



# Comprehensive Annual Financial Report

**Richard J. Notte**  
*Mayor*

**Michael C. Taylor**  
*Mayor Pro Tem*

**Deanna Koski**  
*Councilwoman*

**Joseph V. Romano**  
*Councilman*

**Maria G. Schmidt**  
*Councilwoman*

**Doug Skrzyniarz**  
*Councilman*

**Barbara A. Ziarko**  
*Councilwoman*

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

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

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

**For the Fiscal Year Ended June 30, 2013**

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

# City of Sterling Heights, Michigan

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# City of Sterling Heights, Michigan

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**Administration Building**

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**CITY COUNCIL**

<i>Mayor</i>	Richard J. Notte
<i>Mayor Pro Tem</i>	Michael C. Taylor
<i>Councilwoman</i>	Deanna Koski
<i>Councilman</i>	Joseph V. Romano
<i>Councilwoman</i>	Maria G. Schmidt
<i>Councilman</i>	Doug Skrzyniarz
<i>Councilwoman</i>	Barbara A. Ziarko

**CITY MANAGER**

Mark D. Vanderpool

November 12, 2013

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, 2013 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 are accurate in all material respects and are 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 49,576 households and 4,280 commercial and industrial businesses. The 2013 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 7.6 percent unemployment rate as compared to a Macomb county rate of 9.9 percent, a statewide rate of 8.7 percent, and a national average of 7.6 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 continues 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 reducing expenditures to match lower revenues. Due to revenue losses, General Fund reserves have now fallen from \$19.7 million in 2004 to \$5.2 million in 2013. Despite continual expenditure cuts, the City is using \$2.1 million of Internal Service Fund reserves to balance the current General Fund budget (fiscal year 2014).

Due to the increasing use of reserves and despite expenditure savings, the City residents approved a 2.5 mill tax increase in November 2013 in order to partially recover a portion of lost tax revenues. The millage will provide \$3.3 million in new funding for neighborhood street repair and \$7.1 million to correct the current imbalance and to prevent a further reduction in the number of sworn police and firefighters. This millage will allow the City to begin to recover a portion of lost tax revenues and to offset the upcoming loss of personal property taxes. The millage will begin in July 2014.

Because the millage was approved, the City will be 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, which will help guide us through the upcoming years.

Despite the millage, the growth of the City's existing tax base is limited to inflation under State law (Proposal A) so that the 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.

Despite labor contract savings and a reduction in full-time staffing levels, funding for long-term retirement liabilities is expected to continue to rise primarily due to the continued recognition of prior stock market losses. With the approval of the 2.5 mills, the City is able to restore funding for replacement capital equipment, which has been dramatically reduced over the past five 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 201 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 further refine and implement its labor strategy and plan for future staffing levels. This long-term labor strategy will allow the City to eliminate the present structural imbalance caused by declining revenues. It also allows the City to maintain core services, 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 2012-2013:

1. The City developed a 2014 budget that reflected a \$2.0 million decrease from the prior year, as spending fell to its lowest level in 10 years due to a sixth year of declining property assessments and reduced State funding. All long-term retirement liabilities have again been funded. The City's total spending is now the lowest in 18 years on an inflation adjusted basis.
2. The City continued to review employee positions resulting in the elimination of an additional 36 vacant full-time positions. City staffing is now at its lowest level since the 1970s. The City has successfully negotiated 15 percent wage and benefit concessions from its 12 union contracts, including the elimination of retiree healthcare benefits for new hires and pension reductions for all employees.
3. The City implemented a number of programmatic changes to reduce expenditures, including signing an agreement for the County to provide 911 dispatch services beginning next year, privatizing building custodial services, lowering new hire wages, and utilizing part-time employees to replace full-time employees in nearly all departments. The City also reorganized departments and staffing for enhanced property maintenance and city development initiatives.
4. The City continues to lead the Macomb Area Communities for Regional Opportunities (MACRO) group to explore further service sharing arrangements with the County and surrounding communities.
5. By continuing to follow its long-term financial plan, the City maintained its superior Aa1 and AA+ bond ratings, which saves taxpayers hundreds of thousands of dollars annually.

## **Major Initiatives for July 1, 2013 and Thereafter**

1. The City continues to seek ways to lessen long-term retirement liabilities in order to achieve the financial goal of maintaining long-term financial stability due to the loss of property tax revenues.
2. The City continues to encourage and incentivize new investments in the community, while also continuing to work with the State to ensure replacement funding for personal property tax revenues.
3. The City continues to review the consolidation, contracting out, and reduction of non-core City services to ensure the continuation of core, vital services.
4. The City continues to evaluate service-sharing agreements with surrounding communities and other entities, including the successful transition to the County for consolidated dispatch.
5. The City will implement the November 2013 Safe Streets millage, begin funding replacement capital, and will develop a schedule for neighborhood road repair. The community approved the Safe Streets millage during November 2013.

## **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, 2012. 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 25 consecutive years (fiscal years 1988-2012). 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**

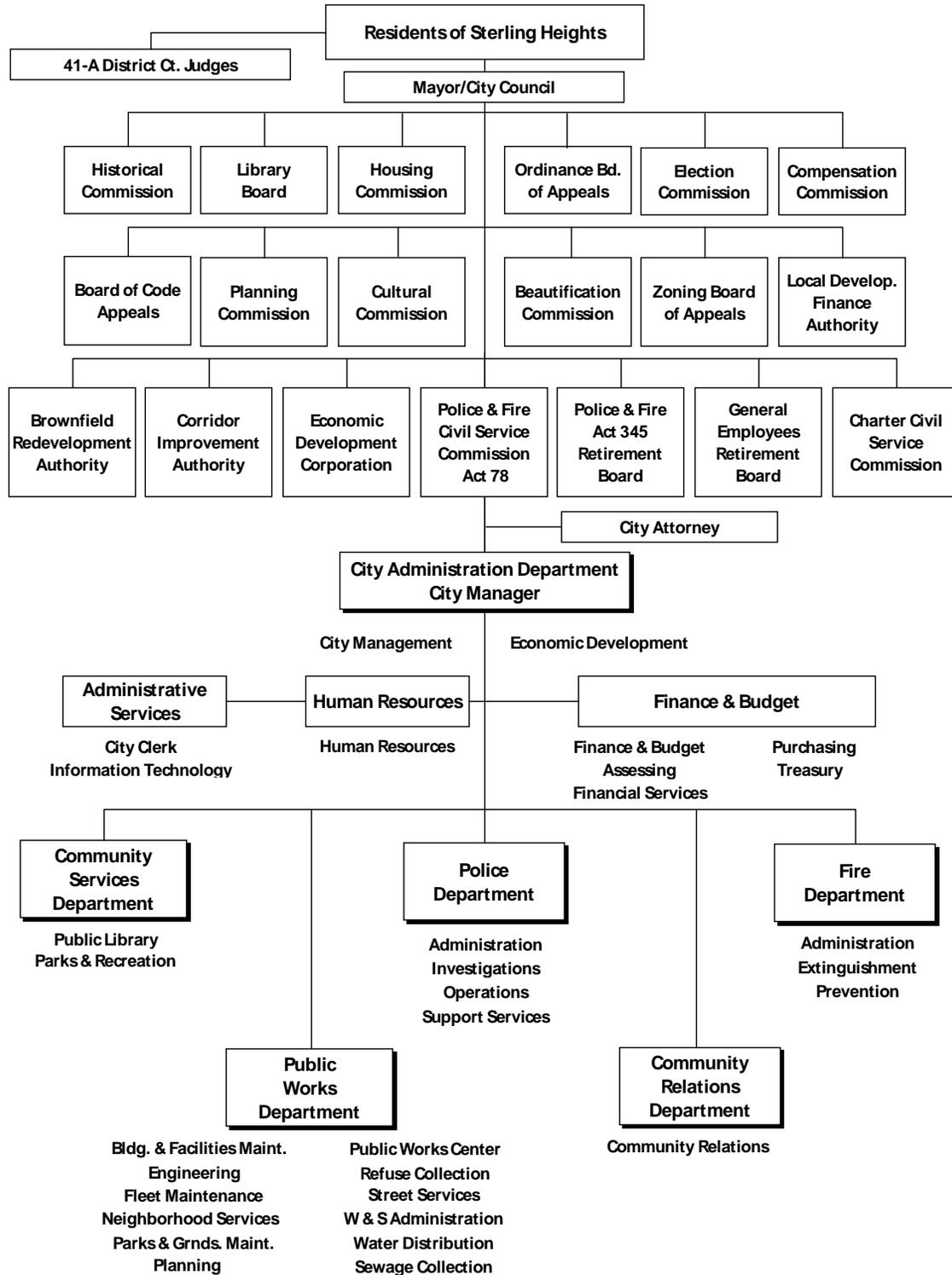
Presented to

**City of Sterling Heights  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



# 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 Manager	Denice A. Gerstenberg
City Engineer	Brent S. Bashaw
City Planner	Donald Mende
City Treasurer	Jennifer L. Varney
Community Relations Director	Steve Guitar
Community Services/Library Director	Tammy L. Turgeon
Controller	Leslie D. Reinhart
Economic Development Manager	Barry Hicks
Finance and Budget Director	Brian S. Baker
Fire Chief	Christopher Martin
Human Resources Director/Assistant City Manager	Walter C. Blessed
Information Technology Manager	Steve Deon
Parks and Recreation Manager	Kyle Langlois
Police Chief	Michael Reese
Public Works Director	Salvatore Conigliaro
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
Water and Sewer *	Self-insurance

### Fiduciary Funds

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 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Sterling Heights' 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 as of June 30, 2013 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.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement schedules of funding progress, and budgetary comparison schedules for the General Fund and each major special revenue fund, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sterling Heights' basic financial statements. The other financial and supplemental information and introductory section, statistical and continuing disclosure sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other financial and supplemental information (other budgetary comparison schedules and combining statements) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other budgetary comparison schedules and combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the City of Sterling Heights' 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 City of Sterling Heights' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 12, 2013

# 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, 2013. 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 16.

### Financial Highlights

- As a result of this year's operations, the City's overall net position decreased by \$8.0 million or 2.2 percent. The net position of our governmental activities decreased by \$4.6 million or 2.3 percent and the net position of our business-type activities decreased by \$3.4 million or 2.1 percent.
- Net position for governmental activities decreased primarily due to depreciation exceeding capital asset additions resulting from a lack of funding available for new investment in capital and road improvements.
- The General Fund reported a decrease in revenue of \$2.5 million or 3.1 percent (excluding the transfer from the Self-insurance Fund) due to a fifth year of lower property tax assessments due to a statewide housing decline. Property tax revenues fell by \$1.6 million. Investment earnings fell by \$0.6 million due to lower interest rates and unrealized market value adjustments. Building revenues declined by \$0.4 million due to a one-time Chrysler building project last year, while 41A District Court revenues declined by \$0.3 million primarily due to lower ordinance fines. State revenue sharing increased by \$0.7 million. General Fund revenue in 2013 was at its lowest level since 2005. General Fund revenues have fallen short of expenditures for the past six years. As a result, a \$2.7 million transfer from the Self-insurance Fund was needed in order to prevent further use of General Fund reserves.
- General Fund expenditures decreased by \$5.6 million or 6.4 percent due primarily to continued employee labor savings. Wages for full-time employees decreased by \$5.1 million, employee health insurance costs declined by \$1.7 million, and overtime costs fell by \$0.8 million. However, increased actuarially required funding for long-term retirement liabilities offset \$2.8 million of savings. The greater use of part-time employees resulted in a \$0.5 million increase, while an additional \$0.3 million was spent to privatize City services.
- To avoid the further use of reserves, the community approved an additional 2.5 mills for six years beginning July 1, 2014. This millage will allow the City to avoid further reductions in police and fire staffing and the funding to replace worn capital equipment. It will also allow the City to recover a portion of lost tax revenues and to help make up for the upcoming loss of personal property tax revenues.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

- Despite stabilizing State gas tax revenues and savings achieved from delaying new major road construction projects, funding remains inadequate to repair all major roads in the City. However, a portion of the 2.5 mills approved by the voters will generate \$3.3 million in the first year and will allow the City to invest \$20 million in neighborhood road repairs over the next six years.
- The City continues to fully fund its retirement systems. Despite cutting employee retirement benefits, in the short term, retirement costs will continue to grow. However, through successful financial and economic development programs, the City has been able to maintain a diversified tax base with very low tax and water and sewer rates, while continuing to provide most 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 government'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.
- **Component Units** - The City includes four other separate entities in its report: the Brownfield Redevelopment Authority, the Corridor Improvement Authority, the Economic Development Corporation, and the Local Development Finance Authority, for which the City is financially accountable. Although legally separate, these "component units" are important because the City exercises control over them. Although the Sterling Heights Building Authority is also legally separate, it functions as a department of the City and therefore has been included as an integral part of the primary government.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The City's overall net position decreased 2.2 percent from a year ago, falling from \$361.0 million to \$353.0 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of \$4.6 million in net position, or 2.3 percent, during fiscal year 2013. While this is a slight improvement from the \$5.7 million decrease in net position during 2012, the continued decline is attributable to lower property tax revenues, investment earnings, building fees, and court revenues. Despite continued expenditure savings, revenues still fall short of expenditures, as the City continues to fully fund increasing long-term legacy costs.

As of June 30, 2013, 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 \$26.6 million. This represents a \$1.1 million decrease as compared to June 30, 2012. The major factor contributing to this decrease was the continued housing decline, partially offset by employee healthcare savings, resulting in a net \$0.9 million use of Self-insurance Fund reserves.

The business-type activities experienced a decrease in net position of \$3.4 million, up slightly from the \$3.0 million net decrease the previous year. The slight decline was primarily due to \$1.3 million in lower contributions from developers and \$1.1 million less in investment earnings. On a rate setting basis, the fund covered interest expense and operational charges by \$1.4 million, excluding depreciation expense, as the City does not use its operating rates to fund depreciation. The decrease in net position flowed through the balance sheet of the business-type activities as an increase in restricted net position of \$0.2 million, which was offset by a decrease in capital assets net of debt of \$1.7 million and the \$1.9 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, 2013 compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current assets	\$ 45.2	\$ 47.9	\$ 26.3	\$ 27.2	\$ 71.5	\$ 75.1
Noncurrent assets:						
Restricted assets and other assets	6.3	6.5	9.6	9.4	15.9	15.9
Capital assets	<u>181.0</u>	<u>188.8</u>	<u>170.3</u>	<u>171.3</u>	<u>351.3</u>	<u>360.1</u>
Total assets	232.5	243.2	206.2	207.9	438.7	451.1
<b>Liabilities</b>						
Current liabilities	8.4	9.7	5.8	4.8	14.2	14.5
Long-term liabilities	<u>26.4</u>	<u>31.2</u>	<u>45.1</u>	<u>44.4</u>	<u>71.5</u>	<u>75.6</u>
Total liabilities	<u>34.8</u>	<u>40.9</u>	<u>50.9</u>	<u>49.2</u>	<u>85.7</u>	<u>90.1</u>
<b>Net Position</b>						
Net investment in capital assets	159.7	163.7	125.4	127.1	285.1	290.8
Restricted	11.4	10.9	9.6	9.4	21.0	20.3
Unrestricted	<u>26.6</u>	<u>27.7</u>	<u>20.3</u>	<u>22.2</u>	<u>46.9</u>	<u>49.9</u>
Total net position	<u>\$197.7</u>	<u>\$202.3</u>	<u>\$155.3</u>	<u>\$158.7</u>	<u>\$353.0</u>	<u>\$361.0</u>

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the change in net position (in millions of dollars) as of June 30, 2013 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenue</b>						
Charges for services	\$ 10.7	\$ 12.0	\$ 35.3	\$ 31.0	\$ 46.0	\$ 43.0
Operating grants and contributions	5.1	8.6	-	-	5.1	8.6
Capital grants and contributions	4.6	2.5	0.6	2.7	5.2	5.2
Property taxes	51.7	53.2	-	-	51.7	53.2
State-shared revenue	10.3	10.1	-	-	10.3	10.1
Investment earnings	0.1	1.2	(0.5)	0.8	(0.4)	2.0
Other nonprogram revenue	2.3	2.0	-	-	2.3	2.0
<b>Total revenue</b>	<b>84.8</b>	<b>89.6</b>	<b>35.4</b>	<b>34.5</b>	<b>120.2</b>	<b>124.1</b>
<b>Program Expenses</b>						
General government	5.9	6.5	-	-	5.9	6.5
41A District Court	3.3	3.5	-	-	3.3	3.5
Public safety	51.3	55.0	-	-	51.3	55.0
Public works	22.9	23.9	-	-	22.9	23.9
Recreation and culture	4.9	5.3	-	-	4.9	5.3
Interest on long-term debt	1.1	1.1	-	-	1.1	1.1
Water and sewer	-	-	38.8	37.5	38.8	37.5
<b>Total program expenses</b>	<b>89.4</b>	<b>95.3</b>	<b>38.8</b>	<b>37.5</b>	<b>128.2</b>	<b>132.8</b>
<b>Change in Net Position</b>	<b>(4.6)</b>	<b>(5.7)</b>	<b>(3.4)</b>	<b>(3.0)</b>	<b>(8.0)</b>	<b>(8.7)</b>
<b>Net Position - Beginning of year</b>	<b>202.3</b>	<b>208.0</b>	<b>158.7</b>	<b>161.7</b>	<b>361.0</b>	<b>369.7</b>
<b>Net Position - End of year</b>	<b>\$197.7</b>	<b>\$202.3</b>	<b>\$155.3</b>	<b>\$ 158.7</b>	<b>\$353.0</b>	<b>\$361.0</b>

### Governmental Activities

During fiscal year 2013, the City's total governmental revenue decreased by \$4.8 million or 5.4 percent. This decrease was due to a decline in property tax, building and court revenues, partially offset by higher cable franchise revenues, state gas tax, and revenue-sharing payments.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

Expenses decreased by \$5.9 million or 6.2 percent from the previous fiscal year. Contributing to the decrease in expenses were savings from the reduction of 32 full-time positions through attrition, 27 full-time employees through layoff, and continued employee wage and benefit concessions. These savings were partially offset by increased required contributions of \$1.5 million to the police and fire retirement system and \$0.6 million to the general employees retirement system.

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 charged by the City of Detroit for fiscal year 2013 increased by 8.9 percent, which the City incorporated this increase in the rates charged to its water customers. The City provides sewage treatment to 99 percent of its residents through the Macomb County Sewage District. The City incorporated 13.9 percent sewage rate adjustment to its customers, which offset a 9.2 percent variable rate increase, a 13.5 percent fixed rate increase and a 23.9 percent increase in debt service costs from Macomb and Oakland County. Sewer costs have risen as a result of debt from the counties new sewer rehabilitation projects.

During fiscal year 2013, the water and sewer system experienced a 2.5 percent decrease in water purchased from the City of Detroit. Volumes are down 21.9 percent since 2005, which is consistent with Michigan's overall economy. In 2013, water and sewer lines contributed by developers to the City fell by \$1.3 million and investment earnings decreased by \$1.2 million.

### **Capital Assets and Debt Administration**

At the end of fiscal year 2013, the City had \$285.1 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 \$241.3 million and \$252.8 million for fiscal years 2013 and 2012, respectively (see Note 4 of the notes to the basic financial statements for additional information).

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

The City's general obligation bonds maintained their ratings from Standard & Poor's (AA+) and Moody's (Aa1). Fitch downgraded the City's bond rating one notch from AAA to AA+. The 2007 Michigan Transportation Fund (MTF) bond, with a remaining balance of \$3.9 million, was partially refinanced during the fiscal year at a 2.05 percent interest rate, saving over \$200,000 in future interest costs. The 2013 MTF Refunding bond totaled approximately \$3.3 million. No additional direct debt was issued by the City during the year. Debt service for all outstanding direct debt during fiscal year 2013 consisted of \$3.9 million in principal and \$1.1 million in interest after adjustments for recognition of amortized premiums (see Note 7 of the notes to the basic financial statements for additional information).

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

	2013	2012
Net debt outstanding (direct and indirect)	\$ 44,643,997	\$ 46,100,773
Ratio of net debt outstanding to total taxable value	1.0863%	1.0440%
Net debt outstanding per capita	\$ 344.06	\$ 355.27

### 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.

- **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.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

- **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 19-20 and provide detailed information on the most significant funds - not the City as a whole. The City's major funds for 2013 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 in these funds are property taxes and state sources. The major components of expenditures in these funds are public safety (police and fire) and public works. Revenues exceeded expenditures (including transfers) in these funds by \$0.4 million. In the General Fund, revenues equaled expenditures due to a \$2.7 million transfer from the Self-insurance Fund. Without this transfer, General Fund revenues would have fallen \$2.5 million. Expenditures decreased by \$5.6 million due to operational savings, partially offset by higher actuarial required pension and retiree healthcare fundings. The Major Roads Fund net increase of \$1.0 million will be used for future road maintenance. The Road Bond Debt Retirement and the General Improvement Funds net changes were nearly flat. The Road Bond Construction Fund net decrease of \$0.4 million was attributable to the use of prior year's proceeds from bond sales. The Community Development Block Grant Fund is a reimbursement-based grant fund.

### **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 2013. Final budgeted expenditures were \$1.7 million or 2.1 percent lower than the original budget based on savings from 36 full-time positions that became vacant due to retirements throughout the year. Final budgeted revenue was \$1.7 million lower than the original budget. Higher State and cable franchise revenues, coupled with expenditure savings, resulted in the need to transfer fewer Self-insurance Fund reserves to the General Fund than originally planned.

At year end, actual General Fund expenditures came in at 100.1 percent of the budget or \$0.1 million over budget due to several unanticipated retirements at year end. General Fund revenue came in at 100.1 percent or \$0.1 million over budget as transfers in were adjusted to match expenditures, resulting in no net change to General Fund reserves.

# City of Sterling Heights, Michigan

## Management's Discussion and Analysis (Continued)

### Current Economic Conditions

While the City continues to carry out its long-term financial plan, there remains a structural funding problem facing communities in Michigan. The three major funding sources for cities are property taxes, state-shared revenue, and state road funding. All three revenue sources have shown significant declines over the past 5 to 10 years. Despite a reduction of 201 positions since 2002, without the additional approved millage, the City would have been forced to make further expenditure reductions to offset the lower revenues. City government is a service to City residents and therefore, its primary costs are personnel related. Through the use of long-term planning, the City will continue to avoid a deficit. However, amid the steeply declining revenue affecting all communities, the City will continue to review all possible expenditure savings and revenue recovery options as it prepares future budgets and in negotiating current and future labor contracts.

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

The City's property tax assessments have declined in the past six years and continued decreases will be experienced in 2014 as well. As a result, property taxes, which account for 61.7 percent of the City's General Fund budget, have shown a dramatic decrease. For 2014, tax revenue has fallen to its lowest level in nine years. The City's total taxable value has now dropped to its lowest level since 1999, resulting in a cumulative \$67.2 million loss of property tax revenue when compared to historic inflationary increases.

The average property tax bill has now declined by \$449 or 16.2 percent since 2007. Tax bills remain lower today than amounts paid 12 years ago in 2002. The City has continued to maintain one of the lowest tax rates in the state with 90 percent of cities having a higher tax rate. In Macomb County alone, the City's tax rate is the lowest of any city and is 8.2 mills or 65 percent below the average of all cities in the County.

While residential assessments have begun to stabilize, further declines will occur in 2014 for businesses, resulting in a continued decline in revenue to the City. 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 back to 2008 levels until 2026. In addition, the State has eliminated personal property taxes paid by businesses that will result in over a \$1.0 million annual loss to the City even if the State upholds its promise to partially replace lost revenues.

### **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 13.0 percent. The State has cut revenue-sharing payments, resulting in a cumulative \$33.1 million or 22.6 percent reduction since 2002, despite a growing City population and inflationary cost factors.

# **City of Sterling Heights, Michigan**

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

### **Road Funding**

Gas tax receipts from the State remain much 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 the corresponding tax revenue. The State's gas tax of 19 cents per gallon has increased once in the past 29 years. As a result, the City has cumulatively lost \$4.0 million in State gas tax revenue over the past nine years. As the General Fund no longer has the ability to subsidize the road funds and since federal stimulus funds are no longer available, the City has asked residents to approve a neighborhood street millage. This millage was approved by the voters, which will allow the City to make the necessary repairs to local neighborhood streets starting in 2014.

### **Expenditure Savings**

In 2013, General Fund expenditures decreased by \$5.6 million or 6.4 percent to their lowest level since 2006. Excluding increased funding for retiree costs, expenditures would have decreased by \$8.4 million. The City has now achieved 15 percent wage and benefit concessions from all 12 labor groups.

As a result of the declining revenue, the City developed a proactive multi-faceted financial strategy to successfully navigate these financial challenges. The City has implemented numerous budgeted savings and limited revenue enhancement measures over the past several years. The City has eliminated 201 full-time budgeted positions or 31.0 percent of its full-time workforce since 2002, saving \$15.9 million annually.

The City has also achieved significant reform of employee retirement benefits. The City no longer offers fixed pensions for general employees, has reduced pensions for all of those that still have fixed pensions, closed the police deferred retirement option plan, eliminated retiree medical for new general employees and firefighters, and reduced future retiree health care benefits. The City has dramatically reduced overtime costs, and has contracted out the police detention facility, the cleaning of City buildings, and certain park maintenance functions. The City continues to downsize, pursue service-sharing agreements with surrounding communities, and outsource services where possible. Today, over 82.0 percent of the budget is directed toward the City's largest departments which are police, fire, and public works.

# **City of Sterling Heights, Michigan**

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

### **Reducing City Staffing**

Given that nearly 82.0 percent of the City budget is personnel costs, the City has had to eliminate lower priority positions. The City is now budgeted to have 448 full-time employees - the lowest number since the 1970s. The City's employee per resident ratio has decreased by 44.0 percent. 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. Since the November 2013 millage was approved, no further staffing reductions are planned with the exception of outsourcing the 911 dispatch operations to the County.

### **Use of Fund Balance**

Despite expenditure savings, the City has needed to use its fund balance. General Fund reserves have fallen for five fiscal years and currently total only \$5.2 million. The City is now utilizing its Self-insurance Fund reserves to balance the General Fund budget. The use of \$2.7 million of Self-insurance Fund reserves occurred in 2013 and an additional \$2.1 million use of reserves is budgeted for 2014. So far, the City has avoided reducing fund balance to a level that would compromise its superior AA+ bond rating, which saves hundreds of thousands of dollars in annual interest costs. With the approval of the new millage, the City will be able to begin to restore its reserves to acceptable levels.

### **Future Actions Needed for 2014 and Beyond**

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 does have fewer fund balance reserves than many communities, as the City has not levied higher taxes unnecessarily to build up excess reserves. The City continues to have one of the lowest property tax bills and tax rates of any Detroit-area city. Most other cities not only have higher tax rates, but also have increased their rates over the years. The City's property tax millage rate is down 0.7 mills, from 13.38 mills in 1988 to 12.68 mills currently, which represents a decrease of 5.2 percent. This millage rate decrease has saved the average resident \$3,302 in taxes over the 26-year period. Even with the approval of the November 2013 millage, the City will continue to have one of the lowest tax rates of any city in the County and 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.

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.

# **City of Sterling Heights, Michigan**

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

### **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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 12,710,246	\$ -	\$ 12,710,246	\$ 254,177
Investments - At fair value (Note 3)	21,073,958	19,895,271	40,969,229	-
Receivables:				
Customers	-	6,004,832	6,004,832	7,604
Special assessments - Current	202,725	-	202,725	-
Accrued interest	237,453	135,925	373,378	-
Other	888,605	-	888,605	-
Internal balances	(56,111)	56,111	-	-
Due from other governmental units	4,044,886	-	4,044,886	391,405
Prepaid costs and other assets	5,600,578	-	5,600,578	4,634
Inventories	576,823	226,016	802,839	-
Special assessments (Note 6)	2,345,252	-	2,345,252	-
Restricted assets (Note 8)	2,070,996	9,596,925	11,667,921	-
Loans receivable (Note 9)	1,852,735	-	1,852,735	-
Capital assets:				
Nondepreciable (Note 4)	51,479,360	14,897,385	66,376,745	1,209,203
Depreciable - Net (Note 4)	129,523,356	155,401,017	284,924,373	1,987,049
Total assets	232,550,862	206,213,482	438,764,344	3,854,072
<b>Liabilities</b>				
Accounts payable	3,234,059	4,337,389	7,571,448	4,513
Accrued and other liabilities	3,178,307	227,601	3,405,908	216,191
Due to other governmental units	82,661	1,062,720	1,145,381	316,569
Unearned revenue (Note 6)	1,979,912	73,170	2,053,082	7,604
Noncurrent liabilities (Note 7):				
Provision for uninsured losses and liabilities (Note 10)	414,586	-	414,586	-
Due within one year	3,472,390	1,524,521	4,996,911	-
Due in more than one year	22,474,653	43,632,819	66,107,472	-
Total liabilities	34,836,568	50,858,220	85,694,788	544,877
<b>Net Position</b>				
Net investment in capital assets	159,678,093	125,395,977	285,074,070	3,196,252
Restricted:				
Roads	5,976,682	-	5,976,682	-
Public safety	526,660	-	526,660	-
Debt service	2,811,343	-	2,811,343	-
County drains (Note 8)	2,070,996	349,212	2,420,208	-
Ordinance requirements (Note 8)	-	9,247,713	9,247,713	-
Unrestricted	26,650,520	20,362,360	47,012,880	112,943
Total net position	<u>\$ 197,714,294</u>	<u>\$ 155,355,262</u>	<u>\$ 353,069,556</u>	<u>\$ 3,309,195</u>

# 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	\$ 5,918,474	\$ 3,634,419	\$ 24,933	\$ -
41A District Court	3,334,854	2,336,662	137,172	-
Public safety	51,345,058	1,558,701	464,579	820,047
Public works	22,852,033	2,533,213	4,175,231	3,726,972
Recreation and culture	4,891,039	677,068	335,053	-
Interest on long-term debt	1,099,714	-	-	-
Total governmental activities	89,441,172	10,740,063	5,136,968	4,547,019
Business-type activities - Water and sewer	38,788,850	35,282,896	-	601,903
Total primary government	<u>\$ 128,230,022</u>	<u>\$ 46,022,959</u>	<u>\$ 5,136,968</u>	<u>\$ 5,148,922</u>
Component units:				
Economic Development Corporation	\$ 20,489	\$ -	\$ 19,000	\$ -
Brownfield Redevelopment Authority	131,988	-	127,245	-
Corridor Improvement Authority	-	-	-	-
Local Development Finance Authority	289,649	-	265,702	-
Total component units	<u>\$ 442,126</u>	<u>\$ -</u>	<u>\$ 411,947</u>	<u>\$ -</u>
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</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2013

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,259,122)	\$ -	\$ (2,259,122)	\$ -
(861,020)	-	(861,020)	-
(48,501,731)	-	(48,501,731)	-
(12,416,617)	-	(12,416,617)	-
(3,878,918)	-	(3,878,918)	-
(1,099,714)	-	(1,099,714)	-
(69,017,122)	-	(69,017,122)	-
-	(2,904,051)	(2,904,051)	-
(69,017,122)	(2,904,051)	(71,921,173)	-
-	-	-	(1,489)
-	-	-	(4,743)
-	-	-	-
-	-	-	(23,947)
-	-	-	(30,179)
51,643,869	-	51,643,869	-
10,342,983	-	10,342,983	-
118,280	(457,850)	(339,570)	109
2,292,537	-	2,292,537	-
64,397,669	(457,850)	63,939,819	109
(4,619,453)	(3,361,901)	(7,981,354)	(30,070)
202,333,747	158,717,163	361,050,910	3,339,265
<b>\$ 197,714,294</b>	<b>\$ 155,355,262</b>	<b>\$ 353,069,556</b>	<b>\$ 3,309,195</b>

# City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 4,097,823	\$ 3,009,092	\$ -
Investments - At fair value (Note 3)	4,823,941	1,099,991	-
Receivables:			
Special assessments:			
Current	-	-	-
Deferred	-	-	-
Accrued interest	37,972	420	-
Other	853,329	-	-
Prepaid costs and other assets	249,252	-	-
Due from other funds (Note 5)	462,415	-	-
Due from other governmental units	852,692	934,389	94,049
Inventories	572,624	-	-
Restricted assets (Note 8)	-	-	-
Rehabilitation loans (Note 9)	-	-	1,852,735
Total assets	<u>\$ 11,950,048</u>	<u>\$ 5,043,892</u>	<u>\$ 1,946,784</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,236,464	\$ 106,671	\$ 36,896
Accrued and other liabilities	3,135,789	3,770	-
Due to other funds (Note 5)	985,805	158,340	57,153
Due to other governmental units	82,661	-	-
Deferred revenue (Note 6)	260,849	-	1,852,735
Total liabilities	6,701,568	268,781	1,946,784
<b>Fund Balances</b>			
Nonspendable:			
Inventory	572,624	-	-
Prepaid costs	249,252	-	-
Restricted for:			
Road improvements	-	4,775,111	-
Public safety	-	-	-
Debt service	-	-	-
Committed - Park acquisitions and improvements	-	-	-
Assigned to:			
Debt service	297,080	-	-
Other capital projects	358,150	-	-
Significant encumbrances	36,089	-	-
Use of next year's fund balance	-	-	-
Unassigned	3,735,285	-	-
Total fund balances	<u>5,248,480</u>	<u>4,775,111</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,950,048</u>	<u>\$ 5,043,892</u>	<u>\$ 1,946,784</u>

**Governmental Funds  
Balance Sheet  
June 30, 2013**

Road Bond Debt Retirement	General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 326,041	\$ 538,629	\$ 240,819	\$ 1,864,470	\$ 10,076,874
-	425,000	-	200,000	6,548,932
146,599	22,486	-	33,640	202,725
2,198,986	45,347	-	100,919	2,345,252
120,516	3,152	-	8,163	170,223
-	-	-	-	853,329
-	-	171,184	40	420,476
-	-	-	-	462,415
-	59,532	32,740	324,297	2,297,699
-	-	-	4,199	576,823
-	2,070,996	-	-	2,070,996
-	-	-	-	1,852,735
<b>\$ 2,792,142</b>	<b>\$ 3,165,142</b>	<b>\$ 444,743</b>	<b>\$ 2,535,728</b>	<b>\$ 27,878,479</b>
\$ -	\$ 16,714	\$ 117,434	\$ 68,421	\$ 2,582,600
-	16,440	6,995	15,313	3,178,307
-	2,859	120,543	123,520	1,448,220
-	-	-	-	82,661
2,198,986	2,116,343	-	100,959	6,529,872
2,198,986	2,152,356	244,972	308,213	13,821,660
-	-	-	4,199	576,823
-	-	171,184	-	420,436
-	-	28,587	1,072,065	5,875,763
-	-	-	526,660	526,660
593,156	-	-	19,201	612,357
-	-	-	605,390	605,390
-	-	-	-	297,080
-	968,166	-	-	1,326,316
-	-	-	-	36,089
-	44,620	-	-	44,620
-	-	-	-	3,735,285
593,156	1,012,786	199,771	2,227,515	14,056,819
<b>\$ 2,792,142</b>	<b>\$ 3,165,142</b>	<b>\$ 444,743</b>	<b>\$ 2,535,728</b>	<b>\$ 27,878,479</b>

# City of Sterling Heights, Michigan

## Governmental Funds Reconciliation of Balance Sheet to the Statement of Net Position June 30, 2013

<b>Total Fund Balances of Governmental Funds</b>	\$ 14,056,819
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	2,478,964
Receivables related to state-shared revenue are reported in the statement of net position at the time they are earned, without regard to timeliness of remittance by the State	1,747,187
Restricted assets held by Macomb County to be used over several years and which are not available to pay for current year expenditures	2,070,996
Capital assets used in governmental activities are not financial resources and are not reported in the funds	181,002,716
Long-term liabilities not due and payable in the current period are not reported in the funds	(20,945,000)
Compensated absences that are not requested prior to fiscal year end are not payable in the current period and are not included in the funds	(3,783,506)
Bond premiums are amortized over the life of the bonds, while recognized as an other financing source in the funds when received	(379,623)
Internal service fund is included as part of governmental activities	<u>21,465,741</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 197,714,294</u></b>

# City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant	Road Bond Debt Retirement
<b>Revenue</b>				
Property taxes	\$ 50,075,472	\$ -	\$ -	\$ -
Fees and permits	1,789,803	-	-	-
Federal sources	185,032	17,706	457,688	-
State and local sources	11,106,230	5,555,044	-	-
Fines and forfeitures	2,489,252	-	-	-
Charges for services	8,306,458	-	-	-
Investment income	40,601	9,814	-	477
Special assessments	-	-	-	147,087
Rental income	1,536,939	-	-	-
Cable revenue	2,292,537	-	-	-
Other	1,132,360	136,381	-	156,830
<b>Total revenue</b>	<b>78,954,684</b>	<b>5,718,945</b>	<b>457,688</b>	<b>304,394</b>
<b>Expenditures</b>				
Current:				
General government	7,700,466	-	-	-
41A District Court	3,258,362	-	-	-
Public safety	48,503,721	-	-	-
Public works	14,636,388	1,637,475	301,941	-
Recreation and culture	4,339,952	-	-	-
General expenditures	2,238,910	-	-	52,788
Capital outlay	-	470,369	47,145	-
Debt service	-	-	108,602	2,779,850
<b>Total expenditures</b>	<b>80,677,799</b>	<b>2,107,844</b>	<b>457,688</b>	<b>2,832,638</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(1,723,115)</b>	<b>3,611,101</b>	<b>-</b>	<b>(2,528,244)</b>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	-	3,275,000
Bond premium	-	-	-	9,311
Payments to refunded bond escrow agents	-	-	-	(3,100,000)
Interfund transfers in	2,658,205	-	-	2,430,000
Interfund transfers out	(935,090)	(2,565,110)	-	-
<b>Total other financing sources (uses)</b>	<b>1,723,115</b>	<b>(2,565,110)</b>	<b>-</b>	<b>2,614,311</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>1,045,991</b>	<b>-</b>	<b>86,067</b>
<b>Fund Balances - Beginning of year</b>	<b>5,248,480</b>	<b>3,729,120</b>	<b>-</b>	<b>507,089</b>
<b>Fund Balances - End of year</b>	<b>\$ 5,248,480</b>	<b>\$ 4,775,111</b>	<b>\$ -</b>	<b>\$ 593,156</b>

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2013**

General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,590,456	\$ 51,665,928
-	-	-	1,789,803
90,139	58,726	317,132	1,126,423
-	-	2,164,398	18,825,672
-	-	-	2,489,252
-	-	-	8,306,458
2,658	609	4,375	58,534
23,794	-	35,620	206,501
-	-	-	1,536,939
-	-	-	2,292,537
<u>225,789</u>	<u>-</u>	<u>48,716</u>	<u>1,700,076</u>
342,380	59,335	4,160,697	89,998,123
-	-	-	7,700,466
-	-	-	3,258,362
-	-	140,404	48,644,125
-	-	1,486,373	18,062,177
-	-	-	4,339,952
-	-	2,486	2,294,184
942,219	594,674	1,061,214	3,115,621
<u>-</u>	<u>-</u>	<u>2,120,604</u>	<u>5,009,056</u>
<u>942,219</u>	<u>594,674</u>	<u>4,811,081</u>	<u>92,423,943</u>
(599,839)	(535,339)	(650,384)	(2,425,820)
-	-	-	3,275,000
-	-	-	9,311
-	-	-	(3,100,000)
406,350	135,110	528,740	6,158,405
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,500,200)</u>
<u>406,350</u>	<u>135,110</u>	<u>528,740</u>	<u>2,842,516</u>
(193,489)	(400,229)	(121,644)	416,696
<u>1,206,275</u>	<u>600,000</u>	<u>2,349,159</u>	<u>13,640,123</u>
<u>\$ 1,012,786</u>	<u>\$ 199,771</u>	<u>\$ 2,227,515</u>	<u>\$ 14,056,819</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, 2013

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 416,696</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures; 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):</p>	
Capital outlay	3,377,537
Depreciation expense	(11,097,231)
Net book value of assets disposed of	(71,697)
<p>Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection</p>	
	186,528
<p>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</p>	
	(206,501)
<p>Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>	
	3,895,000
<p>Payments to an escrow agent on refunding bonds are not reported as an other financing use in the statement of activities</p>	
	3,100,000
<p>Debt issuance is not reported as an other financing source in the statement of activities</p>	
	(3,275,000)
<p>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</p>	
	5,031
<p>Accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities. In the current year, more was earned than was paid out</p>	
	166,236
<p>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</p>	
	<u>(1,116,052)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (4,619,453)</u></b>

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Net Position June 30, 2013

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,633,372
Investments - At fair value (Note 3)	19,895,271	14,525,026
Receivables:		
Customers	6,004,832	-
Accrued interest	135,925	67,230
Other	-	35,276
Prepaid costs and other assets	-	5,180,102
Due from other funds (Note 5)	56,111	929,694
Inventories	226,016	-
Total current assets	26,318,155	23,370,700
Noncurrent assets:		
Restricted assets (including \$6,060,164 of cash and cash equivalents) (Note 8)	9,596,925	-
Capital assets - Net (Note 4)	170,298,402	-
Total noncurrent assets	179,895,327	-
Total assets	206,213,482	23,370,700
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	4,337,389	651,459
Accrued and other liabilities	227,601	-
Compensated absences (Note 7)	84,710	-
Due to other governmental units	1,062,720	-
Current portion of long-term debt (Note 7)	1,439,811	-
Provision for uninsured losses and liabilities (Note 10)	-	414,586
Unearned revenue	73,170	-
Total current liabilities	7,225,401	1,066,045
Noncurrent liabilities:		
Compensated absences (Note 7)	170,205	-
Long-term debt (Note 7)	43,462,614	-
Provision for uninsured losses and liabilities (Note 10)	-	838,914
Total noncurrent liabilities	43,632,819	838,914
Total liabilities	50,858,220	1,904,959
<b>Net Position</b>		
Net investment in capital assets	125,395,977	-
Restricted for county drains (Note 8)	349,212	-
Restricted for ordinance requirements	9,247,713	-
Unrestricted	20,362,360	21,465,741
Total net position	\$ 155,355,262	\$ 21,465,741

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
<b>Operating Revenue</b>		
Water sales	\$ 13,685,408	\$ -
Sewage treatment	18,695,166	-
Service charges	712,192	-
City contributions	-	6,320,635
Other	2,190,130	469,864
Total operating revenue	35,282,896	6,790,499
<b>Operating Expenses</b>		
Wages and fringe benefits	3,494,981	-
Contractual services	272,354	-
Water purchases	12,089,582	-
Sewage disposal charges	12,993,927	-
Materials and supplies	266,821	-
Repairs and maintenance	551,690	-
Building and equipment rental	119,751	-
Insurance	270,256	-
Depreciation	5,378,030	-
Administration expenses	1,679,800	264,655
Reinsurance charges and claims	-	4,880,241
Other	186,780	163,196
Total operating expenses	37,303,972	5,308,092
<b>Operating (Loss) Income</b>	(2,021,076)	1,482,407
<b>Nonoperating (Expenses) Revenue</b>		
Investment (loss) income	(457,850)	59,746
Interest expense	(1,484,878)	-
Total nonoperating (expenses) revenue	(1,942,728)	59,746
<b>(Loss) Income - Before contributions and operating transfers</b>	(3,963,804)	1,542,153
<b>Capital Contributions</b>		
Contributions from developers	292,416	-
Other capital contributions	309,487	-
Total capital contributions	601,903	-
<b>Operating Transfers Out</b>	-	(2,658,205)
<b>Change in Net Position</b>	(3,361,901)	(1,116,052)
<b>Net Position - Beginning of year</b>	158,717,163	22,581,793
<b>Net Position - End of year</b>	<b>\$ 155,355,262</b>	<b>\$ 21,465,741</b>

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	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	\$ 35,324,182	\$ 5,510,190
Payments to suppliers for goods and services	(26,908,447)	-
Payments to employees for services	(3,478,827)	-
Payments connected with interfund services	(967,608)	4,541,058
Claims paid	-	(6,164,710)
Other (payments) receipts	(674,231)	306,668
Net cash provided by operating activities	3,295,069	4,193,206
<b>Cash Flows from Noncapital Financing Activities - Transfer to governmental funds</b>		
	-	(2,658,205)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of customer assessments (principal and interest)	309,487	-
Principal paid for long-term debt	(1,377,681)	-
Interest paid for long-term debt	(1,484,878)	-
Purchase of capital assets	(733,500)	-
Net cash used in capital and related financing activities	(3,286,572)	-
<b>Cash Flows from Investing Activities</b>		
Income received on investments	312,468	235,491
Purchase of investment securities	(56,146,262)	(38,781,440)
Proceeds from sales and maturities of investment securities	59,885,461	39,590,000
Net cash provided by investing activities	4,051,667	1,044,051
<b>Net Increase in Cash and Cash Equivalents</b>	4,060,164	2,579,052
<b>Cash and Cash Equivalents - Beginning of year</b>	2,000,000	54,320
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 6,060,164</b>	<b>\$ 2,633,372</b>

(This statement is continued on the following page.)

# City of Sterling Heights, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
Reconciliation of operating (loss) income to net cash from operating activities:		
Operating (loss) income	\$ (2,021,076)	\$ 1,482,407
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	5,378,030	-
Changes in assets and liabilities:		
Receivables	107,331	(34,261)
Prepaid costs and other assets	-	(776,184)
Due from other funds	-	4,541,058
Inventory	(46,750)	-
Accounts payable	(178,149)	(37,159)
Provision for compensated absences	37,038	-
Provision for uninsured losses and liabilities	-	(982,655)
Deferred revenue	18,645	-
Net cash provided by operating activities	<b>\$ 3,295,069</b>	<b>\$ 4,193,206</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2013, developer constructed water and sewer lines with an estimated value of \$292,416 were donated to the City's Water and Sewer Enterprise Fund. The Oakland-Macomb Interceptor Drainage District (OMID) constructed and contributed Segment I drainage system improvements totaling \$153,352, which was funded through assigned debt; constructed and contributed Segment II drainage system improvements totaling \$2,129,102, which was funded through assigned debt and advanced funding (\$403,784) by other communities; and constructed and contributed Segment III drainage system improvements totaling \$1,032,227, which was funded through assigned debt and advanced funding (\$658,936) by other communities.

# City of Sterling Heights, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 15,470,902	\$ 1,802,953
Investments - At fair value (Note 3):		
Government securities	46,682,230	-
Short-term investment fund	-	1,296,467
Mutual funds	27,884,935	-
Corporate bonds	13,173,604	-
Common and preferred stocks	231,046,725	-
Pooled investments	8,814,195	-
Receivables - Accrued interest	103,684	-
Total assets	343,176,275	\$ 3,099,420
<b>Liabilities</b>		
Accounts payable	2,152,667	\$ -
Accrued and other liabilities	20,600	1,142,242
Due to other governmental units	302,935	40,771
Provision for uninsured losses and liabilities (Note 10)	478,153	-
Cash bonds and deposits	-	1,916,407
Total liabilities	2,954,355	\$ 3,099,420
<b>Net Position</b> - Held in trust for pensions and other retirement benefits	<b>\$ 340,221,920</b>	

# City of Sterling Heights, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2013

	Trust Funds - Pensions and Other Retirement Benefits
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 7,859,584
Net adjustment to fair value of investments	29,865,005
Less investment expenses	<u>(2,237,488)</u>
Net investment income	35,487,101
Securities lending income:	
Interest and fees	561
Less borrower rebates and bank fees	<u>(342)</u>
Net securities lending income	219
Contributions:	
Employer	22,590,371
Employee	1,568,373
Purchase of prior year's service credits	110,818
Insurance recovery	<u>9,358</u>
Total additions	59,766,240
<b>Deductions</b>	
Benefit payments	31,030,343
Withdrawals and refunds of contributions	<u>2,976,972</u>
Total deductions	<u>34,007,315</u>
<b>Change in Net Position</b>	25,758,925
<b>Net Position - Beginning of year</b>	<u>314,462,995</u>
<b>Net Position - End of year</b>	<u><u>\$ 340,221,920</u></u>

# City of Sterling Heights, Michigan

## Component Units Statement of Net Position June 30, 2013

	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Local Development Finance Authority	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 12,692	\$ 119,434	\$ 25,967	\$ 96,084	\$ 254,177
Receivables	-	-	-	7,604	7,604
Due from other governmental units	-	-	-	391,405	391,405
Prepaid costs and other assets	-	-	-	4,634	4,634
Capital assets:					
Nondepreciable (Note 4)	-	-	-	1,209,203	1,209,203
Depreciable - Net (Note 4)	-	-	-	1,987,049	1,987,049
<b>Total assets</b>	<b>12,692</b>	<b>119,434</b>	<b>25,967</b>	<b>3,695,979</b>	<b>3,854,072</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	4,513	4,513
Accrued and other liabilities	-	113,889	-	102,302	216,191
Due to other governmental units	-	-	-	316,569	316,569
Deferred revenue	-	-	-	7,604	7,604
<b>Total liabilities</b>	<b>-</b>	<b>113,889</b>	<b>-</b>	<b>430,988</b>	<b>544,877</b>
<b>Net Position</b>					
Net investment in capital assets	-	-	-	3,196,252	3,196,252
Unrestricted	12,692	5,545	25,967	68,739	112,943
<b>Total net position</b>	<b>\$ 12,692</b>	<b>\$ 5,545</b>	<b>\$ 25,967</b>	<b>\$ 3,264,991</b>	<b>\$ 3,309,195</b>

# City of Sterling Heights, Michigan

## Component Units Statement of Activities Year Ended June 30, 2013

	Program Revenue			Net (Expenses) Revenue and Changes in Net Position					Total
	Expenses	Operating	Capital Grants	Economic	Brownfield	Corridor	Local Develop-		
		Grants and	and	Develop-	Redevelop-	Improvement	ment Finance		
	Contributions	Contributions	ment	ment	Authority	Authority	Authority		
			Corporation	Authority	Authority	Authority	Authority		
<b>Economic Development</b>									
<b>Corporation - Public works</b>	\$ 20,489	\$ 19,000	\$ -	\$ (1,489)	\$ -	\$ -	\$ -	\$ (1,489)	
<b>Brownfield Redevelopment</b>									
<b>Authority - Public works</b>	131,988	127,245	-	-	(4,743)	-	-	(4,743)	
<b>Corridor Improvement</b>									
<b>Authority - Public works</b>	-	-	-	-	-	-	-	-	
<b>Local Development Finance</b>									
<b>Authority - Public works</b>	<u>289,649</u>	<u>265,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,947)</u>	<u>(23,947)</u>	
Total component units	<u>\$ 442,126</u>	<u>\$ 411,947</u>	<u>\$ -</u>	(1,489)	(4,743)	-	(23,947)	(30,179)	
<b>General Revenue - Investment income</b>				10	57	16	26	109	
<b>Change in Net Position</b>				(1,479)	(4,686)	16	(23,921)	(30,070)	
<b>Net Position - Beginning of year</b>				14,171	10,231	25,951	3,288,912	3,339,265	
<b>Net Position - End of year</b>				<u>\$ 12,692</u>	<u>\$ 5,545</u>	<u>\$ 25,967</u>	<u>\$ 3,264,991</u>	<u>\$ 3,309,195</u>	

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Sterling Heights, Michigan (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### **Reporting Entity**

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

**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 the discretely presented component units can be obtained from 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.
- 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.

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

d. The Local Development Finance Authority (the "LDFA") was created to encourage development to prevent conditions of unemployment and promote economic growth. The LDFA'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 LDFA. The LDFA is presented as a governmental activity.

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.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

Separate financial statements are provided within the report 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 enterprise fund are reported as separate columns in the fund financial statements.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and the trust fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the government'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 major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

- The Internal Service Fund accounts for risk management services provided to other departments of the government on a cost reimbursement basis. Resources in this fund are also available for catastrophic events.
- The Pension Trust Funds and the Retiree Medical Benefits Trust Fund account for the activities of the general employee and police and fire employees' retirement systems, which accumulate resources for pension benefit payments to qualified general and police and fire employees and for medical benefits provided to employees during retirement, respectively.
- 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 the general Agency Fund (District Court activity).

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, it is the policy to spend funds in this order: committed, assigned, and unassigned.

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 revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The Self-insurance Fund also recognizes cost recovered as operating revenue. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

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

#### Assets, Liabilities, and Net Position or Equity

**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.

**Receivables and Payables** - In general, outstanding balances between funds are reported as “due to” or “due from” other funds. Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to” or “advances from” other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Properties are assessed as of December 31 and the related property taxes become a lien and are billed on July 1 of the following year. These taxes are due on September 1 with the final collection date of February 28 before they are added to the county tax rolls.

**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. Prepayments are recorded as expenditures proportionately over the periods that services are provided (consumption method.)

**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.

**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.

### 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

**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).

**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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as expenditures.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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

**New Accounting Standard** - Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the City's financial statements.

In the current year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and 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 required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Upcoming Reporting Change** - In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement will be in effect for the City's 2014 fiscal year. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. Once implemented, this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections - 2012* (Statement No. 10 - *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*). This statement will be in effect for the City's 2014 fiscal year. This statement resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

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

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This statement will be in effect for the City's 2014 fiscal year. This statement will improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplemental information that will be presented by the pension plans that are within its scope. New information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about the measure of net pension liabilities and explanations of how and why those liabilities changed from year to year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement will be in effect for the City's 2015 fiscal year. This statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement will be in effect for the City's 2015 fiscal year. This statement will improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide these services.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### 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, 2012		\$ (8,665,763)
Current year building permit revenue		2,011,096
Related expenses:		
Direct costs	\$ 1,148,869	
Estimated indirect costs	<u>994,416</u>	
Total construction code expenses		<u>(2,143,285)</u>
Net shortfall for the year ended June 30, 2013		<u>(132,189)</u>
Cumulative shortfall at June 30, 2013		<u>\$ (8,797,952)</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.

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

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, I 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.

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 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 its 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.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

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

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 \$15,535,863 of bank deposits (certificates of deposit, 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.

**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	Maturity Maximum
U.S. treasuries	10 years
U.S. agencies and instrumentalities (date specific maturities only)	10 years
CDs (non-negotiable)	20% to 1 year, 20% to 270 days
Commercial paper (rated A1 or equivalent)	270 days
Bankers' acceptances	184 days
Repurchase agreements	60 days (collateral 10 years for treasuries, seven years for instrumentalities)

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### 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	\$ 10,998,411	0.07 years
Municipal obligations	5,447,042	3.32 years
U.S. government agencies	23,468,733	7.91 years
<b>General Employees' Retirement System</b>		
Corporate bonds	3,455,880	5.88 years
Foreign bonds	467,978	6.27 years
U.S. government agencies	4,984,067	5.14 years
U.S. government obligations	11,948,595	6.04 years
Municipal obligations	596,073	5.94 years
<b>Police and Fire Retirement System</b>		
Corporate bonds	7,427,799	6.24 years
Foreign bonds	683,747	6.10 years
U.S. government agencies	6,460,177	5.76 years
U.S. government obligations	15,566,820	6.27 years
Municipal obligations	683,051	7.36 years
<b>Retiree Medical Benefits</b>		
Corporate bonds	1,138,200	6.75 years
U.S. government agencies	2,929,192	5.52 years
U.S. government obligations	3,514,255	7.07 years

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### 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	\$ 4,142,745	AI	S&P
Pooled funds	1,887,142	AAA	S&P
Commercial paper	10,998,411	AI to A2	S&P
Municipal obligations	3,361,165	AA- to A-	S&P
Municipal obligations	2,085,877	SP1	S&P
U.S. government agencies	23,468,733	AA+	S&P
<b>General Employees' Retirement System</b>			
U.S. government agencies	4,984,067	AA+	S&P
U.S. government obligations	11,948,595	AA+	S&P
Municipal obligations	87,797	Aaa	S&P
Municipal obligations	37,231	AA+	S&P
Municipal obligations	180,534	AI to A3	S&P
Municipal obligations	290,511	Aa2 to Aa3	S&P
Corporate bonds	503,838	AAA to Aaa	S&P
Corporate bonds	301,396	Aa1 - Aa3	S&P
Corporate bonds	1,383,865	AI to A3	S&P
Corporate bonds	1,266,781	Baa1 to Baa3	S&P
Foreign bonds	26,789	Aa3	S&P
Foreign bonds	234,397	AI to A3	S&P
Foreign bonds	206,792	Baa1 to Baa2	S&P
<b>Police and Fire Retirement System</b>			
U.S. government agencies	6,460,177	AA+	S&P
U.S. government obligations	15,566,820	AA+	S&P
Municipal obligations	169,050	Aaa	S&P
Municipal obligations	212,250	Aa2	S&P
Municipal obligations	301,751	AI to A3	S&P
Corporate bonds	737,271	Aaa	S&P
Corporate bonds	442,217	Aa2 to Aa3	S&P
Corporate bonds	1,961,714	AI to A3	S&P
Corporate bonds	1,797,922	Baa1 to Baa3	S&P
Corporate bonds	1,263,798	A to A-	S&P
Corporate bonds	466,405	AA+ to AA-	S&P
Corporate bonds	601,903	BBB+ to BBB-	S&P
Corporate bonds	156,569	AA3	S&P
Foreign bonds	87,469	Aa3	S&P
Foreign bonds	349,214	AI to A3	S&P
Foreign bonds	247,064	Baa1 to Baa2	S&P

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

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

Investment	Fair Value	Rating	Organization
<b>Retiree Medical Benefits</b>			
Pooled funds	\$ 160,396	A-1	S&P
Pooled funds	2,431,122	AAA	S&P
U.S. government agencies	2,929,192	AA+	S&P
U.S. government obligations	3,514,255	AA+	S&P
Corporate bonds	200,290	AA+ to AA-	S&P
Corporate bonds	543,054	A+ - A-	S&P
Corporate bonds	260,160	BBB+ to BBB-	S&P
Corporate bonds	134,696	A3 - AA3	Moody's

#### Concentration of Credit Risk

Through its investment policy, the City places a 5 percent limit on the amount the City may invest in any one issuer.

#### 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 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, 2013

### Note 4 - Capital Assets

#### Primary Government

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

	Balance June 30, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 45,414,228	\$ -	\$ -	\$ 45,414,228
Construction in progress	3,686,109	2,298,437	(256,165)	5,728,381
Works of art	336,751	-	-	336,751
Net capital assets - Nondepreciable	49,437,088	2,298,437	(256,165)	51,479,360
Capital assets being depreciated:				
Building and building improvements	38,981,741	32,295	(7,467)	39,006,569
Improvements other than buildings	9,786,166	11,935	-	9,798,101
Equipment	37,781,386	1,016,312	(1,203,717)	37,593,981
Furnishings and fixtures	1,244,917	9,176	(10,819)	1,243,274
Infrastructure	239,333,641	265,547	-	239,599,188
Subtotal	327,127,851	1,335,265	(1,222,003)	327,241,113
Accumulated depreciation:				
Building and building improvements	13,316,024	854,790	(1,523)	14,169,291
Improvements other than buildings	2,667,230	317,780	-	2,985,010
Equipment	26,695,868	2,314,143	(1,137,964)	27,872,047
Furnishings and fixtures	1,051,334	36,290	(10,819)	1,076,805
Infrastructure	144,040,376	7,574,228	-	151,614,604
Subtotal	187,770,832	11,097,231	(1,150,306)	197,717,757
Net capital assets being depreciated	139,357,019	(9,761,966)	(71,697)	129,523,356
Net governmental capital assets	<u>\$ 188,794,107</u>	<u>\$ (7,463,529)</u>	<u>\$ (327,862)</u>	<u>\$ 181,002,716</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

	Balance June 30, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 64,871	\$ -	\$ -	\$ 64,871
Construction in progress	<u>11,952,839</u>	<u>3,314,681</u>	<u>(435,006)</u>	<u>14,832,514</u>
Net capital assets - Nondepreciable	12,017,710	3,314,681	(435,006)	14,897,385
Capital assets being depreciated:				
Building and building improvements	374,997	-	-	374,997
Equipment	3,893,100	551,816	(93,707)	4,351,209
Furnishings and fixtures	28,230	-	-	28,230
Water and sewer mains	<u>265,769,898</u>	<u>910,466</u>	<u>-</u>	<u>266,680,364</u>
Subtotal	270,066,225	1,462,282	(93,707)	271,434,800
Accumulated depreciation:				
Building and building improvements	98,360	10,910	-	109,270
Equipment	2,337,131	257,511	(92,347)	2,502,295
Furnishings and fixtures	24,406	985	-	25,391
Water and sewer mains	<u>108,288,203</u>	<u>5,108,624</u>	<u>-</u>	<u>113,396,827</u>
Subtotal	<u>110,748,100</u>	<u>5,378,030</u>	<u>(92,347)</u>	<u>116,033,783</u>
Net capital assets being depreciated	<u>159,318,125</u>	<u>(3,915,748)</u>	<u>(1,360)</u>	<u>155,401,017</u>
Net business-type capital assets	<u>\$ 171,335,835</u>	<u>\$ (601,067)</u>	<u>\$ (436,366)</u>	<u>\$ 170,298,402</u>

Construction in progress includes \$12,638,988 (of which the current year amount is \$3,314,681) 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 \$132,516,220. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 7 for additional information.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 256,452
41A District Court	29,649
Public safety	1,879,208
Public works	8,245,813
Recreation and culture	<u>686,109</u>

Total governmental activities	<u>\$ 11,097,231</u>
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Business-type activities - Water and sewer	<u>\$ 5,378,030</u>
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### Discretely Presented Component Units

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

	Balance June 30, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013
<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	-	-	2,124,795
Less accumulated depreciation	<u>87,009</u>	<u>50,737</u>	<u>-</u>	<u>137,746</u>
Net capital assets being depreciated	<u>2,037,786</u>	<u>(50,737)</u>	<u>-</u>	<u>1,987,049</u>
Net component units capital assets	<u>\$ 3,246,989</u>	<u>\$ (50,737)</u>	<u>\$ -</u>	<u>\$ 3,196,252</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - 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	\$ 2,788,537	\$ 1,578,152

### Note 5 - Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Roads Fund	\$ 158,340
	CDBG Fund	57,153
	General Improvements Fund	2,859
	Road Bond Construction Fund	120,543
	Nonmajor governmental funds	<u>123,520</u>
	Total General Fund	462,415
Proprietary Fund	General Fund	56,111
Self-insurance Fund	General Fund	<u>929,694</u>
	Total	<u>\$ 1,448,220</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, 2013

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers Reported in the Fund Statements

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	General Improvements Fund	\$ 406,350
	Nonmajor governmental funds	<u>528,740</u>
	Total General Fund	935,090
Major Roads Fund	Road Bond Debt Retirement Fund	2,430,000
	Road Bond Construction Fund	<u>135,110</u>
	Total Major Roads Fund	2,565,110
Self-insurance Fund	General Fund	<u>2,658,205</u>
	Total	<u>\$ 6,158,405</u>

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.

The transfer from the Major Roads Fund to the Road Bond Debt Retirement Fund represents funding of current debt service; and the transfers from the Major Roads Fund to the Road Bond Construction Fund represent unrestricted resources for current road repair and replacement programs.

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, 2013

### Note 6 - Deferred Revenue

Governmental funds report unearned revenue in connection with receivables and deposits for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Due from Macomb County (Note 8)	\$ 2,070,996	\$ -
Loans receivable - Rehabilitation	-	1,852,735
Special assessments	2,345,252	-
Other deposits	<u>133,712</u>	<u>127,177</u>
Total	<u>\$ 4,549,960</u>	<u>\$ 1,979,912</u>

### Note 7 - Long-term Debt

The government 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, 2013

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
2003 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$3,050,000					
Maturing through 2012					
Interest Rate Ranges 3.05% - 3.60%					
Principal Maturity Range \$245,000 - \$500,000	\$ 245,000	\$ -	\$ (245,000)	\$ -	\$ -
2005 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$3,285,000					
Maturing through 2014					
Interest Rate Ranges 3.45% - 4.125%					
Principal Maturity Range \$425,000 - \$1,000,000	1,500,000	-	(500,000)	1,000,000	500,000
2005 Limited Tax Refunding Bonds:					
Amount of Issue - \$2,820,000					
Maturing through 2019					
Interest Rate Ranges 3.75% - 5.00%					
Principal Maturity Range \$190,000 - \$600,000	2,130,000	-	(215,000)	1,915,000	215,000
2007 Michigan Transportation Fund Bonds:					
Amount of Issue - \$4,650,000					
Maturing through 2021					
Interest Rate Ranges 3.70% - 4.00%					
Principal Maturity Range \$300,000 - \$1,000,000	3,900,000	-	(3,300,000)	600,000	300,000
2007 Limited Tax Capital Improvement Bonds:					
Amount of Issue - \$3,250,000					
Maturing through 2012					
Interest Rate 4.00%					
Principal Maturity Range \$325,000 - \$600,000	325,000	-	(325,000)	-	-
2008 Unlimited Tax Fire Station Improvements:					
Amount of Issue - \$5,000,000					
Maturing through 2023					
Interest Rate Ranges 3.00% - 4.00%					
Principal Maturity Range \$150,000 - \$600,000	4,450,000	-	(200,000)	4,250,000	250,000
2010 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$2,240,000					
Maturing through 2014					
Interest Rate 2.00%					
Principal Maturity Range \$520,000 - \$605,000	1,195,000	-	(605,000)	590,000	590,000
2010 Michigan Transportation Recovery Zone Bonds:					
Amount of Issue - \$1,570,000					
Maturing through 2025					
Interest Rate Ranges 1.50% - 6.05%					
Principal Maturity Range \$20,000 - \$200,000	1,550,000	-	(25,000)	1,525,000	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 \$365,000 - \$585,000	3,780,000	-	(365,000)	3,415,000	400,000

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Governmental Activities (Continued)</b>					
General obligation bonds (Continued):					
2013 Michigan Transportation Fund Refunding Bonds:					
Amount of Issue - \$3,275,000					
Maturing through 2022					
Interest Rate Ranges 2.05%					
Principal Maturity Range \$30,000 - \$515,000	\$ -	\$ 3,275,000	\$ -	\$ 3,275,000	\$ 30,000
County Drain contract obligations:					
Busch Drain Drainage District:					
Amount of Issue - \$1,250,000					
Maturing through 2014					
Interest Rate Ranges 4.40% - 4.55%					
Principal Maturity Range \$100,000 - \$125,000	250,000	-	(125,000)	125,000	125,000
Hawken Drain Drainage District:					
Amount of Issue - \$795,000					
Maturing through 2015					
Interest Rate Ranges 5.00% - 5.25%					
Principal Maturity Range \$50,000 - \$150,000	200,000	-	(50,000)	150,000	75,000
Hayes Drain Drainage District:					
Amount of Issue - \$1,095,000					
Maturing through 2015					
Interest Rate Ranges 4.80% - 5.20%					
Principal Maturity Range \$100,000 - \$125,000	375,000	-	(125,000)	250,000	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 Range \$225,000 - \$500,000	800,000	-	(250,000)	550,000	275,000
I7 Mile Extension Drain Drainage District:					
Amount of Issue - \$1,725,000					
Maturing through 2016					
Interest Rate Ranges 4.00% - 4.50%					
Principal Maturity Range \$125,000 - \$150,000	600,000	-	(150,000)	450,000	150,000
Sterling Relief Lateral 12B Drainage District:					
Amount of Issue - \$885,000					
Maturing through 2012					
Interest Rate Ranges 3.40% - 3.90%					
Principal Maturity Range \$100,000 - \$115,000	115,000	-	(115,000)	-	-
I7 Mile Road Drain and Branches Refunding Bonds:					
Amount of Issue - \$2,315,000					
Maturing through 2013					
Interest Rate Ranges 3.45% - 3.70%					
Principal Maturity Range \$270,000 - \$290,000	290,000	-	(290,000)	-	-

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
<b>Governmental Activities (Continued)</b>					
Special Assessment Bonds:					
2008 Special Assessment Limited Tax Bonds:					
Amount of Issue - \$3,260,000					
Maturing through 2028					
Interest Rate Ranges 3.00% - 4.50%					
Principal Maturity Range \$110,000 - \$450,000	\$ 2,960,000	\$ -	\$ (110,000)	\$ 2,850,000	\$ 150,000
Total bond obligations	24,665,000	3,275,000	(6,995,000)	20,945,000	3,235,000
Other long-term obligations:					
Provision for uninsured losses and other liabilities	2,236,155	3,903,859	(4,886,514)	1,253,500	414,586
Compensated absences - General Fund obligations	3,949,742	648,232	(814,468)	3,783,506	211,866
Total other long-term obligations	6,185,897	4,552,091	(5,700,982)	5,037,006	626,452
Unamortized premium on refunding	384,654	9,311	(14,342)	379,623	25,524
Total governmental activities	31,235,551	7,836,402	(12,710,324)	26,361,629	3,886,976
<b>Business-type Activities - Water and Sewer</b>					
County Drain Contract Obligations:					
General obligation bonds:					
2010B OMID Drainage District:					
Amount of Issue - \$1,104,832					
Maturing through 2030					
Interest Rate Ranges 1.15% -5.90%					
Principal Maturity Range \$31,331 - \$85,748	1,036,402	-	(37,927)	998,475	39,576
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	25,891,487	-	(842,693)	25,048,794	852,475
2011 Clintondale Pump Station Improvements Drainage District:					
Amount of Issue - \$9,862,021					
Maturing through 2032					
Interest Rate Ranges 5.00%					
Principal Maturity Range \$224,137 - \$800,489	9,637,884	-	(256,156)	9,381,728	272,166
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	2,476,023	-	(60,836)	2,415,187	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	240,162	-	(7,747)	232,415	7,896
Total bond obligations	39,281,958	-	(1,205,359)	38,076,599	1,263,367

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - 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 (Michigan Municipal Finance Authority)					
Special Assessment Roll No. 1 Series 2010A (Segment 1 - ARRA funding)					
Maximum Loan Amount - \$4,299,957					
Balance Drawn - \$3,934,557					
Maturing through 2026					
Interest Rate - 2.50%					
Principal Maturity Range \$86,616 - \$263,017	\$ 3,949,423	\$ 157,456	\$ (172,322)	\$ 3,934,557	\$ 176,444
Special Assessment Roll No. 1 Series 2011A (Segment 2)					
Maximum Loan Amount - \$5,168,777					
Balance Drawn - \$2,891,269					
Maturing through 2034					
Interest Rate - 2.50%					
Principal Maturity Range \$99,360 - 265,221	982,415	1,908,854	-	2,891,269	-
Total state revolving loan funds	4,931,838	2,066,310	(172,322)	6,825,826	176,444
Total county drain obligations	44,213,796	2,066,310	(1,377,681)	44,902,425	1,439,811
Other long-term obligations - Compensated absences - Water and Sewer Fund					
	217,877	71,147	(34,109)	254,915	84,710
Total business-type activities	44,431,673	2,137,457	(1,411,790)	45,157,340	1,524,521
Total	\$ 75,667,224	\$ 9,973,859	\$ (14,122,114)	\$ 71,518,969	\$ 5,411,497

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

	Governmental Activities		
	Principal	Interest	Total
2014	\$ 3,235,000	\$ 738,618	\$ 3,973,618
2015	2,620,000	628,562	3,248,562
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
2019-2023	7,985,000	1,157,965	9,142,965
2024-2028	1,600,000	208,650	1,808,650
2029	200,000	4,500	204,500
Total	\$ 20,945,000	\$ 4,199,319	\$ 25,144,319

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Debt (Continued)

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

	Business-type Activities		
	Principal	Interest	Total
2014	\$ 1,263,367	\$ 1,513,176	\$ 2,776,543
2015	1,292,281	1,730,045	3,022,326
2016	1,340,073	1,693,720	3,033,793
2017	1,392,059	1,647,071	3,039,130
2018	1,445,516	1,595,483	3,040,999
2019-2023	8,251,598	6,999,255	15,250,853
2024-2028	9,908,710	4,888,489	14,797,199
2029-2033	10,060,399	2,288,571	12,348,970
2034-2036	3,122,596	252,714	3,375,310
Total	<u>\$ 38,076,599</u>	<u>\$ 22,608,524</u>	<u>\$ 60,685,123</u>

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

	State Revolving Loan		
	Principal	Interest	Total
2014	\$ 378,903	\$ 118,074	\$ 496,977
2015	388,087	113,151	501,238
2016	398,096	107,600	505,696
2017	408,104	101,898	510,002
2018	418,300	96,049	514,349
2019-2023	2,254,863	387,350	2,642,213
2024-2028	1,815,963	197,387	2,013,350
2029-2031	763,510	18,515	782,025
Total	<u>\$ 6,825,826</u>	<u>\$ 1,140,024</u>	<u>\$ 7,965,850</u>

# City of Sterling Heights, Michigan

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## Notes to Financial Statements June 30, 2013

### **Note 7 - Long-term Debt (Continued)**

In 2010, the Oakland Macomb Interceptor Drainage District (OMID) was approved for \$42,000,000 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 are, in part, supported by grant funding from the American Recovery and Reinvestment Act of 2010 (ARRA) and includes loan principal forgiveness which will equal 40 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 was recognized in prior years as contributed capital in the Water and Sewer Fund totaled \$2,635,777.

In 2011, the OMID was approved for \$25,530,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$5,169,000 is anticipated as the City's share. The City's share of SRF funds drawn and payable at June 30, 2013 is \$2,891,269. 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 \$403,784, as funds due to other governmental units.

During the year, the OMID was approved for \$65,140,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$11,279,000 is anticipated as the City's share. As of June 30, 2013, no SRF funds were drawn as construction costs were paid from advance funding received from other communities. The City has recognized its portion of those construction costs, in the amount of \$658,936, as funds due to other governmental units.

### **Note 8 - 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, 2013:

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 8 - Restricted Assets (Continued)

Water and Sewer Fund:	
Cash and cash equivalents	\$ 6,060,164
Accounts receivable	3,187,549
Due from Oakland County*	<u>349,212</u>
Total Water and Sewer Fund	9,596,925
General Improvements Fund - Due from Macomb County** (Note 6)	<u>2,070,996</u>
Total restricted assets	<u>\$ 11,667,921</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 liabilities payable from Macomb County restricted assets.

### Note 9 - 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 Special Revenue Community Development Block Grant Fund. Loans receivable of \$1,852,735 at June 30, 2013 have been reflected in the accompanying fund financial statements as rehabilitation loans receivable with an offsetting deferred revenue for the recording of related grant funding.

### Note 10 - 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.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 10 - Risk Management (Continued)

The City participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims relating to liability, 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 Authority that the Authority 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 workers' compensation and medical benefits up to a retention amount, at which time the City's reinsurance coverage begins.

#### Property Liability

Prior to participating in the Michigan Municipal Risk Management Authority, the City purchased reinsurance through Arthur J. Gallagher and Company, an international insurance brokerage firm.

It is estimated, based on past experience, that \$486,519 will be paid for all claims reported to date and \$102,236 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>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 1,450,635	\$ 1,315,010
Estimated claims incurred, including changes in estimates	(243,042)	415,163
Claim payments	<u>(618,838)</u>	<u>(279,538)</u>
Estimated liability - End of year	<u>\$ 588,755</u>	<u>\$ 1,450,635</u>

#### 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, 2013. At January 1, 1990, the City became self-insured for short-term disability.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 10 - Risk Management (Continued)

It is estimated, based on past experience, that \$24,413 will be paid for all claims reported to date and \$857,780 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	
	2013	2012
Estimated liability - Beginning of year	\$ 460,053	\$ 434,087
Estimated claims incurred, including changes in estimates	3,939,307	4,764,804
Claim payments	<u>(3,995,320)</u>	<u>(4,738,838)</u>
Estimated liability - End of year	<u>\$ 404,040</u>	<u>\$ 460,053</u>
	Retiree Medical Benefits Trust Fund	
	2013	2012
Estimated liability - Beginning of year	\$ 527,599	\$ 608,034
Estimated claims incurred, including changes in estimates	6,386,744	6,764,018
Claim payments	<u>(6,436,190)</u>	<u>(6,844,453)</u>
Estimated liability - End of year	<u>\$ 478,153</u>	<u>\$ 527,599</u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 10 - 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 \$300,000 of any occurrence for the contract year ended June 30, 2013. The City has purchased excess insurance to cover claims greater than \$300,000. For the contract year beginning July 1, 2013, the City is liable for the first \$400,000. At June 30, 2013, it was estimated, based on past experience, that \$260,705 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:

	2013	2012
Estimated liability - Beginning of year	\$ 325,467	\$ 291,712
Estimated claims incurred, including changes in estimates	207,594	334,377
Claim payments	<u>(272,356)</u>	<u>(300,622)</u>
Estimated liability - End of year	<u>\$ 260,705</u>	<u>\$ 325,467</u>

### Note 11 - Defined Benefit Pension Plans

#### Plan Description

The City participates in two retirement plans, the General Employees' Retirement System and the Police and Fire Retirement System. The General Employees' Retirement System and the Police and Fire Retirement Boards are the administrators of single-employer defined benefit public employee retirement systems that cover approximately 66 percent all general employees and substantially all police and fire employees, respectively. The plans do not issue separate financial statements.

**General Employees' Retirement System** - This system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuary report, membership consisted of 332 retirees, beneficiaries, alternative payees currently receiving benefits, 12 terminated employees entitled to benefits but not yet receiving them, and 154 current active employees. The retirement system remains closed to new members.

### **Note 11 - Defined Benefit Pension Plans (Continued)**

**Police and Fire Retirement System** - This system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuary report, membership consisted of 293 retirees, beneficiaries, alternate payees and terminated drop members currently receiving benefits, three terminated employees entitled to benefits but not yet receiving them, 162 current active employees, and 71 drop participants.

#### **Contributions and Funding Policy**

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Please refer to Note 1 for further significant accounting policies.

**General Employees' Retirement System** - The obligation to contribute to and maintain this system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from substantially all employees ranging from 5.0 percent to 8.0 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings and the General Fund.

**Police and Fire Retirement System** - The obligation to contribute to and maintain this system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from substantially all employees ranging from 5.0 percent to 8.0 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 11 - Defined Benefit Pension Plans (Continued)

#### Annual Pension Costs

**General Employees' Retirement System** - For the fiscal year ended June 30, 2013, the City's annual pension cost of \$1,790,556 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age level dollar method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 4.5 to 13.0 percent per year long term. Both (a) and (b) include an inflation component of 4.0 percent and were determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as smooth dollar on a closed basis. The remaining amortization period is 18 years.

**Police and Fire Retirement System** - For the fiscal year ended June 30, 2013, the City's annual pension cost of \$8,815,031 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age level percent of payroll method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 4.0 to 17.0 percent per year long term. Both (a) and (b) include an inflation component of 3.0 percent and were determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 25 years.

The pension cost for the three most recent years is as follows:

	Year Ended		
	2013	2012	2011
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,790,556	\$ 1,089,481	\$ 486,096
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 8,815,031	\$ 7,368,876	\$ 6,135,053
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

### Note 11 - Defined Benefit Pension Plans (Continued)

#### Funded Status and Funding Progress

The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**General Employees' Retirement System** - As of December 31, 2012, the most recent actuarial valuation date, the plan was 83.5 percent funded.

The actuarial accrued liability for benefits was \$128.2 million, and the actuarial value of assets was \$107.1 million, resulting in an unfunded actuarial accrued liability of \$21.1 million. The covered payroll (annual payroll for active employees covered by the plan) was \$10.0 million, and the ratio for the unfunded actuarial accrued liability to the covered payroll was 211.2 percent.

As of June 30, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 6,319,526
Reserve for retired benefit payments	93,424,021

**Police and Fire Retirement System** - As of December 31, 2012, the most recent actuarial valuation date, the plan was 66.0 percent funded. The actuarial accrued liability for benefits was \$269.2 million, and the actuarial value of assets was \$177.7 million, resulting in an unfunded actuarial accrued liability of \$91.5 million. The covered payroll (annual payroll for active employees covered by the plan) was \$14.7 million and the ratio for the unfunded actuarial accrued liability to the covered payroll was 623.6 percent.

As of June 30, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 28,844,476
Reserve for retired benefit payments	202,443,114

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 11 - Defined Benefit Pension Plans (Continued)

#### Statement of Net Position

	General Employees' Retirement System	Police and Fire Retirement System
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,408,068	\$ 8,471,316
Investments - At fair value:		
Government securities	17,528,735	22,710,048
Mutual funds	8,347,121	14,153,926
Corporate bonds	3,923,858	8,111,546
Common and preferred stocks	73,967,245	114,604,234
Pooled investments	-	8,814,195
Receivables - Accrued interest	-	103,684
	<u>                    </u>	<u>                    </u>
Total assets	108,175,027	176,968,949
<b>Liabilities</b>		
Accounts payable	787,525	1,263,162
Due to other governmental units	1,810	-
	<u>                    </u>	<u>                    </u>
Total liabilities	789,335	1,263,162
<b>Net Position - Held in trust for pensions</b>	<u><u>\$ 107,385,692</u></u>	<u><u>\$ 175,705,787</u></u>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 11 - Defined Benefit Pension Plans (Continued)

#### Statement of Changes in Net Position

	General Employees' Retirement System	Police and Fire Retirement System
<b>Additions</b>		
Investment income (loss):		
Interest and dividends	\$ 2,569,724	\$ 4,016,346
Net adjustment to fair value of investments	8,895,592	16,461,232
Less investment expenses	<u>(648,756)</u>	<u>(1,191,460)</u>
Net investment income	10,816,560	19,286,118
Securities lending income (loss):		
Interest and fees	197	364
Less borrower rebates and bank fees	<u>(125)</u>	<u>(217)</u>
Net securities lending income	72	147
Contributions:		
Employer	1,790,560	8,815,031
Employee	799,442	768,931
Purchase of prior year's service credits	<u>10,817</u>	<u>100,001</u>
Total additions - Net	13,417,451	28,970,228
<b>Deductions</b>		
Benefit payments	9,286,003	14,780,624
Refunds of contributions	<u>1,471,177</u>	<u>1,505,795</u>
Total deductions	<u>10,757,180</u>	<u>16,286,419</u>
<b>Change in Net Position</b>	2,660,271	12,683,809
<b>Net Position - Beginning of year</b>	<u>104,725,421</u>	<u>163,021,978</u>
<b>Net Position - End of year</b>	<u><u>\$ 107,385,692</u></u>	<u><u>\$ 175,705,787</u></u>

### **Note 12 - 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 \$110,571 during the current year and employees contributed \$247,613.

### **Note 13 - Postemployment Benefits**

**Plan Description** - The City provides other postemployment benefits (OPEB) to eligible employees and their spouses through the Sterling Heights Retiree Medical Benefits Trust plan. Health and life insurance benefits are provided to all public safety and general employees and their spouses. Additionally, public safety employees and their spouses are provided with dental benefits. At December 31, 2012, the date of the most recent actuary report, the plan has 994 members (including employees in active service and retirees or beneficiaries currently receiving benefits). Of those members, 276 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** - For current employees, the City includes pre-Medicare retirees and their spouses in its healthcare plan, with no contribution required by participants. As of June 30, 2008, labor contracts include a clause that requires new 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. General employees and firefighters hired after June 30, 2012 are not eligible for retiree health benefits.

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### 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 these benefits. During the current year, the contribution amounted to \$11,984,780, which was funded by the General Fund and the Water and Sewer Fund, and healthcare benefits paid totaled \$6,944,540.

**Funding Progress** - For the year ended June 30, 2013, the City estimated the cost of providing postemployment benefits through an actuarial biennial valuation as of December 31, 2010. The valuation computes an annual required contribution 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, 2013, the City's annual contribution of \$11,984,780 for the plan was equal to the required contribution.

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

	Fiscal Year Ended		
	2013	2012	2011
Annual OPEB costs (AOC)	\$ 11,984,780	\$ 11,523,820	\$ 12,070,700
Percentage of AOC contributed	100%	100%	100%
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, 2012:

Actuarial value of assets	\$ 52,663,559
Actuarial value of liability (AAL)	\$ 181,013,043
Unfunded AAL (UAAL)	\$ 128,349,484
Funded ratio	29.1%
Annual covered payroll	\$ 40,887,900
Ratio of UAAL to covered payroll	313.9%

### **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 multiyear 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 required contribution was determined as part of an actuarial valuation at December 31, 2010 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 5.0 percent was used in fiscal year 2010, grading to 4.5 percent in fiscal year 2019 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, 2013

### Note 13 - Postemployment Benefits (Continued)

#### Statement of Net Position

	Retiree Medical Benefits
<b>Assets</b>	
Cash and cash equivalents	\$ 2,591,518
Investments - At fair value:	
Government securities	6,443,447
Mutual funds	5,383,888
Corporate bonds	1,138,200
Common and preferred stocks	42,475,246
	<hr/>
Total assets	58,032,299
<b>Liabilities</b>	
Accounts payable	101,980
Accrued and other liabilities	20,600
Due to other governmental units	301,125
Provision for uninsured losses and liabilities	478,153
	<hr/>
Total liabilities	901,858
<b>Net Position - Held in trust for other retiree benefits</b>	<b>\$ 57,130,441</b>

# City of Sterling Heights, Michigan

## Notes to Financial Statements June 30, 2013

### Note 13 - Postemployment Benefits (Continued)

#### Statement of Changes in Net Position

	<u>Retiree Medical Benefits</u>
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 1,273,514
Net adjustment to fair value of investments	4,508,181
Less investment expenses	<u>(397,272)</u>
Net investment income	5,384,423
Contributions - Employer	11,984,780
Insurance recovery	<u>9,358</u>
Total additions	17,378,561
<b>Deductions - Benefit payments</b>	<u>6,963,716</u>
<b>Net Change in Net Position</b>	10,414,845
<b>Net Position - Beginning of year</b>	<u>46,715,596</u>
<b>Net Position - End of year</b>	<u><u>\$ 57,130,441</u></u>

### Note 14 - 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	17,822,360

### **Note 15 - 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.

## **Required Supplemental Information**

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# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 5,248,480	\$ 5,248,480	\$ 5,248,480	\$ -
<b>Resources (Inflows)</b>				
Property taxes	37,071,200	37,053,200	37,142,292	89,092
Refuse taxes	4,411,250	4,411,250	4,403,288	(7,962)
Police and fire pension taxes	8,412,480	8,612,150	8,529,892	(82,258)
Licenses and permits	2,028,500	1,900,500	1,789,803	(110,697)
Federal, state, and local returns	10,639,540	11,173,540	11,291,262	117,722
Charges for services	8,290,170	8,355,570	8,306,458	(49,112)
Fines and forfeitures	3,178,020	2,538,020	2,489,252	(48,768)
Cable revenue	1,900,000	2,250,000	2,292,537	42,537
Other revenue	2,575,610	2,785,920	2,709,900	(76,020)
Transfers from other funds	4,690,260	2,438,450	2,658,205	219,755
Total resources (inflows)	83,197,030	81,518,600	81,612,889	94,289
<b>Charges to Appropriations (Outflows)</b>				
41A District Court	3,307,520	3,286,070	3,258,362	27,708
City administration	8,140,330	7,717,370	7,727,535	(10,165)
Community relations	955,320	919,550	932,391	(12,841)
Police department	32,380,010	31,822,920	31,620,702	202,218
Fire department	17,637,670	16,967,320	16,883,019	84,301
City development	1,954,890	1,957,020	1,969,156	(12,136)
Public works department	6,807,700	6,816,770	7,035,758	(218,988)
Refuse collection	4,439,800	4,507,010	4,672,014	(165,004)
Community services department	4,329,870	4,338,700	4,339,952	(1,252)
General expenditures	2,308,830	2,250,780	2,238,910	11,870
Transfers to other funds	935,090	935,090	935,090	-
Total charges to appropriations (outflows)	83,197,030	81,518,600	81,612,889	(94,289)
<b>Fund Balance - End of year</b>	<b>\$ 5,248,480</b>	<b>\$ 5,248,480</b>	<b>\$ 5,248,480</b>	<b>\$ -</b>

# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Roads Fund Year Ended June 30, 2013

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance With Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 3,729,120	\$ 3,729,120	\$ 3,729,120	\$ -
<b>Resources (Inflows)</b>				
State sources	5,230,000	5,550,000	5,572,750	22,750
Other	162,700	156,900	146,195	(10,705)
Total resources (inflows)	5,392,700	5,706,900	5,718,945	12,045
<b>Charges to Appropriations (Outflows)</b>				
Public works:				
Administration	120,380	116,410	110,785	5,625
Routine maintenance	1,624,500	1,777,500	1,526,690	250,810
Improvements	741,500	758,980	470,369	288,611
Transfers to other funds	2,330,000	2,565,110	2,565,110	-
Total charges to appropriations (outflows)	4,816,380	5,218,000	4,672,954	545,046
<b>Fund Balance - End of year</b>	<b>\$ 4,305,440</b>	<b>\$ 4,218,020</b>	<b>\$ 4,775,111</b>	<b>\$ 557,091</b>

# City of Sterling Heights, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Community Development Block Grant Fund Year Ended June 30, 2013

	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>	1,035,370	597,970	457,688	(140,282)
<b>Charges to Appropriations (Outflows)</b>				
Administrative expenses	144,720	145,190	140,757	4,433
Books	6,200	6,000	5,936	64
Senior citizens home chore	24,000	21,500	18,043	3,457
Handicapped recreation program	19,000	19,000	19,000	-
Single parent education program	24,850	20,140	20,140	-
Housing rehabilitation program	359,860	77,010	53,345	23,665
Minor home repair	47,500	56,140	20,807	35,333
Awards to nonprofit organizations	22,440	29,850	29,850	-
Capital improvements	278,200	114,540	41,209	73,331
Principal	106,470	106,470	106,472	(2)
Interest	2,130	2,130	2,129	1
	<u>1,035,370</u>	<u>597,970</u>	<u>457,688</u>	<u>140,282</u>
Total charges to appropriations (outflows)	<u>1,035,370</u>	<u>597,970</u>	<u>457,688</u>	<u>140,282</u>
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Sterling Heights, Michigan

## Required Supplemental Information Pension Systems Schedule of Funding Progress June 30, 2013

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)
<b>General Employees' Retirement System</b>						
12/31/07	\$ 127,671,503	\$ 102,000,980	\$ (25,670,523)	125.2	\$ 15,406,591	(166.6)
12/31/08	123,523,191	112,085,828	(11,437,363)	110.2	14,794,008	(77.3)
12/31/09	121,518,199	114,380,940	(7,137,259)	106.2	15,000,778	(47.6)
12/31/10	119,072,680	119,558,268	485,588	99.6	13,709,541	3.5
12/31/11	113,331,998	124,620,578	11,288,580	90.9	12,375,670	91.2
12/31/12	107,080,076	128,217,690	21,137,614	83.5	10,007,272	211.2
<b>Police and Fire Retirement System</b>						
12/31/07	\$ 212,365,515	\$ 170,201,230	\$ (42,164,285)	124.8	\$ 20,979,120	(201.0)
12/31/08	202,192,211	212,914,310	10,722,099	95.0	22,064,557	48.6
12/31/09	193,164,045	227,549,069	34,385,024	84.9	22,510,638	152.8
12/31/10	185,750,293	237,994,618	52,244,325	78.0	22,432,921	232.9
12/31/11	173,001,421	260,283,654	87,282,233	66.5	19,213,007	454.3
12/31/12	177,718,953	269,210,724	91,491,771	66.0	14,671,724	623.6
<b>Retiree Medical Benefits Trust</b>						
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

# City of Sterling Heights, Michigan

## Required Supplemental Information Pension Systems Schedule of Funding Progress (Continued) June 30, 2013

### General Employees' Retirement System

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
06/30/08	12/31/06	\$ -	100.0
06/30/09	12/31/07	-	100.0
06/30/10	12/31/08	204,054	100.0
06/30/11	12/31/09	486,096	100.0
06/30/12	12/31/10	1,089,481	100.0
06/30/13	12/31/11	1,790,556	100.0

### Police and Fire Retirement System

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
06/30/08	12/31/06	\$ 1,707,910	100.0
06/30/09	12/31/07	2,594,194	100.0
06/30/10	12/31/08	4,925,570	100.0
06/30/11	12/31/09	6,135,053	100.0
06/30/12	12/31/10	7,368,876	100.0
06/30/13	12/31/11	8,815,031	100.0

### Retiree Medical Benefits Trust

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
06/30/10	12/31/08	\$ 11,604,200	100.0
06/30/11	12/31/08	12,070,700	100.0
06/30/12	12/31/10	11,523,820	100.0
06/30/13	12/31/10	11,984,780	100.0

\* The required contribution is expressed to the City as a percentage of payroll.

# City of Sterling Heights, Michigan

## Required Supplemental Information Pension Systems Schedule of Funding Progress (Continued) June 30, 2013

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations, December 31, 2012 for the General Employees' Retirement and the Police and Fire Retirement Systems and as of December 31, 2012 for the Retiree Medical Benefits Trust, is as follows:

### General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period (perpetual)	17 years (closed)
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	4.0%
Cost-of-living adjustments	None

### Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
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	3.0%
Cost-of-living adjustments	None

### Retiree Medical Benefits Trust

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
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

# City of Sterling Heights, Michigan

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## Note to Required Supplemental Information June 30, 2013

### 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 is 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 reappropriated and honored during the subsequent year.

# City of Sterling Heights, Michigan

## Note to Required Supplemental Information June 30, 2013

### 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>
General Fund:		
City administration	\$ 7,717,370	\$ 7,727,535
Community relations	919,550	932,391
City development	1,957,020	1,969,156
Public works department	6,816,770	7,035,758
Refuse collection	<u>4,507,010</u>	<u>4,672,014</u>
Total General Fund	<u>\$ 21,917,720</u>	<u>\$ 22,336,854</u>

The General Fund had unfavorable variances in the activity of:

- City administration and community relations due to higher than anticipated personnel costs relative to retirements.
- City development as a result of higher than anticipated personnel costs for part-time and temporary personnel along with other contracted services for building and facilities maintenance.
- Public works department as a result of higher than anticipated personnel costs for overtime, supplies due to higher fuel costs, and other contracted services for parks and grounds maintenance.
- Refuse collection was attributable to higher than anticipated soft yard waste collection costs for condominiums.

## **Other Financial and Supplemental Information**

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## **Nonmajor Governmental Funds**

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# City of Sterling Heights, Michigan

	Nonmajor Special Revenue Funds			
	Local	Public Safety	Neighborhood	Total Nonmajor
	Roads	Forfeiture	Stabilization Fund	Special Revenue Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 754,075	\$ 545,525	\$ -	\$ 1,299,600
Investments	125,000	-	-	125,000
Receivables:				
Special assessments:				
Current	33,640	-	-	33,640
Deferred	100,919	-	-	100,919
Accrued interest	8,129	-	-	8,129
Prepaid costs and other assets	40	-	-	40
Due from other funds	-	-	-	-
Due from other governmental units	324,275	-	22	324,297
Inventories	-	4,199	-	4,199
Total assets	<u>\$ 1,346,078</u>	<u>\$ 549,724</u>	<u>\$ 22</u>	<u>\$ 1,895,824</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 55,243	\$ 13,178	\$ -	\$ 68,421
Accrued and other liabilities	-	-	-	-
Due to other funds	117,811	5,687	22	123,520
Deferred revenue	100,959	-	-	100,959
Total liabilities	274,013	18,865	22	292,900
<b>Fund Balances</b>				
Nonspendable - Inventory	-	4,199	-	4,199
Restricted for:				
Road improvements	1,072,065	-	-	1,072,065
Public safety	-	526,660	-	526,660
Debt service	-	-	-	-
Committed - Park acquisitions and improvements	-	-	-	-
Total fund balances	<u>1,072,065</u>	<u>530,859</u>	<u>-</u>	<u>1,602,924</u>
Total liabilities and fund balances	<u>\$ 1,346,078</u>	<u>\$ 549,724</u>	<u>\$ 22</u>	<u>\$ 1,895,824</u>

**Other Financial and Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

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
\$ 23,635	\$ 10,545	\$ 334	\$ 34,514	\$ 530,356	\$ 1,864,470
-	-	-	-	75,000	200,000
-	-	-	-	-	33,640
-	-	-	-	-	100,919
-	-	-	-	34	8,163
-	-	-	-	-	40
-	-	-	-	-	-
-	-	-	-	-	324,297
-	-	-	-	-	4,199
<b><u>\$ 23,635</u></b>	<b><u>\$ 10,545</u></b>	<b><u>\$ 334</u></b>	<b><u>\$ 34,514</u></b>	<b><u>\$ 605,390</u></b>	<b><u>\$ 2,535,728</u></b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,421
11,881	3,432	-	15,313	-	15,313
-	-	-	-	-	123,520
-	-	-	-	-	100,959
11,881	3,432	-	15,313	-	308,213
-	-	-	-	-	4,199
-	-	-	-	-	1,072,065
-	-	-	-	-	526,660
11,754	7,113	334	19,201	-	19,201
-	-	-	-	605,390	605,390
11,754	7,113	334	19,201	605,390	2,227,515
<b><u>\$ 23,635</u></b>	<b><u>\$ 10,545</u></b>	<b><u>\$ 334</u></b>	<b><u>\$ 34,514</u></b>	<b><u>\$ 605,390</u></b>	<b><u>\$ 2,535,728</u></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	\$ -	\$ -	\$ -	\$ -
Federal sources	-	74,875	242,257	317,132
State sources	2,053,642	110,756	-	2,164,398
Investment income	1,514	651	-	2,165
Special assessments	35,620	-	-	35,620
Other	48,716	-	-	48,716
<b>Total revenue</b>	<b>2,139,492</b>	<b>186,282</b>	<b>242,257</b>	<b>2,568,031</b>
<b>Expenditures</b>				
Current:				
Public safety	-	140,404	-	140,404
Public works	1,480,658	-	5,715	1,486,373
Other	-	-	-	-
Capital outlay	691,943	113,194	236,542	1,041,679
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>2,172,601</b>	<b>253,598</b>	<b>242,257</b>	<b>2,668,456</b>
<b>Excess of Expenditures (Under) Over Revenue</b>	<b>(33,109)</b>	<b>(67,316)</b>	<b>-</b>	<b>(100,425)</b>
<b>Other Financing Sources</b> - Interfund transfers in	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balances</b>	<b>(33,109)</b>	<b>(67,316)</b>	<b>-</b>	<b>(100,425)</b>
<b>Fund Balances</b> - Beginning of year	<b>1,105,174</b>	<b>598,175</b>	<b>-</b>	<b>1,703,349</b>
<b>Fund Balances</b> - End of year	<b>\$ 1,072,065</b>	<b>\$ 530,859</b>	<b>\$ -</b>	<b>\$ 1,602,924</b>

**Other Financial and Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2013**

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
\$ 1,224,522	\$ 365,934	\$ -	\$ 1,590,456	\$ -	\$ 1,590,456
-	-	-	-	-	317,132
-	-	-	-	-	2,164,398
654	209	-	863	1,347	4,375
-	-	-	-	-	35,620
-	-	-	-	-	48,716
1,225,176	366,143	-	1,591,319	1,347	4,160,697
-	-	-	-	-	140,404
-	-	-	-	-	1,486,373
1,830	350	306	2,486	-	2,486
-	-	-	-	19,535	1,061,214
1,222,505	369,750	528,349	2,120,604	-	2,120,604
1,224,335	370,100	528,655	2,123,090	19,535	4,811,081
841	(3,957)	(528,655)	(531,771)	(18,188)	(650,384)
-	-	528,740	528,740	-	528,740
841	(3,957)	85	(3,031)	(18,188)	(121,644)
10,913	11,070	249	22,232	623,578	2,349,159
<b>\$ 11,754</b>	<b>\$ 7,113</b>	<b>\$ 334</b>	<b>\$ 19,201</b>	<b>\$ 605,390</b>	<b>\$ 2,227,515</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2013

### 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>	\$ 1,105,174	\$ 1,105,174	\$ 1,105,174	\$ -
<b>Resources (Inflows)</b>				
State sources	1,960,000	2,040,000	2,053,642	13,642
Charges for services	45,000	45,000	40,221	(4,779)
Other	66,770	45,660	45,629	(31)
Total resources (inflows)	2,071,770	2,130,660	2,139,492	8,832
<b>Charges to Appropriations (Outflows)</b>				
Administration	139,530	116,660	107,966	8,694
Local street maintenance	1,409,000	1,453,500	1,372,692	80,808
Local street improvements	784,000	758,830	691,943	66,887
Total charges to appropriations (outflows)	2,332,530	2,328,990	2,172,601	156,389
<b>Fund Balance - End of year</b>	<b>\$ 844,414</b>	<b>\$ 906,844</b>	<b>\$ 1,072,065</b>	<b>\$ 165,221</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

### Special Revenue Fund - Public Safety Forfeiture Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 598,175	\$ 598,175	\$ 598,175	\$ -
<b>Resources (Inflows)</b>				
Federal forfeitures	-	54,520	74,875	20,355
State forfeitures	-	89,240	96,493	7,253
OWI forfeitures	-	7,340	14,263	6,923
Interest income	240	640	651	11
Total resources (inflows)	240	151,740	186,282	34,542
<b>Charges to Appropriations (Outflows)</b>				
Federal forfeiture expenditures	165,300	147,260	93,977	53,283
State forfeiture expenditures	152,480	183,860	142,682	41,178
Gambling forfeiture expenditures	-	10	9	1
OWI forfeiture expenditures	5,000	20,490	16,930	3,560
Total charges to appropriations (outflows)	322,780	351,620	253,598	98,022
<b>Fund Balance - End of year</b>	<b>\$ 275,635</b>	<b>\$ 398,295</b>	<b>\$ 530,859</b>	<b>\$ 132,564</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

### Special Revenue Fund - Neighborhood Stabilization Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance</b> - Beginning of year	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b> - Federal sources	278,900	242,240	242,257	17
<b>Charges to Appropriations (Outflows)</b>				
Downpayment and rehabilitation assistance	13,760	1,040	1,038	2
Acquisition, rehabilitation, and resale	32,070	-	-	-
Acquisition and redevelopment	217,420	236,550	236,542	8
Administration costs	15,650	4,650	4,677	(27)
Total charges to appropriations (outflows)	278,900	242,240	242,257	(17)
<b>Fund Balance</b> - End of year	\$ -	\$ -	\$ -	\$ -

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

### Debt Service Fund - General Drain

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 10,913	\$ 10,913	\$ 10,913	\$ -
<b>Resources (Inflows)</b>				
Property taxes	1,217,240	1,217,240	1,220,462	3,222
Delinquents and penalties	4,700	4,700	4,060	(640)
Other revenue	2,500	2,500	654	(1,846)
Total resources (inflows)	1,224,440	1,224,440	1,225,176	736
<b>Charges to Appropriations (Outflows)</b>				
Other charges	1,930	1,930	1,830	100
Principal	1,105,000	1,105,000	1,105,000	-
Interest	117,510	117,510	117,505	5
Total charges to appropriations (outflows)	1,224,440	1,224,440	1,224,335	105
<b>Fund Balance - End of year</b>	<b>\$ 10,913</b>	<b>\$ 10,913</b>	<b>\$ 11,754</b>	<b>\$ 841</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

### Debt Service Fund - Voted Tax General Obligation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 11,070	\$ 11,070	\$ 11,070	\$ -
<b>Resources (Inflows)</b>				
Property taxes	363,300	363,300	364,738	1,438
Delinquents and penalties	1,000	1,000	1,196	196
Other revenue	800	800	209	(591)
Total resources (inflows)	365,100	365,100	366,143	1,043
<b>Charges to Appropriations (Outflows) -</b>				
Proposal F	370,100	370,100	370,100	-
<b>Fund Balance - End of year</b>	<b>\$ 6,070</b>	<b>\$ 6,070</b>	<b>\$ 7,113</b>	<b>\$ 1,043</b>

### Debt Service Fund - Limited Tax General Obligation

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 249	\$ 249	\$ 249	\$ -
<b>Resources (Inflows) - Transfer from other funds</b>	528,740	528,740	528,740	-
<b>Charges to Appropriations (Outflows)</b>				
Other charges	390	390	306	84
Principal	433,530	433,530	433,528	2
Interest	94,820	94,820	94,821	(1)
Total charges to appropriations (outflows)	528,740	528,740	528,655	85
<b>Fund Balance - End of year</b>	<b>\$ 249</b>	<b>\$ 249</b>	<b>\$ 334</b>	<b>\$ 85</b>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

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

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>Fund Balance - Beginning of year</b>	\$ 623,578	\$ 623,578	\$ 623,578	\$ -
<b>Resources (Inflows) - Other</b>	3,000	6,250	1,347	(4,903)
<b>Charges to Appropriations (Outflows) -</b>				
Land improvements	<u>200,000</u>	<u>53,560</u>	<u>19,535</u>	<u>34,025</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 426,578</b></u>	<u><b>\$ 576,268</b></u>	<u><b>\$ 605,390</b></u>	<u><b>\$ 29,122</b></u>

## **Major Funds**

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# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Major Debt Service and Capital Projects Funds Year Ended June 30, 2013

### 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>	\$ 507,089	\$ 507,089	\$ 507,089	\$ -
<b>Resources (Inflows)</b>				
Federal interest rebates	146,630	36,270	121,043	84,773
Special assessments	121,640	146,630	147,087	457
Interest income	36,270	121,140	36,264	(84,876)
Bond proceeds - Refinancing	-	3,275,000	3,275,000	-
Transfer from other funds	<u>2,330,000</u>	<u>2,430,000</u>	<u>2,430,000</u>	<u>-</u>
Total resources (inflows)	2,634,540	6,009,040	6,009,394	354
<b>Charges to Appropriations (Outflows)</b>				
Other	1,880	43,480	43,477	3
Principal	2,050,000	5,150,000	5,150,000	-
Interest	<u>548,200</u>	<u>729,850</u>	<u>729,850</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>2,600,080</u>	<u>5,923,330</u>	<u>5,923,327</u>	<u>3</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 541,549</u></u>	<u><u>\$ 592,799</u></u>	<u><u>\$ 593,156</u></u>	<u><u>\$ 357</u></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, 2013

### 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>	\$ 1,206,275	\$ 1,206,275	\$ 1,206,275	-
<b>Resources (Inflows)</b>				
Federal, state, and local sources	-	81,790	90,139	8,349
Other revenue	224,070	320,170	252,241	(67,929)
Transfer from other funds	406,350	406,350	406,350	-
Total resources (inflows)	630,420	808,310	748,730	(59,580)
<b>Charges to Appropriations (Outflows)</b>				
Capital equipment	180,000	272,860	273,530	(670)
Capital vehicles	226,350	425,120	299,112	126,008
Capital projects	295,000	517,630	369,577	148,053
Total charges to appropriations (outflows)	701,350	1,215,610	942,219	273,391
<b>Fund Balance - End of year</b>	<b><u>\$ 1,135,345</u></b>	<b><u>\$ 798,975</u></b>	<b><u>\$ 1,012,786</u></b>	<b><u>\$ 213,811</u></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>	\$ 600,000	\$ 600,000	\$ 600,000	-
<b>Resources (Inflows)</b>				
Federal, state, and local sources	-	26,000	58,726	32,726
Other revenue	1,200	600	609	9
Transfer from other funds	-	135,110	135,110	-
Total resources (inflows)	1,200	161,710	194,445	32,735
<b>Charges to Appropriations (Outflows) -</b>				
Capital outlay	200,000	746,810	594,674	152,136
<b>Fund Balance - End of year</b>	<b><u>\$ 401,200</u></b>	<b><u>\$ 14,900</u></b>	<b><u>\$ 199,771</u></b>	<b><u>\$ 184,871</u></b>

## **Fiduciary and Agency Funds**

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# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Fiduciary Net Position Trust Funds June 30, 2013

	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	\$ 4,408,068	\$ 8,471,316	\$ 2,591,518	\$ 15,470,902
Investments - At fair value:				
Government securities	17,528,735	22,710,048	6,443,447	46,682,230
Mutual funds	8,347,121	14,153,926	5,383,888	27,884,935
Corporate bonds	3,923,858	8,111,546	1,138,200	13,173,604
Common and preferred stocks	73,967,245	114,604,234	42,475,246	231,046,725
Pooled investments	-	8,814,195	-	8,814,195
Receivables - Accrued interest	-	103,684	-	103,684
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	108,175,027	176,968,949	58,032,299	343,176,275
<b>Liabilities</b>				
Accounts payable	787,525	1,263,162	101,980	2,152,667
Accrued and other liabilities	-	-	20,600	20,600
Due to other governmental units	1,810	-	301,125	302,935
Provision for uninsured losses and liabilities	-	-	478,153	478,153
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	789,335	1,263,162	901,858	2,954,355
<b>Net Position</b> - Held in trust for pension and other retiree benefits	<u>\$ 107,385,692</u>	<u>\$ 175,705,787</u>	<u>\$ 57,130,441</u>	<u>\$ 340,221,920</u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Fiduciary Net Position Trust Funds Year Ended June 30, 2013

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 2,569,724	\$ 4,016,346	\$ 1,273,514	\$ 7,859,584
Net adjustment to fair value of investments	8,895,592	16,461,232	4,508,181	29,865,005
Less investment expenses	<u>(648,756)</u>	<u>(1,191,460)</u>	<u>(397,272)</u>	<u>(2,237,488)</u>
Net investment income	10,816,560	19,286,118	5,384,423	35,487,101
Securities lending income (loss):				
Interest and fees	197	364	-	561
Less borrower rebates and bank fees	<u>(125)</u>	<u>(217)</u>	<u>-</u>	<u>(342)</u>
Net securities lending income	72	147	-	219
Contributions:				
Employer	1,790,560	8,815,031	11,984,780	22,590,371
Employee	799,442	768,931	-	1,568,373
Purchase of prior year's service credits	10,817	100,001	-	110,818
Insurance recovery	<u>-</u>	<u>-</u>	<u>9,358</u>	<u>9,358</u>
Total additions - Net	13,417,451	28,970,228	17,378,561	59,766,240
<b>Deductions</b>				
Benefit payments	9,286,003	14,780,624	6,963,716	31,030,343
Withdrawals and refunds of contributions	<u>1,471,177</u>	<u>1,505,795</u>	<u>-</u>	<u>2,976,972</u>
Total deductions	<u>10,757,180</u>	<u>16,286,419</u>	<u>6,963,716</u>	<u>34,007,315</u>
<b>Net Change in Net Position</b>	2,660,271	12,683,809	10,414,845	25,758,925
<b>Net Position - Beginning of year</b>	<u>104,725,421</u>	<u>163,021,978</u>	<u>46,715,596</u>	<u>314,462,995</u>
<b>Net Position - End of year</b>	<u><b>\$ 107,385,692</b></u>	<u><b>\$ 175,705,787</b></u>	<u><b>\$ 57,130,441</b></u>	<u><b>\$ 340,221,920</b></u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2013

	Agency Funds		
	Tax	General Agency	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,856	\$ 1,798,097	\$ 1,802,953
Investments - At fair value - Short-term investment funds	-	1,296,467	1,296,467
Total assets	<u>\$ 4,856</u>	<u>\$ 3,094,564</u>	<u>\$ 3,099,420</u>
<b>Liabilities</b>			
Accrued and other liabilities	\$ -	\$ 1,142,242	\$ 1,142,242
Due to other governmental units	4,856	35,915	40,771
Cash bonds and deposits	-	1,916,407	1,916,407
Total liabilities	<u>\$ 4,856</u>	<u>\$ 3,094,564</u>	<u>\$ 3,099,420</u>

# City of Sterling Heights, Michigan

## Other Financial and Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>Tax Collection</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 7,810</b>	<b>\$ 125,705,791</b>	<b>\$ 125,708,745</b>	<b>\$ 4,856</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ -	\$ 1,063,487	\$ 1,063,487	\$ -
Due to other governmental units	7,810	162,981,900	162,984,854	4,856
Total liabilities	<b>\$ 7,810</b>	<b>\$ 164,045,387</b>	<b>\$ 164,048,341</b>	<b>\$ 4,856</b>
<b><u>General Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,677,317	\$ 12,624,180	\$ 12,503,400	\$ 1,798,097
Investments - At fair value	1,578,687	11,386,900	11,669,120	1,296,467
Due from other governmental units	6,301	-	6,301	-
Total assets	<b>\$ 3,262,305</b>	<b>\$ 24,011,080</b>	<b>\$ 24,178,821</b>	<b>\$ 3,094,564</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 1,387,243	\$ 196,952	\$ 441,953	\$ 1,142,242
Due to other governmental units	22,665	35,915	22,665	35,915
Cash and bond deposits	1,852,397	1,260,727	1,196,717	1,916,407
Total liabilities	<b>\$ 3,262,305</b>	<b>\$ 1,493,594</b>	<b>\$ 1,661,335</b>	<b>\$ 3,094,564</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,685,127	\$ 138,329,971	\$ 138,212,145	\$ 1,802,953
Investments - At fair value	1,578,687	11,386,900	11,669,120	1,296,467
Due from other governmental units	6,301	-	6,301	-
Total assets	<b>\$ 3,270,115</b>	<b>\$ 149,716,871</b>	<b>\$ 149,887,566</b>	<b>\$ 3,099,420</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 1,387,243	\$ 1,260,439	\$ 1,505,440	\$ 1,142,242
Due to other governmental units	30,475	163,017,815	163,007,519	40,771
Cash and bond deposits	1,852,397	1,260,727	1,196,717	1,916,407
Total liabilities	<b>\$ 3,270,115</b>	<b>\$ 165,538,981</b>	<b>\$ 165,709,676</b>	<b>\$ 3,099,420</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.

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Changes in Net Position	108-109
Fund Balances of Governmental Funds	110
Changes in Fund Balances of Governmental Funds	111-112*
General Governmental Tax Revenue by Source	113

#### **Revenue Capacity**

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

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Principal Property Taxpayers (Major Taxpayers)	119*

#### **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.

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#### **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	126
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Principal Employers (Major Employers)	128*

\* 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	129-130
Capital Asset Statistics by Function	131
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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.

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## **Statistical Information**

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# City of Sterling Heights, Michigan

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Invested in capital assets -										
Net of related debt	\$ 164,071,091	\$ 165,784,014	\$ 171,697,125	\$ 175,544,446	\$ 175,084,518	\$ 173,670,878	\$ 169,230,936	\$ 166,882,162	\$ 163,744,453	\$ 159,678,093
Restricted	8,845,442	5,537,300	13,956,025	6,601,883	12,015,678	10,040,331	9,733,081	9,413,052	10,876,504	11,385,681
Unrestricted	(2,714,472)	(3,747,590)	7,320,525	20,524,819	19,437,952	19,880,753	34,565,371	31,667,843	27,712,790	26,650,520
<b>Total governmental activities -</b>										
Net position	<b>\$ 170,202,061</b>	<b>\$ 167,573,724</b>	<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>
Business-type activities:										
Net investment in capital assets	\$ 135,546,803	\$ 135,416,064	\$ 139,088,895	\$ 137,413,059	\$ 135,723,619	\$ 133,050,974	\$ 130,990,910	\$ 128,950,328	\$ 127,122,039	\$ 125,395,977
Restricted	8,525,469	9,029,341	7,050,855	7,418,300	7,522,330	7,605,803	8,308,749	8,369,375	9,424,998	9,596,925
Unrestricted	23,976,948	23,607,368	28,265,921	29,163,010	29,337,877	26,385,878	25,732,829	24,334,830	22,170,126	20,362,360
<b>Total business-type activities -</b>										
Net position	<b>\$ 168,049,220</b>	<b>\$ 168,052,773</b>	<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>
Primary government:										
Net investment in capital assets	\$ 299,617,894	\$ 301,200,078	\$ 310,786,020	\$ 312,957,505	\$ 310,808,137	\$ 306,721,852	\$ 300,221,846	\$ 295,832,490	\$ 290,866,492	\$ 285,074,070
Restricted	17,370,911	14,566,641	21,006,880	14,020,183	19,538,008	17,646,134	18,041,830	17,782,427	20,301,502	20,982,606
Unrestricted	21,262,476	19,859,778	35,586,446	49,687,829	48,775,829	46,266,631	60,298,200	56,002,673	49,902,461	47,012,880
<b>Total primary government -</b>										
Net position	<b>\$ 338,251,281</b>	<b>\$ 335,626,497</b>	<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>

# City of Sterling Heights, Michigan

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental activities:				
General government	\$ 9,499,251	\$ 9,873,718	\$ 8,760,970	\$ 10,348,927
41A District Court	2,690,360	2,852,812	2,864,422	2,992,184
Public safety	39,815,539	42,253,545	41,327,439	43,995,464
Public works	22,838,480	25,464,111	24,181,418	22,603,155
Recreation and culture	6,047,819	5,716,243	5,989,344	5,890,651
Interest on long-term debt	2,022,258	2,585,777	2,463,042	1,922,125
Total governmental activities expenses	82,913,707	88,746,206	85,586,635	87,752,506
Business-type activities - Water and sewer	25,829,284	28,142,434	28,106,435	30,290,386
Total primary government expenses	<u>\$ 108,742,991</u>	<u>\$ 116,888,640</u>	<u>\$ 113,693,070</u>	<u>\$ 118,042,892</u>
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:				
General government	\$ 714,601	\$ 844,263	\$ 1,829,127	\$ 2,022,680
41A District Court	2,136,354	2,320,411	2,424,477	2,185,724
Public safety	1,114,300	1,249,154	1,394,981	1,326,061
Public works	3,855,774	6,241,366	6,813,150	8,125,228
Recreation and culture	465,391	513,241	583,627	563,152
Operating grants and contributions	10,284,432	9,547,201	9,184,599	9,148,913
Capital grants and contributions	3,142,226	1,336,930	2,751,871	2,638,714
Total governmental activities program revenue	21,713,078	22,052,566	24,981,832	26,010,472
Business-type activities - Water and sewer:				
Charges for services	20,385,299	22,619,205	24,944,170	25,404,755
Operating grants and contributions	-	-	-	-
Capital grants and contributions	8,430,400	4,911,208	8,364,981	2,662,317
Total business-type activities program revenue	28,815,699	27,530,413	33,309,151	28,067,072
Total primary government program revenue	<u>\$ 50,528,777</u>	<u>\$ 49,582,979</u>	<u>\$ 58,290,983</u>	<u>\$ 54,077,544</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (61,200,629)	\$ (66,693,640)	\$ (60,604,803)	\$ (61,742,034)
Business-type activities	2,986,415	(612,021)	5,202,716	(2,223,314)
Total primary government net expense	<u>\$ (58,214,214)</u>	<u>\$ (67,305,661)</u>	<u>\$ (55,402,087)</u>	<u>\$ (63,965,348)</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 48,495,510	\$ 50,357,630	\$ 52,574,000	\$ 55,624,617
State-shared revenue	11,249,778	11,127,156	11,003,347	10,675,667
Investment income	709,149	1,155,124	2,034,936	3,383,824
Gain on disposal of capital assets	-	105,454	256,994	227,321
Insurance proceeds	-	-	18,763,736	-
Other nonprogram revenue	1,425,963	1,319,937	1,371,831	1,527,988
Extraordinary item	(31,000,000)	-	-	-
Total governmental activities expenses	30,880,400	64,065,301	86,004,844	71,439,417
Business-type activities - Investment income	532,552	615,574	1,150,182	1,812,012
Total primary government	<u>\$ 31,412,952</u>	<u>\$ 64,680,875</u>	<u>\$ 87,155,026</u>	<u>\$ 73,251,429</u>
<b>Change in Net Position</b>				
Governmental activities	\$ (30,320,229)	\$ (2,628,339)	\$ 25,400,041	\$ 9,697,383
Business-type activities	3,518,967	3,553	6,352,898	(411,302)
Total primary government	<u>\$ (26,801,262)</u>	<u>\$ (2,624,786)</u>	<u>\$ 31,752,939</u>	<u>\$ 9,286,081</u>

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

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	11,017,399	\$	8,877,803	\$	8,804,497	\$	8,011,940	\$	6,543,937	\$	5,918,474
	3,164,448		3,251,224		3,470,065		3,523,447		3,379,925		3,334,854
	48,044,223		49,201,944		52,695,852		53,740,479		54,994,001		51,345,058
	24,083,515		24,904,207		25,269,096		26,062,500		23,959,824		22,852,033
	6,322,163		6,112,129		5,695,827		5,617,090		5,291,332		4,891,039
	1,921,428		1,956,286		1,086,571		1,192,797		1,081,347		1,099,714
	94,553,176		94,303,593		97,021,908		98,148,253		95,250,366		89,441,172
	32,784,120		32,292,608		30,901,624		33,562,610		37,438,961		38,788,850
<b>\$</b>	<b>127,337,296</b>	<b>\$</b>	<b>126,596,201</b>	<b>\$</b>	<b>127,923,532</b>	<b>\$</b>	<b>131,710,863</b>	<b>\$</b>	<b>132,689,327</b>	<b>\$</b>	<b>128,230,022</b>
\$	2,216,008	\$	2,229,296	\$	3,020,737	\$	2,906,715	\$	3,513,053	\$	3,634,419
	2,351,225		2,426,813		2,985,409		2,888,076		2,570,621		2,336,662
	1,984,318		1,571,100		1,629,846		1,695,612		1,519,175		1,558,701
	6,363,346		2,869,634		2,545,211		2,295,345		3,563,445		2,533,213
	629,818		733,598		948,463		982,981		807,387		677,068
	8,525,230		8,957,951		9,676,314		9,091,234		8,565,267		5,136,968
	3,173,757		478,767		1,090,732		1,809,917		2,546,378		4,547,019
	25,243,702		19,267,159		21,896,712		21,669,880		23,085,326		20,424,050
	27,456,965		24,495,066		25,057,683		28,222,756		31,028,424		35,282,896
	-		-		-		-		-		-
	2,461,289		867,991		2,912,917		1,459,851		2,721,482		601,903
	29,918,254		25,363,057		27,970,600		29,682,607		33,749,906		35,884,799
<b>\$</b>	<b>55,161,956</b>	<b>\$</b>	<b>44,630,216</b>	<b>\$</b>	<b>49,867,312</b>	<b>\$</b>	<b>51,352,487</b>	<b>\$</b>	<b>56,835,232</b>	<b>\$</b>	<b>56,308,849</b>
\$	(69,309,474)	\$	(75,036,434)	\$	(75,125,196)	\$	(76,478,373)	\$	(72,165,040)	\$	(69,017,122)
	(2,865,866)		(6,929,551)		(2,931,024)		(3,880,003)		(3,689,055)		(2,904,051)
<b>\$</b>	<b>(72,175,340)</b>	<b>\$</b>	<b>(81,965,985)</b>	<b>\$</b>	<b>(78,056,220)</b>	<b>\$</b>	<b>(80,358,376)</b>	<b>\$</b>	<b>(75,854,095)</b>	<b>\$</b>	<b>(71,921,173)</b>
\$	58,331,682	\$	57,875,942	\$	56,801,307	\$	59,196,747	\$	53,247,883	\$	51,643,869
	10,675,667		10,183,758		9,057,434		9,057,434		10,094,387		10,342,983
	3,075,919		2,278,601		1,098,458		707,426		1,159,709		118,280
	-		-		-		-		-		-
	-		-		16,318,640		-		-		-
	1,093,203		1,751,947		1,786,782		1,950,435		2,033,751		2,292,537
	-		-		-		-		-		-
	73,176,471		72,090,248		85,062,621		70,912,042		66,535,730		64,397,669
	1,455,323		1,388,380		920,857		502,048		751,685		(457,850)
<b>\$</b>	<b>74,631,794</b>	<b>\$</b>	<b>73,478,628</b>	<b>\$</b>	<b>85,983,478</b>	<b>\$</b>	<b>71,414,090</b>	<b>\$</b>	<b>67,287,415</b>	<b>\$</b>	<b>63,939,819</b>
\$	3,866,997	\$	(2,946,186)	\$	9,937,425	\$	(5,566,331)	\$	(5,629,310)	\$	(4,619,453)
	(1,410,543)		(5,541,171)		(2,010,167)		(3,377,955)		(2,937,370)		(3,361,901)
<b>\$</b>	<b>2,456,454</b>	<b>\$</b>	<b>(8,487,357)</b>	<b>\$</b>	<b>7,927,258</b>	<b>\$</b>	<b>(8,944,286)</b>	<b>\$</b>	<b>(8,566,680)</b>	<b>\$</b>	<b>(7,981,354)</b>

# City of Sterling Heights, Michigan

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

	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013
<b>General Fund:</b>										
Reserved	\$ 593,593	\$ 655,400	\$ 662,581	\$ 679,962	\$ 643,564	\$ 767,986	\$ 1,005,948	\$ -	\$ -	\$ -
Unreserved	19,057,927	13,345,638	14,387,663	15,037,933	14,649,346	14,439,075	11,522,975	-	-	-
Nonspendable	-	-	-	-	-	-	-	861,449	823,640	821,876
Assigned	-	-	-	-	-	-	-	5,500,280	973,137	691,319
Unassigned	-	-	-	-	-	-	-	4,629,487	3,451,703	3,735,285
<b>Total General Fund</b>	<b>\$ 19,651,520</b>	<b>\$ 14,001,038</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>All other governmental funds:</b>										
Reserved	\$ 1,027,906	\$ 735,565	\$ 1,536,063	\$ 534,266	\$ 5,321,181	\$ 468,719	\$ 596,419	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,981,941	5,168,955	2,547,940	5,810,853	6,950,614	4,665,274	5,168,942	-	-	-
Debt service funds	248,467	236,999	284,417	118,705	92,441	488,981	379,377	-	-	-
Capital projects funds	2,861,154	3,446,888	3,756,197	2,662,224	2,011,345	2,720,603	3,021,463	-	-	-
Nonspendable	-	-	-	-	-	-	-	463,096	219,826	175,383
Restricted	-	-	-	-	-	-	-	4,730,650	6,366,964	7,014,780
Committed	-	-	-	-	-	-	-	733,573	623,578	605,390
Assigned	-	-	-	-	-	-	-	2,113,709	1,181,275	1,012,786
<b>Total all other governmental funds</b>	<b>\$ 15,119,468</b>	<b>\$ 9,588,407</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>

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

# City of Sterling Heights, Michigan

	2004	2005	2006	2007
<b>Revenue</b>				
Property taxes	\$ 48,495,510	\$ 50,357,630	\$ 52,574,000	\$ 55,624,617
Fees and permits	2,318,120	2,012,360	1,986,333	1,784,156
Federal sources	1,629,936	2,069,321	3,198,148	2,755,145
State and local sources	20,176,008	19,607,043	19,721,028	19,894,287
Fines and forfeitures	3,069,824	2,995,613	2,890,745	2,563,520
Charges for services	6,334,722	6,695,039	7,795,120	8,038,601
Interest income	567,049	977,664	1,788,092	2,511,234
Special assessments	372,917	73,776	28,017	130,082
Rental income	1,298,796	1,566,845	1,357,037	1,443,651
Cable revenue	1,224,778	1,319,937	1,371,831	1,527,988
Reimbursement of advance road construction	-	-	-	-
Other	2,758,591	1,980,022	1,731,700	1,511,396
<b>Total revenue</b>	<b>88,246,251</b>	<b>89,655,250</b>	<b>94,442,051</b>	<b>97,784,677</b>
<b>Expenditures</b>				
Current:				
General government	9,091,026	10,042,438	10,109,764	10,562,158
41A District Court	2,342,220	2,472,160	2,660,587	2,847,111
Public safety	35,779,556	38,346,169	39,440,275	41,610,977
Public works	18,280,775	21,418,948	18,545,503	18,734,562
Recreation and culture	4,553,035	4,669,116	4,868,429	5,180,497
General expenditures	3,388,336	2,651,054	3,555,955	3,791,084
Capital outlay	13,041,634	12,476,405	10,576,821	14,756,585
Debt service:				
Principal	4,436,681	5,056,539	5,030,000	14,000,000
Interest	1,827,203	2,334,584	2,479,375	2,336,756
<b>Total expenditures</b>	<b>92,740,466</b>	<b>99,467,413</b>	<b>97,266,709</b>	<b>113,819,730</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(4,494,215)</b>	<b>(9,812,163)</b>	<b>(2,824,658)</b>	<b>(16,035,053)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term financing	30,355,000	13,720,000	-	7,900,000
Proceeds from sale of fixed assets	-	476,081	550,074	-
Bond premium	975,374	91,759	-	26,815
Net payments to refunded bond escrow agent and bond issuance costs	(5,075,000)	(8,511,067)	-	-
Transfers in	6,462,170	8,354,684	9,931,683	18,458,535
Transfers out	(6,462,170)	(6,639,684)	(8,071,683)	(8,681,215)
<b>Total other financing sources</b>	<b>26,255,374</b>	<b>7,491,773</b>	<b>2,410,074</b>	<b>17,704,135</b>
<b>Net Change in Fund Balances - Before extraordinary items</b>	<b>21,761,159</b>	<b>(2,320,390)</b>	<b>(414,584)</b>	<b>1,669,082</b>
<b>Extraordinary Items - Lawsuit settlement payments</b>	<b>(25,000,000)</b>	<b>(6,000,000)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ (3,238,841)</b>	<b>\$ (8,320,390)</b>	<b>\$ (414,584)</b>	<b>\$ 1,669,082</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>7.86%</b>	<b>8.50%</b>	<b>8.66%</b>	<b>16.49%</b>

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

2008	2009	2010	2011	2012	2013
\$ 58,331,682	\$ 57,875,942	\$ 56,801,306	\$ 59,045,208	\$ 53,149,713	\$ 51,665,928
1,352,594	960,683	1,194,707	1,438,197	2,271,967	1,789,803
1,001,641	1,419,052	2,789,569	3,085,016	2,661,338	1,126,423
18,939,977	18,505,491	17,114,177	17,184,734	18,065,838	18,825,672
2,755,701	2,836,556	3,618,574	3,353,875	2,770,160	2,489,252
7,988,183	7,896,549	8,598,054	8,583,882	8,443,205	8,306,458
2,316,653	1,580,754	582,435	308,422	672,239	58,534
92,745	243,123	215,118	203,298	254,977	206,501
1,727,929	1,798,484	1,429,222	1,685,041	1,508,954	1,536,939
1,671,094	1,771,978	1,799,495	1,950,435	2,033,751	2,292,537
2,440,414	-	-	-	-	-
1,755,645	2,007,807	1,898,739	1,526,205	2,044,415	1,700,076
100,374,258	96,896,419	96,041,396	98,364,313	93,876,557	89,998,123
11,244,018	9,534,712	9,000,797	8,613,941	8,571,928	7,700,466
2,974,001	3,150,155	3,221,815	3,246,811	3,252,852	3,258,362
44,435,670	46,327,145	49,130,527	50,929,421	52,297,573	48,644,125
20,134,496	21,273,705	20,321,669	21,034,821	18,680,870	18,062,177
5,358,825	5,321,281	4,747,596	4,603,108	4,489,169	4,339,952
2,945,761	2,793,240	2,814,058	2,540,873	2,766,125	2,294,184
7,402,019	13,212,947	4,694,663	4,867,162	4,275,883	3,115,621
5,685,000	5,730,000	15,235,000	3,970,000	3,940,000	3,895,000
1,938,403	1,987,533	1,628,030	1,221,055	1,098,474	1,114,056
102,118,193	109,330,718	110,794,155	101,027,192	99,372,874	92,423,943
(1,743,935)	(12,434,299)	(14,752,759)	(2,662,879)	(5,496,317)	(2,425,820)
5,000,000	3,260,000	3,810,000	-	3,780,000	3,275,000
-	149,466	115,724	-	-	-
50,143	-	33,935	-	274,196	9,311
-	-	(2,200,000)	-	(3,950,000)	(3,100,000)
9,716,170	11,319,369	16,194,395	3,953,940	3,526,740	6,158,405
(8,197,830)	(8,412,389)	(5,056,810)	(3,953,940)	(3,526,740)	(3,500,200)
6,568,483	6,316,446	12,897,244	-	104,196	2,842,516
4,824,548	(6,117,853)	(1,855,515)	(2,662,879)	(5,392,121)	416,696
-	-	-	-	-	-
<b>\$ 4,824,548</b>	<b>\$ (6,117,853)</b>	<b>\$ (1,855,515)</b>	<b>\$ (2,662,879)</b>	<b>\$ (5,392,121)</b>	<b>\$ 416,696</b>
<b>8.06%</b>	<b>8.05%</b>	<b>15.91%</b>	<b>5.41%</b>	<b>5.31%</b>	<b>5.63%</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				Debt Service Funds Property Taxes			Total All Property Taxes
	Operating	Refuse	Police and Fire Retirement System	Total	General Drain	Voted Tax General Obligation	Total	
2004	\$ 37,409,166	\$ 4,881,818	\$ 3,564,147	\$ 45,855,131	\$ 1,536,014	\$ 1,104,365	\$ 2,640,379	\$ 48,495,510
2005	38,420,002	5,203,504	4,204,831	47,828,337	1,429,947	1,099,346	2,529,293	50,357,630
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

# 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			
2004	2005	\$ 50,166,920	\$ 49,462,142	98.60	\$ 679,140	\$ 50,141,282	99.95
2005	2006	52,325,289	51,316,165	98.07	962,656	52,278,821	99.91
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	99.93
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 (2)	50,578,919	97.60	1,099,333	51,678,252	99.40
2013	2014	51,976,345					

- (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	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.
2004 (2003)													
Homestead	8.1963	1.0696	0.7809	0.3366	0.2416	10.6250	2.9729	1.5859	0.2161	0.5973	0.0000	0.0000	0.0000
Non-homestead	8.1963	1.0696	0.7809	0.3366	0.2416	10.6250	2.9729	1.5859	0.2161	0.5973	0.0000	0.0000	0.0000
2005 (2004)													
Homestead	8.0957	1.1055	0.8905	0.3016	0.2317	10.6250	2.9615	1.5002	0.2154	0.5949	0.0000	0.0000	0.0000
Non-homestead	8.0957	1.1055	0.8905	0.3016	0.2317	10.6250	2.9615	1.5002	0.2154	0.5949	0.0000	0.0000	0.0000
2006 (2005)													
Homestead	8.7642	0.8266	0.6049	0.2413	0.1880	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	12.6858	2.9430	1.5712	0.2146	0.5900	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, 2013.

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	5.0000	0.0000	3.5000	5.0000	0.0000	7.3342	0.9964	2.3500	28.7030	35.8836
4.2000	0.0058	5.0000	18.0000	3.5000	5.0000	18.0000	0.0000	0.9964	2.3500	46.7030	46.5494
4.2000	0.0058	6.0000	0.0000	3.5000	6.0000	0.0000	6.7662	0.9964	2.2800	29.6028	36.1454
4.2000	0.0058	6.0000	18.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.6028	47.3792
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	3.7500	6.0000	0.0000	6.8226	0.9964	2.4400	32.3181	39.5602
4.5685	0.0050	6.0000	17.9316	3.7500	6.0000	18.0000	0.0000	0.9964	2.4400	50.2497	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

# City of Sterling Heights, Michigan

	2004	2005	2006	2007	2008
<b>State Equalized Value</b>					
SEV equivalent	\$ 5,553,761,050	\$ 5,754,101,500	\$ 5,997,740,400	\$ 6,230,684,225	\$ 6,380,752,375
IFT exemption	<u>226,175,750</u>	<u>221,346,700</u>	<u>225,091,700</u>	<u>223,376,725</u>	<u>290,426,725</u>
<b>Total SEV</b>	<b><u>\$ 5,779,936,800</u></b>	<b><u>\$ 5,975,448,200</u></b>	<b><u>\$ 6,222,832,100</u></b>	<b><u>\$ 6,454,060,950</u></b>	<b><u>\$ 6,671,179,100</u></b>
<b>Taxable Value</b>					
<b>By Class:</b>					
Real property	\$ 3,764,758,000	\$ 3,970,808,500	\$ 4,195,815,400	\$ 4,451,151,600	\$ 4,645,291,550
Personal property	<u>1,025,224,600</u>	<u>968,119,700</u>	<u>949,766,100</u>	<u>944,127,850</u>	<u>1,053,774,300</u>
<b>Total value</b>	<b><u>\$ 4,789,982,600</u></b>	<b><u>\$ 4,938,928,200</u></b>	<b><u>\$ 5,145,581,500</u></b>	<b><u>\$ 5,395,279,450</u></b>	<b><u>\$ 5,699,065,850</u></b>
<b>By Type:</b>					
Residential	\$ 2,820,357,100	\$ 2,990,452,700	\$ 3,151,356,400	\$ 3,327,952,350	\$ 3,480,892,950
Commercial	529,584,800	548,866,900	588,205,000	638,272,700	692,716,600
Industrial	383,343,100	397,910,200	416,252,900	445,399,650	430,477,050
Personal property	607,793,500	567,204,500	548,022,100	540,032,000	515,469,150
IFT real and personal property	<u>448,904,100</u>	<u>434,493,900</u>	<u>441,745,100</u>	<u>443,622,750</u>	<u>579,510,100</u>
<b>Total</b>	<b>4,789,982,600</b>	<b>4,938,928,200</b>	<b>5,145,581,500</b>	<b>5,395,279,450</b>	<b>5,699,065,850</b>
Less exempt property	<u>(224,452,050)</u>	<u>(217,246,950)</u>	<u>(220,872,550)</u>	<u>(221,811,375)</u>	<u>(289,755,050)</u>
<b>Total taxable value</b>	<b><u>\$ 4,565,530,550</u></b>	<b><u>\$ 4,721,681,250</u></b>	<b><u>\$ 4,924,708,950</u></b>	<b><u>\$ 5,173,468,075</u></b>	<b><u>\$ 5,409,310,800</u></b>
<b>Total direct tax rate (1)</b>	<b><u>\$ 10.6250</u></b>	<b><u>\$ 10.6250</u></b>	<b><u>\$ 10.6250</u></b>	<b><u>\$ 10.7250</u></b>	<b><u>\$ 10.7250</u></b>
Total taxable value as					
a percentage of SEV equivalent	<b>82.21%</b>	<b>82.06%</b>	<b>82.11%</b>	<b>83.03%</b>	<b>84.78%</b>
Total taxable value as					
a percentage of total value	<b>95.31%</b>	<b>95.60%</b>	<b>95.71%</b>	<b>95.89%</b>	<b>94.92%</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**

2009	2010	2011	2012	2013
\$ 5,940,796,525	\$ 5,555,163,580	\$ 4,879,206,305	\$ 4,488,430,900	\$ 4,154,032,625
255,549,975	239,402,825	223,651,575	204,669,200	150,866,925
<b><u>\$ 6,196,346,500</u></b>	<b><u>\$ 5,794,566,405</u></b>	<b><u>\$ 5,102,857,880</u></b>	<b><u>\$ 4,693,100,100</u></b>	<b><u>\$ 4,304,899,550</u></b>
\$ 4,599,077,850	\$ 4,508,088,655	\$ 4,046,809,230	\$ 3,743,670,800	\$ 3,503,196,250
1,007,788,550	986,259,050	917,612,350	874,496,200	755,514,350
<b><u>\$ 5,606,866,400</u></b>	<b><u>\$ 5,494,347,705</u></b>	<b><u>\$ 4,964,421,580</u></b>	<b><u>\$ 4,618,167,000</u></b>	<b><u>\$ 4,258,710,600</u></b>
\$ 3,451,602,900	\$ 3,328,660,655	\$ 2,920,197,630	\$ 2,714,198,550	\$ 2,527,262,250
706,330,000	726,513,650	704,190,150	651,408,200	609,340,350
405,605,650	416,847,650	388,756,200	348,879,800	314,238,500
532,258,650	545,007,250	504,729,350	494,463,050	506,194,400
511,069,200	477,318,500	446,548,250	409,217,400	301,675,100
5,606,866,400	5,494,347,705	4,964,421,580	4,618,167,000	4,258,710,600
(255,534,600)	(238,659,250)	(223,274,125)	(204,608,700)	(150,837,550)
<b><u>\$ 5,351,331,800</u></b>	<b><u>\$ 5,255,688,455</u></b>	<b><u>\$ 4,741,147,455</u></b>	<b><u>\$ 4,413,558,300</u></b>	<b><u>\$ 4,107,873,050</u></b>
<b><u>\$ 10.7858</u></b>	<b><u>\$ 10.7858</u></b>	<b><u>\$ 12.6858</u></b>	<b><u>\$ 12.6858</u></b>	<b><u>\$ 12.6858</u></b>
<b>90.08%</b>	<b>94.61%</b>	<b>97.17%</b>	<b>98.33%</b>	<b>98.89%</b>
<b>95.44%</b>	<b>95.66%</b>	<b>95.50%</b>	<b>95.57%</b>	<b>96.46%</b>

# City of Sterling Heights, Michigan

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

Company Name	Product/Service	Year Ended June 30, 2013			Year Ended June 30, 2004		
		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	\$ 194,645,450	1	4.74	\$ 403,192,550	1	8.83
Ford Motor Company	Automotive manufacturing and drive shafts	184,141,875	2	4.48	107,330,650	3	2.35
DTE Energy	Public electric utility	35,470,450	3	0.86	35,795,400	4	0.78
General Dynamics	Administrative engineering and design	31,160,000	4	0.76	27,347,200	6	0.60
Lakeside Associates	Retail shopping center	27,096,550	5	0.66	31,273,500	5	0.68
Detroit Media Partnership	Printing plant - Newspapers	26,582,000	6	0.65	19,151,150	7	0.42
Comcast Communications	Cable communications	15,704,500	7	0.38	-	-	-
Consumers Energy	Public utility for gas	12,789,750	8	0.31	-	-	-
MNP Corporation	Nut, bolt, and wire manufacturer	10,601,650	9	0.26	14,504,850	10	0.31
NJT Enterprises	Retail shopping center	10,014,850	10	0.24	-	-	-
Visteon Corporation	Automotive axles and shafts	-	-	-	154,566,450	2	3.39
T.R.W.	Auto sub-component assembly	-	-	-	16,669,050	8	0.35
Laurel/Shoal Creek	Office and apartment complex	-	-	-	15,835,100	9	0.34
	Ten largest taxpayers	548,207,075		<b>13.34</b>	793,161,750		<b>18.05</b>
	Other taxpayers	3,559,665,975			3,772,368,800		
	Total taxable value	<b>\$ 4,107,873,050</b>			<b>\$ 4,565,530,550</b>		

# 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				
2004	\$ 33,745,000	\$ 9,936,539	\$ (8,007)	\$ -	\$ 43,673,532	0.9566	127,270	\$343.16
2005	31,735,000	9,060,000	(61,570)	-	40,733,430	0.8627	128,026	318.17
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	133.45
2011	9,595,000	3,655,000	(11,873)	27,799,300	41,037,427	0.8294	129,699	303.18
2012	8,455,000	2,630,000	(22,232)	36,565,773	47,628,541	1.0440	129,699	355.27
2013	7,690,000	1,525,000	(19,201)	35,428,997	44,624,796	1.0863	129,699	344.06

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 Bonds				
2004	\$ 33,745,000	\$ 15,910,000	\$ 350,000	\$ 9,936,539	\$ -	\$ 59,941,539	1.80%	127,270	\$ 470.98
2005	31,735,000	19,735,000	125,000	9,060,000	-	60,655,000	1.77%	128,026	473.77
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	11,060,000	13,890,000	3,160,000	4,635,000	3,702,531	36,447,531	0.96%	128,500	283.64
2011	9,595,000	12,465,000	3,060,000	3,655,000	30,584,068	59,359,068	1.89%	129,699	457.67
2012	8,455,000	10,620,000	2,960,000	2,630,000	39,281,958	63,946,958	2.04%	129,699	493.04
2013	7,690,000	8,880,000	2,850,000	1,525,000	38,076,599	59,021,599	1.88%	129,699	455.07

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, 2013

### Direct Debt

#### General Obligation Bonds

04/27/05	Limited Tax	\$ 1,915,000	
06/09/08	Fire Stations, UT	4,250,000	
06/22/10	Recovery Zone Bonds, Series 2010	1,525,000	\$ 7,690,000

#### Michigan Transportation Fund Bonds

04/05/05	Refunding Bonds, Series 2005	1,000,000	
04/01/07	Bonds, Series 2007	600,000	
03/02/10	Refunding Bonds, Series 2010	590,000	
02/07/12	Refunding Bonds, Series 2012	3,415,000	
02/14/13	Refunding Bonds, Series 2013	3,275,000	8,880,000

#### Special Assessment Bonds

08/03/08	Improvements		2,850,000
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#### Share of County-issued Drain Bonds

Macomb County utility drains		1,525,000	
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Total direct debt outstanding 20,945,000

### Indirect Debt

#### Share of County-issued Drain Bonds

Macomb County - Series A MID	25,048,794		
MID District - 2008 North Gratiot	2,415,187		
MID District - 2010 North Gratiot	232,415		
MID District - 2011 Clintondale Pump	9,381,728		
Oakland County (OMID)	998,475		38,076,599

Total direct and indirect debt outstanding 59,021,599

Less:

MTF Bonds	8,880,000		
Special Assessment Bonds	2,850,000		
MID District Special Assessments	2,647,602		14,377,602

Net direct and indirect debt outstanding 44,643,997

### Overlapping Debt

39.65% Utica Community School District		70,109,130	
45.25% Warren Consolidated School District		71,827,588	
16.31% Macomb County at large		8,421,799	
16.31% Macomb Community College		1,450,775	

Total overlapping debt 151,809,292

Net direct and indirect debt outstanding and overlapping debt \$ 196,453,289

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

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## Legal Debt Margin June 30, 2013

Valuation for debt limit:		
2012 state equalized value (2013 fiscal year)		\$ 4,003,165,700
Addback of assessed value equivalent - 2012 SEV of Act 198 exemptions		<u>301,733,850</u>
Total valuation for debt limit		<u><b>\$ 4,304,899,550</b></u>
Debt limit (10 percent of state equalized valuation and equivalent) (1)		\$ 430,489,955
Debt applicable to limit:		
Amount of total direct outstanding debt	\$ 59,021,599	
Less: Michigan Transportation Fund Bonds	8,880,000	
Special Assessment Bonds	2,850,000	
MID District Special Assessments	<u>2,647,602</u>	
Net debt applicable limit		<u>44,643,997</u>
Legal debt margin		<u><b>\$ 385,845,958</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				
	2004	2005	2006	2007	2008
Debt limit	\$ 577,993,680	\$ 597,544,820	\$ 622,283,210	\$ 645,406,095	\$ 667,117,910
Total net debt applicable to limit	<u>(43,681,539)</u>	<u>(40,795,000)</u>	<u>(37,935,000)</u>	<u>(28,915,000)</u>	<u>(30,130,000)</u>
Legal debt margin	<b><u>\$ 534,312,141</u></b>	<b><u>\$ 556,749,820</u></b>	<b><u>\$ 584,348,210</u></b>	<b><u>\$ 616,491,095</u></b>	<b><u>\$ 636,987,910</u></b>
Total net debt applicable to the limit as a percentage of debt limit	7.56%	6.83%	6.10%	4.48%	4.52%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 619,634,650	\$ 579,456,641	\$ 510,285,788	\$ 469,310,010	\$ 430,489,955
Total net debt applicable to limit	<u>(26,575,000)</u>	<u>(17,157,531)</u>	<u>(39,334,300)</u>	<u>(46,100,773)</u>	<u>(44,643,997)</u>
Legal debt margin	<b><u>\$ 593,059,650</u></b>	<b><u>\$ 562,299,110</u></b>	<b><u>\$ 470,951,488</u></b>	<b><u>\$ 423,209,237</u></b>	<b><u>\$ 385,845,958</u></b>
Total net debt applicable to the limit as a percentage of debt limit	4.29%	2.96%	7.71%	9.82%	10.37%

# 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		
2004	\$ 668,476	\$ 305,000	\$ 288,102	\$ 593,102	1.127	
2005	640,723	415,000	226,639	641,639	0.999	
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	

Michigan Transportation Fund Bonds						
Fiscal Year Ended	Collections	Debt Service			Coverage	
		Principal	Interest	Total		
2004	\$ 3,655,236	\$ 1,855,000	\$ 837,354	\$ 2,692,354	1.358	
2005	3,530,329	1,885,000	636,159	2,521,159	1.400	
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	

Special Assessment Bonds						
Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)	
		Principal	Interest	Total		
2004	\$ 105,391	\$ 225,000	\$ 22,875	\$ 247,875	0.425	
2005	27,200	225,000	12,338	237,338	0.115	
2006	-	125,000	3,125	128,125	-	
2007	-	-	-	-	-	
2008	-	-	-	-	-	
2009	331,654	-	-	-	-	
2010	629,640	100,000	127,000	227,000	2.774	
2011	608,980	100,000	123,400	223,400	2.726	
2012	626,541	100,000	120,400	220,400	2.843	
2013	586,674	110,000	117,250	227,250	2.582	

(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)	Number of Households (2)	Median	Unemployment Rate (3)/(4)
			High School Graduate or Higher	Bachelor's Degree or Higher				Household Income (1)	
2004	127,270	35-39	84.0%	22.9%	\$ 26,193	\$ 3,333,583	49,260	\$ 60,494	5.4%
2005	128,026	35-39	84.0%	22.9%	26,717	3,420,471	49,405	60,494	5.6%
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%

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 Treasury, Management & Budget

# City of Sterling Heights, Michigan

## Miscellaneous Demographics

Population	
2010 U.S. Census	129,699
2000 U.S. Census	124,471
1990 U.S. Census	117,810
1980 U.S. Census	108,999

Housing Tenure		
Types	2010	2000
Owner occupied	37,685	36,584
Renter occupied	11,766	9,735
Vacant:		
Seasonal/migrant	128	148
Other vacant units	2,611	1,080
<b>Total</b>	<b>52,190</b>	<b>47,547</b>

Household Characteristics		
Types	2010	2000
With seniors 65+	14,229	10,252
Without seniors	35,222	36,067
Two or more without children	21,007	19,041
Live alone, over 65	5,316	3,915
Live alone, under 65	7,791	7,245
With children	15,337	16,118
<b>Total households</b>	<b>49,451</b>	<b>46,319</b>

Age Statistics		
Years	2010	2000
Under 5	5.5%	6.2%
5 to 19	18.7%	20.3%
20 to 24	6.3%	6.1%
25 to 44	25.8%	30.4%
45 to 64	28.5%	25.2%
Over 64	15.2%	11.8%

Income Characteristics	
Household Income	Number of Households
Less than \$14,999	5,452
\$15,000 - \$34,999	12,307
\$35,000 - \$49,999	7,529
\$50,000 - \$74,999	8,866
\$75,000 - \$99,999	6,085
\$100,000 or more	10,230

Labor Characteristics	
By Occupation:	Number of Employees
Management, professional, and related	20,060
Service	11,243
Sales and office	14,725
Natural resources, construction, and maintenance	3,785
Production, transportation, and material moving	7,704
<b>Total</b>	<b>57,517</b>

By Industry:	
Agriculture, forestry, fishing and hunting, and mining	62
Construction	2,408
Manufacturing	12,012
Wholesale trade	989
Retail trade	7,013
Transportation, warehousing, and utilities	2,237
Information	1,131
Finance, insurance, real estate, rental, and leasing	3,033
Professional, scientific, management, administrative, and waste management services	6,647
Educational, health, and social services	10,589
Arts, entertainment, recreation, accomodation, and food services	6,520
Other professional and related services	3,282
Public administration	1,594
<b>Total</b>	<b>57,517</b>

Educational Characteristics	
Households:	Number
With earnings	37,297
With Social Security income	17,932
With retirement income	14,021
With supplemental security income	2,234
With cash public assistance income	1,481
With food stamps/SNAP benefits	6,679

# City of Sterling Heights, Michigan

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

Company Name	Product/Service	Year Ended June 30, 2013			Year Ended June 30, 2004		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
General Dynamics	Defense-related manufacturing	2,700	1	4.38%	1,425	6	2.21%
Chrysler Group LLC	Automotive assembly and stamping	2,500	2	4.05%	6,875	1	10.69%
Lakeside Associates	Retail shopping center	2,000	3	3.24%	2,500	4	3.89%
Ford Motor Company	Automotive axles and chassis components	1,500	4	2.43%	1,250	7	1.94%
Utica Community Schools	Education (1)	1,150	5	1.86%	4,150	2	6.45%
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	6	1.62%	1,200	8	1.87%
Warren Consolidated Schools	Education (1)	790	7	1.28%	2,200	5	3.42%
Henry Ford Health System	Healthcare provider (3)	600	8	0.97%	-	-	-
Miliken Millwork, Inc.	Wooden and stainless steel doors and stairs	500	9	0.81%	-	-	-
U.S. Farathane Corporation	Paints and finishes	450	10	0.73%	-	-	-
Visteon Corporation	Automotive axles and drive shafts	-	-	-	2,800	3	4.35%
MNP	Nut, bolt, and wire manufacturer	-	-	-	1,200	9	1.87%
Cadillac Products, Inc.	Plastic bags, sheets, paper	-	-	-	750	10	1.17%
	Ten largest employers	13,190		21.38%	24,350		37.85%
	Other employers	48,495		78.62%	39,990		62.15%
	Total employment (2)	<b>61,685</b>			<b>64,340</b>		

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

(2) State of Michigan, Department of Technology, Management and Budget

(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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government</b>										
<b>Election Data</b>										
Registered voters	79,221	83,461	83,910	83,639	84,082	88,258	85,345	85,953	86,231	85,436
Voters at polls	10,445	45,608	7,654	34,405	3,842	44,074	10,138	39,285	13,020	42,504
Absentee ballots	7,113	14,801	7,605	11,904	7,556	16,972	7,963	11,037	8,299	16,205
Percent voting	22.16%	72.38%	18.18%	55.37%	13.56%	69.17%	21.00%	46.00%	25.00%	66.00%
<b>41A District Court</b>										
<b>Court Cases</b>										
Civil	2,508	2,709	2,862	3,239	3,867	3,947	3,816	4,037	3,760	3,546
Criminal	4,782	3,994	4,211	4,533	5,677	4,922	4,818	4,254	3,654	3,408
Landlord and tenant	2,285	2,203	2,226	2,433	2,471	2,653	2,407	2,442	2,610	2,265
Small claims	610	513	488	432	425	524	448	451	404	313
Traffic	27,282	25,338	24,256	27,143	27,709	30,422	35,540	31,074	22,924	22,889
<b>Public Safety</b>										
<b>Police Protection</b>										
Adult arrests	2,707	2,406	2,560	3,326	3,747	3,079	3,000	2,691	2,686	3,083
Civil infractions	18,605	23,627	23,819	26,582	27,596	29,855	32,724	29,315	20,670	21,788
Group A offenses (2)	6,260	6,474	7,926	7,873	7,361	6,686	6,484	5,769	3,890	3,216
Group B offenses (3)	3,623	4,170	4,609	4,491	3,433	2,632	2,370	1,960	1,652	2,030
Injury accidents	884	862	810	806	1,004	824	704	752	616	598
Juvenile arrests	246	183	239	251	174	156	173	159	143	195
OUIL arrests	412	361	375	328	340	414	394	297	199	220
Parking violations	1,696	1,713	1,730	2,016	1,706	1,702	1,992	1,125	585	1,116
Property damage	3,637	3,669	3,663	3,415	4,353	3,191	3,071	3,408	2,849	2,974
Private property damage	1,426	1,439	1,304	1,322	1,133	1,037	944	846	820	712
Total traffic violations	24,208	26,972	25,379	29,166	30,484	32,154	37,022	32,752	24,109	22,428
<b>Fire Protection</b>										
Emergency alarms answered	9,215	9,292	9,573	10,261	10,500	10,480	10,383	11,062	11,589	11,653
Fire inspections conducted	4,427	3,832	4,204	4,624	3,767	3,874	2,859	2,288	1,029	843
Inspection violations issued	4,451	3,697	6,020	10,292	9,391	7,495	5,831	4,397	2,067	1,670
Medical emergencies	6,551	6,719	6,927	7,493	7,691	7,745	7,693	8,617	8,948	8,969
Training hours completed	34,583	35,809	34,124	33,538	33,857	31,121	30,955	29,986	23,230	22,790
<b>Recreation and Culture</b>										
<b>Parks and Recreation</b>										
Adult athletics attendance	13,980	15,825	19,480	18,782	20,135	15,360	25,477	21,301	21,221	24,357
Instructional rec. attendance	24,285	24,970	28,070	26,567	25,666	24,795	23,999	23,933	27,132	22,666
Nature program attendance	28,350	29,362	22,748	24,582	24,399	23,321	27,708	23,374	21,318	14,582
Senior program attendance	126,280	111,020	111,610	109,528	109,970	116,564	117,570	102,577	103,663	103,667
Special event attendance	68,500	71,930	72,725	73,000	73,100	74,449	65,551	72,321	62,015	53,734
Special recreation program attendance	15,870	15,895	16,870	14,878	16,060	15,679	11,351	10,803	10,766	9,895
Summer playground attendance	15,600	11,646	9,992	11,025	14,094	11,370	7,565	12,160	11,144	12,613
<b>Library</b>										
Book van deliveries	12,623	12,844	12,820	11,242	9,318	8,818	7,909	7,367	4,547	3,788
Community meeting room reservations	295	150	299	341	384	1,200	1,289	1,209	1,463	1,325
In-house materials usage	159,897	139,897	140,033	144,698	139,973	121,907	93,714	107,155	133,539	132,298
Interlibrary loan requests	88,657	99,078	109,995	120,393	123,142	125,167	110,778	97,588	93,068	90,764
Interlibrary loans - Lent	75,931	89,405	100,260	109,814	113,947	117,671	105,692	87,255	82,094	82,832
Items circulated	662,579	641,730	648,967	635,425	616,323	625,688	627,496	614,905	600,445	577,448
Library visits	371,398	388,706	417,601	420,716	442,768	581,046	560,035	484,259	453,690	412,656
Online computer uses	357,869	441,111	456,752	492,979	514,794	552,503	583,260	610,054	768,815	1,050,062
Program attendance	22,034	22,780	21,275	25,470	36,204	37,639	31,664	23,184	22,168	15,310
Reference transactions	132,104	141,056	133,617	132,557	141,610	148,978	131,039	120,873	93,243	83,000
Registered borrowers	53,476	57,050	50,390	50,599	51,098	52,043	53,114	53,181	52,733	51,248

# City of Sterling Heights, Michigan

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

	Fiscal Year									
	2004	2005	2006 (4)	2007	2008	2009	2010	2011	2012	2013
<b>Water and Sewer Services</b>										
Customers: (5)										
Residential	34,529	34,535	34,850	35,021	35,048	34,811	34,846	34,869	34,995	35,077
Commercial/Industrial	3,741	4,185	4,272	4,477	4,539	4,233	4,234	4,126	4,262	4,280
Water (in thousand cubic feet):										
Purchased from Detroit	828,398	867,931	803,969	775,817	786,726	716,384	659,817	683,223	695,711	678,000
Sold to residents	815,645	811,252	852,661	789,033	827,893	711,126	667,792	692,621	677,554	698,650
Rates (per thousand): (4)										
1,000 CU. FT.	\$ 22.72	\$ 25.42	\$ 27.13	\$ 28.64	\$ 30.74	\$ 31.94	\$ 37.22	\$ 40.59	\$ 42.07	\$ 43.97
Next 2,000 CU.FT.	(1)	(1)	27.13	28.64	30.74	31.94	37.22	40.59	42.07	43.97
Over 3,000 CU.FT.	(1)	(1)	27.96	29.50	31.67	32.90	38.32	41.77	46.18	48.24
Sewer only - Per billing	15.00	15.00	15.00	25.00	30.00	35.00	45.00	50.00	55.00	60.00

(1) During July 1, 2003 - June 30, 2005, the City used a single-tier rate structure.

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

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

(4) Effective July 1, 2005, the City implemented a two-tier rate structure.

(5) 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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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	48	49	49	49	54	54	54	54	51	50
Vehicles - Unmarked	68	68	80	82	79	77	64	63	65	57
<b>Fire Protection</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	14	14	14	15	16	16	16	16	16	16
<b>Public Works</b>										
<b>Streets and Sidewalks</b>										
Miles of City:										
Primary streets	60	60	60	60	60	63	63	63	63	63
Secondary streets	285	286	287	289	289	286	286	286	286	286
Sidewalks	565	566	605	607	608	609	609	610	610	611
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	2	2	2	2
Street lights	2,475	2,472	2,508	2,513	2,520	2,520	2,520	2,520	2,530	2,530
Vehicles - Snow plows	21	21	20	21	22	22	23	22	22	22
<b>Water and Sewer Services</b>										
Fire hydrants	6,633	6,796	6,932	7,015	7,050	7,162	7,203	7,221	7,238	7,261
Miles of water mains	554	558	563	569	570	573	574	575	576	576
Miles of sanitary sewers	415	422	424	428	429	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	186,992	189,822	190,791	188,365	197,412	199,968	203,593	204,977	208,102	209,040
Other collections (1)	24,622	23,937	23,776	35,619	36,619	37,344	37,051	37,603	42,507	46,306
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	
2004	631	\$ 59,756,113	787	\$ 2,218,100	\$ 61,974,213
2005	546	54,325,044	876	1,830,299	56,155,343
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	380	2,528,899	23,448,340

Fiscal Year Ended June 30	Commercial				Total Commercial
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
2004	29	\$ 28,123,162	272	\$ 59,264,545	\$ 87,387,707
2005	31	34,143,253	271	26,257,489	60,400,742
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	45	15,579,387	148	37,031,326	52,610,713

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	95	95	94	95	83	78	71	74	60	56
41A District Court	38	38	40	40	40	39	40	40	39	38
Public safety:										
Police	258	259	260	260	261	259	251	243	228	222
Fire	107	107	108	108	106	106	104	101	91	86
Public works:										
City development (2)	50	50	32	32	37	32	32	24	19	24
Public works	43	43	43	43	42	40	37	34	26	29
Street services	23	23	23	23	23	21	21	21	21	18
Engineering (1)	-	-	19	19	17	14	13	11	9	8
Recreation and culture:										
Parks and recreation	16	16	16	16	16	13	12	11	10	10
Library	41	41	41	41	42	42	42	41	38	36
Water and sewer	41	41	41	41	41	40	39	39	37	35
<b>Total</b>	<b>712</b>	<b>713</b>	<b>717</b>	<b>718</b>	<b>708</b>	<b>684</b>	<b>662</b>	<b>639</b>	<b>578</b>	<b>562</b>

(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.

## **Continuing Disclosure**

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# City of Sterling Heights, Michigan

## State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Modified Accrual</u> <u>Basis of Accounting</u>	<u>Accrual Basis of</u> <u>Accounting</u>
2004	\$ 11,405,282	\$ 11,249,778
2005	11,072,350	11,127,156
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

## Gas and Weight Taxes Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Type of Street</u>		<u>Total</u>
	<u>Major Roads</u>	<u>Local Roads</u>	<u>Gas and Weight Tax</u> <u>(Act 51) Receipts</u>
2004	\$ 5,308,588	\$ 2,001,883	\$ 7,310,471
2005	5,124,980	1,935,678	7,060,658
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

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)	6/30/2013	115	-
Firefighters International Association of Firefighters, Local 1557	6/30/2015	82	-
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2015	50	26
Department of Public Works Field Employees Teamsters, Local 214	6/30/2014	50	-
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2015	33	-
Professional and Technical Employees United Auto Workers, Unit 40, Local 412	6/30/2016	20	15
Court Clerical AFSCME, Local 1884, Council 25	6/30/2015	20	1
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2016	20	-
Emergency Dispatchers Police Officers Association of Michigan (POAM)	6/30/2015	20	-
Supervisory Employees United Auto Workers, Unit 41, Local 412	6/30/2015	11	2
Executive Employees Michigan Association of Public Employees (MAPE)	6/30/2015	7	-
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2014	6	-
<b>Nonunion Employees</b>			
41A District Court Administration	N/A	10	-
41A District Court Judges	N/A	3	-
Ordinance Employees	N/A	1	-

Source: City of Sterling Heights