$ 207,421,482</b>	<b>\$ 3,834,218</b>

# City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 5,301,431	\$ 3,810,474	\$ -
Investments - At fair value (Note 3)	4,685,885	-	-
Receivables:			
Special assessments:			
Current	-	-	-
Unavailable	-	-	-
Accrued interest	35,659	405	-
Other	1,538,262	-	-
Prepaid costs and other assets	147,333	218,638	-
Due from other funds (Note 14)	224,906	-	-
Due from other governmental units	996,046	970,170	130,544
Inventories	433,539	-	-
Restricted assets (Note 4)	-	-	-
Rehabilitation loans (Note 5)	-	-	1,677,583
	<u>\$ 13,363,061</u>	<u>\$ 4,999,687</u>	<u>\$ 1,808,127</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 1,916,955	\$ 800,147	\$ 109,950
Accrued and other liabilities	2,432,720	70,420	-
Due to other funds (Note 14)	651,844	11,732	20,594
Due to other governmental units	11,842	-	-
Unearned revenue (Note 8)	131,654	-	1,677,583
	<u>5,145,015</u>	<u>882,299</u>	<u>1,808,127</u>
Total liabilities			
<b>Deferred Inflows of Resources -</b>			
Unavailable revenue (Note 7)	678,312	-	-
<b>Fund Balances</b>			
Nonspendable:			
Inventory	433,539	-	-
Prepaid costs	147,333	218,638	-
Restricted for:			
Road improvements	-	3,898,750	-
Public safety	-	-	-
Debt service	-	-	-
Committed - Park acquisitions and improvements	-	-	-
Assigned to:			
Debt service	322,380	-	-
Other capital projects	4,134,760	-	-
Use of next year's fund balance	-	-	-
Unassigned	2,501,722	-	-
	<u>7,539,734</u>	<u>4,117,388</u>	<u>-</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,363,061</u>	<u>\$ 4,999,687</u>	<u>\$ 1,808,127</u>

**Governmental Funds  
Balance Sheet  
June 30, 2015**

Road Bond Debt Retirement	General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 394,445	\$ 2,399,755	\$ 68,987	\$ 1,566,683	\$ 13,541,775
-	-	-	-	4,685,885
145,749	15,323	-	34,854	195,926
1,894,738	15,623	-	120,410	2,030,771
104,840	1,400	-	7,801	150,105
-	-	-	-	1,538,262
-	-	-	-	365,971
-	-	10,000	16,192	251,098
-	4,250	-	330,706	2,431,716
-	-	-	4,197	437,736
-	2,057,850	-	-	2,057,850
-	-	-	-	1,677,583
<b>\$ 2,539,772</b>	<b>\$ 4,494,201</b>	<b>\$ 78,987</b>	<b>\$ 2,080,843</b>	<b>\$ 29,364,678</b>
\$ -	\$ 678,341	\$ -	\$ 817,794	\$ 4,323,187
-	67,828	6,995	121,368	2,699,331
-	44,132	-	148,448	876,750
-	-	-	-	11,842
-	-	-	7,047	1,816,284
-	790,301	6,995	1,094,657	9,727,394
1,894,738	2,073,473	-	120,410	4,766,933
-	-	-	4,197	437,736
-	-	-	-	365,971
-	-	71,992	246,777	4,217,519
-	-	-	511,013	511,013
645,034	-	-	18,201	663,235
-	-	-	85,588	85,588
-	-	-	-	322,380
-	1,276,787	-	-	5,411,547
-	353,640	-	-	353,640
-	-	-	-	2,501,722
645,034	1,630,427	71,992	865,776	14,870,351
<b>\$ 2,539,772</b>	<b>\$ 4,494,201</b>	<b>\$ 78,987</b>	<b>\$ 2,080,843</b>	<b>\$ 29,364,678</b>

# City of Sterling Heights, Michigan

## Governmental Funds Reconciliation of Balance Sheet to the Statement of Net Position June 30, 2015

<b>Total Fund Balances of Governmental Funds</b>	\$ 14,870,351
Amounts reported for governmental activities in the statement of net position are different because:	
Certain receivables are expected to be collected over several years in the General Fund, special revenue funds, and debt service funds	2,709,083
Receivables related to state-shared revenue that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,783,269
Restricted assets held by Macomb County to be used over several years and which are not available to pay for current year expenditures	2,057,850
Capital assets used in governmental activities are not financial resources and are not reported in the funds	181,911,796
Certain changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, while reported as expenditures in the General Fund	31,013,823
Net pension liability is not due and payable in the current period and is not reported in the funds	(162,208,961)
Long-term liabilities not due and payable in the current period are not reported in the funds	(15,276,769)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources and are not reported as fund liabilities	(3,702,582)
Bond premiums are amortized over the life of the bonds, while recognized as an other financing source in the funds when received	(329,036)
Internal service fund is included as part of governmental activities	<u>16,013,770</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 68,842,594</u></b>

# City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant	Road Bond Debt Retirement
<b>Revenue</b>				
Property taxes	\$ 57,871,177	\$ -	\$ -	\$ -
Fees and permits	1,800,968	-	-	-
Federal sources	106,927	299,498	909,072	-
State and local sources	11,662,173	7,158,995	-	-
Fines and forfeitures	2,567,229	-	-	-
Charges for services	10,085,731	-	-	-
Investment income	231,154	9,275	-	489
Special assessments	-	-	-	145,749
Rental income	1,656,323	173,058	-	-
Cable revenue	2,533,069	-	-	-
Other	984,996	160,305	-	137,667
<b>Total revenue</b>	<b>89,499,747</b>	<b>7,801,131</b>	<b>909,072</b>	<b>283,905</b>
<b>Expenditures</b>				
Current:				
General government	7,803,567	-	-	-
41A District Court	3,087,262	-	-	-
Public safety	49,525,169	-	-	-
Public works	16,423,367	2,742,671	314,158	-
Recreation and culture	4,189,468	-	-	-
General expenditures	1,116,137	-	-	1,375
Capital outlay	-	4,489,417	594,914	-
Debt service	-	-	-	1,846,200
<b>Total expenditures</b>	<b>82,144,970</b>	<b>7,232,088</b>	<b>909,072</b>	<b>1,847,575</b>
<b>Excess of Revenue Under (Over) Expenditures</b>	<b>7,354,777</b>	<b>569,043</b>	<b>-</b>	<b>(1,563,670)</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in (Note 14)	3,100,000	2,800,000	-	1,600,000
Proceeds from capital financing	-	-	-	-
Interfund transfers out (Note 14)	(8,144,435)	(2,350,000)	-	-
<b>Total other financing (uses) sources</b>	<b>(5,044,435)</b>	<b>450,000</b>	<b>-</b>	<b>1,600,000</b>
<b>Net Change in Fund Balances</b>	<b>2,310,342</b>	<b>1,019,043</b>	<b>-</b>	<b>36,330</b>
<b>Fund Balances - Beginning of year</b>	<b>5,229,392</b>	<b>3,098,345</b>	<b>-</b>	<b>608,704</b>
<b>Fund Balances - End of year</b>	<b>\$ 7,539,734</b>	<b>\$ 4,117,388</b>	<b>\$ -</b>	<b>\$ 645,034</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2015**

General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,360,175	\$ 62,231,352
-	-	-	1,800,968
89,443	-	51,656	1,456,596
-	-	2,232,980	21,054,148
-	-	-	2,567,229
-	-	-	10,085,731
2,642	69	3,808	247,437
15,323	-	51,756	212,828
-	-	-	1,829,381
-	-	-	2,533,069
88,413	-	42,901	1,414,282
<u>195,821</u>	<u>69</u>	<u>6,743,276</u>	<u>105,433,021</u>
-	-	-	7,803,567
-	-	-	3,087,262
-	-	227,603	49,752,772
-	-	1,970,492	21,450,688
-	-	-	4,189,468
-	-	1,940	1,119,452
4,233,916	-	5,070,169	14,388,416
<u>-</u>	<u>-</u>	<u>1,402,363</u>	<u>3,248,563</u>
<u>4,233,916</u>	<u>-</u>	<u>8,672,567</u>	<u>105,040,188</u>
(4,038,095)	69	(1,929,291)	392,833
4,812,020	-	1,282,415	13,594,435
198,633	-	-	198,633
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,494,435)</u>
<u>5,010,653</u>	<u>-</u>	<u>1,282,415</u>	<u>3,298,633</u>
972,558	69	(646,876)	3,691,466
657,869	71,923	1,512,652	11,178,885
<u>\$ 1,630,427</u>	<u>\$ 71,992</u>	<u>\$ 865,776</u>	<u>\$ 14,870,351</u>

# City of Sterling Heights, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,691,466</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (net of prior year's construction in progress placed in service):	
Capital outlay	14,822,883
Depreciation expense	(10,449,661)
Net book value of assets disposed of	(130,076)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	514,979
Special assessment revenue is recorded in the statement of activities when the assessment is earned (i.e., work is substantially complete); it is not reported in the funds until collected or collectible within 60 days of year end. In the current year, more was collected than earned	(212,827)
Repayment of bond and lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,631,864
Debt issuance and financing is not reported as an other financing source in the statement of activities	(198,633)
Premiums received on bond issuance are recognized in the year of issuance in the governmental funds, but are amortized over the life of the bonds on the statement of activities	25,063
Changes in accumulated employee sick and vacation pay, as well as estimated general liability claims reported in the statement of activities, do not require the use of current resources, and therefore are not reported in the funds statements until they come due for payment	421,829
Pension liability is reported in the statement of activities at the time it is earned, but not in the General Fund until paid	(8,334,816)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities	(4,014,691)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,232,620)</u></b>

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ -	\$ 1,954,382
Investments - At fair value (Note 3)	11,676,299	11,843,954
Receivables:		
Customers	4,252,374	-
Accrued interest	125,698	68,020
Other	-	54,694
Prepaid costs and other assets	-	3,406,351
Due from other funds (Note 14)	35,934	589,718
Due from other governmental units	239,445	-
Inventories	220,653	-
Total current assets	16,550,403	17,917,119
Noncurrent assets:		
Restricted assets (including \$799,579 of cash and cash equivalents) (Note 4)	10,521,601	-
Capital assets - Net (Note 6)	172,880,761	-
Total noncurrent assets	183,402,362	-
Total assets	199,952,765	17,917,119
<b>Deferred Outflows of Resources -</b>		
Deferrred outflows related to pension (Notes 7 and 12)	968,251	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,714,213	414,934
Accrued and other liabilities	126,287	-
Compensated absences (Note 10)	53,562	-
Due to other governmental units	-	-
Current portion of long-term debt (Notes 9 and 10)	2,262,699	-
Provision for uninsured losses and liabilities (Note 11)	-	509,297
Unearned revenue (Note 8)	91,921	-
Total current liabilities	6,248,682	924,231
Noncurrent liabilities:		
Compensated absences (Note 10)	181,319	-
Long-term debt (Notes 9 and 10)	52,508,842	-
Provision for uninsured losses and liabilities (Note 11)	-	979,118
Net pension liability (Note 12)	3,403,285	-
Total noncurrent liabilities	56,093,446	979,118
Total liabilities	62,342,128	1,903,349
<b>Net Position</b>		
Net investment in capital assets	118,109,220	-
Restricted for county drains (Note 4)	596,463	-
Restricted for ordinance requirements (Note 4)	9,925,138	-
Unrestricted (Note 15)	9,948,067	16,013,770
Total net position	\$ 138,578,888	\$ 16,013,770

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
<b>Operating Revenue</b>		
Water sales	\$ 13,486,840	\$ -
Sewage treatment	19,573,018	-
Service charges	826,698	-
City contributions	-	4,941,574
Federal sources	602,738	-
Other	2,147,148	457,253
Total operating revenue	36,636,442	5,398,827
<b>Operating Expenses</b>		
Wages and fringe benefits	3,982,980	-
Contractual services	280,958	-
Water purchases	12,650,771	-
Sewage disposal charges	16,398,207	-
Materials and supplies	347,866	-
Repairs and maintenance	1,308,585	-
Building and equipment rental	126,722	-
Insurance	2,460	-
Depreciation	5,628,163	-
Administration expenses	1,909,080	240,185
Reinsurance charges and claims	-	6,356,682
Other	194,126	99,281
Total operating expenses	42,829,918	6,696,148
<b>Operating Loss</b>	(6,193,476)	(1,297,321)
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	635,502	382,630
Loss on disposal of assets	(13,456)	-
Interest expense	(2,056,314)	-
Total nonoperating (expenses) revenue	(1,434,268)	382,630
<b>Loss - Before contributions and operating transfers</b>	(7,627,744)	(914,691)
<b>Capital Contributions</b>		
Contributions from developers	1,466,522	-
Other capital contributions	488,178	-
Total capital contributions	1,954,700	-
<b>Operating Transfers Out</b> (Note 14)	-	(3,100,000)
<b>Change in Net Position</b>	(5,673,044)	(4,014,691)
<b>Net Position - Beginning of year - As restated</b> (Note 18)	144,251,932	20,028,461
<b>Net Position - End of year</b>	<b>\$ 138,578,888</b>	<b>\$ 16,013,770</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 30,970,405	\$ 5,130,131
Payments to suppliers for goods and services	(32,355,262)	-
Payments to employees for services	(4,057,576)	-
Payments connected with interfund services	(1,909,080)	111,051
Claims paid	-	(6,593,387)
Other receipts	602,738	357,972
	<u>(6,748,775)</u>	<u>(994,233)</u>
Net cash used in operating activities		
<b>Cash Flows from Noncapital Financing Activities - Transfer to governmental funds</b>	-	(3,100,000)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of customer assessments (principal and interest)	488,178	-
Principal paid for long-term debt	(1,675,864)	-
Interest paid for long-term debt	(2,056,314)	-
Purchase of capital assets	(249,976)	-
	<u>(3,493,976)</u>	<u>-</u>
Net cash used in capital and related financing activities		
<b>Cash Flows from Investing Activities</b>		
Income received on investments	405,608	351,653
Purchase of investment securities	(7,614,445)	(17,061,946)
Proceeds from sales and maturities of investment securities	13,992,413	21,317,289
	<u>6,783,576</u>	<u>4,606,996</u>
Net cash provided by investing activities		
<b>Net (Decrease) increase in Cash and Cash Equivalents</b>	(3,459,175)	512,763
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>4,258,754</u>	<u>1,441,619</u>
<b>Cash and Cash Equivalents - End of year (Note 4)</b>	<u><b>\$ 799,579</b></u>	<u><b>\$ 1,954,382</b></u>

(This statement is continued on the following page.)

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (6,193,476)	\$ (1,297,321)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	5,628,162	-
Changes in assets and liabilities:		
Receivables	(5,069,651)	5,980
Prepaid costs and other assets	-	182,577
Due from other funds	-	111,051
Inventory	(8,936)	-
Accounts payable	(1,036,630)	58,249
Net pension liabilities	(105,508)	-
Provision for compensated absences	30,912	-
Provision for uninsured losses and liabilities	-	(54,769)
Unearned revenue	6,352	-
Net cash used in operating activities	<b>\$ (6,748,775)</b>	<b>\$ (994,233)</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2015, developer constructed water and sewer lines with an estimated value of \$1,466,522 were donated to the City's Water and Sewer Fund. Assets were disposed of at a loss totaling \$13,456. The Oakland-Macomb Interceptor Drainage District (OMID) constructed and contributed Segment I drainage system improvements totaling \$331,830, which was funded through assigned debt and advanced funding (\$54,264) by other communities; constructed and contributed Segment II drainage system improvements totaling \$342,613, which was funded through assigned debt; constructed and contributed Segment III drainage system improvements totaling \$5,431,507, which was funded through assigned debt and advanced funding (\$301,606) by other communities; and constructed and contributed Segment IV drainage system improvements totaling \$911,535, which was funded through assigned debt.

# City of Sterling Heights, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Trust Funds -	
	Pensions and Other Retirement Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 19,595,176	\$ 3,326,474
Investments - At fair value (Note 3):		
Government securities	44,546,429	-
Short-term investment fund	-	245,265
Mutual funds	21,213,794	-
Corporate bonds	26,494,003	-
Common and preferred stocks	288,905,162	-
Private real estate	7,201,791	-
Receivables	455,025	-
Capital assets - Net	1,221	-
Total assets	408,412,601	<u>\$ 3,571,739</u>
<b>Liabilities</b>		
Accounts payable	7,002,760	\$ -
Accrued and other liabilities	27,100	1,294,577
Due to other governmental units	168,040	22,138
Provision for uninsured losses and liabilities (Note 11)	403,013	-
Cash bonds and deposits	-	2,255,024
Total liabilities	7,600,913	<u>\$ 3,571,739</u>
<b>Net Position</b> - Held in trust for pensions and other retirement benefits	<u>\$ 400,811,688</u>	

# City of Sterling Heights, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2015

	Trust Funds - Pensions and Other Retirement Benefits
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 8,829,248
Net adjustment to fair value of investments	9,804,667
Less investment expenses	<u>(2,463,989)</u>
Net investment income	16,169,926
Contributions:	
Employer	22,898,420
Employee	2,064,942
Purchase of prior year's service credits	53,295
Insurance recovery	<u>4,503</u>
Total additions	41,191,086
<b>Deductions</b>	
Benefit payments	35,014,488
Withdrawals and refunds of contributions	<u>1,771,318</u>
Total deductions	<u>36,785,806</u>
<b>Change in Net Position</b>	4,405,280
<b>Net Position - Beginning of year</b>	<u>396,406,408</u>
<b>Net Position - End of year</b>	<u><u>\$ 400,811,688</u></u>

# City of Sterling Heights, Michigan

## Component Units Statement of Net Position June 30, 2015

	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Local Development Finance Authority	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 313,093	\$ 337,997	\$ 43,559	\$ 763,405	\$ 1,458,054
Receivables	-	-	-	21,990	21,990
Capital assets:					
Nondepreciable (Note 6)	-	-	-	1,209,203	1,209,203
Depreciable - Net (Note 6)	-	-	-	1,912,611	1,912,611
Total assets	313,093	337,997	43,559	3,907,209	4,601,858
<b>Liabilities</b>					
Accounts payable	-	-	-	77,354	77,354
Accrued and other liabilities	-	332,661	-	333,296	665,957
Due to other governmental units	-	-	-	24,329	24,329
Total liabilities	-	332,661	-	434,979	767,640
<b>Net Position</b>					
Net investment in capital assets	-	-	-	3,121,814	3,121,814
Unrestricted	313,093	5,336	43,559	350,416	712,404
Total net position	<b>\$ 313,093</b>	<b>\$ 5,336</b>	<b>\$ 43,559</b>	<b>\$ 3,472,230</b>	<b>\$ 3,834,218</b>

# City of Sterling Heights, Michigan

## Component Units Statement of Activities Year Ended June 30, 2015

	Program Revenue			Net (Expenses) Revenue and Changes in Net Position				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Economic Develop- ment Corporation	Brownfield Redevelop- ment Authority	Corridor Improvement Authority	Local Develop- ment Finance Authority	
<b>Economic Development</b>								
<b>Corporation</b> - Public works	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000
<b>Brownfield Redevelopment</b>								
<b>Authority</b> - Public works	104,671	-	104,376	-	(295)	-	-	(295)
<b>Corridor Improvement</b>								
<b>Authority</b> - Public works	-	-	18,673	-	-	18,673	-	18,673
<b>Local Development Finance</b>								
<b>Authority</b> - Public works	719,515	152,200	615,091	-	-	-	47,776	47,776
Total component units	<u>\$ 824,186</u>	<u>\$ 152,200</u>	<u>\$ 1,038,140</u>	300,000	(295)	18,673	47,776	366,154
<b>General Revenue</b> - Investment income				396	297	13	514	1,220
<b>Change in Net Position</b>				300,396	2	18,686	48,290	367,374
<b>Net Position</b> - Beginning of year				12,697	5,334	24,873	3,423,940	3,466,844
<b>Net Position</b> - End of year				<u>\$ 313,093</u>	<u>\$ 5,336</u>	<u>\$ 43,559</u>	<u>\$ 3,472,230</u>	<u>\$ 3,834,218</u>

### **Note 1 - Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used by the City of Sterling Heights, Michigan (the "City"):

#### **Reporting Entity**

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

#### **Blended Component Unit**

The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

**Discretely Presented Component Units** - The following nonmajor component units are reported within the component units column in the government-wide financial statements to emphasize that they are legally separate from the City. Component unit financial statements have also been presented to display the financial position and results of operations for each of the discretely presented component units. Complete financial statements for each of these component units are available at the administrative office at 40555 Utica Road, Sterling Heights, MI 48313.

- a. The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services to and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Corporation. The Corporation is presented as a governmental activity.
- b. The Brownfield Redevelopment Authority (the "BR Authority") was created to encourage and provide assistance in environmentally distressed areas in the City. The BR Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the BR Authority. The BR Authority is presented as a governmental activity.

### Note 1 - Summary of Significant Accounting Policies (Continued)

- c. The Corridor Improvement Authority (the “CI Authority”) was created to encourage revitalization and redevelopment of commercial properties which have been developed along the City’s major arterial roadways. The CI Authority’s governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the CI Authority. The CI Authority is presented as a governmental activity.
- d. The Local Development Finance Authority (the “LDF Authority”) was created to encourage development, prevent conditions of unemployment, and promote economic growth. The LDF Authority’s governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the LDF Authority. The LDF Authority is presented as a governmental activity.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

#### **Fund Accounting**

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow the City to show the particular expenditures for which specific revenues were used. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital projects funds. The City reports the following as “major” governmental funds:

- The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Roads Fund (a special revenue fund type) accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

### Note 1 - Summary of Significant Accounting Policies (Continued)

- The Community Development Block Grant Fund (a special revenue fund type) accounts for federal grant funds received from the U.S. Department of Housing and Urban Development for purposes of developing a viable urban community by providing economic opportunities principally for persons of low and moderate income.
- The Road Bond Debt Retirement Fund (a debt service fund type) accounts for revenue accumulated to pay principal and interest on outstanding debt associated with various road and infrastructure assets.
- The General Improvements Fund (a capital projects fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of constructing all major capital improvement projects of the City other than special assessment, road, and enterprise projects.
- The Road Bond Construction Fund (a capital projects fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of construction activity for roads and storm drains.

The City reports the following as “nonmajor” governmental funds:

- The Local Roads Fund (a special revenue fund type) accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets.
- The Public Safety Forfeiture Fund (a special revenue fund type) accounts for the resources from seized monies and the proceeds from the sale of forfeited property.
- The Neighborhood Stabilization Fund (a special revenue fund type) accounts for federal grant funds received from the U.S. Department of Housing and Urban Development for purposes of assisting governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within the community.
- The General Drain Debt, Voted Tax GO Debt, and Limited Tax GO Debt funds (debt service fund types) account for the revenue accumulated to pay principal and interest on outstanding debt associated with various public improvements.
- The Land and Water Conservation Fund (a capital projects fund type) accounts for the resources for the construction, development, and acquisition of land for the City’s park system.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Proprietary funds** include enterprise funds, which provide goods and services to users in exchange for charges or fees, and internal service funds, which provide goods or services to other funds of the City on a cost reimbursement basis. The City reports the following as a “major” enterprise fund:

- The Water and Sewer Fund provides water to customers, and disposes of sanitary sewage in exchange for user charges.

The City’s internal service fund is used to allocate insurance costs to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year the costs are incurred.

**Fiduciary funds** include amounts held in a fiduciary capacity for others. These amounts are not available to operate City programs. Activities that are reported as fiduciary include:

- The General Employees’ Retirement System and the Police and Fire Retirement System pension trust funds and the Retiree Medical Benefits Trust Fund account for the activities of the trust funds, which accumulate resources for pension benefits and retiree medical benefits provided to qualified individuals.
- The Tax Collection and General Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, and other governments. Agency fund activity includes tax collections and general agency (District Court and escrow activity).

**Interfund activity** - During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included in internal balances in the business-type activities column.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities columns.

#### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they become due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 45 days of year end to be available for recognition. The following major revenue sources generally meet the availability criterion: property taxes, franchise fees, state gas and weight tax revenue, licenses, most grant revenues, and interest associated with the current fiscal period. Conversely, special assessments and some grant reimbursements collected after the period of availability have been recorded as receivables and related “deferred inflow of resources.”

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not allocable to program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Specific Balances and Transactions

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The City Charter requires amounts in the enterprise fund to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve, when applicable. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for construction, maintenance, or debt service. Unspent bond proceeds in the Road Bond Construction Fund (a capital projects fund) are required to be set aside for construction. These amounts have also been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	25 years
Other improvements	10-30 years
Equipment	5-20 years
Furnishings and fixtures	10-15 years
Infrastructure	20-40 years
Water and sewer mains	50 years

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt service funds and the Water and Sewer Fund are used to liquidate long-term debt.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position/use of fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. During 2015, the City recognized deferred pension costs related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 that qualify as deferred outflows. See Note 7 for additional information regarding these balances.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. During 2015, the City had two items that qualified for reporting in this category. They are deferred charges for fees billed and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Net Position Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption may be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### **Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **Property Taxes**

Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due September 1, after which time the taxes are considered delinquent and penalties and interest are assessed. The final collection date is February 28 before taxes are returned delinquent to the county treasurer.

The 2015 taxable valuation of the City totaled approximately \$4,278,728,000, on which ad valorem taxes levied consisted of 10.4968 for operating purposes, 1.9238 for police and fire pension, 2.5000 for safe streets, and 0.2652 for debt service. The ad valorem taxes raised approximately \$42,997,000 for operating, \$7,905,000 for police and fire pension, \$10,240,000 for safe streets, and \$1,089,000 for debt service. These amounts are recognized in the respective General Fund, special revenue funds, and debt service funds financial statements as tax revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pensions** - The City offers a defined benefit pension plan to certain employees under two separate plans. The City's plans are the General Employees' Retirement System (GERS) and the Police and Fire Retirement System (PFRS). The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plans' fiduciary net position. For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit (OPEB) Costs** - The City offers retiree health-care benefits to certain retirees. The City received an actuarial valuation to compute the annual recommended contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year ARC, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Compensated Absences** - The City allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate). Compensated absences have generally been liquidated from the funds from which the individual employee's wages are paid, which are generally the General and Water and Sewer Funds.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and the internal service fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administration, expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions, such as provision for uninsured losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 2 - Stewardship, Compliance, and Accountability

**State Construction Code Act** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2014		\$ (8,989,525)
Current year building permit revenue		2,004,516
Related expenses:		
Direct costs	\$ 1,181,106	
Estimated indirect costs	<u>959,781</u>	
Total construction code expenses		<u>(2,140,887)</u>
Net shortfall for the year ended June 30, 2015		<u>(136,371)</u>
Cumulative shortfall at June 30, 2015		<u>\$ (9,125,896)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1948, as amended, authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities (date specific maturities only), non-negotiable certificates of deposit, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512.

### Note 3 - Deposits and Investments (Continued)

For mutual funds, the treasurer may invest in no-load fixed-income mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan, either taxable or tax-exempt. This authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

The Pension Trust Funds and the Retiree Medical Benefits Trust Fund are also authorized to invest in certain reverse purchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (limited to 5.0 percent of the trust fund's assets if total assets are less than \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated one bank for the deposit of operating funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail as follows:

**Custodial Credit Risk of Bank 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's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had \$26,222,446 in bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy is very specific as it relates to investment maturities, as indicated in the table below:

Instrument	Security Type	
	Maximum	Maturity Maximum
U.S. Treasuries	100%	10 years
U.S. agencies and instrumentalities (date specific maturities only)	100%	10 years (subset of above)
CDs (non-negotiable)	50%	1 year
CDs (negotiable)	50%	3 years (subset of above)
Commercial paper (rated A1/A2 or equivalent)		270 days
Bankers' acceptances		184 days
Overnight deposits	25%	1 day
Mutual funds	25%	N/A

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Average Maturity
<b>Government-wide</b>		
Commercial paper	\$ 2,499,504	0.06 years
U.S. government agencies	27,674,843	6.33 years
Municipal obligations	2,655,622	4.29 years
<b>General Employees' Retirement System</b>		
Corporate bonds	9,357,947	4.62 years
U.S. government agencies	7,745,556	5.50 years
U.S. government obligations	4,896,513	10.37 years
Foreign government obligations	184,436	5.03 years
<b>Police and Fire Retirement System</b>		
Corporate bonds	12,741,720	10.82 years
U.S. government agencies	15,144,079	6.72 years
Municipal obligations	275,257	15.37 years
U.S. government obligations	9,227,213	8.00 years
Foreign government obligations	539,838	5.03 years
<b>Retiree Medical Benefits</b>		
Corporate bonds	4,394,336	5.11 years
U.S. government agencies	4,212,669	5.38 years
U.S. government obligations	2,168,552	10.75 years
Foreign government obligations	152,316	5.03 years

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - In compliance with state law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Organization
<b>Government-wide</b>			
Pooled funds	\$ 2,836,595	N/R	
Pooled funds	2,123,398	AAA	S&P
Commercial paper	2,499,504	A1 to A2	S&P
Municipal obligations	2,655,622	AA- to A-	S&P
U.S. government agencies	27,674,843	AA+	S&P
<b>General Employees' Retirement System</b>			
Money market	920,300	N/R	
U.S. government agencies	7,745,556	AA+	S&P
U.S. government obligations	4,896,513	AA+	S&P
Foreign government obligations	184,436	BBB+	S&P
Corporate bonds	294,462	AAA	S&P
Corporate bonds	493,063	AA+	S&P
Corporate bonds	2,531,095	A+ to A-	S&P
Corporate bonds	240,283	Aaa	Moody's
Corporate bonds	3,562,015	BBB+ to BBB-	S&P
Corporate bonds	2,089,970	BB+ - BB-	S&P
Corporate bonds	147,059	B+	S&P
<b>Police and Fire Retirement System</b>			
Money market	3,056,810	N/R	
Municipal obligations	122,415	AAA	S&P
Municipal obligations	152,842	AA+ - AA	S&P
U.S. government agencies	15,144,079	AA+ - AA-	S&P
U.S. government obligations	9,227,213	AA+	S&P
Foreign government obligations	539,838	BBB+	S&P
Corporate bonds	1,393,652	AAA	S&P
Corporate bonds	2,227,352	AA+ - AA-	S&P
Corporate bonds	4,579,321	A+ to A-	S&P
Corporate bonds	556,627	Aaa	Moody's
Corporate bonds	3,317,645	BBB+ to BBB-	S&P/Fitch
Corporate bonds	552,140	BB+ to BB-	S&P
Corporate bonds	114,983	B+ to B-	S&P

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Organization
<b>Retiree Medical Benefits</b>			
Pooled funds	\$ 187,062	N/R	
U.S. government agencies	4,212,669	AA+	S&P
U.S. government obligations	2,168,552	AA+	S&P
Foreign government obligations	152,316	BBB+	S&P
Corporate bonds	115,785	AAA	S&P
Corporate bonds	335,274	AA+ to AA-	S&P
Corporate bonds	1,377,227	A+ - A-	S&P
Corporate bonds	100,118	Aaa	Moody's
Corporate bonds	1,573,299	BBB+ to BBB-	S&P
Corporate bonds	824,356	BB+ to BB-	S&P
Corporate bonds	68,277	B+	S&P

#### Concentration of Credit Risk

Through its investment policy, the City places a 5.0 percent limit on the amount the City may invest in any one issuer.

Approximately \$7,202,000 or 3.5 percent of the Police and Fire Retirement System plan's net position as of June 30, 2015 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Since alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency denominated investments to 5.0 percent of total pension system investments.

Both pension systems include exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the General Employees' and Police and Fire Pension International managers are protected from foreign currency risk through the use of ADRs (American Depository Receipts).

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Restricted Assets

Specific assets of the Water and Sewer Fund have been restricted by ordinance which requires the City to set aside a sum sufficient to provide for the subsequent quarter's expenses for operations, maintenance, and replacement. Additionally, specific assets of the Water and Sewer Fund and the General Improvements Fund are restricted as the result of external governments issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose for which the bonds were issued or the repayment of the bonds. The following is the detail of restricted assets at June 30, 2015:

Water and Sewer Fund:	
Cash and cash equivalents	\$ 799,579
Investments	3,737,898
Accounts receivable	5,387,661
Due from Oakland County*	<u>596,463</u>
Total Water and Sewer Fund	10,521,601
General Improvements Fund - Due from Macomb County**	<u>2,057,850</u>
Total restricted assets	<u>\$ 12,579,451</u>

\* This amount is held by Oakland County in a construction fund maintained on behalf of the City for improvements to the Oakland-Macomb Interceptor Drainage District.

\*\* This amount is held by Macomb County in Construction and Debt Retirement Funds maintained on behalf of the City by the Macomb County Department of Public Works for drain construction projects of the City.

There were no unrecorded liabilities payable from the County restricted assets.

### Note 5 - Loans Receivable

The City utilizes Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low- and moderate-income persons to improve or rehabilitate residences. The City accounts for this program in the Community Development Block Grant special revenue fund. Loans receivable of \$1,677,583 at June 30, 2015 have been reflected in the accompanying fund financial statements as rehabilitation loans receivable with an offsetting unearned revenue for the recording of related grant funding.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Capital Assets

#### Primary Government

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance June 30, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 45,414,228	\$ -	\$ -	\$ 45,414,228
Construction in progress	8,308,581	11,526,552	(1,577,890)	18,257,243
Works of art	336,151	-	-	336,151
	<u>54,058,960</u>	<u>11,526,552</u>	<u>(1,577,890)</u>	<u>64,007,622</u>
Net capital assets - Nondepreciable	54,058,960	11,526,552	(1,577,890)	64,007,622
Capital assets being depreciated:				
Building and building improvements	39,585,034	582,283	(2,601)	40,164,716
Improvements other than buildings	9,798,101	615,091	-	10,413,192
Equipment	37,568,895	2,883,209	(2,451,278)	38,000,826
Furnishings and fixtures	1,250,465	22,809	(143,096)	1,130,178
Infrastructure	242,359,938	770,829	-	243,130,767
	<u>330,562,433</u>	<u>4,874,221</u>	<u>(2,596,975)</u>	<u>332,839,679</u>
Subtotal	330,562,433	4,874,221	(2,596,975)	332,839,679
Accumulated depreciation:				
Building and building improvements	15,027,971	891,663	(1,127)	15,918,507
Improvements other than buildings	3,303,089	330,830	-	3,633,919
Equipment	28,551,864	2,098,366	(2,330,516)	28,319,714
Furnishings and fixtures	1,097,958	25,703	(135,256)	988,405
Infrastructure	158,971,861	7,103,099	-	166,074,960
	<u>206,952,743</u>	<u>10,449,661</u>	<u>(2,466,899)</u>	<u>214,935,505</u>
Subtotal	206,952,743	10,449,661	(2,466,899)	214,935,505
Net capital assets being depreciated	<u>123,609,690</u>	<u>(5,575,440)</u>	<u>(130,076)</u>	<u>117,904,174</u>
Net governmental capital assets	<u>\$ 177,668,650</u>	<u>\$ 5,951,112</u>	<u>\$ (1,707,966)</u>	<u>\$ 181,911,796</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Capital Assets (Continued)

	Balance June 30, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 64,871	\$ -	\$ -	\$ 64,871
Construction in progress	<u>9,985,541</u>	<u>5,541,560</u>	<u>-</u>	<u>15,527,101</u>
Net capital assets - Nondepreciable	10,050,412	5,541,560	-	15,591,972
Capital assets being depreciated:				
Building and building improvements	374,997	-	-	374,997
Equipment	4,395,286	341,643	(107,729)	4,629,200
Furnishings and fixtures	28,230	-	(7,155)	21,075
Water and sewer mains	<u>277,513,749</u>	<u>1,798,352</u>	<u>-</u>	<u>279,312,101</u>
Subtotal	282,312,262	2,139,995	(114,884)	284,337,373
Accumulated depreciation:				
Building and building improvements	120,180	10,910	-	131,090
Equipment	2,752,404	263,885	(94,273)	2,922,016
Furnishings and fixtures	26,376	985	(7,155)	20,206
Water and sewer mains	<u>118,622,889</u>	<u>5,352,383</u>	<u>-</u>	<u>123,975,272</u>
Subtotal	<u>121,521,849</u>	<u>5,628,163</u>	<u>(101,428)</u>	<u>127,048,584</u>
Net capital assets being depreciated	<u>160,790,413</u>	<u>(3,488,168)</u>	<u>(13,456)</u>	<u>157,288,789</u>
Net business-type capital assets	<u>\$ 170,840,825</u>	<u>\$ 2,053,392</u>	<u>\$ (13,456)</u>	<u>\$ 172,880,761</u>

Construction in progress includes \$15,431,061 (of which the current year amount is \$5,541,560) of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID), which represents the City's portion of total OMID improvements in the amount of \$93,578,000. These improvements will be completed by OMID using state revolving loan funds; state stormwater, asset management and wastewater loan (SAW); and bonded debt. See Note 10 for additional information.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 574,136
41A District Court	12,546
Public safety	1,467,280
Public works	7,755,456
Recreation and culture	<u>640,243</u>
Total governmental activities	<u>\$ 10,449,661</u>
Business-type activities - Water and sewer	<u>\$ 5,628,163</u>

### Discretely Presented Component Units

Capital asset activity of the discretely presented component units was as follows:

	Balance June 30, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
<b>Local Development Finance Authority</b>				
Capital assets not being depreciated -				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Capital assets being depreciated:				
Building and building improvements	2,124,795	25,558	-	2,150,353
Equipment	<u>-</u>	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Subtotal	2,124,795	27,508	-	2,152,303
Accumulated depreciation:				
Building and building improvements	188,483	51,063	-	239,546
Equipment	<u>-</u>	<u>146</u>	<u>-</u>	<u>146</u>
Subtotal	<u>188,483</u>	<u>51,209</u>	<u>-</u>	<u>239,692</u>
Net capital assets being depreciated	<u>1,936,312</u>	<u>(23,701)</u>	<u>-</u>	<u>1,912,611</u>
Net component units capital assets	<u>\$ 3,145,515</u>	<u>\$ (23,701)</u>	<u>\$ -</u>	<u>\$ 3,121,814</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Capital Assets (Continued)

**Construction Commitments** - The City has active construction projects at year end. The projects are related to road repair, replacement and construction programs, and other capital improvements. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Construction and other contracts	\$ 6,599,794	\$ 3,841,559

### Note 7 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Governmental Funds</u>
Due from Macomb County (Note 4)	\$ 2,057,850
Special assessments - Unavailable	2,030,771
Other revenue - Unavailable	<u>678,312</u>
Total deferred inflows	<u>\$ 4,766,933</u>

At the end of the current fiscal year, the various components of deferred outflows or resources are as follows:

	<u>Government-wide Statements</u>
Pension expense - GERS (Note 12)	\$ 5,253,644
Pension expense - PFRS (Note 12)	<u>26,728,430</u>
Total deferred outflows	<u>\$ 31,982,074</u>

### Note 8 - Unearned Revenue

Unearned revenue in the governmental activities represents various rents and fees collected in 2015 that are applicable to 2016. Unearned revenue in the Water and Sewer Fund represents payments made by system users to be applied as payment for future capital charges.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Capital Leases

In 2015, the City entered into a lease agreement as lessees for financing the acquisition of multi-functional devices (MFDs - copiers) for departments throughout the City buildings. The total amount of the financing is \$233,353, which is shared in the amounts of \$198,633 and \$9,348 by the General Government and Water and Sewer Fund, respectively. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset	Amounts		
	General Government	Water and Sewer Fund	Total
Machinery and equipment	\$ 198,633	\$ 9,348	\$ 207,981
Less accumulated depreciation	9,925	467	10,392
Total	<u>\$ 188,708</u>	<u>\$ 8,881</u>	<u>\$ 197,589</u>

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

Years	Amounts		
	General Government	Water and Sewer Fund	Total
2016	\$ 44,573	\$ 2,097	\$ 46,670
2017	44,573	2,098	46,671
2018	44,573	2,098	46,671
2019	44,572	2,098	46,670
2020	29,715	1,398	31,113
Total minimum lease payments	208,006	9,789	217,795
Less amount representing interest	21,237	1,000	22,237
Present value	<u>\$ 186,769</u>	<u>\$ 8,789</u>	<u>\$ 195,558</u>

# **City of Sterling Heights, Michigan**

---

## **Notes to Financial Statements June 30, 2015**

### **Note 10 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
2005 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$3,285,000					
Maturing through 2015					
Interest Rate 4.125%					
Principal Maturity \$500,000	\$ 500,000	\$ -	\$ (500,000)	\$ -	\$ -
Unamortized premium on refunding	6,470	-	(6,470)	-	-
2005 Limited Tax Refunding Bonds:					
Amount of Issue - \$2,820,000					
Maturing through 2019					
Interest Rate Ranges 4.00% - 5.00%					
Principal Maturity Range \$215,000 - \$600,000	1,700,000	-	(240,000)	1,460,000	260,000
Unamortized premium on refunding	54,330	-	(4,666)	49,664	(1,979)
2007 Michigan Transportation Fund Bonds:					
Amount of Issue - \$4,650,000					
Maturing through 2021 - Refunded 2013					
Interest Rate Ranges 3.70% - 4.00%					
Principal Maturity \$300,000	300,000	-	(300,000)	-	-
2008 Unlimited Tax Fire Station Improvements:					
Amount of Issue - \$5,000,000					
Maturing through 2023					
Interest Rate Ranges 3.25% - 4.00%					
Principal Maturity Range \$250,000 - \$600,000	4,000,000	-	(275,000)	3,725,000	325,000
Unamortized premium on refunding	23,353	-	(4,067)	19,286	3,815
2010 Michigan Transportation Recovery Zone Bonds:					
Amount of Issue - \$1,570,000					
Maturing through 2025					
Interest Rate Ranges 2.35% - 6.05%					
Principal Maturity \$50,000 - \$200,000	1,475,000	-	(50,000)	1,425,000	50,000
2012 Michigan Transportation Fund Refunding Bonds:					
Amount of Issue - \$3,780,000					
Maturing through 2020					
Interest Rate Ranges 2.00% - 4.00%					
Principal Maturity Range \$400,000 - \$585,000	3,015,000	-	(440,000)	2,575,000	455,000
Unamortized premium on refunding	260,720	-	(9,746)	250,974	28,296
2013 Michigan Transportation Fund Refunding Bonds:					
Amount of Issue - \$3,275,000					
Maturing through 2022					
Interest Rate 2.05%					
Principal Maturity Range \$30,000 - \$515,000	3,245,000	-	(40,000)	3,205,000	335,000
Unamortized premium on refunding	9,226	-	(114)	9,112	952
County Drain contract obligations:					
Hawken Drain Drainage District:					
Amount of Issue - \$795,000					
Maturing through 2015					
Interest Rate 5.17%					
Principal Maturity \$75,000	75,000	-	(75,000)	-	-

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Governmental Activities (Continued)</b>					
County Drain contract obligations (Continued):					
Hayes Drain Drainage District:					
Amount of Issue - \$1,095,000					
Maturing through 2015					
Interest Rate Ranges 5.15% - 5.20%					
Principal Maturity \$125,000	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
Plumbrook Bridge Replacement Drain Drainage District:					
Amount of Issue - \$2,800,000					
Maturing through 2015					
Interest Rate Ranges 4.00% - 5.00%					
Principal Maturity \$275,000	275,000	-	(275,000)	-	-
17 Mile Extension Drain Drainage District:					
Amount of Issue - \$1,725,000					
Maturing through 2016					
Interest Rate Ranges 4.30% - 4.50%					
Principal Maturity \$150,000	300,000	-	(150,000)	150,000	150,000
Special Assessment Bonds:					
2008 Special Assessment Limited Tax Bonds:					
Amount of Issue - \$3,260,000					
Maturing through 2028					
Interest Rate Ranges 3.25% - 4.50%					
Principal Maturity Range \$150,000 - \$400,000	2,700,000	-	(150,000)	2,550,000	150,000
Total bond obligations	18,064,099	-	(2,645,063)	15,419,036	1,756,084
Other long-term obligations:					
Capital lease (Note 9)	-	198,633	(11,864)	186,769	36,707
Provision for uninsured losses and other liabilities	1,543,184	5,209,750	(5,264,519)	1,488,415	509,297
Compensated absences - General Fund obligations	4,124,411	109,761	(531,590)	3,702,582	304,706
Total other long-term obligations	5,667,595	5,518,144	(5,807,973)	5,377,766	850,710
Total governmental activities	23,731,694	5,518,144	(8,453,036)	20,796,802	2,606,794
<b>Business-type Activities - Water and Sewer</b>					
County Drain Contract Obligations:					
General obligation bonds:					
2010A MID Drainage District:					
Amount of Issue - \$26,725,795					
Maturing through 2035					
Interest Rate Ranges 1.25% - 5.50%					
Principal Maturity Range \$834,308 - \$1,573,586	24,196,319	-	(863,655)	23,332,664	877,630

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Business-type Activities - Water and Sewer (Continued)</b>					
County Drain Contract Obligations (Continued):					
2010B OMID Drainage District:					
Amount of Issue - \$1,104,836					
Maturing through 2030					
Interest Rate Ranges 1.15% -5.90%					
Principal Maturity Range \$31,331 - \$85,748	\$ 958,899	\$ -	\$ (41,225)	\$ 917,674	\$ 42,874
2011 Clintondale Pump Station Improvements Drainage District:					
Amount of Issue - \$9,862,021					
Maturing through 2032					
Interest Rate 5.00%					
Principal Maturity Range \$224,137 - \$800,489	9,109,562	-	(288,176)	8,821,386	320,195
Special Assessment Bonds:					
2008 North Gratiot Interceptor Drainage District:					
Amount of Issue - \$2,597,695					
Maturing through 2033					
Interest Rate Ranges 3.50% -5.00%					
Principal Maturity Range \$60,836 - \$146,006	2,323,933	-	(91,254)	2,232,679	91,254
2010 North Gratiot Interceptor Drainage District:					
Amount of Issue - \$252,751					
Maturing through 2035					
Interest Rate Ranges 1.00% -6.35%					
Principal Maturity Range \$4,842 - \$14,526	224,519	-	(7,971)	216,548	8,120
2014A Sewer Lining Repairs:					
Amount of Issue - \$1,649,117					
Maturing through 2034					
Interest Rate Ranges 2.00% -3.13%					
Principal Maturity Range \$411,073 - \$522,193	-	1,649,117	-	1,649,117	63,822
Total bond obligations	36,813,232	1,649,117	(1,292,281)	37,170,068	1,403,895
State Revolving Loan Funds (Michigan Municipal Finance Authority)					
Special Assessment Roll No. 1 Series 2010A (Segment 1 - ARRA funding)					
Maximum Loan Amount - \$4,299,957					
Balance Drawn - \$3,783,653					
Maturing through 2031					
Interest Rate - 2.50%					
Principal Maturity Range \$185,514 - \$269,613	3,783,653	-	(180,566)	3,603,087	185,514
Special Assessment Roll No. 1 Series 2011A (Segment 2)					
Maximum Loan Amount - \$5,168,777					
Balance Drawn - \$4,724,934					
Maturing through 2031					
Interest Rate - 2.50%					
Principal Maturity Range \$99,360 - \$265,221	4,057,784	869,609	(202,459)	4,724,934	207,521

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Business-type Activities - Water and Sewer (Continued)</b>					
State Revolving Loan Funds (Continued):					
Special Assessment Roll No. 1 Series 2013A (Segment 3)					
Maximum Loan Amount - \$11,278,994					
Balance Drawn - \$9,264,662					
Maturing through 2023					
Interest Rate - 2.50%					
Principal Maturity Range \$63,822 - \$108,270					
	\$ 3,861,952	\$ 5,402,711	\$ -	\$ 9,264,663	\$ 464,042
Total state revolving loan funds	11,703,389	6,272,320	(383,025)	17,592,684	857,077
Total county drain obligations	48,516,621	7,921,437	(1,675,306)	54,762,752	2,260,972
Other long-term obligations - Compensated					
Capital lease (Note 9)					
	-	9,348	(559)	8,789	1,727
Compensated absences - Water and Sewer Fund	203,969	102,003	(71,091)	234,881	53,562
Total other long-term obligations	203,969	111,351	(71,650)	243,670	55,289
Total business-type activities	48,720,590	8,032,788	(1,746,956)	55,006,422	2,316,261
Total	\$ 72,452,284	\$ 13,550,932	\$ (10,199,992)	\$ 75,803,224	\$ 4,923,055

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

Years	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,725,000	\$ 545,332	\$ 2,270,332
2017	1,760,000	486,828	2,246,828
2018	1,820,000	428,864	2,248,864
2019	2,055,000	364,817	2,419,817
2020	2,140,000	288,886	2,428,886
2021-2025	4,590,000	639,962	5,229,962
2026-2029	1,000,000	77,450	1,077,450
Total	\$ 15,090,000	\$ 2,832,139	\$ 17,922,139

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above business-type activity bonds and note obligations are as follows:

Years	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,403,895	\$ 1,735,602	\$ 3,139,497
2017	1,457,021	1,687,665	3,144,686
2018	1,511,617	1,634,766	3,146,383
2019	1,599,994	1,576,566	3,176,560
2020	1,659,607	1,511,520	3,171,127
2021-2025	9,240,958	6,388,335	15,629,293
2026-2030	11,135,391	4,000,977	15,136,368
2031-2035	9,161,585	1,336,734	10,498,319
Total	<u>\$ 37,170,068</u>	<u>\$ 19,872,165</u>	<u>\$ 57,042,233</u>

Annual debt service requirements to maturity for the above business-type activity state revolving loan fund obligations as follows:

Years	State Revolving Loan Funds		
	Principal	Interest	Total
2016	\$ 857,077	\$ 382,557	\$ 1,239,634
2017	876,608	366,994	1,243,602
2018	895,315	347,288	1,242,603
2019	915,859	327,149	1,243,008
2020	936,216	306,558	1,242,774
2021-2025	5,007,026	1,206,977	6,214,003
2026-2030	5,591,780	617,081	6,208,861
2031-2035	2,512,803	74,555	2,587,358
Total	<u>\$ 17,592,684</u>	<u>\$ 3,629,159</u>	<u>\$ 21,221,843</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

In 2010, the Oakland Macomb Interceptor Drainage District (OMID) was approved for \$42,000,000, Series 2010A, of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$6,900,000 was anticipated as the City's share. The SRF loans were, in part, supported by grant funding from the American Recovery and Reinvestment Act of 2010 (ARRA) and include loan principal forgiveness which will equal 40.0 percent of final allowable project costs. The ARRA amounts were recognized as contributed capital when construction costs were incurred. The City's portion of the forgiven principal recognized in prior years as contributed capital in the Water and Sewer Fund totaled \$2,635,777. The City's share of SRF funds drawn and payable at June 30, 2015 is \$3,603,087. In addition, a portion of construction costs was paid from advanced funding received from other communities and OMID. The City has recognized its portion of those construction costs, in the amount of \$54,264, as funds due to other governmental units.

In 2011, the OMID was approved for \$25,530,000, Series 2011A, of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$5,169,000 was anticipated as the City's share. The City's share of SRF funds drawn and payable at June 30, 2015 is \$4,724,934.

In 2013, the OMID was approved for \$65,140,000, Series 2013A, of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$11,279,000 was anticipated as the City's share. The City's share of SRF funds drawn and payable at June 30, 2015 is \$9,264,663. In addition, a portion of construction costs was paid from advance funding received from other communities. The City has recognized its portion of those construction costs, in the amount of \$301,606, as funds due to other governmental units.

During the year, OMID issued the 2014A OMID drainage district bonds in the amount of \$7,235,000, of which \$1,649,117 is the City's share. The debt was issued for the purpose of completing sewer lining repairs to improve the system, which is a multi-jurisdictional system. Also during the year, OMID was approved for \$10,000,000 of loans through the state Stormwater, Asset Management, and Wastewater Program (SAW) for Michigan communities, of which approximately \$1,649,010 was anticipated as the City's share. No SAW funds were drawn as of June 30, 2015.

#### Subsequent Events

Subsequent to year end, the Macomb Interceptor Drainage District (MID) issued refunding bonds in the amount of \$16,990,000, of which approximately \$5,323,700 is the City's share. The debt was issued to refund the 2008 North Gratiot Interceptor bond issue.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

In addition, the MID was approved for \$3,675,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$1,151,535 is anticipated as the City's share of system maintenance costs. No balance is currently drawn on this loan.

### Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation and short-term disability), as well as medical benefits provided to employees.

The City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool program for claims relating to liability and auto and property loss. The program operates as a claim servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for medical benefits and workers' compensation up to a retention amount, at which time the City's reinsurance coverage begins.

#### Property and Liability

Prior to participating in the MMRMA, the City purchased reinsurance through Arthur J. Gallagher and Company, an international insurance brokerage firm.

It is estimated, based on past experience, that \$590,695 will be paid for all claims reported to date and \$323,460 will be paid for claims incurred but not reported. The estimated liability for reported and incurred but not reported claims has been recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2015</u>	<u>2014</u>
Estimated liability - Beginning of year	\$ 706,696	\$ 588,755
Estimated claims incurred, including changes in estimates	1,158,886	657,794
Claim payments	<u>(951,427)</u>	<u>(539,853)</u>
Estimated liability - End of year	<u>\$ 914,155</u>	<u>\$ 706,696</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Risk Management (Continued)

#### Medical Claims and Short-term Disability

As of April 1, 1989, the City became self-insured for Blue Cross/Blue Shield equivalent healthcare coverage. Under the program, the City was liable for claims up to a retention amount of \$250,000 per active and retired employee (including dependents) for the contract year ended June 30, 2015. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$11,070 will be paid for all claims reported to date and \$804,557 will be paid for claims incurred but not reported. This amount and all other transactions with respect to active employee medical and short-term disability claims are reflected in the Self-insurance Internal Service Fund. Retired employee medical claims are reflected in the Retiree Medical Benefits Trust Fund. Changes in the estimated liability for the past two fiscal years are as follows:

	Self-insurance Internal Service Fund	
	2015	2014
Estimated liability - Beginning of year	\$ 437,025	\$ 404,040
Estimated claims incurred, including changes in estimates	3,824,105	4,476,654
Claim payments	<u>(3,848,516)</u>	<u>(4,443,669)</u>
Estimated liability - End of year	<u>\$ 412,614</u>	<u>\$ 437,025</u>
	Retiree Medical Benefits Trust Fund	
	2015	2014
Estimated liability - Beginning of year	\$ 460,827	\$ 478,153
Estimated claims incurred, including changes in estimates	7,030,446	7,056,560
Claim payments	<u>(7,088,260)</u>	<u>(7,073,886)</u>
Estimated liability - End of year	<u>\$ 403,013</u>	<u>\$ 460,827</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 11 - Risk Management (Continued)

#### Workers' Compensation

On July 1, 1992, the City became self-insured for workers' compensation claims. Under the program, the City was liable for the first \$400,000 of any occurrence for the contract year ended June 30, 2015. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2015, it was estimated, based on past experience, that \$161,646 will be paid in total for both claims reported to date and claims incurred but not reported. This estimated liability for claims reported to date has been recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2015	2014
Estimated liability - Beginning of year	\$ 399,463	\$ 260,705
Estimated claims incurred, including changes in estimates	226,759	430,183
Claim payments	<u>(464,576)</u>	<u>(291,425)</u>
Estimated liability - End of year	<u>\$ 161,646</u>	<u>\$ 399,463</u>

### Note 12 - Defined Benefit Pension Plans

The City participates in two retirement plans, the General Employees' Retirement System and the Police and Fire Retirement System (the "Plans"). The financial statements of the Plans are included in these financial statements as Pensions and Other Retirement Benefits trust funds.

#### Accounting and Reporting Principles

The Plans follow accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Pension Plan Description

##### Plan Administration

**General Employees' Retirement System (GERS)** - The General Employees' Pension Board administers the General Employees' Retirement System plan - a single-employer plan - that provides pensions for approximately 36.9 percent of all active permanent full-time general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of five members - two elected by plan members, one appointed by the City, and the City treasurer and finance director, who serve as ex-officio members.

**Police and Fire Retirement System (PFRS)** - The Police and Fire Pension Board administers the Police and Fire Retirement System plan - a single-employer pension plan - that provides pensions for all permanent full-time public safety employees of the City. Benefit terms under Act 345 have been established by contractual agreements between the City and the various employee union representation and amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of five members - two elected by plan members, two appointed by the City, and the City treasurer, who serves as an ex-officio member.

##### Plan Membership

**Employees Covered by Benefit Terms** - At the June 30, 2015 measurement date, the following employees were covered by the benefit terms:

	<u>GERS</u>	<u>PFRS</u>
Inactive plan members or beneficiaries currently receiving benefits	356	374
Inactive plan members entitled to but not yet receiving benefits	20	5
Active plan members	<u>110</u>	<u>186</u>
Total members	<u>486</u>	<u>565</u>

### **Note 12 - Defined Benefit Pension Plans (Continued)**

The General Employees' Retirement System remains closed to new members.

#### **Benefits Provided**

The pension plans provide retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representations and may be amended by the same process.

**General Employees' Retirement System Benefits** - Retirement benefits for general plan members are calculated in a range of 2.0 to 2.3 percent of the member's final best three of the last 10 years' average salary times the member's years of service. Under the point system (age plus years of service), members are eligible under 70, 75, or 80 points. Some members with 10 years of service are eligible to retire at age 60. Members may retire at any age after 30 years of service or at age 55 with 25 years of service.

All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Workers' compensation claims offset benefits. Duty death before benefit eligibility for normal retirement provides 75.0 percent of the member's regular retirement benefit to the spouse with service credited from the date of death to age 60. Non-duty death provides the same as regular retirement but is actuarially reduced with 100.0 percent joint and survivor election. A member who leaves City service may withdraw their employee required contributions, plus any accumulated interest. General plan members are not eligible for annual cost-of-living increases subsequent to their retirement.

**Police and Fire Retirement System Benefits** - Retirement benefits for police and fire plan members are calculated in a range of 2.0 to 2.8 percent of the member's final best three of the last 10 years' average salary times the member's first 25 years of service plus 1.0 percent of average salary times the years of service exceeding 25. The maximum benefit is 75.0 percent of annual final compensation for police members and 70 points for fire members. Eligibility for normal retirement is 25 years of service regardless of age.

### **Note 12 - Defined Benefit Pension Plans (Continued)**

All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire or after 10 years of service for fire members hired after July 1, 1985. Duty disability retirement benefits are determined at 50.0 percent of average salary until service retirement conversion occurs at the earlier of age 55 or the date the member would have had at least 25 years of service. Workers' compensation claims offset benefits with the exception of lump-sum settlements. Non-duty disability prior to age 55 is 1.5 percent of annual final compensation times years of service until attaining age 55. Duty death before benefit eligibility for normal retirement provides a pension which is the greater of the amount paid by workers' compensation or the member's regular retirement benefit actuarially reduced with a 100.0 percent joint and survivor pension. Non-duty death provides the same as regular retirement but is actuarially reduced with 100.0 percent joint and survivor election. A member who leaves City service may withdraw their employee required contributions, plus any accumulated interest. Certain members hired prior to 1994 are eligible to receive annual cost-of-living increases subsequent to their retirement, which is payable annually on January 1 in the range of \$500 - \$800 per applicable member.

#### **Contributions**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Boards retain an independent actuary to determine the annual contributions. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the plan year ended June 30, 2015, the average active member contribution was 8.0 percent of annual pay. The City's average contribution rate was 30.6 percent and 35.7 percent of annual payroll for the General Employees' Retirement System and the Police and Fire Retirement System, respectively.

#### **Deferred Retirement Option Program (DROP)**

The City offered certain police and fire employees the ability to continue services and be paid a salary after they were fully vested; this program credits the employee for benefit payments that would have been paid, and pays them out with interest at 4.0 percent after the employee has fully retired (discontinued providing employee services to the City). At plan year end, June 30, 2015, the Police and Fire Retirement System has accumulated \$24,398,845 in DROP account reserves.

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Pension Plan Investments - Policy and Rate of Return

##### Investment Policy

The pension plans' policies, in regard to the allocation of invested assets, are established and may be amended by the Pension Boards by a majority vote of their members. It is the policy of the Pension Boards to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policies discourage the use of cash equivalents, except for liquidity purposes, and aim to refrain from dramatically shifting asset class allocations over short time spans. The following were the Pension Boards' adopted asset allocation policies as of fiscal year end, June 30, 2015:

Asset Class	Target Allocation %	
	GERS	PFRS
Large capitalization growth equities	11.0	15.0
Large capitalization value equities	11.0	15.0
Large capitalization core equities	10.0	14.0
Small/Middle capitalization equities	15.0	6.0
International equities	17.0	17.0
Fixed income	32.0	30.0
Real estate	4.0	3.0
Total allocation percentages	<u>100.0</u>	<u>100.0</u>

##### Rate of Return

For the fiscal year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.90 percent and 3.40 percent for the General Employees' and Police and Fire Retirement Systems, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Pension Plan Reserves

In accordance with the City Charter and Code of Ordinances, the following reserves are required to be set aside within the pension plans:

The retiree reserves are to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserves are credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in their pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve accounts are used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2015 are as follows:

	GERS		PFRS	
	Required Reserve	Amount Funded	Required Reserve	Amount Funded
Retiree reserve	\$ 101,645,313	\$ 101,645,313	\$ 200,841,578	\$ 188,710,874
Employee reserve	6,169,532	6,169,532	14,647,652	14,647,652
Employer reserve	N/A	6,969,119	N/A	-

#### Net Pension Liability of the City

Effective July 1, 2014, the City adopted GASB Statement No. 68 which requires the measurement of pension expense as it is earned, rather than as it is funded. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date. The components of the net pension liability of the City at June 30, 2015 were as follows:

	GERS	PFRS
Total pension liability	\$ 133,249,881	\$ 350,504,853
Plan fiduciary net position	114,783,962	203,358,526
City's net pension liability	<u>\$ 18,465,919</u>	<u>\$ 147,146,327</u>
Plan fiduciary net position, as a percentage of the total pension liability	86.1%	58.0%

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Defined Benefit Pension Plans (Continued)

Changes in the net pension liability during the year were as follows:

	GERS	PFRS
<b>Total Pension Liability</b>		
Service cost	\$ 1,059,741	\$ 3,745,878
Interest	10,094,749	20,597,428
Difference between expected and actual experience of the total pension liability	1,896,980	5,363,325
Changes of assumptions	-	23,250,473
Benefit payments, including refunds of member contributions	<u>(10,912,153)</u>	<u>(18,772,664)</u>
Net change in total pension liability	2,139,317	34,184,440
Total pension liability - Beginning of year	<u>131,110,564</u>	<u>316,320,413</u>
Total pension liability - End of year	<u>\$ 133,249,881</u>	<u>\$ 350,504,853</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 2,610,080	\$ 7,953,970
Contributions - Members	712,397	1,297,931
Net investment income	3,903,536	9,106,541
Benefit payments, including refunds of member contributions	(10,912,153)	(18,772,663)
Administrative expense	-	(51,574)
Other	<u>-</u>	<u>53,294</u>
Net change in plan fiduciary net position	(3,686,140)	(412,501)
Plan fiduciary net position - Beginning of year	<u>118,470,102</u>	<u>203,771,027</u>
Plan fiduciary net position - End of year	<u>\$ 114,783,962</u>	<u>\$ 203,358,526</u>
City's net pension liability - End of year	<u>\$ 18,465,919</u>	<u>\$ 147,146,327</u>
Plan fiduciary net position as a percent of total pension liability	86.1%	58.0%
Covered employee payroll	\$ 8,903,144	\$ 16,589,288
City's net pension liability as a percent of covered employee payroll	207.4%	887.0%

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Changes of Assumptions

For the Police and Fire Retirement System actuarial valuation dated June 30, 2015, a discount rate of 6.30 percent was used, which is lower than the discount rate used in the actuarial report dated June 30, 2014 (6.67 percent). The valuation also included a change in the mortality table used from the 1994 Uninsured Pension Mortality table to the RP2014 Health Annuitant Mortality table. These changes in actuarial assumptions resulted in an increase in the total pension liability of \$23,250,473 and more accurately reflects future expected rates of return and life expectancy trends.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$19,004,374 and reported deferred outflows of resources related to pensions from the following sources:

	GERS	PFRS
Differences between expected and actual experience	\$ 1,037,256	\$ 3,988,114
Changes of assumptions	-	17,288,813
Net difference between projected and actual earnings on pension plan investments	4,216,388	5,451,503
Total	\$ 5,253,644	\$ 26,728,430

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

Year Ending June 30, 2015	GERS	PFRS	Total
2016	\$ 1,913,820	\$ 8,699,747	\$ 10,613,567
2017	1,231,630	8,699,747	9,931,377
2018	1,054,097	7,966,060	9,020,157
2019	1,054,097	1,362,876	2,416,973

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Actuarial Assumptions

Total pension liabilities were determined by an actuarial valuation as of June 30, 2015. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	GERS	PFRS
Inflation	3.5%	3.0%
Salary increases (average, including inflation)	3.75 - 11.5 %	4.0 - 17.0 %
Investment rate of return (net of pension plan investment expense, including inflation)	8.0%	8.0%

Mortality rates were based on the RP-2000 Healthy Life Mortality Table and the RP2014 Health Annuitant Mortality Table for the General Employees' Retirement System and the Police and Fire Retirement System, respectively.

Actuarial assumptions used in valuations are generally based on the results of periodic actuarial experience studies that encompass a five-year look-back window.

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent for the General Employees' Retirement System. The projection of cash flows used to determine this discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

The actuary for the Police and Fire Retirement System used a blended discount rate of 6.3 percent. Based on these assumptions, the 6.3 percent discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformance with GASB Statement No. 68.

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Projected Cash Flows

Based on those assumptions with regard to the General Employees' Retirement System and the Police and Fire Retirement System, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Based on those assumptions, the Police and Fire Retirement System was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.7 percent. The source of that bond rate was the Standard & Poor's municipal bond 20-year high grade index as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments from year 1 through year 31 and the municipal bond rate was applied to the remaining periods.

The long-term expected rate of return for both pension plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the plan's year end, June 30, 2015, for each major asset class included in the pension plans' target allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return (%)	
	GERS	PFRS
Large capitalization growth equities	7.5	7.5
Large capitalization value equities	7.1	7.1
Large capitalization core equities	7.3	7.3
Small/Middle capitalization equities	8.4	8.4
International equities	8.0	8.0
Fixed income	2.1	2.1
Real estate	6.8	6.8

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Defined Benefit Pension Plans (Continued)

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

For the General Employees' Retirement System, the following presents the net pension liability of the City calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of City	\$ 31,586,244	\$ 18,465,919	\$ 7,260,073

For the Police and Fire Retirement System, the following presents the net pension liability of the City calculated using the discount rate of 6.3 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.3 percent) or 1 percentage point higher (7.3 percent) than the current rate:

	1% Decrease (5.3%)	Current Discount Rate (6.3%)	1% Increase (7.3%)
Net pension liability of City	\$ 187,426,611	\$ 147,146,327	\$ 113,790,976

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 12 - Defined Benefit Pension Plans (Continued)

	General Employees' Retirement System	Police and Fire Retirement System
<b>Statement of Net Position</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 4,091,354	\$ 11,712,959
Investments - At fair value:		
Government securities	12,826,505	25,186,387
Mutual funds	4,387,593	13,108,364
Corporate bonds	9,357,947	12,741,720
Common and preferred stocks	85,362,464	138,284,592
Private real estate	-	7,201,791
Receivables	64,579	359,390
Capital assets - Net	-	1,221
	<u>116,090,442</u>	<u>208,596,424</u>
<b>Liabilities - Accounts payable</b>	<u>1,306,480</u>	<u>5,237,898</u>
<b>Net Position - Held in trust for pensions</b>	<u>\$ 114,783,962</u>	<u>\$ 203,358,526</u>
<b>Statement of Changes in Net Position</b>		
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,777,872	\$ 4,358,752
Net adjustment to fair value of investments	1,830,559	5,926,887
Less investment expenses	<u>(704,895)</u>	<u>(1,230,673)</u>
Net investment income	3,903,536	9,054,966
Contributions:		
Employer	2,610,080	7,953,970
Employee	712,397	1,297,931
Purchase of prior year's service credits	-	53,295
Total additions - Net	7,226,013	18,360,162
<b>Deductions</b>		
Benefit payments	10,287,312	17,626,186
Refunds of contributions	<u>624,841</u>	<u>1,146,477</u>
Total deductions	<u>10,912,153</u>	<u>18,772,663</u>
<b>Change in Net Position</b>	(3,686,140)	(412,501)
<b>Net Position - Beginning of year</b>	<u>118,470,102</u>	<u>203,771,027</u>
<b>Net Position - End of year</b>	<u>\$ 114,783,962</u>	<u>\$ 203,358,526</u>

### Note 13 - Postemployment Benefits

**Plan Description** - The City provides other postemployment benefits (OPEB) to eligible employees and their spouses or beneficiaries through the Sterling Heights Retiree Medical Benefits Trust plan. Health and life insurance benefits are provided to all public safety and general employees. Additionally, public safety employees are provided with dental benefits. At December 31, 2014, the date of the most recent actuary report, the plan has 999 members (including employees in active service and retirees or beneficiaries currently receiving benefits). Of those members, 275 general and 296 police and fire retirees are receiving benefits.

This is a single-employer defined benefit plan administered by the City. The benefits are provided for employees who satisfy applicable service retirement eligibility as contained in collectively bargained labor agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy** - The contribution requirements of plan members and the City are established by collectively bargained labor agreements. For current employees, the City includes pre-Medicare retirees and their spouses or beneficiaries in its healthcare plan.

As of June 30, 2008, labor contracts included a clause that requires new general employees to contribute 50.0 percent of the monthly retiree healthcare coverage premium upon retirement except for the U.A.W. Professional and Technical Employees Union, which requires employees hired after July 1, 2003 to contribute 25.0 percent and for employees hired after July 1, 2008 to contribute 60.0 percent of the monthly retiree premium. All new contracts settled after July 1, 2011 require contributions from retiring plan members. Plan members who retired after this date and are receiving benefits contributed approximately \$16,900 during the fiscal year. General employees hired after June 30, 2012 are not eligible for retiree health benefits.

Firefighters hired after June 30, 2012 and police officers hired after July 1, 2013 are not eligible for retiree health benefits. In addition, police officers currently in the DROP plan (deferred retirement option plan), or those eligible for the EROP plan (early retirement option plan), are required to contribute 5.0 percent of base pay to the City's Retiree Medical Benefits Trust plan.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Postemployment Benefits (Continued)

The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The cost of retiree healthcare benefits is reflected in the Retiree Medical Benefits Fund, which was established during the 1989 fiscal year when the City began to prefund postemployment benefits. During the current year, the contribution made by the General Fund and the Water and Sewer Fund totaled \$12,334,370. Healthcare payments totaled \$7,179,863.

**Funding Progress** - For the year ended June 30, 2015, the City estimated the cost of providing postemployment benefits through an actuarial biennial valuation as of December 31, 2012. The valuation computes an annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. For the fiscal year ended June 30, 2015, the City's annual contribution of \$12,334,370 to the plan was equal to the recommended contribution.

The OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the three most recent years have been presented as follows:

	Fiscal Year Ended		
	2015	2014	2013
Annual OPEB costs (AOC)	\$ 12,334,370	\$ 12,195,350	\$ 11,984,780
Percentage of AOC contributed	100.0%	100.0%	100.0%
Net OPEB obligation	\$ -	\$ -	\$ -

The funding progress of the plan as of the most recent biennial valuation date is as follows:

Valuation as of December 31, 2014:

Actuarial value of assets	\$ 78,902,067
Actuarial value of liability (AAL)	183,380,675
Unfunded AAL (UAAL)	104,478,608
Funded ratio	43.0%
Annual covered payroll	35,567,006
Ratio of UAAL to covered payroll	293.7%

### **Note 13 - Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events into the future. As a result, the amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared to past expectations and new estimates are formulated about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual recommended contribution was determined as part of an actuarial valuation at December 31, 2012 using the individual entry age actuarial cost method. The actuarial assumptions included an 8.0 percent rate of return on investments (net of applicable expenses identified above) which was based on the historical rate of return achieved by the asset mix used within the plan. An annual healthcare cost trend ranging downward from 9.0 percent to 3.5 percent was used in fiscal year 2012, grading to 3.5 percent in fiscal year 2021 and thereafter. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using the market value of the assets at the date of the valuation. The UAAL is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period is 30 years.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Postemployment Benefits (Continued)

	Retiree Medical Benefits
<b>Statement of Net Position</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 3,790,863
Investments - At fair value:	
Government securities	6,533,537
Mutual funds	3,717,837
Corporate bonds	4,394,336
Common and preferred stocks	65,258,106
Receivables	31,056
	<hr/>
Total assets	83,725,735
<b>Liabilities</b>	
Accounts payable	458,382
Accrued and other liabilities	27,100
Due to other governmental units	168,040
Provision for uninsured losses and liabilities	403,013
	<hr/>
Total liabilities	1,056,535
<b>Net Position - Held in trust for other retiree benefits</b>	<b>\$ 82,669,200</b>
	<hr/> <hr/>
<b>Statement of Changes in Net Position</b>	
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 1,692,624
Net adjustment to fair value of investments	2,047,221
Less investment expenses	(528,421)
	<hr/>
Net investment income	3,211,424
Contributions - Employer	12,334,370
Contributions - Employees	54,614
Insurance recovery	4,503
	<hr/>
Total additions	15,604,911
<b>Deductions - Benefit payments</b>	<b>7,100,990</b>
	<hr/>
<b>Net Change in Net Position</b>	<b>8,503,921</b>
<b>Net Position - Beginning of year</b>	<b>74,165,279</b>
	<hr/>
<b>Net Position - End of year</b>	<b>\$ 82,669,200</b>
	<hr/> <hr/>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 14 - Interfund Receivables, Payables, and Transfers

#### Interfund Receivables and Payables Reported in the Fund Statements

The composition of interfund balances in the fund-level financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Roads Fund	\$ 11,732
	CDBG Fund	20,594
	General Improvements Fund	44,132
	Nonmajor governmental funds	<u>148,448</u>
	Total General Fund	224,906
Road Bond Construction Fund	General Fund	10,000
Nonmajor governmental funds	General Fund	<u>16,192</u>
	Total governmental activities	251,098
Proprietary Fund	General Fund	35,934
Self-insurance Fund	General Fund	<u>589,718</u>
	Total	<u>\$ 876,750</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred to fund investment accounts.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 14 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers Reported in the Fund Statements

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Roads Fund	\$ 2,800,000
	General Improvements Fund	4,812,020
	Nonmajor governmental funds	<u>532,415</u>
	Total General Fund	8,144,435
Major Roads Fund	Road Bond Debt Retirement Fund	1,600,000
	Nonmajor governmental funds	<u>750,000</u>
	Total Major Roads Fund	2,350,000
Self-insurance Fund	General Fund	<u>3,100,000</u>
	Total	<u>\$ 13,594,435</u>

The transfer from the General Fund to the Major Roads Fund represents the transfer of unrestricted resources for current road projects; the transfer from the General Fund to the General Improvements Fund represents the transfer of unrestricted resources for sidewalk repair and replacement, equipment purchases, and repairs and improvements to various city buildings; and the transfers from the General Fund to the nonmajor governmental funds represent unrestricted resources for debt service payments and various park improvements.

The transfer from the Major Roads Fund to the Road Bond Debt Retirement Fund represents the movement of resources to be used for debt service; and the transfer from the Major Roads Fund to nonmajor governmental funds represents the sharing of gas and weight tax revenue in accordance with Act 51.

The transfer from the Self-insurance Fund to the General Fund represents the transfer of unrestricted resources for government operations.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2015

### Note 15 - Unrestricted Net Position

The following is a summary of the unrestricted net position of the proprietary fund with management's designation:

<u>Designated for</u>	<u>Enterprise Fund - Water and Sewer</u>
Capital improvement	\$ 2,540,000
Undesignated	<u>7,408,067</u>
Total	<u>\$ 9,948,067</u>

### Note 16 - Defined Contribution Pension Plan

The City provides pension benefits to all new general employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 4.0 percent of employees' base wages, while the employees contribute a minimum of 5.0 percent of gross wages to the employees' individual accounts. The City's contributions to the employees' accounts including investment earnings are fully vested after five years of service. In accordance with these requirements, the City contributed \$187,689 during the current year and employees contributed \$288,533.

### Note 17 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

### **Note 18 - Changes in Accounting**

Effective July 1, 2014, the City implemented the provisions of the following Governmental Accounting Standards Board (GASB) statements:

No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* - This statement improved the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. As a result of implementing this statement, the beginning net position of governmental activities was restated to \$70,075,214 (reduction of \$122,860,322) and the beginning net position of the Water and Sewer Fund was restated to \$144,251,932 (reduction of \$2,329,526).

No. 69, *Government Combinations and Disposals of Government Operations*. This statement improved financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. This statement did not have an impact on the City's financial statements.

No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement addressed the issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement did not have an impact on the City's financial statements.

### **Note 19 - Upcoming Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement will be in effect for the City's 2016 fiscal year. This statement will enhance comparability of financial statements by requiring measurement of certain assets and liabilities at fair value using a consistent and detailed definition of fair value and accepted valuation techniques. This statement will also enhance related disclosures in order to provide information to financial statement users about the impact of fair value measurement on a government's financial position.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement will be in effect for the City's 2016 fiscal year and is not expected to have a significant impact on the City's financial statements.

### **Note 19 - Upcoming Accounting Pronouncements (Continued)**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will be in effect for the City's 2017 fiscal year. This statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why liabilities changed from year to year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be in effect for the City's 2018 fiscal year. This statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The consistency, comparability, and transparency of the information reported by employers and governmental non-employer contributing entities about OPEB transactions will be improved.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will be in effect for the City's 2016 fiscal year. This statement will improve financial reporting by raising the category of GASB Implementation Guides in the GAAP (generally accepted accounting principles) hierarchy; emphasizing the importance of analogies to authoritative literature when the accounting treatment is not specified in authoritative GAAP; and requiring consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature which will improve the usefulness of financial statement information for making decisions and assessing accountability.

### **Note 19 - Upcoming Accounting Pronouncements (Continued)**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will be in effect for the City's 2016 fiscal year. This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact on the government's financial position and economic condition.

## **Required Supplemental Information**

---

# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 5,229,392	\$ 5,229,392	\$ 5,229,392	\$ -
<b>Resources (Inflows)</b>				
Property taxes	38,275,820	38,680,820	38,380,857	(299,963)
Refuse taxes	4,658,430	4,643,430	4,615,657	(27,773)
Police and fire pension taxes	7,953,970	7,953,970	7,905,424	(48,546)
Safe Streets taxes	7,028,680	7,008,680	6,969,239	(39,441)
Licenses and permits	1,772,000	1,812,000	1,800,968	(11,032)
Federal, state, and local returns	11,850,090	12,268,880	11,769,100	(499,780)
Charges for services	9,123,850	9,908,650	10,085,731	177,081
Fines and forfeitures	2,437,000	2,467,140	2,567,229	100,089
Cable revenue	2,300,000	2,400,000	2,533,069	133,069
Other revenue	2,456,480	2,953,520	2,872,473	(81,047)
Transfers from other funds	3,100,000	3,100,000	3,100,000	-
Total resources (inflows)	90,956,320	93,197,090	92,599,747	(597,343)
<b>Charges to Appropriations (Outflows)</b>				
41A District Court	3,081,700	3,115,180	3,087,262	27,918
City administration	6,747,600	6,963,550	6,869,759	93,791
Community relations	933,970	953,350	933,808	19,542
Police department	32,910,140	32,672,630	32,155,734	516,896
Fire department	17,388,440	17,633,220	17,369,435	263,785
Public works department	10,920,690	11,725,670	11,679,007	46,663
Refuse collection	4,684,930	4,759,690	4,744,360	15,330
Community services department	4,244,190	4,224,540	4,189,468	35,072
General expenditures	1,272,970	1,148,460	1,116,137	32,323
Transfers to other funds	6,998,510	8,144,440	8,144,435	5
Total charges to appropriations (outflows)	89,183,140	91,340,730	90,289,405	1,051,325
<b>Fund Balance - End of year</b>	<b><u>\$ 7,002,572</u></b>	<b><u>\$ 7,085,752</u></b>	<b><u>\$ 7,539,734</u></b>	<b><u>\$ 453,982</u></b>

# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Roads Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 3,098,345	\$ 3,098,345	\$ 3,098,345	\$ -
<b>Resources (Inflows)</b>				
Federal sources	40,000	464,100		
State sources	5,760,000	6,379,720	7,458,493	1,078,773
Other	365,000	314,560	342,638	28,078
Transfers in from other funds	2,800,000	2,800,000	2,800,000	-
Total resources (inflows)	8,965,000	9,958,380	10,601,131	1,106,851
<b>Charges to Appropriations (Outflows)</b>				
Public works:				
Administration	115,600	165,600	161,725	3,875
Routine maintenance	1,791,500	2,622,500	2,580,946	41,554
Improvements	5,377,800	5,001,910	4,489,417	512,493
Transfers to other funds	2,350,000	2,350,000	2,350,000	-
Total charges to appropriations (outflows)	9,634,900	10,140,010	9,582,088	557,922
<b>Fund Balance - End of year</b>	<b>\$ 2,428,445</b>	<b>\$ 2,916,715</b>	<b>\$ 4,117,388</b>	<b>\$ 1,200,673</b>

# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Community Development Block Grant Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows) - Federal sources</b>	982,540	1,001,860	909,072	(92,788)
<b>Charges to Appropriations (Outflows)</b>				
Administrative expenses	181,500	168,190	134,625	33,565
Books	6,000	6,000	5,981	19
Senior citizens home chore	20,000	20,000	20,000	-
Single parent education program	10,000	10,000	10,000	-
Minor home repair	45,000	12,120	23,584	(11,464)
Handicapped recreation program	19,000	19,000	19,000	-
Housing rehabilitation program	193,000	72,880	58,279	14,601
Awards to nonprofit organizations	48,800	48,930	48,670	260
Capital improvements	459,240	644,740	588,933	55,807
Total charges to appropriations (outflows)	<u>982,540</u>	<u>1,001,860</u>	<u>909,072</u>	<u>92,788</u>
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Sterling Heights, Michigan

---

## Note to Required Supplemental Information June 30, 2015

### Note - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget by budgetary center for the General Fund, special revenue funds, debt service funds, and capital projects funds, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

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

- Prior to April 1, the City manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to May 10, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.
- The City manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

Budgeted amounts of the revenue and expenditures presented for the General Fund, special revenue, debt service, and capital projects funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund and major special revenue funds are presented as required supplemental information. The budget presented as required supplemental information reflects greater detail than the amended budget adopted.

Encumbrance accounting is employed in all governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

# City of Sterling Heights, Michigan

## Note to Required Supplemental Information June 30, 2015

### Note - Stewardship, Compliance, and Accountability (Continued)

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Community Development Block Grant Fund -		
Minor home repair	<u>\$ 12,120</u>	<u>\$ 23,584</u>

The Community Development Block Grant Fund had an unfavorable variance in the program as follows:

- Minor home repair - This program has funds available that roll from year to year. The use of these funds is based on the timing of the qualification of the recipients. It is not always possible to determine the timing of the use of funds.

# City of Sterling Heights, Michigan

## Required Supplemental Information General Employees' Retirement System Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Two Fiscal Years

	Fiscal Year	
	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 1,059,741	\$ 1,149,820
Interest	10,094,749	10,079,470
Difference between expected and actual experience of the total pension liability	1,896,980	(70,640)
Benefit payments, including refunds of member contributions	<u>(10,912,153)</u>	<u>(10,933,108)</u>
Net change in total pension liability	2,139,317	225,542
Total pension liability - Beginning of year	<u>131,110,564</u>	<u>130,885,022</u>
Total pension liability - End of year	<b><u>\$ 133,249,881</u></b>	<b><u>\$ 131,110,564</u></b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 2,610,080	\$ 2,735,850
Contributions - Members	712,397	711,607
Net investment income	3,903,536	18,570,058
Benefit payments, including refunds of member contributions	<u>(10,912,153)</u>	<u>(10,933,108)</u>
Net change in plan fiduciary net position	(3,686,140)	11,084,407
Plan fiduciary net position - Beginning of year	<u>118,470,102</u>	<u>107,385,695</u>
Plan fiduciary net position - End of year	<b><u>\$ 114,783,962</u></b>	<b><u>\$ 118,470,102</u></b>
City's net pension liability - End of year	<b><u>\$ 18,465,919</u></b>	<b><u>\$ 12,640,462</u></b>
Plan fiduciary net position as a percent of total pension liability	86.1%	90.36%
Covered employee payroll	\$ 8,903,144	\$ 9,187,685
City's net pension liability as a percent of covered employee payroll	207.4%	137.58%

# City of Sterling Heights, Michigan

---

## Required Supplemental Information General Employees' Retirement System Schedule of Investment Returns Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.40%	17.90%

# City of Sterling Heights, Michigan

## Required Supplemental Information General Employees' Retirement System Schedule of City Contributions Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 204,054	\$ 486,906	\$ 1,089,481	\$ 1,790,556	\$ 2,735,453	\$ 2,610,074
Contributions in relation to the actuarially determined contribution	-	-	-	-	204,054	486,906	1,089,481	1,790,556	2,735,453	2,610,074
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 15,251,784	\$ 15,012,036	\$ 15,382,785	\$ 15,406,591	\$ 14,794,008	\$ 15,000,778	\$ 13,709,541	\$ 12,375,670	\$ 10,007,272	\$ 8,903,144
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	1.38%	3.25%	7.95%	14.47%	27.33%	29.32%

### Note to Schedule of City Contributions

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions** - The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of the December 31, 2013 actuarial valuation. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Amortization period (perpetual)	15 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases**	3.75% - 11.5%
**Includes inflation at	3.5%
Cost-of-living adjustments	None
Retirement age	Experienced-based table rates that are specific to type of eligibility
Mortality	RP2000 Male and Female Healthy Life Mortality (unadjusted) tables, adjusted for mortality improvements to 2015 using projection scale AA
Other	Benefit multiplier and employee contribution rates changed for certain members

# City of Sterling Heights, Michigan

## Required Supplemental Information Police and Fire Retirement System Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Two Fiscal Years

	Fiscal Year	
	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 3,745,877	\$ 3,473,840
Interest	20,597,428	21,603,104
Difference between expected and actual experience of the total pension liability	5,363,325	(7,161,354)
Changes of assumptions	23,250,473	-
Benefit payments, including refunds of member contributions	(18,772,663)	(15,016,329)
Net change in total pension liability	34,184,440	2,899,261
Total pension liability - Beginning of year	316,320,413	275,810,040
Total pension liability - End of year	<b>\$ 350,504,853</b>	<b>\$ 278,709,301</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 7,953,970	\$ 8,095,072
Contributions - Members	1,297,931	1,228,122
Net investment income	9,106,541	33,813,713
Benefit payments, including refunds of member contributions	(18,772,663)	(15,016,329)
Administrative expense	(51,574)	(55,738)
Other	53,294	401
Net change in plan fiduciary net position	(412,501)	28,065,241
Plan fiduciary net position - Beginning of year	203,771,027	175,705,786
Plan fiduciary net position - End of year	<b>\$ 203,358,526</b>	<b>\$ 203,771,027</b>
City's net pension liability - End of year	<b>\$ 147,146,327</b>	<b>\$ 74,938,274</b>
Plan fiduciary net position as a percent of total pension liability	58.0%	73.11%
Covered employee payroll	<b>\$ 16,589,288</b>	<b>\$ 15,056,168</b>
City's net pension liability as a percent of covered employee payroll	887.0%	497.72%

# City of Sterling Heights, Michigan

---

## Required Supplemental Information Police and Fire Retirement System Schedule of Investment Returns Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.90%	19.06%

# City of Sterling Heights, Michigan

## Required Supplemental Information Police and Fire Retirement System Schedule of City Contributions Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 2,993,592	\$ 2,646,459	\$ 1,707,910	\$ 2,594,194	\$ 4,925,570	\$ 6,135,053	\$ 7,368,876	\$ 8,815,031	\$ 8,095,472	\$ 7,953,970
Contributions in relation to the actuarially determined contribution	<u>2,993,592</u>	<u>2,646,459</u>	<u>1,707,910</u>	<u>2,594,194</u>	<u>4,925,570</u>	<u>6,135,053</u>	<u>7,368,876</u>	<u>8,815,031</u>	<u>8,095,472</u>	<u>7,953,970</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 19,906,323	\$ 19,787,496	\$ 19,837,496	\$ 20,979,120	\$ 22,064,557	\$ 22,510,638	\$ 22,432,921	\$ 19,213,007	\$ 14,671,724	\$ 14,300,045
Contributions as a percentage of covered-employee payroll	15.04%	13.37%	8.61%	12.37%	22.32%	27.25%	32.85%	45.88%	55.18%	55.62%

### Note to Schedule of City Contributions

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions** - The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of December 31, 2013 actuarial valuation. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Amortization period (perpetual)	25 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases**	17.0% - 4.0%
**Includes inflation at	4.0%
Cost-of-living adjustments	None
Retirement age	Experienced-based table rates that are specific to type of eligibility
Mortality	1994 Uninsured Pension Mortality Table
Other	Benefit multiplier and employee contribution rates changed for certain members

# City of Sterling Heights, Michigan

## Required Supplemental Information Retiree Medical Benefits Trust Schedule of Funding Progress and Employee Contributions June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c) Underfunded/ (Overfunded)
12/31/08	\$ 17,328,970	\$ 160,689,774	\$ 143,360,804	10.8	\$ 46,814,550	306.2
12/31/10	38,675,481	178,487,654	139,812,173	21.7	43,400,000	322.1
12/31/12	52,663,559	181,013,043	128,349,484	29.1	40,887,900	313.9
12/31/14	78,902,067	183,380,675	104,478,608	43.0	35,567,006	293.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
6/30/10	12/31/08	\$ 11,604,200	100.0
6/30/11	12/31/08	12,070,700	100.0
6/30/12	12/31/10	11,523,820	100.0
6/30/13	12/31/10	11,984,780	100.0
6/30/14	12/31/12	12,195,350	100.0
6/30/15	12/31/12	12,334,370	100.0

Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period (perpetual)	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	3.5%
Cost-of-living adjustments	None

## **Other Financial and Supplemental Information**

---

## **Nonmajor Governmental Funds**

---

# City of Sterling Heights, Michigan

	Nonmajor Special Revenue Funds			
	Local Roads	Public Safety Forfeiture	Neighborhood Stabilization Fund	Total Nonmajor Special Revenue Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 894,029	\$ 508,515	\$ -	\$ 1,402,544
Receivables:				
Special assessments:				
Current	34,854	-	-	34,854
Unavailable	120,410	-	-	120,410
Accrued interest	7,801	-	-	7,801
Prepaid costs and other assets	-	-	-	-
Due from other funds	-	9,145	7,047	16,192
Due from other governmental units	330,706	-	-	330,706
Inventories	-	4,197	-	4,197
<b>Total assets</b>	<b>\$ 1,387,800</b>	<b>\$ 521,857</b>	<b>\$ 7,047</b>	<b>\$ 1,916,704</b>
<b>Liabilities</b>				
Accounts payable	\$ 762,146	\$ 6,647	\$ -	\$ 768,793
Accrued and other liabilities	110,019	-	-	110,019
Due to other funds	148,448	-	-	148,448
Unearned revenue	-	-	7,047	7,047
<b>Total liabilities</b>	<b>1,020,613</b>	<b>6,647</b>	<b>7,047</b>	<b>1,034,307</b>
<b>Deferred Inflows of Resources -</b>				
Unavailable revenue	120,410	-	-	120,410
<b>Fund Balances</b>				
Nonspendable - Inventory	-	4,197	-	4,197
Restricted for:				
Road improvements	246,777	-	-	246,777
Public safety	-	511,013	-	511,013
Debt service	-	-	-	-
Committed - Park acquisitions and improvements	-	-	-	-
<b>Total fund balances</b>	<b>246,777</b>	<b>515,210</b>	<b>-</b>	<b>761,987</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,387,800</b>	<b>\$ 521,857</b>	<b>\$ 7,047</b>	<b>\$ 1,916,704</b>

**Other Financial and Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Nonmajor Debt Service Funds					
General Drain	Voted Tax General Obligation	Limited Tax General Obligation	Total Nonmajor Debt Service Funds	Nonmajor Capital Projects - Land and Water Conservation	Total Nonmajor Governmental Funds
\$ 18,388	\$ 10,430	\$ 339	\$ 29,157	\$ 134,982	\$ 1,566,683
-	-	-	-	-	34,854
-	-	-	-	-	120,410
-	-	-	-	-	7,801
-	-	-	-	-	-
-	-	-	-	-	16,192
-	-	-	-	-	330,706
-	-	-	-	-	4,197
<b>\$ 18,388</b>	<b>\$ 10,430</b>	<b>\$ 339</b>	<b>\$ 29,157</b>	<b>\$ 134,982</b>	<b>\$ 2,080,843</b>
\$ 97	\$ 59	\$ -	\$ 156	\$ 48,845	\$ 817,794
7,109	3,691	-	10,800	549	121,368
-	-	-	-	-	148,448
-	-	-	-	-	7,047
7,206	3,750	-	10,956	49,394	1,094,657
-	-	-	-	-	120,410
-	-	-	-	-	4,197
-	-	-	-	-	246,777
-	-	-	-	-	511,013
11,182	6,680	339	18,201	-	18,201
-	-	-	-	85,588	85,588
11,182	6,680	339	18,201	85,588	865,776
<b>\$ 18,388</b>	<b>\$ 10,430</b>	<b>\$ 339</b>	<b>\$ 29,157</b>	<b>\$ 134,982</b>	<b>\$ 2,080,843</b>

# City of Sterling Heights, Michigan

	Nonmajor Special Revenue Funds			
	Local Roads	Public Safety Forfeiture	Neighborhood Stabilization Fund	Total Nonmajor Special Revenue Funds
<b>Revenue</b>				
Property taxes	\$ 3,271,161	\$ -	\$ -	\$ 3,271,161
Federal sources	-	48,324	3,332	51,656
State sources	2,143,496	89,484	-	2,232,980
Investment income	1,586	1,221	-	2,807
Special assessments	51,756	-	-	51,756
Other	41,621	-	-	41,621
<b>Total revenue</b>	<b>5,509,620</b>	<b>139,029</b>	<b>3,332</b>	<b>5,651,981</b>
<b>Expenditures</b>				
Current:				
Public safety	-	227,603	-	227,603
Public works	1,969,314	-	1,178	1,970,492
Other	-	-	-	-
Capital outlay	4,214,287	189,390	2,154	4,405,831
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>6,183,601</b>	<b>416,993</b>	<b>3,332</b>	<b>6,603,926</b>
<b>Excess of Expenditures (Over) Under Revenue</b>	<b>(673,981)</b>	<b>(277,964)</b>	<b>-</b>	<b>(951,945)</b>
<b>Other Financing Sources - Interfund transfers in</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>750,000</b>
<b>Change in Fund Balances</b>	<b>76,019</b>	<b>(277,964)</b>	<b>-</b>	<b>(201,945)</b>
<b>Fund Balances - Beginning of year</b>	<b>170,758</b>	<b>793,174</b>	<b>-</b>	<b>963,932</b>
<b>Fund Balances - End of year</b>	<b>\$ 246,777</b>	<b>\$ 515,210</b>	<b>\$ -</b>	<b>\$ 761,987</b>

**Other Financial and Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

Nonmajor Debt Service Funds						
General Drain	Voted Tax General Obligation	Limited Tax General Obligation	Total Nonmajor Debt Service Funds	Nonmajor Capital Projects - Land and Water Conservation	Total Nonmajor Governmental Funds	
\$ 658,448	\$ 430,566	\$ -	\$ 1,089,014	\$ -	\$ 4,360,175	
-	-	-	-	-	51,656	
-	-	-	-	-	2,232,980	
315	192	-	507	494	3,808	
-	-	-	-	-	51,756	
-	-	-	-	1,280	42,901	
<u>658,763</u>	<u>430,758</u>	<u>-</u>	<u>1,089,521</u>	<u>1,774</u>	<u>6,743,276</u>	
-	-	-	-	-	227,603	
-	-	-	-	-	1,970,492	
1,365	350	225	1,940	-	1,940	
-	-	-	-	664,338	5,070,169	
<u>659,788</u>	<u>430,125</u>	<u>312,450</u>	<u>1,402,363</u>	<u>-</u>	<u>1,402,363</u>	
<u>661,153</u>	<u>430,475</u>	<u>312,675</u>	<u>1,404,303</u>	<u>664,338</u>	<u>8,672,567</u>	
(2,390)	283	(312,675)	(314,782)	(662,564)	(1,929,291)	
-	-	312,675	312,675	219,740	1,282,415	
(2,390)	283	-	(2,107)	(442,824)	(646,876)	
<u>13,572</u>	<u>6,397</u>	<u>339</u>	<u>20,308</u>	<u>528,412</u>	<u>1,512,652</u>	
<u>\$ 11,182</u>	<u>\$ 6,680</u>	<u>\$ 339</u>	<u>\$ 18,201</u>	<u>\$ 85,588</u>	<u>\$ 865,776</u>	

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2015

### Special Revenue Fund - Local Roads

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 170,758	\$ 170,758	\$ 170,758	\$ -
<b>Resources (Inflows)</b>				
Safe Streets taxes	3,272,900	3,282,900	3,271,161	(11,739)
State sources	2,195,000	2,140,000	2,143,496	3,496
Charges for services	52,000	34,000	33,499	(501)
Other	51,790	56,160	61,464	5,304
Transfers from other funds	750,000	750,000	750,000	-
Total resources (inflows)	<u>6,321,690</u>	<u>6,263,060</u>	<u>6,259,620</u>	<u>(3,440)</u>
<b>Charges to Appropriations (Outflows)</b>				
Administration	161,660	130,300	139,500	(9,200)
Local street maintenance	1,491,000	1,732,000	1,829,814	(97,814)
Local street improvements	4,457,000	4,217,160	4,214,287	2,873
Total charges to appropriations (outflows)	<u>6,109,660</u>	<u>6,079,460</u>	<u>6,183,601</u>	<u>(104,141)</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 382,788</b></u>	<u><b>\$ 354,358</b></u>	<u><b>\$ 246,777</b></u>	<u><b>\$ (107,581)</b></u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2015

### Special Revenue Fund - Public Safety Forfeiture Fund

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 793,174	\$ 793,174	\$ 793,174	\$ -
<b>Resources (Inflows)</b>				
Federal forfeitures	-	113,860	48,324	(65,536)
State forfeitures	5,000	56,100	67,164	11,064
Gambling forfeitures	-	1,820	1,820	-
OWI forfeitures	-	9,900	20,500	10,600
Interest income	150	1,140	1,221	81
Total resources (inflows)	5,150	182,820	139,029	(43,791)
<b>Charges to Appropriations (Outflows)</b>				
Federal forfeiture expenditures	189,450	284,560	261,242	23,318
State forfeiture expenditures	134,270	149,370	126,724	22,646
OWI forfeiture expenditures	28,500	30,040	29,027	1,013
Total charges to appropriations (outflows)	352,220	463,970	416,993	46,977
<b>Fund Balance - End of year</b>	<b>\$ 446,104</b>	<b>\$ 512,024</b>	<b>\$ 515,210</b>	<b>\$ 3,186</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2015

### Special Revenue Fund - Neighborhood Stabilization Fund

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows) - Federal sources</b>	-	3,330	3,332	2
<b>Charges to Appropriations (Outflows)</b>				
Acquisition and redevelopment	-	2,150	2,154	(4)
Administration costs	-	1,180	1,178	2
Total charges to appropriations (outflows)	-	3,330	3,332	(2)
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Debt Service Fund - General Drain

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 13,572	\$ 13,572	\$ 13,572	\$ -
<b>Resources (Inflows)</b>				
Property taxes	656,790	657,290	655,758	(1,532)
Delinquents and penalties	3,500	3,500	2,690	(810)
Other revenue	600	400	315	(85)
Total resources (inflows)	660,890	661,190	658,763	(2,427)
<b>Charges to Appropriations (Outflows)</b>				
Other charges	1,100	1,370	1,365	5
Principal	625,000	625,000	625,000	-
Interest	34,790	34,790	34,788	2
Total charges to appropriations (outflows)	660,890	661,160	661,153	7
<b>Fund Balance - End of year</b>	<u>\$ 13,572</u>	<u>\$ 13,602</u>	<u>\$ 11,182</u>	<u>\$ (2,420)</u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2015

### Debt Service Fund - Voted Tax General Obligation

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance</b> - Beginning of year	\$ 6,397	\$ 6,397	\$ 6,397	\$ -
<b>Resources (Inflows)</b>				
Property taxes	428,730	428,730	429,786	1,056
Delinquents and penalties	1,500	1,500	780	(720)
Other revenue	250	250	192	(58)
Total resources (inflows)	430,480	430,480	430,758	278
<b>Charges to Appropriations (Outflows) -</b>				
Proposal F	430,480	430,480	430,475	5
<b>Fund Balance</b> - End of year	<u>\$ 6,397</u>	<u>\$ 6,397</u>	<u>\$ 6,680</u>	<u>\$ 283</u>

### Debt Service Fund - Limited Tax General Obligation

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance</b> - Beginning of year	\$ 339	\$ 339	\$ 339	\$ -
<b>Resources (Inflows)</b> - Transfer from other funds	312,680	312,680	312,675	(5)
<b>Charges to Appropriations (Outflows)</b>				
Other charges	230	230	225	5
Principal	240,000	240,000	240,000	-
Interest	72,450	72,450	72,450	-
Total charges to appropriations (outflows)	312,680	312,680	312,675	5
<b>Fund Balance</b> - End of year	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ -</u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2015

### Capital Projects Fund - Land and Water Conservation Fund

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance</b> - Beginning of year	\$ 528,412	\$ 528,412	\$ 528,412	\$ -
<b>Resources (Inflows)</b>				
State grants	175,000	-	-	-
Other	200	1,800	1,774	(26)
Transfers from other funds	88,000	219,740	219,740	-
Total resources (inflows)	263,200	221,540	221,514	(26)
<b>Charges to Appropriations (Outflows) -</b>				
Land improvements	758,000	679,450	664,338	15,112
<b>Fund Balance</b> - End of year	<u>\$ 33,612</u>	<u>\$ 70,502</u>	<u>\$ 85,588</u>	<u>\$ 15,086</u>

## **Major Funds**

---

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Major Debt Service and Capital Projects Funds Year Ended June 30, 2015

### Debt Service Fund - Road Bond Debt Retirement

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 608,704	\$ 608,704	\$ 608,704	\$ -
<b>Resources (Inflows)</b>				
Federal interest rebates	33,990	33,990	32,717	(1,273)
Special assessments	145,750	145,750	145,749	(1)
Interest income	105,600	105,600	105,439	(161)
Transfers in	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>-</u>
Total resources (inflows)	1,885,340	1,885,340	1,883,905	(1,435)
<b>Charges to Appropriations (Outflows)</b>				
Other	1,650	1,650	1,375	275
Principal	1,480,000	1,480,000	1,480,000	-
Interest	<u>366,200</u>	<u>366,200</u>	<u>366,200</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>1,847,850</u>	<u>1,847,850</u>	<u>1,847,575</u>	<u>275</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 646,194</b></u>	<u><b>\$ 646,194</b></u>	<u><b>\$ 645,034</b></u>	<u><b>\$ (1,160)</b></u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Major Debt Service and Capital Projects Funds (Continued) Year Ended June 30, 2015

### Capital Projects Fund - General Improvements

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 657,869	\$ 657,869	\$ 657,869	-
<b>Resources (Inflows)</b>				
Federal, state, and local sources	12,000	87,930	89,443	1,513
Other revenue	288,120	169,120	106,378	(62,742)
Proceeds from capital financing	-	-	198,633	198,633
Transfer from other funds	3,497,830	4,812,020	4,812,020	-
Total resources (inflows)	3,797,950	5,069,070	5,206,474	137,404
<b>Charges to Appropriations (Outflows)</b>				
Capital equipment	996,330	1,289,640	1,450,655	(161,015)
Capital vehicles	1,110,500	1,202,310	1,174,823	27,487
Capital projects	2,013,000	2,823,290	1,608,438	1,214,852
Total charges to appropriations (outflows)	4,119,830	5,315,240	4,233,916	1,081,324
<b>Fund Balance - End of year</b>	<b>\$ 335,989</b>	<b>\$ 411,699</b>	<b>\$ 1,630,427</b>	<b>\$ 1,218,728</b>

### Capital Projects Fund - Road Bond Construction

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 71,923	\$ 71,923	\$ 71,923	-
<b>Resources (Inflows)</b>				
Other revenue	-	70	69	(1)
Sale of capital assets	160,000	130,070	-	(130,070)
Total resources (inflows)	160,000	130,140	69	(130,071)
<b>Fund Balance - End of year</b>	<b>\$ 231,923</b>	<b>\$ 202,063</b>	<b>\$ 71,992</b>	<b>\$ (130,071)</b>

## **Fiduciary and Agency Funds**

---

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Fiduciary Net Position Trust Funds June 30, 2015

	Trust Funds			
	Pension and Other Retirement Benefits Funds			
	General			
	Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 4,091,354	\$ 11,712,959	\$ 3,790,863	\$ 19,595,176
Investments - At fair value:				
Government securities	12,826,505	25,186,387	6,533,537	44,546,429
Mutual funds	4,387,593	13,108,364	3,717,837	21,213,794
Corporate bonds	9,357,947	12,741,720	4,394,336	26,494,003
Common and preferred stocks	85,362,464	138,284,592	65,258,106	288,905,162
Private real estate	-	7,201,791	-	7,201,791
Receivables from investment sales	64,579	359,390	31,056	455,025
Capital assets - Net	-	1,221	-	1,221
Total assets	116,090,442	208,596,424	83,725,735	408,412,601
<b>Liabilities</b>				
Accounts payable	1,306,480	5,237,898	458,382	7,002,760
Accrued and other liabilities	-	-	27,100	27,100
Due to other governmental units	-	-	168,040	168,040
Provision for uninsured losses and liabilities	-	-	403,013	403,013
Total liabilities	1,306,480	5,237,898	1,056,535	7,600,913
<b>Net Position</b> - Held in trust for pension and other retiree benefits	<b><u>\$ 114,783,962</u></b>	<b><u>\$ 203,358,526</u></b>	<b><u>\$ 82,669,200</u></b>	<b><u>\$ 400,811,688</u></b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Fiduciary Net Position Trust Funds Year Ended June 30, 2015

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 2,777,872	\$ 4,358,752	\$ 1,692,624	\$ 8,829,248
Net adjustment to fair value of investments	1,830,559	5,926,887	2,047,221	9,804,667
Less investment expenses	<u>(704,895)</u>	<u>(1,230,673)</u>	<u>(528,421)</u>	<u>(2,463,989)</u>
Net investment income	3,903,536	9,054,966	3,211,424	16,169,926
Contributions:				
Employer	2,610,080	7,953,970	12,334,370	22,898,420
Employee	712,397	1,297,931	54,614	2,064,942
Purchase of prior year's service credits	-	53,295	-	53,295
Insurance recovery	<u>-</u>	<u>-</u>	<u>4,503</u>	<u>4,503</u>
Total additions - Net	7,226,013	18,360,162	15,604,911	41,191,086
<b>Deductions</b>				
Benefit payments	10,287,312	17,626,186	7,100,990	35,014,488
Withdrawals and refunds of contributions	<u>624,841</u>	<u>1,146,477</u>	<u>-</u>	<u>1,771,318</u>
Total deductions	<u>10,912,153</u>	<u>18,772,663</u>	<u>7,100,990</u>	<u>36,785,806</u>
<b>Net Change in Net Position</b>	(3,686,140)	(412,501)	8,503,921	4,405,280
<b>Net Position - Beginning of year</b>	<u>118,470,102</u>	<u>203,771,027</u>	<u>74,165,279</u>	<u>396,406,408</u>
<b>Net Position - End of year</b>	<u><b>\$ 114,783,962</b></u>	<u><b>\$ 203,358,526</b></u>	<u><b>\$ 82,669,200</b></u>	<u><b>\$ 400,811,688</b></u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2015

	Agency Funds		
	Tax	General Agency	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,797	\$ 3,315,677	\$ 3,326,474
Investments - At fair value - Short-term investment funds	-	245,265	245,265
Total assets	<b>\$ 10,797</b>	<b>\$ 3,560,942</b>	<b>\$ 3,571,739</b>
<b>Liabilities</b>			
Accrued and other liabilities	\$ -	\$ 1,294,577	\$ 1,294,577
Due to other governmental units	10,797	11,341	22,138
Cash bonds and deposits	-	2,255,024	2,255,024
Total liabilities	<b>\$ 10,797</b>	<b>\$ 3,560,942</b>	<b>\$ 3,571,739</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<b><u>Tax Collection</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 11,216</b>	<b>\$ 161,206,395</b>	<b>\$ 161,206,814</b>	<b>\$ 10,797</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ -	\$ 596,598	\$ 596,598	\$ -
Due to other governmental units	11,216	174,462,320	174,462,739	10,797
Total liabilities	<b>\$ 11,216</b>	<b>\$ 175,058,918</b>	<b>\$ 175,059,337</b>	<b>\$ 10,797</b>
<b><u>General Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,087,571	\$ 15,475,641	\$ 14,247,535	\$ 3,315,677
Investments - At fair value	876,948	12,332,834	12,964,517	245,265
Total assets	<b>\$ 2,964,519</b>	<b>\$ 27,808,475</b>	<b>\$ 27,212,052</b>	<b>\$ 3,560,942</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 1,022,652	\$ 418,309	\$ 146,384	\$ 1,294,577
Due to other governmental units	9,000	8,136	5,795	11,341
Cash and bond deposits	1,932,867	1,789,822	1,467,665	2,255,024
Total liabilities	<b>\$ 2,964,519</b>	<b>\$ 2,216,267</b>	<b>\$ 1,619,844</b>	<b>\$ 3,560,942</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,098,787	\$ 176,682,036	\$ 175,454,349	\$ 3,326,474
Investments - At fair value	876,948	12,332,834	12,964,517	245,265
Total assets	<b>\$ 2,975,735</b>	<b>\$ 189,014,870</b>	<b>\$ 188,418,866</b>	<b>\$ 3,571,739</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 1,022,652	\$ 1,014,907	\$ 742,982	\$ 1,294,577
Due to other governmental units	20,216	174,470,456	174,468,534	22,138
Cash and bond deposits	1,932,867	1,789,822	1,467,665	2,255,024
Total liabilities	<b>\$ 2,975,735</b>	<b>\$ 177,275,185</b>	<b>\$ 176,679,181</b>	<b>\$ 3,571,739</b>

# City of Sterling Heights, Michigan

## Statistical Information and Continuing Disclosure Contents

### STATISTICAL INFORMATION

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Net Position by Component	125
Changes in Net Position	126-127
Fund Balances of Governmental Funds	128
Changes in Fund Balances of Governmental Funds	129-130*
General Governmental Tax Revenue by Source	131

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Property Tax Levies and Collections	132*
Property Tax Rates - Direct and Overlapping Governments	133-134*
Assessed Taxable Values (History of Property Values)	135-136*
Principal Property Taxpayers (Major Taxpayers)	137*

#### **Debt Capacity**

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 additional debt in the future.

Ratios of Net General Bonded Debt Outstanding	138
Ratios of Outstanding Debt by Type	139
Direct and Overlapping Governmental Activities Debt	140*
Legal Debt Margin	141*
Legal Debt Margin Information	142
Pledged Revenue Coverage	143

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics	144
Miscellaneous Demographics	145
Principal Employers (Major Employers)	146*

\* Indicates schedules included in statistical information that fulfill continuing disclosure requirements.

# City of Sterling Heights, Michigan

## Statistical Information and Continuing Disclosure Contents (Continued)

### STATISTICAL INFORMATION (CONTINUED)

#### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Operating Indicators by Function	147-148
Capital Asset Statistics by Function	149
Building Permits at Market Value	150
Full-time Equivalent City Government Employees by Function	151

### CONTINUING DISCLOSURE

152

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

State-shared Revenue	153
Gas and Weight Taxes	153
Labor Agreements	154

## **Statistical Information**

---

# City of Sterling Heights, Michigan

## Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (1)
<b>Governmental activities:</b>										
Invested in capital assets -										
Net of related debt	\$ 171,697,125	\$ 175,544,446	\$ 175,084,518	\$ 173,670,878	\$ 169,230,936	\$ 166,882,162	\$ 163,744,453	\$ 159,678,093	\$ 159,604,551	\$ 166,305,991
Restricted	13,956,025	6,601,883	12,015,678	10,040,331	9,733,081	9,413,052	10,876,504	11,385,681	9,040,309	9,687,600
Unrestricted	7,320,525	20,524,819	19,437,952	19,880,753	34,565,371	31,667,843	27,712,790	26,650,520	24,290,676	(107,150,997)
<b>Total governmental activities -</b>										
Net position	<b>\$ 192,973,675</b>	<b>\$ 202,671,148</b>	<b>\$ 206,538,148</b>	<b>\$ 203,591,962</b>	<b>\$ 213,529,388</b>	<b>\$ 207,963,057</b>	<b>\$ 202,333,747</b>	<b>\$ 197,714,294</b>	<b>\$ 192,935,536</b>	<b>\$ 68,842,594</b>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 139,088,895	\$ 137,413,059	\$ 135,723,619	\$ 133,050,974	\$ 130,990,910	\$ 128,950,328	\$ 127,122,039	\$ 125,395,977	\$ 122,324,204	\$ 118,109,220
Restricted	7,050,855	7,418,300	7,522,330	7,605,803	8,308,749	8,369,375	9,424,998	9,596,925	9,368,833	10,521,601
Unrestricted	28,265,921	29,163,010	29,337,877	26,385,878	25,732,829	24,334,830	22,170,126	20,362,360	14,888,421	9,948,067
<b>Total business-type activities -</b>										
Net position	<b>\$ 174,405,671</b>	<b>\$ 173,994,369</b>	<b>\$ 172,583,826</b>	<b>\$ 167,042,655</b>	<b>\$ 165,032,488</b>	<b>\$ 161,654,533</b>	<b>\$ 158,717,163</b>	<b>\$ 155,355,262</b>	<b>\$ 146,581,458</b>	<b>\$ 138,578,888</b>
<b>Primary government:</b>										
Net investment in capital assets	\$ 310,786,020	\$ 312,957,505	\$ 310,808,137	\$ 306,721,852	\$ 300,221,846	\$ 295,832,490	\$ 290,866,492	\$ 285,074,070	\$ 281,928,755	\$ 284,415,211
Restricted	21,006,880	14,020,183	19,538,008	17,646,134	18,041,830	17,782,427	20,301,502	20,982,606	18,409,142	20,209,201
Unrestricted	35,586,446	49,687,829	48,775,829	46,266,631	60,298,200	56,002,673	49,902,461	47,012,880	39,179,097	(97,202,930)
<b>Total primary government -</b>										
Net position	<b>\$ 367,379,346</b>	<b>\$ 376,665,517</b>	<b>\$ 379,121,974</b>	<b>\$ 370,634,617</b>	<b>\$ 378,561,876</b>	<b>\$ 369,617,590</b>	<b>\$ 361,070,455</b>	<b>\$ 353,069,556</b>	<b>\$ 339,516,994</b>	<b>\$ 207,421,482</b>

(1) - GASB No. 68 was implemented with the fiscal year ended June 30, 2015

# City of Sterling Heights, Michigan

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 8,760,970	\$ 10,348,927	\$ 11,017,399	\$ 8,877,803
41A District Court	2,864,422	2,992,184	3,164,448	3,251,224
Public safety	41,327,439	43,995,464	48,044,223	49,201,944
Public works	24,181,418	22,603,155	24,083,515	24,904,207
Recreation and culture	5,989,344	5,890,651	6,322,163	6,112,129
Interest on long-term debt	2,463,042	1,922,125	1,921,428	1,956,286
Total governmental activities expenses	85,586,635	87,752,506	94,553,176	94,303,593
Business-type activities - Water and sewer	28,106,435	30,290,386	32,784,120	32,292,608
Total primary government expenses	<u>\$ 113,693,070</u>	<u>\$ 118,042,892</u>	<u>\$ 127,337,296</u>	<u>\$ 126,596,201</u>
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,829,127	\$ 2,022,680	\$ 2,216,008	\$ 2,229,296
41A District Court	2,424,477	2,185,724	2,351,225	2,426,813
Public safety	1,394,981	1,326,061	1,984,318	1,571,100
Public works	6,813,150	8,125,228	6,363,346	2,869,634
Recreation and culture	583,627	563,152	629,818	733,598
Operating grants and contributions	9,184,599	9,148,913	8,525,230	8,957,951
Capital grants and contributions	2,751,871	2,638,714	3,173,757	478,767
Total governmental activities program revenue	24,981,832	26,010,472	25,243,702	19,267,159
Business-type activities - Water and sewer:				
Charges for services	24,944,170	25,404,755	27,456,965	24,495,066
Operating grants and contributions	-	-	-	-
Capital grants and contributions	8,364,981	2,662,317	2,461,289	867,991
Total business-type activities program revenue	33,309,151	28,067,072	29,918,254	25,363,057
Total primary government program revenue	<u>\$ 58,290,983</u>	<u>\$ 54,077,544</u>	<u>\$ 55,161,956</u>	<u>\$ 44,630,216</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (60,604,803)	\$ (61,742,034)	\$ (69,309,474)	\$ (75,036,434)
Business-type activities	5,202,716	(2,223,314)	(2,865,866)	(6,929,551)
Total primary government net expense	<u>\$ (55,402,087)</u>	<u>\$ (63,965,348)</u>	<u>\$ (72,175,340)</u>	<u>\$ (81,965,985)</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 52,574,000	\$ 55,624,617	\$ 58,331,682	\$ 57,875,942
State-shared revenue	11,003,347	10,675,667	10,675,667	10,183,758
Investment income	2,034,936	3,383,824	3,075,919	2,278,601
Gain on disposal of capital assets	256,994	227,321	-	-
Insurance proceeds	18,763,736	-	-	-
Other nonprogram revenue	1,371,831	1,527,988	1,093,203	1,751,947
Total governmental activities expenses	86,004,844	71,439,417	73,176,471	72,090,248
Business-type activities - Investment income	1,150,182	1,812,012	1,455,323	1,388,380
Total primary government	<u>\$ 87,155,026</u>	<u>\$ 73,251,429</u>	<u>\$ 74,631,794</u>	<u>\$ 73,478,628</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 25,400,041	\$ 9,697,383	\$ 3,866,997	\$ (2,946,186)
Business-type activities	6,352,898	(411,302)	(1,410,543)	(5,541,171)
Total primary government	<u>\$ 31,752,939</u>	<u>\$ 9,286,081</u>	<u>\$ 2,456,454</u>	<u>\$ (8,487,357)</u>

## Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

		Fiscal Year									
		2010	2011	2012	2013	2014	2015				
\$	8,804,497	\$	8,011,940	\$	6,543,937	\$	5,918,474	\$	5,467,242	\$	6,200,880
	3,470,065		3,523,447		3,379,925		3,334,854		3,288,275		3,351,422
	52,695,852		53,740,479		54,994,001		51,345,058		52,851,304		61,063,426
	25,269,096		26,062,500		23,959,824		22,852,033		24,439,731		24,385,159
	5,695,827		5,617,090		5,291,332		4,891,039		4,640,609		4,892,593
	1,086,571		1,192,797		1,081,347		1,099,714		718,646		603,500
	<u>97,021,908</u>		<u>98,148,253</u>		<u>95,250,366</u>		<u>89,441,172</u>		<u>91,405,807</u>		<u>100,496,980</u>
	<u>30,901,624</u>		<u>33,562,610</u>		<u>37,438,961</u>		<u>38,788,850</u>		<u>41,790,235</u>		<u>44,886,232</u>
<b>\$</b>	<b><u>127,923,532</u></b>	<b>\$</b>	<b><u>131,710,863</u></b>	<b>\$</b>	<b><u>132,689,327</u></b>	<b>\$</b>	<b><u>128,230,022</u></b>	<b>\$</b>	<b><u>133,196,042</u></b>	<b>\$</b>	<b><u>145,383,212</u></b>
\$	3,020,737	\$	2,906,715	\$	3,513,053	\$	3,634,419	\$	3,272,341	\$	3,760,720
	2,985,409		2,888,076		2,570,621		2,336,662		2,227,523		2,368,667
	1,629,846		1,695,612		1,519,175		1,558,701		1,445,007		1,562,339
	2,545,211		2,295,345		3,563,445		2,533,213		2,768,235		2,936,122
	948,463		982,981		807,387		677,068		724,114		760,007
	9,676,314		9,091,234		8,565,267		5,136,968		2,747,213		3,566,906
	1,090,732		1,809,917		2,546,378		4,547,019		8,552,754		8,129,304
	<u>21,896,712</u>		<u>21,669,880</u>		<u>23,085,326</u>		<u>20,424,050</u>		<u>21,737,187</u>		<u>23,084,065</u>
	<u>25,057,683</u>		<u>28,222,756</u>		<u>31,028,424</u>		<u>35,282,896</u>		<u>32,097,323</u>		<u>36,020,248</u>
	-		-		-		-		-		602,738
	2,912,917		1,459,851		2,721,482		601,903		338,004		1,954,700
	<u>27,970,600</u>		<u>29,682,607</u>		<u>33,749,906</u>		<u>35,884,799</u>		<u>32,435,327</u>		<u>38,577,686</u>
<b>\$</b>	<b><u>49,867,312</u></b>	<b>\$</b>	<b><u>51,352,487</u></b>	<b>\$</b>	<b><u>56,835,232</u></b>	<b>\$</b>	<b><u>56,308,849</u></b>	<b>\$</b>	<b><u>54,172,514</u></b>	<b>\$</b>	<b><u>61,661,751</u></b>
\$	(75,125,196)	\$	(76,478,373)	\$	(72,165,040)	\$	(69,017,122)	\$	(69,668,620)	\$	(77,412,915)
	(2,931,024)		(3,880,003)		(3,689,055)		(2,904,051)		(9,354,908)		(6,308,546)
<b>\$</b>	<b><u>(78,056,220)</u></b>	<b>\$</b>	<b><u>(80,358,376)</u></b>	<b>\$</b>	<b><u>(75,854,095)</u></b>	<b>\$</b>	<b><u>(71,921,173)</u></b>	<b>\$</b>	<b><u>(79,023,528)</u></b>	<b>\$</b>	<b><u>(83,721,461)</u></b>
\$	56,801,307	\$	59,196,747	\$	53,247,883	\$	51,643,869	\$	51,344,025	\$	62,231,352
	9,057,434		9,057,434		10,094,387		10,342,983		10,606,230		10,785,806
	1,098,458		707,426		1,159,709		118,280		596,654		630,068
	-		-		-		-		-		-
	16,318,640		-		-		-		-		-
	1,786,782		1,950,435		2,033,751		2,292,537		2,342,953		2,533,069
	<u>85,062,621</u>		<u>70,912,042</u>		<u>66,535,730</u>		<u>64,397,669</u>		<u>64,889,862</u>		<u>76,180,295</u>
	<u>920,857</u>		<u>502,048</u>		<u>751,685</u>		<u>(457,850)</u>		<u>581,104</u>		<u>635,502</u>
<b>\$</b>	<b><u>85,983,478</u></b>	<b>\$</b>	<b><u>71,414,090</u></b>	<b>\$</b>	<b><u>67,287,415</u></b>	<b>\$</b>	<b><u>63,939,819</u></b>	<b>\$</b>	<b><u>65,470,966</u></b>	<b>\$</b>	<b><u>76,815,797</u></b>
\$	9,937,425	\$	(5,566,331)	\$	(5,629,310)	\$	(4,619,453)	\$	(4,778,758)	\$	(1,232,620)
	(2,010,167)		(3,377,955)		(2,937,370)		(3,361,901)		(8,773,804)		(5,673,044)
<b>\$</b>	<b><u>7,927,258</u></b>	<b>\$</b>	<b><u>(8,944,286)</u></b>	<b>\$</b>	<b><u>(8,566,680)</u></b>	<b>\$</b>	<b><u>(7,981,354)</u></b>	<b>\$</b>	<b><u>(13,552,562)</u></b>	<b>\$</b>	<b><u>(6,905,664)</u></b>

# City of Sterling Heights, Michigan

## Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015
<b>General Fund:</b>										
Reserved	\$ 662,581	\$ 679,962	\$ 643,564	\$ 767,986	\$ 1,005,948	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,387,663	15,037,933	14,649,346	14,439,075	11,522,975	-	-	-	-	-
Nonspendable	-	-	-	-	-	861,449	823,640	821,876	538,644	580,872
Assigned	-	-	-	-	-	5,500,280	973,137	691,319	3,668,787	4,457,140
Unassigned	-	-	-	-	-	4,629,487	3,451,703	3,735,285	1,021,961	2,501,722
<b>Total General Fund</b>	<b>\$ 15,050,244</b>	<b>\$ 15,717,895</b>	<b>\$ 15,292,910</b>	<b>\$ 15,207,061</b>	<b>\$ 12,528,923</b>	<b>\$ 10,991,216</b>	<b>\$ 5,248,480</b>	<b>\$ 5,248,480</b>	<b>\$ 5,229,392</b>	<b>\$ 7,539,734</b>
<b>All other governmental funds:</b>										
Reserved	\$ 1,536,063	\$ 534,266	\$ 5,321,181	\$ 468,719	\$ 596,419	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,547,940	5,810,853	6,950,614	4,665,274	5,168,942	-	-	-	-	-
Debt service funds	284,417	118,705	92,441	488,981	379,377	-	-	-	-	-
Capital projects funds	3,756,197	2,662,224	2,011,345	2,720,603	3,021,463	-	-	-	-	-
Nonspendable	-	-	-	-	-	463,096	219,826	175,383	24,079	222,835
Restricted	-	-	-	-	-	4,730,650	6,366,964	7,014,780	4,739,133	5,391,767
Committed	-	-	-	-	-	733,573	623,578	605,390	528,412	85,588
Assigned	-	-	-	-	-	2,113,709	1,181,275	1,012,786	657,869	1,630,427
<b>Total all other governmental funds</b>	<b>\$ 8,124,617</b>	<b>\$ 9,126,048</b>	<b>\$ 14,375,581</b>	<b>\$ 8,343,577</b>	<b>\$ 9,166,201</b>	<b>\$ 8,041,028</b>	<b>\$ 8,391,643</b>	<b>\$ 8,808,339</b>	<b>\$ 5,949,493</b>	<b>\$ 7,330,617</b>

(1) GASB No. 54 was implemented with the fiscal year ended June 30, 2011.

# City of Sterling Heights, Michigan

	2006	2007	2008	2009
<b>Revenue</b>				
Property taxes	\$ 52,574,000	\$ 55,624,617	\$ 58,331,682	\$ 57,875,942
Fees and permits	1,986,333	1,784,156	1,352,594	960,683
Federal sources	3,198,148	2,755,145	1,001,641	1,419,052
State and local sources	19,721,028	19,894,287	18,939,977	18,505,491
Fines and forfeitures	2,890,745	2,563,520	2,755,701	2,836,556
Charges for services	7,795,120	8,038,601	7,988,183	7,896,549
Investment income	1,788,092	2,511,234	2,316,653	1,580,754
Special assessments	28,017	130,082	92,745	243,123
Rental income	1,357,037	1,443,651	1,727,929	1,798,484
Cable revenue	1,371,831	1,527,988	1,671,094	1,771,978
Reimbursement of advance road construction	-	-	2,440,414	-
Other	1,731,700	1,511,396	1,755,645	2,007,807
<b>Total revenue</b>	<b>94,442,051</b>	<b>97,784,677</b>	<b>100,374,258</b>	<b>96,896,419</b>
<b>Expenditures</b>				
Current:				
General government	10,109,764	10,562,158	11,244,018	9,534,712
41A District Court	2,660,587	2,847,111	2,974,001	3,150,155
Public safety	39,440,275	41,610,977	44,435,670	46,327,145
Public works	18,545,503	18,734,562	20,134,496	21,273,705
Recreation and culture	4,868,429	5,180,497	5,358,825	5,321,281
General expenditures	3,555,955	3,791,084	2,945,761	2,793,240
Capital outlay	10,576,821	14,756,585	7,402,019	13,212,947
Debt service:				
Principal	5,030,000	14,000,000	5,685,000	5,730,000
Interest	2,479,375	2,336,756	1,938,403	1,987,533
<b>Total expenditures</b>	<b>97,266,709</b>	<b>113,819,730</b>	<b>102,118,193</b>	<b>109,330,718</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(2,824,658)</b>	<b>(16,035,053)</b>	<b>(1,743,935)</b>	<b>(12,434,299)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term financing	-	7,900,000	5,000,000	3,260,000
Proceeds from sale of fixed assets	550,074	-	-	149,466
Bond premium	-	26,815	50,143	-
Net payments to refunded bond escrow agent and bond issuance costs	-	-	-	-
Transfers in	9,931,683	18,458,535	9,716,170	11,319,369
Transfers out	(8,071,683)	(8,681,215)	(8,197,830)	(8,412,389)
<b>Total other financing sources</b>	<b>2,410,074</b>	<b>17,704,135</b>	<b>6,568,483</b>	<b>6,316,446</b>
<b>Net Change in Fund Balances</b>	<b>\$ (414,584)</b>	<b>\$ 1,669,082</b>	<b>\$ 4,824,548</b>	<b>\$ (6,117,853)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>8.66%</b>	<b>16.49%</b>	<b>8.06%</b>	<b>8.05%</b>

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

2010	2011	2012	2013	2014	2015
\$ 56,801,306	\$ 59,045,208	\$ 53,149,713	\$ 51,665,928	\$ 51,344,025	\$ 62,231,352
1,194,707	1,438,197	2,271,967	1,789,803	1,735,413	1,800,968
2,789,569	3,085,016	2,661,338	1,126,423	1,921,050	1,456,596
17,114,177	17,184,734	18,065,838	18,825,672	19,920,337	21,054,148
3,618,574	3,353,875	2,770,160	2,489,252	2,326,870	2,567,229
8,598,054	8,583,882	8,443,205	8,306,458	9,048,012	10,085,731
582,435	308,422	672,239	58,534	257,632	247,437
215,118	203,298	254,977	206,501	314,871	212,828
1,429,222	1,685,041	1,508,954	1,536,939	1,951,540	1,829,381
1,799,495	1,950,435	2,033,751	2,292,537	2,342,953	2,533,069
-	-	-	-	-	-
1,898,739	1,526,205	2,044,415	1,700,076	1,619,427	1,414,282
96,041,396	98,364,313	93,876,557	89,998,123	92,782,130	105,433,021
9,000,797	8,613,941	8,571,928	7,700,466	7,175,604	7,803,567
3,221,815	3,246,811	3,252,852	3,258,362	3,078,766	3,087,262
49,130,527	50,929,421	52,297,573	48,644,125	48,807,450	49,752,772
20,321,669	21,034,821	18,680,870	18,062,177	20,790,973	21,450,688
4,747,596	4,603,108	4,489,169	4,339,952	4,002,476	4,189,468
2,814,058	2,540,873	2,766,125	2,294,184	2,171,473	1,119,452
4,694,663	4,867,162	4,275,883	3,115,621	7,026,982	14,388,416
15,235,000	3,970,000	3,940,000	3,895,000	3,235,000	2,620,000
1,628,030	1,221,055	1,098,474	1,114,056	744,170	628,563
110,794,155	101,027,192	99,372,874	92,423,943	97,032,894	105,040,188
(14,752,759)	(2,662,879)	(5,496,317)	(2,425,820)	(4,250,764)	392,833
3,810,000	-	3,780,000	3,275,000	-	198,633
115,724	-	-	-	-	-
33,935	-	274,196	9,311	-	-
(2,200,000)	-	(3,950,000)	(3,100,000)	-	-
16,194,395	3,953,940	3,526,740	6,158,405	5,639,290	13,594,435
(5,056,810)	(3,953,940)	(3,526,740)	(3,500,200)	(4,266,460)	(10,494,435)
12,897,244	-	104,196	2,842,516	1,372,830	3,298,633
<b>\$ (1,855,515)</b>	<b>\$ (2,662,879)</b>	<b>\$ (5,392,121)</b>	<b>\$ 416,696</b>	<b>\$ (2,877,934)</b>	<b>\$ 3,691,466</b>
<b>15.91%</b>	<b>5.41%</b>	<b>5.31%</b>	<b>5.63%</b>	<b>4.44%</b>	<b>3.60%</b>

# City of Sterling Heights, Michigan

## General Government Tax Revenue by Source Last Ten Fiscal Years

Fiscal Year Ended June 30	General Fund Property Taxes					Local Roads Property Taxes	Debt Service Funds Property Taxes			Total All Property Taxes
	Operating	Refuse	Police and Fire Retirement System	Safe Streets	Total	Safe Streets	General Drain	Voted Tax General Obligation	Total	
2006	\$ 43,370,304	\$ 4,070,410	\$ 2,993,592	\$ -	\$ 50,434,306	\$ -	\$ 1,202,642	\$ 937,052	\$ 2,139,694	\$ 52,574,000
2007	46,585,168	4,205,469	2,646,459	-	53,437,096	-	1,214,130	973,391	2,187,521	55,624,617
2008	50,198,476	4,359,680	1,707,910	-	56,266,066	-	1,089,261	976,355	2,065,616	58,331,682
2009	49,275,429	4,476,793	2,594,194	-	56,346,416	-	1,169,602	359,924	1,529,526	57,875,942
2010	45,954,154	4,561,110	4,925,570	-	55,440,834	-	1,178,018	182,454	1,360,472	56,801,306
2011	47,431,652	4,377,125	5,753,668	-	57,562,445	-	1,164,592	318,171	1,482,763	59,045,208
2012	40,120,585	4,376,626	7,157,201	-	51,654,412	-	1,150,140	345,161	1,495,301	53,149,713
2013	37,142,292	4,403,288	8,529,892	-	50,075,472	-	1,224,522	365,934	1,590,456	51,665,928
2014	38,262,436	4,400,850	7,444,408	-	50,107,694	-	823,757	412,574	1,236,331	51,344,025
2015	38,380,857	4,615,657	7,905,424	6,969,239	57,871,177	3,271,161	658,448	430,566	1,089,014	62,231,352

# City of Sterling Heights, Michigan

## Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Total Tax Levy (1)	Collected Within the Fiscal Year of the Levy		Subsequent Collection of Delinquent Taxes	Total Collections to Date Amount	Percentage of Levy
			Amount	Percentage of Levy			
2006	2007	\$ 55,485,078	\$ 54,001,323	97.33	\$ 1,329,962	\$ 55,331,285	99.72
2007	2008	58,015,198	56,193,561	96.86	1,735,471	57,929,032	99.85
2008	2009	57,729,407	56,018,807	97.04	1,666,768	57,685,575	99.92
2009	2010	56,676,434	54,863,230	96.80	1,746,957	56,610,187	99.88
2010	2011	59,971,190	57,008,661	95.06	1,609,784	58,618,445	97.74
2011	2012	55,243,869	53,881,497	97.53	1,250,043	55,131,540	99.80
2012	2013	51,798,243	50,578,919	97.65	1,099,333	51,678,252	99.77
2013	2014	51,490,018	50,356,033	97.80	1,049,632	51,405,665	99.84
2014	2015	62,603,722	61,350,710	98.00	1,157,471	62,508,181	99.85
2015	2016	63,936,007 (2)					

(1) Includes operational, refuse, public improvement, and general drain taxes, but does not include penalty and interest on late payment of taxes.

(2) The estimated tax levy is based on the summer tax receivable schedule. This levy will only change due to STC, MTT, and/or Board of Review adjustments and is included to facilitate continuing disclosure requirements.

Source: City Treasurer's Office

# City of Sterling Heights, Michigan

Fiscal Year (Tax Year)	City Direct Rates							Overlapping Rates						
	Operating (1)	Refuse	Police and Fire Retirement System	Drain Debt Service	Public Improvement Debt Service	Safe Streets	Total	Macomb Intermediate School District	Macomb Community College	Huron/ Clinton Metro Authority	S.M.A.R.T.	County Zoo Authority	Veterans Operations	D.I.A.
2006 (2005)														
Homestead	8.7642	0.8266	0.6049	0.2413	0.1880	0.0000	10.6250	2.9430	1.4212	0.2146	0.5912	0.0000	0.0000	0.0000
Non-homestead	8.7642	0.8266	0.6049	0.2413	0.1880	0.0000	10.6250	2.9430	1.4212	0.2146	0.5912	0.0000	0.0000	0.0000
2007 (2006)														
Homestead	8.9776	0.8142	0.5118	0.2339	0.1875	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000
Non-homestead	8.9776	0.8142	0.5118	0.2339	0.1875	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000
2008 (2007)														
Homestead	9.2256	0.8057	0.3147	0.1998	0.1792	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000
Non-homestead	9.2256	0.8057	0.3147	0.1998	0.1792	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000
2009 (2008)														
Homestead	9.1777	0.8381	0.4853	0.2180	0.0667	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000
Non-homestead	9.1777	0.8381	0.4853	0.2180	0.0667	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000
2010 (2009)														
Homestead	8.7180	0.8717	0.9372	0.2243	0.0346	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000
Non-homestead	8.7180	0.8717	0.9372	0.2243	0.0346	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000
2011 (2010)														
Homestead	10.1811	0.9474	1.2388	0.2501	0.0684	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000
Non-homestead	10.1811	0.9474	1.2388	0.2501	0.0684	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000
2012 (2011)														
Homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000
Non-homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000
2013 (2012)														
Homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.2000
Non-homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.2000
2014 (2013)														
Homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000
Non-homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000
2015 (2014)														
Homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000
Non-homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000

(1) City general operating tax rate charter limit equals 12.0 mills.

(2) Sterling Heights' taxable valuation is based on 62 percent for Utica Schools and 38 percent for Warren Consolidated Schools for the year ended June 30, 2015.

Source: Municipal Advisory Council of Michigan

## Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years

Overlapping Rates											Total Direct and Overlapping Rates by Resident's School District	
Macomb County		Utica Community School District (2)			Warren Consolidated School District (2)						Utica Community	Warren Consolidated
Operating	Drain Debt Service	State Education Tax	Operating/ Local	Debt	State Education Tax	Operating/ Local	Supplemental	Sinking	Debt			
4.2000	0.0058	6.0000	0.0000	3.5000	6.0000	0.0000	6.7166	0.9964	2.2800	29.5008	35.9938	
4.2000	0.0058	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.4324	47.2772	
4.2000	0.0055	6.0000	0.0000	3.5000	6.0000	0.0000	6.5530	0.9964	2.2800	29.5993	35.9287	
4.2000	0.0055	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.5309	47.3757	
4.2000	0.0055	6.0000	0.0000	3.5000	6.0000	0.0000	5.9594	0.9964	2.2800	29.5993	35.3351	
4.2000	0.0055	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.5309	47.3757	
4.2000	0.0055	6.0000	0.0000	3.5000	6.0000	0.0000	5.2688	0.9964	2.1500	29.8001	34.7153	
4.2000	0.0055	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.1500	47.7317	47.4465	
4.5685	0.0050	6.0000	0.0000	3.5000	6.0000	0.0000	5.7814	0.9964	2.1500	30.1681	35.5959	
4.5685	0.0050	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.1500	48.0997	47.8145	
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4057	0.9964	2.4400	32.5681	39.5602	
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.9964	2.4400	50.4997	50.1545	
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4057	0.9964	2.4400	32.5681	39.5602	
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.9964	2.4400	50.4997	50.1545	
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.5024	0.0000	3.8600	32.7681	40.2805	
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.8600	50.6997	50.7781	
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4629	0.0000	3.9200	32.7281	40.2610	
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	50.6597	50.7981	
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.1603	0.0000	3.6000	35.6331	42.5434	
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.6000	53.5647	53.3831	

# City of Sterling Heights, Michigan

	2006	2007	2008	2009	2010
<b>State Equalized Value</b>					
SEV equivalent	\$ 5,997,740,400	\$ 6,230,684,225	\$ 6,380,752,375	\$ 5,940,796,525	\$ 5,555,163,580
IFT exemption	225,091,700	223,376,725	290,426,725	255,549,975	239,402,825
<b>Total SEV</b>	<b>\$ 6,222,832,100</b>	<b>\$ 6,454,060,950</b>	<b>\$ 6,671,179,100</b>	<b>\$ 6,196,346,500</b>	<b>\$ 5,794,566,405</b>
<b>Taxable Value</b>					
<b>By Class:</b>					
Real property	\$ 4,195,815,400	\$ 4,451,151,600	\$ 4,645,291,550	\$ 4,599,077,850	\$ 4,508,088,655
Personal property	949,766,100	944,127,850	1,053,774,300	1,007,788,550	986,259,050
<b>Total value</b>	<b>\$ 5,145,581,500</b>	<b>\$ 5,395,279,450</b>	<b>\$ 5,699,065,850</b>	<b>\$ 5,606,866,400</b>	<b>\$ 5,494,347,705</b>
<b>By Type:</b>					
Residential	\$ 3,151,356,400	\$ 3,327,952,350	\$ 3,480,892,950	\$ 3,451,602,900	\$ 3,328,660,655
Commercial	588,205,000	638,272,700	692,716,600	706,330,000	726,513,650
Industrial	416,252,900	445,399,650	430,477,050	405,605,650	416,847,650
Personal property	548,022,100	540,032,000	515,469,150	532,258,650	545,007,250
IFT real and personal property	441,745,100	443,622,750	579,510,100	511,069,200	477,318,500
<b>Total</b>	<b>5,145,581,500</b>	<b>5,395,279,450</b>	<b>5,699,065,850</b>	<b>5,606,866,400</b>	<b>5,494,347,705</b>
Less exempt property	(220,872,550)	(221,811,375)	(289,755,050)	(255,534,600)	(238,659,250)
<b>Total taxable value</b>	<b>\$ 4,924,708,950</b>	<b>\$ 5,173,468,075</b>	<b>\$ 5,409,310,800</b>	<b>\$ 5,351,331,800</b>	<b>\$ 5,255,688,455</b>
<b>Total direct tax rate (1)</b>	<b>\$ 10.6250</b>	<b>\$ 10.7250</b>	<b>\$ 10.7250</b>	<b>\$ 10.7858</b>	<b>\$ 10.7858</b>
<b>Total taxable value as a percentage of SEV equivalent</b>	<b>82.11%</b>	<b>83.03%</b>	<b>84.78%</b>	<b>90.08%</b>	<b>94.61%</b>
<b>Total taxable value as a percentage of total value</b>	<b>95.71%</b>	<b>95.89%</b>	<b>94.92%</b>	<b>95.44%</b>	<b>95.66%</b>

(1) This rate is applied 100 percent to the total taxable value.

Source: City of Sterling Heights, Assessor's Office

**Assessed Taxable Values  
(History of Property Values)  
Last Ten Fiscal Years**

2011	2012	2013	2014	2015
\$ 4,879,206,305	\$ 4,488,430,900	\$ 4,154,032,625	\$ 4,201,961,947	\$ 4,421,529,781
<u>223,651,575</u>	<u>204,669,200</u>	<u>150,866,925</u>	<u>147,523,025</u>	<u>149,204,525</u>
<b>\$ 5,102,857,880</b>	<b>\$ 4,693,100,100</b>	<b>\$ 4,304,899,550</b>	<b>\$ 4,349,484,972</b>	<b>\$ 4,570,734,306</b>
\$ 4,046,809,230	\$ 3,743,670,800	\$ 3,503,196,250	\$ 3,526,557,005	\$ 3,564,635,642
<u>917,612,350</u>	<u>874,496,200</u>	<u>755,514,350</u>	<u>724,659,700</u>	<u>714,092,150</u>
<b>\$ 4,964,421,580</b>	<b>\$ 4,618,167,000</b>	<b>\$ 4,258,710,600</b>	<b>\$ 4,251,216,705</b>	<b>\$ 4,278,727,792</b>
\$ 2,920,197,630	\$ 2,714,198,550	\$ 2,527,262,250	\$ 2,584,362,566	\$ 2,640,642,487
704,190,150	651,408,200	609,340,350	564,052,015	558,328,319
388,756,200	348,879,800	314,238,500	305,334,016	296,637,552
504,729,350	494,463,050	506,194,400	502,509,250	488,607,400
<u>446,548,250</u>	<u>409,217,400</u>	<u>301,675,100</u>	<u>294,958,858</u>	<u>294,512,034</u>
4,964,421,580	4,618,167,000	4,258,710,600	4,251,216,705	4,278,727,792
<u>(223,274,125)</u>	<u>(204,608,700)</u>	<u>(150,837,550)</u>	<u>(147,479,429)</u>	<u>(147,256,017)</u>
<b>\$ 4,741,147,455</b>	<b>\$ 4,413,558,300</b>	<b>\$ 4,107,873,050</b>	<b>\$ 4,103,737,276</b>	<b>\$ 4,131,471,775</b>
<b>\$ 12.6858</b>	<b>\$ 12.6858</b>	<b>\$ 12.6858</b>	<b>\$ 12.6858</b>	<b>\$ 15.1858</b>
97.17%	98.33%	98.89%	97.66%	93.44%
95.50%	95.57%	96.46%	96.53%	96.56%

# City of Sterling Heights, Michigan

## Principal Property Taxpayers (Major Taxpayers) Current Year and Nine Years Ago

Company Name	Product/Service	Year Ended June 30, 2015			Year Ended June 30, 2006		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Chrysler Group LLC	Automotive assembly and stamping	\$ 195,484,696	1	4.73	\$ 238,869,150	1	4.85
Ford Motor Company	Automotive manufacturing and drive shafts	155,857,079	2	3.77	99,941,425	3	2.03
DTE Energy	Public electric utility	36,651,629	3	0.89	37,152,200	5	0.75
General Dynamics	Administrative engineering and design	26,113,625	4	0.63	28,026,550	7	0.57
Detroit Media Partnership	Printing plant - Newspapers	25,985,129	5	0.63	45,278,075	4	0.92
Lakeside Associates	Retail shopping center	22,563,877	6	0.55	33,002,700	6	0.67
Comcast Communications	Cable communications	16,501,429	7	0.40	-	-	-
Consumers Energy	Public utility for gas	14,001,242	8	0.34	-	-	-
NJT Enterprises	Retail shopping center	13,703,200	9	0.33	-	-	-
BAE Systems	Defense vehicles design and development	10,136,975	10	0.25	-	-	-
ACH (f/k/a/ Visteon Corp.)	Automotive axles and shafts	-	-	-	133,176,800	2	2.70
Laurel/Shoal Creek	Office and apartment complex	-	-	-	16,733,550	8	0.35
Hew Horizon Partners	Theatre complex	-	-	-	16,587,300	9	0.34
Ledd's Development	Office/business complex	-	-	-	16,074,600	10	0.32
	Ten largest taxpayers	516,998,881		<b>12.52</b>	664,842,350		<b>13.50</b>
	Other taxpayers	3,614,472,894			4,259,866,600		
	Total taxable value	<b>\$ 4,131,471,775</b>			<b>\$ 4,924,708,950</b>		

Source: City of Sterling Heights, Assessing Office

# City of Sterling Heights, Michigan

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities	Total Primary Government	Percentage of Estimated Total Taxable Value of Property (1)	Population	Per Capita
	General Obligation Bonds	County Issued Bonds	Amounts Available in Debt Service Funds	County Issued Bonds				
2006	\$ 29,705,000	\$ 8,230,000	\$ (88,166)	\$ -	\$ 37,846,834	0.7685	128,692	\$294.09
2007	21,590,000	7,325,000	(66,116)	-	28,848,884	0.5576	128,914	223.78
2008	23,635,000	6,495,000	(68,694)	-	30,061,306	0.5557	128,500	233.94
2009	20,985,000	5,590,000	(150,053)	-	26,424,947	0.4938	128,500	205.64
2010	11,060,000	4,635,000	(9,821)	3,702,531	19,387,710	0.3263	128,500	150.88
2011	9,595,000	3,655,000	(11,873)	27,799,300	41,037,427	0.8294	129,699	316.41
2012	8,455,000	2,630,000	(22,232)	36,565,773	47,628,541	1.0440	129,699	367.22
2013	7,690,000	1,525,000	(19,201)	35,428,997	44,624,796	1.0863	129,699	344.06
2014	5,777,683	775,000	(20,308)	34,264,780	40,797,155	0.9941	129,699	314.55
2015	5,253,950	150,000	(18,201)	33,071,724	38,457,473	0.9308	129,699	296.51

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of assessed taxable value for property value data.

# City of Sterling Heights, Michigan

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County- issued Bonds	County Issued						
					General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds				
2006	\$ 29,705,000	\$ 17,690,000	\$ -	\$ 8,230,000	\$ -	\$ -	\$ -	\$ 55,625,000	1.57%	128,692	\$ 432.23
2007	21,590,000	20,610,000	-	7,325,000	-	-	-	49,525,000	1.35%	128,914	384.17
2008	23,635,000	18,710,000	-	6,495,000	-	-	-	48,840,000	1.30%	128,500	380.08
2009	20,985,000	16,535,000	3,260,000	5,590,000	-	-	-	46,370,000	1.26%	128,500	360.86
2010	8,820,000	16,130,000	3,160,000	4,635,000	3,702,531	-	-	36,447,531	0.96%	128,500	283.64
2011	7,880,000	14,180,000	3,060,000	3,655,000	30,584,068	-	3,314,862	62,673,930	2.00%	129,699	483.23
2012	6,905,000	12,170,000	2,960,000	2,630,000	36,565,773	2,716,185	4,931,838	68,878,796	2.19%	129,699	531.07
2013	6,165,000	10,405,000	2,850,000	1,525,000	35,428,997	2,647,602	6,825,826	65,847,425	2.10%	129,699	507.69
2014	5,777,683	8,811,416	2,700,000	775,000	34,264,780	2,548,452	11,703,389	66,580,720	2.12%	129,699	513.35
2015	5,253,950	7,465,086	2,550,000	150,000	33,071,724	4,098,344	17,592,684	70,181,788	2.23%	129,699	541.11

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of demographic and economic statistics for personal income data.

# City of Sterling Heights, Michigan

## Direct and Overlapping Governmental Activities Debt June 30, 2015

### Direct Debt

#### General Obligation Bonds

04/27/05	Limited Tax	\$ 1,509,664	
06/09/08	Fire Stations, Unlimited tax	3,744,286	\$ 5,253,950

#### Michigan Transportation Fund Bonds

06/22/10	Recovery Zone Bonds, Series 2010	1,425,000	
02/07/12	Refunding Bonds, Series 2012	2,825,974	
02/14/13	Refunding Bonds, Series 2013	3,214,112	7,465,086

#### Special Assessment Bonds

08/03/08	Improvements		2,550,000
----------	--------------	--	-----------

#### Share of County-issued Drain Bonds

Macomb County utility drains		150,000	
------------------------------	--	---------	--

Total direct debt outstanding		15,419,036	
-------------------------------	--	------------	--

### Indirect Debt

#### Share of County-issued Drain Bonds

MID District SA - 2008 North Gratiot	2,232,679		
MID District - 2010 A Series	23,332,664		
MID District SA - 2010 North Gratiot	216,548		
MID District - 2011 Clintondale Pump	8,821,386		
OMID District - 2010 Series B	917,674		
OMID District SA - 2014 Series A	1,649,117	37,170,068	

Total direct and indirect debt outstanding		52,589,104	
--	--	------------	--

Less:	MTF Bonds	7,465,086	
	Special Assessment Bonds	2,550,000	
	MID District Special Assessments	2,449,227	
	OMID District Special Assessments	1,649,117	14,113,430

Net direct and indirect debt outstanding		38,475,674	
--	--	------------	--

### Overlapping Debt

39.10% Utica Community School District		65,327,262	
45.81% Warren Consolidated School District		61,462,446	
16.40% Macomb County at large		57,186,727	
16.40% Macomb Community College		2,051,830	

Total overlapping debt		186,028,265	
------------------------	--	-------------	--

Net direct and indirect debt outstanding and overlapping debt		\$ 224,503,939	
---	--	----------------	--

Source: Assessed value data used to estimate applicable percentages is provided by the Municipal Advisory Council of Michigan, Detroit, Michigan. Debt outstanding data is provided by each governmental unit.

# City of Sterling Heights, Michigan

---

## Legal Debt Margin June 30, 2015

Valuation for debt limit:		
2014 state equalized value (2015 fiscal year)		\$ 4,272,325,256
Addback of assessed value equivalent - 2013 SEV of Act 198 exemptions		<u>298,409,050</u>
Total valuation for debt limit		<u><b>\$ 4,570,734,306</b></u>
Debt limit (10 percent of state equalized valuation and equivalent) (1)		\$ 457,073,431
Debt applicable to limit:		
Amount of total direct outstanding debt	\$ 52,260,068	
Less: Michigan Transportation Fund Bonds	7,205,000	
Special Assessment Bonds	2,550,000	
MID District Special Assessments	2,449,227	
OMID District Special Assessments	<u>1,649,117</u>	
Net debt applicable limit		<u>38,406,724</u>
Legal debt margin		<u><b>\$ 418,666,707</b></u>

(1) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943, as amended by Act 42, P.A. 1960

# City of Sterling Heights, Michigan

## Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	\$ 622,283,210	\$ 645,406,095	\$ 667,117,910	\$ 619,634,650	\$ 579,456,641
Total net debt applicable to limit	<u>(37,935,000)</u>	<u>(28,915,000)</u>	<u>(30,130,000)</u>	<u>(26,575,000)</u>	<u>(17,157,531)</u>
Legal debt margin	<b><u>\$ 584,348,210</u></b>	<b><u>\$ 616,491,095</u></b>	<b><u>\$ 636,987,910</u></b>	<b><u>\$ 593,059,650</u></b>	<b><u>\$ 562,299,110</u></b>
Total net debt applicable to the limit as a percentage of debt limit	6.10%	4.48%	4.52%	4.29%	2.96%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	\$ 510,285,788	\$ 469,310,010	\$ 430,489,955	\$ 434,948,497	\$ 457,073,431
Total net debt applicable to limit	<u>(39,334,300)</u>	<u>(46,100,773)</u>	<u>(44,643,997)</u>	<u>(38,406,724)</u>	<u>(38,406,724)</u>
Legal debt margin	<b><u>\$ 470,951,488</u></b>	<b><u>\$ 423,209,237</u></b>	<b><u>\$ 385,845,958</u></b>	<b><u>\$ 396,541,773</u></b>	<b><u>\$ 418,666,707</u></b>
Total net debt applicable to the limit as a percentage of debt limit	7.71%	9.82%	10.37%	9.37%	8.40%

# City of Sterling Heights, Michigan

## Pledged Revenue Coverage Last Ten Fiscal Years

Limited Tax Obligation Bonds						
Fiscal Year Ended	Collections	Debt Service			Coverage	
		Principal	Interest	Total		
2006	\$ 652,798	\$ 475,000	\$ 177,366	\$ 652,366	1.001	
2007	681,050	485,000	170,614	655,614	1.039	
2008	1,339,073	1,075,000	263,348	1,338,348	1.001	
2009	1,389,151	1,155,000	233,238	1,388,238	1.001	
2010	1,047,761	890,000	157,097	1,047,097	1.001	
2011	647,941	485,000	132,554	617,554	1.049	
2012	608,680	495,000	113,291	608,291	1.001	
2013	528,740	540,000	96,951	636,951	0.830	
2014	297,080	215,000	81,850	296,850	1.001	
2015	312,675	240,000	72,450	312,450	1.001	

Michigan Transportation Fund Bonds						
Fiscal Year Ended	Collections	Debt Service			Coverage	
		Principal	Interest	Total		
2006	\$ 3,488,938	\$ 2,045,000	\$ 677,163	\$ 2,722,163	1.282	
2007	3,450,943	1,730,000	626,665	2,356,665	1.464	
2008	3,398,754	1,900,000	735,012	2,635,012	1.290	
2009	3,281,889	2,175,000	754,573	2,929,573	1.120	
2010	3,241,801	2,115,000	611,907	2,726,907	1.189	
2011	3,289,715	1,950,000	559,979	2,509,979	1.311	
2012	3,559,189	1,840,000	517,614	2,357,614	1.510	
2013	3,628,067	1,940,000	430,950	2,370,950	1.530	
2014	3,970,676	1,870,000	314,858	2,184,858	1.817	
2015	3,819,418	1,330,000	257,912	1,587,912	2.405	

Special Assessment Bonds						
Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)	
		Principal	Interest	Total		
2006	\$ -	\$ 125,000	\$ 3,125	\$ 128,125	-	
2007	-	-	-	-	-	
2008	-	-	-	-	-	
2009	331,654	-	-	-	-	
2010	298,947	100,000	127,000	227,000	1.317	
2011	311,450	100,000	123,400	223,400	1.394	
2012	319,122	100,000	120,400	220,400	1.448	
2013	267,645	110,000	117,250	227,250	1.178	
2014	271,069	150,000	113,162	263,162	1.030	
2015	250,699	150,000	108,207	258,207	0.971	

(1) Customers may choose to make special assessment payments up front to avoid paying interest to the City, which creates uneven payment streams over the life of the assessment.

Source: City of Sterling Heights

# City of Sterling Heights, Michigan

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education Age 25 or Older (2)		Per Capita Income (2)/(4)	Income (in thousands) (4)	Number of Households (2)	Median Household Income (1)	Unemployment Rate (3)/(4)
			High School Graduate or Higher	Bachelor's Degree or Higher					
2006	128,692	35-39	84.0%	22.9%	\$ 27,519	\$ 3,541,475	49,871	\$ 60,494	6.3%
2007	128,914	35-39	84.0%	22.9%	28,399	3,661,029	50,761	60,494	7.3%
2008	128,500	35-39	84.0%	22.9%	29,308	3,766,078	50,375	60,494	8.8%
2009	128,500	35-39	84.0%	22.9%	28,546	3,668,161	49,735	60,494	14.1%
2010	128,500	35-39	84.0%	22.9%	29,430	3,781,755	49,339	60,494	13.6%
2011	129,699	40-44	84.0%	22.9%	24,213	3,140,402	49,508	53,390	9.8%
2012	129,699	40-44	86.4%	22.9%	25,194	3,140,402	49,576	53,390	9.0%
2013	129,699	40-44	86.4%	22.9%	25,194	3,140,402	49,576	53,390	9.0%
2014	129,699	40-44	86.4%	22.9%	25,194	3,140,402	49,576	53,390	9.0%
2015	129,699	40-44	86.4%	22.9%	25,194	3,140,402	49,576	53,390	7.0%

Sources:

- (1) United States Census Bureau - 2000/2010 Census and 2010 American Community Survey One Year Estimates
- (2) Southeast Michigan Council of Governments (SEMCOG)
- (3) Michigan Department of Career Development, Employment Security Agency, Office of Labor Market Information
- (4) Michigan Department of Technology, Labor & Budget

# City of Sterling Heights, Michigan

## Miscellaneous Demographics

<b>Population</b>			<b>Income Characteristics</b>	
			Household Income	Number of Households
2010 U.S. Census	129,699		Less than \$14,999	5,348
2000 U.S. Census	124,471		\$15,000 - \$34,999	9,525
1990 U.S. Census	117,810		\$35,000 - \$49,999	6,743
1980 U.S. Census	108,999		\$50,000 - \$74,999	10,819
			\$75,000 - \$99,999	7,067
			\$100,000 or more	9,863
<b>Housing Tenure</b>			<b>Labor Characteristics</b>	
Types	2010	2000	By Occupation:	Number of Employees
Owner occupied	37,685	36,584	Management, professional, and related	21,492
Renter occupied	11,766	9,735	Service	12,571
Vacant:			Sales and office	13,903
Seasonal/migrant	128	148	Natural resources, construction, and maintenance	3,839
Other vacant units	2,611	1,080	Production, transportation, and material moving	8,831
<b>Total</b>	<b>52,190</b>	<b>47,547</b>	<b>Total</b>	<b>60,636</b>
<b>Household Characteristics</b>			<b>By Industry:</b>	
Types	2010	2000		
With seniors 65+	14,229	10,252	Agriculture, forestry, fishing and hunting, and mining	203
Without seniors	35,222	36,067	Construction	2,099
Two or more without children	21,007	19,041	Manufacturing	11,944
Live alone, over 65	5,316	3,915	Wholesale trade	855
Live alone, under 65	7,791	7,245	Retail trade	7,528
With children	15,337	16,118	Transportation, warehousing, and utilities	1,361
<b>Total households</b>	<b>49,451</b>	<b>46,319</b>	Information	1,127
			Finance, insurance, real estate, rental, and leasing	3,764
			Professional, scientific, management, administrative, and waste management services	5,261
			Educational, health, and social services	11,995
			Arts, entertainment, recreation, accomodation, and food services	6,483
			Other professional and related services	4,582
			Public administration	3,434
			<b>Total</b>	<b>60,636</b>
<b>Age Statistics</b>			<b>Educational Characteristics</b>	
Years	2010	2000	Households:	Number
Under 5	5.5%	6.2%	With earnings	36,808
5 to 19	18.7%	20.3%	With Social Security income	17,652
20 to 24	6.3%	6.1%	With retirement income	11,108
25 to 44	25.8%	30.4%	With supplemental security income	3,139
45 to 64	28.5%	25.2%	With cash public assistance income	2,273
Over 64	15.2%	11.8%	With food stamps/SNAP benefits	8,090

Source: United States Census Bureau - 2000/2010 Census and 2013 American Community Survey One Year Estimates

# City of Sterling Heights, Michigan

## Principal Employers (Major Employers) Last Fiscal Year and Nine Years Ago

Company Name	Product/Service	Year Ended June 30, 2015			Year Ended June 30, 2006		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Fiat Chrysler Automobiles	Automotive assembly and stamping	4,000	1	6.61%	6,875	1	12.39%
Ford Motor Company	Automotive axles and transmissions	3,600	2	5.95%	1,250	7	2.25%
General Dynamics	Defense-related manufacturing	2,000	3	3.30%	1,425	6	2.57%
Lakeside Associates	Retail shopping center	2,000	4	3.30%	2,500	4	4.51%
Utica Community Schools	Education (1)	1,150	5	1.90%	4,150	2	7.48%
Kuka Systems Corporation	Metalworking machinery and robotic systems	1,000	6	1.65%	-	-	-
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	7	1.65%	1,200	8	2.16%
Warren Consolidated Schools	Education (1)	790	8	1.31%	2,200	5	3.97%
U.S. Farathane Corporation	Paints and finishes	750	9	1.24%	-	-	0.00%
Mayco Plastics	Automotive plastics	600	10	-	-	-	-
Henry Ford Health System	Healthcare provider (3)	600	11	0.99%	-	-	-
City of Sterling Heights	Government	496	12	0.82%	630	10	1.14%
ACH	Automotive axles and drive shafts	-	-	-	2,800	3	5.05%
MNP	Nut, bolt, and wire manufacturer	-	-	-	580	11	1.05%
Cadillac Products, Inc.	Plastic bags, sheets, paper	-	-	-	750	9	1.35%
Collins & Aikman	Automotive interior	-	-	-	580	12	1.05%
	Twelve largest employers	17,986		29.72%	24,940		44.96%
	Other employers	42,530		70.28%	30,533		55.04%
	Total employment (2)	<u>60,516</u>			<u>55,473</u>		

(1) Effective June 30, 2008, employees reported include those working at locations within City boundaries in place of district wide.

(2) U.S. Bureau of Labor Statistics

(3) Analyst Resource Center Employer Database Infogroup Inc.

Source: City of Sterling Heights, Economic Development Office

# City of Sterling Heights, Michigan

## Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
<b>Election Data</b>										
Registered voters	83,910	83,639	84,082	88,258	85,345	85,953	86,231	85,436	88,164	87,655
Voters at polls	7,654	34,405	3,842	44,074	10,138	39,285	13,020	42,504	21,322	26,444
Absentee ballots	7,605	11,904	7,556	16,972	7,963	11,037	8,299	16,205	8,966	11,862
Percent voting	18.18%	55.37%	13.56%	69.17%	21.00%	46.00%	25.00%	66.00%	24.00%	43.00%
<b>41A District Court</b>										
<b>Court Cases</b>										
Civil	2,862	3,239	3,867	3,947	3,816	4,037	3,760	3,546	2,550	2,652
Criminal	4,211	4,533	5,677	4,922	4,818	4,254	3,654	3,408	3,813	4,279
Landlord and tenant	2,226	2,433	2,471	2,653	2,407	2,442	2,610	2,265	2,491	2,223
Small claims	488	432	425	524	448	451	404	313	400	333
Traffic	24,256	27,143	27,709	30,422	35,540	31,074	22,924	22,889	22,550	25,887
<b>Public Safety</b>										
<b>Police Protection</b>										
Adult arrests	2,560	3,326	3,747	3,079	3,000	2,691	2,686	3,083	3,113	3,882
Civil infractions	23,819	26,582	27,596	29,855	32,724	29,315	20,670	21,788	20,535	27,031
Group A offenses (1)	7,926	7,873	7,361	6,686	6,484	5,769	3,890	3,216	2,926	2,885
Group B offenses (2)	4,609	4,491	3,433	2,632	2,370	1,960	1,652	2,030	2,306	2,867
Injury accidents	810	806	1,004	824	704	752	616	598	860	952
Juvenile arrests	239	251	174	156	173	159	143	195	190	219
OUIL arrests	375	328	340	414	394	297	199	220	183	204
Parking violations	1,730	2,016	1,706	1,702	1,992	1,125	585	1,116	1,298	1,282
Property damage	3,663	3,415	4,353	3,191	3,071	3,408	2,849	2,974	3,488	3,625
Private property damage	1,304	1,322	1,133	1,037	944	846	820	712	741	700
Total traffic violations	25,379	29,166	30,484	32,154	37,022	32,752	24,109	22,428	24,142	31,777
<b>Fire Protection</b>										
Emergency alarms answered	9,573	10,261	10,500	10,480	10,383	11,062	11,589	11,653	12,451	13,588
Fire inspections conducted	4,204	4,624	3,767	3,874	2,859	2,288	1,029	882	878	863
Inspection violations issued	6,020	10,292	9,391	7,495	5,831	4,397	2,067	1,670	1,020	945
Medical emergencies	6,927	7,493	7,691	7,745	7,693	8,617	8,948	8,969	9,435	10,253
Training hours completed	34,124	33,538	33,857	31,121	30,955	29,986	23,230	22,790	24,994	26,086
<b>Recreation and Culture</b>										
<b>Parks and Recreation</b>										
Adult athletics attendance	19,480	18,782	20,135	15,360	25,477	21,301	21,221	24,357	21,967	19,006
Instructional rec. attendance	28,070	26,567	25,666	24,795	23,999	23,933	27,132	22,666	20,344	23,566
Nature program attendance	22,748	24,582	24,399	23,321	27,708	23,374	21,318	14,582	17,170	15,079
Senior program attendance	111,610	109,528	109,970	116,564	117,570	102,577	103,663	103,667	100,026	97,769
Special event attendance	72,725	73,000	73,100	74,449	65,551	72,321	62,015	53,734	46,379	80,680
Special recreation program attendance	16,870	14,878	16,060	15,679	11,351	10,803	10,766	9,895	8,395	8,847
Summer playground attendance	9,992	11,025	14,094	11,370	7,565	12,160	11,144	12,613	13,053	12,765
<b>Library</b>										
Book van deliveries	12,820	11,242	9,318	8,818	7,909	7,367	4,547	3,788	3,253	3,259
Community meeting room reservations	299	341	384	1,200	1,289	1,209	1,463	1,325	1,183	1,463
In-house materials usage	140,033	144,698	139,973	121,907	93,714	107,155	133,539	132,298	82,304	60,279
Interlibrary loan requests	109,995	120,393	123,142	125,167	110,778	97,588	93,068	90,764	86,950	80,545
Interlibrary loans - Lent	100,260	109,814	113,947	117,671	105,692	87,255	82,094	82,832	79,360	72,109
Items circulated	648,967	635,425	616,323	625,688	627,496	614,905	600,445	577,448	536,485	536,038
Library visits	417,601	420,716	442,768	581,046	560,035	484,259	453,690	412,656	384,063	376,007
Online computer uses	456,752	492,979	514,794	552,503	583,260	610,054	768,815	1,050,062	1,659,105	1,216,053
Program attendance	21,275	25,470	36,204	37,639	31,664	23,184	22,168	15,310	15,196	16,322
Reference transactions	133,617	132,557	141,610	148,978	131,039	120,873	93,243	83,000	68,052	65,368
Registered borrowers	50,390	50,599	51,098	52,043	53,114	53,181	52,733	51,248	49,863	48,490

# City of Sterling Heights, Michigan

## Operating Indicators by Function (Continued) Last Ten Fiscal Years

	Fiscal Year									
	2006 (4)	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Water and Sewer Services</b>										
Customers: (3)										
Residential	34,850	35,021	35,048	34,811	34,846	34,869	34,995	35,077	35,155	35,223
Commercial/Industrial	4,272	4,477	4,539	4,233	4,234	4,126	4,262	4,280	4,280	4,274
Water (in thousand cubic feet):										
Purchased from Detroit	803,969	775,817	786,726	716,384	659,817	683,223	695,711	678,000	614,039	603,378
Sold to residents	852,661	789,033	827,893	711,126	667,792	692,621	677,554	698,650	618,799	602,994
Rates (per thousand):										
1,000 CU. FT.	\$ 27.13	\$ 28.64	\$ 30.74	\$ 31.94	\$ 37.22	\$ 40.59	\$ 42.07	\$ 43.97	\$ 48.52	\$ 55.37
Next 2,000 CU.FT.	27.13	28.64	30.74	31.94	37.22	40.59	42.07	43.97	48.52	55.37
Over 3,000 CU.FT.	27.96	29.50	31.67	32.90	38.32	41.77	46.18	48.24	53.13	60.53
Sewer only - Per billing	15.00	25.00	30.00	35.00	45.00	50.00	55.00	60.00	65.00	70.00

(1) Aggravated assault, arson, burglary, criminal sexual conduct and murder, larceny, motor vehicle theft, robbery, etc.

(2) Assault, disorderly conduct, family trouble, negligent homicide, obstructing justice, etc.

(3) Beginning in FY 2009, the customer count excludes approximately 370 and 260 inactive or suspended accounts for commercial and residential totals, respectively.

Source: City of Sterling Heights

# City of Sterling Heights, Michigan

## Capital Asset Statistics by Function Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
<b>Buildings</b>										
City Center Commons	1	1	1	1	1	1	1	1	1	1
41A District Court	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
<b>Police Protection</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles - Marked	49	49	54	54	54	54	51	50	50	53
Vehicles - Unmarked	80	82	79	77	64	63	65	57	54	65
<b>Fire Protection</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	14	15	16	16	16	16	16	16	16	16
<b>Public Works</b>										
<b>Streets and Sidewalks</b>										
Miles of City:										
Primary streets	60	60	60	63	63	63	63	63	63	63
Secondary streets	287	289	289	286	286	286	286	286	286	286
Sidewalks	605	607	608	609	609	610	610	611	612	614
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	2	2	2	2
Street lights	2,508	2,513	2,520	2,520	2,520	2,520	2,530	2,530	2,530	2,535
Vehicles - Snow plows	20	21	22	22	23	22	22	22	21	21
<b>Water and Sewer Services</b>										
Fire hydrants	6,932	7,015	7,050	7,162	7,203	7,221	7,238	7,261	7,270	7,281
Miles of water mains	563	569	570	573	574	575	576	576	576	576
Miles of sanitary sewers	424	428	429	430	430	430	430	430	430	430
<b>Recreation and Culture</b>										
<b>Parks and Recreation</b>										
Acres	820	820	820	820	820	820	820	820	820	820
Developed parks	28	28	28	28	28	28	28	28	28	28
Buildings	3	3	3	3	3	3	3	3	3	3
<b>Library</b>										
Book collections	190,791	188,365	197,412	199,968	203,593	204,977	208,102	209,040	195,656	196,437
Other collections (1)	23,776	35,619	36,619	37,344	37,051	37,603	42,507	46,306	37,848	57,623
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles - Library van	1	1	1	1	1	1	1	1	1	1

(1) Includes art prints, audio/video cassettes, compact discs, posters, puppets, software discs, etc.

Source: City of Sterling Heights

# City of Sterling Heights, Michigan

## Building Permits at Market Value Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential				Total Residential
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
2006	269	\$ 48,957,415	734	\$ 1,601,036	\$ 50,558,451
2007	152	25,895,984	598	2,454,254	28,350,238
2008	37	8,034,365	536	1,503,824	9,538,189
2009	14	3,481,198	429	1,261,884	4,743,082
2010	70	12,386,830	360	839,587	13,226,417
2011	87	15,494,221	402	1,147,729	16,641,950
2012	96	19,872,576	405	1,291,986	21,164,562
2013	89	20,919,441	442	2,528,899	23,448,340
2014	134	31,286,101	537	1,191,570	32,477,671
2015	96	22,656,130	585	1,126,895	23,783,025

Fiscal Year Ended June 30	Commercial				Total Commercial
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
2006	24	\$ 25,096,450	302	\$ 26,567,543	\$ 51,663,993
2007	24	44,813,309	254	40,418,973	85,232,282
2008	17	38,153,479	239	26,322,149	64,475,628
2009	16	5,148,379	160	23,119,046	28,267,425
2010	27	31,115,804	165	28,194,133	59,309,937
2011	20	91,661,691	122	21,444,771	113,106,462
2012	46	97,795,253	114	16,137,512	113,932,765
2013	8	15,546,849	141	37,063,864	52,610,713
2014	8	6,077,060	129	25,288,174	31,365,234
2015	10	25,455,891	166	26,570,017	52,025,908

Source: City of Sterling Heights Office of Building Services

# City of Sterling Heights, Michigan

## Full-time Equivalent City Government Employees by Function Last Ten Fiscal Years

Function	Full-time and Part-time Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	94	95	83	78	71	74	60	56	57	60
41A District Court	40	40	40	39	40	40	39	38	37	39
Public safety:										
Police	260	260	261	259	251	243	228	222	222	203
Fire	108	108	106	106	104	101	91	86	86	88
Public works:										
City development (2) (3)	32	32	37	32	32	24	19	24	26	28
Public works	43	43	42	40	37	34	26	29	31	34
Street services	23	23	23	21	21	21	21	18	21	25
Engineering (1)	19	19	17	14	13	11	9	8	9	9
Recreation and culture:										
Parks and recreation	16	16	16	13	12	11	10	10	10	11
Library	41	41	42	42	42	41	38	36	37	38
Water and sewer	41	41	41	40	39	39	37	35	35	35
Total	<u>717</u>	<u>718</u>	<u>708</u>	<u>684</u>	<u>662</u>	<u>639</u>	<u>578</u>	<u>562</u>	<u>571</u>	<u>570</u>

(1) Prior to 2007, engineering employees were included in City development.

(2) Prior to 2008, information technology employees were included in general government.

(3) Prior to 2013, Facilities Maintenance employees were included in general government.

Source: City of Sterling Heights, Office of City Management

## **Continuing Disclosure**

---

# City of Sterling Heights, Michigan

## State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Modified Accrual Basis of Accounting</u>	<u>Accrual Basis of Accounting</u>
2006	\$ 10,999,284	\$ 11,003,347
2007	10,861,805	10,675,667
2008	10,683,045	10,675,667
2009	10,487,825	10,183,758
2010	9,136,700	9,057,434
2011	9,368,599	9,057,434
2012	9,615,531	10,094,387
2013	10,268,109	10,342,983
2014	10,541,415	10,606,230
2015	10,814,534	10,785,806

## Gas and Weight Taxes Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Roads</u>	<u>Local Roads</u>	
2006	\$ 5,063,169	\$ 1,914,706	\$ 6,977,875
2007	5,006,831	1,895,054	6,901,885
2008	4,933,090	1,864,418	6,797,508
2009	4,763,221	1,800,557	6,563,778
2010	4,719,496	1,764,105	6,483,601
2011	4,788,874	1,790,555	6,579,429
2012	5,194,602	1,923,776	7,118,378
2013	5,297,645	1,958,488	7,256,133
2014	5,461,373	2,020,459	7,481,832
2015	5,575,631	2,063,204	7,638,835

Source: City of Sterling Heights

# City of Sterling Heights, Michigan

## Labor Agreements

Name	Contract Expiration Date	Actual Number of Employees Covered	
		Full Time	Part Time
<b>Union Employees</b>			
Police Officers Michigan Association of Police (MAP)	6/30/2017	115	-
Firefighters International Association of Firefighters, Local 1557	6/30/2015	84	-
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2018	18	24*
Department of Public Works Field Employees Teamsters, Local 214	6/30/2017	52	-
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2018	33	-
Professional and Technical Employees United Auto Workers, Unit 40, Local 412	6/30/2016	25	14
Court Clerical AFSCME, Local 1884, Council 25	6/30/2018	18	6
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2016	20	-
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2018	12	1
Executive Employees Sterling Heights Executive Group	6/30/2018	10	-
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2017	7	-
<b>Nonunion Employees</b>			
41A District Court Administration	N/A	10	-
41A District Court Judges	N/A	3	-
Ordinance Employees	N/A	1	-

\* Includes five part-time employees that are excluded from the part-time limit.

Source: City of Sterling Heights, Office of City Management