



Comprehensive Annual Financial Report

Richard J. Notte
Mayor

Joseph V. Romano
Mayor Pro Tem

Yvonne D. Kniaz
Councilwoman

Deanna Koski
Councilwoman

Maria G. Schmidt
Councilwoman

Michael C. Taylor
Councilman

Barbara A. Ziarko
Councilwoman

Mark D. Vanderpool
City Manager

Brian S. Baker
Finance and Budget Director

Leslie D. Reinhart, CPA
Controller

Rick J. Sanborn, CPA
Financial Services Manager

For the Fiscal Year Ended June 30, 2009

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

City of Sterling Heights, Michigan

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CITY COUNCIL	
Mayor	Richard J. Notte
Mayor Pro Tem	Joseph V. Romano
Councilwoman	Yvonne D. Kniaz
Councilwoman	Deanna Koski
Councilwoman	Maria G. Schmidt
Councilman	Michael C. Taylor
Councilwoman	Barbara A. Ziarko
CITY MANAGER	Mark D. Vanderpool

CITY MANAGER’S COMPREHENSIVE SUMMARY OF FY2008/2009 AND A PROSPECTIVE LOOK AT THE FUTURE OF THE CITY OF STERLING HEIGHTS

Honorable Mayor, City Council, and Community Residents:

This executive summary is an analysis of the results of operations of the City of Sterling Heights and serves as the introduction to the City’s Comprehensive Annual Financial Report for fiscal year 2008/2009. Contained within this report is pertinent information about the City’s community, economy, and major initiatives completed during the past year, as well as a prospective look at the future.

STERLING HEIGHTS – AN ESTABLISHED AND RESPECTED COMMUNITY

The City of Sterling Heights was incorporated July 1, 1968 operating under a Council-Manager form of government. The City is governed by a Mayor and a six member City Council, who individually serve two-year terms. Elections are non-partisan and are held the first Tuesday of November in each odd-numbered year. The Mayor is a directly elected position, while the Council candidate who receives the highest number of votes in the general election serves as the Mayor Pro Tem. Under the Council-Manager form of government, the Mayor and City Council appoint two officials: the City Manager and the City Attorney. The City Manager is the chief administrative officer of the city and is responsible for its daily operations, while the City Attorney provides legal counsel to the City Council. The Mayor and City Council also appoint residents to the boards and commissions to assist in implementing initiatives set forth by the Sterling Heights City Council. More than 170 volunteers dedicate their time and talents to the City’s 28 boards, commissions, authorities, committees, as well as the Sterling Heights Community Foundation. From beautifying the community to regulating its development, board members and commissioners meet regularly to support the City Council and City Administration.

The City of Sterling Heights is a vibrant community with a strong sense of civic pride and determination by its community leaders. At 36.8 square miles, the City is bordered by M-59 on the north, 14 Mile Road on the south, Hayes Road on the east, and Dequindre Road on the west. Geographically, Sterling Heights is the third largest city in the state. There are more than 392 miles of roadway in Sterling Heights of which 346 miles are maintained by the City. Sterling Heights is a balanced community that is rich with cultural diversity, community wellness, and economic vitality. Sterling Heights continues to attract upscale housing developments, prestigious office complexes, and large commercial development projects. The 2009 estimated population for the City stands at 128,500, making Sterling Heights the fourth largest city in Michigan. There are 60 voting precincts in the city with more than 88,000 registered voters. City services are provided to 33,861 houses, 9,600 apartments, 6,899 condominiums, 1,691 mobile homes, and 2,504 commercial and industrial businesses.

TO STRIVE ON BEHALF OF ALL

Recognized as a progressive city, Sterling Heights' elected officials and professional staff are committed to providing outstanding services to city residents. The City's elected and administrative officials occupy leadership roles in state, regional, and national organizations, such as the Michigan Municipal League, Government Finance Officers' Association, and the International City/County Management Association.

Sterling Heights has pursued a policy dedicated to attracting and retaining highly qualified management personnel. The City provides a level of compensation sufficient to attract and retain the management talent and expertise necessary to properly serve the community. A majority of our supervisory personnel hold graduate degrees in their respective fields with over 95.0 percent of our city department heads holding post-graduate degrees. In addition to these credentials, several of our employees have received special recognition for their abilities from their peers via election to state or national offices of professional associations and as instructors at professional seminars.

The City's current administration has been in place for several years and has taken many steps toward improved budgeting, controlled costs, and improved efficiency which has helped in dealing with the tough economic conditions. In order to navigate through this financial storm, the City has developed a proactive financial strategy that is multi-faceted consisting in large part of the following:

- ▶ The City, operationally speaking, must continue reducing expenditures as reflected in the budget approved by City Council this year which includes an overall reduction of \$7.2 million dollars.
- ▶ The City has had to eliminate 54 positions and consolidate many existing positions; the City is currently at 1986 employment levels with a population of 128,500.
- ▶ The City has implemented significant labor concessions resulting in health care savings of \$1 million annually and \$20 million actuarially (over a number of years) by reducing retiree health care benefits.
- ▶ The City no longer offers fixed pensions for general employees and additional personnel savings are being pursued.
- ▶ The City is also utilizing fund balance to a point where we do not compromise our superior AA+ bond rating which saves hundreds of thousands of dollars annually.
- ▶ The City has had to implement user fees in some cases including increasing numerous non-resident fees associated with various services.
- ▶ The City is pursuing service-sharing agreements with surrounding communities and other entities.
- ▶ The City is doing all that it can to protect property values in the City by pursuing proactive economic development strategies to preserve a comparatively speaking strong local economy.
- ▶ The City remains vigilant with property maintenance enforcement to ensure properties are maintained and do not fall into a state of disrepair. In fact, the City has cleaned up 200 vacant properties and/or homes in foreclosure over a 60-day period of time. Maintaining property values and minimizing the decline through an effective property maintenance inspection program is an important component to our overall financial plan.

A LIFESTYLE FOR EVERYONE

Comprehensive plans have been established that will continue to enhance and secure the quality of life in Sterling Heights for many years to come. These goals and objectives will serve to heighten the community's existing foundation of quality programs and services for residents. Sterling Heights' annual *Strategic Plan* will guide the City in managing its capital improvement needs and equipment purchases over the next several years. With support from residents, the City of Sterling Heights continues to strive for excellence.

Most Informed City

Sterling Heights continues to implement technologies that will enhance customer service and improve efficiency:

- ▶ The City of Sterling Heights launched a new website (www.sterlingheightsfilm.net) to provide tools local businesses can use to connect to the film industry and a place where movie location scouts can visit to obtain permits and review the City's film procedures.
- ▶ The City implemented changes to its *Industrial Facilities Tax Abatement Program* to encourage high technology firms to incorporate "green" initiatives into their building projects and businesses.
- ▶ An automated commercial water meter reading system was recently implemented.
- ▶ Sterling Heights is one of the founding members of an organization called the Michigan Intergovernmental Trade Network (MITN), which is a group of agencies that electronically notify companies of new bid opportunities. Vendors conducting business with the City now have broader access to new business opportunities throughout our region.
- ▶ The new *Lost Animal Service* is a free interactive service on the City's website to help pet owners connect with their lost animals.
- ▶ Sterling Heights is the first in the state to offer the *Water Bill Review and Payment Service* which allows residents to review historical accounting of water usage on their address, as well as having the option to pay their bill online.
- ▶ A *Water Billing Budgeting Program*, recently made available for residential customers, is designed to help smooth out the four quarterly water bills that residential customers receive each year.

- ▶ The City offers free automatic electronic mail service for residents who want up-to-date information on city activities. Residents can e-mail their request to the City to be included in the distribution of city announcements, press releases, and other city information.
- ▶ A *Job Posting E-Mail Subscription Service* provides the opportunity for those searching for employment to register at no cost for automatic electronic notifications of available job positions with the city.
- ▶ Residents can review vital voting information on the City's online *Voter Information Center* including up-to-date election results on Election Day.
- ▶ The City has utilized new disability accessible voting machines, received through grant funds, that allow a sight-impaired or disabled person the opportunity to vote with greater ease.

- ▶ Sterling Heights now provides a *Surplus Auction* link on the City's website to accommodate the need for a more efficient means of disposing surplus equipment and supplies.
- ▶ The City implemented an electronic City Council agenda packet whereby residents are able to access the complete agenda packet from their home computers.
- ▶ Sterling Heights is the first city in Michigan to introduce the *Online Permit System* that allows contractors to obtain plumbing, electrical, and mechanical permits via the City's website.
- ▶ The *Online Assessing and Tax Information System* allows residents to obtain assessment roll information on any parcel in Sterling Heights. The online Internet service provides users with the ability to gain information on school districts, administration fees, and current tax bills.
- ▶ Residents can utilize the Sterling Heights Public Library's online book newsletter service or download digital audio books to their home computers.
- ▶ Residents and non-profit groups have the opportunity to publicize activities, such as garage sales, golf outings, and lost pet notices on Sterling Heights Television (SHTV) at no charge.
- ▶ Registration for the Parks and Recreation and Library programs can now be accomplished online.

Most Efficient City

The Sterling Heights Civic Center, with its inviting and functional campus-style layout, includes City Hall, Public Library, Police Department, 41-A District Court, Upton House, Recreation Center, Nature Center, and Senior Activity Center. The Civic Center has become the community focal point for municipal activities and cultural events with such landscaping enhancements as the placement of several sculptures throughout the complex. Residents have access to a modern, state-of-the-art City Hall with offices, meeting rooms, and a 200-seat City Council Chambers. The Employee Memorial Fountain, situated outside City Hall, was created to serve as a lasting tribute and memorial to Sterling Heights employees who have died in the line of duty. The Public Library houses a cultural center with expansive user space. With security enhancement in place, the Kenneth J. Kosnic 41-A District Court Building provides a safe and secure environment for dispute resolutions within our jurisdiction. The 128-year old Upton House is a Michigan Historical Landmark and is one of the few surviving 19th century homes in Sterling Heights. Today, the Upton House is used for meetings and is available for rental to the public. The Recreation Center houses a vast array of programs to accommodate the needs of all city residents. Participation in the City's popular youth athletics programs has increased to 54,968 in attendance as compared to last year's 52,885. Serving as a model program for neighboring communities, the Special Recreation Services provides recreational and educational activities for those who are developmentally challenged with the program reaching over 15,675 in attendance. The Nature Center offers visitors of all ages the opportunity to learn more about the natural world, and it is expected to attract over 23,300 participants this year. The Senior Activity Center provides a large selection of senior programs to keep our senior residents youthful and active. In fact, the completion of the new Senior Active Life Center, a 14,135 square foot gymnasium addition, offers a wealth of activities for the City's active senior citizens including basketball, volleyball, and pickle ball.

In a continued effort to provide quality services within the city, the municipal phone system is equipped with direct dialing capabilities, thus allowing incoming calls to be quickly received and

expedited. The City's general information phone number – 586/446-CITY (2489) – serves as the City's "help" line. Establishing a "virtual" City Hall, Sterling Heights' official website (www.sterling-heights.net) can be accessed for informative city news and events. The City's e-mail address (cityhall@sterling-heights.net) provides the opportunity to conveniently communicate with City Hall by means of e-mail transmissions. Sterling Heights continues to utilize innovative media outlets, such as *My Space*, *YouTube*, and other popular Internet sites in the City's marketing plan. A full-color publication entitled, "Life At Its Best – Getting to Know Us", has been created to welcome new residents, as well as introduce visitors and potential residents, to the city. Sterling Heights is the first city in Macomb County to debut a municipal radio station, WPTC-1700 AM, which provides residents with round-the-clock information on community activities and emergencies, including up-to-the-minute weather bulletins.

The City's *Nice Neighbor Program* has been successful, as it has recognized over 100 residents and business owners since its inception in 2003. This popular program honors residents and businesses who offer a helping hand to their neighbors by recognizing them at a City Council meeting as well as being publicized in the City's redesigned quarterly publication (*Sterling Heights Magazine*), broadcasted on SHTV, and posted on the City's website. Collectively, the City's magazine, website, radio station, SHTV, and sustained performance ratings for city services will continue to support Sterling Heights as the most information-friendly city in southeastern Michigan.

Safest Big City

The City enjoys an outstanding reputation for public safety and thus has established an Emergency Operations Center (EOC) and an alternate emergency dispatch center. An Incident Command Vehicle has been placed into service to be used for emergency response by the Police, Fire, and Public Works Departments. The City of Sterling Heights Emergency Preparedness Partnership has been created consisting of representatives from the City's Emergency Services Operations Group (ESOG), private sector, and Chamber of Commerce. This group increases communications and cooperation between the public and private sectors in response to emergencies. Supplementing the City's emergency operations staff, the Sterling Heights Citizen Corps and other volunteer groups focus on serving as a key source and outlet for preparedness-related information and education to the public. A new public safety initiative was developed to help strengthen the City's reputation as one of Michigan's safest communities. Six Neighborhood Safety Summits were successfully conducted at local schools to provide an opportunity for residents to meet with the Police and Fire Chiefs to discuss any concerns specific to their neighborhoods.

The False Alarm Ordinance was established in an effort to further the public safety and welfare of the City's taxpayers. This program has been effective in reducing the undue burden incurred by taxpayers for unnecessary false alarm responses. Alarm users are encouraged to maintain operational reliability of the alarm system, thereby reducing and preventing the misuse of police and fire resources at taxpayer expense. In addition, the City's Snow Emergency Ordinance has been enhanced to provide increased enforcement authority requiring owners to remove vehicles from the street during a declared emergency.

The Sterling Heights Police Department utilizes an in-car computer system that assists the officers in obtaining more information on potentially dangerous suspects. The CLEMIS (Courts

and Law Enforcement Management Information Services) system links with area police departments and allows the sharing of vital information.

Along with such programs as D.A.R.E., Neighborhood Watch, Child I.D., and Crime Prevention, the Police Department annually sponsors the Citizens' Police Academy, a nationally recognized program that trains residents to take an active role in community protection. The Sterling Heights Police Department has increased traffic enforcement along corridors to minimize the number of accidents occurring within the city. Furthermore, to assist concerned families, the Sterling Heights Police Department has partnered with the web-based organization, TestMyTeen.com, to offer free drug-testing kits for residents who suspect their children may be experimenting with substance abuse. Additionally, two programs were recently launched: (1) The *Special Underage Drinking Enforcement Program* targeting underage drinkers especially during the prom and graduation season and (2) An *Accident Prevention Program* with enforcement focusing on areas with high accident rates. In addition, Sterling Heights participates in *A Child Is Missing*, a non-profit program that provides a rapid response communication network and dissemination of information. Police officers in Sterling Heights are now able to receive immediate assistance during searches for missing children, the elderly, and the disabled.

According to FBI crime statistics, the City has retained its ranking as Michigan's safest city among communities with more than 100,000 residents, according to *CQ Press'* newly-released city crime rankings. Public safety has always been a priority and this commendable status reflects the combined efforts between the Police Department and the residents in making Sterling Heights *The Safest Big City in Michigan*. Continuous training for sworn personnel and police academy students contribute to the emphasis on security within Sterling Heights. Keeping crime rates down can be attributed to the City having the appropriate financial resources and a concerned public that cooperates with law enforcement.

Sterling Heights Fire Department is the first fire department in the world to achieve ISO 9001:2000 registration. This achievement expresses a commitment to quality that is internationally understood and accepted, thus attaining quality customer service and continual improvement. The renovation project for three fire stations was completed this year. Additionally, the department has been the first in providing programs such as the administering of free flu shots to senior residents and introducing and adopting the first Private Water System Ordinance that requires private water systems to provide an annual maintenance program. Sterling Heights is below average in the number of fires and fire losses nationwide. The Fire Prevention Division of the Sterling Heights Fire Department is the first in the state to have all of its members certified by the National Association of Fire Investigators (NAFI). As a result, a high level of credibility is present at all times when Sterling Heights Inspectors work on various fire matters. The Fire Department continues to take the initiative towards offering advanced life support services, fire rescue and suppression activities, fire prevention public education, hazardous materials response, and all forms of technical rescue.

Most Active and Healthiest City

With today's tight economy, more and more residents are discovering the enjoyment of everything the City's Public Library and Parks & Recreation Department have to offer. Subsequently, attendance to various city events has elevated as residents of all ages partake in an assortment of intellectual, motivational, and recreational programs.

The amount of visitors to the Sterling Heights Public Library continues to increase annually with this year's number of visits totaling over 581,000, exceeding last year's number of visits by over 138,000. This is in part due to the Library's popular reading programs and seminars (i.e. Passport Fairs, Résumé Writing/Interview Skills, and Foreclosure Prevention) capturing the interest of many residents. The Library offers compact discs, audiocassettes, computerized book and magazine catalogs, computer software for public use, and a collection of fiction books in CD format totaling well over 237,000. The Library published a local history book, *Sterling Township 1875-1968*, that contains more than 150 historic photographs from the Library's archives. An *English as a Second Language (ESL)* collection of videos and books has been established which compliments the Library's *International Language Collection*. In addition, videotapes of City Council meetings are available for residents to check out and view at their leisure. The addition of coffee and beverage machines provides visitors with a more relaxed and welcoming ambience when utilizing the facility. Computerized reference services provide access to millions of references, abstracts, and statistics. Residents can search the Suburban Library Cooperative's database of book and non-print material, along with an extensive on-line general interest magazine database from the comfort of their homes. From terminals within the Library, residents continue to enjoy the opportunity to "surf" the Internet. This past year, online computer uses totaled more than 552,500, which is an increase of over 37,700 from last year. A book drop box is located in the median outside the Library and provides increased services to our residents. This added convenience has been well received as it better accommodates our busy residents.

A variety of athletic and instructional programs are provided to city residents through the Parks and Recreation Department. The City's Recreation Center promotes active lifestyles and enhances the coordinated youth/career age/senior exercise and health center programs. The senior program attendance this year totaled over 116,500, an increase of over 6,500. This year, the City received the *Innovative Recreation Programming Award* from the Michigan Recreation and Parks Association for the annual TeenFest event for creating a fun atmosphere and positive experience while providing a safe and supervised social environment for local teens. The updated *Master Parks and Facilities Conceptual Development Plans* were recently adopted to assist in guiding the development of the City's future parks and facilities. With Avis Neighborhood Park as the latest addition to the community's expansive 820-acre network of major parks and neighborhood recreation areas, the City maintains 28 developed park sites and several other undeveloped park properties dedicated to recreational purposes. City parks provide various recreational and leisure opportunities from baseball diamond complexes to children's tot lots to miles of developed walking, jogging, and bicycle riding pathways. Celebrating 34 years of musical excellence, the City's annual summer *Music in the Park Concert Series* offers a variety of free programs to satisfy the appetite of any music lover. What's more, the final phase of the Huron Clinton Metropolitan Authority's (HCMA) county hike/bike path system through the City of Sterling Heights from Riverland Drive to Van Dyke Avenue was completed, thus creating a path that is more than five miles from border to border within the city. Also, emergency markers were installed along the Clinton River Path System to assist emergency personnel in quickly locating those in need of assistance. Named *Tree City USA* annually since 1985, Sterling Heights supports policies to protect the woodlands, wetlands, and flood plains remaining in the city. In its continuing effort to preserve green space and open spaces, Sterling Heights is the only city in southeast Michigan that maintains a municipal nature preserve, the Plumbrook Forest, located at M-59 and Dequindre Road.

BEST PLACE TO RAISE A FAMILY

Sterling Heights has developed into one of Macomb County's leading cities offering a rich combination of commercial and residential life. This successful development results largely from the *Master Land Use Plan*, created by the City in the early 1970s, which provides direction for the community's growth and development. The *Master Land Use Plan* was updated recently to address maximum usage of all property within the city, including residential, multi-family, office, commercial, industrial, and public facilities and roads. The City has enjoyed a solid reputation for municipal planning and growth management. To encourage redevelopment in commercial areas, the City passed its first ever mixed-use ordinance. The commercial and industrial business environment is an exceptional mix of service, product, and technological employers, which allows Sterling Heights to enjoy the extraordinary combination of business opportunities. Employment in the city has also become more diversified in terms of new industry and trained workers. The City has implemented a *Manufacturing Master Plan* whereby an administrative Manufacturing Strategy Team has been created to promote business retention and recruitment in non-automotive high tech industries. An *Industrial Facilities Tax Abatement Program* was also enhanced to encourage the high tech firms to incorporate "green" initiatives into their building projects and businesses. Principal employers within the city include Ford Motor Company, General Dynamics, Chrysler Group LLC, Lakeside Associates, and Detroit News Agency.

Because of the cost saving efforts and the efficient delivery of services, the City's tax bill remains lower than all but one of the 77 full-service communities within 20 miles of the city. In fact, the City's millage rate has decreased by 2.59 mills or by 19.4 percent since 1988, saving the average homeowner \$3,121. An important component of government, the Board of Ordinance Appeals has been effective in promoting and enforcing quality community appearance standards which directly affect property values. With the televising of the Board of Ordinance Appeals meetings and the efforts of the administrative Code Committee, the City continues to proactively pursue property maintenance enforcement.

Sterling Heights is a pre-retirement community attracting middle class homeowners with job security and seniority. Many Sterling Heights' homeowners are choosing to reinvest and renovate existing homes as evidenced by the 429 permits issued for residential home additions and/or improvements as compared to the 14 new housing permits issued this past year. The total number of residential permits in 2008/2009 represents an investment of over \$4.7 million. As a matter of fact, a recent *Resident Satisfaction Survey* of 3,000 randomly selected households achieved an overwhelming response rate of over 50.0 percent and indicated 95.0 percent of the City's residents consider Sterling Heights an *excellent* or *good* place to live.

The combination of established neighborhoods and contemporary subdivisions in the community provides housing options ranging from modest to upscale with values over \$500,000. The typical home in Sterling Heights for 2009/2010 has a taxable value of \$81,150, which equates to a market value of \$168,000. Last year, the total tax for that home in the Utica Community School District was \$2,516, while the total tax for that same home in the Warren Consolidated School District was \$2,932. Of the total tax dollars collected, the City only received \$905 from the average homeowner for a full line of city services. It is estimated that the total average tax for 2009/2010 will be \$2,442 and \$2,845 respectively.

Currently, more than 2,500 commercial and industrial businesses are located in Sterling Heights. Major principal taxpayers include Chrysler Group LLC, Ford Motor Company, Detroit News Agency, and General Dynamics. The existing economic development and redevelopment efforts have been aggressively enhanced as Sterling Heights continues to attract and retain business and industry.

Redevelopment opportunities have been actively pursued throughout the city including the following initiatives:

- ▶ The City has actively participated in the Mayors and Municipalities Automotive Coalition (MMAC), a national organization whose goal is to support stabilizing the domestic automotive industry and seek federal economic redevelopment tools for redeveloping closed facilities expeditiously.
- ▶ A plan was developed to secure \$25 million in various road improvements funded mostly through federal stimulus funding.
- ▶ Redevelopment of the old TRW site was facilitated with BAE Systems, which is a \$50 million project creating 500 new jobs.
- ▶ The City has worked closely with the U.S. Department of Housing and Urban Development (HUD) regarding its *Neighborhood Stabilization Program* (NSP) that provides targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties to prevent abandonment and blight within the community.
- ▶ A *Façade Assistance Program* was implemented for businesses in the North Van Dyke Corridor.

What's more, a business/industry survey was conducted to ensure the City is adequately addressing local business needs. An Economic Development Brochure and promotional DVD has been developed as part of the City's renewed *Business Recruitment and Retention Program*. As a result, companies continue to invest in Sterling Heights, which is a good indication that they will remain committed to the City well into the future. The City sought and received legislative approval to create a Corridor Improvement Authority to enhance the aesthetics along major corridors, such as Van Dyke Avenue. Most recently, a \$3.2 million Lakeside Shopping District Project was completed which included new signage, decorative lighting and stamped concrete, pavement resurfacing, and upgrades to the eight access roads within the shopping district. Additionally, the City has continued development of the newly established SmartZone business incubator in partnership with the Michigan Economic Development Corporation, Macomb County, and Oakland University to foster growth in startup companies in new emerging markets in the areas of defense, medical, life sciences, aerospace, and alternative fuels. The most recent initiative is the formation of the Sterling Heights Automotive Task Force as part of an effort to preserve the strong auto industry within the city, particularly Chrysler's Sterling Heights Assembly Plant (SHAP) which is expected to close operations in December 2010. Sterling Heights continues to benefit from the expansion of current local employers, as well as additional retail and commercial developments. It is this impressive mix of commercial and industrial businesses that has created the City's enviable economic base and low millage rate. A number of industrial, commercial, and retail developments approved during the past year include:

Sonic Drive-In	East side of Van Dyke Avenue between 15 Mile & Metropolitan Parkway	1,728 sq. ft.
Regal Palace Industries	East side of Mound Road between 15 Mile Road & Metropolitan Parkway	24,236 sq. ft.
BAE Systems / Phase 2	West side of Van Dyke Avenue between 14 & 15 Mile Roads	139,836 sq. ft.
Studio Nine Salon	West side of Mound Road between Metropolitan Parkway & Fox Hill Drive	4,450 sq. ft.
State of Michigan Building	West side of Mound Road between 18 & 19 Mile Roads	30,240 sq. ft.
The Srodek Building	West side of Mound Road between 17 & 18 Mile Roads	16,610 sq. ft.
Sunshine Square	North side of 19 Mile Road between Schoenherr Road & Freeport Drive	13,474 sq. ft.
Four Star Wire & Cable	North side of Sims Drive between Mound Road and Elmridge Drive	21,220 sq. ft.
Christian Financial Credit Union	North side of Waterbury Drive between Schoenherr Road & Lakeside Circle	11,172 sq. ft.
42955 Van Dyke, L.L.C.	Northwest corner of 19 Mile Road & Van Dyke Avenue	28,067 sq. ft.
CVS Store	South side of Hall Road between Windwood Drive & Hayes Road	13,013 sq. ft.

In light of the current economy, this significant economic activity is encouraging news for Sterling Heights as it validates that the City is doing all that it can to protect its fiscal stability.

PERFORMANCE MATTERS

The City's strengths continue to be exceptional strategic planning and benchmarking, as well as strong financial management, sound finances, moderately low tax rates, and low debt levels. It is with this goal of strong financial management in mind that several of this year's awards were received. Sterling Heights has earned nationwide recognition from the Government Finance Officers' Association (GFOA) for several city financial documents including: (1) *Distinguished Budget Award* for the 22nd consecutive year; (2) *Certificate of Achievement for Excellence in Financial Reporting* for the 21st consecutive year; and (3) *Award for Outstanding Achievement in Popular Financial Reporting* for the 11th year.

The City of Sterling Heights enjoys outstanding bond ratings from the following ratings agencies: "Aa2" from Moody's, "AA+" from Fitch, and "AA+" from Standard & Poor's. We are proud to report that these ratings are among the highest in the state.

The City takes pride in providing various community functions and events throughout the year to residents who can enjoy both city services and local camaraderie. The grand event highlighted this past year was the City's popular *2009 Sterlingfest Art & Jazz Fair*. A huge success, this annual event once again provided members of the community the opportunity to take pleasure in this summer festivity of fun, crafts, and music. This premiere art and jazz fair was voted *Best Summer Festival* by readers of *The Detroit News* and *detnews.com* (2008).

The Sterling Heights City Council, in cooperation with the Sterling Heights Ethnic Community Committee, has established sister city partnerships with Tetevo, Yugoslavia (1982), Legazpi City, Philippines (1999), Cassino, Italy (2006), and Sorsogon City, Philippines (2007).

The City of Sterling Heights has received many awards and recognitions from various professional associations and municipal service organizations for innovative approaches to service delivery and quality improvements:

- ★ *Planning Magazine* recognized Sterling Heights as being a “model benchmark community in Southeast Michigan in terms of its performance measurements and ranking systems” (February 2009).
- ★ The City of Sterling Heights received the SEMCOG *Regional Ambassador Award* for government efficiencies and for a leadership role in the Mayors and Municipalities Automotive Coalition (2009).
- ★ *CNN/Money.com* ranked Sterling Heights 5th in the nation in home affordability (2009).
- ★ The City of Sterling Heights is among the top 100 cities named by *Best Life Magazine* (2008) as the “Best Place to Raise a Family”.
- ★ Sterling Heights was rated among the “Top 100 Best Places to Live in the United States” (*Money Magazine* – June 2008).
- ★ The City of Sterling Heights ranks as the safest city in Michigan based on 2008 FBI statistics.
- ★ Allstate Insurance recognized Sterling Heights as one of the safest cities in the nation when compared to 193 largest US cities in 2008 in terms of best drivers and low accident rates.
- ★ The City of Sterling Heights was selected as one of “Metropolitan Detroit’s 101 Best and Brightest Companies to Work For!” by the Michigan Business and Professional Association.
- ★ According to a recent study released by American City Business Journals, Sterling Heights is ranked 7th in the nation and 2nd in Michigan on its list of the least socio-economically stressed large U.S. cities.
- ★ The City of Sterling Heights was rated an A+ and “9th Best Family Friendly Suburban City in the U.S.” by Population Connection, a Washington DC nonprofit environmental organization.
- ★ Sterling Heights has retained its ranking as Michigan’s safest city among communities with more than 100,000 residents as determined by *CQ Press*, 2007.
- ★ Sterling Heights City Center received national distinction as one of “America’s Great Community Places and Public Spaces” by Project for Public Spaces, a national nonprofit educational organization.
- ★ Sterling Heights has been recognized by the National Weather Service as a “Storm Ready Community” because of its proactive measures in preparing for local hazardous weather.
- ★ *Ladies Home Journal* named Sterling Heights the “2nd Best Michigan City” and the “16th Best American City” for women to live and work.
- ★ *Crain’s Detroit Business* listed Sterling Heights among the “hot spots” for residential development in southeast Michigan.
- ★ Sterling Heights won national recognition for its “Sidewalk Inspection Program” which uses meter readers to report hazardous sidewalk conditions.
- ★ For the past 15 years, Sterling Heights has maintained the lowest combined water and sewer rates in Michigan for cities having over 25,000 residents.
- ★ The Michigan Economic Development Association (MEDA) gave high marks to Sterling Heights for its 3 marketing efforts (City website, *SHARP* newsletter, and custom-made economic marketing display) as part of the organizations’ annual Marketing Materials Competition (2008).
- ★ The City’s Wellness Committee was honored with the American Cancer Society’s “Five Star Investor Award” for implementing a variety of programs and services designed to promote employee health and wellness while helping to control costs of employee health care.

I would like to thank the Mayor and City Council, department directors, and employees responsible for contributing to the success and sound financial position of the City. Finance and Budget Director Brian Baker, City Controller Leslie Reinhart, Financial Services Manager Rick Sanborn, City Treasurer James Buhlinger, and staff are especially recognized for their teamwork, cooperation, and commitment to the principles of fiscal management and propriety. Special recognition is also extended to Mary Jo Dombrowski, Management Services Specialist, for her assistance with this report.

The City's employees are working together to preserve and enhance our community during the State's worst economic climate in recent history. Our mission is to make Sterling Heights the nation's most livable and best-managed city by providing courteous and quality services through teamwork, innovation, and continually striving for excellence on behalf of all.

Respectfully submitted,



Mark D. Vanderpool
City Manager



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CITY COUNCIL	
Mayor	Richard J. Notte
Mayor Pro Tem	Joseph V. Romano
Councilwoman	Yvonne D. Kniaz
Councilwoman	Deanna Koski
Councilwoman	Maria G. Schmidt
Councilman	Michael C. Taylor
Councilwoman	Barbara A. Ziarko
CITY MANAGER	Mark D. Vanderpool

November 16, 2009

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

In compliance with state law, this report was prepared in accordance with generally accepted accounting principles (GAAP) and regulations set forth by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, the Treasurer of the State of Michigan, the City Charter, and the Government Finance Officers Association. Pursuant to these requirements, the Office of Financial Services is pleased to submit this Comprehensive Annual Financial Report of the City of Sterling Heights for the fiscal year ended June 30, 2009.

The accuracy and reliability of the accounting system is dependent on adequate internal control. Internal control is a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise accounting control over assets, liabilities, revenues, and expenditures. To provide a reasonable basis for making the following representation, management of the City of Sterling Heights has established a comprehensive internal control framework that is designed both to protect the City's assets from losses, theft, or misuse and to compile sufficient reliable information for the preparations of the enclosed financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Therefore, the accuracy, completeness, and fairness of the financial data herein, including all disclosures, rests with the City's management, who assumes full responsibility for the information presented in this report and asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

In 2004, the Governmental Accounting Standards Board issued Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Post employment Benefit Plans Other Than Pension*. This statement established accounting standards for financial reporting of post employment benefits other than pensions by plan sponsors. These benefits may include but are not limited to health care, life insurance, and dental insurance for retirees. The City of Sterling Heights has elected to implement GASB No. 45 effective with the financial statements contained in this report.

In 2007, the Governmental Accounting Standards Board issued Statement No. 49 (GASB No. 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement establishes the framework for recognition and measurement of liabilities related to pollution remediation. The City of Sterling Heights has implemented GASB No. 49 effective with the financial statements contained in this report. A review of activity in this area indicates that the City is not currently involved nor named in any pollution remediation situations or litigation.

In 2007, the Governmental Accounting Standards Board issued Statement No. 51 (GASB No. 51), *Accounting and Financial Reporting for Intangible Assets*. This statement established authoritative guidance on the recognition, initial measurement and amortization of intangible assets to reduce inconsistencies and enhance comparability of accounting and financial reporting among state and local governments. The City of Sterling Heights implemented the guidance contained in GASB No. 51 when GASB No. 34 was implemented in the financial statements contained in the June 30, 2002 report.

In 2007, the Governmental Accounting Standards Board issued Statement No. 52 (GASB No. 52), *Land and Other Real Estate Held as Investments as Endowments*. This statement establishes a consistent standard for reporting land and other real estate held for investment regardless of the reporting entity. Since the City of Sterling Heights does not operate an endowment or permanent fund, this statement is not applicable to the City. However, if such a fund were created in the future, the City would follow the guidance contained in this statement.

In 2008, the Governmental Accounting Standards Board issued Statement No. 53 (GASB No. 53), *Accounting and Financial Reporting for Derivative Investments*. This statement provides a comprehensive framework for the measurement, recognition and disclosure of derivative instrument transactions. Although the City of Sterling Heights has elected to implement GASB No. 53 in next year's financial statements as required by the statement, a review of current activity indicates that early adoption would not have affected the financial statements contained within this report.

In 2009, the Governmental Accounting Standards Board issued Statement No. 54 (GASB No. 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides clearly defined categories for the reporting of fund balances in an effort to make the nature and extent of constraints placed on a government's fund balance transparent. Additionally, the existing governmental fund type definitions are clarified to improve comparability of governmental financial statements. Implementation of this statement is required for all fiscal years beginning after June 15, 2010 with earlier implementation encouraged. Due to the timing and release of this statement the City has decided to delay implementation until at least the June 30, 2010 financial report.

In 2009, the Governmental Accounting Standards Board issued Statement No. 55 (GASB No. 55), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government* and Statement No. 56 (GASB No. 56), *The Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of these two statements is to incorporate existing generally accepted accounting principles and certain accounting and financial reporting guidance into the authoritative literature of the GASB. The City has been and continues to comply with the requirements of both of these statements.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany these basic financial statements in the form of a management's discussion and analysis (MD&A) narrative. 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 auditors.

Financial data presented are designed to provide the reader with information to assist in determining both the long-term fiscal health of the City and the City's ability to meet obligations on a short-term basis. The financial statements contained in this report are designed to fairly set forth the financial position and results of operations of the City and include all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

Independent Audit

The City Charter and state laws require an annual audit of the financial records and transactions of the City by a firm of independent licensed certified public accountants. This requirement has been complied with and the City's financial statements have received an "unqualified opinion" from Plante & Moran, PLLC, certified public accountants. An unqualified 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.

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.

Reporting Entity and Services

As required by GAAP, these financial statements present the City of Sterling Heights and related component units. The individual component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

This report includes all funds of the City and encompasses a full range of municipal services including administrative, public information, district court, police, fire, code enforcement, building, development and planning, engineering, public works, parks and recreation, library, and water and sewer services.

Report Organization

This Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section - This section introduces the reader to the City of Sterling Heights and to this report. Included are a letter from the City Manager highlighting economic conditions and major City initiatives, this transmittal letter with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials, and a fund organization chart.

Financial Section/Basic Financial Statements - The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, component unit financial statements, and notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

Financial Section/Required Supplemental Information - This section contains a more detailed comparative analysis of actual revenues and expenditures versus the 2008/2009 budgets for the General, Major Roads, and Community Development Block Grant funds. Additionally, there are schedules showing the funding progress of the General Employees Retirement System, Police and Fire Retirement System and Retiree Medical Benefits Trust Fund as well as notes to required supplemental information.

Financial Section/Other Financial and Supplemental Information - This section contains combining statements for all of the City's nonmajor governmental, fiduciary, and agency funds as well as budget to actual comparative statements for all nonmajor governmental and the major Debt Service and Capital Projects Funds.

Statistical and Continuing Disclosure Section - Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of the City.

The continuing disclosure schedules in this section reflect information in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission and as set forth in the Continuing Disclosure Certificates for issued debt.

Accounting System and Budgetary 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 "fund basis." Each fund is a distinct, self-balancing accounting entity. A list of funds used by Sterling Heights is found later in this section and a discussion of the nature of each fund type is found in Note I to the basic financial statements.

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. Also required under this Act is a budgetary control to ensure that expenditures do not exceed appropriations. 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.

General Fund

Since the General Fund receives all City revenues not designated for specific use by state statutes or City Charter, and accounts for most of the services provided to residents, the following is provided to give the financial statement reader a more detailed analysis of the activity within the General Fund.

Revenues and Other Financing Sources	Amount	Percent of Total	Increase (Decrease) from June 30, 2008
Property taxes	\$ 56,346,416	64.7	\$ 80,350
Fees and permits	960,683	1.1	(391,911)
Federal sources	169,139	0.2	(67,076)
State sources	11,240,567	12.9	(186,279)
Fines and forfeitures	2,836,556	3.3	80,855
Charges for services	7,896,549	9.1	(91,634)
Interest income	1,266,348	1.4	(708,167)
Rental income	1,798,484	2.1	70,555
Cable revenue	1,771,978	2.0	100,884
Other	<u>636,383</u>	<u>0.7</u>	<u>40,742</u>
Subtotal	84,923,103	97.5	(1,071,681)
Transfers from other funds	<u>2,137,780</u>	<u>2.5</u>	<u>2,041,409</u>
Total	<u>\$ 87,060,883</u>	<u>100.0</u>	<u>\$ 969,728</u>

Overall General Fund revenues increased 1.1 percent over the prior year. Property taxes in the General Fund were basically flat (0.1 percent increase) due to a 1.5 percent increase in the combined operating, refuse and Police and Fire Retirement System millages (which were offset by a similar reduction in the debt millages) and a 1.1 percent net decrease in taxable values within the City. Fees and permits revenue was down 29.0 percent due to continued reduction in building and development activity in the City. Federal sources decreased by 28.4 percent due to a decrease in operating grant dollars related to homeland security training. State sources decreased by 1.6 percent due to a drop in state shared revenues. Fines and forfeitures revenue increased by 2.9 percent due to an increase in ordinance related fines. Charges for services decreased 1.1 percent due to a reduction in billing and collection of property tax administration fees related to reduced education property taxes levied on commercial and industrial properties. Interest income decreased 35.9 percent due to decreased market rates and reduced cash reserves. Rental income increased by 4.1 percent due to increased tower rental revenue as well as water and sewer activities. Cable franchise revenues increased 6.0 percent due to increased subscribers. Other income increased 6.8 percent due to increased reimbursements for administrative services provided under various federal grant programs. Transfers from other funds increased \$2.05 million due to the closing of the City's Budget Stabilization Fund (\$0.75 million) and the transfer of \$1.3 million from the Self-Insurance Fund.

Expenditures and Other Financing Uses	Amount	Percent of Total	Increase (Decrease) from June 30, 2008
General government:			
City administration	\$ 7,992,116	9.2	\$ (598,004)
Community relations	1,542,596	1.8	(55,738)
41A District Court	3,150,155	3.6	176,154
Public safety:			
Police department	29,351,195	33.7	960,861
Fire department	16,837,829	19.3	992,673
Public works:			
City development	3,905,556	4.4	(201,162)
Public works	8,590,074	9.9	44,798
Refuse collection	4,337,255	5.0	130,871
Recreation and culture:			
Parks and recreation	2,489,623	2.8	(64,409)
Public library	2,831,658	3.3	26,865
General expenditures	<u>2,784,525</u>	<u>3.2</u>	<u>(146,767)</u>
Subtotal	83,812,582	96.2	1,266,142
Transfers to other funds	<u>3,334,150</u>	<u>3.8</u>	<u>(635,550)</u>
Total	<u>\$ 87,146,732</u>	<u>100.0</u>	<u>\$ 630,592</u>

Total General Fund expenditures increased by 0.7 percent over the prior year. Major factors in the increase over the prior year were a net 1.6 percent increase in compensation in full time wages, a 3.1 percent increase in the refuse contract, a 12.0 percent increase in the funding for retiree health care in compliance with the City's plan to meet the actuarial funding requirements for the retiree health care program on an annual basis and a 51.9 percent increase in the required contribution to the Police and Fire Retirement System. These increases were offset by decreases in staff throughout the City as the result of attrition during the year, a 5.0 percent decrease in operating supplies and contracted services, and a 16.0 percent decrease in transfers to other funds.

Special Revenue Funds

Special Revenue Funds are so classified because some authority requires special legal restrictions and accounting procedures. The Special Revenue Funds of the City include:

Major Roads - Gas and weight tax revenues received in this fund are used for construction, maintenance, and other authorized operations pertaining to all streets classified as "major" within the City. Total revenues and other sources decreased during the current year by \$3.4 million, primarily due to the receipt of a reimbursement under a state pass through of federal grant funding, in the prior year (\$2.4 million), reduction in distributions from state for gas tax revenues and reimbursements (\$0.4 million) and decreased transfers from Other Funds (\$0.6 million). Total expenditures and other uses increased by \$0.5 million due to a \$0.1 million increase in road maintenance, and a \$0.4 million increase in capital outlay.

Local Roads - This fund provides for the construction, maintenance, and snow and ice control for streets classified as "local" within the City. Total revenue and other sources decreased \$0.6 million due to a decrease in state sources (\$0.1 million) and a reduction of \$0.5 million in transfers in from the Major Roads Fund. Total expenditures and other uses increased by \$0.3 million due to planned increases in capital outlay.

Budget Stabilization Fund - In 1999, the City Council created a Budget Stabilization Fund to serve as a rainy day fund for the purpose of preventing future deficits, revenue shortfalls, reductions in services, or to cover expenditures arising from natural disasters. During fiscal 2009, the \$750,000 balance available in this fund was transferred to the General Fund to cover revenue shortfalls and further service reductions. Given the accounting changes required by GASB No. 54, this fund will not be used in the future.

Land and Water Conservation - This fund is used to reflect all activities related to the acquisition and development of parks. Revenue for this fund includes interest income, sale of property and other revenues (\$0.2 million). Projects accounted for in this fund include park improvements and capital outlay for recreational facilities and equipment (\$0.2 million).

Public Safety Forfeiture - This fund is used to reflect all activities related to federal, state, and local public safety forfeiture programs. Revenues are recognized when property used in the commission of a criminal act has been both seized and forfeited to the applicable police agency. Expenditures are restricted to law enforcement and/or drug enforcement activities depending on the program from which the revenue was generated. \$0.4 million in federal forfeitures and \$0.2 million in state and local forfeitures were recognized in 2009. These resources were used to provide the Public Safety staff with training, operational supplies, and capital equipment totaling \$0.3 million.

Community Development Block Grant - The City of Sterling Heights is an entitlement community under the federally administered Community Development Block Grant Program. As such, the City receives a proportionate share of monies appropriated by Congress. The funds can only be used for activities that are directed to fulfilling specific objectives as reflected in the current Housing and Community Development Act. The major activities in this fund include improvements to local park(s) including playground equipment, Senior Minor Home Chore, and various Repair Program ventures. In the current fiscal year, both the revenues and expenditures decreased by \$0.1 million due to reductions in rehabilitation program expenditures.

Neighborhood Stabilization Fund - This fund, commonly referred to as NSP I, was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Authorized under *Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008*, NSP I funds were allocated to all states and selected local governments on a formula basis for the purchase and redevelopment of foreclosed abandoned homes and residential properties. The major activities conducted by the City under this program include down-payment assistance, housing rehabilitation, acquisition, redevelopment and demolition. In the current fiscal year, the City recognized revenue equal to program expenditures totaling \$28,500.

Capital Projects Funds

General Improvements Fund - This fund includes all major capital improvement projects of the City other than special assessment, road, and Enterprise Fund projects. A transfer from the General Fund of \$1.3 million, federal and state sources of almost \$0.3 million, and other revenues of \$1.1 million, and the use of \$3.7 million of fund balance, funded \$6.4 million of capital expenditures. Included in these costs were renovations and improvements to various City fire stations, sidewalk repairs and replacement, improvements and construction related to various storm drains, purchase of capital equipment and vehicles for various City departments, and technology improvements within various City buildings.

Road Bond Construction Fund - This fund was established to account for road-related construction activity financed with bond proceeds. Total revenues and other sources of \$0.3 million along with \$3.3 million of bond proceeds were used to finance the completion of a major redevelopment project in the Lakeside Mall area. (\$3.0 million), engineering construction for various road improvement projects (\$0.3 million) and the transfer of funds to the Major Roads Fund to cover capital outlay expenditures (\$0.2 million).

Enterprise Fund

For the fiscal year ended June 30, 2009, water and sewer operating revenue decreased by 10.8 percent. This decrease was primarily due to a decrease in the amount of water and sewage treatment billed (14.1 percent) to residents, offset by a 3.9 percent increase in the billing rate for both services. Operating expenses decreased \$0.5 million (1.5 percent). Leading factors contributing to this decrease were a 9.8 percent decrease in the amount of water purchased, which was offset by a 0.5 percent increase in the cost for water and a 5.6 percent increase in the cost for sewage treatment. Other factors include a 0.5 percent increase in the cost of materials and labor. Net nonoperating revenues decreased by \$1.7 million (42.4 percent) due to a decrease in tap fees and frontage charges (\$0.2 million), a decrease in interest income (\$0.1 million), and a decrease in contributed water and sewer lines from developers (\$1.3 million). As a result, the total net assets in the Enterprise Fund decreased to \$167.0 million.

	Year Ended June 30		Increase
	2009	2008	(Decrease)
Operating revenues	\$ 24,495,066	\$ 27,456,965	\$ (2,961,899)
Operating expenses	32,292,608	32,784,120	(491,512)
Operating loss	(7,797,542)	(5,327,155)	(2,470,387)
Nonoperating revenues - Net	2,256,371	3,916,612	(1,660,241)
Change in net assets	\$ (5,541,171)	\$ (1,410,543)	\$ (4,130,628)
Number of customers:			
Residential	34,811	35,048	(237)
Commercial/Industrial	4,233	4,539	(306)
Approximate number of cubic feet sold (000s)			
Water billed	711,126	827,893	(116,767)
Water purchased	709,423	786,726	(77,303)
Sewage treatment billed	703,321	818,820	(115,499)
Sewage treatment purchased	712,418	677,170	35,248

Internal Service Fund

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

Self-insurance Fund - The Self-insurance Fund was established in 1986 and is used to record the insurance activities related to liability and property claims, active employee health care, workers' compensation, and short-term disability, which are funded by the City. Revenues in the Self-insurance Fund are the result of charges to the General and Water and Sewer Funds based on underwriters' estimates or the City's estimates using historical data. Expenses in this fund include reinsurance charges, administrative fees, claims expense, and provisions for both reported and unreported claims. The provision for incurred but not reported claims (IBNR) is \$1.6 million and is reported as part of the provisions for uninsured losses and liabilities. There was a decrease in total net assets for the year of \$0.2 million due to combined operating and interest income of \$2.7 million which was offset by transfers of \$1.6 million to the Settlement Bond Debt Service Fund for the purpose of covering the annual debt service for fiscal 2009 and \$1.3 million to the General Fund to recover costs associated with a prior year litigation settlement paid by the General Fund. As a result, unrestricted net assets decreased to \$15.9 million at June 30, 2009, which continues to provide a reserve for future self-insurance needs.

Fiduciary Funds

Fiduciary Funds are established to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and/or funds. The Fiduciary Funds of the City include:

Pension Trust - General Employees' Retirement System - The actuarially determined value of assets available for benefits in the General Employees' Retirement System on December 31, 2008 (the date of the most recent actuarial valuation) was \$123.5 million. A five-member board of trustees manages this fund under the provisions of the City of Sterling Heights' defined benefit pension ordinance as amended by various labor agreements. Due to conversion of all new hires to the City's Defined Contribution Plan in all but one labor group covered by the System; the Board, following the advice of their actuary, voted to treat the plan as a closed plan effective with the December 31, 2008 valuation. As a result of this change and market declines during 2008 the funding status of the pension fund decreased to 110.2 percent funded as of December 31, 2008.

Pension Trust - Police and Fire Retirement System - The actuarially determined value of assets available for benefits as of December 31, 2008 (the date of the most recent actuarial valuation) was \$202.2 million. A five-member board of trustees manages this system under the provisions of P.A. 345 as amended by various labor agreements. This pension fund was 95.0 percent funded as of December 31, 2008. A separate tax was levied to provide for the City's \$2,594,194 police and fire pension contribution for the fiscal year ended June 30, 2009.

Retiree Medical Benefits Trust Fund - The Retiree Medical Benefits Trust Fund was established in fiscal 1989 to account for medical benefits provided to employees during retirement. In fiscal 2002, the City Council adopted the provisions of Michigan Public Act 149 of 2001, establishing the Retirees' Medical Benefits Fund as a trust, and the fund was reclassified from an Internal Service Fund to a Fiduciary Fund. Revenues reported this year were based on budgeted contribution rates of 24.0 percent of budgeted payroll for all covered employees. Based on this rate the City contributed the actuarially determined required contribution of \$11,265,740 to the trust. The deductions of \$5.6 million reflected in this fund relate to medical benefit payments for all eligible retirees and provisions for incurred but not reported claims of \$0.6 million. Net assets as of June 30, 2009 were \$20.4 million.

Agency Funds - The City operates two Agency Funds with total assets of \$2.9 million as of June 30, 2009. These include funds for tax collections and a General Agency Fund used primarily for the deposit of various developer fees.

Component Units

Component units, as defined by GASB, are so classified due to their relationship with the primary government relative to financial accountability of the reporting entity. City component units include:

Economic Development Corporation - The City of Sterling Heights Economic Development Corporation is organized pursuant to Act 338 of the Public Acts of 1974. Its general purpose is to assist and retain local industries and commercial enterprise in order to strengthen and revitalize the economy of the City. The core Economic Development Corporation membership is a nine-member board with up to two additional members, all of which are appointed by the City Council.

Brownfield Redevelopment Authority - This fund was established in fiscal 2001 to account for projects that will improve environmentally distressed areas within the City. The activity within this fund during the current year was to reimburse the City for prior year start up costs related to a local developer cleaning up a contaminated site located on Sims Road within the city.

Corridor Improvement Authority - The Sterling Heights Corridor Improvement Authority was created during fiscal 2007 in accordance with Act 280 of the Public Acts of 2005. Its general purpose is to facilitate the beautification of public right-of-way and encourage new development/redevelopment of commercial and residential property along the Van Dyke corridor between 18-1/2 Mile Road and the northern city limits. One major program during fiscal 2009 was the development of a façade improvement program.

Cash Management

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds, exclusive of the pension systems and the Retiree Medical Benefits Trust Fund, are invested in certificates of deposit, governmental obligations, pooled accounts, commercial paper, and bank trust accounts. Interest income for the governmental and proprietary funds for the current fiscal year is \$3.7 million, a decrease of \$0.8 million or 17.8 percent below the previous fiscal year.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the state of Michigan, municipalities are not required to insure or collateralize bank deposits; however, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The City has an investment committee and an investment policy. The Investment Committee, which consists of the city treasurer, finance and budget director, financial services manager, and controller, meets quarterly to evaluate the City's investment activity and to assure that all investments held by the City are within the guidelines of the policy adopted by the City Council. In addition, the City Council receives monthly summary reports as well as an annual report on the results of investment activity and holdings within the portfolio.

Tax Rate Limitations

The City Charter provides tax rate limitations for general operations. In addition, the City may levy taxes in excess of the Charter limitation for refuse and police and fire pension requirements pursuant to state law.

Purpose	Authority	Rate (per \$1,000 of State Equalized Valuation)
General Operating	City Charter	\$12.00 *
Refuse Collection and Disposal	Act 298, P.A. of Michigan 1917, as amended	3.00
Police and Fire Pension Requirements	Act 345, P.A. of Michigan 1937, as amended	Amount required to make contribution

** The maximum permitted rate per the Headlee amendment of the Michigan Constitution for fiscal 2009 was unchanged at \$10.8395.*

In addition, Article IX, Section 6 of the Michigan Constitution permits the City to levy a millage in excess of the above for (a) all debt service on tax-supported issues that have been approved by the voters for which the City has pledged its full faith and credit, and (b) operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.

Risk Management

The City's risk management program is designed to protect financial and human resources in the most cost-effective manner possible. This is accomplished through exposure identification, risk evaluation, risk control, risk funding, and risk management administration. For Sterling Heights, there are six areas of risk management that receive the majority of attention: loss control and safety, property, liability, workers' compensation, employee benefits, and self-insurance administration.

Although the City self-insures many risks, excess insurance is purchased to protect against the financial effects of a catastrophic loss. Liability excess coverage provides up to \$15,000,000 of limits. Property coverage insures \$112.0 million of property values. All buildings and contents are insured at replacement cost value. Liability and property self-insured retentions are \$500,000 and \$50,000, respectively. Excess insurance of workers' compensation is purchased at statutory levels, with a \$250,000 per occurrence self-insured retention. Reinsurance for the self-insured health care risk is purchased to limit City liability to \$200,000 per employee/contract per year. Health care expenditures account for 69.7 percent of all self-insurance expenditures (excluding transfer to the Settlement Bonds Debt Service Fund) during fiscal 2009. The short-term disability risk is fully self-insured and self-administered. Through a combination of self-insurance and insurance, the City has been able to provide the financial resources required to manage the various risks associated with a large city.

Prospects for the Future

The City remains proactive and strategically plans well into the future. Annually, the staff prepares a comprehensive capital-planning document called the “Municipal Improvement Plan.” This document captures and explains all planned projects and improvements extending five years into the future. Additionally, estimated expenditures, funding sources, chronological event sequences, associated projects, and their costs supplement this information. The Municipal Improvement Plan provides the financial planning focus for progress into the future for the community.

Economic Outlook - The City of Sterling Heights is a major manufacturing center located in Southeast Michigan, 30 miles north of Detroit. The state of Michigan has lost nearly 500,000 manufacturing jobs in the last decade and the unemployment rate is currently at the highest level since 1991. The City is not immune to these losses. However, located in Sterling Heights are four major Original Equipment Manufacturing (OEM) plants. Chrysler Stamping and Assembly, as well as Ford Transmission and Axle, are located within the city limits. Since 2005, Ford and Chrysler have invested nearly \$600 million of upgrades to their facilities. Even though the Chrysler Assembly plant is likely to close, the City is working diligently with national and statewide groups to facilitate the rapid reuse of the facility. Ford continues to be a strong player in the automotive sector, and their success will continue to carry the local supply market. Most recently, Ford announced a \$62.7 million Department of Energy Grant for its electric drive transaxle for its hybrid vehicle platform at the Ford Transmission facility. As a result of the continued investment and platforms launched at these facilities, the City has seen a healthy supply chain market locate here and create new jobs. Many of these suppliers are foreign based such as Faurecia (France), AGS Automotive (Canada), Getrag Transmission (Germany), Magna Canada), MAG Industrial (Germany), Miba Hydramechanica (Austria), KUKA Robotics (Germany), Mitsubishi (Japan), and Heigenschiedt MFG (Germany). These firms have created nearly 900 jobs. The existing business base of the City has also reaped benefits from OEM activity and as a result local business continues to make major investments. Several key “home grown” manufacturers have successfully diversified from the automotive sector into new emerging markets. Companies like Ultimate Hydroforming, Shuert Industries, and Norbert Industries have made successful transitions and continue to make investments. Since 1998, the tax abatement program has facilitated nearly \$2 billion in new investments and creation of 3,000 jobs.

The defense sector continues to grow in southeast Michigan and particularly in Sterling Heights. General Dynamic Land Systems’ (GDLS) Corporate Engineering and Technical Center is located within city boundaries. GDLS employs nearly 3,000 people in three different locations. The staff is research and development oriented, with many professionals having advanced PhD and other scientific degrees. GDLS has continued to add personnel and forecasts an additional 600 employees in Sterling Heights over the next four years as part of the Future Combat Systems program. BAE Systems, the third largest defense contractor in the world, is expanding their Sterling Heights operation. BAE will invest \$40 million to construct a state-of-the-art research and development facility and hire 500 new research and development, engineering, and technical staff. BAE’s expansion highlights that Sterling Heights is becoming home to the variety of defense research and development activity of the future. Additionally, TACOM is located in Warren, just south of Sterling Heights. TACOM is the Army’s main ground system development center in the United States. TACOM will add 1,100 additional research and development staff

to manage the development of ground systems vehicles. The continued growth of TACOM will result in more defense contractor activity to our area. Sterling Heights expects more activity in this area along with the other defense companies that are currently located which currently includes GDLS, BAE, SAIC, Force Protection, Man Tech and VSE.

The City of Sterling Heights in partnership with Oakland University has opened a high tech business incubator to help develop and grow start up companies in emerging sectors such as defense, homeland security, alternative energy, and advanced manufacturing. This program has projected the creation of 55 companies and 600 new jobs by 2015. In the first three months of operation the incubator has managed to create eight (8) new companies yielding 20 new employees. With assets such as TACOM, and most recently, the \$30 million Homeland Security Intelligence Center at Selfridge Airforce Base, the City of Sterling Heights will indeed capitalize on these economic development opportunities to create and retain jobs.

The recent investments announced by the automotive OEM's and prime defense contractors will help to provide stability and opportunity to our local economy for the future. However, currently unemployment levels have risen to dramatically high levels from 7.4 percent in January 2009 to 14.5 percent in July 2009. The volatility in the national economy as well as the local automotive sector have greatly affected this increase; invariably the July 2009 rate is lower than the State of Michigan's rate of 15.0 percent and Macomb County's rate of 18 percent. The City's industrial vacancy rate remains at 6 percent while Macomb County's and Metro Detroit's averages hover near 12 percent (CB Richard Ellis). As a result, the retail vacancy rate has performed steadily at 7 percent while Macomb County's rate has averaged 13 percent.

Legislation - Legislation has and will continue to impact the City of Sterling Heights well into the future. Through its involvement with the Michigan Government Finance Officers Association and the Michigan Municipal League, the City is actively involved in legislative proposals affecting the financial activities of municipalities.

Technology Plan - Due to the high level of dependence on technology, the City continues to take the necessary actions to maximize the available resources to provide all municipal employees with the ability to work more efficiently. The City is now in the third year of a recently updated five-year plan. The multi-year plan addresses every aspect of future technology needs across the organization. Several major projects identified in the strategic plan were completed in the 2009 fiscal year including:

- Replacement of six file servers in Information Technology
- Purchase of 911 Dispatch Locator software for City Hall
- Acquisition and installation of three network switches in the Library
- Replacement of 71 personal computers for the 41-A District Court, Fire, and Community Relations
- Installation of fiber cabling at Fire Station #5 and a new telephone system for renovated fire stations

Future information technology plans include an expanded Geographic Information System, document imaging and management system, development of wireless applications, a storage area network, and continued ongoing replacement of department personal computers and file servers. Attention will be given to upgrading the City's network hardware to allow for future software applications and to further speed the flow of information between departments.

Major Projects - This past year, the City completed a number of major capital improvement projects including:

- Renovating three City fire stations
- Road resurfacing, signage, brickpavers and landscaping in the Lakeside Shopping Center district
- Resurfacing Van Dyke from 15 Mile Road to 18 Mile Road and the Metropolitan Parkway service drive from Van Dyke to Mound Road
- Concrete repairs to Schoenherr Road, Metropolitan Parkway and Mound Road
- Resurfacing of Foxhill and Riverland Drives
- Completion of numerous neighborhood road improvements including repairs to Garden Way, Gary, Tricia, Awdey and Morrison Drives

Financial Strength - On a budgetary basis, General Fund revenues have slightly exceeded expenditures for eight of the last 10 years. As a whole, the City of Sterling Heights is in a better position to withstand any continued economic stress than most Michigan municipalities. For fiscal 2009-2010, the operating budget contains a total millage of 10.7858 (the second lowest rate of any of the comparable full-service communities within 20 miles of the City). The current undesignated, unreserved fund balance is 12.6 percent of the 2009-2010 fiscal year General Fund budget. The 8.7180 operating levy is well below the 12 mill limitation in the City Charter and the 10.8395 Headlee maximum allowable levy.

Lower property tax revenues, as a result of falling statewide property assessments, lower State revenue sharing payments, declining building permits and investment revenues, has caused the City to take steps to reduce expenditures. Over the past two years, funding for 36 vacant positions has been eliminated and the City has implemented other operational changes savings \$4.4 million. Beginning with the 2009-2010 budget, the City has implemented new revenue enhancement programs that will result in \$1.8 million additional revenues. The City has also negotiated labor contracts that have saved the City \$1.0 million annually in employee health care costs, as well as future retiree health care costs for new hires. Plans are underway for additional operational savings.

Conservative revenue, investment, debt and reserve budget policies are in place to maintain a controlled spending approach that the residents of Sterling Heights have come to expect from their city government. The City regularly updates its three-year financial forecast so that corrective actions can be implemented early in the process. We believe our continued financial integrity and stability, as well as the vision and forthright perspective of our elected leaders and administration will enable Sterling Heights to survive the uncertainties of the future.

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, 2008. 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 21 consecutive years (fiscal years 1988-2008). 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 and City Manager for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in cursive script that reads "Brian S. Baker".

Brian S. Baker
Finance & Budget Director

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

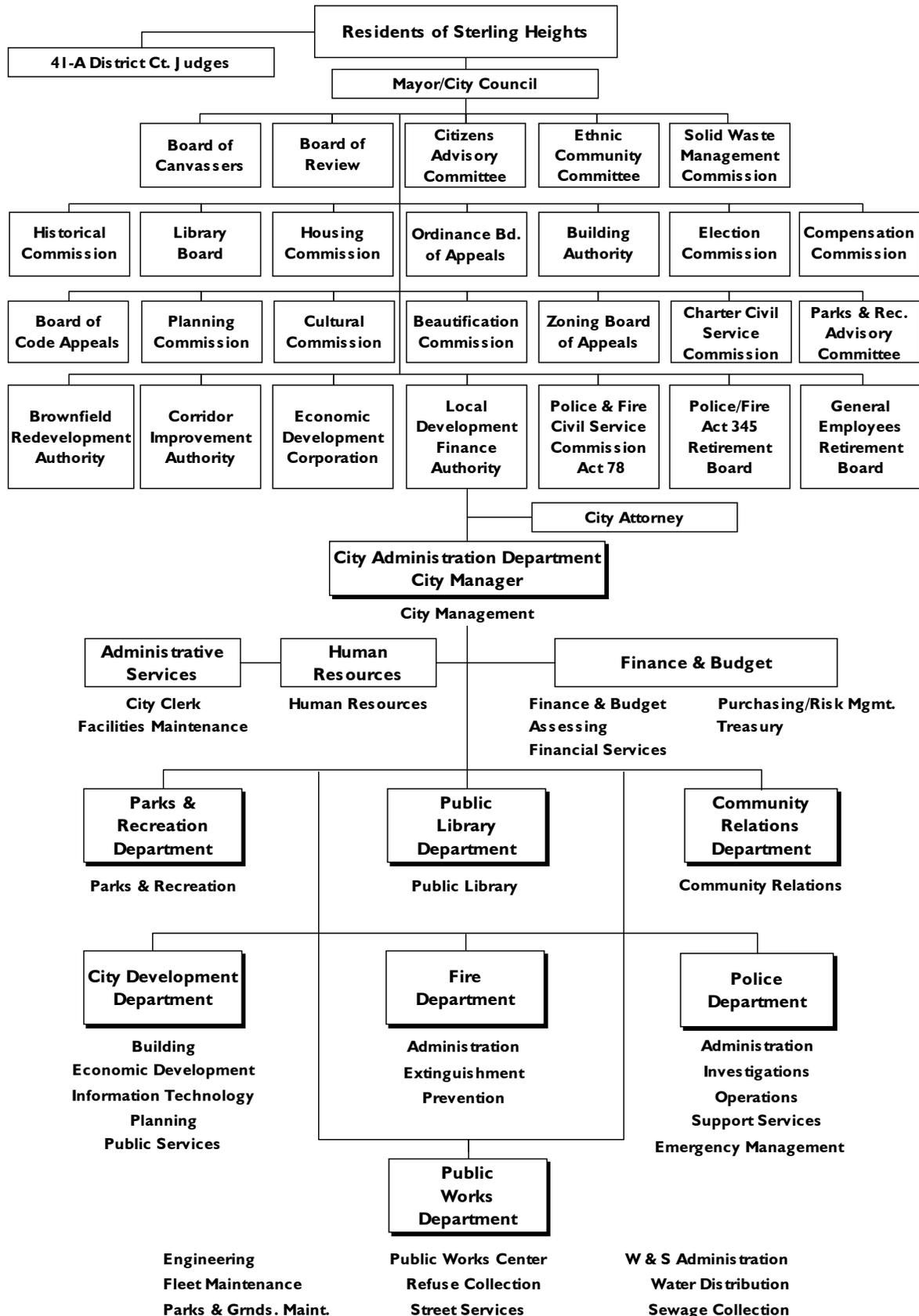


President

Executive Director

City of Sterling Heights, Michigan

City Organization Chart



City of Sterling Heights, Michigan

List of Principal Officials

Title	Name
City Manager	Mark D. Vanderpool
Broadcast Services Manager	Michael Crimmins
City Assessor	Matthew J. Schmidt
City Attorney	Jeffery A. Bahorski
City Clerk/Assistant City Manager	Walter C. Blessed
City Development Director/Assistant City Manager	Michael G. Bartholomew
City Engineer	Brent S. Bashaw
City Planner	Donald A. Mende
City Treasurer	James P. Buhlinger
Communications Manager	Patricia Brockway
Community Relations Director	Steve Guitar
Controller	Leslie D. Reinhart
Economic Development Manager	Lukas Bonner
Emergency Manager	Nicole Miller
Facilities Maintenance Manager	Gary Schamehorn
Finance and Budget Director	Brian S. Baker
Financial Services Manager	Rick J. Sanborn
Fire Chief	Stephen Kovalcik
Human Resources Director	Dawn L. Demick
Information Technology Manager	Lois J. Gates
Network Administrator	Steve Deon
Parks and Recreation Manager	Kyle Langlois
Police Chief	Michael Reese
Public Library Director	Tammy L. Turgeon
Public Services Manager	Denice A. Gerstenberg
Public Works Director	Salvatore Conigliaro
Purchasing/Risk Manager	Mark Carufel

City of Sterling Heights, Michigan

Fund Organization Chart

Governmental Funds

General *	Special Revenue
	Major Roads *
	Budget Stabilization
	Local Roads
	Land and Water Conservation
	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 *
Settlement Bond	
Road Bond Debt Retirement*	
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

* Major funds under GASB 34

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit information, 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, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Sterling Heights, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit information, each major fund, and the aggregate remaining fund information of the City of Sterling Heights, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sterling Heights, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, 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 budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement systems schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical and continuing disclosure sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009 on our consideration of the City of Sterling Height's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions 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* and should be considered in assessing the results of our audit.

As discussed in Note 1, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees.

Plante & Moran, PLLC

November 16, 2009

City of Sterling Heights, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of narratives and financial statements. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages xiii - xxviii and is intended to serve as an introduction to the City of Sterling Heights' basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental and statistical information, as well as continuing disclosure information related to bonded debt issued by the City of Sterling Heights in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Sterling Heights' finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Sterling Heights is improving or deteriorating. The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. As a result, revenues and expenses are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected receivables and unused vacation leave).

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover costs from user fees and charges for services (business-type activities). The governmental activities include general government, 41A District Court, public safety, public works, and recreation and culture. The business-type activities include the water and sewer operation of the City. The government-wide financial statements include not only the City of Sterling Heights (known as the primary government), but also the legally separate Economic Development Corporation, Brownfield Redevelopment Authority, and Corridor Improvement Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the City. 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.

Fund Financial Statements (which report the City's operation in more detail than the government-wide financial statements) follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities and to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements 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 readers to better understand the long-term impact of the City's short-term financing decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The City of Sterling Heights maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Roads Fund, Community Development Block Grant Fund, Road Bond Debt Retirement, General Improvement Fund, and Road Bond Construction Fund, all of which are considered to be major funds. Data for the other nine governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Sterling Heights adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all the governmental funds to demonstrate budgetary compliance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City of Sterling Heights uses an Enterprise Fund to account for its water and sewer operation. This fund is considered a major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The City of Sterling Heights uses an Internal Service Fund to account for its self-insurance program. Because this program predominantly benefits governmental rather than business-type functions, it has been consolidated within the governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Required Supplemental Information concerning the City's progress in funding its obligations to provide pensions and other postemployment benefits to its employees is also presented in this section of the report. Also included are the budgetary comparison statements for the General Fund and major Special Revenue Funds as well as budget footnotes. This required supplemental information is in addition to the basic financial statements and accompanying notes.

Other Financial and Supplemental Information, such as the combining statements and certain budget comparison statements referred to earlier, is presented immediately following the required supplemental information.

Statistical Information and Continuing Disclosure contains information which reflects financial trends of the City, statistical and demographic information required by governmental accounting standards as well as information as required by bond covenants.

The City of Sterling Heights as a Whole

The City's combined net assets decreased 2.2 percent from a year ago, decreasing from \$379.1 million to \$370.6 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of \$2.9 million in net assets, or 1.4 percent, during fiscal 2009. This decrease was attributable to operating losses of \$2.9 million. Operating losses flowed through the balance sheet as a decrease in non-capital assets of \$7.2 million offset by an increase in capital assets of \$1.5 million and a decrease in non-current liabilities of \$3.0 million offset by an increase in current liabilities of \$0.2 million.

Unrestricted net assets for governmental activities, which is the part of net assets available to finance day-to-day operations and future growth, was \$19.9 million as of June 30, 2009. This represents a \$0.5 million increase as compared to June 30, 2008. The major factors contributing to this increase were the \$1.4 million decrease in investment in capital assets net of related debt and a \$2.0 million decrease in restricted net assets offset by the \$2.9 million in operating losses.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The business-type activities experienced a decrease in net assets of \$5.6 million. This was primarily due to non-operating revenues and contribution of water and sewer lines by developers totaling \$2.2 million, combined with offsetting operating losses of \$7.8 million. The \$5.6 million decrease in net assets flowed through the balance sheet of the business-type activities as an increase in restricted assets of \$0.1 million which was offset by a decrease in non-capital assets over liabilities of \$3.0 million and a decrease in capital assets of \$2.7 million. In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2009 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 49.5	\$ 56.5	\$ 30.6	\$ 33.7	\$ 80.1	\$ 90.2
Noncurrent assets:						
Restricted and other assets	7.2	7.4	7.6	7.5	14.8	14.9
Capital assets	<u>209.2</u>	<u>207.7</u>	<u>133.0</u>	<u>135.7</u>	<u>342.2</u>	<u>343.4</u>
Total assets	265.9	271.6	171.2	176.9	437.1	448.5
Liabilities						
Current liabilities	9.1	8.9	4.0	4.1	13.1	13.0
Noncurrent liabilities	<u>53.2</u>	<u>56.2</u>	<u>0.2</u>	<u>0.2</u>	<u>53.4</u>	<u>56.4</u>
Total liabilities	<u>62.3</u>	<u>65.1</u>	<u>4.2</u>	<u>4.3</u>	<u>66.5</u>	<u>69.4</u>
Net Assets						
Invested in capital assets - Net of related debt	173.7	175.1	133.0	135.7	306.7	310.8
Restricted	10.0	12.0	7.6	7.5	17.6	19.5
Unrestricted	<u>19.9</u>	<u>19.4</u>	<u>26.4</u>	<u>29.4</u>	<u>46.3</u>	<u>48.8</u>
Total net assets	<u>\$ 203.6</u>	<u>\$ 206.5</u>	<u>\$ 167.0</u>	<u>\$ 172.6</u>	<u>\$ 370.6</u>	<u>\$ 379.1</u>

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) as of June 30, 2009 and the prior year:

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 9.8	\$ 13.5	\$ 24.4	\$ 27.4	\$ 34.2	\$ 40.9
Operating grants and contributions	8.9	8.5	-	-	8.9	8.5
Capital grants and contributions	0.5	3.2	0.9	2.5	1.4	5.7
General revenues:						
Property taxes	57.9	58.3	-	-	57.9	58.3
State-shared revenues	10.2	10.7	-	-	10.2	10.7
Interest	2.3	3.1	1.4	1.5	3.7	4.6
Other non-program generated revenues	1.8	1.1	-	-	1.8	1.1
Total revenue	91.4	98.4	26.7	31.4	118.1	129.8
Program Expenses						
General government	8.9	11.0	-	-	8.9	11.0
41A District Court	3.2	3.2	-	-	3.2	3.2
Public safety	49.2	48.1	-	-	49.2	48.1
Public works	24.9	24.1	-	-	24.9	24.1
Recreation and culture	6.1	6.3	-	-	6.1	6.3
Interest on long-term debt	2.0	1.9	-	-	2.0	1.9
Water and sewer	-	-	32.3	32.8	32.3	32.8
Total program expenses	94.3	94.6	32.3	32.8	126.6	127.4
Increase (Decrease) in Net Assets	(2.9)	3.8	(5.6)	(1.4)	(8.5)	2.4
Net Assets - Beginning of year	206.5	202.7	172.6	174.0	379.1	376.7
Net Assets - End of year	<u>\$ 203.6</u>	<u>\$ 206.5</u>	<u>\$ 167.0</u>	<u>\$ 172.6</u>	<u>\$ 370.6</u>	<u>\$ 379.1</u>

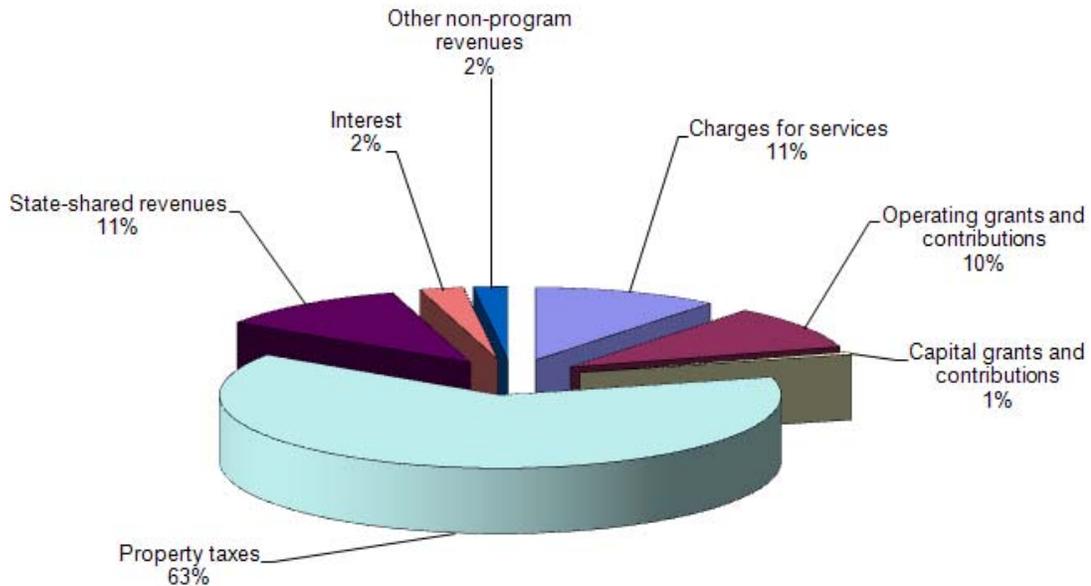
Governmental Activities

The City's total governmental revenues decreased by \$7.0 million during fiscal 2009. This decrease was the result of lower property tax revenues of \$0.4 million (due to decreased taxable values), decreased charges for services of \$3.7 million (primarily related to \$3.2 million reduction in special assessment revenues related to the Lakeside Mall Improvement project which was assessed and recognized in fiscal 2008), decreased capital grant revenues of \$2.7 million (related to the receipt of reimbursements for a major road project completed in a previous fiscal year), and decreased interest and state shared-revenues of \$1.3 million. The decreases noted above were offset by increases in all other revenue categories of \$1.1 million.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Revenues by Source - Governmental Activities

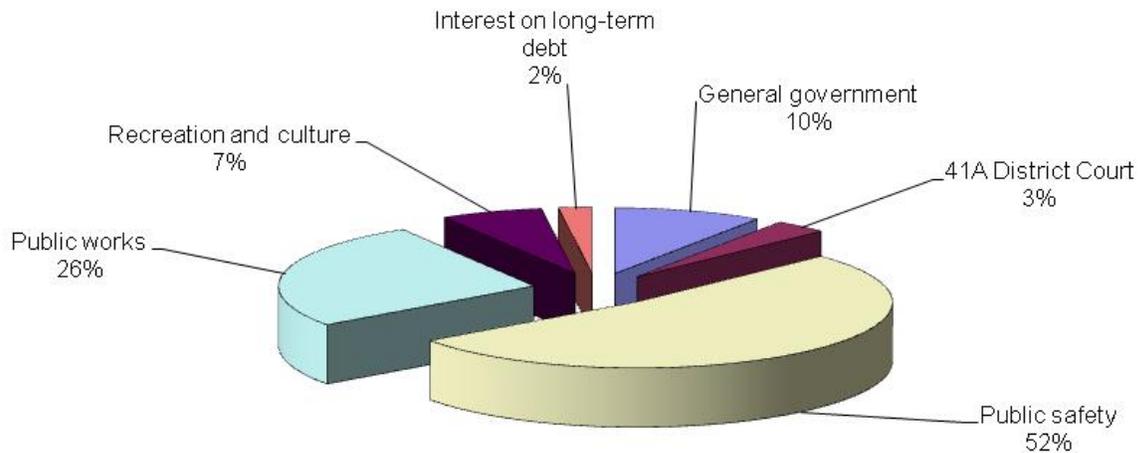


Expenses decreased by \$0.3 million or 0.3 percent over the previous fiscal year. Contributing to the decrease in expenses were reductions of seven full-time staff positions through attrition at the beginning of the fiscal year saving \$0.7 million and further staff reductions during the year of 27 positions due to attrition combined with cost savings in active employee healthcare, supplies, and contracted services reducing costs by \$2.9 million. The reductions were offset by annual wage increases contained in the City's labor contracts (\$1.2 million), increases in retiree health insurance and other benefit costs (\$1.2 million), and increases in the required contribution to the Police and Fire Retirement System (\$0.9 million).

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Program Expenses - Governmental Activities



During the year, the City continued meeting the actuarial required contributions for both defined benefit pension systems and the retiree medical benefits trust fund by 12 percent over the prior year. This is important for the City since future taxpayers should not be required to fund benefit payments that were earned in the current period.

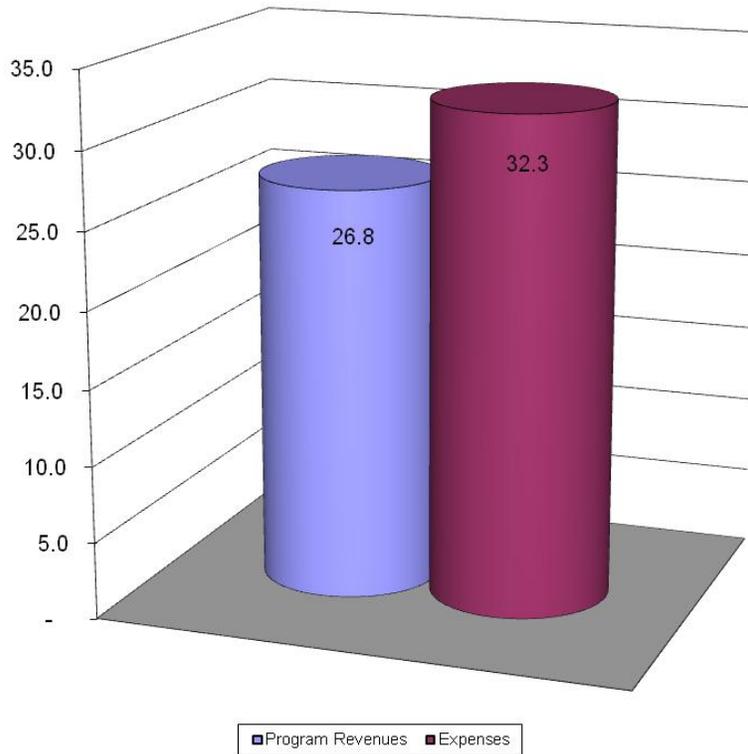
Business-type Activities

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. Rates charged by the City of Detroit for fiscal year 2009 increased by 0.5 percent which was less than the City's increase of 3.9 percent for customers. The City provides sewage treatment to 99 percent of its residents through the Macomb County Sewage Treatment Plant. Rate increases for sewage treatment to residents were below the increased rates charged by Macomb County. During fiscal 2009, the water and sewer system experienced a 14.1 percent decrease in the volume of water sold and sewage treated. This decrease is consistent with weather conditions over the fiscal year and Michigan's overall economy. As in prior years, a major source of growth in the system was the water and sewer lines contributed by developers to the City approximating \$0.7 million. This contribution, plus tap fees and frontage charges paid by residents (\$0.15 million) combined with interest income (\$1.4 million), offset the \$7.8 million operating loss realized and resulted in a \$5.6 million reduction in net assets during fiscal year 2009.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Revenues and Expenses - Business-type Activities



The City's Funds

Our analysis of the City's major funds begins on pages 21 and 22, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local roads revenue and voted debt retirement property tax millages. The City's major funds for 2009 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 General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of \$46.2 million in 2009, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Fund balance in the General Fund decreased by \$0.1 million primarily due to planned increases in retiree health care and Police & Fire Retirement System funding, offset by reductions in staff and related costs paid by the City.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Fund balance in the Major Roads Fund decreased by \$2.3 million primarily due to the reduction of all sources of revenues and a budgeted use of fund balance. Total revenues and transfers in were \$5.4 million or \$1.0 million below the prior year, excluding the one-time reimbursement recognized last year, due to decreased gas tax revenues from the State (\$0.2 million) and reduced interest income, other revenues, and transfers in (\$0.8 million). Expenditures and transfers out were \$7.7 million or \$0.4 million higher. The increase in expenditures was primarily due to increased capital outlay for road construction (\$0.4 million).

The Community Development Block Grant Fund accounts for federal funding received from the U.S. Department of Housing and Urban Development on a reimbursement basis. As a result, each year revenues equal expenditures and therefore net assets are not accumulated over time. During fiscal 2009, the cumulative issuance of \$1.8 million in home rehabilitation loans require the inclusion of this fund as a major fund. These loans are payable to the City, as program income for future loans, when the borrower is no longer owner/occupant of the rehabilitated home.

The Road Bond Debt Retirement Fund accounts for revenues accumulated to pay principal and interest on outstanding debt associated with various road and infrastructure projects. During fiscal year 2008, the levying of \$3.3 million in special assessments to fund improvements to the roads and right-of-ways surrounding Lakeside Mall initiated the inclusion as a major fund. The special assessments will be collected over 20 years and will be used for debt service on \$3.26 million of Special Assessment Bonds issued in August 2008.

The General Improvements Fund and Road Bond Construction Fund are the two funds used by the City to account for most capital outlay expenditures. Transfers from other funds or debt issuance proceeds support the activities within these funds. The General Improvements Fund had a decrease in fund balance (\$3.7 million) due to the use of bond proceeds received in the prior year to fund improvements at fire stations which were completed during the current fiscal year. The Road Bond Construction Fund had an increase in fund balance (\$0.1 million) during fiscal year 2009 due to capital expenditures being slightly under budgeted amounts.

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 2009. Final budgeted expenditures were \$1.3 million or 1.4 percent lower than the original budget due primarily to staff reductions during the fiscal year. The total General Fund revenue budget increased \$0.4 million or 0.4 percent due to higher than anticipated charges for services and other non-program income, which were offset by declines in state-shared revenues and revenues related to development activities.

City of Sterling Heights, Michigan

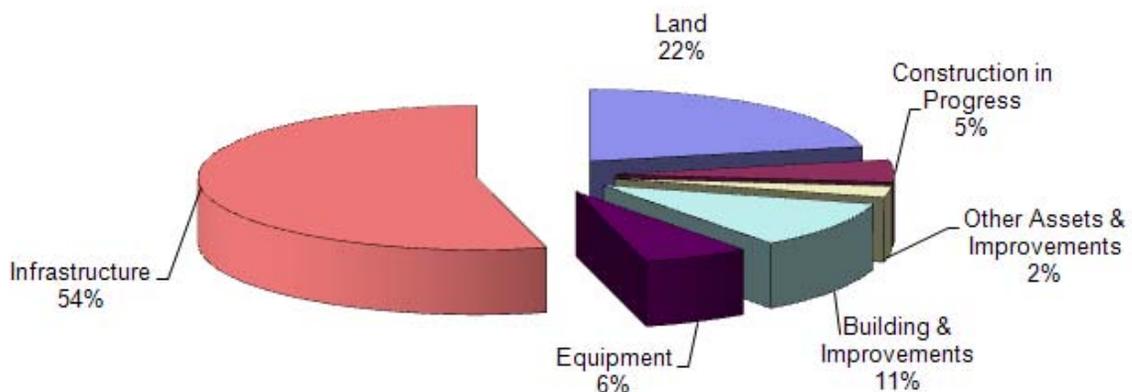
Management's Discussion and Analysis (Continued)

At year end, actual General Fund expenditures came in at 99.5 percent or \$0.4 million under budget due to continued department operational efficiencies. General Fund revenues came in at 99.6 percent or \$0.3 million under budget as a result of lower charges for services and interest on investments revenues.

Capital Assets and Debt Administration

At the end of fiscal year 2009, the City had \$306.7 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 (including water and sewer lines), net of depreciation, contained in this report is \$243.1 million and \$249.7 million for fiscal years 2009 and 2008, respectively (see Note 4 of the notes to the basic financial statements for additional information).

Capital Assets (Net of Depreciation) - Governmental

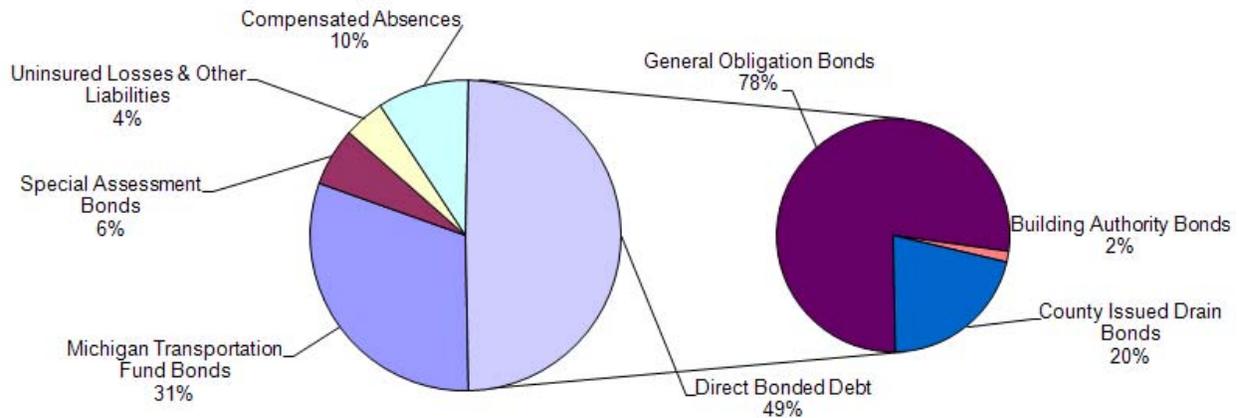


The City's general obligation bonds maintained their ratings from Standard & Poor's (AA+), Fitch (AA+), and Moody's (Aa2). During the fiscal year, the City issued \$3.26 million par value in Limited Tax General Obligation Special Assessment bonds. The proceeds from this bond issue were used to finance various improvements to roads, lighting, and signage around Lakeside Mall. Debt service for all outstanding debt during fiscal 2009 consisted of \$5.7 million in principal and \$2.0 million in interest after adjustments for recognition of amortized premiums (see Note 7 of the notes to the basic financial statements for additional information).

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Long-term Obligations - Governmental



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

	2009	2008
Net direct debt outstanding	\$ 26,575,000	\$ 30,130,000
Ratio of debt to total taxable value	0.4141%	0.4711%
Debt per capita	\$ 205.64	\$ 233.94

Economic Factors and Next Year's Budgets and Rates

Amid steeply declining revenues affecting all communities, the City continues to review all possible expenditure savings options as it begins to prepare the 2010-2011 budget.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Assessments Causing Lower Property Tax Bills and Related Revenues

Property assessments have declined in the past two years and larger decreases are anticipated for 2010 and beyond. As a result, property taxes, which account for 65.0 percent of the City's General Fund budget, have shown a dramatic decrease. Residential property assessments decreased by 8.0 percent in 2008, 10.0 percent in 2009, and are estimated to decrease another 13.0 percent in 2010. Due to limitations by Proposal A, once the gap between assessed value and taxable value has been eliminated, a property owner's tax bill will decrease by the full assessment decline. Currently, 65.0 percent of property owners have no such gap, and by 2010, the City anticipates this will be 80.0 percent. Consequently, the majority of property owners are paying fewer taxes. The average homeowner has saved \$357 over the past two years as compared to what they would have paid if property assessments had increased by the State required inflationary rate associated with a stable housing market.

Further assessment declines will occur in 2010 and beyond, resulting in continued declining revenues to the City with even greater tax savings to residents. On average, the City receives \$.34 for each tax dollar. Assessment declines have caused a cumulative \$9.8 million loss in property tax growth over the past two fiscal years. Due to the anticipated assessment decrease of 13.0 percent in 2010, larger revenue losses will occur in fiscal year 2011, resulting in \$21 million of cumulative losses. Even when future property values stabilize, Proposal A will detrimentally limit increases to the rate of inflation such that the City will permanently lose property tax dollars.

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. The State has cut the City's revenue sharing for eight consecutive years. Revenue sharing previously represented 20.0 percent of the City's budget while it currently represents 10.0 percent. In 2009, the City received the same amount from the State as it did 13 years ago (1996) despite a growing population and inflationary increases. The City anticipates that State budget deficits will cause additional reductions in revenue sharing to occur. Most recently, the State legislature reduced 2010 revenue-sharing funds by 11.0 percent or \$1.1 million, which will cause 2010 revenue sharing to fall to \$9.4 million which is the same amount the City received in 1992.

Expenditure Savings

As the result of the declining revenues, the City developed a proactive multi-faceted financial strategy to successfully navigate these financial challenges. Over the past two years, the City instituted \$6.2 million of budget savings and implemented limited revenue enhancement measures. Over 70.0 percent of these combined changes were from expenditure program savings, efficiencies, reforms, and the elimination of full-time staff positions. Detailed information of these budget savings can be found on the City's website.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City has also achieved significant labor concessions resulting in healthcare savings of \$1.0 million annually and \$20.0 million actuarially over a number of years by reducing retiree healthcare benefits. The City no longer offers fixed pensions for general employees. Based on employee and resident suggestions, the City has saved money by limiting take-home vehicles, memberships, training, cell phones, subscriptions, overtime, and lessened building energy usage. The City continues to downsize, pursue service-sharing agreements with surrounding communities, and outsource services where possible. Today, over 70.0 percent of the budget is directed toward only the City's largest departments which are police, fire, and public works.

Reducing City Staffing

Given that over 80.0 percent of the City budget is personnel costs, the City has had to eliminate 54 vacant full-time positions, or 8.0 percent of its work force since 2002, saving over \$4.0 million annually. The City has 595 full-time employees, the fewest staffing numbers since 1986. Staffing could fall to 580 employees next fiscal year, resulting in an 11.0 percent reduction since 2002. Staffing has primarily decreased in city administration and public works. Resources have been redirected to public safety as staffing in the Police Department has increased by 19 and the Fire Department has nine additional positions.

Since 1992, the number of full-time employees per 1,000 residents will have decreased from 5.5 employees to an estimated 4.5 for 2011. In 1992, the City had 652 full-time positions to serve 119,000 residents. In 2011, an estimated 580 employees will serve an estimated population of 128,500. As a result, the City's ratio of employees per 1,000 residents will have decreased by 18.0 percent. The City's ratio of full-time employees per 1,000 residents is currently well below any comparable city in Michigan and is lower than 85.0 percent of cities across the country.

Limited Revenue Enhancements

As part of every effort to continue to offer low taxes to all Sterling Heights homeowners and businesses and to preserve public safety staffing, the City reviewed various cost recovery measures accounting for less than 30.0 percent of budgeted changes.

The limited revenue enhancements strike a balance between providing continued excellent services to the community without financially impacting the vast majority of residents and businesses at a time when City revenues and property taxes are dramatically decreasing. Even with the implementation of user fees, the average taxpayer continues to receive services while paying far less through property taxes and water and sewer rates than they would in any other comparable community. The City also increased non-resident user fees.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Use of Fund Balance

Despite expenditure savings, the City has needed to use its fund balance. The City has avoided, however, reducing fund balance to a level that would compromise its superior AA+ bond rating saving hundreds of thousands of dollars in annual interest costs. The City's fund balance has declined from \$19.7 million (27.0 percent of expenditures) in 2004 to \$12.0 million (13.0 percent of expenditures) in 2010. Without additional corrective action, fund balance will be nearly depleted in 2011.

Future Actions Needed for 2010 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 low property taxes and water and sewer rates.

The City has fewer fund balance reserves than many communities, as the City has not levied higher taxes unnecessarily to build up excess reserves. The City's property tax millage rate has fallen from 13.38 mills in 1988 to 10.7858 mills in 2009 which is a decrease of 19.4 percent. The current millage rate is 2.59 mills lower than the 1988 rate, saving the average homeowner \$3,121 in taxes. The City continues to have one of the lowest property tax bills of any Detroit area city. In fact, the City tax rate is lower than all but one of the 77 full-service communities within 20 miles of Sterling Heights. 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.

Despite the actions taken, due to further assessment reductions, state revenue-sharing cuts, the potential loss of the Chrysler Sterling Heights Assembly Plant and its \$1.2 million in taxes, as well as higher pension contributions required as a result of the decline in investment market values, the City is facing unprecedented and permanent structural financial challenges. While the City has been able to maintain its excellent bond ratings despite the weakened state economy, Moody's recently revised the City's bond rating from stable to negative, reflecting the continued statewide economic and financial challenges.

City departments have been asked to further reduce their budgets. For 2010, the City is seeking another \$1.5 million in departmental savings, which could result in the loss of 15 additional full-time positions along with other savings. Furthermore, the City is meeting with all 12 labor groups to seek further wage and benefit concessions. So far the City has been able to avoid layoffs; however, it is no longer known if this strategy can continue.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Even with these savings, the effect of a third and most likely a fourth consecutive year of falling property values will result in the need to recover a portion of property tax losses in order to prevent severe service reductions. A millage adjustment would most likely be needed in order to maintain scaled-back operations and services. If the City adjusts its millage rate to the Headlee Limit, total property taxes for the average resident will still be \$177 lower as compared to three years ago. In addition, the average resident will have saved \$765 over these three years compared to what they would have paid absent the housing decline. Therefore, any proposed millage adjustment should not be viewed as a tax increase. When actual 2010 assessments are known in late February 2010, an assessing calculator will become available on the City's website for property owners to determine how much they have saved over the past three years.

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

Contacting the City's Management

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

City of Sterling Heights, Michigan

Statement of Net Assets June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 14,327,713	\$ -	\$ 14,327,713	\$ 80,540
Investments - At fair value (Note 3)	27,252,469	22,900,733	50,153,202	179,264
Receivables:				
Customers	-	7,072,468	7,072,468	-
Special assessments - Current	218,607	-	218,607	-
Accrued interest	508,949	317,361	826,310	-
Other	940,740	-	940,740	-
Internal balances	7,344	(7,344)	-	-
Due from other governmental units	3,698,195	-	3,698,195	-
Prepaid costs and other assets	1,889,064	-	1,889,064	-
Inventories	622,319	276,747	899,066	-
Special assessments (Note 6)	3,396,520	-	3,396,520	-
Restricted assets (Note 8)	2,059,734	7,605,803	9,665,537	-
Loans receivable (Note 9)	1,759,035	-	1,759,035	-
Capital assets:				
Nondepreciable (Note 4)	56,197,120	1,335,642	57,532,762	-
Depreciable - Net (Note 4)	<u>152,973,758</u>	<u>131,715,332</u>	<u>284,689,090</u>	-
Total assets	265,851,567	171,216,742	437,068,309	259,804
Liabilities				
Accounts payable	2,564,144	3,701,396	6,265,540	-
Accrued and other liabilities	3,583,342	159,538	3,742,880	-
Provision for uninsured losses and liabilities (Note 10)	596,474	-	596,474	-
Due to other governmental units	37,663	-	37,663	-
Unearned revenue (Note 6)	2,292,664	81,600	2,374,264	-
Noncurrent liabilities (Note 7):				
Due within one year	6,144,154	109,018	6,253,172	-
Due in more than one year	<u>47,041,164</u>	<u>122,535</u>	<u>47,163,699</u>	-
Total liabilities	<u>62,259,605</u>	<u>4,174,087</u>	<u>66,433,692</u>	-
Net Assets				
Invested in capital assets - Net of related debt	173,670,878	133,050,974	306,721,852	-
Restricted:				
Roads	3,523,887	-	3,523,887	-
Public safety	868,902	-	868,902	-
Debt service	3,587,808	-	3,587,808	-
County drains (Note 8)	2,059,734	-	2,059,734	-
Ordinance requirements (Note 8)	-	7,605,803	7,605,803	-
Unrestricted	<u>19,880,753</u>	<u>26,385,878</u>	<u>46,266,631</u>	<u>259,804</u>
Total net assets	<u>\$ 203,591,962</u>	<u>\$ 167,042,655</u>	<u>\$ 370,634,617</u>	<u>\$ 259,804</u>

City of Sterling Heights, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,877,803	\$ 2,229,296	\$ -	\$ -
41A District Court	3,251,224	2,426,813	154,960	-
Public safety	49,201,944	1,571,100	798,846	478,767
Public works	24,904,207	2,869,634	6,904,228	-
Recreation and culture	6,112,129	733,598	1,099,917	-
Interest on long-term debt	1,956,286	-	-	-
Total governmental activities	94,303,593	9,830,441	8,957,951	478,767
Business-type activities - Water and Sewer	32,292,608	24,495,066	-	867,991
Total primary government	<u>\$ 126,596,201</u>	<u>\$ 34,325,507</u>	<u>\$ 8,957,951</u>	<u>\$ 1,346,758</u>
Component units:				
Economic Development Corporation	\$ 19,012	\$ -	\$ 19,000	\$ -
Brownfield Redevelopment Authority	29,267	-	48,188	-
Corridor Improvement Authority	12,832	-	215,411	-
Total component units	<u>\$ 61,111</u>	<u>\$ -</u>	<u>\$ 282,599</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted state revenue-sharing program				
Interest				
Other non-program generated revenues				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2009

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,648,507)	\$ -	\$ (6,648,507)	
(669,451)	-	(669,451)	
(46,353,231)	-	(46,353,231)	
(15,130,345)	-	(15,130,345)	
(4,278,614)	-	(4,278,614)	
(1,956,286)	-	(1,956,286)	
(75,036,434)	-	(75,036,434)	
-	(6,929,551)	(6,929,551)	
(75,036,434)	(6,929,551)	(81,965,985)	
-	-	-	\$ (12)
-	-	-	18,921
-	-	-	202,579
-	-	-	221,488
57,875,942	-	57,875,942	-
10,183,758	-	10,183,758	-
2,278,601	1,388,380	3,666,981	5,200
1,751,947	-	1,751,947	-
72,090,248	1,388,380	73,478,628	5,200
(2,946,186)	(5,541,171)	(8,487,357)	226,688
206,538,148	172,583,826	379,121,974	33,116
\$ 203,591,962	\$ 167,042,655	\$ 370,634,617	\$ 259,804

City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant	Road Bond Debt Retirement
Assets				
Cash and cash equivalents (Note 3)	\$ 7,354,402	\$ 726,965	\$ 181	\$ 8,234
Investments - At fair value (Note 3)	9,969,500	748,050	-	-
Receivables:				
Special assessments:				
Current	-	-	-	163,096
Deferred	-	-	-	3,098,827
Accrued interest	210,692	44	-	167,598
Other	940,740	-	-	-
Prepaid costs and other assets	100,241	69,915	-	-
Due from other funds (Note 5)	332,784	-	-	-
Due from other governmental units	859,562	872,772	63,014	-
Inventories	622,319	-	-	-
Restricted assets (Note 8)	-	-	-	-
Rehabilitation loans (Note 9)	-	-	1,759,035	-
Total assets	\$ 20,390,240	\$ 2,417,746	\$ 1,822,230	\$ 3,437,755
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,434,571	\$ 264,259	\$ 27,585	\$ -
Accrued and other liabilities	2,647,650	16,930	-	-
Due to other funds (Note 5)	474,239	113,920	35,610	-
Due to other governmental units	37,475	-	-	-
Deferred revenue (Note 6)	589,244	-	1,759,035	3,098,827
Total liabilities	5,183,179	395,109	1,822,230	3,098,827
Fund Balances				
Reserved for:				
Encumbrances	45,426	141,303	-	-
Inventory	622,319	-	-	-
Prepaid costs	100,241	69,915	-	-
Unreserved - Reported in (Note 14):				
General Fund	14,439,075	-	-	-
Special Revenue Funds	-	1,811,419	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	338,928
Total fund balances	15,207,061	2,022,637	-	338,928
Total liabilities and fund balances	\$ 20,390,240	\$ 2,417,746	\$ 1,822,230	\$ 3,437,755

**Governmental Funds
Balance Sheet
June 30, 2009**

General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,921,039	\$ 352,044	\$ 1,608,276	\$ 11,971,141
1,346,800	149,460	1,267,086	13,480,896
21,376	-	34,135	218,607
58,749	-	238,944	3,396,520
4,623	-	16,385	399,342
-	-	-	940,740
-	-	3,335	173,491
-	-	338	333,122
2,520	-	316,439	2,114,307
-	-	-	622,319
2,059,734	-	-	2,059,734
-	-	-	1,759,035
<u>\$ 5,414,841</u>	<u>\$ 501,504</u>	<u>\$ 3,484,938</u>	<u>\$ 37,469,254</u>
\$ 385,482	\$ 208,691	\$ 36,178	\$ 2,356,766
198,400	56,995	-	2,919,975
157	2,092	173,661	799,679
-	-	188	37,663
<u>2,118,483</u>	<u>-</u>	<u>238,944</u>	<u>7,804,533</u>
2,702,522	267,778	448,971	13,918,616
225,442	-	32,059	444,230
-	-	-	622,319
-	-	-	170,156
-	-	-	14,439,075
-	-	2,853,855	4,665,274
2,486,877	233,726	-	2,720,603
-	-	150,053	488,981
<u>2,712,319</u>	<u>233,726</u>	<u>3,035,967</u>	<u>23,550,638</u>
<u>\$ 5,414,841</u>	<u>\$ 501,504</u>	<u>\$ 3,484,938</u>	<u>\$ 37,469,254</u>

City of Sterling Heights, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2009

Total Fund Balances for Governmental Funds	\$ 23,550,638
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain receivables are expected to be collected over several years in the General Fund, Special Revenue Funds, and Debt Service Funds	3,452,135
Receivables related to state-shared revenues are reported in the statement of net assets at the time they are earned, without regard to timeliness of remittance by the State	1,583,888
Restricted assets held by Macomb County to be used over several years and which are not available to pay for current year expenditures	2,059,734
Capital assets used in governmental activities are not financial resources and are not reported in the funds	209,170,878
Long-term liabilities not due and payable in the current period are not reported in the funds	(46,370,000)
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	(5,132,998)
Bond premiums are amortized over the life of the bonds, while recognized as an other financing source in the funds when received	(663,367)
Internal Service Fund is included as part of governmental activities	<u>15,941,054</u>
Net Assets of Governmental Activities	<u>\$ 203,591,962</u>

City of Sterling Heights, Michigan

	General Fund	Major Roads	Community Development Block Grant	Road Bond Debt Retirement
Revenues				
Property taxes	\$ 56,346,416	\$ -	\$ -	\$ -
Fees and permits	960,683	-	-	-
Federal sources	169,139	19,900	596,331	-
State and local sources	11,240,567	4,995,844	-	-
Fines and forfeitures	2,836,556	-	-	-
Charges for services	7,896,549	-	-	-
Interest income	1,266,348	57,445	-	961
Special assessments	-	-	-	163,096
Rental income	1,798,484	-	-	-
Cable revenue	1,771,978	-	-	-
Other	636,383	167,068	-	167,597
Total revenues	84,923,103	5,240,257	596,331	331,654
Expenditures				
Current:				
General government	9,534,712	-	-	-
41A District Court	3,150,155	-	-	-
Public safety	46,189,024	-	-	-
Public works	16,832,885	2,214,631	176,095	-
Recreation and culture	5,321,281	-	-	-
General expenditures	2,784,525	-	-	1,900
Capital outlay	-	1,796,976	6,997	-
Debt service	-	-	-	2,929,573
Total expenditures	83,812,582	4,011,607	183,092	2,931,473
Excess of Revenues Over (Under) Expenditures	1,110,521	1,228,650	413,239	(2,599,819)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	-	-
Issuance of long-term debt	-	-	-	-
Transfers in	2,137,780	200,000	-	2,915,000
Transfers out	(3,334,150)	(3,715,000)	(413,239)	-
Total other financing sources (uses)	(1,196,370)	(3,515,000)	(413,239)	2,915,000
Net Change in Fund Balances	(85,849)	(2,286,350)	-	315,181
Fund Balances - Beginning of year	15,292,910	4,308,987	-	23,747
Fund Balances - End of year	\$ 15,207,061	\$ 2,022,637	\$ -	\$ 338,928

**Governmental Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2009**

General Improvements	Road Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,529,526	\$ 57,875,942
-	-	-	960,683
180,159	-	453,523	1,419,052
143,443	-	2,125,637	18,505,491
-	-	-	2,836,556
-	-	-	7,896,549
163,117	22,153	70,730	1,580,754
45,892	-	34,135	243,123
-	-	-	1,798,484
-	-	-	1,771,978
<u>918,623</u>	<u>-</u>	<u>118,136</u>	<u>2,007,807</u>
1,451,234	22,153	4,331,687	96,896,419
-	-	-	9,534,712
-	-	-	3,150,155
-	-	138,121	46,327,145
-	-	2,050,094	21,273,705
-	-	-	5,321,281
-	-	6,815	2,793,240
6,432,854	3,301,877	1,674,243	13,212,947
<u>-</u>	<u>-</u>	<u>4,787,960</u>	<u>7,717,533</u>
<u>6,432,854</u>	<u>3,301,877</u>	<u>8,657,233</u>	<u>109,330,718</u>
(4,981,620)	(3,279,724)	(4,325,546)	(12,434,299)
-	-	149,466	149,466
-	3,260,000	-	3,260,000
1,290,150	300,000	4,476,439	11,319,369
<u>-</u>	<u>(200,000)</u>	<u>(750,000)</u>	<u>(8,412,389)</u>
<u>1,290,150</u>	<u>3,360,000</u>	<u>3,875,905</u>	<u>6,316,446</u>
(3,691,470)	80,276	(449,641)	(6,117,853)
<u>6,403,789</u>	<u>153,450</u>	<u>3,485,608</u>	<u>29,668,491</u>
<u>\$ 2,712,319</u>	<u>\$ 233,726</u>	<u>\$ 3,035,967</u>	<u>\$ 23,550,638</u>

City of Sterling Heights, Michigan

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (6,117,853)

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

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):

Capital outlay	13,462,171
Depreciation expense	(11,779,269)
Net book value of assets disposed of	(232,055)

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection (301,093)

Special assessment revenues are recorded in the statement of activities when the assessment is earned (i.e., work is substantially complete); they are not reported in the funds until collected or collectible within 60 days of year end. In the current year, more was collected than earned (185,850)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 5,730,000

Debt issuance is not reported as an other financing source on the statement of activities (3,260,000)

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 31,247

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 (69,290)

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 (224,194)

Change in Net Assets of Governmental Activities **\$ (2,946,186)**

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,356,572
Investments - At fair value (Note 3)	22,900,733	13,771,573
Receivables:		
Customers	7,072,468	-
Accrued interest	317,361	109,607
Prepaid costs and other assets	-	1,715,573
Due from other funds (Note 5)	-	473,901
Inventories	276,747	-
Total current assets	30,567,309	18,427,226
Noncurrent assets:		
Restricted assets (Note 8)	7,605,803	-
Capital assets - Net (Note 4)	133,050,974	-
Total noncurrent assets	140,656,777	-
Total assets	171,224,086	18,427,226
Liabilities		
Current liabilities:		
Accounts payable	3,701,396	207,378
Accrued and other liabilities	159,538	-
Due to other funds	7,344	-
Compensated absences (Note 7)	109,018	-
Provision for uninsured losses and liabilities (Note 10)	-	596,474
Unearned revenue	81,600	-
Total current liabilities	4,058,896	803,852
Noncurrent liabilities:		
Compensated absences (Note 7)	122,535	-
Provision for uninsured losses and liabilities (Note 10)	-	1,682,320
Total noncurrent liabilities	122,535	1,682,320
Total liabilities	4,181,431	2,486,172
Net Assets		
Investment in capital assets	133,050,974	-
Restricted for ordinance requirements	7,605,803	-
Unrestricted	26,385,878	15,941,054
Total net assets	\$ 167,042,655	\$ 15,941,054

City of Sterling Heights, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
Operating Revenues		
Water sales	\$ 9,976,354	\$ -
Sewage treatment	12,620,052	-
Service charges	705,763	-
City contributions	-	7,530,309
Other	1,192,897	413,627
Total operating revenues	24,495,066	7,943,936
Operating Expenses		
Wages and fringe benefits	3,427,743	-
Contractual services	128,616	-
Water purchases	8,578,660	-
Sewage disposal charges	12,517,861	-
Materials and supplies	213,261	-
Repairs and maintenance	489,502	-
Building and equipment rental	156,781	-
Insurance	262,390	-
Depreciation	4,733,605	-
Administration expenses	1,649,160	308,630
Reinsurance charges and claims	-	5,161,306
Other	135,029	489,061
Total operating expenses	32,292,608	5,958,997
Operating (Loss) Income	(7,797,542)	1,984,939
Nonoperating Revenues		
Interest income	1,388,380	697,847
Tap fees and frontage charges	155,548	-
Total nonoperating revenues	1,543,928	697,847
(Loss) Income - Before contributions and operating transfers	(6,253,614)	2,682,786
Contributions from Developers	712,443	-
Transfer Out	-	(2,906,980)
Change in Net Assets	(5,541,171)	(224,194)
Net Assets - Beginning of year	172,583,826	16,165,248
Net Assets - End of year	\$ 167,042,655	\$ 15,941,054

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Business-type Activities	Governmental Activity
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self- insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 23,209,392	\$ 6,740,186
Payments to suppliers for goods and services	(21,567,463)	-
Payments to employees for services	(3,395,644)	-
Payments connected with interfund services	(1,911,550)	350,887
Receipts connected with interfund services	(165,786)	-
Claims paid	-	(5,963,087)
Other receipts	383,465	(75,434)
	(3,447,586)	1,052,552
Net cash (used in) provided by operating activities		
Cash Flows from Noncapital Financing Activities - Transfer to governmental funds		
	-	(2,906,980)
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	155,548	-
Purchase of capital assets	(1,348,517)	-
	(1,192,969)	-
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Interest received on investments	1,388,380	697,847
Purchase of investment securities	(90,090,929)	(37,579,041)
Proceeds from sales and maturities of investment securities	94,374,607	38,217,818
	5,672,058	1,336,624
Net cash provided by investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	1,031,503	(517,804)
Cash and Cash Equivalents - Beginning of year	2,401,981	2,874,376
Cash and Cash Equivalents - End of year	\$ 3,433,484	\$ 2,356,572
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ -	\$ 2,356,572
Restricted cash and cash equivalents (Note 8)	3,433,484	-
	\$ 3,433,484	\$ 2,356,572
Total		

(This statement is continued on the following page.)

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2009

	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	\$ (7,797,542)	\$ 1,984,939
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	4,733,605	-
Changes in assets and liabilities:		
Receivables	(92,777)	(28,020)
Prepaid costs and other assets	-	(762,103)
Due from other funds	-	659,517
Inventory	33,860	-
Accounts payable	(159,586)	25,648
Accrued and other liabilities	(3,339)	-
Provision for compensated absences	32,099	-
Provision for uninsured losses and liabilities	-	(827,429)
Deferred revenue	(28,120)	-
Due to other funds	(165,786)	-
Net cash (used in) provided by operating activities	\$ (3,447,586)	\$ 1,052,552

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2009, developers constructed water and sewer lines with an estimated value of \$712,443 and donated them to the City's Water and Sewer Enterprise Fund.

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2009

	Trust Funds - Pensions and Other Retirement	
	Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 19,670,878	\$ 299,317
Investments - At fair value (Note 3):		
Government securities	47,723,786	-
Short-term investment fund	-	2,651,815
Corporate bonds	23,825,134	-
Common and preferred stocks	154,971,651	-
Mutual funds	6,623,386	-
Pooled investments	7,685,205	-
Receivables - Accrued interest	701,365	-
Due from other governmental units	-	887
Total assets	261,201,405	<u><u>\$ 2,952,019</u></u>
Liabilities		
Accounts payable	1,718,437	\$ -
Accrued and other liabilities	976,443	1,181,228
Due to other governmental units	473,407	34,734
Provision for uninsured losses and liabilities (Note 10)	636,953	-
Deferred revenue	351,218	-
Cash bonds and deposits	-	1,736,057
Total liabilities	4,156,458	<u><u>\$ 2,952,019</u></u>
Net Assets - Held in trust for pensions and other retirement benefits		<u><u>\$ 257,044,947</u></u>

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2009

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 9,265,538
Net adjustment to fair value of investments	(78,196,546)
Less investment expenses	<u>(1,460,710)</u>
Net investment loss	(70,391,718)
Securities lending income:	
Interest and fees	444,589
Less borrower rebates and bank fees	<u>(249,848)</u>
Net securities lending income	194,741
Contributions:	
Employer	13,859,934
Employee	2,140,882
Purchase of prior year's service credits	1,139,748
Insurance recovery	<u>349,051</u>
Total additions - Net	(52,707,362)
Deductions	
Benefit payments	23,862,766
Refunds of contributions	<u>1,216,091</u>
Total deductions	<u>25,078,857</u>
Change in Net Assets	(77,786,219)
Net Assets - Beginning of year	<u>334,831,166</u>
Net Assets - End of year	<u><u>\$ 257,044,947</u></u>

City of Sterling Heights, Michigan

Component Units Statement of Net Assets June 30, 2009

	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets - Cash and cash equivalents	\$ 5,059	\$ 36,345	\$ 39,136	\$ 80,540
Investments	-	-	179,264	179,264
Total assets	<u>\$ 5,059</u>	<u>\$ 36,345</u>	<u>\$ 218,400</u>	<u>\$ 259,804</u>
Net Assets - Unrestricted	<u>\$ 5,059</u>	<u>\$ 36,345</u>	<u>\$ 218,400</u>	<u>\$ 259,804</u>

City of Sterling Heights, Michigan

Component Units Statement of Activities Year Ended June 30, 2009

	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Operating Grants and Contributions	Economic Development Corporation	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Economic Development Corporation -						
Public Works	\$ 19,012	\$ 19,000	\$ (12)	\$ -	\$ -	\$ (12)
Brownfield Redevelopment Authority -						
Public Works	29,267	48,188	-	18,921	-	18,921
Corridor Improvement Authority						
Public Works	<u>12,832</u>	<u>215,411</u>	<u>-</u>	<u>-</u>	<u>202,579</u>	<u>202,579</u>
Total component units	<u>\$ 61,111</u>	<u>\$ 282,599</u>	(12)	18,921	202,579	221,488
General Revenues - Interest			<u>165</u>	<u>242</u>	<u>4,793</u>	<u>5,200</u>
Change in Net Assets			153	19,163	207,372	226,688
Net Assets - Beginning of year			<u>4,906</u>	<u>17,182</u>	<u>11,028</u>	<u>33,116</u>
Net Assets - End of year			<u>\$ 5,059</u>	<u>\$ 36,345</u>	<u>\$ 218,400</u>	<u>\$ 259,804</u>

Note I - 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. Financial statements for each of the individual component units are available at the City's office.

- 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 fund type.
- 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 fund type.
- 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 fund type.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 revenues, 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (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 revenues are reported instead as general revenues.

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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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 revenues to be available if they are 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 revenues 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 revenues that are restricted for use on major streets.
- 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 revenues 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.

Note I - Summary of Significant Accounting Policies (Continued)

- 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.
- 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).

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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 revenues 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.

Note I - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. 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. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets 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 fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 assets. 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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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.

New Accounting Standard - In the current year, the City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new pronouncement causes the government-wide financial statements to recognize the cost of providing postemployment benefit expenses over the working life of the employee, rather than at the time the benefits are paid. There was no financial impact to the statements as a result of this accounting change.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Reporting Change - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

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, 2008		\$ (5,499,934)
Current year building permit revenue		975,915
Related expenses:		
Direct costs	\$ 1,618,311	
Estimated indirect costs	<u>1,085,703</u>	
Total construction code expenses		<u>(2,704,014)</u>
Net shortfall for the year ended June 30, 2009		<u>(1,728,099)</u>
Cumulative shortfall at June 30, 2009		<u><u>\$ (7,228,033)</u></u>

Note 3 - Deposits and Investments

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

The investment policy adopted by the City Council in accordance with Public Act 20 of 1948, as amended, authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities (date specific maturities only), non-negotiable certificates of deposit, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 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, 2009

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 \$11,448,023 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
Banker's acceptances	184 days
Repurchase agreements	60 days (collateral 10 years for treasuries, 7 years for instrumentalities)

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Average Maturity
Government-wide		
Commercial paper	\$ 22,270,186	0.16 years
U.S. government agencies	30,601,050	6.67 years
General Employees' Retirement System		
Corporate bonds	2,440,657	5.14 years
Foreign bonds	274,833	5.29 years
U.S. government agencies	8,566,936	2.76 years
U.S. government obligations	7,330,106	3.46 years
Municipal obligations	96,156	0.87 years
Police and Fire Retirement System		
Corporate bonds	18,299,586	5.35 years
Foreign bonds	1,628,472	6.18 years
U.S. government agencies	4,421,809	5.46 years
U.S. government obligations	23,688,287	3.54 years
Municipal obligations	123,123	5.81 years
Retiree Medical Benefits		
Corporate bonds	1,181,586	4.61 years
U.S. government agencies	2,366,267	6.99 years
U.S. government obligations	1,131,102	7.63 years

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

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
Government-wide			
Pooled funds	\$ 7,008,567	A1	S&P
Pooled funds	1,556,988	AAA	S&P
Pooled funds	1,025,068	AAA _m	S&P
Commercial paper	11,873,410	A1+	S&P
Commercial paper	4,991,750	A1	S&P
Commercial paper	5,405,026	A2	S&P
U.S. government agencies	30,601,050	AAA	S&P
General Employees' Retirement System			
Pooled funds	4,936,984	AAA	S&P
U.S. government agencies	8,566,936	AAA	S&P
U.S. government obligations	7,330,106	AAA	S&P
Municipal obligations	40,011	A to A-	S&P
Municipal obligations	56,145	A1	Fitch
Corporate bonds	311,979	AAA	S&P
Corporate bonds	295,228	AA+ to AA-	S&P
Corporate bonds	1,027,724	A+ to A-	S&P
Corporate bonds	805,722	BBB+ to BBB-	S&P
Corporate bonds	4	N/R	
Foreign bonds	92,265	A+ to A-	S&P
Foreign bonds	182,568	BBB+ to BBB-	S&P
Police and Fire Retirement System			
Pooled funds	13,517,449	AAA	S&P
U.S. government agencies	4,421,809	AAA	S&P
U.S. government obligations	23,688,287	AAA	S&P, Fitch
Municipal obligations	46,562	A+	S&P
Municipal obligations	76,561	A1	S&P
Corporate bonds	606,025	AAA	S&P
Corporate bonds	936,343	AA to AA-	S&P
Corporate bonds	9,004,283	A+ to A-	S&P
Corporate bonds	7,752,927	BBB+ to BBB-	S&P
Corporate bonds	8	N/R	
Foreign bonds	249,556	A+ to A-	S&P
Foreign bonds	1,378,916	BBB+ to BBB-	S&P
Retiree Medical Benefits			
Pooled funds	34,870	A1	S&P
Pooled funds	1,177,918	AAA	S&P
U.S. government agencies	2,366,267	AAA	S&P
U.S. government obligations	1,131,102	AAA	S&P
Corporate bonds	196,208	AAA	S&P
Corporate bonds	390,430	AA+ to AA-	S&P
Corporate bonds	544,478	A+ to A-	S&P
Corporate bonds	50,470	BBB+ to BBB-	S&P

Note 3 - Deposits and Investments (Continued)

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).

Retirement Investments

Securities Lending Transactions - The General Employees' Retirement System and the Police and Fire Retirement System (collectively referred to as the "Systems") have entered into securities lending transactions whereby loans of securities are made to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. State statutes permit participation in securities lending transactions and the Systems have authorized the custodians of their securities to lend securities to broker-dealers and banks pursuant to a formal loan agreement. At June 30, 2009, the Systems have no credit risk exposure to the borrowers because the amounts the Systems owe the borrowers exceed the amount the borrowers owe the Systems.

During the year, security loans were made at the discretion of the Systems' custodial bank and United States currency was received as collateral. Borrowers were required to deliver collateral for each loan equal to but not less than 100 percent of the market value of the loaned securities. The Systems did not impose any restrictions during the past year on the amount of loans that the lending agents could make on their behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon. In addition, there were no losses during the past year resulting from default of the borrowers. Contracts with the lending agents require them to indemnify the Systems if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Systems for income distributions by the securities' issuers while the securities are on loan.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

All securities loans can be terminated on demand by either the Systems or the borrower. The cash collateral received on each loan was invested, together with the cash collateral of the other lenders, in a pool. The average duration of such investment pools as of June 30, 2009 was 14 days. Their duration did not generally match the duration of the loans because the loans could be terminated on demand. The total amount of collateral received and the fair values of the underlying securities for the Systems as of June 30, 2009 were \$18,370,518 and \$17,522,337, respectively.

Note 4 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 45,414,228	\$ -	\$ -	\$ 45,414,228
Construction in progress	3,669,393	8,593,921	(1,817,173)	10,446,141
Works of art	336,751	-	-	336,751
Net capital assets - Nondepreciable	49,420,372	8,593,921	(1,817,173)	56,197,120
Capital assets being depreciated:				
Building and building improvements	33,693,608	58,739	(103,077)	33,649,270
Improvements other than buildings	6,290,818	9,763	-	6,300,581
Equipment	37,096,539	2,007,588	(1,725,100)	37,379,027
Furnishings and fixtures	1,382,678	17,767	(49,069)	1,351,376
Infrastructure	228,824,258	4,591,566	-	233,415,824
Subtotal	307,287,901	6,685,423	(1,877,246)	312,096,078
Accumulated depreciation:				
Building and building improvements	10,745,326	806,726	(103,077)	11,448,975
Improvements other than buildings	1,529,360	208,265	-	1,737,625
Equipment	23,102,021	2,803,795	(1,493,045)	24,412,771
Furnishings and fixtures	1,097,861	43,356	(49,069)	1,092,148
Infrastructure	112,513,674	7,917,127	-	120,430,801
Subtotal	148,988,242	11,779,269	(1,645,191)	159,122,320
Net capital assets being depreciated	158,299,659	(5,093,846)	(232,055)	152,973,758
Net governmental capital assets	\$ 207,720,031	\$ 3,500,075	\$ (2,049,228)	\$ 209,170,878

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 64,871	\$ -	\$ -	\$ 64,871
Construction in progress	<u>825,283</u>	<u>576,212</u>	<u>(130,724)</u>	<u>1,270,771</u>
Net capital assets - Nondepreciable	890,154	576,212	(130,724)	1,335,642
Capital assets being depreciated:				
Building and building improvements	422,633	-	-	422,633
Improvements other than buildings	11,391	-	-	11,391
Equipment	2,836,065	459,772	(95,517)	3,200,320
Furnishings and fixtures	28,230	-	-	28,230
Water and sewer mains	<u>223,252,784</u>	<u>1,160,549</u>	<u>-</u>	<u>224,413,333</u>
Subtotal	226,551,103	1,620,321	(95,517)	228,075,907
Accumulated depreciation:				
Building and building improvements	204,395	8,949	-	213,344
Improvements other than buildings	11,391	-	-	11,391
Equipment	1,647,072	248,091	(90,668)	1,804,495
Furnishings and fixtures	19,425	1,882	-	21,307
Water and sewer mains	<u>89,835,355</u>	<u>4,474,683</u>	<u>-</u>	<u>94,310,038</u>
Subtotal	<u>91,717,638</u>	<u>4,733,605</u>	<u>(90,668)</u>	<u>96,360,575</u>
Net capital assets being depreciated	<u>134,833,465</u>	<u>(3,113,284)</u>	<u>(4,849)</u>	<u>131,715,332</u>
Net business-type capital assets	<u>\$ 135,723,619</u>	<u>\$ (2,537,072)</u>	<u>\$ (135,573)</u>	<u>\$ 133,050,974</u>

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

Governmental activities:	
General government	\$ 632,565
Public safety	1,658,967
Public works	8,661,964
Recreation and culture	818,403
41A District Court	<u>7,370</u>
Total governmental activities	<u>\$ 11,779,269</u>
Business-type activities - Water and Sewer	<u>\$ 4,733,605</u>

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

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 contracts	\$ 7,960,338	\$ 992,413

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	\$ 113,920
	CDBG Fund	35,610
	General Improvements Fund	157
	Road Bond Construction Fund	2,092
	Water and Sewer Fund	7,344
	Nonmajor governmental funds	<u>173,661</u>
	Total General Fund	332,784
Self-insurance Fund	General Fund	473,901
Nonmajor governmental funds	General Fund	<u>338</u>
	Total	<u><u>\$ 807,023</u></u>

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

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

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

Interfund Transfers Reported in the Fund Statements

Fund Transferred From	Fund Transferred To	Amount
General Fund	General Improvements Fund	\$ 1,290,150
	Nonmajor governmental funds	<u>2,044,000</u>
	Total	3,334,150
Major Roads Fund	Road Bond Debt Retirement Fund	2,915,000
	Road Bond Construction Fund	500,000
	Nonmajor governmental funds	<u>300,000</u>
	Total	3,715,000
CDBG Fund	General Fund	87,780
	Nonmajor governmental funds	<u>325,459</u>
	Total	413,239
Road Bond Construction Fund	Major Roads Fund	200,000
Proprietary Funds - Governmental activity	General Fund	1,300,000
	Nonmajor governmental funds	<u>1,606,980</u>
	Total	2,906,980
	Nonmajor governmental funds	General Fund
	Total	<u>\$ 11,319,369</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 current local road repair and replacement programs, repair and improvements to various city parks, and debt service payments.

The transfer from the Major Roads Fund to the Road Bond Debt Retirement Fund represents funding of current debt service. The transfer from the Major Roads Fund to the Road Bond Construction Fund represents unrestricted resources for capital projects. Transfers from the Major Roads Fund to the nonmajor governmental funds represent funding of local road maintenance and replacement.

The transfer from the Community Development Block Grant Fund to the General Fund represents funding for current grant related expenditures and to nonmajor governmental fund resources for current debt service payment.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

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

The transfer from the Road Bond Construction Fund to the Major Roads Fund represents the unrestricted resources for various current repair and replacement programs.

Transfers from the Proprietary Funds - governmental activity to the General Fund represent funding for current operational expenditures due to positive net income for most self-insurance programs. Transfers from the Proprietary Funds - governmental activity to the nonmajor governmental funds represent funding for current debt service payments.

Transfers from the nonmajor governmental funds to the General Fund represents the transfer of unrestricted resources from the Budget Stabilization Fund for current operational expenditures in compliance with City policy.

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:

	Unavailable	Unearned
Due from Macomb County (Note 8)	\$ 2,059,734	\$ -
Loans receivable - Rehabilitation	-	1,759,035
Special assessments	3,396,520	-
Other deposits	55,615	533,629
Total	<u>\$ 5,511,869</u>	<u>\$ 2,292,664</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, 2009

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
Governmental Activities					
General Obligation Bonds:					
1999 Unlimited Tax Road Bonds:					
Amount of Issue - \$2,700,000					
Maturing through 2008					
Interest Rate 4.10%					
Principal Maturity \$350,000	\$ 350,000	\$ -	\$ (350,000)	\$ -	\$ -
1999 Michigan Transportation Fund Bonds:					
Amount of Issue - \$5,250,000					
Maturing through 2013					
Interest Rate Ranges 4.15% - 4.65%					
Principal Maturity Range \$400,000 - \$600,000	3,000,000	-	(400,000)	2,600,000	400,000
2000 Building Authority Bonds City Center Commons:					
Amount of Issue - \$3,700,000					
Maturing through 2019					
Interest Rate 5.375%					
Principal Maturity \$175,000	175,000	-	(175,000)	-	-
2002 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$4,840,000					
Maturing through 2009					
Interest Rate Ranges 3.30% - 3.50%					
Principal Maturity Range \$330,000 - \$750,000	1,080,000	-	(750,000)	330,000	330,000
2003 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$3,050,000					
Maturing through 2013					
Interest Rate Ranges 2.50% - 3.60%					
Principal Maturity Range \$245,000 - \$500,000	1,925,000	-	(470,000)	1,455,000	460,000
2003 Building Authority Refunding Bonds:					
Amount of Issue - \$2,025,000					
Maturing through 2010					
Interest Rate Ranges 2.40% - 2.75%					
Principal Maturity Range \$380,000 - \$395,000	775,000	-	(380,000)	395,000	395,000
2004 Judgment Bonds:					
Amount of Issue - \$24,395,000					
Maturing through 2015					
Interest Rate Ranges 3.50% - 5.375%					
Principal Maturity Range \$1,085,000 - \$2,260,000	11,915,000	-	(1,045,000)	10,870,000	1,170,000
2005 Michigan Transportation Refunding Bonds:					
Amount of Issue - \$3,285,000					
Maturing through 2014					
Interest Rate Ranges 3.5% - 4.125%					
Principal Maturity Range \$330,000 - \$1,000,000	3,180,000	-	(330,000)	2,850,000	425,000

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
Governmental Activities (Continued)					
General Obligation Bonds (Continued):					
2005 Limited Tax Refunding Bonds:					
Amount of Issue - \$2,820,000					
Maturing through 2019					
Interest Rate Ranges 3.50% - 5.00%					
Principal Maturity Range \$25,000 - \$600,000	\$ 2,745,000	\$ -	\$ (25,000)	\$ 2,720,000	\$ 200,000
2005 Michigan Transportation Fund Bonds:					
Amount of Issue - \$5,300,000					
Maturing through 2019					
Interest Rate Ranges 3.25% - 4.25%					
Principal Maturity Range \$125,000 - \$625,000	4,975,000	-	(125,000)	4,850,000	250,000
2007 Michigan Transportation Fund Bonds:					
Amount of Issue - \$4,650,000					
Maturing through 2021					
Interest Rate Ranges 3.70% - 4.00%					
Principal Maturity Range \$100,000 - \$1,000,000	4,550,000	-	(100,000)	4,450,000	150,000
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	2,675,000	-	(575,000)	2,100,000	575,000
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 \$100,000 - \$600,000	5,000,000	-	(100,000)	4,900,000	125,000
County Drain Contract Obligations:					
Busch Drain Drainage District:					
Amount of Issue - \$1,250,000					
Maturing through 2014					
Interest Rate Ranges 4.30% - 4.55%					
Principal Maturity Range \$100,000 - \$125,000	650,000	-	(100,000)	550,000	100,000
Hawken Drain Drainage District:					
Amount of Issue - \$795,000					
Maturing through 2015					
Interest Rate Ranges 4.80% - 5.25%					
Principal Maturity Range \$50,000 - \$75,000	400,000	-	(50,000)	350,000	50,000
Hayes Drain Drainage District:					
Amount of Issue - \$1,095,000					
Maturing through 2015					
Interest Rate Ranges 4.75% - 5.20%					
Principal Maturity Range \$75,000 - \$150,000	725,000	-	(75,000)	650,000	75,000

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions and Refundings	Ending Balance	Due Within One Year
Governmental Activities (Continued)					
County Drain Contract Obligations (Continued):					
Sterling Relief Lateral 12B Drainage District:					
Amount of Issue - \$885,000					
Maturing through 2013					
Interest Rate Ranges 2.65% - 3.90%					
Principal Maturity Range \$90,000 - \$115,000					
	\$ 505,000	\$ -	\$ (90,000)	\$ 415,000	\$ 95,000
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 \$100,000 - \$275,000					
	1,700,000	-	(200,000)	1,500,000	225,000
17 Mile Extension Drain Drainage District:					
Amount of Issue - \$1,725,000					
Maturing through 2016					
Interest Rate Ranges 3.75% - 4.50%					
Principal Maturity Range \$125,000 - \$150,000					
	1,125,000	-	(125,000)	1,000,000	125,000
17 Mile Road Drain and Branches Refunding Bonds					
Amount of Issue - \$2,315,000					
Maturing through 2013					
Interest Rate Ranges 3.00% - 3.70%					
Principal Maturity Range \$265,000 - \$290,000					
	1,390,000	-	(265,000)	1,125,000	285,000
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 \$100,000 - \$400,000					
	-	3,260,000	-	3,260,000	100,000
Total bond obligations					
	48,840,000	3,260,000	(5,730,000)	46,370,000	5,535,000
Other long-term obligations:					
Provision for uninsured losses and other liabilities					
	3,106,223	4,277,377	(5,104,806)	2,278,794	596,474
Compensated absences - General Fund obligations					
	5,063,708	1,531,146	(1,461,856)	5,132,998	609,154
Total other long-term obligations					
	8,169,931	5,808,523	(6,566,662)	7,411,792	1,205,628
Total governmental activities					
	57,009,931	9,068,523	(12,296,662)	53,781,792	6,740,628
Business-type Activities - Water and Sewer					
Fund obligations - Compensated absences					
	199,454	78,793	(46,694)	231,553	109,018
Total					
	\$ 57,209,385	\$ 9,147,316	\$ (12,343,356)	\$ 54,013,345	\$ 6,849,646

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

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

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 5,535,000	\$ 1,879,607	\$ 7,414,607
2011	5,255,000	1,672,939	6,927,939
2012	5,375,000	1,452,951	6,827,951
2013	5,525,000	1,222,316	6,747,316
2014	5,000,000	986,544	5,986,544
2015-2019	13,085,000	2,567,870	15,652,870
2020-2024	5,595,000	674,163	6,269,163
2025-2029	1,000,000	111,050	1,111,050
Total	<u>\$ 46,370,000</u>	<u>\$ 10,567,440</u>	<u>\$ 56,937,440</u>

During the year, the City issued \$3,260,000 in new Limited Tax General Obligation Special Assessment bonds with an average coupon (interest) rate of 4.11 percent. The bonds mature from 2010 through 2029 and carry coupons ranging from 3.00 percent to 4.50 percent. The bonds were sold at a premium of \$802, which was deposited in the Debt Service Fund to pay future interest costs. The net proceeds of \$3,211,882 (after payment of \$48,920 in issuance costs) are being used to pay the costs associated with repairing and improving access roads, signage, and lighting in the Lakeside Mall Special Assessment District.

Additionally, in prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, trust account assets and the related liability for defeased bonds are not included in the basic financial statements. At June 30, 2009, the City's portion of bonds outstanding considered defeased totals \$9,150,000.

Subsequent to Year End

On August 31, 2009, the City received \$15,488,641 in satisfaction of a judgment of the *City of Sterling Heights, et al versus United National Insurance Company, et al* lawsuit. This lawsuit was originally filed to recover the City's cost related to the Hillside Production, Inc. lawsuit previously settled by the City through issuance of the 2004 Judgment Funding bonds. An additional \$830,000 was received on September 24, 2009, pursuant to a ruling by the Federal Sixth Circuit Court of Appeals awarding consequential damages and interest.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

A portion of the money received was used to pay the fiscal 2010 debt service (\$1,442,781, including interest of \$272,781) and call all remaining 2004 Judgment Funding Bonds (\$9,700,000) on October 1, 2009 as allowed under the bond sale resolution and the Official Statement published when the bonds were issued.

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. Specific assets of the General Improvements Fund are restricted as the result of an external government issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose the bonds were issued or the repayment of the bonds. Following is the detail of restricted assets at June 30, 2009:

Water and Sewer Fund:	
Cash and cash equivalents	\$ 3,433,484
Investments	<u>4,172,319</u>
Total Water and Sewer Fund	7,605,803
General Improvements Fund - Due from Macomb County* (Note 6)	<u>2,059,734</u>
Total restricted assets	<u>\$ 9,665,537</u>

* 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 are no current liabilities payable from 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 \$1,759,035 at June 30, 2009 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.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation and short-term disability), as well as medical benefits provided to employees. The City is self-funded for all of these claims up to a retention amount, at which time the City's reinsurance coverage begins. Settled claims did not exceed the amount of reinsurance coverage for any of the last three years.

Property Liability

The City purchased reinsurance through Arthur J. Gallagher and Company, an international insurance brokerage firm.

It is estimated, based on past experience, that \$1,098,486 will be paid for all claims reported to date and \$557,180 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:

	2009	2008
Estimated liability - Beginning of year	\$ 2,137,607	\$ 2,068,260
Estimated claims incurred, including changes in estimates	(216,283)	329,062
Claim payments	(265,658)	(259,715)
Estimated liability - End of year	<u>\$ 1,655,666</u>	<u>\$ 2,137,607</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 is liable for claims up to a retention amount of \$200,000 per active and retired employee (including dependents) for the contract year ended June 30, 2009. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$33,513 will be paid for all claims reported to date and \$1,043,553 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:

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 10 - Risk Management (Continued)

	Self-insurance Internal Service Fund	
	2009	2008
Estimated liability - Beginning of year	\$ 638,475	\$ 715,365
Estimated claims incurred, including changes in estimates	4,348,712	5,379,613
Claim payments	(4,547,074)	(5,456,503)
Estimated liability - End of year	<u>\$ 440,113</u>	<u>\$ 638,475</u>

	Retiree Medical Benefits Trust Fund	
	2009	2008
Estimated liability - Beginning of year	\$ 627,461	\$ 530,412
Estimated claims incurred, including changes in estimates	5,105,123	5,121,699
Claim payments	(5,095,631)	(5,024,650)
Estimated liability - End of year	<u>\$ 636,953</u>	<u>\$ 627,461</u>

Workers' Compensation

On July 1, 1992, the City became self-insured for workers' compensation claims. Under the program, the City is liable for the first \$150,000 of any occurrence. The City has purchased excess insurance to cover claims greater than \$150,000. At June 30, 2009, it was estimated, based on past experience, that \$183,015 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:

	2009	2008
Estimated liability - Beginning of year	\$ 330,141	\$ 148,331
Estimated claims incurred, including changes in estimates	144,947	413,090
Claim payments	(292,073)	(231,280)
Estimated liability - End of year	<u>\$ 183,015</u>	<u>\$ 330,141</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 substantially all general employees and 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, 2008, the date of the most recent actuary report, membership consisted of 254 retirees, beneficiaries, alternative payees currently receiving benefits, 12 terminated employees entitled to benefits but not yet receiving them, and 238 current active employees.

Police and Fire Retirement System - This system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2008, the date of the most recent actuary report, membership consisted of 281 retirees, beneficiaries, alternate payees currently receiving benefits, no terminated employees entitled to benefits but not yet receiving them, and 249 current active employees including 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 of 5 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.

Note 11 - Defined Benefit Pension Plans (Continued)

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 of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs

General Employees' Retirement System - For the fiscal year ended June 30, 2009, the City had no required pension contributions (exclusive of administrative costs of \$88,000). The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 5.0 percent to 13.5 percent per year. Both (a) and (b) include an inflation component of 4.5 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 16 years.

Police and Fire Retirement System - For the fiscal year ended June 30, 2009, the City's annual pension cost of \$2,594,194 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, 2007, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 1.0 percent to 17.0 percent per year. 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 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 20 years.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plans (Continued)

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

	Year Ended		
	2007	2008	2009
General Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,646,459	\$ 1,707,910	\$ 2,594,194
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

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, 2008, the most recent actuarial valuation date, the plan was 110.2 percent funded. The actuarial accrued liability for benefits was \$112.1 million, and the actuarial value of assets was \$123.5 million, resulting in an over-funded actuarial accrued liability of \$11.4 million. The covered payroll (annual payroll for active employees covered by the plan) was \$14.8 million, and the ratio for the over-funded actuarial accrued liability to the covered payroll was 77.4 percent.

As of June 30, 2009, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 8,759,716
Reserve for retired benefit payments	59,577,644

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plans (Continued)

Police and Fire Retirement System - As of December 31, 2008, the most recent actuarial valuation date, the plan was 95.0 percent funded. The actuarial accrued liability for benefits was \$212.9 million, and the actuarial value of assets was \$202.2 million, resulting in an unfunded actuarial accrued liability of \$10.7 million. The covered payroll (annual payroll for active employees covered by the plan) was \$22.1 million, and the ratio for the unfunded actuarial accrued liability to the covered payroll was 48.6 percent.

As of June 30, 2009, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 17,659,892
Reserve for retired benefit payments	136,534,623

The plan's legally required reserves have exceeded plan net assets as of June 30, 2009, as a result of the market decline that occurred.

Statement of Net Assets

	General Employees' Retirement System	Police and Fire Retirement System
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 4,936,984	\$ 13,521,106
Investments - At fair value:		
Government securities	15,993,198	28,233,219
Corporate bonds	2,715,490	19,928,058
Common and preferred stocks	62,229,441	77,161,658
Mutual funds	6,623,386	-
Pooled investments	-	7,685,205
Receivables - Accrued interest	112,023	547,618
	<u>92,610,522</u>	<u>147,076,864</u>
Liabilities		
Accounts payable	557,226	1,127,237
Accrued and other liabilities	340,247	627,346
Deferred revenue	7,686	343,532
	<u>905,159</u>	<u>2,098,115</u>
Net Assets - Held in trust for pensions	<u>\$ 91,705,363</u>	<u>\$ 144,978,749</u>

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plans (Continued)

Statement of Changes in Net Assets

	General Employees' Retirement System	Police and Fire Retirement System
	<u> </u>	<u> </u>
Additions		
Investment income (loss):		
Interest and dividends	\$ 3,401,007	\$ 5,393,446
Net adjustment to fair value of investments	(29,750,615)	(44,467,425)
Less investment expenses	<u>(537,437)</u>	<u>(772,132)</u>
Net investment loss	(26,887,045)	(39,846,111)
Securities lending income:		
Interest and fees	166,741	277,848
Less borrower rebates and bank fees	<u>(101,597)</u>	<u>(148,251)</u>
Net securities lending income	65,144	129,597
Contributions:		
Employer	-	2,594,194
Employee	990,120	1,150,762
Purchase of prior year's service credits	<u>123,807</u>	<u>1,015,941</u>
Total additions - Net	(25,707,974)	(34,955,617)
Deductions		
Benefit payments	5,765,086	12,534,916
Refunds of contributions	<u>770,632</u>	<u>445,459</u>
Total deductions	<u>6,535,718</u>	<u>12,980,375</u>
Change in Net Assets	(32,243,692)	(47,935,992)
Net Assets - Beginning of year	<u>123,949,055</u>	<u>192,914,741</u>
Net Assets - End of year	<u>\$ 91,705,363</u>	<u>\$ 144,978,749</u>

Note 12 - Defined Contribution Pension Plan

The City provides pension benefits to all new general employees, except for emergency dispatchers, 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 7 percent of employees' base wages, while the employees contribute a minimum of 5 percent of gross wages to the employee's 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 \$307,245 during the current year and employees contributed \$246,723.

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, 2008, the date of the most recent actuary report, the plan has 1,040 members (including employees in active service and retirees or beneficiaries currently receiving benefits). Of those members, 343 general and 249 police and fire retirees are currently eligible.

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 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 percent and for employees hired after July 1, 2008 to contribute 60 percent of the monthly retiree premium.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

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 \$11,265,740, which was funded by the General Fund and the Water and Sewer Fund, and healthcare benefits paid totaled \$5,553,272.

Funding Progress - For the year ended June 30, 2009, the City estimated the cost of providing postemployment benefits through an actuarial valuation as of December 31, 2006. 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, 2009, the City's annual contribution of \$11,265,740 for the plan was equal to the required contribution.

Three-year trend information is not available for annual OPEB costs, the percentage contributed to the plan, or the net OPEB obligation; therefore, only the current fiscal year has been presented:

	Fiscal Year Ended June 30, 2009
Annual OPEB costs (AOC)	\$ 11,265,740
Percentage of AOC contributed	100%
Net OPEB obligation	\$ -

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

Valuation as of December 31, 2008:

Actuarial value of assets	\$ 17,328,970
Actuarial value of liability	160,689,774
Unfunded AAL	143,360,804
Funded ratio	10.8%
Annual covered payroll	46,814,550
Ratio of UAAL to covered payroll	306.2%

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 scheduling 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.

In the December 31, 2006 actuarial valuation, the individual entry age actuarial cost method was used. 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 of 10 percent was used in fiscal 2008 grading to 4.5 percent in fiscal 2017 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 as of December 31, 2006 was 30 years.

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 13 - Postemployment Benefits (Continued)

Statement of Net Assets

	<u>Retiree Medical Benefits</u>
Assets	
Cash and cash equivalents	\$ 1,212,788
Investments - At fair value:	
Government securities	3,497,369
Corporate bonds	1,181,586
Common and preferred stocks	15,580,552
Receivables - Accrued interest	<u>41,724</u>
 Total assets	 21,514,019
Liabilities	
Accounts payable	33,974
Accrued and other liabilities	8,850
Due to other governmental units	473,407
Provision for uninsured losses and liabilities	<u>636,953</u>
 Total liabilities	 <u>1,153,184</u>
 Net Assets - Held in trust for other retirement benefits	 <u>\$ 20,360,835</u>

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 13 - Postemployment Benefits (Continued)

Statement of Changes in Net Assets

	<u>Retiree Medical Benefits</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 471,085
Net adjustment to fair value of investments	(3,978,506)
Less investment expenses	<u>(151,141)</u>
Net investment loss	(3,658,562)
Contributions - Employer	11,265,740
Insurance recovery	<u>349,051</u>
Total additions	7,956,229
Deductions - Benefit payments	<u>5,562,764</u>
Net Change in Net Assets	2,393,465
Net Assets - Beginning of year	<u>17,967,370</u>
Net Assets - End of year	<u><u>\$ 20,360,835</u></u>

City of Sterling Heights, Michigan

Notes to Financial Statements June 30, 2009

Note 14 - Designated Fund Balance

The following is a summary of the unreserved fund balances of the governmental funds with management's designation:

Designated for	Funds					
	General	Major Roads	Road Bond Debt Retirement	General Improvements	Road Bond Construction	Nonmajor
Debt service	\$ -	\$ -	\$ 338,928	\$ -	\$ -	\$ 150,053
Capital improvement	-	1,811,419	-	2,486,877	233,726	1,262,306
Park improvements	-	-	-	-	-	748,581
Public safety	-	-	-	-	-	842,968
Subsequent year's expenditures	<u>3,216,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total designated	<u>\$ 3,216,580</u>	<u>\$ 1,811,419</u>	<u>\$ 338,928</u>	<u>\$ 2,486,877</u>	<u>\$ 233,726</u>	<u>\$ 3,003,908</u>
Undesignated	<u>\$ 11,222,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Designated for	Enterprise Fund - Water and Sewer
Capital improvement	<u>\$ 2,540,000</u>
Undesignated	<u>\$ 23,845,878</u>

Required Supplemental Information

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 15,292,910	\$ 15,292,910	\$ 15,292,910	\$ -
Resources (Inflows)				
Property taxes	49,265,210	49,311,210	49,275,429	(35,781)
Refuse taxes	4,480,190	4,480,190	4,476,793	(3,397)
Police and fire pension taxes	2,594,190	2,594,190	2,594,194	4
Federal, state, and local returns	11,467,230	11,272,080	11,409,706	137,626
Licenses and permits	1,356,400	1,057,400	960,683	(96,717)
Fines and forfeitures	2,747,000	2,818,500	2,836,556	18,056
Charges for services	7,878,010	8,141,610	7,896,549	(245,061)
Cable revenue	1,525,000	1,700,000	1,771,978	71,978
Other revenue	3,552,760	3,876,600	3,701,215	(175,385)
Transfer from other funds	2,169,430	2,145,300	2,137,780	(7,520)
Total resources (inflows)	87,035,420	87,397,080	87,060,883	(336,197)
Charges to Appropriations (Outflows)				
41A District Court	3,145,260	3,153,870	3,150,155	3,715
City administration	8,193,650	8,075,790	7,992,116	83,674
Community relations	1,720,080	1,553,670	1,542,596	11,074
Police department	29,683,160	29,633,210	29,351,195	282,015
Fire department	16,815,070	16,786,310	16,837,829	(51,519)
City development	4,139,650	3,953,400	3,905,556	47,844
Public works department	8,449,190	8,475,790	8,590,074	(114,284)
Refuse collection	4,504,790	4,423,470	4,337,255	86,215
Parks and recreation department	2,646,050	2,526,270	2,489,623	36,647
Public library department	2,871,130	2,841,120	2,831,658	9,462
General expenditures	2,888,640	2,820,460	2,784,525	35,935
Transfers to other funds	3,782,150	3,334,150	3,334,150	-
Total charges to appropriations (outflows)	88,838,820	87,577,510	87,146,732	430,778
Fund Balance - End of year	\$ 13,489,510	\$ 15,112,480	\$ 15,207,061	\$ 94,581

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Roads Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 4,308,987	\$ 4,308,987	\$ 4,308,987	\$ -
Resources (Inflows)				
State sources	5,333,960	4,975,000	5,015,744	40,744
Other	313,000	278,000	224,513	(53,487)
Transfers from other funds	-	200,000	200,000	-
Total resources (inflows)	<u>5,646,960</u>	<u>5,453,000</u>	<u>5,440,257</u>	<u>(12,743)</u>
Charges to Appropriations (Outflows)				
Public works:				
Administration	116,170	155,670	152,140	3,530
Routine maintenance	1,729,500	2,201,000	2,062,491	138,509
Improvements	1,655,100	2,141,500	1,796,976	344,524
Transfers to other funds	<u>3,350,000</u>	<u>3,715,000</u>	<u>3,715,000</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>6,850,770</u>	<u>8,213,170</u>	<u>7,726,607</u>	<u>486,563</u>
Fund Balance - End of year	<u><u>\$ 3,105,177</u></u>	<u><u>\$ 1,548,817</u></u>	<u><u>\$ 2,022,637</u></u>	<u><u>\$ 473,820</u></u>

City of Sterling Heights, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - Community Development Block Grant Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal sources	671,520	664,850	596,331	(68,519)
Charges to Appropriations (Outflows)				
Administrative expenses	11,700	5,030	4,064	966
Books	7,000	7,000	6,997	3
Senior Citizens Home Chore and Minor Home Repair	74,000	74,000	55,038	18,962
Single Parent Education Program	25,000	25,000	24,999	1
Housing Rehabilitation Program	84,410	84,410	57,569	26,841
Community policing	10,000	10,000	10,000	-
Contributions to nonprofit organizations	24,650	24,650	24,425	225
Capital improvements	14,000	14,000	-	14,000
Transfers to other funds	420,760	420,760	413,239	7,521
Total charges to appropriations (outflows)	<u>671,520</u>	<u>664,850</u>	<u>596,331</u>	<u>68,519</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

Required Supplemental Information Pension Systems Schedule of Funding Progress June 30, 2009

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)
General Employees' Retirement System						
12/31/03	\$ 99,270,906	\$ 77,021,654	\$ (22,249,252)	128.9	\$ 14,544,030	(153.0%)
12/31/04	102,510,129	82,169,717	(20,340,412)	124.8	15,251,784	(133.4%)
12/31/05	107,739,690	89,249,361	(18,490,329)	120.7	15,012,036	(123.2%)
12/31/06	118,968,737	95,810,183	(23,158,554)	124.2	15,382,785	(150.5%)
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%)
Police and Fire Retirement System						
12/31/03	\$ 183,664,050	\$ 149,968,630	\$ (33,695,420)	122.5	\$ 18,271,862	(184.4%)
12/31/04	187,265,961	155,818,664	(31,447,297)	120.2	19,906,323	(158.0%)
12/31/05	194,145,450	158,517,125	(35,628,325)	122.5	19,787,496	(180.1%)
12/31/06	204,756,058	156,707,512	(48,048,546)	130.7	19,837,496	(242.2%)
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%
Retiree Medical Benefits Trust						
12/31/08	\$ 17,328,970	\$ 160,689,774	\$ 143,360,804	10.8	\$ 46,814,550	306.2%

City of Sterling Heights, Michigan

Required Supplemental Information Pension Systems Schedule of Funding Progress (Continued) June 30, 2009

General Employees' Retirement System

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
06/30/04	12/31/02	\$ -	100.0
06/30/05	12/31/03	-	100.0
06/30/06	12/31/04	-	100.0
06/30/07	12/31/05	-	100.0
06/30/08	12/31/06	-	100.0
06/30/09	12/31/07	-	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>
06/30/04	12/31/02	\$ 3,545,592	100.0
06/30/05	12/31/03	4,204,831	100.0
06/30/06	12/31/04	2,993,592	100.0
06/30/07	12/31/05	2,646,459	100.0
06/30/08	12/31/06	1,707,910	100.0
06/30/09	12/31/07	2,594,194	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>
06/30/09	12/31/06	\$ 11,265,740	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, 2009

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2008, the latest actuarial valuation, follows:

General Employees' Retirement System

Actuarial cost method	Entry-age
Amortization method	Level dollar
Amortization period (perpetual)	16 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.0% - 13.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.0% - 13.5%
*Includes inflation at	4.5%
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	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.0% - 21.0%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Sterling Heights, Michigan

Note to Required Supplemental Information June 30, 2009

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 revenues and expenditures presented for the General, 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 revenues and expenditures, including budget variances, for the General 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, 2009

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:		
Fire department	\$ 16,786,310	\$ 16,837,829
Public works department	<u>8,475,790</u>	<u>8,590,074</u>
Total General Fund	<u>\$ 25,262,100</u>	<u>\$ 25,427,903</u>

The General Fund had unfavorable variances in the following:

- Fire department was the result of higher than anticipated personnel costs due to increased number of drop participants.
- Public works department was the result of higher than anticipated parts and sublet services due to an aging fleet; increased costs for tree and weed cutting due to storm damages and economic conditions; and higher than anticipated utility costs.

Nonmajor Governmental Funds

**Other Financial and Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

Nonmajor Debt Service Funds					
General Drain	Voted Tax General Obligation	Settlement Bond	Limited Tax General Obligation	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 10,735	\$ 16,552	\$ 3,144	\$ 186	\$ 30,617	\$ 1,608,276
-	119,436	-	-	119,436	1,267,086
-	-	-	-	-	34,135
-	-	-	-	-	238,944
-	-	-	-	-	16,385
-	-	-	-	-	3,335
-	-	-	-	-	338
-	-	-	-	-	316,439
-	-	-	-	-	-
\$ 10,735	\$ 135,988	\$ 3,144	\$ 186	\$ 150,053	\$ 3,484,938
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,178
-	-	-	-	-	173,661
-	-	-	-	-	188
-	-	-	-	-	238,944
-	-	-	-	-	448,971
-	-	-	-	-	32,059
-	-	-	-	-	1,262,306
10,735	135,988	3,144	186	150,053	150,053
-	-	-	-	-	842,968
-	-	-	-	-	748,581
10,735	135,988	3,144	186	150,053	3,035,967
\$ 10,735	\$ 135,988	\$ 3,144	\$ 186	\$ 150,053	\$ 3,484,938

City of Sterling Heights, Michigan

	Nonmajor Special Revenue Funds					Total Nonmajor Special Revenue Funds
	Budget Stabilization	Local Roads	Land and Water Conservation	Public Safety Forfeiture	Neighborhood Stabilization Fund	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	425,022	28,501	453,523
Special assessments	-	34,135	-	-	-	34,135
State sources	-	1,888,484	-	237,153	-	2,125,637
Interest income	-	23,431	17,130	-	-	40,561
Other	-	45,599	72,537	-	-	118,136
Total revenues	-	1,991,649	89,667	662,175	28,501	2,771,992
Expenditures						
Current:						
Public safety	-	-	-	138,121	-	138,121
Public works	-	2,021,593	-	-	28,501	2,050,094
Other	-	-	-	-	-	-
Capital outlay	-	1,383,435	160,853	129,955	-	1,674,243
Debt service	-	-	-	-	-	-
Total expenditures	-	3,405,028	160,853	268,076	28,501	3,862,458
Excess of Revenues Over (Under)						
Expenditures	-	(1,413,379)	(71,186)	394,099	-	(1,090,466)
Other Financing Sources (Uses)						
Proceeds from sale of asset	-	-	149,466	-	-	149,466
Transfers in	-	1,075,000	85,000	-	-	1,160,000
Transfers out	(750,000)	-	-	-	-	(750,000)
Total other financing sources (uses)	(750,000)	1,075,000	234,466	-	-	559,466
Change in Fund Balances	(750,000)	(338,379)	163,280	394,099	-	(531,000)
Fund Balances - Beginning of year	750,000	1,600,685	591,426	474,803	-	3,416,914
Fund Balances - End of year	\$ -	\$ 1,262,306	\$ 754,706	\$ 868,902	\$ -	\$ 2,885,914

**Other Financial and Supplemental Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

Nonmajor Debt Service Funds						
General Drain	Voted Tax General Obligation	Settlement Bond	Limited Tax General Obligation	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds	
\$ 1,169,602	\$ 359,924	\$ -	\$ -	\$ 1,529,526	\$ 1,529,526	
-	-	-	-	-	453,523	
-	-	-	-	-	34,135	
-	-	-	-	-	2,125,637	
21,201	6,782	2,112	74	30,169	70,730	
-	-	-	-	-	118,136	
<u>1,190,803</u>	<u>366,706</u>	<u>2,112</u>	<u>74</u>	<u>1,559,695</u>	<u>4,331,687</u>	
-	-	-	-	-	138,121	
-	-	-	-	-	2,050,094	
3,933	1,719	250	913	6,815	6,815	
-	-	-	-	-	1,674,243	
<u>1,182,628</u>	<u>608,244</u>	<u>1,608,850</u>	<u>1,388,238</u>	<u>4,787,960</u>	<u>4,787,960</u>	
<u>1,186,561</u>	<u>609,963</u>	<u>1,609,100</u>	<u>1,389,151</u>	<u>4,794,775</u>	<u>8,657,233</u>	
4,242	(243,257)	(1,606,988)	(1,389,077)	(3,235,080)	(4,325,546)	
-	-	-	-	-	149,466	
-	325,000	1,606,980	1,384,459	3,316,439	4,476,439	
-	-	-	-	-	(750,000)	
<u>-</u>	<u>325,000</u>	<u>1,606,980</u>	<u>1,384,459</u>	<u>3,316,439</u>	<u>3,875,905</u>	
4,242	81,743	(8)	(4,618)	81,359	(449,641)	
6,493	54,245	3,152	4,804	68,694	3,485,608	
<u>\$ 10,735</u>	<u>\$ 135,988</u>	<u>\$ 3,144</u>	<u>\$ 186</u>	<u>\$ 150,053</u>	<u>\$ 3,035,967</u>	

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2009

Special Revenue Fund - Budget Stabilization

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Charges to Appropriations (Outflows) -				
Transfers to other funds	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Fund - Local Roads

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 1,600,685	\$ 1,600,685	\$ 1,600,685	\$ -
Resources (Inflows)				
State sources	1,945,000	1,895,000	1,888,484	(6,516)
Charges for services	20,000	30,000	28,787	(1,213)
Other	98,900	79,400	74,378	(5,022)
Transfer from other funds	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,075,000</u>	<u>-</u>
Total resources (inflows)	3,138,900	3,079,400	3,066,649	(12,751)
Charges to Appropriations (Outflows)				
Administration	148,090	158,590	151,582	7,008
Local street maintenance	1,736,500	1,955,500	1,870,011	85,489
Local street improvements	<u>1,400,000</u>	<u>1,460,680</u>	<u>1,383,435</u>	<u>77,245</u>
Total charges to appropriations (outflows)	<u>3,284,590</u>	<u>3,574,770</u>	<u>3,405,028</u>	<u>169,742</u>
Fund Balance - End of year	<u>\$ 1,454,995</u>	<u>\$ 1,105,315</u>	<u>\$ 1,262,306</u>	<u>\$ 156,991</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue Fund - Land and Water Conservation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 591,426	\$ 591,426	\$ 591,426	\$ -
Resources (Inflows)				
Federal and state sources	3,000	3,000	-	(3,000)
Other	162,000	238,760	239,133	373
Transfers from other funds	85,000	85,000	85,000	-
Total resources (inflows)	250,000	326,760	324,133	(2,627)
Charges to Appropriations (Outflows)				
Land acquisition	-	7,130	7,411	(281)
Land improvements	97,000	169,440	153,442	15,998
Total charges to appropriations (outflows)	97,000	176,570	160,853	15,717
Fund Balance - End of year	\$ 744,426	\$ 741,616	\$ 754,706	\$ 13,090

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue Fund - Public Safety Forfeiture Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 474,803	\$ 474,803	\$ 474,803	\$ -
Resources (Inflows)				
Federal justice forfeitures	-	167,510	359,762	192,252
Federal treasury forfeitures	-	13,990	62,010	48,020
State forfeitures	-	170,590	199,320	28,730
OWI forfeitures	-	26,100	29,975	3,875
Interest income	-	10,080	11,108	1,028
Total resources (inflows)	-	388,270	662,175	273,905
Charges to Appropriations (Outflows)				
Federal forfeiture expenditures	186,210	97,650	73,551	24,099
Treasury forfeiture expenditures	-	2,690	2,690	-
State forfeiture expenditures	75,910	220,300	187,088	33,212
OWI forfeiture expenditures	-	4,250	4,747	(497)
Total charges to appropriations (outflows)	262,120	324,890	268,076	56,814
Fund Balance - End of year	\$ 212,683	\$ 538,183	\$ 868,902	\$ 330,719

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue Fund - Neighborhood Stabilization Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal sources	-	32,520	28,501	(4,019)
Charges to Appropriations (Outflows)				
Acquisition, rehabilitation, and resale	-	5,000	61	4,939
Acquisition and redevelopment	-	-	100	(100)
Administration costs	-	27,520	28,340	(820)
	<u>-</u>	<u>27,520</u>	<u>28,340</u>	<u>(820)</u>
Total charges to appropriations (outflows)	<u>-</u>	<u>32,520</u>	<u>28,501</u>	<u>4,019</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Fund - General Drain

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 6,493	\$ 6,493	\$ 6,493	\$ -
Resources (Inflows)				
Property taxes	1,165,160	1,165,160	1,164,287	(873)
Other revenue	18,000	18,000	21,201	3,201
Delinquents and penalties	3,900	3,900	5,315	1,415
	<u>1,187,060</u>	<u>1,187,060</u>	<u>1,190,803</u>	<u>3,743</u>
Total resources (inflows)	<u>1,187,060</u>	<u>1,187,060</u>	<u>1,190,803</u>	<u>3,743</u>
Charges to Appropriations (Outflows)				
Other charges	4,430	4,430	3,933	497
Principal	905,000	905,000	905,000	-
Interest	277,630	277,630	277,628	2
	<u>1,187,060</u>	<u>1,187,060</u>	<u>1,186,561</u>	<u>499</u>
Total charges to appropriations (outflows)	<u>1,187,060</u>	<u>1,187,060</u>	<u>1,186,561</u>	<u>499</u>
Fund Balance - End of year	<u>\$ 6,493</u>	<u>\$ 6,493</u>	<u>\$ 10,735</u>	<u>\$ 4,242</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Debt Service Fund - Voted Tax General Obligation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 54,245	\$ 54,245	\$ 54,245	\$ -
Resources (Inflows)				
Property taxes	356,470	356,470	357,061	591
Delinquents and penalties	2,500	2,500	2,863	363
Other revenue	2,700	2,700	6,782	4,082
Transfers from other funds	325,000	325,000	325,000	-
Total resources (inflows)	686,670	686,670	691,706	5,036
Charges to Appropriations (Outflows)				
Proposal F	326,850	252,920	251,419	1,501
Proposal R	359,820	359,820	358,544	1,276
Total charges to appropriations (outflows)	686,670	612,740	609,963	2,777
Fund Balance - End of year	\$ 54,245	\$ 128,175	\$ 135,988	\$ 7,813

Debt Service Fund - Settlement Bond

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 3,152	\$ 3,152	\$ 3,152	\$ -
Resources (Inflows)				
Other revenue	6,000	2,120	2,112	(8)
Transfer from other funds	1,603,100	1,606,980	1,606,980	-
Total resources (inflows)	1,609,100	1,609,100	1,609,092	(8)
Charges to Appropriations (Outflows)				
Principal	1,045,000	1,045,000	1,045,000	-
Interest	563,850	563,850	563,850	-
Other	250	250	250	-
Total charges to appropriations (outflows)	1,609,100	1,609,100	1,609,100	-
Fund Balance - End of year	\$ 3,152	\$ 3,152	\$ 3,144	\$ (8)

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Debt Service Fund - Limited Tax General Obligation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 4,804	\$ 4,804	\$ 4,804	\$ -
Resources (Inflows)				
Other revenue	4,000	80	74	(6)
Transfer from other funds	1,382,460	1,384,460	1,384,459	(1)
Total resources (inflows)	1,386,460	1,384,540	1,384,533	(7)
Charges to Appropriations (Outflows)				
Other charges	910	910	913	(3)
Principal	1,155,000	1,155,000	1,155,000	-
Interest	233,240	233,240	233,238	2
Total charges to appropriations (outflows)	1,389,150	1,389,150	1,389,151	(1)
Fund Balance - End of year	\$ 2,114	\$ 194	\$ 186	\$ (8)

Major Funds

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Major Debt Service and Capital Projects Funds Year Ended June 30, 2009

Debt Service Fund - Road Bond Debt Retirement

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 23,747	\$ 23,747	\$ 23,747	\$ -
Resources (Inflows)				
Other revenue	7,000	1,000	961	(39)
Special assessments	357,000	-	330,693	330,693
Transfer from other funds	<u>2,850,000</u>	<u>2,915,000</u>	<u>2,915,000</u>	<u>-</u>
Total resources (inflows)	3,214,000	2,916,000	3,246,654	330,654
Charges to Appropriations (Outflows)				
Other	1,930	1,900	1,900	-
Principal	2,175,000	2,175,000	2,175,000	-
Interest	<u>834,550</u>	<u>754,580</u>	<u>754,573</u>	<u>7</u>
Total charges to appropriations (outflows)	<u>3,011,480</u>	<u>2,931,480</u>	<u>2,931,473</u>	<u>7</u>
Fund Balance - End of year	<u>\$ 226,267</u>	<u>\$ 8,267</u>	<u>\$ 338,928</u>	<u>\$ 330,661</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, 2009

Capital Projects Fund - General Improvements

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 6,403,789	\$ 6,403,789	\$ 6,403,789	\$ -
Resources (Inflows)				
Federal, state, and local sources	160,000	577,270	323,602	(253,668)
Penalties and interest	2,000	2,000	1,323	(677)
Other revenue	898,900	1,209,060	1,126,309	(82,751)
Transfer from other funds	<u>1,290,150</u>	<u>1,290,150</u>	<u>1,290,150</u>	<u>-</u>
Total resources (inflows)	2,351,050	3,078,480	2,741,384	(337,096)
Charges to Appropriations (Outflows)				
Capital equipment	444,950	1,050,020	804,397	245,623
Capital vehicles	438,000	578,920	568,780	10,140
Capital projects	<u>1,289,000</u>	<u>5,766,320</u>	<u>5,059,677</u>	<u>706,643</u>
Total charges to appropriations (outflows)	<u>2,171,950</u>	<u>7,395,260</u>	<u>6,432,854</u>	<u>962,406</u>
Fund Balance - End of year	<u>\$ 6,582,889</u>	<u>\$ 2,087,009</u>	<u>\$ 2,712,319</u>	<u>\$ 625,310</u>

Capital Projects Fund - Road Bond Construction

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of year	\$ 153,450	\$ 153,450	\$ 153,450	\$ -
Resources (Inflows)				
Other revenues	-	22,000	22,153	153
Transfer from other funds	-	300,000	300,000	-
Issuance of long-term debt	<u>-</u>	<u>3,260,000</u>	<u>3,260,000</u>	<u>-</u>
Total resources (inflows)	-	3,582,000	3,582,153	153
Charges to Appropriations (Outflows)				
Capital outlay	-	3,481,080	3,301,877	179,203
Transfer to other funds	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>-</u>	<u>3,681,080</u>	<u>3,501,877</u>	<u>179,203</u>
Fund Balance - End of year	<u>\$ 153,450</u>	<u>\$ 54,370</u>	<u>\$ 233,726</u>	<u>\$ 179,356</u>

Fiduciary and Agency Funds

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Combining Statement of Fiduciary Net Assets Trust Funds June 30, 2009

	Trust Funds			
	Pension and Other Retirement Benefits Funds			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 4,936,984	\$ 13,521,106	\$ 1,212,788	\$ 19,670,878
Investments - At fair value:				
Government securities	15,993,198	28,233,219	3,497,369	47,723,786
Mutual funds	6,623,386	-	-	6,623,386
Corporate bonds	2,715,490	19,928,058	1,181,586	23,825,134
Common and preferred stocks	62,229,441	77,161,658	15,580,552	154,971,651
Pooled investments	-	7,685,205	-	7,685,205
Receivables - Accrued interest	112,023	547,618	41,724	701,365
Total assets	92,610,522	147,076,864	21,514,019	261,201,405
Liabilities				
Accounts payable	557,226	1,127,237	33,974	1,718,437
Accrued and other liabilities	340,247	627,346	8,850	976,443
Due to other governmental units	-	-	473,407	473,407
Provision for uninsured losses and liabilities	-	-	636,953	636,953
Deferred revenue	7,686	343,532	-	351,218
Total liabilities	905,159	2,098,115	1,153,184	4,156,458
Net Assets - Held in trust for pension and other retirement benefits	\$ 91,705,363	\$ 144,978,749	\$ 20,360,835	\$ 257,044,947

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Trust Funds Year Ended June 30, 2009

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Investment income (loss):				
Interest and dividends	\$ 3,401,007	\$ 5,393,446	\$ 471,085	\$ 9,265,538
Net adjustment to fair value of investments	(29,750,615)	(44,467,425)	(3,978,506)	(78,196,546)
Less investment expenses	<u>(537,437)</u>	<u>(772,132)</u>	<u>(151,141)</u>	<u>(1,460,710)</u>
Net investment loss	(26,887,045)	(39,846,111)	(3,658,562)	(70,391,718)
Securities lending income:				
Interest and fees	166,741	277,848	-	444,589
Less borrower rebates and bank fees	<u>(101,597)</u>	<u>(148,251)</u>	<u>-</u>	<u>(249,848)</u>
Net securities lending income	65,144	129,597	-	194,741
Contributions:				
Employer	-	2,594,194	11,265,740	13,859,934
Employee	990,120	1,150,762	-	2,140,882
Purchase of prior year's service credits	123,807	1,015,941	-	1,139,748
Insurance recovery	<u>-</u>	<u>-</u>	<u>349,051</u>	<u>349,051</u>
Total additions - Net	(25,707,974)	(34,955,617)	7,956,229	(52,707,362)
Deductions				
Benefit payments	5,765,086	12,534,916	5,562,764	23,862,766
Refunds of contributions	<u>770,632</u>	<u>445,459</u>	<u>-</u>	<u>1,216,091</u>
Total deductions	<u>6,535,718</u>	<u>12,980,375</u>	<u>5,562,764</u>	<u>25,078,857</u>
Net Change in Net Assets	(32,243,692)	(47,935,992)	2,393,465	(77,786,219)
Net Assets - Beginning of year	<u>123,949,055</u>	<u>192,914,741</u>	<u>17,967,370</u>	<u>334,831,166</u>
Net Assets - End of year	<u>\$ 91,705,363</u>	<u>\$ 144,978,749</u>	<u>\$ 20,360,835</u>	<u>\$ 257,044,947</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Combining Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2009

	Agency Funds		
	Tax Collections	General Agency	Total
Assets			
Cash and cash equivalents	\$ 7,575	\$ 291,742	\$ 299,317
Investments - At fair value -			
Short-term investment funds	-	2,651,815	2,651,815
Due from other governmental units	-	887	887
	<u>-</u>	<u>887</u>	<u>887</u>
Total assets	<u>\$ 7,575</u>	<u>\$ 2,944,444</u>	<u>\$ 2,952,019</u>
Liabilities			
Accrued and other liabilities	\$ 189	\$ 1,181,039	\$ 1,181,228
Due to other governmental units	7,386	27,348	34,734
Cash bonds and deposits	-	1,736,057	1,736,057
	<u>-</u>	<u>1,736,057</u>	<u>1,736,057</u>
Total liabilities	<u>\$ 7,575</u>	<u>\$ 2,944,444</u>	<u>\$ 2,952,019</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, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Tax Collection</u>				
Assets - Cash and cash equivalents	\$ 91,616	\$ 158,568,099	\$ 158,652,140	\$ 7,575
Liabilities				
Accrued and other liabilities	\$ 688	\$ 75,879	\$ 76,378	\$ 189
Due to other governmental units	90,928	219,969,685	220,053,227	7,386
Total liabilities	\$ 91,616	\$ 220,045,564	\$ 220,129,605	\$ 7,575
<u>General Agency</u>				
Assets				
Cash and cash equivalents	\$ 2,409,224	\$ 10,349,593	\$ 12,467,075	\$ 291,742
Investments - At fair value	849,275	10,988,836	9,186,296	2,651,815
Due from other governmental units	3,213	-	2,326	887
Total assets	\$ 3,261,712	\$ 21,338,429	\$ 21,655,697	\$ 2,944,444
Liabilities				
Accrued and other liabilities	\$ 1,188,067	\$ 875,611	\$ 882,639	\$ 1,181,039
Due to other governmental units	13,576	27,375	13,603	27,348
Cash and bond deposits	2,060,069	6,197,653	6,521,665	1,736,057
Total liabilities	\$ 3,261,712	\$ 7,100,639	\$ 7,417,907	\$ 2,944,444
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 2,500,840	\$ 168,917,692	\$ 171,119,215	\$ 299,317
Investments - At fair value	849,275	10,988,836	9,186,296	2,651,815
Due from other governmental units	3,213	-	2,326	887
Total assets	\$ 3,353,328	\$ 179,906,528	\$ 180,307,837	\$ 2,952,019
Liabilities				
Accrued and other liabilities	\$ 1,188,755	\$ 951,490	\$ 959,017	\$ 1,181,228
Due to other governmental units	104,504	219,997,060	220,066,830	34,734
Cash and bond deposits	2,060,069	6,197,653	6,521,665	1,736,057
Total liabilities	\$ 3,353,328	\$ 227,146,203	\$ 227,547,512	\$ 2,952,019

City of Sterling Heights, Michigan

Statistical Information and Continuing Disclosure Contents

STATISTICAL INFORMATION

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

Financial Trends

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

Net Assets by Component	101
Changes in Net Assets	102-103
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds	105-106*
General Governmental Tax Revenues by Source	107

Revenue Capacity

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

Property Tax Levies and Collections	108*
Property Tax Rates - Direct and Overlapping Governments	109-110*
Assessed Taxable Values (History of Property Values)	111-112*
Principal Property Taxpayers (Major Taxpayers)	113*

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.

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Principal Employers (Major Employers)	122*

* 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	123-124
Capital Asset Statistics by Function	125
Building Permits at Market Value	126
Full-time Equivalent City Government Employees by Function	127

CONTINUING DISCLOSURE

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

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

State-shared Revenues	129
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Labor Agreements	130

Statistical Information

City of Sterling Heights, Michigan

Net Assets by Component Last Eight Fiscal Years (Accrual Basis of Accounting)

	2002*	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
Invested in capital assets - Net of related debt	\$ 149,115,930	\$ 157,319,066	\$ 164,071,091	\$ 165,784,014	\$ 171,697,125	\$ 175,544,446	\$ 175,084,518	\$ 173,670,878
Restricted	18,041,590	13,918,356	8,845,442	5,537,300	13,956,025	6,601,883	12,015,678	10,040,331
Unrestricted	27,748,112	29,284,871	(2,714,472)	(3,747,590)	7,320,525	20,524,819	19,437,952	19,880,753
Total governmental activities - Net assets	\$ 194,905,632	\$ 200,522,293	\$ 170,202,061	\$ 167,573,724	\$ 192,973,675	\$ 202,671,148	\$ 206,538,148	\$ 203,591,962
Business-type activities:								
Invested in capital assets - Net of related debt	\$ 127,892,311	\$ 131,088,312	\$ 135,546,803	\$ 135,416,064	\$ 139,088,895	\$ 137,413,059	\$ 135,723,619	\$ 133,050,974
Restricted	9,064,472	9,286,673	8,525,469	9,029,341	7,050,855	7,418,300	7,522,330	7,605,803
Unrestricted	22,169,256	24,155,268	23,976,948	23,607,368	28,265,921	29,163,010	29,337,877	26,385,878
Total business-type activities - Net assets	\$ 159,126,039	\$ 164,530,253	\$ 168,049,220	\$ 168,052,773	\$ 174,405,671	\$ 173,994,369	\$ 172,583,826	\$ 167,042,655
Primary government:								
Invested in capital assets - Net of related debt	\$ 277,008,241	\$ 288,407,378	\$ 299,617,894	\$ 301,200,078	\$ 310,786,020	\$ 312,957,505	\$ 310,808,137	\$ 306,721,852
Restricted	27,106,062	23,205,029	17,370,911	14,566,641	21,006,880	14,020,183	19,538,008	17,646,134
Unrestricted	49,917,368	53,440,139	21,262,476	19,859,778	35,586,446	49,687,829	48,775,829	46,266,631
Total primary government - Net assets	\$ 354,031,671	\$ 365,052,546	\$ 338,251,281	\$ 335,626,497	\$ 367,379,346	\$ 376,665,517	\$ 379,121,974	\$ 370,634,617

* Prior to the issuance of the financial report for fiscal year ended June 30, 2002, information relative to GASB No. 34 is not available.

City of Sterling Heights, Michigan

	Fiscal Year			
	2002*	2003	2004	2005
Expenses				
Governmental activities:				
General government	\$ 7,958,782	\$ 8,710,448	\$ 9,499,251	\$ 9,873,718
41A District Court	2,354,295	2,480,824	2,690,360	2,852,812
Public safety	33,975,838	37,066,435	39,815,539	42,253,545
Public works	22,945,588	22,555,042	22,838,480	25,464,111
Recreation and culture	5,184,217	5,476,196	6,047,819	5,716,243
Interest on long-term debt	2,243,791	2,266,350	2,022,258	2,585,777
Total governmental activities expenses	74,662,511	78,555,295	82,913,707	88,746,206
Business-type activities - Water and sewer	23,004,156	23,267,170	25,829,284	28,142,434
Total primary government expenses	\$ 97,666,667	\$ 101,822,465	\$ 108,742,991	\$ 116,888,640
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 830,931	\$ 709,161	\$ 714,601	\$ 844,263
41A District Court	1,779,233	1,831,676	2,136,354	2,320,411
Public safety	1,394,218	728,790	1,114,300	1,249,154
Public works	4,922,913	3,566,606	3,855,774	6,241,366
Recreation and culture	411,642	425,400	465,391	513,241
Operating grants and contributions	8,803,688	8,811,085	10,284,432	9,547,201
Capital grants and contributions	231,693	1,777,966	3,142,226	1,336,930
Total governmental activities program revenues	18,374,318	17,850,684	21,713,078	22,052,566
Business-type activities - Water and sewer:				
Charges for services	17,625,565	20,563,318	20,385,299	22,619,205
Operating grants and contributions	-	30,806	-	-
Capital grants and contributions	4,385,957	6,847,385	8,430,400	4,911,208
Total business-type activities program revenues	22,011,522	27,441,509	28,815,699	27,530,413
Total primary government program revenues	\$ 40,385,840	\$ 45,292,193	\$ 50,528,777	\$ 49,582,979
Net (Expense) Revenue				
Governmental activities	\$ (56,288,193)	\$ (60,704,611)	\$ (61,200,629)	\$ (66,693,640)
Business-type activities	(992,634)	4,174,339	2,986,415	(612,021)
Total primary government net expense	\$ (57,280,827)	\$ (56,530,272)	\$ (58,214,214)	\$ (67,305,661)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 44,784,294	\$ 46,791,310	\$ 48,495,510	\$ 50,357,630
State-shared revenues	13,315,069	14,431,298	11,249,778	11,127,156
Interest	1,913,772	2,058,855	709,149	1,155,124
Gain on disposal of capital assets	975,870	-	-	105,454
Insurance proceeds	-	-	-	-
Other non-program revenues	1,769,580	3,039,809	1,425,963	1,319,937
Extraordinary item	-	-	(31,000,000)	-
Total governmental activities expenses	62,758,585	66,321,272	30,880,400	64,065,301
Business-type activities - Interest	1,036,590	1,229,875	532,552	615,574
Total primary government	\$ 63,795,175	\$ 67,551,147	\$ 31,412,952	\$ 64,680,875
Change in Net Assets				
Governmental activities	\$ 6,470,392	\$ 5,616,661	\$ (30,320,229)	\$ (2,628,339)
Business-type activities	43,956	5,404,214	3,518,967	3,553
Total primary government	\$ 6,514,348	\$ 11,020,875	\$ (26,801,262)	\$ (2,624,786)

*Prior to the issuance of the financial report for fiscal year ended June 30, 2002, information relative to GASB No. 34 is not available.

**Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)**

Fiscal Year			
2006	2007	2008	2009
\$ 8,760,970	\$ 10,348,927	\$ 11,017,399	\$ 8,877,803
2,864,422	2,992,184	3,164,448	3,251,224
41,327,439	43,995,464	48,044,223	49,201,944
24,181,418	22,603,155	24,083,515	24,904,207
5,989,344	5,890,651	6,322,163	6,112,129
2,463,042	1,922,125	1,921,428	1,956,286
85,586,635	87,752,506	94,553,176	94,303,593
28,106,435	30,290,386	32,784,120	32,292,608
\$ 113,693,070	\$ 118,042,892	\$ 127,337,296	\$ 126,596,201
\$ 1,829,127	\$ 2,022,680	\$ 2,216,008	\$ 2,229,296
2,424,477	2,185,724	2,351,225	2,426,813
1,394,981	1,326,061	1,984,318	1,571,100
6,813,150	8,125,228	6,363,346	2,869,634
583,627	563,152	629,818	733,598
9,184,599	9,148,913	8,525,230	8,957,951
2,751,871	2,638,714	3,173,757	478,676
24,981,832	26,010,472	25,243,702	19,267,068
24,944,170	25,404,755	27,456,965	24,495,066
-	-	-	-
8,364,981	2,662,317	2,461,289	867,991
33,309,151	28,067,072	29,918,254	25,363,057
\$ 58,290,983	\$ 54,077,544	\$ 55,161,956	\$ 44,630,125
\$ (60,604,803)	\$ (61,742,034)	\$ (69,309,474)	\$ (75,036,434)
5,202,716	(2,223,314)	(2,865,866)	(6,929,551)
\$ (55,402,087)	\$ (63,965,348)	\$ (72,175,340)	\$ (81,965,985)
\$ 52,574,000	\$ 55,624,617	\$ 58,331,682	\$ 57,875,942
11,003,347	10,675,667	10,675,667	10,183,758
2,034,936	3,383,824	3,075,919	2,278,601
256,994	227,321	-	-
18,763,736	-	-	-
1,371,831	1,527,988	1,093,203	1,751,947
-	-	-	-
86,004,844	71,439,417	73,176,471	72,090,248
1,150,182	1,812,012	1,455,323	1,388,380
\$ 87,155,026	\$ 73,251,429	\$ 74,631,794	\$ 73,478,628
\$ 25,400,041	\$ 9,697,383	\$ 3,866,997	\$ (2,946,186)
6,352,898	(411,302)	(1,410,543)	(5,541,171)
\$ 31,752,939	\$ 9,286,081	\$ 2,456,454	\$ (8,487,357)

City of Sterling Heights, Michigan

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund:										
Reserved	\$ 617,242	\$ 528,424	\$ 489,404	\$ 580,930	\$ 593,593	\$ 655,400	\$ 662,581	\$ 679,962	\$ 643,564	\$ 767,986
Unreserved	<u>14,915,455</u>	<u>15,923,759</u>	<u>17,346,558</u>	<u>17,641,156</u>	<u>19,057,927</u>	<u>13,345,638</u>	<u>14,387,663</u>	<u>15,037,933</u>	<u>14,649,346</u>	<u>14,439,075</u>
Total General Fund	<u>\$ 15,532,697</u>	<u>\$ 16,452,183</u>	<u>\$ 17,835,962</u>	<u>\$ 18,222,086</u>	<u>\$ 19,651,520</u>	<u>\$ 14,001,038</u>	<u>\$ 15,050,244</u>	<u>\$ 15,717,895</u>	<u>\$ 15,292,910</u>	<u>\$ 15,207,061</u>
All other governmental funds:										
Reserved	\$ 1,690,683	\$ 1,982,635	\$ 679,942	\$ 1,060,623	\$ 1,027,906	\$ 735,565	\$ 1,536,063	\$ 534,266	\$ 5,321,181	\$ 468,719
Unreserved, reported in:										
Special Revenue Funds	17,671,853	17,255,612	20,268,530	15,588,126	10,981,941	5,168,955	2,547,940	5,810,853	6,950,614	4,665,274
Debt Service Funds	791,593	599,914	545,540	277,483	248,467	236,999	284,417	118,705	92,441	488,981
Capital Projects Funds	<u>6,006,021</u>	<u>4,685,906</u>	<u>5,136,412</u>	<u>3,866,901</u>	<u>2,861,154</u>	<u>3,446,888</u>	<u>3,756,197</u>	<u>2,662,224</u>	<u>2,011,345</u>	<u>2,720,603</u>
Total all other governmental funds	<u>\$ 26,160,150</u>	<u>\$ 24,524,067</u>	<u>\$ 26,630,424</u>	<u>\$ 20,793,133</u>	<u>\$ 15,119,468</u>	<u>\$ 9,588,407</u>	<u>\$ 8,124,617</u>	<u>\$ 9,126,048</u>	<u>\$ 14,375,581</u>	<u>\$ 8,343,577</u>

City of Sterling Heights, Michigan

	2000	2001	2002 (1)	2003	2004
Revenues					
Property taxes	\$ 41,266,995	\$ 42,155,402	\$ 44,773,685	\$ 46,791,310	\$ 48,495,510
Fees and permits	1,855,159	2,253,273	1,916,542	2,036,864	2,318,120
Federal sources	1,178,322	1,657,762	1,280,774	752,977	1,629,936
State and local sources	19,281,979	20,293,929	20,676,922	20,161,887	20,176,008
Fines and forfeitures	2,798,853	2,781,114	2,299,389	2,587,756	3,069,824
Charges for services	5,451,881	5,791,473	5,514,851	5,875,269	6,334,722
Interest income	3,424,163	3,509,122	1,921,851	1,760,354	567,049
Special assessments	319,727	164,086	179,973	68,497	372,917
Rental income	1,035,063	1,240,272	1,047,761	1,253,148	1,298,796
Cable revenue	972,802	1,264,214	1,302,183	1,120,768	1,224,778
Reimbursement of advance road construction	-	-	-	-	-
Other	1,388,993	1,110,088	2,074,758	1,927,055	2,758,591
Total revenues	78,973,937	82,220,735	82,988,689	84,335,885	88,246,251
Expenditures					
Current:					
General government	7,663,131	8,368,507	8,550,972	8,733,703	9,091,026
41A District Court	1,999,838	2,131,093	2,178,525	2,173,817	2,342,220
Public safety	28,089,598	30,386,650	30,913,608	33,857,315	35,779,556
Public works	15,456,764	16,492,407	16,910,029	18,334,751	18,280,775
Recreation and culture	3,795,871	4,035,209	4,323,476	4,447,809	4,553,035
General expenditures	2,505,031	2,454,301	2,539,196	2,771,249	3,388,336
Capital outlay	18,815,645	14,107,920	13,053,333	11,763,846	13,041,634
Debt service:					
Principal	5,299,440	5,667,440	5,051,381	4,466,382	4,436,681
Interest	1,994,942	2,380,172	2,243,791	1,968,669	1,827,203
Total expenditures	85,620,260	86,023,699	85,764,311	88,517,541	92,740,466
Excess of Expenditures Over Revenues	(6,646,323)	(3,802,964)	(2,775,622)	(4,181,656)	(4,494,215)
Other Financing Sources (Uses)					
Long-term financing	7,859,080	4,421,872	1,725,000	4,916,772	30,355,000
Proceeds from sale of fixed assets	-	-	1,338,442	-	-
Bond premium	-	-	-	-	975,374
Net payments to refunded bond escrow agent and bond issuance costs	-	-	-	(4,916,772)	(5,075,000)
Transfers in	10,050,315	10,389,950	12,319,565	8,807,280	6,462,170
Transfers out	(10,050,315)	(10,389,950)	(12,319,565)	(8,807,280)	(6,462,170)
Total other financing sources	7,859,080	4,421,872	3,063,442	-	26,255,374
Net Change in Fund Balances - Before extraordinary items	1,212,757	618,908	287,820	(4,181,656)	21,761,159
Extraordinary Items - Lawsuit settlement payments	-	-	-	-	(25,000,000)
Net Change in Fund Balances	\$ 1,212,757	\$ 618,908	\$ 287,820	\$ (4,181,656)	\$ (3,238,841)
Debt Service as a Percentage of Noncapital Expenditures	10.92%	11.19%	10.03%	8.38%	7.86%

(1) Information presented prior to the implementation of GASB No. 34 has been combined to reflect such activity.

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

2005	2006	2007	2008	2009
\$ 50,357,630	\$ 52,574,000	\$ 55,624,617	\$ 58,331,682	\$ 57,875,942
2,012,360	1,986,333	1,784,156	1,352,594	960,683
2,069,321	3,198,148	2,755,145	1,001,641	1,419,052
19,607,043	19,721,028	19,894,287	18,939,977	18,505,491
2,995,613	2,890,745	2,563,520	2,755,701	2,836,556
6,695,039	7,795,120	8,038,601	7,988,183	7,896,549
977,664	1,788,092	2,511,234	2,316,653	1,580,754
73,776	28,017	130,082	92,745	243,123
1,566,845	1,357,037	1,443,651	1,727,929	1,798,484
1,319,937	1,371,831	1,527,988	1,671,094	1,771,978
-	-	-	2,440,414	-
<u>1,980,022</u>	<u>1,731,700</u>	<u>1,511,396</u>	<u>1,755,645</u>	<u>2,007,807</u>
89,655,250	94,442,051	97,784,677	100,374,258	96,896,419
10,042,438	10,109,764	10,562,158	11,244,018	9,534,712
2,472,160	2,660,587	2,847,111	2,974,001	3,150,155
38,346,169	39,440,275	41,610,977	44,435,670	46,327,145
21,418,948	18,545,503	18,734,562	20,134,496	21,273,705
4,669,116	4,868,429	5,180,497	5,358,825	5,321,281
2,651,054	3,555,955	3,791,084	2,945,761	2,793,240
12,476,405	10,576,821	14,756,585	7,402,019	13,212,947
5,056,539	5,030,000	14,000,000	5,685,000	5,735,000
<u>2,334,584</u>	<u>2,479,375</u>	<u>2,336,756</u>	<u>1,938,403</u>	<u>1,982,533</u>
<u>99,467,413</u>	<u>97,266,709</u>	<u>113,819,730</u>	<u>102,118,193</u>	<u>109,330,718</u>
(9,812,163)	(2,824,658)	(16,035,053)	(1,743,935)	(12,434,299)
13,720,000	-	7,900,000	5,000,000	3,260,000
476,081	550,074	-	-	149,466
91,759	-	26,815	50,143	-
(8,511,067)	-	-	-	-
8,354,684	9,931,683	18,458,535	9,716,170	11,319,369
<u>(6,639,684)</u>	<u>(8,071,683)</u>	<u>(8,681,215)</u>	<u>(8,197,830)</u>	<u>(8,412,389)</u>
<u>7,491,773</u>	<u>2,410,074</u>	<u>17,704,135</u>	<u>6,568,483</u>	<u>6,316,446</u>
(2,320,390)	(414,584)	1,669,082	4,824,548	(6,117,853)
(6,000,000)	-	-	-	-
<u>\$ (8,320,390)</u>	<u>\$ (414,584)</u>	<u>\$ 1,669,082</u>	<u>\$ 4,824,548</u>	<u>\$ (6,117,853)</u>
8.50%	8.66%	16.49%	8.06%	8.05%

City of Sterling Heights, Michigan

General Government Tax Revenues 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	
2000	\$ 31,106,672	\$ 3,937,131	\$ 2,120,379	\$ 37,164,182	\$ 1,096,095	\$ 3,006,718	\$ 4,102,813	\$ 41,266,995
2001	31,836,229	4,231,574	2,207,727	38,275,530	818,785	3,061,087	3,879,872	42,155,402
2002	35,424,907	4,396,245	1,579,658	41,400,810	1,295,294	2,077,581	3,372,875	44,773,685
2003	36,500,172	4,660,074	2,746,657	43,906,903	1,435,644	1,448,763	2,884,407	46,791,310
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

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			
2000	2001	\$ 42,334,773	\$ 41,427,546	97.86	\$ 581,589	\$ 42,009,135	99.23
2001	2002	44,791,080	43,840,834	97.88	602,398	44,443,232	99.22
2002	2003	46,900,401	45,827,067	97.71	710,729	46,537,796	99.23
2003	2004	48,561,542	47,590,646	98.00	680,399	48,271,045	99.40
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 (2)	-	-	-	-	-

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

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

Source: City Treasurer's Office

City of Sterling Heights, Michigan

Fiscal Year (Tax Year)	City Direct Rates						Overlapping Rates							
	Operating (1)	Refuse	Police and Fire Retirement System	Drain Debt Service	Public Improvement Debt Service	Total	Macomb Intermediate School District	Macomb Community College	Huron/ Clinton Metro Authority	S.M.A.R.T.	Macomb County			
											County Zoo Authority	Veterans Operations	Operating	Drain Debt Service
2000 (1999)														
Homestead	8.26879	1.04657	0.56364	0.29142	0.79958	10.97000	2.02100	1.58400	0.22180	0.32730	0.00000	0.00000	4.20000	0.00800
Non-homestead	8.26879	1.04657	0.56364	0.29142	0.79958	10.97000	2.02100	1.58400	0.22180	0.32730	0.00000	0.00000	4.20000	0.00800
2001 (2000)														
Homestead	8.08550	1.07470	0.56070	0.21070	0.78840	10.72000	2.02100	1.51400	0.22020	0.32730	0.00000	0.00000	4.20000	0.00700
Non-homestead	8.08550	1.07470	0.56070	0.21070	0.78840	10.72000	2.02100	1.51400	0.22020	0.32730	0.00000	0.00000	4.20000	0.00700
2002 (2001)														
Homestead	8.43430	1.04670	0.37610	0.30700	0.48590	10.65000	2.00330	1.67070	0.22020	0.32730	0.00000	0.00000	4.20000	0.00600
Non-homestead	8.43430	1.04670	0.37610	0.30700	0.48590	10.65000	2.00330	1.67070	0.22020	0.32730	0.00000	0.00000	4.20000	0.00600
2003 (2002)														
Homestead	8.2923	1.0587	0.6240	0.3264	0.3286	10.6300	2.9863	1.6925	0.2170	0.6000	0.0000	0.0000	4.2000	0.0058
Non-homestead	8.2923	1.0587	0.6240	0.3264	0.3286	10.6300	2.9863	1.6925	0.2170	0.6000	0.0000	0.0000	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0058
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	4.2000	0.0055
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	4.2000	0.0055
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	4.2000	0.0055
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	4.2000	0.0055
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	4.2000	0.0055
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	4.2000	0.0055

(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, 2009.

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	
Utica Community School District (2)				Warren Consolidated School District (2)							
State Education Tax	Operating/ Local	Supplemental	Debt	State Education Tax	Operating/ Local	Supplemental	Sinking	Debt	Utica Community	Warren Consolidated	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	8.3456	0.0000	1.0000	28.8321	34.6777	
6.0000	18.0000	0.0000	3.5000	6.0000	18.0000	0.0000	0.0000	1.0000	46.8321	44.3321	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	7.8163	0.0000	1.0000	28.5095	33.8258	
6.0000	18.0000	0.0000	3.5000	6.0000	18.0000	0.0000	0.0000	1.0000	46.5095	44.0095	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	7.8971	0.0000	1.0000	28.5775	33.9746	
6.0000	18.0000	0.0000	3.5000	6.0000	18.0000	0.0000	0.0000	1.0000	46.5775	44.0775	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	7.4662	0.9964	2.5000	29.8316	37.2942	
6.0000	18.0000	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.5000	47.8316	47.8280	
5.0000	0.0000	0.0000	3.5000	5.0000	0.0000	7.3342	0.9964	2.3500	28.7030	35.8836	
5.0000	18.0000	0.0000	3.5000	5.0000	18.0000	0.0000	0.9964	2.3500	46.7030	46.5494	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	6.7662	0.9964	2.2800	29.6028	36.1454	
6.0000	18.0000	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.6028	47.3792	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	6.7166	0.9964	2.2800	29.5008	35.9938	
6.0000	17.9316	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.4324	47.2772	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	6.5530	0.9964	2.2800	29.5993	35.9287	
6.0000	17.9316	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.5309	47.3757	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	5.9594	0.9964	2.2800	29.5993	35.3351	
6.0000	17.9316	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.5309	47.3757	
6.0000	0.0000	0.0000	3.5000	6.0000	0.0000	5.2688	0.9964	2.1500	29.8001	34.7153	
6.0000	17.9316	0.0000	3.5000	6.0000	18.0000	0.0000	0.9964	2.1500	47.7317	47.4465	

City of Sterling Heights, Michigan

	2000	2001	2002	2003	2004
State Equalized Value					
SEV Equivalent	\$ 4,095,828,980	\$ 4,384,642,350	\$ 4,786,398,900	\$ 5,272,934,560	\$ 5,553,761,050
IFT Exemption	<u>184,401,100</u>	<u>205,204,050</u>	<u>261,109,300</u>	<u>259,867,600</u>	<u>226,175,750</u>
Total SEV	<u>\$ 4,280,230,080</u>	<u>\$ 4,589,846,400</u>	<u>\$ 5,047,508,200</u>	<u>\$ 5,532,802,160</u>	<u>\$ 5,779,936,800</u>
Taxable Value					
<u>By Class:</u>					
Real property	\$ 2,974,814,700	\$ 3,145,249,054	\$ 3,356,956,900	\$ 3,587,248,700	\$ 3,764,758,000
Personal property	<u>949,326,300</u>	<u>979,571,300</u>	<u>1,086,927,400</u>	<u>1,071,358,000</u>	<u>1,025,224,600</u>
Total value	<u>\$ 3,924,141,000</u>	<u>\$ 4,124,820,354</u>	<u>\$ 4,443,884,300</u>	<u>\$ 4,658,606,700</u>	<u>\$ 4,789,982,600</u>
<u>By Type:</u>					
Residential	\$ 2,192,313,900	\$ 2,329,156,554	\$ 2,502,544,100	\$ 2,685,708,600	\$ 2,820,357,100
Commercial	420,041,700	446,957,000	465,723,900	496,719,500	529,584,800
Industrial	335,000,300	343,988,000	359,713,900	373,247,900	383,343,100
Personal property	607,982,900	594,310,700	593,683,800	583,195,500	607,793,500
IFT real and personal property	<u>368,802,200</u>	<u>410,408,100</u>	<u>522,218,600</u>	<u>519,735,200</u>	<u>448,904,100</u>
Total	3,924,141,000	4,124,820,354	4,443,884,300	4,658,606,700	4,789,982,600
Less exempt property	<u>(184,401,100)</u>	<u>(205,204,050)</u>	<u>(261,109,300)</u>	<u>(259,867,600)</u>	<u>(224,452,050)</u>
Total taxable value	<u>\$ 3,739,739,900</u>	<u>\$ 3,919,616,304</u>	<u>\$ 4,182,775,000</u>	<u>\$ 4,398,739,100</u>	<u>\$ 4,565,530,550</u>
Total direct tax rate (l)	<u>\$ 10.97000</u>	<u>\$ 10.72000</u>	<u>\$ 10.65000</u>	<u>\$ 10.63000</u>	<u>\$ 10.62500</u>
Total taxable value as					
a % of SEV equivalent	91.31%	89.39%	87.39%	83.42%	82.21%
Total taxable value as					
a % of total value	95.30%	95.03%	94.12%	94.42%	95.31%

(l) This rate is applied 100% to the total taxable value.

Source: City of Sterling Heights, Assessors Office

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

2005	2006	2007	2008	2009
\$ 5,754,101,500	\$ 5,997,740,400	\$ 6,230,684,225	\$ 6,380,752,375	\$ 5,940,796,525
221,346,700	225,091,700	223,376,725	290,426,725	255,549,975
<u>\$ 5,975,448,200</u>	<u>\$ 6,222,832,100</u>	<u>\$ 6,454,060,950</u>	<u>\$ 6,671,179,100</u>	<u>\$ 6,196,346,500</u>
\$ 3,970,808,500	\$ 4,195,815,400	\$ 4,451,151,600	\$ 4,645,291,550	\$ 4,599,077,850
968,119,700	949,766,100	944,127,850	1,053,774,300	1,007,788,550
<u>\$ 4,938,928,200</u>	<u>\$ 5,145,581,500</u>	<u>\$ 5,395,279,450</u>	<u>\$ 5,699,065,850</u>	<u>\$ 5,606,866,400</u>
\$ 2,990,452,700	\$ 3,151,356,400	\$ 3,327,952,350	\$ 3,480,892,950	\$ 3,451,602,900
548,866,900	588,205,000	638,272,700	692,716,600	706,330,000
397,910,200	416,252,900	445,399,650	430,477,050	405,605,650
567,204,500	548,022,100	540,032,000	515,469,150	532,258,650
434,493,900	441,745,100	443,622,750	579,510,100	511,069,200
4,938,928,200	5,145,581,500	5,395,279,450	5,699,065,850	5,606,866,400
(217,246,950)	(220,872,550)	(221,811,375)	(289,755,050)	(255,534,600)
<u>\$ 4,721,681,250</u>	<u>\$ 4,924,708,950</u>	<u>\$ 5,173,468,075</u>	<u>\$ 5,409,310,800</u>	<u>\$ 5,351,331,800</u>
<u>\$ 10.62500</u>	<u>\$ 10.62500</u>	<u>\$ 10.72500</u>	<u>\$ 10.72500</u>	<u>\$ 10.78580</u>
82.06%	82.11%	83.03%	84.78%	90.08%
95.60%	95.71%	95.89%	94.92%	95.44%

City of Sterling Heights, Michigan

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

Company Name	Product/Service	Year Ended June 30, 2009			Year Ended June 30, 2000		
		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	\$ 245,395,225	1	4.59	\$ 245,750,050	2	6.57
Ford Motor Company	Automotive manufacturing and drive shafts	242,280,950	2	4.53	286,802,950	1	7.67
DTE Energy	Public electric utility	36,429,750	3	0.68	48,433,200	3	1.30
Detroit News Agency	Printing plant - Newspapers	34,728,500	4	0.65	17,310,700	7	0.46
Lakeside Associates	Retail shopping center	31,452,700	5	0.59	30,406,800	4	0.81
General Dynamics	Administrative engineering and design	31,445,800	6	0.59	26,173,900	5	0.70
Laurel/Shoal Creek	Office and apartment complex	18,532,450	7	0.35	14,292,500	10	0.38
Ledd's Development	Office and business complex	16,117,500	8	0.30	-	-	-
Market Place Properties	Retail shopping center	13,807,900	9	0.26	-	-	-
Comcast Cable	Cable communications	13,404,850	10	0.25	-	-	-
Consumers Power	Public utility for gas	-	-	-	17,238,100	8	0.46
T.R.W.	Auto sub-component assembly	-	-	-	18,663,550	6	0.50
MNP Corporation	Nut, bolt, and wire manufacturer	-	-	-	15,592,100	9	0.42
	Ten largest taxpayers	683,595,625		12.79	720,663,850		19.27
	Other taxpayers	4,667,736,175			3,019,076,050		
	Total taxable value	\$ 5,351,331,800			\$ 3,739,739,900		

Source: City of Sterling Heights Assessor's Office

City of Sterling Heights, Michigan

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	County Issued Bonds	Amounts Available in Debt Service Funds	Total	Percentage of Estimated Total Taxable Value of Property (1)	Population	Per Capita
2000	\$ 18,090,000	\$ 6,528,423	\$ (255,877)	\$ 24,362,546	0.5948	124,471	\$ 195.73
2001	14,680,000	10,485,984	(112,528)	25,053,456	0.5714	125,140	200.20
2002	12,180,000	11,319,602	(62,846)	23,436,756	0.4897	125,800	186.30
2003	9,125,000	10,403,220	(15,300)	19,512,920	0.3701	126,470	154.29
2004	33,745,000	9,936,539	(8,007)	43,673,532	0.7864	127,270	343.16
2005	31,735,000	9,060,000	(61,570)	40,733,430	0.7079	128,026	318.17
2006	29,705,000	8,230,000	(88,166)	37,846,834	0.6310	128,692	294.09
2007	21,590,000	7,325,000	(66,116)	28,848,884	0.4630	128,914	223.78
2008	23,635,000	6,495,000	(68,694)	30,061,306	0.4711	128,500	233.94
2009	20,985,000	5,590,000	(150,053)	26,424,947	0.4141	128,500	205.64

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				Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County- issued Bonds				
2000	\$ 18,090,000	\$ 21,960,000	\$ 1,175,000	\$ 6,528,423	\$ 47,753,423	1.54%	124,471	\$ 383.65
2001	14,680,000	20,635,000	975,000	10,485,984	46,775,984	1.50%	125,140	373.79
2002	12,180,000	19,175,000	775,000	11,319,602	43,449,602	1.38%	125,800	345.39
2003	9,125,000	18,995,000	575,000	10,403,220	39,098,220	1.24%	126,470	309.15
2004	33,745,000	15,910,000	350,000	9,936,539	59,941,539	1.89%	127,270	470.98
2005	31,735,000	19,735,000	125,000	9,060,000	60,655,000	1.91%	128,026	473.77
2006	29,705,000	17,690,000	-	8,230,000	55,625,000	1.74%	128,692	432.23
2007	21,590,000	20,610,000	-	7,325,000	49,525,000	1.55%	128,914	384.17
2008	23,635,000	18,710,000	-	6,495,000	48,840,000	1.52%	128,500	380.08
2009	20,985,000	16,535,000	3,260,000	5,590,000	46,370,000	1.44%	128,500	360.86

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

Governmental Activities Debt Direct and Overlapping June 30, 2009

Direct Debt

General Obligation Bonds

05/01/99	Roads		
06/14/04	Judgment Funding, LT	\$ 10,870,000	
04/27/05	Limited Tax	2,720,000	
04/01/07	Limited Tax	2,100,000	
6/9/2008	Fire Stations, UT	<u>4,900,000</u>	\$ 20,590,000

Building Authority Bonds

02/02/00	City Center Commons		
11/05/03	Judicial Center Refunding, Series 2003	<u>395,000</u>	395,000

Michigan Transportation Fund Bonds

05/01/99	Bonds	2,600,000	
07/30/02	Refunding Bonds, Series 2002	330,000	
12/09/03	Refunding Bonds, Series 2003	1,455,000	
04/05/05	Refunding Bonds, Series 2005	2,850,000	
05/19/05	Bonds	4,850,000	
04/01/07	Bonds	<u>4,450,000</u>	16,535,000

Special Assessment Bonds

08/01/08	Improvements		3,260,000
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Share of County-issued Drain Bonds

			<u>5,590,000</u>
	Total direct debt outstanding		46,370,000
Less:	MTF Bonds	16,535,000	
	Special Assessment Bonds	<u>3,260,000</u>	<u>19,795,000</u>
	Net direct debt outstanding		26,575,000

Overlapping Debt

40.24%	Utica Community School District	199,660,000	80,343,184
43.39%	Warren Consolidated School District	128,860,000	55,912,354
16.02%	Macomb County at large	61,434,001	9,841,727
15.68%	Macomb Intermediate School District	1,000,000	<u>156,800</u>
	Total overlapping debt		<u>146,254,065</u>
	Net direct debt outstanding and overlapping debt		<u>\$ 172,829,065</u>

Source: Municipal Advisory Council of Michigan, Detroit, Michigan

City of Sterling Heights, Michigan

Legal Debt Margin June 30, 2009

Valuation for debt limit:		
2008 State Equalized Value (2009 Fiscal Year)		\$ 5,685,246,550
Addback of Assessed Value Equivalent - 2008 SEV of Act 198 exemptions		<u>511,099,950</u>
Total valuation for debt limit		<u>\$ 6,196,346,500</u>
Debt limit (10 percent of state equalized valuation and equivalent) (1)		\$ 619,634,650
Debt applicable to limit:		
Amount of total direct outstanding debt	\$ 46,370,000	
Less: Michigan Transportation Fund Bonds	16,535,000	
Special Assessment Bonds	<u>3,260,000</u>	
Net debt applicable limit		<u>26,575,000</u>
Legal debt margin		<u>\$ 593,059,650</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				
	2000	2001	2002	2003	2004
Debt limit	\$ 428,023,008	\$ 458,984,640	\$ 504,750,820	\$ 553,280,216	\$ 577,993,680
Total net debt applicable to limit	<u>(24,618,423)</u>	<u>(25,165,984)</u>	<u>(23,499,602)</u>	<u>(19,528,220)</u>	<u>(43,681,539)</u>
Legal debt margin	<u>\$403,404,585</u>	<u>\$433,818,656</u>	<u>\$481,251,218</u>	<u>\$533,751,996</u>	<u>\$534,312,141</u>
Total net debt applicable to the limit as a percentage of debt limit	5.75%	5.48%	4.66%	3.53%	7.56%

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 597,544,820	\$ 622,283,210	\$ 645,406,095	\$ 667,117,910	\$ 619,634,650
Total net debt applicable to limit	<u>(40,795,000)</u>	<u>(37,935,000)</u>	<u>(28,915,000)</u>	<u>(30,130,000)</u>	<u>(26,575,000)</u>
Legal debt margin	<u>\$556,749,820</u>	<u>\$584,348,210</u>	<u>\$616,491,095</u>	<u>\$636,987,910</u>	<u>\$593,059,650</u>
Total net debt applicable to the limit as a percentage of debt limit	6.83%	6.10%	4.48%	4.52%	4.29%

City of Sterling Heights, Michigan

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year Ended	Limited Tax Obligation Bonds					Coverage
	Collections	Debt Service			Total	
		Principal	Interest			
2000	\$ 838,136	\$ 620,000	\$ 216,173	\$ 836,173	1.002	
2001	1,069,510	710,000	357,540	1,067,540	1.002	
2002	1,058,238	725,000	331,535	1,056,535	1.002	
2003	683,173	375,000	306,723	681,723	1.002	
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	

Fiscal Year Ended	Michigan Transportation Fund Bonds					Coverage
	Collections	Debt Service			Total	
		Principal	Interest			
2000	\$ 3,198,450	\$ 1,315,000	\$ 960,470	\$ 2,275,470	1.406	
2001	3,049,816	1,525,000	1,100,805	2,625,805	1.162	
2002	3,175,854	1,660,000	1,031,928	2,691,928	1.180	
2003	3,397,164	1,758,227	1,060,828	2,819,055	1.205	
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	681,545	2,856,545	1.149	

Fiscal Year Ended	Special Assessment Bonds					Coverage (1)
	Collections (1)	Debt Service			Total	
		Principal	Interest			
2000	\$ 222,380	\$ 165,000	\$ 60,136	\$ 225,136	0.988	
2001	192,015	200,000	51,963	251,963	0.762	
2002	169,933	200,000	42,694	242,694	0.700	
2003	120,853	200,000	33,188	233,188	0.518	
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	-	-	-	-	

(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 (1)	Education Age 25 or Older (1)		Per Capita Income (1)	Income (in thousands)	Number of Households (2)	Median Household Income (in 1999 dollars) (2)	Unemployment Rate (3)
			High School Graduate or Higher	Bachelor's Degree or Higher					
2000	124,471	37	84.0%	23.0%	\$ 24,958	\$ 3,106,547	\$ 45,594	\$ 60,494	2.5%
2001	125,140	N/A	N/A	N/A	N/A	3,123,244	46,072	60,494	4.1%
2002	125,800	N/A	N/A	N/A	N/A	3,139,716	48,775	60,494	4.8%
2003	126,470	N/A	N/A	N/A	N/A	3,156,438	48,990	60,494	5.3%
2004	127,270	N/A	N/A	N/A	N/A	3,176,405	49,260	60,494	5.4%
2005	128,026	N/A	N/A	N/A	N/A	3,195,273	49,405	60,494	5.6%
2006	128,692	N/A	N/A	N/A	N/A	3,211,895	49,871	60,494	6.3%
2007	128,914	N/A	N/A	N/A	N/A	3,217,436	50,761	60,494	7.3%
2008	128,500	N/A	N/A	N/A	N/A	3,224,574	50,375	60,494	8.8%
2009	128,500	N/A	N/A	N/A	N/A	3,231,712	49,735	60,494	14.1%

Sources:

- (1) United States Census Bureau - 2000 Census (last reported)
- (2) Southeast Michigan Council of Governments (SEMCOG)
- (3) Michigan Department of Career Development, Employment Security Agency, Office of Labor Market Information

City of Sterling Heights, Michigan

Miscellaneous Demographics

<u>Population</u>			<u>Labor Characteristics</u>	
2000 U.S. Census	124,471		<u>By Occupation:</u>	<u>Number of Employees</u>
1990 U.S. Census	117,810		Management, professional, and related	22,844
1980 U.S. Census	108,999		Service	7,889
			Sales and office	19,213
			Farming, forestry, and fishing	51
			Construction, extraction, and maintenance	4,927
			Production, transportation, and material moving	9,416
			Total	64,340
<u>Income Characteristics</u>			<u>By Industry:</u>	
	<u>Household Income</u>	<u>Number of Households</u>	Agriculture, forestry, fishing, hunting, and mining	53
	Less than \$10,000	2,157	Construction	3,226
	\$10,000 - \$14,999	1,795	Manufacturing	16,639
	\$15,000 - \$24,999	3,749	Wholesale trade	2,471
	\$25,000 - \$34,999	4,473	Retail trade	9,105
	\$35,000 - \$49,999	6,497	Transportation, warehousing, and utilities	1,583
	\$50,000 - \$74,999	10,773	Information	1,475
	\$75,000 - \$99,999	8,087	Finance, insurance, real estate, rental, and leasing	4,091
	\$100,000 - \$149,999	6,977	Professional, scientific, management, administrative, and waste management services	6,774
	\$150,000 or more	1,873	Educational, health, and social services	9,651
			Arts, entertainment, recreation, accomodation, and food services	4,777
			Other professional and related services	2,372
			Public administration	2,123
			Total	64,340
<u>Residential Characteristics</u>				
	Single Family	75.21%		
	Multi Family	21.18%		
	Mobile Homes	3.61%		
<u>Age Statistics</u>			<u>Educational Characteristics</u>	
	<u>Years</u>	<u>1990</u>	<u>Years of School Completed</u>	<u>Persons 25 and Over</u>
	Under 5	6.50%	Less than 9th grade	6.40%
	5 to 19	19.40%	9th to 12th grade, no diploma	9.60%
	20 to 24	11.20%	High school graduate	29.20%
	25 to 44	33.60%	Some college, no degree	23.60%
	45 to 64	20.10%	Associate's degree	8.20%
	Over 64	9.20%	Bachelor's degree	15.70%
			Graduate or professional degree	7.30%

Source: 2000 United States Census

City of Sterling Heights, Michigan

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

Company Name	Product/Service	Year Ended June 30, 2009			Year Ended June 30, 2000		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
							(1)
Ford Motor Company	Automotive axles and chassis components	3,300	1	5.04%	6,500	2	
General Dynamics	Defense-related manufacturing	2,700	2	4.13%	1,425	6	
Chrysler Group LLC	Automotive assembly and stamping	2,450	3	3.74%	6,875	1	
Lakeside Associates	Retail shopping center	2,000	4	3.06%	2,500	4	
Detroit News Agency	Printing plant - Newspapers	1,200	5	1.83%	730	8	
Utica Community Schools	Education (2)	1,150	6	1.76%	4,150	3	
Warren Consolidated Schools	Education (2)	790	7	1.21%	2,200	5	
City of Sterling Heights	Local government	606	8	0.93%	623	10	
Miliken Millwork	Wooden, stainless steel doors and stairs	500	9	0.76%	-		
Kuka Flexible Production Systems, Inc.	Automotive interior	450	10	0.69%	-		
U.S. Farathane Corporation	Paints and finishes	450	11	0.69%	-		
Faurecia	Interior systems	400	12	0.61%	-		
Mayco Plastics	Plastic injection molding	400	13	0.61%	-		
Shuert Industries	Plastic packaging	350	14	0.53%	-		
E & R Industrial Sales, Inc.	Industrial supply wholesaler	300	15	0.46%	-		
Cadillac Products, Inc.	Plastic bags, sheets, paper	-			750	7	
Automotive Plastic Technologies Co.	Plumbing, pipe and bottles	-			650	9	
MNP	Nut, bolt, and wire manufacturer	-			580	11	
T.R.W.	Auto sub-component assembly	-			570	12	
Breed Technologies	Safety restraints	-			560	13	
Chivas Products Ltd.	Moldings	-			500	14	
Modular Plastics	Plastic molds	-			330	15	
	Fifteen largest employers	17,046		26.05%	28,943		
	Other employers	48,391		73.95%			
	Total employment	65,437	(3)				

(1) Information to determine percentage of total employment for ten years prior is not available prior to June 30, 2005.

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

(3) State of Michigan, Department of Energy, Labor & Economic Growth

Source: City of Sterling Heights, Sterling Heights Economic Development Facts, April 2009

City of Sterling Heights, Michigan

Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Election Data										
Registered voters	77,508	77,134	79,426	79,100	79,221	83,461	83,910	83,639	84,082	88,258
Voters at polls	11,604	42,229	9,285	30,309	10,445	45,608	7,654	34,405	3,842	44,074
Absentee ballots	6,639	10,593	6,981	8,908	7,113	14,801	7,605	11,904	7,556	16,972
Percent voting	23.54%	68.48%	20.48%	49.58%	22.16%	72.38%	18.18%	55.37%	13.56%	69.17%
41A District Court										
Court Cases										
Civil	1,526	1,754	2,000	2,300	2,508	2,709	2,862	3,239	3,867	3,947
Criminal	8,488	6,651	5,827	5,920	4,782	3,994	4,211	4,533	5,677	4,922
Landlord and tenant	1,713	1,642	1,930	2,200	2,285	2,203	2,226	2,433	2,471	2,653
Small claims	605	639	657	612	610	513	488	432	425	524
Traffic	34,571	25,405	20,859	25,044	27,282	25,338	24,256	27,143	27,709	30,422
Public Safety										
Police Protection										
Adult arrests	3,836	3,452	3,198	2,988	2,707	2,406	2,560	3,326	3,747	3,079
Civil infractions	27,087	21,265	14,303	18,450	18,605	23,627	23,819	26,582	27,596	29,855
Group A offenses (2)	7,823	7,379	6,873	6,897	6,260	6,474	7,926	7,873	7,361	6,686
Group B offenses (3)	3,137	3,129	2,808	2,424	3,623	4,170	4,609	4,491	3,433	2,632
Injury accidents	836	804	747	766	884	862	810	806	1,004	824
Juvenile arrests	349	299	318	225	246	183	239	251	174	156
OUIL arrests	626	593	541	405	412	361	375	328	340	414
Parking violations	1,816	1,918	1,616	2,293	1,696	1,713	1,730	2,016	1,706	1,702
Property damage	3,282	3,476	3,261	3,317	3,637	3,669	3,663	3,415	4,353	3,191
Private property damage	1,663	1,673	1,546	1,419	1,426	1,439	1,304	1,322	1,133	1,037
Total traffic violations	36,301	29,389	24,543	27,012	24,208	26,972	25,379	29,166	30,484	32,154
Fire Protection										
Emergency alarms answered	7,820	7,747	8,425	5,966	9,215	9,292	9,573	10,261	10,500	10,480
Fire inspections conducted	4,482	4,202	4,139	3,871	4,427	3,832	4,204	4,624	3,767	3,874
Inspection violations issued	4,071	3,890	3,239	3,225	4,451	3,697	6,020	10,292	9,391	7,495
Medical emergencies	5,052	5,191	5,517	5,888	6,551	6,719	6,927	7,493	7,691	7,745
Training hours completed	35,016	33,798	36,491	32,839	34,583	35,809	34,124	33,538	33,857	31,121
Recreation and Culture										
Parks and Recreation										
Adult athletics attendance	12,675	18,810	19,383	14,150	13,980	15,825	19,480	18,782	20,135	15,360
Instructional swim attendance	9,030	8,390	8,281	9,025	9,640	9,592	8,896	9,386	7,570	7,100
Instructional rec. attendance	27,230	26,840	26,620	24,330	24,285	24,970	28,070	26,567	25,666	24,795
Nature program attendance	22,465	22,750	15,460	27,290	28,350	29,362	22,748	24,582	24,399	23,321
Senior program attendance	86,530	89,990	111,120	121,990	126,280	111,020	111,610	109,528	109,970	116,564
Special event attendance	55,710	55,890	68,530	68,480	68,500	71,930	72,725	73,000	73,100	74,449
Special recreation program attendance	13,820	13,880	15,585	15,700	15,870	15,895	16,870	14,878	16,060	15,679
Summer playground attendance	18,775	21,250	21,097	19,120	15,600	11,646	9,992	11,025	14,094	11,370
Youth athletics attendance	66,840	45,930	45,064	56,035	56,080	53,325	49,480	53,978	52,885	54,968
Library										
Book Van deliveries	9,125	8,098	9,126	9,759	12,623	12,844	12,820	11,242	9,318	8,818
Community meeting room reservations	N/A	N/A	N/A	N/A	295	150	299	341	384	1,200
In-house materials usage	N/A	N/A	N/A	190,771	159,897	139,897	140,033	144,698	139,973	121,907
Interlibrary loan requests	17,869	17,995	45,832	86,855	88,657	99,078	109,995	120,393	123,142	125,167
Interlibrary loans - Lent	N/A	N/A	N/A	70,782	75,931	89,405	100,260	109,814	113,947	117,671
Items circulated	540,720	447,240	690,262	687,070	662,579	641,730	648,967	635,425	616,323	625,688
Library visits	219,708	193,505	296,249	309,531	371,398	388,706	417,601	420,716	442,768	581,046
Online computer uses	211,267	170,452	187,950	296,414	357,869	441,111	456,752	492,979	514,794	552,503
Program attendance	11,045	14,687	24,004	23,046	22,034	22,780	21,275	25,470	36,204	37,639
Reference transactions	102,602	95,289	135,514	137,941	132,104	141,056	133,617	132,557	141,610	148,978
Registered borrowers	52,616	53,680	53,822	53,435	53,476	57,050	50,390	50,599	51,098	52,043

City of Sterling Heights, Michigan

Operating Indicators by Function (Continued) Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006 (4)	2007	2008	2009
Water and Sewer Services										
Customers: (5)										
Residential	33,048	33,495	34,049	34,302	34,529	34,535	34,850	35,021	35,048	34,811
Commercial/Industrial	3,266	3,367	3,534	3,582	3,741	4,185	4,272	4,477	4,539	4,233
Water (in thousand cubic feet):										
Purchased from Detroit	865,058	847,075	843,530	885,283	828,398	867,931	803,969	775,817	786,726	716,384
Sold to residents	887,265	800,654	845,667	881,780	815,645	811,252	852,661	789,033	827,893	711,126
Rates (per thousand): (4)										
1,000 CU. FT.	\$ 18.07	\$ 18.94	\$ 20.72	\$ 22.77	\$ 22.72	\$ 25.42	\$ 27.13	\$ 28.64	\$ 30.74	\$ 31.94
Next 2,000 CU.FT.	16.64	17.44	19.08	21.28 (1)	(1)	(1)	27.13	28.64	30.74	31.94
Over 3,000 CU.FT.	15.69	16.45	18.01	20.57 (1)	(1)	(1)	27.96	29.50	31.67	32.90
Sewer only - Per billing	15.00	15.00	15.00	15.00	15.00	15.00	15.00	25.00	30.00	35.00

(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) The 2009 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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Buildings										
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
Public Safety										
Police Protection										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles - Marked	45	48	48	48	48	49	49	49	54	54
Vehicles - Unmarked	68	68	68	68	68	68	80	82	79	77
Fire Protection										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	10	11	12	13	14	14	14	15	16	16
Public Works										
Streets and Sidewalks										
Miles of City:										
Primary streets	59	60	60	60	60	60	60	60	60	63
Secondary streets	282	281	282	285	285	286	287	289	289	286
Sidewalks	532	535	537	565	565	566	605	607	608	609
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	2	2	2	2
Street lights	2,290	2,474	2,490	2,495	2,475	2,472	2,508	2,513	2,520	2,520
Vehicles - Snow plows	20	21	21	21	21	21	20	21	22	22
Water and Sewer Services										
Fire hydrants	6,033	6,488	6,597	6,633	6,796	6,932	7,015	7,050	7,162	7,203
Miles of water mains	525	535	544	554	558	563	569	570	573	574
Miles of sanitary sewers	406	412	415	415	422	424	428	429	430	430
Recreation and Culture										
Parks and Recreation										
Acres	800	810	811	820	820	820	820	820	820	820
Developed parks	25	26	27	28	28	28	28	28	28	28
Buildings	3	3	3	3	3	3	3	3	3	3
Library										
Book collections	183,167	215,840	191,481	197,472	186,992	189,822	190,791	188,365	197,412	199,968
Other collections (1)	23,198	24,786	25,442	28,250	24,622	23,937	23,776	35,619	36,619	37,344
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	
2000	304	\$ 38,156,806	1,864	\$ 6,261,197	\$ 44,418,003
2001	414	63,789,140	2,266	9,055,033	72,844,173
2002	513	51,306,550	1,766	2,737,615	54,044,165
2003	763	76,609,958	1,078	3,017,213	79,627,171
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

Fiscal Year Ended June 30	Commercial				Total Commercial
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
2000	68	\$ 31,976,338	237	\$ 28,031,281	\$ 60,007,619
2001	96	40,493,780	156	20,199,408	60,693,188
2002	42	25,736,795	295	16,143,812	41,880,607
2003	19	17,228,169	265	18,095,804	35,323,973
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

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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	99	99	99	97	95	95	94	95	83	78
41A District Court	37	37	37	36	38	38	40	40	40	39
Public safety:										
Police	266	266	263	259	258	259	260	260	261	259
Fire	107	114	111	107	107	107	108	108	106	106
Public Works:										
City development (2)	50	51	51	50	50	50	32	32	37	32
Public works	56	57	45	43	43	43	43	43	42	40
Street services	23	23	23	23	23	23	23	23	23	21
Engineering (1)	-	-	-	-	-	-	19	19	17	14
Recreation and culture:										
Parks and recreation	16	16	16	16	16	16	16	16	16	13
Library	42	42	42	41	41	41	41	41	42	42
Water and sewer	41	41	41	41	41	41	41	41	41	40
Total	737	746	728	713	712	713	717	718	708	684

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

(2) Prior to 2008, information technology employees were included in General Government.

Source: City of Sterling Heights

Continuing Disclosure

City of Sterling Heights, Michigan

State-shared Revenues Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Modified Accrual Basis of Accounting</u>	<u>Accrual Basis of Accounting</u>
2000	\$ 12,489,726	N/A
2001	13,329,919	N/A
2002	13,315,069	\$ 13,315,069
2003	12,253,193	13,114,050
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

Gas and Weight Taxes Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Roads</u>	<u>Local Roads</u>	
2000	\$ 4,642,820	\$ 1,754,080	\$ 6,396,900
2001	4,647,631	1,452,001	6,099,632
2002	4,836,746	1,514,962	6,351,708
2003	4,937,259	1,857,068	6,794,327
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

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Labor Agreements June 30, 2009

Name	Contract Expiration Date	Actual Number of Employees Covered
Union Employees		
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2012	93
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2011	26
Emergency Dispatchers Police Officers Association of Michigan (POAM)	6/30/2012	23
Department of Public Works Field Employees Teamsters, Local 214	6/30/2012	67
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2012	8
Firefighters International Association of Firefighters, Local 1557	6/30/2012	100
Police Officers Michigan Association of Police (MAP)	6/30/2011	134
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2012	37
Court Clerical AFSCME, Local 1884, Council 25	6/30/2011	22
Professional and Technical Employees United Auto Workers, Unit 40, Local 412	6/30/2013	55
Supervisory Employees United Auto Workers, Unit 41, Local 412	6/30/2012	20
Executive Employees Michigan Association of Public Employees (MAPE)	6/30/2013	7
Nonunion Employees		
City Manager	N/A	1
41A District Court Judges	N/A	3
41A District Court Administration	N/A	10

Source: City of Sterling Heights