

2017-2018

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018





CITY OF
**Sterling
Heights**

Innovating **Living**

Comprehensive Annual Financial Report

Michael C. Taylor
Mayor

Liz Sierawski
Mayor Pro Tem

Deanna Koski
Councilwoman

Maria G. Schmidt
Councilwoman

Michael V. Radtke Jr.
Councilman

Barbara A. Ziarko
Councilwoman

Nate Shannon
Councilman

Mark D. Vanderpool
City Manager

Jeff Bahorski
Assistant City Manager

Jennifer Varney
Finance and Budget Director

Nick Makie, CPA
Controller

For the Fiscal Year Ended June 30, 2018

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

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Richard J. Notte Sterling Heights City Center
City Hall
40555 Utica Road | P.O. Box 8009
Sterling Heights, MI | 48311-8009

TEL 586.446.CITY (2489) **FAX** 586.276.4077

cityhall@sterling-heights.net | www.sterling-heights.net

facebook.com/cityofsterlingheights | twitter.com/sterlingheights

City Council

<i>Mayor</i>	Michael C. Taylor
<i>Mayor Pro Tem</i>	Liz Sierawski
<i>Councilwoman</i>	Deanna Koski
<i>Councilman</i>	Michael V. Radtke Jr.
<i>Councilwoman</i>	Maria G. Schmidt
<i>Councilman</i>	Nate Shannon
<i>Councilwoman</i>	Barbara A. Ziarko

City Manager Mark D. Vanderpool

November 20, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the City of Sterling Heights, Michigan (the "City") as of and for the year ended June 30, 2018 is hereby submitted. As required by City Charter and state laws, the basic financial statements as defined in the table of contents were audited by Plante & Moran, PLLC, certified public accountants. Their unmodified opinion follows this letter of transmittal. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

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

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

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

The Reporting Entity and Services Provided

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

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

Governmental Structure and Local Economy

Sterling Heights is a vibrant community with a strong sense of civic pride and determination by its community leaders. Located in the northwest quadrant of Macomb County, at 36.8 square miles, there are 395 miles of roadway in Sterling Heights, of which 349 miles are maintained by the City. City services are provided to 52,794 households and 4,270 commercial and industrial businesses. The 2018 estimated population for the City stands at 129,699, making Sterling Heights the fourth largest populated city in Michigan. At the end of the fiscal year, the City had a 3.9 percent unemployment rate as compared to a Macomb county rate of 4.1 percent, a statewide rate of 4.0 percent, and a national average of 4.2 percent.

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

The City has grown over the years to the point where less than 5 percent of its total land area is vacant. Opportunities for residential growth do continue however, including the much anticipated Moceri Veranda development at Maple Lane golf course – consisting of over 800 housing units surrounding a state of the art golf course facility. The M-53 highway running through the City and the M-59 highway bordering the City continues to provide a corridor of opportunity for redevelopment and enhancement of existing development.

Long-term Financial Planning

The City has successfully followed its long-term financial plan of providing excellent services with a low tax rate and by continually monitoring revenue trends. Due to revenue losses, and despite continual expenditure cuts, General Fund reserves fell from \$14.0 million in 2005 to \$5.2 million in 2014. In addition, the City used Internal Service

Fund reserves to help offset General Fund losses. As a result, a six-year 2.5 mill Safe Streets tax was approved by City residents in November 2013 and was first levied in 2015. The millage has allowed the City to partially recover a portion of lost tax revenues. The millage provides \$3.2 million in new funding for neighborhood street repairs and \$6.9 million to prevent further reductions in the number of sworn police and firefighters.

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

In November 2016 the voters passed the Recreating Recreation millage. This 0.97 millage will provide \$45 million in dedicated funds for park improvements and repairs, as well as funds to operate and maintain the new facilities.

Although the passage of these two millages has allowed the City to maintain core services and invest in road and recreation improvements, the growth of the City's existing tax base remains limited to inflation under State law (Proposal A) such that past tax losses are permanent. Further, the State has reduced commercial personal property taxes and eliminated manufacturing personal property taxes that together account for 15 percent of tax revenues. While the State has promised full reimbursement of personal property tax losses, concern remains about the State's ability to preserve this commitment over the long-run.

Despite labor contract savings and lower full-time staffing, funding for long-term retirement liabilities is expected to continue to rise primarily due to the lower assumed rates of return and updated mortality assumptions. However, with the approval of the 2.5 mills, the City has been able to restore funding for replacement capital equipment and infrastructure, which had been dramatically reduced.

Since 2008, the City lost a cumulative \$120.1 million in property taxes compared to a normal inflationary housing market. The City has also lost \$90.9 million in revenue sharing since 2002.

Relevant Financial Policies

The City continues to rely on its five-year financial plan to make financial adjustments as needed. The plan enables administration to project fund balance given various assumptions based on changes in major revenue and expenditures. This plan has resulted in a full-time workforce reduction of 170 positions since 2002 and labor contract savings totaling 15 percent, as well as a reduction in future long-term legacy costs. Going forward, the plan allows the City to maintain low operational costs, while offering modest wage adjustments, and provides the resources to make the necessary long-term investments in the community as part of the City's Visioning process. This strategy benefits the City by helping to eliminate the past structural imbalance caused by declining revenues and allows the City to continue to provide excellent services, and maintain adequate reserves and strong bond ratings.

Major Initiatives

The following were among the many activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2017-2018:

1. Sterling Heights kicked off its 50th Anniversary activities with a reunion honoring the City's past elected officials. The highlight of the year-long celebration was a birthday party that coincided with the much anticipated grand re-opening of Dodge Park and was capped off with an amazing fireworks display.
2. Evidence of the voter approved Recreating Recreation millage could be seen across the City. Residents were excited about the opening of the new Skate Park and Splash Pad, as well as the renovations at nearly every neighborhood park and the groundbreaking on the new 98,000 square foot Community Center.
3. As part of the continuous effort to increase safety in our community, the Sterling Heights Police Department partnered with Utica Community Schools to add two school resource officers to Henry Ford II and Stevenson High Schools, helping to ensure the security of our students on a daily basis.
4. The transition of EMS transport services to the Sterling Heights Fire Department was completed in November, which included the hiring of 15 new firefighters and the purchase of five new ambulances. Not only will this transition improve the quality of care for our residents, it is also expected to generate over \$1 million in income to the City over the next ten years.
5. The success of the collaborative effort between Sterling Heights, Warren, and Macomb County to raise the necessary funds to improve Mound Road from I-696 to M-59 was announced in August with the approval of a \$97.8 million federal grant. The entire project will cost about \$185 million and will include cost-sharing from Sterling Heights, Warren and Macomb County. This critical project is scheduled to begin in 2020.
6. The City developed a 2019 budget that substantially increased road funding and included financing for much-needed facility repairs, while also restoring reserves. The budget funded City place making efforts resulting from the Visioning process and the Recreating Recreation initiative, and needed technology improvements identified through the City's Technology Plan.
7. Due to the Safe Streets initiative the City was able to increase funding for neighborhood road repairs for the fifth consecutive year. The budget also continued the replacement of much needed capital equipment and vehicles which had been delayed during the economic downturn.

Major Initiatives for July 1, 2018 and Thereafter

1. The City will continue to follow the five-year financial plan unveiled at Strategic Planning. The plan focuses on investing in the priorities identified through the Visioning 2030 plan while continuing to increase reserves to the level necessary to successfully weather any future economic downturn.

2. The City will continue to advance its Economic Development strategies including improving the North Van Dyke River District, and refocusing attention on retail nodes, as well as the City's most important commercial asset – Lakeside Mall.
3. The City will continue to work to complete the five-year road plan unveiled last year that will address nearly every major road in the City, including the total reconstruction of Mound Road.
4. The City will reconstruct over 17 neighborhood roads as a result of funding from the Safe Streets millage.
5. As identified in the Visioning 2030 plan, the City will continue to create focal points and invest in quality of life services. More of the Recreating Recreation park improvements will come to fruition in the upcoming fiscal year, including the highly anticipated dog park, the opening of the ice rink at Dodge Park, and continued progress toward the anticipated opening of the 98,000 square foot community center in late 2019. Other quality of life initiatives for the coming year include the continuation of the Public Art Plan which has already resulted in three new murals and a new sculpture, "The Seed", all of which have enhanced the aesthetics of the community.
6. Employee wellness will continue to be emphasized through the newly unveiled Sterling Heights Employee Health & Wellness Center, which will offer primary care services for city employees and dependents with no copayments, no deductibles, and no costs for on-site generic medications. This innovative model has a proven track record of a significant reduction of the employer's overall healthcare dollars spent, an important savings for the taxpayers of Sterling Heights.

Budgeting and Internal Controls

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

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

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sterling Heights, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. 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 30 consecutive years (fiscal years 1988-2017). We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

To the City Council for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Mark D. Vanderpool
City Manager



Jennifer L. Varney
Finance and Budget Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Sterling Heights
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

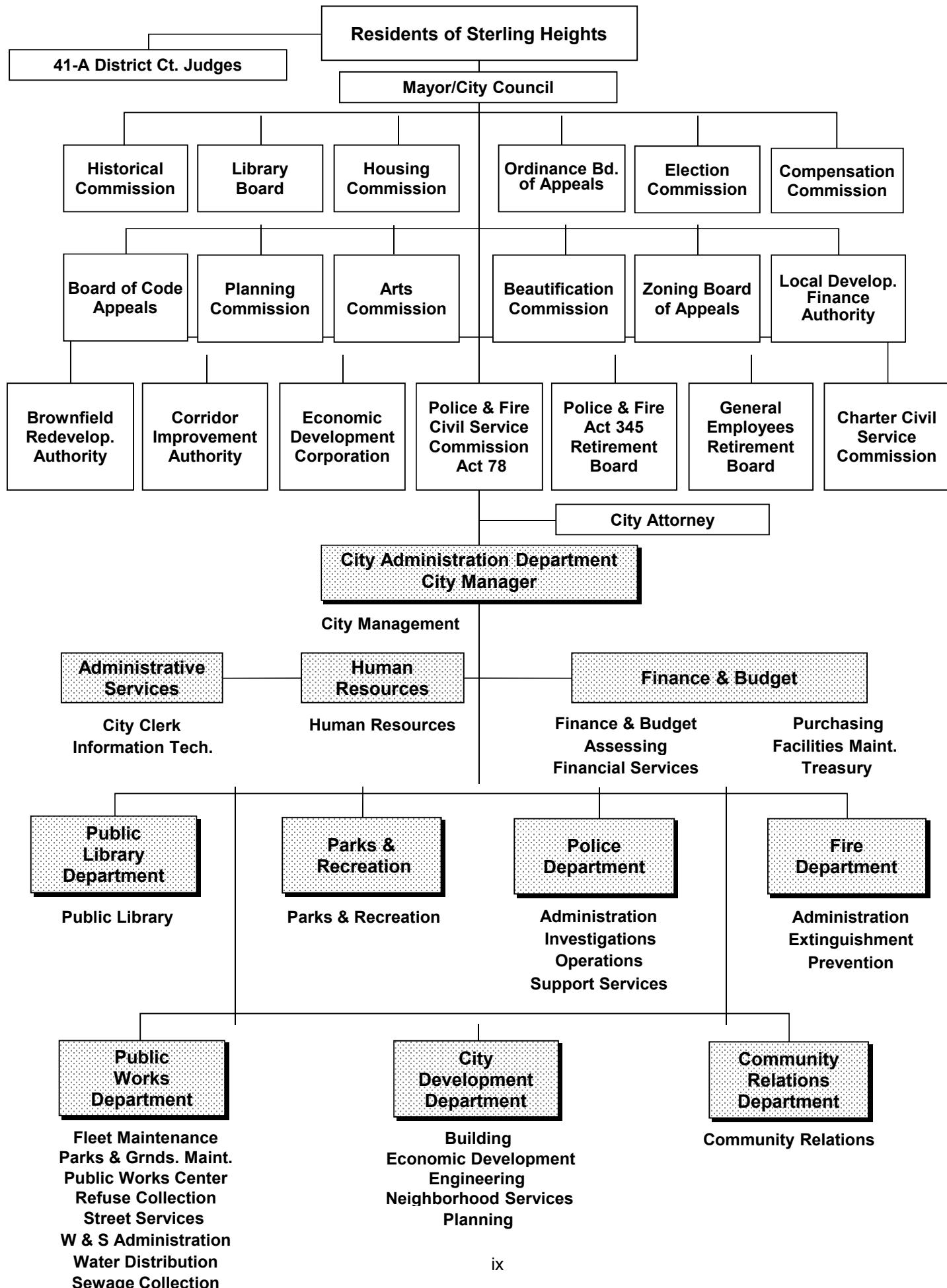
June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF STERLING HEIGHTS, MICHIGAN

Organizational Chart



CITY OF STERLING HEIGHTS, MICHIGAN
List of Principal Officials

<hr/> Title <hr/>	<hr/> Name <hr/>
City Manager	Mark D. Vanderpool
Assistant City Manager	Jeffery Bahorski
Building Official	Michael Viazanko
City Assessor	Marcia Magyar-Smith
City Attorney	Marc Kaszubski
City Clerk	Melanie Ryksa
City Development Director	Jason Castor
City Engineer	Brent S. Bashaw
City Planner/City Development Manager	Christopher McLeod
City Treasurer	Mary Jaganjac
Community Relations Director	Bridget Kozlowski
Controller	Nick Makie
Finance and Budget Director	Jennifer L. Varney
Fire Chief	Christopher Martin
Human Resources and Benefits Manager	Kate Baldwin
Information Technology Director	Steve Deon
Parks and Recreation Director	Kyle Langlois
Police Chief	Dale Dwojakowski
Public Library Director	Tammy L. Turgeon
Public Works Director	Michael Moore
Purchasing Manager/Facilities Maintenance Manager	Jared Beaudoin

Governmental Funds

General *	Special Revenue
	Major Roads *
	Local Roads
	Parks and Recreation*
	Public Safety Forfeiture
	Community Development Block Grant (CDBG)
	Neighborhood Stabilization
Debt Service	Capital Projects
General Drain	General Improvements *
Voted Tax General Obligation	Road Bond Construction *
Road Bond Debt Retirement	Land and Water Conservation
Limited Tax General Obligation	Clinton River Restoration
	Facilities Improvement *
Proprietary Funds	
Enterprise	Internal Service
Water and Sewer *	Self-insurance
Fiduciary Funds	
Trust	Agency
General Employees' Retirement System	Tax Collections
Police and Fire Retirement System	General Agency
Retiree Medical Benefits	
Component Units	
Economic Development Corporation	
Brownfield Redevelopment Authority	
Corridor Improvement Authority	
Local Development Finance Authority	

* Major funds under GASB No. 34

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sterling Heights, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Sterling Heights, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sterling Heights, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As explained in Note 1 to the basic financial statements, effective July 1, 2017, the City adopted new accounting guidance under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. In accordance with Statement No. 75, the City is now recognizing its unfunded net other postemployment benefits (OPEB) liability and deferred OPEB outflows (inflows) for the financial statements prepared using the economic resources measurement focus for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, effective July 1, 2017, the City early adopted new accounting guidance under GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. In accordance with Statement No. 89, this statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported by the City. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

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

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

The introductory, statistical, and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of the City of Sterling Heights, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sterling Heights, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 20, 2018

City of Sterling Heights, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Sterling Heights, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i - vii and is intended to serve as an introduction to the City of Sterling Heights, Michigan's basic financial statements, which begin on page 12.

Financial Highlights

- As a result of this year's operations, the City's overall net position decreased by \$84.3 million, or 40.2 percent. This decrease is almost entirely due to the recording of the net OPEB obligation of \$91.5 million for the first time, as required by GASB 75. Total pension liability also increased \$14.9 million primarily due to changes in actuarial assumptions. These increases were partially offset by an increase in the net investment in capital assets.
- As a result of this year's operations, the net position of our governmental activities decreased by \$77.9 million, or 98.9 percent. The decrease is primarily due to the recording of the net OPEB liability and an increase in the net pension liability, partially offset by an increase in the net investment in capital assets.
- As a result of this year's operations, the net position of our business-type activities decreased by \$6.4 million, or 4.9 percent. The decrease is primarily due to the recording of the net OPEB liability.
- The General Fund reported a \$7.4 million contribution to fund balance for the current year, an increase of 25.4 percent over the prior year. General Fund revenue increased \$5.0 million, or 5.3 percent, primarily due to an increase in property taxes of 2.4 percent, an increase in state-shared revenue and personal property tax reimbursements, and revenue generated from EMS transport.
- General Fund expenses increased \$3.5 million, or 3.9 percent, over last year primarily due to additional expenses in the fire department related to EMS transport, increased public works expenditures, and an increase in the funding for liability insurance.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's basic services are included here, such as general government, 41A District Court, public safety, public works, and recreation and culture. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.
- **Component Units** - The City includes four other separate entities in its report: the Economic Development Corporation, the Brownfield Redevelopment Authority, the Corridor Improvement Authority, and the Local Development Finance Authority. Although legally separate, these "component units" are important because the City is considered financially accountable. The Sterling Heights Building Authority is also legally separate; however, it functions as a department of the City and, therefore, has been included as an integral part of the primary government.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts annual appropriated budgets for its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.
- **Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewage disposal activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the management of its retained risks. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include both the pension and other postemployment benefit trust funds and agency funds.

Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information on pension and OPEB.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In a condensed format, the table below shows net position as of June 30, 2018 and 2017.

City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 123,318,269	\$ 100,488,624	\$ 26,732,370	\$ 33,106,603	\$ 150,050,639	\$ 133,595,227
Capital assets	232,968,772	205,232,670	189,915,798	187,169,022	422,884,570	392,401,692
Total assets	356,287,041	305,721,294	216,648,168	220,275,625	572,935,209	525,996,919
Deferred Outflows of Resources						
	22,350,982	27,952,931	895,561	1,764,951	23,246,543	29,717,882
Liabilities						
Current liabilities	18,046,817	10,370,618	5,651,362	5,564,148	23,698,179	15,934,766
Noncurrent liabilities	333,184,526	207,317,004	87,085,526	85,346,745	420,270,052	292,663,749
Total liabilities	351,231,343	217,687,622	92,736,888	90,910,893	443,968,231	308,598,515
Deferred Inflows of Resources						
	26,516,136	37,198,303	167,043	72,649	26,683,179	37,270,952
Net Position						
Net investment in capital assets	193,873,282	183,110,205	113,751,804	107,889,832	307,625,086	291,000,037
Restricted	10,881,283	10,301,911	3,008,771	10,193,185	13,890,054	20,495,096
Unrestricted	(203,864,021)	(114,623,816)	7,879,223	12,974,017	(195,984,798)	(101,649,799)
Total net position	\$ 890,544	\$ 78,788,300	\$ 124,639,798	\$ 131,057,034	\$ 125,530,342	\$ 209,845,334

The City as a Whole

The City's overall net position decreased 40.2 percent from last year, falling from \$209.8 million to \$125.5 million. The large decrease in net position can be primarily attributed to the recognition of a \$91.5 million OPEB liability for retiree medical costs, as required by GASB 75.

A review of the governmental activities, separate from the business-type activities, shows a decrease of \$77.9 million in net position, or 98.9 percent, during fiscal year 2018. This is also primarily due to the required recognition of the net OPEB liability of \$86.8 million for governmental activities and an increase in total pension liabilities. These increases were partially offset by an increase in the net investment in capital assets. As of June 30, 2018, unrestricted net position for governmental activities, which is the part of total net position available to finance day-to-day operations and future growth, was a negative \$203.9 million. This represents an \$89.2 million decrease as compared to June 30, 2017. The major factor contributing to the increase in the negative amount is, again, the recognition of future OPEB liabilities. The City is committed to continue to fund these long-term liabilities on a yearly basis.

The business-type activities experienced a decrease in net position of \$6.4 million, primarily due to the recognition of the Water and Sewer Fund's portion of the net OPEB liability.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

City's Changes in Net Position

In a condensed format, the table below shows the change in net position as of June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 11,985,036	\$ 12,052,468	\$ 50,589,347	\$ 45,917,303	\$ 62,574,383	\$ 57,969,771
Operating grants	9,931,126	6,618,802	559,609	-	10,490,735	6,618,802
Capital grants	14,316,813	16,135,905	3,100,357	3,906,683	17,417,170	20,042,588
General revenue:						
Taxes	66,282,454	60,946,929	-	-	66,282,454	60,946,929
Intergovernmental	11,784,623	11,259,947	-	-	11,784,623	11,259,947
Investment earnings	1,454,230	79,814	35,247	(64,475)	1,489,477	15,339
Other revenue	4,297,832	2,579,599	-	-	4,297,832	2,579,599
Total revenue	120,052,114	109,673,464	54,284,560	49,759,511	174,336,674	159,432,975
Expenses						
General government	7,267,842	8,060,125	-	-	7,267,842	8,060,125
41A District Court	3,728,890	4,126,599	-	-	3,728,890	4,126,599
Public safety	54,397,264	55,632,437	-	-	54,397,264	55,632,437
Public works	29,961,490	26,282,058	-	-	29,961,490	26,282,058
Recreation and culture	6,343,690	6,632,299	-	-	6,343,690	6,632,299
Debt service	2,496,423	675,198	-	-	2,496,423	675,198
Water and Sewer operations	-	-	55,599,159	53,744,214	55,599,159	53,744,214
Total expenses	104,195,599	101,408,716	55,599,159	53,744,214	159,794,758	155,152,930
Change in Net Position	15,856,515	8,264,748	(1,314,599)	(3,984,703)	14,541,916	4,280,045
Net Position - Beginning of year, as restated	(14,965,971)	70,523,552	125,954,397	135,041,737	110,988,426	205,565,289
Net Position - End of year	\$ 890,544	\$ 78,788,300	\$ 124,639,798	\$ 131,057,034	\$ 125,530,342	\$ 209,845,334

Governmental Activities

During fiscal year 2018, the City's total governmental revenue increased by \$10.4 million, or 9.5 percent. Higher property taxes due to increased property values and the passage of the Recreating Recreation millage increased revenue by \$5.4 million. EMS transport revenue, increased state revenue sharing, and higher investment earnings also contributed to the total increase.

Governmental expenses increased by \$2.8 million, or 2.7 percent, over the previous fiscal year. Governmental expenses rose primarily due to higher debt service costs and higher public works expenditures in the major and local road funds.

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

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water, which is purchased from the Great Lakes Water Authority (GLWA), to nearly all residents. Water rates and fixed charges from the GLWA for fiscal year 2018 increased by 3 percent. The City provides sewage treatment to 99 percent of its residents through the Macomb County Sewage District. Macomb County sewer costs increased by 10 percent due to higher fixed sewer charges and higher debt payments primarily due to the 15 Mile Road sinkhole repair. During fiscal year 2018, the water and sewer system experienced an 8 percent decrease over the prior year in water sold to our residents and commercial customers. Water consumption continues to decline from historical levels; this year's consumption is down 19 percent from 10 years ago and 12 percent from the 10-year average.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of Individual Funds

The fund financial statements begin on pages 16-17 and provide detailed information on the most significant funds. The City's major funds for 2018 include the General Fund, Major Roads Fund, Parks and Recreation Fund, Road Bond Construction Fund, Facilities Improvement Fund, and General Improvements.

The major components of revenue for all funds are property taxes and state sources. The major components of expenditures of governmental funds are public safety (police and fire), public works, and capital outlay. Revenue was higher than expenditures (including transfers) in these funds by \$17.3 million. In the General Fund, revenue exceeded expenditures by \$7.4 million as revenue rose 5.3 percent compared to a 3.9 percent increase in expenditures. For the fourth year in a row, the City was able to contribute to General Fund reserves. Total General Fund reserves are now over 26 percent of expenditures. Other fund highlights include:

- The Major Roads Fund net increase of \$1.6 million in fund balance was due to an increase in road funding received from the State of Michigan and an increase in transfers to the Major Roads Fund from the General Fund. The timing of road projects also contributed to the net increase as many projects will be carried forward to the next budget year for completion.
- The Parks and Recreation Fund experienced a \$15.7 million decrease to fund balance due to planned capital expenditures for the new amenities and improvements funded through the Recreating Recreation millage that was approved by voters in November 2016.
- Road Bond Construction Fund revenue exceeded expenses by \$3.8 million due to the receipt of \$8.2 million in bond proceeds in the spring of 2018 that will be used to fund construction projects in the 2018-2019 budget year.
- The Facilities Improvement Fund is a new fund created to track bond proceeds and expenditures for facility improvements at City Hall, the Police Department, the Public Library, and the 41A District Court.
- A \$20 million bond was issued in spring 2018 to fund the improvements to be completed over the next three years.
- The General Improvement Fund showed a net increase to fund balance of \$2.4 million due to the timing of planned capital projects.
- Other nonmajor governmental funds showed a \$2.1 million net decrease primarily due to the timing of neighborhood road projects.

Within these governmental funds, the General Fund is the most significant to understanding the City's financial activities. In addition, the Water and Sewer Fund is a significant enterprise activity for the City. A brief analysis of each of those funds is presented below:

General Fund Budgetary Highlights

General Fund revenue increased \$5.0 million, or 5.3 percent, over the prior year to \$100.3 million. A 2.4 percent increase in property taxes, increases in revenue sharing and personal property tax reimbursements from the State of Michigan, Federal grant revenue and new revenue from EMS transport, were the primary reasons for the increase.

General Fund expenditures totaled \$92.9 million, which is an increase of \$3.5 million or 3.9 percent over the prior year. Increases in pension contributions, general liability insurance, vehicles parts and service, major roads transfers, and Fire Department personnel all contributed to the increase.

General Fund activity resulted in an increase to fund balance of \$7.4 million, bringing total General Fund fund balance to \$24.7 million, or 26.6 percent of current year expenditures.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

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 year 2018. Final budgeted expenditures were \$0.2 million, or 0.2 percent, higher than the original budget primarily due to the transfer of additional funds from the General Fund to the Major Road Fund. Final budgeted revenue was \$3.1 million, or 3.2 percent, higher than the original budget due increased state-shared revenue and a higher property tax reimbursement from the State of Michigan.

At year end, actual General Fund expenditures were 98.7 percent of the budget or \$1.1 million under budget primarily due to the timing of new police hires and lower wages and overtime in the fire department. General Fund revenue was 100.8 percent, or \$0.8 million, higher than budgeted due to higher engineering revenue, building permit revenue, and interest on investments.

Capital Assets and Debt Administration

At the end of fiscal year 2018, the City had \$307.6 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$263.1 million and \$241.1 million for fiscal years 2018 and 2017, respectively (see Note 6 of the notes to the basic financial statements for additional information).

As part of the City's May 2018 bond sale, Standard & Poor's affirmed the City's excellent AA credit rating and stable outlook. The City's credit rating across all three agencies is still excellent and allows the City to obtain low rates on debt issuances. Debt service for all outstanding direct debt during fiscal year 2018 consisted of \$4.1 million in principal and \$2.5 million in interest after adjustments for recognition of amortized premiums. Significant bond activity includes the issuance of a \$20 million Capital Improvement Bond to finance facility improvements at City Hall, the public library, the police department, and the 41A District Court and an \$8.2 million Michigan Transportation Fund Bond to finance road improvements for Canal, Mound, and Van Dyke roads. (See Note 10 of the notes to the basic financial statements for additional information).

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

	Net Debt Outstanding (Direct and Indirect)	Ratio of Net Debt Outstanding to Total State Equalized Value		Net Debt Outstanding per Capita
		2.25%	2.04%	
2018	\$ 118,395,729	2.25%	\$ 913	
2017	102,435,264	2.04%	790	
2016	36,655,264	0.75%	283	

Current Economic Conditions

The City continues to evolve with the transformational changes seen in Recreating Recreation, massive commercial and industrial redevelopment, and continued population growth creating strong demand for multifamily and single-family housing. Property values in Sterling Heights ranked among the highest in the state making Sterling Heights a good place to invest in a home. As expected, the Southeastern Metropolitan Council of Governments (SEMCOG), in its updated population forecast, projects that Sterling Heights will soon become the third largest city in the state. The recent citizen survey confirmed that residents are pleased with the direction of the City and provided high marks in almost all categories, with police and fire services ranking particularly high. As the City is celebrating its 50th anniversary with a solid track record of success, the City's Visioning 2030 Plan is preparing the City for continued success over the next 50 years.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

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

While the City continues to carry out its long-term financial plan, there still remains a structural funding problem facing communities in Michigan. Unfortunately, the City's future revenue growth is limited. The City will only see an inflationary adjustment from property tax revenue going forward as most of the City is developed. Of long-term concern, is the State's ability to fully fund the reimbursement of lost personal property tax for major manufacturers, which has been eliminated. State revenue sharing, the City's second largest revenue source, is tied to sales tax receipts and is always at risk of further cuts.

Property Tax Revenue

The City's overall property tax assessments increased 2.1 percent in fiscal year 2018. Proposal A limited the inflationary adjustment to 0.9 percent, which was one of the lowest increases in the past 23 years and was below the average inflationary increase of 2.3 percent. New construction and property turnover leading to the uncapping of assessments accounted for an additional 1.2 percent increase in taxable value. Despite this increase, taxable values (including personal property value losses) have now fallen by 28 percent since 2008. Real property value alone is still nearly 20 percent lower than 2008, resulting in a cumulative \$120.1 million loss in tax revenue growth during that same period. Even as property values grow, Proposal A will continue to limit increases to the rate of inflation, such that the City has permanently lost property tax dollars. As a result, taxable values are not projected to return to 2008 levels until 2026 at the earliest. As a result of these revenue losses and despite the new Safe Streets millage, the City will not be able to restore all of the millions in operational cuts made to date. For the 2018 tax year, for the first time, the average homeowner's tax bill will be greater than their bill from 2007, primarily due to a one-time 1 mill increase to fund critical road improvement projects; however, the City's tax rate remains lower than 60 percent of all cities in the state and one of the lowest of any city in Macomb County. For 2017, the City's tax rate was 6.4 mills below the average of all cities in the county.

State Revenue-sharing Cuts

The City's second largest revenue source is state revenue sharing, which is distributed to communities from sales tax receipts collected by the State of Michigan. Revenue sharing previously represented 20 percent of the City's budget, while it currently represents just over 10 percent. The State has cut revenue-sharing payments, resulting in a cumulative \$41.8 million loss since 2002, despite a growing city population. When inflation is factored in, the City has now cumulatively lost \$90.9 million.

Road Funding

A significant challenge for the entire State, including southeastern Michigan, is the critical need for more road funding. According to numerous studies, a \$3 billion increase is needed to adequately fund road repair. However, the State of Michigan's new road funding plan only allocates \$1.2 billion more. Not only is this amount far short of what is needed, the new funding is not fully realized until 2021. This means cities and counties will need to find additional money to improve roads, which, in many cases, are in deplorable condition.

Thankfully, in Sterling Heights, the Safe Streets millage approved in 2013 is generating \$20 million over six years to improve neighborhood roads; however, major road repairs will continue to be a challenge. Although road funding from the State has been increasing due to the higher gas tax and registration fees passed by the State in January 2017 and one-time allocations from the State's General Fund budget, when adjusted for inflation, the City has still lost \$15.7 million in revenue since 2002.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

City Staffing

Due to past revenue losses, the City had to eliminate numerous positions over the past 10 years as nearly 70 percent of the city budget is composed of personnel costs. The City now has 479 budgeted full-time employees - a net increase of eight full-time positions for the 2019 budget year. Two new School Resource Officers were funded in conjunction with Utica Community Schools and three positions were funded through the Recreating Recreation millage. The City continues to use part-time staffing when possible and, as such, it has increased by 69 percent since 2004. Our ratio of full-time employees per 1,000 residents remains very low and is below any comparable city in Michigan. Over the years, staffing reductions have primarily occurred at City Hall and public works, as the Safe Streets millage ensured funding for public safety personnel. Assuming Safe Streets funding remains in place, no further staffing cuts are planned.

Contribution to Fund Balance

After depleting General Fund fund balance to just over \$5 million during the economic downturn, the City has been able to steadily restore reserves over the past four years. General Fund reserves now total \$24.7 million, or 26.6 percent, of General Fund expenditures. The 2018-2019 budget funds critical facilities and road improvements and continues to increase reserves. By following the City's long-term financial plan, the City has avoided compromising its superior AA bond rating, which saves hundreds of thousands of dollars in annual interest costs.

Future Actions Needed for 2019 and Beyond

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

Due to the City's cost-cutting efforts, the City is better positioned than most communities. Regularly updating the City's financial forecast allowed the City to take corrective action early on. The City has low debt levels, high bond ratings, and excellent services funded by very low property taxes and water and sewer rates. The City's tax rate continues to be one of the lowest of any city in the county and is lower than 60 percent of cities throughout the state. The City also continues to have one of the lowest residential water and sewer rates of cities in the state with more than 25,000 residents. While we are not able to return to prior staffing levels due to property tax losses, with the Safe Streets millage, we are able to invest in replacing needed capital, make repairs to local neighborhood streets, and avoid further police and fire staffing reductions. In addition, the newly approved Recreating Recreation millage is funding new amenities like the skate park and community center and exciting improvements to Dodge Park and other neighborhood parks.

While further revenue growth is limited due to state policies, the City will continue to balance service delivery needs, the need for capital investments, and the continued need to set funds aside for promised long-term retirement liabilities based on realistic actuarial investment assumptions.

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

Requests for Further Information

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

City of Sterling Heights, Michigan

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 31,573,047	\$ 2,788,472	\$ 34,361,519	\$ 607,582
Investments (Note 3)	21,700,411	6,622,024	28,322,435	-
Receivables:				
Customer receivables	-	13,701,713	13,701,713	1,368
Special assessments receivable	1,551,737	-	1,551,737	-
Accrued interest receivable	533,222	51,800	585,022	-
Other receivables	1,007,719	-	1,007,719	-
Due from other governmental units	5,587,223	251,520	5,838,743	-
Due from component units	12,699	-	12,699	-
Due from primary government	-	-	-	446,246
Internal balances	8,465	(8,465)	-	-
Inventories	461,849	316,535	778,384	295,775
Prepaid costs and other assets	2,955,015	-	2,955,015	-
Due from fiduciary fund	139,717	-	139,717	-
Restricted assets - Cash and cash equivalents (Note 4)	56,201,572	3,008,771	59,210,343	-
Capital assets:				
Assets not subject to depreciation (Note 6)	93,182,460	4,281,685	97,464,145	1,808,038
Assets subject to depreciation - Net (Note 6)	139,786,312	185,634,113	325,420,425	2,126,152
Rehabilitation loans (Note 5)	1,585,593	-	1,585,593	-
Total assets	356,287,041	216,648,168	572,935,209	5,285,161
Deferred Outflows of Resources (Note 7)				
Deferred charges on bond refunding	-	294,536	294,536	-
Deferred pension costs	22,350,982	601,025	22,952,007	-
Total deferred outflows of resources	22,350,982	895,561	23,246,543	-
Liabilities				
Accounts payable	10,064,233	4,882,484	14,946,717	61,499
Accrued liabilities and other	4,180,490	691,777	4,872,267	50,539
Due to other governmental units	6,877	-	6,877	-
Due to component units	446,246	-	446,246	-
Due to primary government	-	-	-	12,699
Unearned revenue (Note 8)	3,802,094	77,101	3,879,195	1,368
Noncurrent liabilities:				
Due within one year:				
Compensated absences	270,329	21,888	292,217	-
Provision for claims (Note 11)	713,001	-	713,001	-
Current portion of bonds and contracts payable (Note 10)	5,382,158	2,874,196	8,256,354	-
Due in more than one year:				
Compensated absences	3,597,718	208,911	3,806,629	-
Provision for claims (Note 11)	450,261	-	450,261	-
Bonds and contracts payable - Net of current portion (Note 10)	87,746,448	73,289,798	161,036,246	-
Net pension liability (Note 12)	148,276,502	5,969,411	154,245,913	-
Net OPEB liability (Note 13)	86,748,109	4,721,322	91,469,431	-
Total liabilities	351,231,343	92,736,888	443,968,231	113,406

City of Sterling Heights, Michigan

Statement of Net Position (Continued)

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred Inflows of Resources (Note 7)				
Deferred pension cost reductions	\$ 23,446,939	\$ -	\$ 23,446,939	\$ -
Deferred OPEB costs	3,069,197	167,043	3,236,240	-
Total deferred inflows of resources	<u>26,516,136</u>	<u>167,043</u>	<u>26,683,179</u>	-
Net Position				
Net investment in capital assets	193,873,282	113,751,804	307,625,086	3,934,190
Restricted:				
Roads	7,509,718	-	7,509,718	-
Public safety	728,187	-	728,187	-
Debt service	2,300,667	-	2,300,667	-
County drains (Note 4)	-	3,008,771	3,008,771	-
Parks and recreation	320,577	-	320,577	-
Facilities improvement	22,134	-	22,134	-
Unrestricted	<u>(203,864,021)</u>	<u>7,879,223</u>	<u>(195,984,798)</u>	<u>1,237,565</u>
Total net position	<u><u>\$ 890,544</u></u>	<u><u>\$ 124,639,798</u></u>	<u><u>\$ 125,530,342</u></u>	<u><u>\$ 5,171,755</u></u>

City of Sterling Heights, Michigan

	Expenses	Program Revenue			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary government:					
Governmental activities:					
General government	\$ 7,267,842	\$ 2,378,747	\$ -	\$ 393,203	
District court	3,728,890	2,908,337	146,444	-	
Public safety	54,397,264	2,679,269	561,161	157,908	
Public works	29,961,490	3,443,958	8,705,960	13,765,702	
Recreation and culture	6,343,690	574,725	517,561	-	
Interest on long-term debt	2,496,423	-	-	-	
Total governmental activities	104,195,599	11,985,036	9,931,126	14,316,813	
Business-type activities - Water and Sewer	55,599,159	50,589,347	559,609	3,100,357	
Total primary government	\$ 159,794,758	\$ 62,574,383	\$ 10,490,735	\$ 17,417,170	
Component units:					
Brownfield Redevelopment Corporation	\$ 87,147	\$ -	\$ -	\$ -	
Corridor Improvement Authority	1,257	-	162,250	-	
Economic Development Corporation	23,621	-	140,000	-	
Local Development Finance Authority	1,120,317	-	-	-	
Total component units	\$ 1,232,342	\$ -	\$ 302,250	\$ -	
General revenue:					
Property taxes					
Unrestricted state-shared revenue					
Unrestricted investment income					
Cable franchise fees					
Gain on sale of capital assets					
Other miscellaneous income					
Total general revenue					

Change in Net Position

Net Position - Beginning of year, as restated (Note 1)

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,495,892)	\$ -	\$ (4,495,892)	\$ -
(674,109)	-	(674,109)	-
(50,998,926)	-	(50,998,926)	-
(4,045,870)	-	(4,045,870)	-
(5,251,404)	-	(5,251,404)	-
(2,496,423)	-	(2,496,423)	-
 (67,962,624)	-	(67,962,624)	-
 - (1,349,846)	 (1,349,846)	 (1,349,846)	 -
 (67,962,624)	 (1,349,846)	 (69,312,470)	 -
 - - -	 - - -	 - - -	 (87,147)
 - - -	 - - -	 - - -	 160,993
 - - -	 - - -	 - - -	 116,379
 - - -	 - - -	 - - -	 (1,120,317)
 - - -	 - - -	 - - -	 (930,092)
 66,282,454	 - -	 66,282,454	 1,051,787
 11,784,623	 - -	 11,784,623	 -
 1,454,230	 35,247	 1,489,477	 218,124
 2,414,752	 - -	 2,414,752	 -
 1,963	 - -	 1,963	 -
 1,881,117	 - -	 1,881,117	 -
 83,819,139	 35,247	 83,854,386	 1,269,911
 15,856,515	 (1,314,599)	 14,541,916	 339,819
 (14,965,971)	 125,954,397	 110,988,426	 4,831,936
 \$ 890,544	 \$ 124,639,798	 \$ 125,530,342	 \$ 5,171,755

City of Sterling Heights, Michigan

	General Fund	Major Roads	Parks and Recreation	Road Bond Construction
Assets				
Cash and cash equivalents (Note 3)	\$ 15,352,106	\$ 3,802,693	\$ 1,953,394	\$ 2,262,043
Investments - At fair value (Note 3)	11,018,123	497,637	2,378,829	-
Receivables:				
Special assessments receivable	-	-	-	-
Accrued interest receivable	73,505	-	272,867	-
Other receivables	861,777	-	-	-
Due from other governmental units	2,647,377	1,439,228	205,244	51,936
Due from component units	12,699	-	-	-
Due from other funds (Note 14)	701,659	-	6,488	-
Inventories	424,970	-	-	-
Prepaid costs and other assets	138,391	508,607	-	150,000
Due from fiduciary fund	139,717	-	-	-
Restricted assets (Note 4)	-	-	25,893,442	8,161,690
Rehabilitation loans (Note 5)	-	-	-	-
Total assets	\$ 31,370,324	\$ 6,248,165	\$ 30,710,264	\$ 10,625,669
Liabilities				
Accounts payable	\$ 2,194,852	\$ 660,937	\$ 3,866,377	\$ 1,876,155
Due to other funds (Note 14)	396,272	274,347	-	6,750
Due to other governmental units	6,877	-	-	-
Due to component units	446,246	-	-	-
Accrued liabilities and other	1,394,180	148,867	628,568	249,060
Unearned revenue (Note 8)	52,535	-	1,300	-
Total liabilities	4,490,962	1,084,151	4,496,245	2,131,965
Deferred Inflows of Resources - Unavailable revenue (Note 8)	2,165,608	-	-	-
Total liabilities and deferred inflows of resources	6,656,570	1,084,151	4,496,245	2,131,965
Fund Balances				
Nonspendable:				
Inventory	424,970	-	-	-
Prepays	138,391	508,607	-	150,000
Restricted:				
Roads	-	4,655,407	-	8,343,704
Police	-	-	-	-
Parks and recreation	-	-	26,214,019	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Committed - Park acquisitions and improvements	-	-	-	-
Assigned - Capital projects	-	-	-	-
Unassigned	24,150,393	-	-	-
Total fund balances	24,713,754	5,164,014	26,214,019	8,493,704
Total liabilities, deferred inflows of resources, and fund balances	\$ 31,370,324	\$ 6,248,165	\$ 30,710,264	\$ 10,625,669

Governmental Funds Balance Sheet

June 30, 2018

Facilities Improvement Fund	General Improvements	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 3,969,056	\$ 3,436,050	\$ 30,775,342
	- 248,819	- 248,818	- 14,392,226
26,084	2,968	1,548,769	1,551,737
	4,271	79,002	455,729
	-	-	861,777
	-	1,243,438	5,587,223
	-	-	12,699
	56,677	9,523	774,347
	-	36,879	461,849
	-	-	796,998
	-	-	139,717
19,977,984	2,168,456	-	56,201,572
	-	1,585,593	1,585,593
\$ 20,004,068	\$ 6,450,247	\$ 8,188,072	\$ 113,596,809
\$ 3,950	\$ 398,432	\$ 975,937	\$ 9,976,640
	-	412,097	1,089,466
	-	-	6,877
	-	-	446,246
	34,412	640,072	3,095,159
	2,162,666	1,585,593	3,802,094
3,950	2,595,510	3,613,699	18,416,482
	- 1,867	1,410,767	3,578,242
3,950	2,597,377	5,024,466	21,994,724
-	-	36,879	461,849
-	-	-	796,998
-	-	1,293,586	14,292,697
-	-	691,308	691,308
-	-	-	26,214,019
-	-	951,397	951,397
20,000,118	-	-	20,000,118
-	-	190,436	190,436
-	3,852,870	-	3,852,870
-	-	-	24,150,393
20,000,118	3,852,870	3,163,606	91,602,085
\$ 20,004,068	\$ 6,450,247	\$ 8,188,072	\$ 113,596,809

City of Sterling Heights, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 91,602,085
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	232,968,772
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,578,242
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(93,128,606)
Accrued interest is not due and payable in the current period and is not reported in the funds	(632,208)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(3,868,047)
Pension benefits	(149,372,459)
Retiree healthcare benefits	(89,817,306)
Internal service funds are included as part of governmental activities	9,560,071
Net Position of Governmental Activities	\$ 890,544

City of Sterling Heights, Michigan

	General Fund	Major Roads	Parks and Recreation	Road Bond Construction
Revenue				
Taxes	\$ 58,597,614	\$ -	\$ 3,965,701	\$ -
Special assessments	-	-	-	-
Intergovernmental:				
Federal sources	853,287	-	56	-
State sources	18,536,761	9,194,136	315,273	-
Charges for services	11,819,702	-	553,959	-
Fines and forfeitures	2,384,499	-	-	-
Licenses and permits:				
Cable franchise fees	2,414,752	-	-	-
Fees and permits	2,648,068	-	-	-
Investment income:				
Investment earnings	505,977	43,953	402,116	53,233
Rental income	1,630,951	-	-	-
Other revenue	922,830	303,961	31,600	-
Total revenue	100,314,441	9,542,050	5,268,705	53,233
Expenditures				
Current services:				
General government	9,118,455	-	-	-
41A District Court	3,309,841	-	-	-
Public safety	50,109,493	-	-	-
Public works	17,354,102	2,846,301	-	124,797
General expenditures	1,841,833	-	-	-
Recreation and culture	2,388,456	-	2,417,541	-
Capital outlay	196,783	4,077,067	16,798,457	4,763,932
Debt service	-	-	3,003,519	-
Total expenditures	84,318,963	6,923,368	22,219,517	4,888,729
Excess of Revenue Over (Under) Expenditures	15,995,478	2,618,682	(16,950,812)	(4,835,496)
Other Financing Sources (Uses)				
Transfers in	-	1,000,000	1,247,460	-
Transfers out	(8,588,025)	(2,000,000)	-	-
New debt issued	-	-	-	8,200,000
Debt premium or discount	-	-	-	393,190
Sale of capital assets	39,692	-	-	-
Total other financing (uses) sources	(8,548,333)	(1,000,000)	1,247,460	8,593,190
Net Change in Fund Balances	7,447,145	1,618,682	(15,703,352)	3,757,694
Fund Balances - Beginning of year	17,266,609	3,545,332	41,917,371	4,736,010
Fund Balances - End of year	\$ 24,713,754	\$ 5,164,014	\$ 26,214,019	\$ 8,493,704

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

Facilities Improvement Fund	General Improvements	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,719,139	\$ 66,282,454
	1,142	221,108	222,250
-	135,144	3,133,740	4,122,227
-	-	3,319,266	31,365,436
-	-	-	12,373,661
-	-	-	2,384,499
-	-	-	2,414,752
-	-	-	2,648,068
-	36,938	78,466	1,120,683
-	-	-	1,630,951
-	448,074	159,644	1,866,109
-	621,298	10,631,363	126,431,090
-	-	-	9,118,455
-	-	-	3,309,841
-	-	201,869	50,311,362
296,054	-	2,544,104	23,165,358
-	-	3,325	1,845,158
-	-	-	4,805,997
3,450	3,770,576	9,723,570	39,333,835
-	-	3,121,970	6,125,489
299,504	3,770,576	15,594,838	138,015,495
(299,504)	(3,149,278)	(4,963,475)	(11,584,405)
-	5,503,090	2,837,475	10,588,025
-	-	-	(10,588,025)
19,390,000	-	-	27,590,000
909,622	-	-	1,302,812
-	-	1,963	41,655
20,299,622	5,503,090	2,839,438	28,934,467
20,000,118	2,353,812	(2,124,037)	17,350,062
-	1,499,058	5,287,643	74,252,023
\$ 20,000,118	\$ 3,852,870	\$ 3,163,606	\$ 91,602,085

City of Sterling Heights, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds	\$ 17,350,062
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	39,758,821
Depreciation expense	(10,934,461)
Net book value of assets disposed of	(1,088,258)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available

(63,852)

Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position

(28,892,812)

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

4,140,257

Interest expense is recognized in the government-wide statements as it accrues

(511,191)

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

(3,482,207)

Internal service funds are included as part of governmental activities

(419,844)

Change in Net Position of Governmental Activities	\$ 15,856,515
--	----------------------

\$ 15,856,515

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position

June 30, 2018

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer Operations	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 2,788,472	\$ 797,705
Investments - At fair value (Note 3)	6,622,024	7,308,185
Receivables:		
Customer receivables	13,701,713	-
Accrued interest receivable	51,800	77,493
Other receivables	-	145,942
Due from other governmental units	251,520	-
Due from other funds (Note 14)	-	323,584
Inventories	316,535	-
Prepaid costs and other assets	-	2,158,017
Total current assets	23,732,064	10,810,926
Noncurrent assets:		
Restricted assets (Note 4)	3,008,771	-
Capital assets: (Note 6)		
Assets not subject to depreciation	4,281,685	-
Assets subject to depreciation - Net	185,634,113	-
Total noncurrent assets	192,924,569	-
Total assets	216,656,633	10,810,926
Deferred Outflows of Resources (Notes 7 and 12)		
Deferred charges on bond refunding	294,536	-
Deferred pension costs	601,025	-
Total deferred outflows of resources	895,561	-
Liabilities		
Current liabilities:		
Accounts payable	4,882,484	87,593
Due to other funds	8,465	-
Accrued liabilities and other	691,777	-
Unearned revenue (Note 8)	77,101	-
Compensated absences	21,888	-
Provision for claims	-	713,001
Current portion of bonds and contracts payable (Notes 9 and 10)	2,874,196	-
Total current liabilities	8,555,911	800,594
Noncurrent liabilities:		
Compensated absences	208,911	-
Provision for claims	-	450,261
Net pension liability (Note 12)	5,969,411	-
Net OPEB liability (Note 13)	4,721,322	-
Bonds and contracts payable - Net of current portion (Notes 9 and 10)	73,289,798	-
Total noncurrent liabilities	84,189,442	450,261
Total liabilities	92,745,353	1,250,855
Deferred Inflows of Resources - Deferred OPEB costs (Notes 7 and 12)	167,043	-

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position (Continued)

June 30, 2018

	Business-type Activities	Governmental Activities
	<u>Enterprise Fund - Water and Sewer Operations</u>	<u>Internal Service Fund - Self-insurance</u>
Net Position		
Net investment in capital assets	\$ 113,751,804	\$ -
Restricted - County drains	3,008,771	-
Unrestricted	7,879,223	9,560,071
Total net position	\$ 124,639,798	\$ 9,560,071

City of Sterling Heights, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer Operations	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 17,978,154	\$ -
Sewage disposal charges	29,525,311	-
Service charges	1,118,708	-
City contributions	-	6,184,465
Other	1,967,174	321,328
Total operating revenue	50,589,347	6,505,793
Operating Expenses		
Wages and fringe benefits	4,823,555	-
Water purchases	15,583,183	-
Sewage disposal charges	19,931,374	-
Materials and supplies	390,354	-
Repairs and maintenance	1,975,106	-
Building and equipment rental	85,543	-
Contractual services	1,745,569	-
Administration expenses and other	232,582	470,600
Other	2,076,300	-
Insurance and reinsurance charges and claims	137,460	6,576,469
Depreciation	6,291,307	-
Total operating expenses	53,272,333	7,047,069
Operating Loss	(2,682,986)	(541,276)
Nonoperating Revenue (Expense)		
Investment income	35,247	121,432
Interest expense	(2,326,826)	-
Operating grants	559,609	-
Total nonoperating (expense) revenue	(1,731,970)	121,432
Loss - Before capital contributions	(4,414,956)	(419,844)
Capital Contributions		
Lines donated by developers	1,891,353	-
Other capital contributions	1,209,004	-
Total capital contributions	3,100,357	-
Change in Net Position	(1,314,599)	(419,844)
Net Position - Beginning of year, as restated (Note 1)	125,954,397	9,979,915
Net Position - End of year	\$ 124,639,798	\$ 9,560,071

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer Operations	Internal Service Funds - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 48,796,486	\$ 5,958,868
Payments for interfund services and reimbursements	(1,853,441)	(497,318)
Payments to suppliers	(39,997,928)	(18,634)
Payments to employees and fringes	(4,047,614)	-
Claims paid	-	(6,456,912)
Net cash and cash equivalents provided by (used in) operating activities	2,897,503	(1,013,996)
Cash Flows Provided by Noncapital Financing Activities - Operating grants and subsidies	559,609	-
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	18,964	-
Special assessment collections	1,209,004	-
Proceeds from sale of capital assets	1,933	-
Purchase of capital assets	(599,679)	-
Principal and interest paid on capital debt	(4,801,916)	-
Net cash and cash equivalents used in capital and related financing activities	(4,171,694)	-
Cash Flows from Investing Activities		
Interest received on investments	47,699	131,571
Proceeds from sale and maturities of investment securities	704,598	1,598,403
Net cash and cash equivalents provided by investing activities	752,297	1,729,974
Net Increase in Cash and Cash Equivalents	37,715	715,978
Cash and Cash Equivalents - Beginning of year	2,750,757	81,727
Cash and Cash Equivalents - End of year	\$ 2,788,472	\$ 797,705
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 9,410,496	\$ 8,105,890
Less amounts classified as investments	(6,622,024)	(7,308,185)
Total cash and cash equivalents	\$ 2,788,472	\$ 797,705

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer Operations	Internal Service Funds - Self-insurance
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,682,986)	\$ (541,276)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	6,291,307	-
Changes in assets and liabilities:		
Receivables	(1,792,861)	(25,597)
Due to and from other funds	222,859	(497,318)
Inventories	(25,299)	-
Accrued wages	20,850	-
Accounts payable	108,542	(15,754)
Estimated claims liability	-	65,949
Net pension or OPEB liability	(208,693)	-
Deferrals related to pension or OPEB	963,784	-
Total adjustments	5,580,489	(472,720)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 2,897,503</u>	<u>\$ (1,013,996)</u>
Significant Noncash Transactions		
Donated sewer lines	\$ 1,891,353	\$ -
Assets constructed using cash held at County	7,237,044	-

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	Trust Funds - Pensions and Other Retirement Benefits	Agency
Assets		
Cash and cash equivalents	\$ 13,277,733	\$ 1,686,439
Investments - At fair value:		
Short-term investment fund	-	3,563,331
Government securities	38,840,132	-
Mutual funds	20,095,457	-
Common and preferred stocks	331,993,030	-
Corporate bonds	28,138,953	-
Private real estate	780,124	-
Receivables	42,286	-
Due from other funds	1,902	-
Total assets	433,169,617	<u>\$ 5,249,770</u>
Liabilities		
Accounts payable	3,594,165	\$ -
Due to other governmental units	39,257	95,476
Accrued liabilities and other	31,517	1,417,212
Cash and bond deposits	-	3,737,082
Provision for claims	517,828	-
Total liabilities	4,182,767	<u>\$ 5,249,770</u>
Net Position - Restricted for pension and OPEB	\$ 428,986,850	

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income:	
Interest and dividends	\$ 11,148,949
Net increase in fair value of investments	25,809,316
Investment-related expenses	<u>(2,611,670)</u>
Net investment income	34,346,595
Contributions:	
Employer contributions	23,016,140
Employee contributions	2,473,426
Purchase of prior year's service credits	<u>294,847</u>
Total contributions	<u>25,784,413</u>
Total additions	60,131,008
Deductions	
Benefit payments	42,719,043
Refunds of contributions	<u>1,695,101</u>
Total deductions	<u>44,414,144</u>
Net Increase in Net Position Held in Trust	15,716,864
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>413,269,986</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 428,986,850</u>

City of Sterling Heights, Michigan

Component Units Statement of Net Position

June 30, 2018

	Economic Development Corporation	Brownfield Redevelopment Corporation	Corridor Improvement Authority	Local Development Finance Authority	Total
Assets					
Cash and cash equivalents	\$ 159,681	\$ -	\$ 64	\$ 447,837	\$ 607,582
Receivables - Customer receivables	-	-	-	1,368	1,368
Due from primary government	-	-	-	446,246	446,246
Inventories	-	-	295,775	-	295,775
Capital assets:					
Assets not subject to depreciation (Note 6)	-	-	-	1,808,038	1,808,038
Assets subject to depreciation - Net (Note 6)	-	-	-	2,126,152	2,126,152
Total assets	159,681	-	295,839	4,829,641	5,285,161
Liabilities					
Accounts payable	8,217	-	-	53,282	61,499
Due to primary government	11,318	-	1,381	-	12,699
Accrued liabilities and other	-	-	2,870	34,970	37,840
Unearned revenue	-	-	-	1,368	1,368
Total liabilities	19,535	-	4,251	89,620	113,406
Net Position					
Net investment in capital assets	-	-	-	3,934,190	3,934,190
Unrestricted	140,146	-	291,588	805,831	1,237,565
Total net position	\$ 140,146	\$ -	\$ 291,588	\$ 4,740,021	\$ 5,171,755

City of Sterling Heights, Michigan

	Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Economic Development Corporation	\$ 23,621	\$ -	\$ 140,000
Brownfield Redevelopment Corporation	87,147	-	-
Corridor Improvement Authority	1,257	-	162,250
Local Development Finance Authority	1,120,317	-	-
Total	\$ 1,232,342	\$ -	\$ 302,250

General revenue:

Taxes

Unrestricted investment income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Component Units
Statement of Activities**

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position					
Economic Development Corporation	Brownfield Redevelopment Corporation	Corridor Improvement Authority	Local Development Finance Authority	Total	
\$ 116,379	\$ -	\$ -	\$ -	\$ 116,379	
-	(87,147)	-	-	(87,147)	
-	-	160,993	-	160,993	
-	-	-	(1,120,317)	(1,120,317)	
116,379	(87,147)	160,993	(1,120,317)	(930,092)	
 - 2,285	 84,250 2,897	 44,298 454	 923,239 212,488	 1,051,787 218,124	
2,285	87,147	44,752	1,135,727	1,269,911	
 118,664	 - 21,482	 205,745 85,843	 15,410 4,724,611	 339,819 4,831,936	
\$ 140,146	\$ -	\$ 291,588	\$ 4,740,021	\$ 5,171,755	

June 30, 2018

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Sterling Heights, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City of Sterling Heights, Michigan:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61 and No. 80, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

Blended Component Unit

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

Discretely Presented Component Units

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

The Economic Development Corporation

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 expending 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 Brownfield Redevelopment Authority

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 Corridor Improvement Authority

The Corridor Improvement Authority (the "CI Authority") was created to encourage revitalization and redevelopment of commercial properties that 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.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

The Local Development Finance Authority

The Local Development Finance Authority (the "LDF Authority") was created to encourage development, prevent conditions of unemployment, and promote economic growth. The LDF Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the LDF Authority.

Basis of Accounting

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 45 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, franchise fees, state gas and weight tax revenue, licenses, most grant revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Facilities Improvement Fund (a capital projects fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of improving major City owned facilities.
- The General Improvements Fund (a capital projects fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of constructing all major capital improvement projects of the City other than special assessment, road, and enterprise projects.
- The Major Roads Fund (a special revenue fund type) accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

- The Parks and Recreation Fund (a special revenue fund type) accounts for the resources for the operation, development, and improvements of the City's park system.
- 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.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new property, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

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

Interfund Activity

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

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

Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Receivables and Payables

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

Inventories and Prepaid Items

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets consist of amounts on deposit at the county being held for construction, maintenance, or debt service and unspent bond proceeds in the Facilities Improvement Fund, Parks and Recreation Fund (a special revenue fund), and Road Bond Construction Fund (a capital projects fund), which are required to be set aside for construction.

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 \$2,500 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 acquisition value at the date of donation.

In accordance with GASB Statement No. 89, interest incurred during the construction of capital assets of business-type activities is expensed in the period it is incurred.

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

Capital Asset Class Type	Depreciable Life - Years
Buildings	50
Building improvements	25
Other improvements	10-30
Equipment	5-20
Furnishings and fixtures	10-15
Infrastructure	20-40
Water and sewer mains	50

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Inflows	Outflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level	✓	
Deferred charge on bond refunding		✓
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

The 2018 taxable valuation of the City totaled \$4,061,799,421, on which taxes levied consisted of 10.5767 mills for operating purposes, 2.0124 mills for police and fire pension, 2.4852 mills for safe streets, and 0.9700 mills for parks and recreation. This resulted in \$38,810,116 for operating, \$8,251,737 for police and fire pension, \$10,153,121 for safe streets, and \$3,959,925 for parks and recreation. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

Pension

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

Other Postemployment Benefit (OPEB) Costs

The City offers retiree healthcare benefits to certain retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations, which are the General and Water and Sewer Funds.

Proprietary Funds Operating Classification

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

Adoption of New Accounting Pronouncements

For the year ended June 30, 2018, the City early adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be adopted on a prospective basis. Under the new governmental accounting standard, governments with a business-type activity or enterprise fund will now expense interest costs previously capitalized before the end of the construction period. The implementation of this statement will result in simplified reporting of better and more comparable information as the practice of capitalizing interest cost does not align with the definition of an asset because it does not possess present service capacity. For the fiscal year ended June 30, 2018 the City has, therefore, expensed all construction interest costs.

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 13) for further details. This change does not impact the modified accrual funds.

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at June 30, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements and proprietary funds in accordance with GASB Statement No. 45 has been eliminated and the overall result was an decrease in net position as of the beginning of the current fiscal year.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

	Primary Government			Water and Sewer Operations
	Governmental Activities	Business-type Activities	Total	
Net position - Beginning of year, as previously reported	\$ 78,788,300	\$ 131,057,034	\$ 209,845,334	\$ 131,057,034
Adjustment for GASB Statement No. 75 - To record the net OPEB liability	(92,804,390)	(5,072,244)	(97,876,634)	(5,072,244)
Adjustment for reversal of GASB Statement No. 45 net asset	(949,881)	(51,698)	(1,001,579)	(51,698)
Net position - Beginning of year, as restated	<u>\$ (14,965,971)</u>	<u>\$ 125,933,092</u>	<u>\$ 110,967,121</u>	<u>\$ 125,933,092</u>

The impact on the prior year changes in net position could not be determined.

Upcoming Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted; however, it is not expected to have a significant impact. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

June 30, 2018

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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 surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2017	\$ (9,049,203)
Current year permit revenue	2,891,247
Related expenses:	
Direct costs	\$ (1,452,820)
Estimated indirect costs	<u>(1,577,021)</u>
	<u>(3,029,841)</u>
Current year shortfall	<u>(138,594)</u>
Cumulative shortfall at June 30, 2018	<u>\$ (9,187,797)</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 law also allows investments outside the state of Michigan when fully insured. 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 the 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 deposits, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512.

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 by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$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 board 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 investments comply with all required laws and regulations.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at net asset value.

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

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 does not have a deposit policy for custodial credit risk. At year end, the City had \$24,700,300 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 investment securities 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 sets forth restrictions on the types of investment instruments and length of investment maturities the City may hold.

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

Investment	Carrying Value	Weighted-average Maturity (Years)
Government-wide		
Commercial paper	\$ 12,775,719	0.10
U.S. government agency bonds	49,565,440	3.27
Municipal bonds	4,056,215	2.17
General Employees' Retirement System		
Corporate bonds	10,768,796	4.17
U.S. government agency bonds	5,894,099	5.90
U.S. government obligations	2,724,013	10.38
Police and Fire Retirement System		
Corporate bonds	10,203,627	6.10
U.S. government agency bonds	11,138,328	5.44
U.S. government obligations	7,685,260	9.72
Municipal bonds	97,748	14.11
Retiree Medical Benefits		
Corporate bonds	7,166,530	5.63
U.S. government agency bonds	4,295,806	5.84
U.S. government obligations	2,104,895	10.02

June 30, 2018

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 are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide			
Pooled funds	\$ 22,822,156	NR	N/A
Pooled funds	15,232,239	AAA	S&P
Commercial paper	9,778,974	A1	S&P
Commercial paper	2,996,745	A2	S&P
U.S. government agency bonds	49,565,440	AA+	S&P
Municipal bonds	4,056,215	AA-	S&P
General Employees' Retirement System			
Money market	352,719	NR	N/A
Corporate bonds	951,783	AAA	S&P
Corporate bonds	461,943	Aaa	Moody's
Corporate bonds	2,407,858	A+ to A-	S&P
Corporate bonds	4,844,123	BBB+ to BBB-	S&P
Corporate bonds	1,897,889	BB+ to BB-	S&P
Corporate bonds	205,201	B+	S&P
U.S. government agency bonds	5,894,099	AA+	S&P
U.S. government obligations	2,724,013	AA+	S&P
Police and Fire Retirement System			
Money market	755,257	NR	N/A
Corporate bonds	563,207	AAA	S&P
Corporate bonds	227,416	AAA	Moody's
Corporate bonds	496,847	AAA	S&P
Corporate bonds	959,461	AA+ to AA	S&P
Corporate bonds	4,036,349	A+ to A-	S&P
Corporate bonds	3,217,386	BBB+ to BBB-	S&P
Corporate bonds	198,527	BB+ to BB-	S&P
Corporate bonds	166,164	B+ to B-	S&P
Corporate bonds	338,270	CCC	S&P
U.S. government agency bonds	5,358,101	AAA	S&P
U.S. government agency bonds	5,780,227	AA+	S&P
U.S. government obligations	7,685,260	AA+	S&P
Municipal bonds	97,748	AAA	S&P
Retiree Medical Benefits			
Pooled funds	447,027	NR	N/A
Corporate bonds	245,328	Aaa	Moody's
Corporate bonds	598,805	AA+ to AA-	S&P
Corporate bonds	1,744,160	A+ to A-	S&P
Corporate bonds	3,231,175	BBB+ to BBB-	S&P
Corporate bonds	1,218,873	BB+ to BB-	S&P
Corporate bonds	128,190	B+	S&P
U.S. government agency bonds	1,812,481	AAA	S&P
U.S. government agency bonds	2,483,325	AAA	S&P
U.S. government obligations	1,278,051	AAA	S&P
U.S. government obligations	826,844	AA+	S&P

June 30, 2018

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Through its investment policy, the City places a 15.0 percent limit on the amount it may invest in any one issuer. No issuer held greater than 15.0 percent of investments as of June 30, 2018.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency-denominated investments to 5.0 percent of total pension system investments. No investments exceed 5.0 percent of total pension system investments as of June 30, 2018.

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 system are protected from foreign currency risk through the use of American Depository Receipts (ADRs).

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2018:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2018					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018	
Investments by fair value level:					
Debt securities:					
U.S. Treasury securities	\$ -	\$ 12,514,168	\$ -	\$ 12,514,168	
U.S. government agencies	-	70,893,673	-	70,893,673	
Municipal obligations	-	4,153,963	-	4,153,963	
Corporate bonds	-	40,914,672	-	40,914,672	
Total debt securities	-	128,476,476	-	128,476,476	
Equity securities:					
Consumer discretionary	46,657,866	-	-	46,657,866	
Consumer staples	22,732,714	-	-	22,732,714	
Energy	16,023,929	-	-	16,023,929	
Financials	56,588,899	-	-	56,588,899	
Health care	37,644,587	-	-	37,644,587	
Industrials	36,269,354	-	-	36,269,354	
Information technology	54,784,866	-	-	54,784,866	
Materials	17,146,743	-	-	17,146,743	
Telecommunications	6,645,980	-	-	6,645,980	
Utilities	4,025,166	-	-	4,025,166	
Other	26,056,047	-	-	26,056,047	
Total equity securities	324,576,151	-	-	324,576,151	
Total	\$ 324,576,151	\$ 128,476,476	\$ -	453,052,627	
Investments measured at NAV:					
Michigan CLASS Investment Pool				15,232,239	
Mutual funds - Western Asset Management				32,412,322	
U.S. Real Estate Investment Fund				780,124	
Total investments measured at NAV				48,424,685	
Total investments measured at fair value				\$ 501,477,312	

The fair value of equity securities at June 30, 2018 was determined primarily based on Level 1 inputs. The City estimates the fair value using prices quoted in active markets for those securities.

The fair value of debt securities at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the table below.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

Investments that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 15,232,239	\$ -	N/A	None
Mutual funds - Western Asset Management	32,412,322	-	N/A	None
U.S. Real Estate Investment Fund	<u>780,124</u>	<u>-</u>	<u>N/A</u>	<u>None</u>
Total	\$ 48,424,685	\$ -		

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Western Asset SMASH series mutual funds are open-ended funds whose objective is total return consisting of capital appreciation and income, consistent with prudent investment management. The funds invest primarily in a combination of U.S. dollar-denominated and non-U.S. dollar investment grade debt obligations of both U.S. and non-U.S. issuers.

Mutual funds are also held by multiple equity managers as a temporary investment vehicle for cash prior to entrance into the equity market.

The U.S. Real Estate Investment Fund is a balanced portfolio of yield-driven real estate and real estate-related assets that are broadly diversified by geography and product type. The objectives of the fund are to preserve and protect investors' capital, provide potential for capital appreciation, produce income on invested capital of 6-8 percent per annum, and target total annual average returns of 10 percent per annum.

Note 4 - Restricted Assets

Specific assets of the Water and Sewer Fund and the General Improvements Fund are restricted as the result of external governments issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose for which the bonds were issued or the repayment of the bonds. Also, unspent bond proceeds are restricted for specific construction projects.

At June 30, 2018, restricted assets are comprised of the following:

Water and Sewer Fund - Due from Oakland County*	\$ 3,008,771
General Improvements Fund - Due from Macomb County**	2,168,456
Facilities Improvement Fund - Unspent Bond Proceeds	19,977,984
Parks and Recreation Fund - Unspent Bond Proceeds	25,893,442
Road Bond Construction Fund - Unspent Bond Proceeds	<u>8,161,690</u>
Total	\$ 59,210,343

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 4 - Restricted Assets (Continued)

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

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

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

Note 5 - Loans Receivable

The City utilizes Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low- and moderate-income persons to improve or rehabilitate residences. The City accounts for this program in the Community Development Block Grant special revenue fund. Loans receivable of \$1,585,593 at June 30, 2018 have been reflected in the accompanying fund financial statements as rehabilitation loans receivable with an offsetting unearned revenue for the recording of related grant funding.

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 45,904,433	\$ 432,181	\$ (1,974)	\$ -	\$ 46,334,640
Construction in progress	26,983,101	23,579,213	-	(4,151,285)	46,411,029
Works of art	336,151	100,640	-	-	436,791
Subtotal	73,223,685	24,112,034	(1,974)	(4,151,285)	93,182,460
Capital assets being depreciated:					
Buildings and improvements	40,823,701	531,529	(2,353,029)	786,183	39,788,384
Land improvements	15,784,401	11,760,871	(506,984)	1,205,956	28,244,244
Equipment	41,621,355	3,354,387	(5,302,124)	825,000	40,498,618
Furnishings and fixtures	1,123,038	-	(51,186)	-	1,071,852
Infrastructure	265,806,909	-	-	1,334,146	267,141,055
Subtotal	365,159,404	15,646,787	(8,213,323)	4,151,285	376,744,153
Accumulated depreciation:					
Buildings and improvements	17,746,688	929,395	(1,618,678)	-	17,057,405
Land improvements	4,450,890	531,630	(291,543)	-	4,690,977
Equipment	29,928,958	2,431,542	(5,171,012)	-	27,189,488
Furnishings and fixtures	1,003,760	15,114	(45,806)	-	973,068
Infrastructure	180,020,123	7,026,780	-	-	187,046,903
Subtotal	233,150,419	10,934,461	(7,127,039)	-	236,957,841
Net capital assets being depreciated	132,008,985	4,712,326	(1,086,284)	4,151,285	139,786,312
Net governmental activities capital assets	\$ 205,232,670	\$ 28,824,360	\$ (1,088,258)	\$ -	\$ 232,968,772

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	29,425,869	138,070	6,732	(25,353,857)	4,216,814
Subtotal	29,490,740	138,070	6,732	(25,353,857)	4,281,685
Capital assets being depreciated:					
Buildings and improvements	524,660	-	-	-	524,660
Equipment	5,490,820	599,679	(206,618)	-	5,883,881
Furnishings and fixtures	21,075	-	-	-	21,075
Water and sewer mains	290,294,249	8,295,535	-	25,353,857	323,943,641
Subtotal	296,330,804	8,895,214	(206,618)	25,353,857	330,373,257
Accumulated depreciation:					
Buildings and improvements	160,383	15,918	-	-	176,301
Equipment	3,463,104	348,808	(204,685)	-	3,607,227
Furnishings and fixtures	20,668	80	-	-	20,748
Water and sewer mains	135,008,367	5,926,501	-	-	140,934,868
Subtotal	138,652,522	6,291,307	(204,685)	-	144,739,144
Net capital assets being depreciated	157,678,282	2,603,907	(1,933)	25,353,857	185,634,113
Net business-type activity capital assets	\$ 187,169,022	\$ 2,741,977	\$ 4,799	\$ -	\$ 189,915,798

Construction in progress includes \$4,037,553 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID), which represents the City's in-progress portion of total OMID improvements in the amount of \$249,893,746. These improvements will be completed by OMID using state revolving loan funds; state stormwater, asset management, and wastewater loan (SAW); and bonded debt. See Note 10 for additional information.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's component units for the years ended June 30, 2018 was as follows:

Local Development Finance Authority

	Balance July 1, 2017	Additions	Disposals, Adjustments, and Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Construction in progress	255,291	343,544	-	598,835
Subtotal	1,464,494	343,544	-	1,808,038
Capital assets being depreciated:				
Buildings and improvements	2,450,501	62,746	-	2,513,247
Equipment	51,447	-	-	51,447
Subtotal	2,501,948	62,746	-	2,564,694
Accumulated depreciation:				
Buildings and improvements	359,081	65,039	-	424,120
Equipment	8,376	6,046	-	14,422
Subtotal	367,457	71,085	-	438,542
Net capital assets being depreciated	2,134,491	(8,339)	-	2,126,152
Net capital assets	\$ 3,598,985	\$ 335,205	\$ -	\$ 3,934,190

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

Governmental activities:			
General government			\$ 206,005
41A District Court			29,349
Public safety			1,777,640
Public works			8,093,939
Recreation and culture			827,528
Total governmental activities			\$ 10,934,461
Business-type activities - Water and Sewer			\$ 6,291,307

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:

	Spent to Date	Remaining Commitment
Construction and other contracts	\$ 35,509,344	\$ 37,470,368

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 7 - Deferred Inflows/Outflows of Resources

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

	Governmental Activities	Business-type Activities	Total
Pension expense - GERS (Note 12)	\$ 2,660,096	\$ 601,025	\$ 3,261,121
Pension expense - PFRS (Note 12)	19,690,886	-	19,690,886
Bond refunding loss being amortized (Note 10)	-	294,536	-
Total deferred outflows	\$ 22,350,982	\$ 895,561	\$ 22,952,007

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

	Governmental Funds	Governmental Activities	Business-type Activities	Total
Special assessments - Unavailable	\$ 1,412,634	\$ -	\$ -	\$ 1,412,634
Other revenue - Unavailable	2,165,608	-	-	2,165,608
Total	3,578,242	-	-	3,578,242
Pension expense -				
PFERS (Note 12)	-	23,446,939	-	23,446,939
OPEB expense (Note 13)	-	3,069,197	167,043	3,236,240
Total	-	26,516,136	167,043	26,683,179
Total deferred inflows	\$ 3,578,242	\$ 26,516,136	\$ 167,043	\$ 30,261,421

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 8 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the City had \$3,578,242 of unavailable revenue and \$3,879,195 of unearned revenue. Unavailable revenue primarily relates to state-shared revenue and special assessments received outside the period of availability. Unearned revenue in the governmental activities represents various rents and fees paid to the City in 2018 that are applicable to future periods. Unearned revenue in the Water and Sewer Fund represents payments made by system users to be applied as payment for future capital charges. Unearned revenue in the General Improvements Fund represents funds on deposits with Macomb County for future drain repairs.

Note 9 - Capital Leases

The City leases certain equipment (MFDs - copiers) under a long-term lease arrangement that is classified as a capital lease. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreements, payments of \$3,889 are due monthly through February 2020. The lease has been imputed with interest at an annual rate of 4.625 percent.

Property under the capital lease consists of the following at June 30, 2018:

Asset	General Government	Water and Sewer Fund	Total
Machinery and equipment	\$ 198,633	\$ 9,348	\$ 207,981
Less accumulated depreciation	<u>(129,122)</u>	<u>(6,077)</u>	<u>(135,199)</u>
Long-term obligations under capital leases	<u>\$ 69,511</u>	<u>\$ 3,271</u>	<u>\$ 72,782</u>

Depreciation expense on property under capital leases is included in the depreciation amount disclosed in Note 6.

The future minimum lease payments under capital leases are as follows:

Years Ending June 30	General Government	Water and Sewer Fund	Total
2019	\$ 44,573	\$ 2,098	\$ 46,671
2020	<u>29,714</u>	<u>1,398</u>	<u>31,112</u>
Total	74,287	3,496	77,783
Less amount representing interest	<u>2,923</u>	<u>138</u>	<u>3,061</u>
Present value of net minimum lease payments	<u>\$ 71,364</u>	<u>\$ 3,358</u>	<u>\$ 74,722</u>

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 10 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:							
2005 Limited Tax Refunding Bonds:							
Amount of issue - \$2,820,000		\$295,000 - \$300,000	\$ 895,000		\$ (300,000)	\$ 595,000	\$ 300,000
Maturing through 2019	5.00%		56,328		(20,349)	35,979	-
Unamortized premium on refunding							
2010 Michigan Transportation Recovery Zone Bonds:							
Amount of issue - \$1,570,000	4.65% - 6.05%	\$50,000 - \$200,000	1,325,000		(50,000)	1,275,000	100,000
2012 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$3,780,000	3.00% - 4.00%	\$495,000 - \$585,000	1,645,000		(495,000)	1,150,000	565,000
Maturing through 2020			189,936		(35,323)	154,613	-
Unamortized premium on refunding							
2013 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$3,275,000	2.05%	\$425,000 - \$515,000	2,440,000		(425,000)	2,015,000	515,000
Maturing through 2022			6,938		(1,209)	5,729	-
Unamortized premium on refunding							
2016 Michigan Transportation Fund Bonds:							
Amount of issue - \$9,630,000	2.00% - 3.00%	\$535,000 - \$785,000	9,110,000		(535,000)	8,575,000	550,000
Maturing through 2031			249,667		(9,245)	240,422	-
Unamortized premium							
2017 Capital Improvement Bond Limited Tax General Obligation Bonds:							
Amount of issue - \$42,135,000	3.00% - 5.00%	\$1,390,000 - \$2,905,000	42,135,000		(1,590,000)	40,545,000	1,390,000
Maturing through 2037			2,863,866		(53,981)	2,809,885	-
Unamortized premium							
2017 Michigan Transportation Fund Bonds:							
Amount of issue - \$2,075,000	2.00% - 3.00%	\$110,000 - \$175,000	2,075,000		(110,000)	1,965,000	110,000
Maturing through 2032			38,711		(910)	37,801	-
Unamortized premium							
2017 Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue - \$3,105,000	1.00% - 2.00%	\$445,000 - \$575,000	3,105,000		(445,000)	2,660,000	450,000
Maturing through 2023							
2018 Capital Improvement Bonds Limited Tax General Obligation:							
Amount of issue - \$19,390,000	3.00% - 5.00%	\$640,000 - \$1,330,000					
Maturing through 2038			-	19,390,000	-	19,390,000	715,000
Unamortized premium			-	909,622	-	909,622	-

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 10 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2018 Michigan Transportation Fund Bonds:							
Amount of issue - \$8,200,000	2.625% - 5.00%	\$470,000 - \$655,000	\$ -	\$ 8,200,000	\$ -	\$ 8,200,000	\$ 495,000
Maturing through 2033							
Unamortized premium							
Total general obligations			66,135,446	28,892,812	(4,071,017)	90,957,241	5,190,000
Special Assessment Bonds - 2008 Special Assessment Limited Tax Bonds:							
Amount of Issue - \$3,260,000	4.00% - 4.50%	\$150,000 - \$400,000	2,250,000	-	(150,000)	2,100,000	150,000
Maturing through 2028							
Total principal outstanding			68,385,446	28,892,812	(4,221,017)	93,057,241	5,340,000
Capital leases (Note 9)			111,621	-	(40,256)	71,365	42,158
Provision for uninsured losses and other liabilities (Note 11)			1,294,095	4,920,596	(5,051,429)	1,163,262	564,727
Compensated absences			4,036,202	199,811	(367,966)	3,868,047	270,329
Total governmental activities long-term liabilities			\$ 73,827,364	\$ 34,013,219	\$ (9,680,668)	\$ 98,159,915	\$ 6,217,214

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 10 - Long-term Debt (Continued)

Business-type Activities - Water and Sewer

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
County Drain Contract Obligations:							
2010B OMID Drainage District:							
Amount of issue - \$1,104,832	4.35% - 5.90%	\$46,172 - \$85,749	\$ 830,277	-	\$ (46,172)	\$ 784,105	\$ 48,646
Maturing through 2030							
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$252,751	4.55% - 6.35%	\$8,492 - \$14,526	200,159	-	(8,492)	191,667	8,716
Maturing through 2035							
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$9,862,021	3.45% - 5.50%	\$384,235 - \$800,489	8,148,975	-	(384,235)	7,764,740	416,254
Maturing through 2032							
2014A Sewer Lining Repairs							
Amount of issue - \$1,649,117	2.00% - 3.125%	\$66,101 - \$108,270	1,520,333	-	(66,101)	1,454,232	68,381
Maturing through 2034							
2015 North Gratiot Interceptor Drainage District Refunding Bonds:							
Amount of issue - \$2,067,205	3.50% - 5.00%	\$85,779 - \$140,531	1,982,035	-	(85,779)	1,896,256	116,805
Maturing through 2033							
Unamortized premium on refunding			181,820	-	(11,364)	170,456	-
2017A MID Drainage District:							
Amount of issue - \$19,085,935	3.00% - 5.00%	\$353,972 - \$1,261,919	19,085,935	-	(353,972)	18,731,963	426,989
Maturing through 2042							
Unamortized premium on refunding			3,279,935	-	(131,197)	3,148,738	-
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248	3.00% - 5.00%	\$687,570 - \$1,492,530	18,532,248	-	(783,998)	17,748,250	687,570
Maturing through 2035							
Unamortized premium on refunding			3,385,826	-	(188,101)	3,197,725	-
Total bond obligations			57,147,543	-	(2,059,411)	55,088,132	1,773,361
State Revolving Loan Funds (Michigan Municipal Finance Authority):							
Special Assessment Roll No. 1 Series 2010A (Segment 1 - ARRA funding):							
Maximum loan amount - \$4,299,957							
Balance drawn - \$4,299,957	2.50%	\$194,583 - \$269,613	3,227,111	-	(194,583)	3,032,528	199,530
Maturing through 2031							

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 10 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Special Assessment Roll No. 1 Series 2011A (Segment 2):							
Maximum loan amount - \$5,168,777							
Balance drawn - \$5,168,777		\$217,643 -					
Maturing through 2033	2.50%	\$322,923	\$ 4,546,216	\$ -	\$ (217,643)	\$ 4,328,573	\$ 223,717
Special Assessment Roll No. 1 Series 2013A (Segment 3):							
Maximum loan amount - \$11,278,994							
Balance drawn - \$11,278,994		\$483,088 -					
Maturing through 2034	2.50%	\$674,296	10,339,528	1,855	(483,088)	9,858,295	492,612
Special Assessment Roll No. 1 Series 2015A (MIDD Project #5624-01):							
Maximum loan amount - \$1,151,536							
Balance drawn - \$905,567		\$15,798 -					
Maturing through 2035	2.50%	65,802	843,023	17,109	(45,435)	814,697	47,001
2015 Oakland-Macomb Interceptor Drainage District SAW Loan:							
Maximum Loan Amount - \$3,298,735							
Balance drawn - \$3,298,735		\$132,105 -					
Maturing through 2036	2.50%	\$207,871	3,170,516	-	(132,105)	3,038,411	135,991
Total state revolving loan funds			22,126,394	18,964	(1,072,854)	21,072,504	1,098,851
Total county drain obligations			79,273,937	18,964	(3,132,265)	76,160,636	2,872,212
Capital leases (Note 9)		5,253	-	(1,895)	3,358	1,984	
Compensated absences		219,068	41,224	(29,493)	230,799	21,888	
Total business-type activities		\$ 79,498,258	\$ 60,188	\$ (3,163,653)	\$ 76,394,793	\$ 2,896,084	

The City had deferred outflows of \$294,527 related to deferred charges on bond refundings at June 30, 2018.

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. 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

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 City) are received.

June 30, 2018

Note 10 - Long-term Debt (Continued)

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and Water and Sewer Fund. The claims and judgments liability will generally be liquidated through the City's internal service fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. The net pension liability and the net OPEB liability will be liquidated from the funds from which the individual employee's salaries are paid, generally the General Fund fund and the Water and Sewer Fund.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity excluding unamortized premiums for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 5,340,000	\$ 3,109,779	\$ 8,449,779	\$ 2,872,212	\$ 2,754,367	\$ 5,626,579
2020	5,405,000	3,057,194	8,462,194	2,992,253	2,642,712	5,634,965
2021	4,760,000	2,853,986	7,613,986	3,113,333	2,525,642	5,638,975
2022	4,940,000	2,671,640	7,611,640	3,236,102	2,403,140	5,639,242
2023	4,660,000	2,483,697	7,143,697	3,348,389	2,275,113	5,623,502
2024-2028	22,480,000	9,505,225	31,985,225	18,850,595	9,261,740	28,112,335
2029-2033	23,570,000	5,051,300	28,621,300	20,289,842	5,315,263	25,605,105
2034-2038	17,315,000	1,582,626	18,897,626	10,242,529	2,041,088	12,283,617
Thereafter	-	-	-	4,698,462	601,595	5,300,057
Total	\$ 88,470,000	\$ 30,315,447	\$ 118,785,447	\$ 69,643,717	\$ 29,820,660	\$ 99,464,377

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2018. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds.

OMID was also approved for \$42 million of loans, of which \$16 million of the debt was federally forgiven and \$119 million will be loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A \$26 million, OMID Series 2011 \$25 million, OMID Series 2013 \$65 million, OMID Series 2014 \$20 million, and State of Michigan SAW \$9 million). During the year, the City's portion of SRF draws was \$18,965.

During 2016, the Macomb Interceptor Drainage District (MIDD) was approved for \$3,675,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$1,151,500 was anticipated as the City's share. The City's share of SRF funds drawn and payable at June 30, 2018 is \$814,697. In addition, a portion of construction costs was paid from advance funding received from other communities. The City has recognized its portion of those construction costs, in the amount of \$37,941, as funds due to other governmental units.

During the year ended June 30, 2017, the Corridor Improvement Authority entered into a land contract in the amount of \$160,000 to purchase a parcel of land. During 2018, the Corridor Improvement Authority paid off the outstanding principal.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 11 - Risk Management

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

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

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

Property and Liability

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

The City estimates, based on past experience, that \$119,817 will be paid for all claims reported to date and \$223,290 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 is shown in table below.

Medical Claims and Short-term Disability

As of April 1, 1989, the City became self-insured for Blue Cross/Blue Shield equivalent healthcare coverage. Under the program, the City was liable for claims up to a retention amount of \$250,000 per active and retired employee (including dependents) for the contract year ended June 30, 2018. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$27,572 will be paid for all claims reported to date and \$494,070 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 shown in table below.

Workers' Compensation

On July 1, 1992, the City became self-insured for workers' compensation claims. Under the program, the City was liable for the first \$400,000 of any occurrence for the contract year ended June 30, 2018. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2018, it was estimated, based on past experience, that \$298,513 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 are shown in table below.

Changes in the estimated liabilities for the past two fiscal years were as follows:

	Property and Liability		Workers' Compensation		Self-insurance Internal Service Fund		Retiree Medical Benefits Trust Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Estimated liability - Beginning of year	\$ 385,048	\$ 744,599	\$ 244,655	\$ 201,485	\$ 664,392	\$ 501,704	\$ 528,592	\$ 528,029
Estimated claims incurred, including changes in estimates	517,521	1,748,694	226,677	226,583	4,176,399	5,592,013	7,724,744	8,423,745
Claim payments	(559,462)	(2,108,245)	(172,819)	(183,413)	(4,319,149)	(5,429,325)	(7,735,508)	(8,423,182)
Estimated liability - End of year	<u><u>\$ 343,107</u></u>	<u><u>\$ 385,048</u></u>	<u><u>\$ 298,513</u></u>	<u><u>\$ 244,655</u></u>	<u><u>\$ 521,642</u></u>	<u><u>\$ 664,392</u></u>	<u><u>\$ 517,828</u></u>	<u><u>\$ 528,592</u></u>

June 30, 2018

Note 12 - Pension Plans

Plan Description

The City of Sterling Heights, Michigan provides retirement benefits to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the General Employees' Retirement System (GERS), a single-employer plan administered by the General Employees' Pension Board, and Police and Fire Retirement System (PFRS), a single-employer plan administered by the Police and Fire Pension Board.

General Employees' Retirement System (GERS)

GERS provides pensions for approximately 44.4 percent of all active permanent full-time general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the GERS is vested in the pension boards, which consists of five members - two elected by plan members, one appointed by the City, the city treasurer, and the city finance director, who serves as an ex-officio member.

Police and Fire Retirement System (PFRS)

PFRS provides pensions for all permanent full-time public safety employees of the City. Benefit terms under Act 345 have been established by contractual agreements between the City and the various employee union representation and amendments are subject to the same process.

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

The financial statements of each pension system are included in these financial statements as Pensions and Other Retirement Benefits trust funds (fiduciary funds). Separate statements are not available for these plans.

Benefits Provided

General Employees' Retirement System and Police and Fire Retirement System provide retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representations and may be amended by the same process.

General Employees' Retirement System

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

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

June 30, 2018

Note 12 - Pension Plans (Continued)

Police and Fire Retirement System Benefits

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

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

Employees Covered by Benefit Terms

At the June 30, 2018 measurement date, the following members were covered by the benefit terms:

	General Employees' Retirement System	Police and Fire Retirement System
Inactive plan members or beneficiaries currently receiving benefits	364	365
Inactive plan members entitled to but not yet receiving benefits	22	-
Active plan members	88	240
 Total employees covered by the plan	 474	 605

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

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the plan year ended June 30, 2018, the average active member contribution was approximately 9.0 percent of covered payroll for the GERS and 9.5 percent for the PFRS. The City's average contribution rate was 52.64 percent and 38.50 percent of covered payroll for GERS and PFRS, respectively.

June 30, 2018

Note 12 - Pension Plans (Continued)

Deferred Retirement Option Program (DROP) and Early Retirement Option Program (EROP)

The City offered certain police and fire employees the ability to continue services and be paid a salary after they were fully vested; this program credits the employee for benefit payments that would have been paid, and pays them out with interest at 4.0 percent after the employee has fully retired (discontinued providing employee services to the City). At plan year end June 30, 2018, the Police and Fire Retirement System has accumulated \$23,151,213 in DROP and EROP account reserves.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	General Employees' Retirement System	Police and Fire Retirement System
Measurement date used for the City NPL	June 30, 2018	June 30, 2018
Based on a comprehensive actuarial valuation as of	June 30, 2018	June 30, 2018

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

General Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 141,973,242	\$ 110,237,923	\$ 31,735,319
Changes for the year:			
Service cost	1,011,294	-	1,011,294
Interest	10,259,718	-	10,259,718
Differences between expected and actual experience	782,654	-	782,654
Contributions - Employer	-	3,265,820	(3,265,820)
Contributions - Employee	-	555,471	(555,471)
Net investment income	-	7,578,055	(7,578,055)
Benefit payments, including refunds	(11,365,307)	(11,365,307)	-
Net changes	688,359	34,039	654,320
Balance at June 30, 2018	\$ 142,661,601	\$ 110,271,962	\$ 32,389,639

The plan's fiduciary net position represents 77.3 percent of the total pension liability.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 12 - Pension Plans (Continued)

Police and Fire Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 309,385,005	\$ 201,782,196	\$ 107,602,809
Changes for the year:			
Service cost	3,380,879	-	3,380,879
Interest	23,166,857	-	23,166,857
Differences between expected and actual experience	2,689,692	-	2,689,692
Changes in assumptions	14,170,036	-	14,170,036
Contributions - Employer	-	8,297,370	(8,297,370)
Contributions - Employee	-	2,038,119	(2,038,119)
Net investment income	-	19,084,405	(19,084,405)
Benefit payments, including refunds	(24,296,503)	(24,296,503)	-
Administrative expenses	-	(6,503)	6,503
Miscellaneous other charges	-	(259,392)	259,392
Net changes	19,110,961	4,857,496	14,253,465
Balance at June 30, 2018	\$ 328,495,966	\$ 206,639,692	\$ 121,856,274

The plan's fiduciary net position represents 62.90 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$8,098,195 related to GERS and \$10,951,098 related to PFRS.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 322,783	\$ -
Net difference between projected and actual earnings on pension plan investments	2,938,338	-
Total	\$ 3,261,121	\$ -
PFRS		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,646,385	\$ 1,568,218
Changes in assumptions	15,386,875	21,878,721
Net difference between projected and actual earnings on pension plan investments	657,626	-
Total	\$ 19,690,886	\$ 23,446,939

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2018

Note 12 - Pension Plans (Continued)

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

Years Ending June 30	GERS	PFRS	Total
2019	\$ 2,591,851	\$ (5,340,770)	\$ (2,748,919)
2020	1,214,973	(3,102,802)	(1,887,829)
2021	(616,739)	1,596,329	979,590
2022	71,036	2,442,740	2,513,776
2023	-	648,450	648,450
Total	\$ 3,261,121	\$ (3,756,053)	\$ (494,932)

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	General Employees' Retirement System	Police and Fire Retirement System
Inflation	2.60%	2.00%
Salary increases (including inflation)	11.25% to 3.50%	3.00%
Investment rate of return (net of investment expenses)	7.50%	7.75%
Mortality rates	RP-2014 Mortality Table	RP 2014 Mortality Table with MP 2017

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

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

	General Employees' Retirement System	Police and Fire Retirement System
Assumed investment rate of return	7.50%	7.75%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	No
Discount rate used to measure TPL	7.50%	7.68%

June 30, 2018

Note 12 - Pension Plans (Continued)

Police and Fire Retirement System's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive employees through the year 2083. Therefore, the discount rate was determined by blending the long-term expected rate of return on pension plan investments (7.50 percent) with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 2.92 percent (as referenced by the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2018).

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the pension plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Large capitalization growth equities	6.70 %
Large capitalization value equities	6.40
Large capitalization core equities	6.55
Small-/Middle-capitalization equities	7.45
International equities	5.83
Emerging markets	9.40
Fixed income	1.20
Alternative investments	5.50
Real estate	5.60

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

The following presents the net pension liability of GERS, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. The following also presents the net pension liability of PFRS, calculated using the discount rate of 7.68 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.5% - GERS; 6.68% - PFRS)	Current Discount Rate (7.5% - GERS; 7.68% - PFRS)	1 Percent Increase (8.5% - GERS; 8.68% - PFRS)
Net pension liability of the General Employees' Retirement System	\$ 46,782,221	\$ 32,389,639	\$ 20,073,534
Net pension liability of the Police and Fire Retirement System	156,026,123	121,856,274	76,118,665

Assumption Changes

With respect to GERS, there were no assumption changes for the year ended June 30, 2018.

With respect to PFRS, the discount rate decreased from 7.75 percent to 7.68 percent. Mortality rates were based on the RP 2014 table with Generational MP 2017 improvement scale whereas previously mortality rates were based on RP 2000 Combined Healthy table projected to 2014. The assumption for salary increases was decreased from a range of 20.1 percent to 3.00 percent, including inflation to 3.00 percent, including inflation.

June 30, 2018

Note 12 - Pension Plans (Continued)

Investment Policy

The pension plans' policies in regard to the allocation of invested assets is established and may be amended by the pension boards by a majority vote of its members. It is the policy of the pension boards to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policies discourage the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension boards' adopted asset allocation policies as of June 30, 2018:

Asset Class	Target Allocation - GERS	Target Allocation - PFRS
Large capitalization growth equities	7.30 %	12.00 %
Large capitalization value equities	7.30	12.00
Large capitalization core equities	7.40	12.00
Small-/Middle-capitalization equities	10.00	6.00
International equities	22.00	19.00
Emerging markets	5.00	6.00
Fixed income	32.00	25.00
Alternative investments	5.00	5.00
Real estate	4.00	3.00
Total	<u>100.00 %</u>	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.16 percent and 10.22 percent for the General Employees' and Police and Fire Retirement Systems, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

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

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

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

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

June 30, 2018

Note 12 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2018 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 115,540,013	\$ 103,963,305
Employee reserve	6,308,661	6,308,661
PFRS		
Retiree reserve	212,908,519	188,576,734
Employee reserve	18,062,958	18,062,958

Note 13 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB for all employees who are members of the GERS and PFRS pension plans who meet eligibility requirements. The benefits are provided through the Retiree Health Care Plan (the "Plan"), a single-employer defined benefit plan under Public Act 149 of 1999 administered by the City Investment Council.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the investment committee, which consists of three members - the city treasurer, city finance director, and city clerk.

Benefits Provided

The Plan provides healthcare for retirees and their dependents. Benefits are provided through a third-party insurer and the partial cost of benefits is covered by the Plan.

Benefit terms provide for annual cost of living adjustments to each employee's OPEB benefits subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in OPEB benefits of 2 percent for general employees and 3 percent for public safety employees.

City Council has the sole authority to establish and amend the benefit terms.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Sterling Heights Retiree Health Care Plan
Date of member count	December 31, 2016
Retirees and beneficiaries	605
Active and DROP members	436
Total members	1,041

June 30, 2018

Note 13 - Other Postemployment Benefit Plan (Continued)

Contributions

A July 2000 City Council resolution grants the authority to establish and amend the contribution requirements of the City and plan members to the investment committee. The investment committee establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2018, the City's contribution was \$11,452,950. DROP and EROP plan members are required to contribute at 5 percent of gross wages.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 199,105,195	\$ 101,249,866	\$ 97,855,329
Changes for the year:			
Service cost	1,882,705	-	1,882,705
Interest	14,695,533	-	14,695,533
Differences between expected and actual experience	(3,926,583)	-	(3,926,583)
Contributions - Employer	-	11,452,950	(11,452,950)
Contributions - Employee	-	174,683	(174,683)
Net investment income	-	7,950,032	(7,950,032)
Benefit payments, including refunds	(8,212,223)	(8,212,223)	-
Other	-	(540,112)	540,112
Net changes	4,439,432	10,825,330	(6,385,898)
Balance at June 30, 2018	\$ 203,544,627	\$ 112,075,196	\$ 91,469,431

The plan's fiduciary net position represents 55.12 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$7,768,565.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,030,900
Net difference between projected and actual earnings on OPEB plan investments	-	205,340
Total	\$ -	\$ 3,236,240

June 30, 2018**Note 13 - Other Postemployment Benefit Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2019	\$ (947,018)
2020	(947,018)
2021	(947,018)
2022	<u>(395,186)</u>
Total	<u>\$ (3,236,240)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.60 percent; assumed salary increases (including inflation) of 3.00 to 3.25 percent; an investment rate of return (net of investment expenses) of 7.50 percent; a healthcare cost trend rate of 9.5 percent for 2019, decreasing 0.75 to 0.50 percent per year to an ultimate rate of 3.25 percent for 2028 and later years; and using the RP-2014 mortality tables with the MP-2016 improvement scale. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

June 30, 2018

Note 13 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Long-term Expected Real Rate of Return
Large capitalization growth equities	6.70 %
Large capitalization value equities	6.40
Large capitalization core equities	6.55
Small-/Middle-capitalization equities	7.45
International equities	5.83
Emerging markets	9.40
Alternative investments	5.50
Fixed income	1.20

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 115,176,422	\$ 91,469,431	\$ 71,510,591

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9.5 percent to 3.25 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.5% to 2.25%)	Current Healthcare Cost Trend Rate (9.5% to 3.25%)	1 Percent Increase (10.5% to 4.25%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 68,406,602	\$ 91,469,431	\$ 118,947,860

June 30, 2018

Note 13 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the investment committee by a majority vote of its members. It is the policy of the the investment committee to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2018:

City of Sterling Heights Retiree Health Care Plan

Asset Class	Target Allocation
Large capitalization equites	30.00 %
Small-/Middle-capitalization equities	15.00
International equities	20.00
Emerging markets	5.00
Fixed income	25.00
Alternative investments	5.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Roads	\$ 274,347
	Road Bond Construction	6,750
	Nonmajor governmental funds	412,097
	Water and sewer operations	<u>8,465</u>
	Total General Fund	701,659
General Improvements	General Fund	56,677
Parks and Recreation	General Fund	6,488
Nonmajor governmental funds	General Fund	9,523
Self-insurance Fund	General Fund	<u>323,584</u>
	Total	<u>\$ 1,097,931</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

June 30, 2018

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

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Major Roads Fund	\$ 1,000,000
	General Improvements Fund	5,503,090
	Parks and Recreation Fund	1,247,460
	Nonmajor governmental funds	<u>837,475</u>
	Total General Fund	8,588,025
Major Roads Fund	Nonmajor governmental funds	<u>2,000,000</u>
	Total	<u>\$ 10,588,025</u>

The transfers from the General Fund to the General Improvements Fund represent the transfer of unrestricted resources for sidewalk repair and replacement, equipment purchases, and repairs and improvements to various city buildings; the transfers from the General Fund to the Parks and Recreation Fund represents the transfer of unrestricted resources for operations; the transfer from the General Fund to the Major Roads Fund represents the transfer of unrestricted resources for major road repair; the transfers from the General Fund to the nonmajor governmental funds represent restricted resources for debt service payments and repair and replacement of local roads.

The transfer from the Major Roads Fund to the nonmajor governmental funds represents restricted resources for debt service payments.

Note 15 - Unrestricted Net Position

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

Designated for	Enterprise Fund - Water and Sewer
Capital improvement	\$ 2,540,000
Undesignated	<u>5,355,048</u>
Total	<u>\$ 7,895,048</u>

Note 16 - Defined Contribution Pension Plan

The City provides pension benefits to all new general employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 4.0 percent of employees' base wages, while the employees contribute a minimum of 5.0 percent of gross wages to the employees' individual accounts. The City's contributions to the employees' accounts, including investment earnings, are fully vested after five years of service. In accordance with these requirements, the City contributed \$280,758 during the current year and employees contributed \$404,338.

June 30, 2018

Note 17 - Contingent Liabilities

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

Note 18 - Tax Abatements

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2018, the City abated \$863,681 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the Brownfield's tax revenue is reduced. For the fiscal year ended June 30, 2018, the Authority abated \$84,250 of taxes under this program. There are no provisions to recapture taxes.

Additionally, the Local Development Finance Authority (the "LDFA"), a discretely presented component unit, uses Development Agreements under PA 281 of 1986, as amended, to reimburse taxpayers that invest in manufacturing facilities to spur economic development. As a result of these agreements, the LDFA's tax revenue is reduced. For the fiscal year ended June 30, 2018, the Authority abated \$438,187 of taxes under this program. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 19 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plan:

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Statement of Net Position				
Investments	\$ 110,585,296	\$ 209,259,270	\$ 113,280,863	\$ 433,125,429
Other assets	17,042	15,980	11,166	44,188
Liabilities	<u>330,376</u>	<u>2,635,558</u>	<u>1,216,833</u>	<u>4,182,767</u>
Net position	<u><u>\$ 110,271,962</u></u>	<u><u>\$ 206,639,692</u></u>	<u><u>\$ 112,075,196</u></u>	<u><u>\$ 428,986,850</u></u>
Statement of Changes in Net Position				
Investment income	\$ 8,234,789	\$ 20,122,435	\$ 8,601,041	\$ 36,958,265
Contributions	3,821,291	10,335,489	11,627,633	25,784,413
Benefit payments	10,999,201	22,967,507	8,752,335	42,719,043
Investment-related expenses	656,736	1,303,925	651,009	2,611,670
Withdrawals and refunds of contributions	<u>366,106</u>	<u>1,328,995</u>	<u>-</u>	<u>1,695,101</u>
Net change in net position	<u><u>\$ 34,037</u></u>	<u><u>\$ 4,857,497</u></u>	<u><u>\$ 10,825,330</u></u>	<u><u>\$ 15,716,864</u></u>

Required Supplemental Information

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 58,787,340	\$ 58,505,950	\$ 58,597,614	\$ 91,664
Intergovernmental:				
Federal sources	83,000	810,000	853,287	43,287
State sources	15,414,770	18,478,350	18,536,761	58,411
Charges for services	11,664,220	11,430,820	11,819,702	388,882
Fines and forfeitures	2,626,650	2,423,150	2,384,499	(38,651)
Licenses and permits:				
Cable franchise fees	2,650,000	2,500,000	2,414,752	(85,248)
Licenses and permits	2,297,500	2,420,000	2,648,068	228,068
Investment income:				
Investment earnings	400,000	450,000	505,977	55,977
Rental income	1,587,670	1,595,370	1,630,951	35,581
Other revenue	912,500	871,880	922,830	50,950
Total revenue	96,423,650	99,485,520	100,314,441	828,921
Expenditures				
Current services:				
General government	9,088,150	9,220,870	9,118,455	102,415
41A District Court	3,366,950	3,365,080	3,309,841	55,239
Public safety	52,349,550	50,916,660	50,109,493	807,167
Public works	17,224,850	17,445,410	17,354,102	91,308
General expenditures	1,926,770	1,862,770	1,841,833	20,937
Recreation and culture	2,527,530	2,446,090	2,388,456	57,634
Capital outlay	198,800	197,800	196,783	1,017
Total expenditures	86,682,600	85,454,680	84,318,963	1,135,717
Excess of Revenue Over Expenditures	9,741,050	14,030,840	15,995,478	1,964,638
Other Financing (Uses) Sources				
Transfers out	(7,176,880)	(8,588,030)	(8,588,025)	5
Sale of capital assets	20,000	30,000	39,692	9,692
Total other financing uses	(7,156,880)	(8,558,030)	(8,548,333)	9,697
Net Change in Fund Balance	2,584,170	5,472,810	7,447,145	1,974,335
Fund Balance - Beginning of year	17,266,609	17,266,609	17,266,609	-
Fund Balance - End of year	\$ 19,850,779	\$ 22,739,419	\$ 24,713,754	\$ 1,974,335

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedules - Major Special Revenue Funds Major Roads

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State sources	\$ 7,848,500	\$ 9,096,520	\$ 9,194,136	\$ 97,616
Investment income	20,000	35,000	43,953	8,953
Other revenue	157,000	257,000	303,961	46,961
Total revenue	8,025,500	9,388,520	9,542,050	153,530
Expenditures				
Public works	2,364,100	2,786,560	2,846,301	(59,741)
Capital outlay	2,811,370	6,246,970	4,077,067	2,169,903
Total expenditures	5,175,470	9,033,530	6,923,368	2,110,162
Excess of Revenue Over Expenditures	2,850,030	354,990	2,618,682	2,263,692
Other Financing Sources (Uses)				
Transfers in	500,000	1,000,000	1,000,000	-
Transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-
Total other financing uses	(1,500,000)	(1,000,000)	(1,000,000)	-
Net Change in Fund Balance	1,350,030	(645,010)	1,618,682	2,263,692
Fund Balance - Beginning of year	3,545,332	3,545,332	3,545,332	-
Fund Balance - End of year	\$ 4,895,362	\$ 2,900,322	\$ 5,164,014	\$ 2,263,692

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedules - Major Special Revenue Funds (Continued) Parks and Recreation

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,981,900	\$ 3,959,920	\$ 3,965,701	\$ 5,781
Intergovernmental:				
Federal sources	-	-	56	56
State sources	496,860	496,860	315,273	(181,587)
Charges for services	538,570	538,570	553,959	15,389
Investment income	-	300,000	402,116	102,116
Other revenue	20,500	31,520	31,600	80
Total revenue	5,037,830	5,326,870	5,268,705	(58,165)
Expenditures				
Recreation and culture	2,665,020	2,468,390	2,417,541	50,849
Capital outlay	10,254,800	16,051,200	16,798,457	(747,257)
Debt service	3,112,500	3,003,520	3,003,519	1
Total expenditures	16,032,320	21,523,110	22,219,517	(696,407)
Excess of Expenditures Over Revenue	(10,994,490)	(16,196,240)	(16,950,812)	(754,572)
Other Financing Sources - Transfers in	1,251,310	1,247,460	1,247,460	-
Net Change in Fund Balance	(9,743,180)	(14,948,780)	(15,703,352)	(754,572)
Fund Balance - Beginning of year	41,917,371	41,917,371	41,917,371	-
Fund Balance - End of year	\$ 32,174,191	\$ 26,968,591	\$ 26,214,019	\$ (754,572)

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios General Employees' Retirement System*

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741	\$ 1,149,820
Interest	10,259,718	10,194,909	10,251,133	10,094,749	10,079,470
Changes in benefit terms	-	21,314	468,337	-	(70,640)
Differences between expected and actual experience	782,654	(790,128)	(220,359)	1,896,980	-
Changes in assumptions	-	6,023,738	3,043,452	-	-
Benefit payments, including refunds	(11,365,307)	(11,080,749)	(11,221,254)	(10,912,153)	(10,933,108)
Net Change in Total Pension Liability	688,359	5,402,229	3,321,131	2,139,317	225,542
Total Pension Liability - Beginning of year	<u>141,973,242</u>	<u>136,571,013</u>	<u>133,249,881</u>	<u>131,110,564</u>	<u>130,885,022</u>
Total Pension Liability - End of year	<u>\$ 142,661,601</u>	<u>\$ 141,973,242</u>	<u>\$ 136,571,012</u>	<u>\$ 133,249,881</u>	<u>\$ 131,110,564</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 3,265,820	\$ 2,648,960	\$ 2,768,790	\$ 2,610,080	\$ 2,735,453
Contributions - Member	555,471	583,975	619,418	712,397	711,608
Net investment income (loss)	7,578,055	11,402,709	(288,329)	3,903,536	18,570,457
Benefit payments, including refunds	(11,365,307)	(11,080,749)	(11,221,254)	(10,912,153)	(10,933,108)
Other	-	-	20,441	-	-
Net Change in Plan Fiduciary Net Position	34,039	3,554,895	(8,100,934)	(3,686,140)	11,084,410
Plan Fiduciary Net Position - Beginning of year	<u>110,237,923</u>	<u>106,683,028</u>	<u>114,783,962</u>	<u>118,470,102</u>	<u>107,385,692</u>
Plan Fiduciary Net Position - End of year	<u>\$ 110,271,962</u>	<u>\$ 110,237,923</u>	<u>\$ 106,683,028</u>	<u>\$ 114,783,962</u>	<u>\$ 118,470,102</u>
City's Net Pension Liability - Ending	<u>\$ 32,389,639</u>	<u>\$ 31,735,319</u>	<u>\$ 29,887,984</u>	<u>\$ 18,465,919</u>	<u>\$ 12,640,462</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.30 %	77.65 %	78.12 %	86.14 %	90.36 %
Covered Payroll	\$ 6,204,481	\$ 7,420,404	\$ 7,491,549	\$ 8,903,144	\$ 9,187,685
City's Net Pension Liability as a Percentage of Covered Payroll	522.04 %	427.68 %	398.96 %	207.41 %	137.58 %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Pension Contributions General Employees' Retirement System*

	Last Nine Fiscal Years Years Ended June 30								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 3,265,816	\$ 2,648,960	\$ 2,768,786	\$ 2,610,074	\$ 2,735,453	\$ 1,790,556	\$ 1,089,481	\$ 486,906	\$ 204,054
Contributions in relation to the actuarially determined contribution	3,265,816	2,648,960	2,768,786	2,610,074	2,735,453	1,790,556	1,089,481	486,906	204,054
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,204,481	\$ 7,420,404	\$ 7,491,549	\$ 8,903,144	\$ 9,187,685	\$ 12,375,670	\$ 13,709,541	\$ 1,500,778	\$ 14,794,008
Contributions as a Percentage of Covered Payroll	52.64 %	35.70 %	36.96 %	29.32 %	29.77 %	14.47 %	7.95 %	32.44 %	1.38 %

* This schedule is being built prospectively until required 10 years of data is presented

Notes to Schedule of Pension Contributions - General Employees' Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	13 years
Asset valuation method	Five-year smoothed market
Inflation	3.5 percent
Salary increase	3.75 to 11.50 percent
Investment rate of return	7.75 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2006 - 2010.
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale AA.
Other information	There were no benefit changes during the year.

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Pension Investment Returns General Employees' Retirement System*

	Last Five Fiscal Years Years Ended June 30				
	2018	2017	2016	2015	2014
Annual money-weighted rate of return -					
Net of investment expense	7.16 %	11.08 %	(0.24)%	3.40 %	17.90 %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Police and Fire Retirement System*

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 3,380,879	\$ 3,118,370	\$ 4,566,392	\$ 3,745,877	\$ -
Interest	23,166,857	23,330,680	21,627,043	20,597,428	-
Differences between expected and actual experience	2,689,692	(2,688,374)	4,075,015	5,363,325	-
Changes in assumptions	14,170,036	6,757,450	(60,488,228)	23,250,473	-
Benefit payments, including refunds	(24,296,503)	(22,414,879)	(19,003,317)	(18,772,663)	-
Net Change in Total Pension Liability	19,110,961	8,103,247	(49,223,095)	34,184,440	-
Total Pension Liability - Beginning of year	<u>309,385,005</u>	<u>301,281,758</u>	<u>350,504,853</u>	<u>316,320,413</u>	-
Total Pension Liability - End of year	<u>\$ 328,495,966</u>	<u>\$ 309,385,005</u>	<u>\$ 301,281,758</u>	<u>\$ 350,504,853</u>	-
Plan Fiduciary Net Position					
Contributions - Employer	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970	\$ -
Contributions - Member	2,038,119	1,660,858	1,538,401	1,297,931	-
Net investment income (loss)	19,084,405	22,479,683	(1,776,431)	9,106,541	-
Benefit payments, including refunds	(24,296,503)	(22,414,879)	(19,003,316)	(18,772,663)	-
Administrative expenses	(6,503)	(53,973)	(64,145)	(51,574)	-
Other	(259,392)	-	76,413	53,294	-
Net Change in Plan Fiduciary Net Position	4,857,496	9,666,436	(11,242,766)	(412,501)	-
Plan Fiduciary Net Position - Beginning of year	<u>201,782,196</u>	<u>192,115,760</u>	<u>203,358,526</u>	<u>203,771,027</u>	-
Plan Fiduciary Net Position - End of year	<u>\$ 206,639,692</u>	<u>\$ 201,782,196</u>	<u>\$ 192,115,760</u>	<u>\$ 203,358,526</u>	-
City's Net Pension Liability - Ending	<u>\$ 121,856,274</u>	<u>\$ 107,602,809</u>	<u>\$ 109,165,998</u>	<u>\$ 147,146,327</u>	-
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.90 %	65.22 %	63.77 %	58.02 %	- %
Covered Payroll	\$ 21,549,009	\$ 19,788,423	\$ 19,321,315	\$ 16,589,288	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	565.48 %	543.77 %	565.00 %	887.00 %	- %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Pension Contributions Police and Fire Retirement System

	Last Ten Fiscal Years Years Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970	\$ 8,095,472	\$ 8,815,031	\$ 7,368,876	\$ 6,135,053	\$ 4,925,570	\$ 2,594,194
Contributions in relation to the actuarially determined contribution	<u>8,297,370</u>	<u>7,994,747</u>	<u>7,986,312</u>	<u>7,953,970</u>	<u>8,095,472</u>	<u>8,815,031</u>	<u>7,368,876</u>	<u>6,135,053</u>	<u>4,925,570</u>	<u>2,594,194</u>
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 21,549,009	\$ 16,589,288	\$ 15,378,745	\$ 14,300,045	\$ 14,671,724	\$ 19,213,007	\$ 22,432,921	\$ 22,510,638	\$ 22,064,557	\$ 20,979,120
Contributions as a Percentage of Covered Payroll	38.50 %	48.19 %	51.93 %	55.62 %	55.18 %	45.88 %	32.85 %	27.25 %	22.32 %	12.37 %

Notes to Schedule of Pension Contributions - Police and Fire Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed (as of June 30, 2016 valuation)
Remaining amortization period	23 years
Asset valuation method	Four years smoothed market
Inflation	2.00 percent
Salary increase	3.00 to 20.1 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Mortality	RP 2000 projected to 2014 (as of June 30, 2016 valuation)

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Pension Investment Returns Police and Fire Retirement System*

	Last Five Fiscal Years Years Ended June 30				
	2018	2017	2016	2015	2014
Annual money-weighted rate of return -					
Net of investment expense	10.22 %	12.70 %	(0.40)%	4.90 %	19.06 %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios Retiree Medical Benefits Trust

	Last Two Fiscal Years	
	2018	2017
Total OPEB Liability		
Service cost	\$ 1,882,705	\$ 2,001,128
Interest	14,695,533	14,177,069
Differences between expected and actual experience	(3,926,583)	(380,735)
Changes in assumptions	-	5,411,956
Benefit payments, including refunds	<u>(8,212,223)</u>	<u>(8,447,897)</u>
Net Change in Total OPEB Liability	4,439,432	12,761,521
Total OPEB Liability - Beginning of year	199,105,195	186,343,674
Total OPEB Liability - End of year	<u>\$ 203,544,627</u>	<u>\$ 199,105,195</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 11,452,950	\$ 11,452,950
Contributions - Members	174,683	12,822
Net investment income	7,950,032	11,360,581
Benefit payments, including refunds	(8,752,335)	(8,447,897)
Other	-	10,572
Net Change in Plan Fiduciary Net Position	10,825,330	14,389,028
Plan Fiduciary Net Position - Beginning of year	101,249,866	86,860,838
Plan Fiduciary Net Position - End of year	<u>\$ 112,075,196</u>	<u>\$ 101,249,866</u>
Net OPEB Liability - Ending	<u>\$ 91,469,431</u>	<u>\$ 97,855,329</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	55.06 %	50.85 %
Covered Payroll	\$ 27,014,605	\$ 28,386,397
Net OPEB Liability as a Percentage of Covered Payroll	338.59 %	344.73 %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of OPEB Contributions Retiree Medical Benefits Trust

	Last Ten Fiscal Years Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 10,637,102	\$ 11,452,950	\$ 11,572,635	\$ 12,334,370	\$ 12,195,350	\$ 11,984,780	\$ 11,523,820	\$ 12,070,700	\$ 11,604,200	\$ 11,265,740
Contributions in relation to the actuarially determined contribution	<u>11,452,950</u>	<u>11,452,950</u>	<u>12,584,830</u>	<u>12,334,370</u>	<u>12,195,350</u>	<u>11,984,780</u>	<u>11,523,820</u>	<u>12,070,700</u>	<u>11,604,200</u>	<u>11,265,740</u>
Contribution Excess	\$ 815,848	\$ -	\$ 1,012,195	\$ -						
Covered Payroll	\$ 27,014,605	\$ 28,386,397	\$ 35,568,006	\$ 35,567,006	\$ 40,887,900	\$ 40,887,900	\$ 43,400,000	\$ 43,400,000	\$ 46,814,550	\$ 46,814,550
Contributions as a Percentage of Covered Payroll	42.40 %	40.35 %	35.38 %	34.68 %	29.83 %	29.31 %	26.55 %	27.81 %	24.79 %	24.06 %

Notes to Schedule of OPEB Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	Market value of assets
Inflation	No explicit price inflation assumption used
Healthcare cost trend rates	Initial trend of 9.00 percent gradually decreasing to an ultimate trend rate of 3.50 percent
Salary increase	3.75 to 20.00 percent, including inflation
Investment rate of return	7.75 percent, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Healthy Annuitant Tables for males and females; projected to 2015 using Scale AA

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns*

	Last Two Fiscal Years Years Ended June 30	
	2018	2017
Annual money-weighted rate of return - Net of investment expense	7.77 %	12.86 %

* This schedule is being built prospectively until required 10 years of data is presented

City of Sterling Heights, Michigan

Notes to Required Supplemental Information

June 30, 2018

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted 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, 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:

- (1) 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.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 10, the budget is legally adopted by the City Council through the adoption of the appropriation ordinance.
- (4) The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditure of any budget center (activity) must be approved by the City Council.

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

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the City of Sterling Heights, Michigan incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
Parks and Recreation - Parks and Recreation expense	\$ 21,523,110	\$ 22,219,517	\$ (696,407)
CDBG	937,440	1,108,824	(171,384)
Public Safety Forfeiture Fund	478,190	506,586	(28,396)
Neighborhood Stabilization Program	-	2,969	(2,969)
Road Bond Debt Retirement	2,299,500	2,300,000	(500)
Land and Water Conservatism	80,860	190,777	(109,917)

Parks and Recreation had an unfavorable variance as a result of higher than anticipated costs associated with current construction projects.

Other Financial and Supplemental Information

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

CDBG

The Community Development Block Grant Fund 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.

Local Roads

The Local Roads Fund accounts for the resources of property tax revenue and state gas and weight tax revenue that is restricted for use on local streets.

Public Safety Forfeiture

The Public Safety Forfeiture Fund accounts for the resources from seized monies and the proceeds from the sale of forfeited property.

Neighborhood Stabilization

The Neighborhood Stabilization Fund accounts for federal grant funds received from the U.S. Department of Housing and Urban Development for purposes of assisting governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within the community.

Debt Service Funds

Road Bond Debt Retirement

The Road Bond Debt Retirement Fund accounts for revenue accumulated to pay principal and interest on outstanding debt associated with various road and infrastructure assets.

General Drain Debt, Voted Tax GO Debt, and Limited Tax GO Debt

The General Drain Debt, Voted Tax GO Debt, and Limited Tax G.O. Debt funds account for the revenue accumulated to pay principal and interest on outstanding debt associated with various public improvements.

Capital Project Funds

Land and Water Conservation

The Land and Water Conservation Fund accounts for the resources for the construction, development, and acquisition of land for the City's park system.

Clinton River Restoration

The Clinton River Restoration Fund accounts for the resources for the rehabilitation and development of land surrounding the Clinton River, as well as the City's park system.

City of Sterling Heights, Michigan

	Special Revenue Funds					Debt Service Funds	
	CDBG	Local Roads	Public Safety Forfeiture Fund	Neighborhood Stabilization Program	Total Special Revenue Funds	General Drain	
Assets							
Cash and cash equivalents	\$ -	\$ 1,552,754	\$ 759,138	\$ -	\$ 2,311,892	\$ 41,321	
Investments	-	248,818	-	-	248,818	-	
Receivables:							
Special assessments receivable	-	64,572	-	-	64,572	-	
Accrued interest receivable	-	2,744	-	-	2,744	-	
Due from other governmental units	476,882	550,387	-	-	1,027,269	-	
Due from other funds	-	-	6,290	3,127	9,417	-	
Inventories	-	-	36,879	-	36,879	-	
Rehabilitation loans	1,585,593	-	-	-	1,585,593	-	
Total assets	\$ 2,062,475	\$ 2,419,275	\$ 802,307	\$ 3,127	\$ 5,287,184	\$ 41,321	
Liabilities							
Accounts payable	\$ 207,936	\$ 464,074	\$ 74,120	\$ -	\$ 746,130	\$ -	
Due to other funds	268,946	137,235	-	-	406,181	-	
Accrued liabilities and other	-	462,883	-	3,127	466,010	-	
Total liabilities	476,882	1,064,192	74,120	3,127	1,618,321	-	
Deferred Inflows of Resources -							
Unavailable revenue	-	61,497	-	-	61,497	-	
Total liabilities and deferred inflows of resources	476,882	1,125,689	74,120	3,127	1,679,818	-	
Fund Balances							
Nonspendable	-	-	36,879	-	36,879	-	
Restricted:							
Road improvements	-	1,293,586	-	-	1,293,586	-	
Public safety	-	-	691,308	-	691,308	-	
Debt service	-	-	-	-	-	41,321	
Committed - Park acquisitions and improvements	-	-	-	-	-	-	
Total fund balances	-	1,293,586	728,187	-	2,021,773	41,321	
Total liabilities, deferred inflows of resources, and fund balances	\$ 476,882	\$ 2,419,275	\$ 802,307	\$ 3,127	\$ 3,701,591	\$ 41,321	

Other Financial and Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Debt Service Funds				Capital Project Funds				
Road Bond Debt Retirement	Voted Tax Debt	GO Limited Tax G.O.	Total Debt Service Funds	Clinton River Restoration	Land and Water Conservatism	Total Capital Project Funds	Total	
\$ 647,990	\$ 51,182	\$ 348	\$ 740,841	\$ -	\$ 383,317	\$ 383,317	\$ 3,436,050	
-	-	-	-	-	-	-	248,818	
1,484,197	-	-	1,484,197	-	-	-	1,548,769	
76,258	-	-	76,258	-	-	-	79,002	
-	-	-	-	216,169	-	216,169	1,243,438	
-	106	-	106	-	-	-	9,523	
-	-	-	-	-	-	-	36,879	
-	-	-	-	-	-	-	1,585,593	
\$ 2,208,445	\$ 51,288	\$ 348	\$ 2,301,402	\$ 216,169	\$ 383,317	\$ 599,486	\$ 8,188,072	
\$ 500	\$ -	\$ -	\$ 500	\$ 51,169	\$ 178,138	\$ 229,307	\$ 975,937	
-	-	-	-	-	5,916	5,916	412,097	
-	235	-	235	165,000	8,827	173,827	640,072	
500	235	-	735	216,169	192,881	409,050	2,028,106	
1,349,270	-	-	1,349,270	-	-	-	1,410,767	
1,349,770	235	-	1,350,005	216,169	192,881	409,050	3,438,873	
-	-	-	-	-	-	-	36,879	
-	-	-	-	-	-	-	1,293,586	
-	-	-	-	-	-	-	691,308	
858,675	51,053	348	951,397	-	-	-	951,397	
-	-	-	-	-	190,436	190,436	190,436	
858,675	51,053	348	951,397	-	190,436	190,436	3,163,606	
\$ 2,208,445	\$ 51,288	\$ 348	\$ 2,301,402	\$ 216,169	\$ 383,317	\$ 599,486	\$ 6,602,479	

City of Sterling Heights, Michigan

	Special Revenue Funds					Debt Service Funds	
	CDBG	Local Roads	Public Safety Forfeiture Fund	Neighborhood Stabilization Program	Total Special Revenue Funds	General Drain	
Revenue							
Taxes - Property	\$ -	\$ 3,258,922	\$ -	\$ -	\$ 3,258,922	\$ 1,051	
Special assessments	-	4,155	-	-	4,155	-	
Intergovernmental:							
Federal sources	1,108,824	59,196	500,247	2,969	1,671,236	-	
State sources	-	3,109,062	157,908	-	3,266,970	-	
Investment income	-	48,318	9,167	-	57,485	603	
Other revenue	-	49,659	-	-	49,659	-	
Total revenue	1,108,824	6,529,312	667,322	2,969	8,308,427	1,654	
Expenditures							
Current services:							
Public safety	-	-	201,869	-	201,869	-	
Public works	316,062	2,225,073	-	2,969	2,544,104	-	
General expenditures	-	-	-	-	-	-	
Capital outlay	792,762	6,972,810	304,717	-	8,070,289	-	
Debt service	-	-	-	-	-	-	
Total expenditures	1,108,824	9,197,883	506,586	2,969	10,816,262	-	
Excess of Revenue (Under) Over Expenditures	-	(2,668,571)	160,736	-	(2,507,835)	1,654	
Other Financing Sources							
Transfers in	-	500,000	-	-	500,000	-	
Sale of capital assets	-	-	-	-	-	-	
Total other financing sources	-	500,000	-	-	500,000	-	
Net Change in Fund Balances	-	(2,168,571)	160,736	-	(2,007,835)	1,654	
Fund Balances - Beginning of year	-	3,462,157	567,451	-	4,029,608	39,667	
Fund Balances - End of year	\$ -	\$ 1,293,586	\$ 728,187	\$ -	\$ 2,021,773	\$ 41,321	

Other Financial and Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2018

Debt Service Funds				Capital Project Funds				
Road Bond Debt Retirement	Voted Tax Debt	GO Limited Tax G.O.	Total Debt Service Funds	Clinton River Restoration	Land and Water Conservatism	Total Capital Project Funds	Total	
\$ -	\$ 459,166	\$ -	\$ 460,217	\$ -	\$ -	\$ -	\$ 3,719,139	
216,953	-	-	216,953	-	-	-	221,108	
-	-	-	-	1,462,504	-	1,462,504	3,133,740	
-	52,296	-	52,296	-	-	-	3,319,266	
11,460	4,083	5	16,151	-	4,830	4,830	78,466	
109,985	-	-	109,985	-	-	-	159,644	
338,398	515,545	5	855,602	1,462,504	4,830	1,467,334	10,631,363	
-	-	-	-	-	-	-	201,869	
-	-	-	-	-	-	-	2,544,104	
2,600	500	225	3,325	-	-	-	3,325	
2,297,400	487,320	337,250	3,121,970	1,462,504	190,777	1,653,281	9,723,570	
2,300,000	487,820	337,475	3,125,295	1,462,504	190,777	1,653,281	15,594,838	
(1,961,602)	27,725	(337,470)	(2,269,693)	-	(185,947)	(185,947)	(4,963,475)	
2,000,000	-	337,475	2,337,475	-	-	-	2,837,475	
-	-	-	-	-	1,963	1,963	1,963	
2,000,000	-	337,475	2,337,475	-	1,963	1,963	2,839,438	
38,398	27,725	5	67,782	-	(183,984)	(183,984)	(2,124,037)	
820,277	23,328	343	883,615	-	374,420	374,420	5,287,643	
\$ 858,675	\$ 51,053	\$ 348	\$ 951,397	\$ -	\$ 190,436	\$ 190,436	\$ 3,163,606	

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Local Roads

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,265,090	\$ 3,247,120	\$ 3,258,922	\$ 11,802
Special assessments	3,360	3,360	4,155	795
Intergovernmental	2,900,400	3,115,400	3,168,258	52,858
Investment income	16,500	41,500	48,318	6,818
Other revenue	59,140	46,140	49,659	3,519
Total revenue	6,244,490	6,453,520	6,529,312	75,792
Expenditures				
Current services - Public works	2,116,570	2,240,690	2,225,073	15,617
Capital outlay	4,912,000	7,397,870	6,972,810	425,060
Total expenditures	7,028,570	9,638,560	9,197,883	440,677
Excess of Expenditures Over Revenue	(784,080)	(3,185,040)	(2,668,571)	516,469
Other Financing Sources	500,000	500,000	500,000	-
Net Change in Fund Balance	(284,080)	(2,685,040)	(2,168,571)	516,469
Fund Balance - Beginning of year	3,462,157	3,462,157	3,462,157	-
Fund Balance - End of year	\$ 3,178,077	\$ 777,117	\$ 1,293,586	\$ 516,469

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) CDBG

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 1,375,020	\$ 937,440	\$ 1,108,824	\$ 171,384
Expenditures - Community development	<u>1,375,020</u>	<u>937,440</u>	<u>1,108,824</u>	<u>(171,384)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Public Safety Forfeiture Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State sources	\$ 32,800	\$ 630,280	\$ 658,155	\$ 27,875
Investment income	2,710	6,700	9,167	2,467
Total revenue	35,510	636,980	667,322	30,342
Expenditures				
Public safety	190,040	224,730	201,869	22,861
Capital outlay	153,260	253,460	304,717	(51,257)
Total expenditures	343,300	478,190	506,586	(28,396)
Net Change in Fund Balance	(307,790)	158,790	160,736	1,946
Fund Balance - Beginning of year	567,451	567,451	567,451	-
Fund Balance - End of year	\$ 259,661	\$ 726,241	\$ 728,187	\$ 1,946

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Neighborhood Stabilization Program

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ -	\$ -	\$ 2,969	\$ 2,969
Expenditures - Public works	- -	- -	2,969	(2,969)
Net Change in Fund Balance	- -	- -	- -	- -
Fund Balance - Beginning of year	- -	- -	- -	- -
Fund Balance - End of year	\$ -	\$ -	\$ -	\$ -

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) General Drain

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 500	\$ 500	\$ 1,051	\$ 551
Investment income	480	480	603	123
Total revenue	980	980	1,654	674
Expenditures	-	-	-	-
Net Change in Fund Balance	980	980	1,654	674
Fund Balance - Beginning of year	39,667	39,667	39,667	-
Fund Balance - End of year	\$ 40,647	\$ 40,647	\$ 41,321	\$ 674

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Road Bond Debt Retirement

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 139,000	\$ 139,000	\$ 216,953	\$ 77,953
Investment income	5,350	9,350	11,460	2,110
Other revenue	<u>109,030</u>	<u>109,030</u>	<u>109,985</u>	<u>955</u>
Total revenue	253,380	257,380	338,398	81,018
Expenditures				
Current services	1,900	2,100	2,600	(500)
Debt service	<u>2,323,920</u>	<u>2,297,400</u>	<u>2,297,400</u>	<u>-</u>
Total expenditures	2,325,820	2,299,500	2,300,000	(500)
Excess of Expenditures Over Revenue	(2,072,440)	(2,042,120)	(1,961,602)	80,518
Other Financing Sources - Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net Change in Fund Balance	(72,440)	(42,120)	38,398	80,518
Fund Balance - Beginning of year	<u>820,277</u>	<u>820,277</u>	<u>820,277</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 747,837</u>	<u>\$ 778,157</u>	<u>\$ 858,675</u>	<u>\$ 80,518</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Voted Tax GO Debt

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 460,510	\$ 458,610	\$ 459,166	\$ 556
Intergovernmental	28,000	52,300	52,296	(4)
Investment income	1,300	3,800	4,083	283
Total revenue	489,810	514,710	515,545	835
Expenditures				
Current services	350	500	500	-
Debt service	487,320	487,320	487,320	-
Total expenditures	487,670	487,820	487,820	-
Net Change in Fund Balance	2,140	26,890	27,725	835
Fund Balance - Beginning of year	23,328	23,328	23,328	-
Fund Balance - End of year	\$ 25,468	\$ 50,218	\$ 51,053	\$ 835

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Limited Tax G.O.

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ 5	\$ 5
Expenditures				
Current services	230	230	225	5
Debt service	337,250	337,250	337,250	-
Total expenditures	<u>337,480</u>	<u>337,480</u>	<u>337,475</u>	<u>5</u>
Excess of Expenditures Over Revenue	(337,480)	(337,480)	(337,470)	10
Other Financing Sources - Transfers in	337,480	337,480	337,475	(5)
Net Change in Fund Balance	-	-	5	5
Fund Balance - Beginning of year	<u>343</u>	<u>343</u>	<u>343</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 343</u>	<u>\$ 343</u>	<u>\$ 348</u>	<u>\$ 5</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Clinton River Restoration

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ -	\$ 1,641,540	\$ 1,462,504	\$ (179,036)
Expenditures - Capital outlay	<u>-</u>	<u>1,641,540</u>	<u>1,462,504</u>	<u>179,036</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Land and Water Conservatism

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 4,500	\$ 4,500	\$ 4,830	\$ 330
Expenditures - Capital outlay	- <hr/>	80,860 <hr/>	190,777 <hr/>	(109,917) <hr/>
Excess of Revenue Over (Under) Expenditures	4,500	(76,360)	(185,947)	(109,587)
Other Financing Sources - Sale of capital assets	- <hr/>	- <hr/>	1,963 <hr/>	1,963 <hr/>
Net Change in Fund Balance	4,500	(76,360)	(183,984)	(107,624)
Fund Balance - Beginning of year	374,420	374,420	374,420	- <hr/>
Fund Balance - End of year	\$ 378,920	\$ 298,060	\$ 190,436	\$ (107,624)

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Road Bond Construction

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 19,500	\$ 39,500	\$ 53,233	\$ 13,733
Expenditures				
Public works	-	126,800	124,797	2,003
Capital outlay	5,600,000	8,330,240	4,763,932	3,566,308
Total expenditures	<u>5,600,000</u>	<u>8,457,040</u>	<u>4,888,729</u>	<u>3,568,311</u>
Excess of Expenditures Over Revenue	(5,580,500)	(8,417,540)	(4,835,496)	3,582,044
Other Financing Sources				
New debt issued	3,600,000	8,200,000	8,200,000	-
Debt premium or discount	-	393,190	393,190	-
Total other financing sources	<u>3,600,000</u>	<u>8,593,190</u>	<u>8,593,190</u>	<u>-</u>
Net Change in Fund Balance	(1,980,500)	175,650	3,757,694	3,582,044
Fund Balance - Beginning of year	<u>4,736,010</u>	<u>4,736,010</u>	<u>4,736,010</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,755,510</u>	<u>\$ 4,911,660</u>	<u>\$ 8,493,704</u>	<u>\$ 3,582,044</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Facilities Improvement Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Public works	-	295,380	296,054	(674)
Capital outlay	-	30,000	3,450	26,550
Total expenditures	-	325,380	299,504	25,876
Excess of Expenditures Over Revenue	-	(325,380)	(299,504)	25,876
Other Financing Sources				
New debt issued	-	19,390,000	19,390,000	-
Debt premium or discount	-	909,620	909,622	2
Total other financing sources	-	20,299,620	20,299,622	2
Net Change in Fund Balance	-	19,974,240	20,000,118	25,878
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ -	\$ 19,974,240	\$ 20,000,118	\$ 25,878

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) General Improvements

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 840	\$ 840	\$ 1,142	\$ 302
Intergovernmental	-	137,500	135,144	(2,356)
Investment income	22,000	25,000	36,938	11,938
Other revenue	<u>250,650</u>	<u>205,860</u>	<u>448,074</u>	<u>242,214</u>
Total revenue	273,490	369,200	621,298	252,098
Expenditures - Capital outlay	<u>3,904,620</u>	<u>4,295,570</u>	<u>3,770,576</u>	<u>524,994</u>
Excess of Expenditures Over Revenue	(3,631,130)	(3,926,370)	(3,149,278)	777,092
Other Financing Sources - Transfers in	<u>4,588,090</u>	<u>5,503,090</u>	<u>5,503,090</u>	<u>-</u>
Net Change in Fund Balance	956,960	1,576,720	2,353,812	777,092
Fund Balance - Beginning of year	<u>1,499,058</u>	<u>1,499,058</u>	<u>1,499,058</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,456,018</u>	<u>\$ 3,075,778</u>	<u>\$ 3,852,870</u>	<u>\$ 777,092</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Statement of Fiduciary Net Position Trust Funds

June 30, 2018

	Pension and Other Retirement Benefits Funds			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 2,894,266	\$ 6,935,966	\$ 3,447,501	\$ 13,277,733
Investments - At fair value:				
Government securities	8,618,112	18,921,335	11,300,685	38,840,132
Mutual funds	8,316,067	11,779,390	-	20,095,457
Common and preferred stocks	79,988,055	160,638,828	91,366,147	331,993,030
Corporate bonds	10,768,796	10,203,627	7,166,530	28,138,953
Private real estate	-	780,124	-	780,124
Receivables	17,042	14,078	11,166	42,286
Due from other funds	-	1,902	-	1,902
Total assets	110,602,338	209,275,250	113,292,029	433,169,617
Liabilities				
Accounts payable	330,376	2,635,558	628,231	3,594,165
Due to other governmental units	-	-	39,257	39,257
Accrued liabilities and other	-	-	31,517	31,517
Provision for claims	-	-	517,828	517,828
Total liabilities	330,376	2,635,558	1,216,833	4,182,767
Net Position - Held in trust for pension and other retiree benefits	\$ 110,271,962	\$ 206,639,692	\$ 112,075,196	\$ 428,986,850

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Statement of Changes in Fiduciary Net Position Trust Funds

Year Ended June 30, 2018

Pension and Other Retirement Benefits Funds				
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Investment income:				
Interest and dividends	\$ 3,189,666	\$ 5,127,264	\$ 2,832,019	\$ 11,148,949
Net adjustment to fair value of investments	5,045,123	14,995,171	5,769,022	25,809,316
Less investment-related expenses	<u>(656,736)</u>	<u>(1,303,925)</u>	<u>(651,009)</u>	<u>(2,611,670)</u>
Net investment income	7,578,053	18,818,510	7,950,032	34,346,595
Contributions:				
Employer contributions	3,265,820	8,297,370	11,452,950	23,016,140
Employee contributions	555,471	1,743,272	174,683	2,473,426
Purchase of prior year's service credits	<u>-</u>	<u>294,847</u>	<u>-</u>	<u>294,847</u>
Total additions - Net	11,399,344	29,153,999	19,577,665	60,131,008
Deductions				
Benefit payments	10,999,201	22,967,507	8,752,335	42,719,043
Withdrawals and refunds of contributions	<u>366,106</u>	<u>1,328,995</u>	<u>-</u>	<u>1,695,101</u>
Total deductions	11,365,307	24,296,502	8,752,335	44,414,144
Net Change in Net Position				
Net Position - Beginning of year	34,037	4,857,497	10,825,330	15,716,864
Net Position - End of year	<u>110,237,925</u>	<u>201,782,195</u>	<u>101,249,866</u>	<u>413,269,986</u>
	<u>\$ 110,271,962</u>	<u>\$ 206,639,692</u>	<u>\$ 112,075,196</u>	<u>\$ 428,986,850</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Combining Statement of Assets and Liabilities Agency Funds

June 30, 2018

	Tax	General Agency	Total
Assets			
Cash and cash equivalents	\$ 71,184	\$ 1,615,255	\$ 1,686,439
Investments - At fair value - Short-term investments funds	-	3,563,331	3,563,331
Total assets	\$ 71,184	\$ 5,178,586	\$ 5,249,770
Liabilities			
Due to other governmental units	\$ 71,184	\$ 24,292	\$ 95,476
Accrued liabilities and other	-	1,417,212	1,417,212
Cash and bond deposits	-	3,737,082	3,737,082
Total liabilities	\$ 71,184	\$ 5,178,586	\$ 5,249,770

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Combining Schedule of Changes in Assets and Liabilities Agency Funds

Year Ended June 30, 2018

Tax Collection				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets - Cash and cash equivalents				
	\$ 47,465	\$ 125,940,008	\$ (125,916,289)	\$ 71,184
Liabilities				
Due to other governmental units	\$ 47,465	\$ 199,454,741	\$ (199,431,022)	\$ 71,184
Accrued and other liabilities	- 885,569	885,569	(885,569)	-
Total liabilities	\$ 47,465	\$ 200,340,310	\$ (200,316,591)	\$ 71,184
General Agency				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets				
Cash and cash equivalents	\$ 1,130,346	\$ 14,808,398	\$ (14,323,489)	\$ 1,615,255
Investments - At fair value - Short-term investment fund	2,961,746	10,536,960	(9,935,375)	3,563,331
Total assets	\$ 4,092,092	\$ 25,345,358	\$ (24,258,864)	\$ 5,178,586
Liabilities				
Due to other governmental units	\$ 78,941	\$ 21,954,186	\$ (22,008,835)	\$ 24,292
Accrued and other liabilities	1,089,775	546,154	(218,717)	1,417,212
Cash and bond deposits	2,923,376	1,512,602	(698,896)	3,737,082
Total liabilities	\$ 4,092,092	\$ 24,012,942	\$ (22,926,448)	\$ 5,178,586
Totals - All Agency Funds				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets				
Cash and cash equivalents	\$ 1,177,811	\$ 140,748,406	\$ (140,239,778)	\$ 1,686,439
Investments - Short-term investment fund	2,961,746	10,536,960	(9,935,375)	3,563,331
Total assets	\$ 4,139,557	\$ 151,285,366	\$ (150,175,153)	\$ 5,249,770
Liabilities				
Due to other governmental units	\$ 126,406	\$ 221,408,927	\$ (221,439,857)	\$ 95,476
Accrued and other liabilities	1,089,775	1,431,723	(1,104,286)	1,417,212
Cash and bond deposits	2,923,376	1,512,602	(698,896)	3,737,082
Total liabilities	\$ 4,139,557	\$ 224,353,252	\$ (223,243,039)	\$ 5,249,770

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.

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:				
Net investment in capital assets	\$ 173,670,878	\$ 169,230,936	\$ 166,882,162	\$ 163,744,453
Restricted	10,040,331	9,733,081	9,413,052	10,876,504
Unrestricted	<u>19,880,753</u>	<u>34,565,371</u>	<u>31,667,843</u>	<u>27,712,790</u>
Total net position	<u>\$ 203,591,962</u>	<u>\$ 213,529,388</u>	<u>\$ 207,963,057</u>	<u>\$ 202,333,747</u>
Business Type Activities:				
Net investment in capital assets	\$ 133,050,974	\$ 130,990,910	\$ 128,950,328	\$ 127,122,039
Restricted	7,605,803	8,308,749	8,369,375	9,424,998
Unrestricted	<u>26,385,878</u>	<u>25,732,829</u>	<u>24,334,830</u>	<u>22,170,126</u>
Total net position	<u>\$ 167,042,655</u>	<u>\$ 165,032,488</u>	<u>\$ 161,654,533</u>	<u>\$ 158,717,163</u>
Primary government in total:				
Net investment in capital assets	\$ 306,721,852	\$ 300,221,846	\$ 295,832,490	\$ 290,866,492
Restricted	17,646,134	18,041,830	17,782,427	20,301,502
Unrestricted	<u>46,266,631</u>	<u>60,298,200</u>	<u>56,002,673</u>	<u>49,882,916</u>
Total net position	<u>\$ 370,634,617</u>	<u>\$ 378,561,876</u>	<u>\$ 369,617,590</u>	<u>\$ 361,050,910</u>

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

(2) - GASB No. 75 was implemented with the fiscal year ended June 30, 2018

Net Position by Component

Last Ten Fiscal Years

June 30, 2018

As of June 30,

<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (2)</u>
\$ 159,678,093	\$ 159,604,551	\$ 166,305,991	\$ 172,609,179	\$ 141,192,833	\$ 193,873,282
11,385,681	9,040,309	9,687,600	8,325,564	52,219,283	10,222,676
<u>26,650,520</u>	<u>24,290,676</u>	<u>(107,150,997)</u>	<u>(110,411,191)</u>	<u>(114,623,816)</u>	<u>(203,205,414)</u>
\$ 197,714,294	\$ 192,935,536	\$ 68,842,594	\$ 70,523,552	\$ 78,788,300	\$ 890,544
\$ 125,395,977	\$ 122,324,204	\$ 118,109,220	\$ 119,117,466	\$ 109,551,411	\$ 113,751,804
9,596,925	9,368,833	10,521,601	1,307,099	10,193,185	3,008,771
<u>20,362,360</u>	<u>14,888,421</u>	<u>9,948,067</u>	<u>14,617,172</u>	<u>12,974,017</u>	<u>7,879,223</u>
\$ 155,355,262	\$ 146,581,458	\$ 138,578,888	\$ 135,041,737	\$ 132,718,613	\$ 124,639,798
\$ 285,074,070	\$ 281,928,755	\$ 284,415,211	\$ 291,726,645	\$ 250,744,244	\$ 307,625,086
20,982,606	18,409,142	20,209,201	9,632,663	62,412,468	13,231,447
<u>47,012,880</u>	<u>39,179,097</u>	<u>(97,202,930)</u>	<u>(95,794,019)</u>	<u>(101,649,799)</u>	<u>(195,326,191)</u>
\$ 353,069,556	\$ 339,516,994	\$ 207,421,482	\$ 205,565,289	\$ 211,506,913	\$ 125,530,342

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses:				
Governmental activities				
General government	\$ 8,877,803	\$ 8,804,497	\$ 8,011,940	\$ 6,543,937
District Court	3,251,224	3,470,065	3,523,447	3,379,925
Public safety	49,201,944	52,695,852	53,740,479	54,994,001
Public works	24,904,207	25,269,096	26,062,500	23,959,824
Recreation and culture	6,112,129	5,695,827	5,617,090	5,291,332
Interest on long-term debt	1,956,286	1,086,571	1,192,797	1,081,347
Total governmental activities	<u>94,303,593</u>	<u>97,021,908</u>	<u>98,148,253</u>	<u>95,250,366</u>
Business-type activities - Water and sewer	<u>32,292,608</u>	<u>30,901,624</u>	<u>33,562,610</u>	<u>37,438,961</u>
Total primary government expenses	<u>126,596,201</u>	<u>127,923,532</u>	<u>131,710,863</u>	<u>132,689,327</u>
Program revenues:				
Governmental activities				
Charges for services				
General government	2,229,296	3,020,737	2,906,715	3,513,053
District Court	2,426,813	2,985,409	2,888,076	2,570,621
Public safety	1,571,100	1,629,846	1,695,612	1,519,175
Public works	2,869,634	2,545,211	2,295,345	3,563,445
Recreation and culture	733,598	948,463	982,981	807,387
Total charges for services	9,830,441	11,129,666	10,768,729	11,973,681
Operating grants and contributions	8,957,951	9,676,314	9,091,234	8,565,267
Capital grants and contributions	478,767	1,090,732	1,809,917	2,546,378
Total governmental activities program revenue	<u>19,267,159</u>	<u>21,896,712</u>	<u>21,669,880</u>	<u>23,085,326</u>
Business-type activities - Water and sewer:				
Charges for services	24,495,066	25,057,683	28,222,756	31,028,424
Operating grants and contributions	-	-	-	-
Capital grants and contributions	867,991	2,912,917	1,459,851	2,721,482
Total business-type activities program revenue	<u>25,363,057</u>	<u>27,970,600</u>	<u>29,682,607</u>	<u>33,749,906</u>
Total primary government program revenues	<u>44,630,216</u>	<u>49,867,312</u>	<u>51,352,487</u>	<u>56,835,232</u>
General revenues:				
Governmental activities				
Property taxes	57,875,942	56,801,307	59,196,747	53,247,883
State-shared revenues	10,183,758	9,057,434	9,057,434	10,094,387
Investment earnings	2,278,601	1,098,458	707,426	1,159,709
Insurance proceeds	-	16,318,640	-	-
Cable franchise fees	-	-	-	-
Miscellaneous	1,751,947	1,786,782	1,950,435	2,033,751
Total governmental activities general revenues	<u>72,090,248</u>	<u>85,062,621</u>	<u>70,912,042</u>	<u>66,535,730</u>
Business-type activities - Investment income	1,388,380	920,857	502,048	751,685
Total primary government	<u>73,478,628</u>	<u>85,983,478</u>	<u>71,414,090</u>	<u>67,287,415</u>
Change in net position				
Governmental activities	(2,946,186)	9,937,425	(5,566,331)	(5,629,310)
Business-type activities	(5,541,171)	(2,010,167)	(3,377,955)	(2,937,370)
Total primary government	<u>(8,487,357)</u>	<u>7,927,258</u>	<u>(8,944,286)</u>	<u>(8,566,680)</u>

Changes in Net Position

Last Ten Fiscal Years

June 30, 2018

As of June 30,

2013	2014	2015	2016	2017	2018
\$ 5,918,474	\$ 5,467,242	\$ 6,200,880	\$ 7,351,777	\$ 8,060,141	\$ 7,267,842
3,334,854	3,288,275	3,351,422	3,877,503	4,126,604	3,728,890
51,345,058	52,851,304	61,063,426	55,117,055	55,632,517	54,397,264
22,852,033	24,439,731	24,385,159	28,014,220	26,282,093	29,961,490
4,891,039	4,640,609	4,892,593	5,735,889	6,624,266	6,343,690
1,099,714	718,646	603,500	514,247	675,198	2,496,423
89,441,172	91,405,807	100,496,980	100,610,691	101,400,819	104,195,599
38,788,850	41,790,235	44,886,232	49,351,047	52,082,635	55,599,159
128,230,022	133,196,042	145,383,212	149,961,738	153,483,454	159,794,758
3,634,419	3,272,341	3,760,720	3,227,800	3,441,658	2,378,747
2,336,662	2,227,523	2,368,667	2,692,034	2,604,583	2,908,337
1,558,701	1,445,007	1,562,339	1,633,571	1,656,530	2,679,269
2,533,213	2,768,235	2,936,122	3,189,189	3,596,813	3,443,958
677,068	724,114	760,007	733,620	752,883	574,725
10,740,063	10,437,220	11,387,855	11,476,214	12,052,467	11,985,036
5,136,968	2,747,213	3,566,906	4,048,708	6,618,802	9,931,126
4,547,019	8,552,754	8,129,304	8,553,786	16,135,905	14,316,813
20,424,050	21,737,187	23,084,065	24,078,708	34,807,174	36,232,975
35,282,896	32,097,323	36,020,248	40,026,642	45,917,303	50,589,347
-	-	602,738	96,712	-	559,609
601,903	338,004	1,954,700	5,014,380	3,906,683	3,100,357
35,884,799	32,435,327	38,577,686	45,137,734	49,823,986	54,249,313
56,308,849	54,172,514	61,661,751	69,216,442	84,631,160	90,482,288
51,643,869	51,344,025	62,231,352	64,036,721	60,946,929	66,282,454
10,342,983	10,606,230	10,785,806	10,694,421	11,259,947	11,784,623
118,280	596,654	630,068	886,403	71,918	1,454,230
-	-	-	-	-	-
-	-	-	-	-	2,414,752
2,292,537	2,342,953	2,533,069	2,595,396	2,579,599	1,883,080
64,397,669	64,889,862	76,180,295	78,212,941	74,858,393	83,819,139
(457,850)	581,104	635,502	676,162	(64,475)	35,247
63,939,819	65,470,966	76,815,797	78,889,103	74,793,918	83,854,386
(4,619,453)	(4,778,758)	(1,232,620)	1,680,958	8,264,748	15,856,515
(3,361,901)	(8,773,804)	(5,673,044)	(3,537,151)	(2,323,124)	(1,314,599)
(7,981,354)	(13,552,562)	(6,905,664)	(1,856,193)	5,941,624	14,541,916

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:				
Prior to adoption of GASB 54:				
Reserved	\$ 767,986	\$ 1,005,948	\$ -	\$ -
Unreserved and undesignated	14,439,075	11,522,975	- -	- -
Subsequent to adoption of GASB 54:				
Nonspendable	- -	- -	861,449	823,640
Assigned	- -	- -	5,500,280	973,137
Unassigned	- -	- -	4,629,487	3,451,703
Total general fund	<u>15,207,061</u>	<u>12,528,923</u>	<u>10,991,216</u>	<u>5,248,480</u>
All other governmental funds:				
Prior to adoption of GASB 54:				
Reserved	468,719	596,419	- -	- -
Unreserved and undesignated	7,874,858	8,569,782	- -	- -
Subsequent to adoption of GASB 54:				
Nonspendable	- -	- -	463,096	219,826
Restricted	- -	- -	4,730,650	6,366,964
Committed	- -	- -	733,573	623,578
Assigned	- -	- -	2,113,709	1,181,275
Total all other governmental funds	<u>8,343,577</u>	<u>9,166,201</u>	<u>8,041,028</u>	<u>8,391,643</u>
Total of all governmental funds	<u>\$ 23,550,638</u>	<u>\$ 21,695,124</u>	<u>\$ 19,032,244</u>	<u>\$ 13,640,123</u>

Note: GASB No. 54 was implemented with the fiscal year ended June 30, 2011

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2018

As of June 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
821,876	538,644	580,872	735,358	829,129	563,361
691,319	3,668,787	4,457,140	5,095,500	5,076,900	-
<u>3,735,285</u>	<u>1,021,961</u>	<u>2,501,722</u>	<u>5,564,011</u>	<u>11,360,580</u>	<u>24,150,393</u>
<u>5,248,480</u>	<u>5,229,392</u>	<u>7,539,734</u>	<u>11,394,869</u>	<u>17,266,609</u>	<u>24,713,754</u>
-	-	-	-	-	-
-	-	-	-	-	-
175,383	24,079	222,835	2,009,754	610,377	695,486
7,014,780	4,739,133	5,391,767	10,514,620	54,501,560	62,149,539
605,390	528,412	85,588	623,435	374,420	190,436
1,012,786	657,869	1,630,427	1,732,331	1,499,058	3,852,870
<u>8,808,339</u>	<u>5,949,493</u>	<u>7,330,617</u>	<u>14,880,140</u>	<u>56,985,415</u>	<u>66,888,331</u>
<u>\$ 14,056,819</u>	<u>\$ 11,178,885</u>	<u>\$ 14,870,351</u>	<u>\$ 26,275,009</u>	<u>\$ 74,252,024</u>	<u>\$ 91,602,085</u>

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue				
Property taxes	\$ 57,875,942	\$ 56,801,306	\$ 59,045,208	\$ 53,149,713
Fees and permits	960,683	1,194,707	1,438,197	2,271,967
Federal sources	1,419,052	2,789,569	3,085,016	2,661,338
State and local sources	18,505,491	17,114,177	17,184,734	18,065,838
Fines and forfeitures	2,836,556	3,618,574	3,353,875	2,770,160
Charges for services	7,896,549	8,598,054	8,583,882	8,443,205
Investment income	1,580,754	582,435	308,422	672,239
Special assessments	243,123	215,118	203,298	254,977
Rental income	1,798,484	1,429,222	1,685,041	1,508,954
Cable revenue	1,771,978	1,799,495	1,950,435	2,033,751
Other	2,007,807	1,898,739	1,526,205	2,044,415
Total revenue	<u>96,896,419</u>	<u>96,041,396</u>	<u>98,364,313</u>	<u>93,876,557</u>
Expenditures				
Current:				
General government	9,534,712	9,000,797	8,613,941	8,571,928
District Court	3,150,155	3,221,815	3,246,811	3,252,852
Public safety	46,327,145	49,130,527	50,929,421	52,297,573
Public works	21,273,705	20,321,669	21,034,821	18,680,870
Recreation and culture	5,321,281	4,747,596	4,603,108	4,489,169
General expenditures	2,793,240	2,814,058	2,540,873	2,766,125
Capital outlay	13,212,947	4,694,663	4,867,162	4,275,883
Debt service principal	5,730,000	15,235,000	3,970,000	3,940,000
Debt service Interest	1,987,533	1,628,030	1,221,055	1,098,474
Total expenditures	<u>109,330,718</u>	<u>110,794,155</u>	<u>101,027,192</u>	<u>99,372,874</u>
Excess of Revenue Over Expenditures	(12,434,299)	(14,752,759)	(2,662,879)	(5,496,317)
Other Financing Sources (Uses)				
Debt issuance	3,260,000	3,810,000	-	3,780,000
Debt premium or discount	-	33,935	-	274,196
Sale of fixed assets	149,466	115,724	-	-
Transfers in	11,319,369	16,194,395	3,953,940	3,526,740
Transfers out	(8,412,389)	(5,056,810)	(3,953,940)	(3,526,740)
Total other financing sources (uses)	<u>6,316,446</u>	<u>15,097,244</u>	<u>-</u>	<u>4,054,196</u>
Net change in fund balances	<u>\$ (6,117,853)</u>	<u>\$ 344,485</u>	<u>\$ (2,662,879)</u>	<u>\$ (1,442,121)</u>
Debt service as a percentage of noncapital expenditures	8.05%	15.91%	5.41%	5.31%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2018

As of June 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 51,665,928	\$ 51,344,025	\$ 62,231,352	\$ 64,036,721	\$ 60,946,929	\$ 66,282,454
1,789,803	1,735,413	1,800,968	2,149,069	2,568,909	2,648,068
1,126,423	1,921,050	1,456,596	1,990,255	6,300,698	4,122,227
18,825,672	19,920,337	21,054,148	21,279,925	27,584,764	31,365,436
2,489,252	2,326,870	2,567,229	3,057,417	2,944,500	2,384,499
8,306,458	9,048,012	10,085,731	9,719,467	9,842,019	12,373,661
58,534	257,632	247,437	426,998	112,450	1,120,683
206,501	314,871	212,828	201,579	199,092	222,250
1,536,939	1,951,540	1,829,381	1,578,977	1,488,753	1,630,951
2,292,537	2,342,953	2,533,069	2,595,396	2,579,599	2,414,752
1,700,076	1,619,427	1,414,282	1,960,041	1,568,519	1,866,109
<hr/> 89,998,123	<hr/> 92,782,130	<hr/> 105,433,021	<hr/> 108,995,845	<hr/> 116,136,232	<hr/> 126,431,090
 7,700,466	 7,175,604	 7,803,567	 8,154,052	 8,300,238	 9,118,455
3,258,362	3,078,766	3,087,262	3,223,740	3,242,874	3,309,841
48,644,125	48,807,450	49,752,772	49,704,157	48,646,567	50,311,362
18,062,177	20,790,973	21,450,688	20,929,934	20,869,103	23,165,358
4,339,952	4,002,476	4,189,468	4,393,760	7,664,887	4,805,997
2,294,184	2,171,473	1,119,452	1,027,555	1,164,656	1,845,158
3,115,621	7,026,982	14,388,416	19,122,277	22,513,996	39,333,835
3,895,000	3,235,000	2,620,000	1,725,000	2,280,000	4,100,000
1,114,056	744,170	628,563	545,331	700,971	2,025,489
<hr/> 92,423,943	<hr/> 97,032,894	<hr/> 105,040,188	<hr/> 108,825,806	<hr/> 115,383,292	<hr/> 138,015,495
 (2,425,820)	 (4,250,764)	 392,833	 170,039	 752,940	 (11,584,405)
 3,275,000	 -	 198,633	 9,630,000	 47,315,000	 27,590,000
9,311	-	-	254,555	2,902,577	1,302,812
-	-	-	-	80,363	41,655
6,158,405	5,639,290	13,594,435	10,797,379	10,180,735	10,588,025
(3,500,200)	(4,266,460)	(10,494,435)	(9,447,315)	(10,180,735)	(10,588,025)
<hr/> 5,942,516	<hr/> 1,372,830	<hr/> 3,298,633	<hr/> 11,234,619	<hr/> 50,297,940	<hr/> 28,934,467
\$ 3,516,696	\$ (2,877,934)	\$ 3,691,466	\$ 11,404,658	\$ 51,050,880	\$ 17,350,062

5.63%

4.44%

3.60%

3.62%

3.21%

6.21%

Revenue Capacity

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

City of Sterling Heights, Michigan

General Government Tax Revenue by Source

Last Ten Fiscal Years
June 30, 2018

Fiscal Year Ended June 30	General Fund Property Taxes				Local Roads Property Taxes	Parks and Recreation Property Taxes		Debt Service Funds Property Taxes			Total All Property Taxes		
	Police and Fire Retirement System		Safe Streets			Recreatin Recreation		General Drain					
	Operating	Refuse	Safe Streets	Total		Safe Streets	Recreatin Recreation	General Drain	Voted Tax General Obligation	Total			
2009	49,275,429	4,476,793	2,594,194	-	56,346,416	-	-	1,169,602	359,924	1,529,526	57,875,942		
2010	45,954,154	4,561,110	4,925,570	-	55,440,834	-	-	1,178,018	182,454	1,360,472	56,801,306		
2011	47,431,652	4,377,125	5,753,668	-	57,562,445	-	-	1,164,592	318,171	1,482,763	59,045,208		
2012	40,120,585	4,376,626	7,157,201	-	51,654,412	-	-	1,150,140	345,161	1,495,301	53,149,713		
2013	37,142,292	4,403,288	8,529,892	-	50,075,472	-	-	1,224,522	365,934	1,590,456	51,665,928		
2014	38,262,436	4,400,850	7,444,408	-	50,107,694	-	-	823,757	412,574	1,236,331	51,344,025		
2015	38,380,857	4,615,657	7,905,424	6,969,239	57,871,177	3,271,161	-	658,448	430,566	1,089,014	62,231,352		
2016	40,154,336	4,786,968	7,992,154	7,121,201	60,054,659	3,344,947	-	164,288	472,828	637,116	64,036,722		
2017	38,159,793	4,418,198	7,914,369	6,786,371	57,278,731	3,201,818	-	2,297	464,084	466,381	60,946,930		
2018	39,003,553	4,425,923	8,251,737	6,916,401	58,597,614	3,258,923	3,965,701	1,052	459,166	460,218	66,282,456		

City of Sterling Heights, Michigan

Property Tax Levies and Collections

Last Ten Fiscal Years

June 30, 2018

Tax Year	Year ended June 30,	Percent of					
		Total levy (1)	Current collections	Percent collected	Delinquent collections (2)	Total tax collections	levy collected
2009	2010	\$ 56,676,434	\$ 54,863,230	96.80%	\$ 1,746,957	\$ 56,610,187	99.88%
2010	2011	59,971,190	57,008,661	95.06%	1,609,784	58,618,445	97.74%
2011	2012	55,243,869	53,881,497	97.53%	1,250,043	55,131,540	99.80%
2012	2013	51,798,243	50,578,919	97.65%	1,099,333	51,678,252	99.77%
2013	2014	51,490,018	50,356,033	97.80%	1,049,632	51,405,665	99.84%
2014	2015	62,603,722	61,350,710	98.00%	1,157,471	62,508,181	99.85%
2015	2016	63,842,382	62,694,645	98.20%	1,046,438	63,741,083	99.84%
2016	2017	61,003,077	59,820,159	98.06%	1,065,670	60,885,829	99.81%
2017	2018	66,431,075	65,265,032	98.24%	1,074,118	66,339,150	99.86%
2018	2019	73,446,175	(2)				

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

(2) Estimated tax levy. 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								
			Police and Fire Retirement System		Public Improvement Debt Service		Safe Streets		Recreating Recreation		Macomb Intermediate School District	Macomb Community College	Huron/Clinton Metro Authority		County Zoo Authority	Veterans Operations	D.I.A.
	Operating (1)	Refuse	Drain Debt Service	Debt Service	Safe Streets	Recreation	Total										
2008 (2007)																	
Homestead	9.2256	0.8057	0.3147	0.1998	0.1792	0.0000	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000	0.0000	
Non-homestead	9.2256	0.8057	0.3147	0.1998	0.1792	0.0000	0.0000	10.7250	2.9430	1.4212	0.2146	0.5900	0.0000	0.0000	0.0000	0.0000	
2009 (2008)																	
Homestead	9.1777	0.8381	0.4853	0.2180	0.0667	0.0000	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
Non-homestead	9.1777	0.8381	0.4853	0.2180	0.0667	0.0000	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
2010 (2009)																	
Homestead	8.7180	0.8717	0.9372	0.2243	0.0346	0.0000	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
Non-homestead	8.7180	0.8717	0.9372	0.2243	0.0346	0.0000	0.0000	10.7858	2.9430	1.4212	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
2011 (2010)																	
Homestead	10.1811	0.9474	1.2388	0.2501	0.0684	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
Non-homestead	10.1811	0.9474	1.2388	0.2501	0.0684	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
2012 (2011)																	
Homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
Non-homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.0000	0.0000	
2013 (2012)																	
Homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.2000	0.2000	
Non-homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400	0.2000	0.2000	
2014 (2013)																	
Homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000	0.2000	
Non-homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000	0.2000	
2015 (2014)																	
Homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	0.2000	
Non-homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	0.2000	
2016 (2015)																	
Homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	0.2000	
Non-homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	0.2000	
2017 (2016)																	
Homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	0.1994	
Non-homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	0.1994	
2018 (2017)																	
Homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	0.1979	
Non-homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	0.1979	

(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, 2016.

Source: Municipal Advisory Council of Michigan.

Direct and Overlapping Governments

Last Ten Fiscal Years

June 30, 2018

Overlapping Rates										Total Direct and Overlapping Rates by Resident's School District	
Macomb County		Utica Community School District (2)				Warren Consolidated School District (2)					
Operating	Drain Debt Service	State Education Tax	Operating/Local	Debt	State Education Tax	Operating/Local	Supplemental	Sinking	Debt	Utica Community	Warren Consolidated
4.2000	0.0055	6.0000	0.0000	3.5000	6.0000	0.0000	5.9594	0.9964	2.2800	29.5993	35.3351
4.2000	0.0055	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.2800	47.5309	47.3757
4.2000	0.0055	6.0000	0.0000	3.5000	6.0000	0.0000	5.2688	0.9964	2.1500	29.8001	34.7153
4.2000	0.0055	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.1500	47.7317	47.4465
4.5685	0.0050	6.0000	0.0000	3.5000	6.0000	0.0000	5.7814	0.9964	2.1500	30.1681	35.5959
4.5685	0.0050	6.0000	17.9316	3.5000	6.0000	18.0000	0.0000	0.9964	2.1500	48.0997	47.8145
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4057	0.9964	2.4400	32.5681	39.5602
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.9964	2.4400	50.4997	50.1545
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4057	0.9964	2.4400	32.5681	39.5602
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.9964	2.4400	50.4997	50.1545
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.5024	0.0000	3.8600	32.7681	40.2805
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.8600	50.6997	50.7781
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4629	0.0000	3.9200	32.7281	40.2610
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	50.6597	50.7981
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.1603	0.0000	3.6000	35.6331	42.5434
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.6000	53.5647	53.3831
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7766	0.0000	3.9200	35.6371	42.4837
4.5685	0.0050	6.0000	17.9082	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	53.5453	53.7071
4.5566	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7914	0.0000	4.8700	35.5050	43.3164
4.5566	0.0050	6.0000	17.6968	3.8500	6.0000	17.8182	0.0000	0.0000	4.8700	53.2018	54.3432
4.5242	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.5091	0.0000	4.8700	36.4223	43.9514
4.5242	0.0050	6.0000	17.5676	3.8500	6.0000	17.7487	0.0000	0.0000	4.8700	53.9899	55.1910

City of Sterling Heights, Michigan

	2009	2010	2011	2012
State Equalized Value				
SEV equivalent	\$ 5,940,796,525	\$ 5,555,163,580	\$ 4,879,206,305	\$ 4,488,430,900
IFT exemption	<u>255,549,975</u>	<u>239,402,825</u>	<u>223,651,575</u>	<u>204,669,200</u>
Total SEV	\$ 6,196,346,500	\$ 5,794,566,405	\$ 5,102,857,880	\$ 4,693,100,100

Taxable Value

By Class:

Real property	\$ 4,599,077,850	\$ 4,508,088,655	\$ 4,046,809,230	\$ 3,743,670,800
Personal property	<u>1,007,788,550</u>	<u>986,259,050</u>	<u>917,612,350</u>	<u>874,496,200</u>
Total value	\$ 5,606,866,400	\$ 5,494,347,705	\$ 4,964,421,580	\$ 4,618,167,000

By Type:

Residential	\$ 3,451,602,900	\$ 3,328,660,655	\$ 2,920,197,630	\$ 2,714,198,550
Commercial	706,330,000	726,513,650	704,190,150	651,408,200
Industrial	405,605,650	416,847,650	388,756,200	348,879,800
Personal property	532,258,650	545,007,250	504,729,350	494,463,050
IFT real and personal property	<u>511,069,200</u>	<u>477,318,500</u>	<u>446,548,250</u>	<u>409,217,400</u>
Total	5,606,866,400	5,494,347,705	4,964,421,580	4,618,167,000
Less exempt property	<u>(255,534,600)</u>	<u>(238,659,250)</u>	<u>(223,274,125)</u>	<u>(204,608,700)</u>
Total taxable value	\$ 5,351,331,800	\$ 5,255,688,455	\$ 4,741,147,455	\$ 4,413,558,300
Total direct tax rate (1)	\$ 10.7858	\$ 10.7858	\$ 12.6858	\$ 12.6858

Total taxable value as a percentage of SEV equivalent	86.36%	90.70%	92.91%	94.04%
Total taxable value as a percentage of total value	95.44%	95.66%	95.50%	95.57%

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

Source: City of Sterling Heights, Assessor's Office

Assessed Taxable Values

Last Ten Fiscal Years
June 30, 2018

2013	2014	2015	2016	2017	2018
\$ 4,154,032,625	\$ 4,201,961,947	\$ 4,421,529,781	\$ 4,796,034,350	\$ 4,949,191,377	\$ 5,458,629,515
<u>150,866,925</u>	<u>147,523,025</u>	<u>149,204,525</u>	<u>123,790,350</u>	<u>64,411,150</u>	<u>52,225,350</u>
<u>\$ 4,304,899,550</u>	<u>\$ 4,349,484,972</u>	<u>\$ 4,570,734,306</u>	<u>\$ 4,919,824,700</u>	<u>\$ 5,013,602,527</u>	<u>\$ 5,510,854,865</u>
\$ 3,503,196,250	\$ 3,526,557,005	\$ 3,564,635,642	\$ 3,665,393,466	\$ 3,737,558,043	\$ 3,965,867,075
<u>755,514,350</u>	<u>724,659,700</u>	<u>714,092,150</u>	<u>670,143,500</u>	<u>366,173,450</u>	<u>254,590,100</u>
<u>\$ 4,258,710,600</u>	<u>\$ 4,251,216,705</u>	<u>\$ 4,278,727,792</u>	<u>\$ 4,335,536,966</u>	<u>\$ 4,103,731,493</u>	<u>\$ 4,220,457,175</u>
\$ 2,527,262,250	\$ 2,584,362,566	\$ 2,640,642,487	\$ 2,717,724,673	\$ 2,777,714,820	\$ 2,986,252,214
<u>609,340,350</u>	<u>564,052,015</u>	<u>558,328,319</u>	<u>574,872,887</u>	<u>594,885,971</u>	<u>637,542,166</u>
<u>314,238,500</u>	<u>305,334,016</u>	<u>296,637,552</u>	<u>305,821,724</u>	<u>314,006,932</u>	<u>342,072,695</u>
<u>506,194,400</u>	<u>502,509,250</u>	<u>488,607,400</u>	<u>494,865,700</u>	<u>289,981,650</u>	<u>254,590,100</u>
<u>301,675,100</u>	<u>294,958,858</u>	<u>294,512,034</u>	<u>242,251,982</u>	<u>127,142,120</u>	<u>99,989,715</u>
<u>4,258,710,600</u>	<u>4,251,216,705</u>	<u>4,278,727,792</u>	<u>4,335,536,966</u>	<u>4,103,731,493</u>	<u>4,320,446,890</u>
<u>(150,837,550)</u>	<u>(147,479,429)</u>	<u>(147,256,017)</u>	<u>(121,125,991)</u>	<u>(63,571,060)</u>	<u>(49,994,858)</u>
<u>\$ 4,107,873,050</u>	<u>\$ 4,103,737,276</u>	<u>\$ 4,131,471,775</u>	<u>\$ 4,214,410,975</u>	<u>\$ 4,040,160,433</u>	<u>\$ 4,270,452,032</u>
<u>\$ 12.6858</u>	<u>\$ 12.6858</u>	<u>\$ 15.1858</u>	<u>\$ 15.1858</u>	<u>\$ 15.1858</u>	<u>\$ 16.1558</u>
95.42%	94.35%	90.39%	85.66%	80.58%	77.49%
96.46%	96.53%	96.56%	97.21%	98.45%	98.84%

City of Sterling Heights, Michigan

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago

June 30, 2018

Company Name	Product/Service	Year Ended June 30, 2018				Year Ended June 30, 2009			
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value		
FCA US, LLC	Automotive assembly and stamping	\$ 93,648,360	1	2.19	\$ 245,395,225	1	4.59		
Ford Motor Company	Automotive manufacturing and drive shafts	73,159,253	2	1.71	242,280,950	2	4.53		
DTE Energy	Public electric utility	41,018,107	3	0.96	36,429,750	3	0.68		
Wells Fargo Bank	Retail and rental properties	23,615,963	4	0.55	31,452,700	5	0.59		
Comcast Cable	Cable communications	17,158,396	5	0.40	13,404,850	10	0.25		
Consumers Energy	Public utility for gas	16,184,212	6	0.38	-	-	-		
General Dynamics	Administrative engineering and design	15,324,278	7	0.36	31,445,800	6	0.59		
BAE Systems	Military and defense systems	14,103,539	8	0.33	-	-	-		
ITC Transmissions	Automotive Supplier	10,232,376	9	0.24	-	-	-		
PC Sterling Heights, LLC	Theater complex	9,762,881	10	0.23	-	-	-		
Laguna Associates Ltd Partners	Office and apartment complex	9,573,156	9	0.22	-	-	-		
TV - Mich, LP	Senior living complex	9,544,700	10	0.22	-	-	-		
Detroit News Agency	Printing plant - Newspapers	-	-	-	34,728,500	4	0.65		
Laurel/Shoal Creek	Office and apartment complex	-	-	-	18,532,450	7	0.35		
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		
	Ten largest taxpayers	333,325,221	7.79		683,595,625		12.79		
	Other taxpayers	3,937,126,811			4,667,736,175				
	Total taxable value	\$ 4,270,452,032			\$ 5,351,331,800				

Source: City of Sterling Heights Assessor's Office

Debt Capacity

These schedules contain 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.

City of Sterling Heights, Michigan

<u>Governmental Activities</u>					
Fiscal Year Ended June 30	General Obligation Bonds	County Issued Bonds	Capital Leases	Amounts Available in Debt	Service Funds
2009	20,985,000	5,590,000	-	(150,053)	
2010	11,060,000	4,635,000	-	(9,821)	
2011	9,595,000	3,655,000	-	(11,873)	
2012	8,455,000	2,630,000	-	(22,232)	
2013	7,690,000	1,525,000	-	(19,201)	
2014	5,777,683	775,000	-	(20,308)	
2015	5,253,950	150,000	186,769	(18,201)	
2016	4,667,114	-	150,062	(28,263)	
2017	49,055,194	-	111,621	(63,338)	
2018	66,945,486	-	71,364	(92,722)	

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.

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

June 30, 2018

Business-type Activities		Percentage of Estimated Total Taxable Value of Property (1)				Per Capita
County Issued Bonds	Capital Leases	Total Primary Government				
-	-	26,424,947	0.4938	128,500	205.64	
3,702,531	-	19,387,710	0.3689	128,500	150.88	
27,799,300	-	41,037,427	0.8656	129,699	316.41	
36,565,773	-	47,628,541	1.0791	129,699	367.22	
35,428,997	-	44,624,796	1.0863	129,699	344.06	
34,264,780	-	40,797,155	0.9941	129,699	314.55	
33,071,724	8,789	38,653,031	0.9356	129,699	298.02	
35,885,137	7,063	40,681,113	0.9653	129,699	313.66	
57,147,543	5,253	106,256,273	2.6300	129,699	819.25	
55,088,132	3,358	122,015,618	2.8572	129,699	940.76	

City of Sterling Heights, Michigan

Governmental Activities

Fiscal Year Ended June 30	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County-issued Bonds	Capital Leases
2009	20,985,000	16,535,000	3,260,000	5,590,000	-
2010	8,820,000	16,130,000	3,160,000	4,635,000	-
2011	7,880,000	14,180,000	3,060,000	3,655,000	-
2012	6,905,000	12,170,000	2,960,000	2,630,000	-
2013	6,165,000	10,405,000	2,850,000	1,525,000	-
2014	5,777,683	8,811,416	2,700,000	775,000	-
2015	5,253,950	7,465,086	2,550,000	150,000	186,769
2016	4,667,114	16,480,393	2,400,000	-	150,062
2017	49,055,194	17,080,252	2,250,000	-	111,621
2018	66,945,486	24,011,755	2,100,000	-	71,364

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.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

June 30, 2018

Business-type Activities

County Issued				Total Primary Government	Percentage of Personal Income (1)	Per Capita	
General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds	Capital Leases				
- 3,702,531	- 30,584,068	- 3,314,862	- -	46,370,000 36,447,531	1.23% 0.96%	128,500 128,500	360.86 283.64
36,565,773	2,716,185	4,931,838	-	62,673,930	2.00%	129,699	483.23
35,428,997	2,647,602	6,825,826	-	68,878,796	2.19%	129,699	531.07
34,264,780	2,548,452	11,703,389	-	65,847,425	2.10%	129,699	507.69
33,071,724	4,098,344	17,592,684	7,063	66,580,720	2.12%	129,699	513.35
31,831,025	4,054,112	20,725,947	7,063	70,338,913	2.24%	129,699	542.32
53,263,196	3,884,347	22,126,394	5,253	80,315,716	2.56%	129,699	619.25
55,088,132	2,258,379	21,072,504	3,358	147,776,257	4.71%	129,699	1,139.38
				171,550,978	5.46%	129,699	1,322.69

City of Sterling Heights, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2018

Direct Debt

General Obligation Bonds

04/27/05	Limited Tax	\$ 630,979
04/21/17	GO Refunding Unlimited Tax	2,660,000
05/09/17	Limited Tax	43,354,885
05/22/18	Limited Tax	<u>20,299,622</u> \$ 66,945,486

Michigan Transportation Fund Bonds

06/22/10	Recovery Zone Bonds, Series 2010	1,275,000
02/07/12	Refunding Bonds, Series 2012	1,304,613
02/14/13	Refunding Bonds, Series 2013	2,020,729
04/05/16	MTF Bonds, Series 2016	8,815,422
05/09/17	MTF Bonds, Series 2017	2,002,801
05/22/18	MTF Bonds, Series 2018	<u>8,593,190</u> 24,011,755

Special Assessment Bonds

08/03/08	Improvements	2,100,000
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Capital Lease

Capital Lease - Office equipment	<u>74,722</u>
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Total direct debt outstanding 93,131,963

Indirect Debt

Share of County-issued Drain Bonds

MID District - 2010 A Series	-
MID District SA - 2010 North Gratiot	191,667
MID District - 2011 Clintondale Pump	7,764,740
MID District SA - 2015 North Gratiot Refunding	2,066,712
MID District - 2017A Series	21,880,701
MID District - 2017A Refunding	20,945,975
OMID District - 2010 Series B	784,105
OMID District SA - 2014 Series A	<u>1,454,232</u> 55,088,132

Total direct and indirect debt outstanding 148,220,095

Less:

MTF Bonds	24,011,755
Special Assessment Bonds	2,100,000
MID District Special Assessments	2,258,379
OMID District Special Assessments	<u>1,454,232</u> 29,824,366

Net direct and indirect debt outstanding 118,395,729

Overlapping Debt

Municipality

Net Tax Supported Debt

City allocation

Utica Community School District	137,585,000	37.07%	51,002,760
Warren Consolidated School District	166,790,000	44.22%	73,754,538
Macomb County at large	303,148,552	15.62%	47,351,804
Total overlapping debt			<u>172,109,101</u>
Net direct and indirect debt outstanding and overlapping debt			<u>\$ 290,504,830</u>

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

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:				
General obligation bonds	\$ 20,985,000	\$ 8,820,000	\$ 7,880,000	\$ 6,905,000
Michigan transportation fund bonds	16,535,000	16,130,000	14,180,000	12,170,000
Special assessment bonds	3,260,000	3,160,000	3,060,000	2,960,000
County issued bonds	5,590,000	4,635,000	3,655,000	2,630,000
Capital leases	-	-	-	-
Total	46,370,000	32,745,000	28,775,000	24,665,000
Business Type Activities:				
General obligation bonds	-	3,702,531	30,584,068	36,565,773
Special assessment bonds	-	-	-	2,716,185
County state revolving loan funds	-	-	3,314,862	4,931,838
Capital leases	-	-	-	-
Total	-	3,702,531	33,898,930	44,213,796
Total debt of the government	\$ 46,370,000	\$ 36,447,531	\$ 62,673,930	\$ 68,878,796
Total residential personal income	\$3,766,078,000	\$ 3,668,161,000	\$ 3,781,755,000	\$ 3,140,402,000
Ratio of total debt to personal income	1.23%	0.99%	1.66%	2.19%
Total Population	128,500	128,500	129,699	129,699
Total debt per capita	360.86	283.64	483.23	531.07

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2018

As of June 30,						
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
\$ 6,165,000	\$ 5,777,683	\$ 5,253,950	\$ 4,667,114	\$ 49,055,194	\$ 66,945,486	
10,405,000	8,811,416	7,465,086	16,480,393	17,080,252	24,011,755	
2,850,000	2,700,000	2,550,000	2,400,000	2,250,000	2,100,000	
1,525,000	775,000	150,000	-	-	-	
-	-	186,769	150,062	111,621	71,364	
<u>20,945,000</u>	<u>18,064,099</u>	<u>15,605,805</u>	<u>23,697,569</u>	<u>68,497,067</u>	<u>93,128,605</u>	
35,428,997	34,264,780	33,071,724	31,831,025	53,263,196	51,375,521	
2,647,602	2,548,452	4,098,344	4,054,112	3,884,347	3,712,611	
6,825,826	11,703,389	17,592,684	20,725,947	22,126,394	21,072,504	
-	-	7,063	7,063	5,253	3,358	
<u>44,902,425</u>	<u>48,516,621</u>	<u>54,769,815</u>	<u>56,618,147</u>	<u>79,279,190</u>	<u>76,163,994</u>	
\$ 65,847,425	\$ 66,580,720	\$ 70,375,620	\$ 80,315,716	\$ 147,776,257	\$ 169,292,599	
\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	
2.10%	2.12%	2.24%	2.56%	4.71%	5.39%	
129,699	129,699	129,699	129,699	129,699	129,699	
507.69	513.35	542.61	619.25	1,139.38	1,305.27	

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Calculation of debt limit:				
State equalized valuation	\$ 6,196,346,500	\$ 5,794,566,405	\$ 5,102,857,880	\$ 4,693,100,100
10% of taxable value	619,634,650	579,456,641	510,285,788	469,310,010
Calculation of debt subject to limit:				
Total debt	46,370,000	36,447,531	59,359,068	63,946,958
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	16,535,000	16,130,000	14,180,000	12,170,000
Special Assessment Bonds	3,260,000	3,160,000	3,060,000	2,960,000
MID District Special Assessments	-	-	2,784,768	2,716,185
OMID District Special Assessments	-	-	-	-
net debt subject to limit	26,575,000	17,157,531	39,334,300	46,100,773
Legal debt margin	593,059,650	562,299,110	470,951,488	423,209,237
Net debt subject to limit as % of debt limit	4.29%	2.96%	7.71%	9.82%

(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

Legal Debt Margin

Last Ten Fiscal Years

June 30, 2018

As of June 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 4,304,899,550 430,489,955	\$ 4,349,484,972 434,948,497	\$ 4,570,734,306 457,073,431	\$ 4,919,824,700 491,982,470	\$ 5,013,602,527 501,360,253	\$ 5,510,854,865 551,085,487
59,021,599	54,523,232	52,260,068	59,037,263	125,649,863	148,220,095
8,880,000 2,850,000 2,647,602 -	8,535,000 2,700,000 2,548,452 100	7,205,000 2,550,000 2,449,227 1,649,117	15,995,000 2,400,000 2,468,817 1,585,295	17,080,252 2,250,000 2,364,014 1,520,333	24,011,755 2,100,000 2,258,379 1,454,232
44,643,997	40,739,680	38,406,724	36,588,151	102,435,264	118,395,729
385,845,958	394,208,817	418,666,707	455,394,319	398,924,989	432,689,758
10.37%	9.37%	8.40%	7.44%	20.43%	21.48%

City of Sterling Heights, Michigan

Pledged Revenue Coverage

Last Ten Fiscal Years
June 30, 2018

Limited Tax Obligation Bonds

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2009	1,389,151	1,155,000	233,238	1,388,238	1.001
2010	1,047,761	890,000	157,097	1,047,097	1.001
2011	647,941	485,000	132,554	617,554	1.049
2012	608,680	495,000	113,291	608,291	1.001
2013	528,740	540,000	96,951	636,951	0.830
2014	297,080	215,000	81,850	296,850	1.001
2015	312,675	240,000	72,450	312,450	1.001
2016	322,375	260,000	62,150	322,150	1.001
2017	356,075	305,000	50,850	355,850	1.001
2018	4,297,400	1,890,000	1,450,769	3,340,769	1.286

Michigan Transportation Fund Bonds

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2009	3,281,889	2,175,000	754,573	2,929,573	1.120
2010	3,241,801	2,115,000	611,907	2,726,907	1.189
2011	3,289,715	1,950,000	559,979	2,509,979	1.311
2012	3,559,189	1,840,000	517,614	2,357,614	1.510
2013	3,628,067	1,940,000	430,950	2,370,950	1.530
2014	3,970,676	1,870,000	314,858	2,184,858	1.817
2015	3,819,418	1,330,000	257,912	1,587,912	2.405
2016	4,025,210	1,165,000	227,707	1,392,707	2.890
2017	4,630,041	1,625,000	515,996	2,140,996	2.163
2018	5,548,637	1,615,000	440,801	2,055,801	2.699

Special Assessment Bonds

Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)
		Principal	Interest	Total	
2008	\$ -	\$ -	\$ -	\$ -	-
2009	331,654	-	-	-	-
2010	298,947	100,000	127,000	227,000	1
2011	311,450	100,000	123,400	223,400	1.394
2012	319,122	100,000	120,400	220,400	1.448
2013	267,645	110,000	117,250	227,250	1.178
2014	271,069	150,000	113,162	263,162	1.030
2015	250,699	150,000	108,207	258,207	0.971
2016	246,302	150,000	103,225	253,225	0.973
2017	267,781	150,000	97,600	247,600	1.082
2018	296,155	150,000	91,600	241,600	1.226

(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

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.

City of Sterling Heights, Michigan

Demographic and Economic Statistics

Last Ten Fiscal Years

June 30, 2018

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education		Per Capita Income (4)/(1)	Income (in thousands) (4)	Number of Households (2)	Median Household Income (1)		Unemployment Rate (3)/(4)
			High School Graduate or Higher	Bachelor's Degree or Higher				Median Household Income (1)	Median Household Income (1)	
2008	128,500	35-39	84.0%	22.9%	\$ 29,308	\$ 3,766,078	50,375	\$ 60,494	\$ 60,494	8.8%
2009	128,500	35-39	84.0%	22.9%	28,546	3,668,161	49,735	60,494	60,494	14.1%
2010	128,500	35-39	84.0%	22.9%	29,430	3,781,755	49,339	60,494	60,494	13.6%
2011	129,699	40-44	84.0%	22.9%	24,213	3,140,402	49,508	53,390	53,390	9.8%
2012	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	9.0%
2013	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	9.0%
2014	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	9.0%
2015	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	7.0%
2016	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	4.6%
2017	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	3.4%
2018	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	53,390	3.9%

Sources:

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

City of Sterling Heights, Michigan

Miscellaneous Demographics

June 30, 2018

			Income and Benefit Characteristics	
Population		Household Income		Number of Households
2010 U.S. Census	129,699	Less than \$14,999		4,325
2000 U.S. Census	124,471	\$15,000 - \$34,999		9,686
1990 U.S. Census	117,810	\$35,000 - \$49,999		6,658
1980 U.S. Census	108,999	\$50,000 - \$74,999		9,867
		\$75,000 - \$99,999		7,136
		\$100,000 or more		12,082
Housing Tenure			Households:	Number
Types	2010	2000		
Owner occupied	37,685	36,584	With earnings	37,918
Renter occupied	11,766	9,735	With Social Security income	17,353
Vacant:			With retirement income	11,442
Seasonal/Migrant	128	148	With supplemental security income	2,707
Other vacant units	2,611	1,080	With cash public assistance income	1,371
Total	52,190	47,547	With food stamps/SNAP benefits	6,571
Household Characteristics				
Types	2010	2000		
With seniors 65+	14,229	10,252	By Occupation:	Number of Employees
Without seniors	35,222	36,067	Management, professional, and related	23,007
Two or more without children	21,007	19,041	Service	10,996
Live alone, over 65	5,316	3,915	Sales and office	15,527
Live alone, under 65	7,791	7,245	Natural resources, construction, and maintenance	3,787
With children	15,337	16,118	Production, transportation, and material moving	10,298
Total households	49,451	46,319	Total	63,615
Age Statistics				
Years	2010	2000		
Under 5	5.5%	6.2%	By Industry:	
5 to 19	18.7%	20.3%	Agriculture, forestry, fishing and hunting, and mining	166
20 to 24	6.3%	6.1%	Construction	2,356
25 to 44	25.8%	30.4%	Manufacturing	13,497
45 to 64	28.5%	25.2%	Wholesale trade	1,536
Over 64	15.2%	11.8%	Retail trade	8,542
			Transportation, warehousing, and utilities	2,046
			Information	993
			Finance, insurance, real estate, rental, and leasing	3,803
			Professional, scientific, management, administrative, and waste management services	6,074
			Educational, health, and social services	12,495
			Arts, entertainment, recreation, accommodation, and food services	6,144
			Other professional and related services	3,430
			Public administration	2,533
			Total	63,615

Source: United States Census Bureau - 2000/2010 Census and 2016 American Community Survey One Year Estimates

City of Sterling Heights, Michigan

Principal Employers (Major Employers)

Current Year and Ten Years Ago

June 30, 2018

Company Name	Product/Service	Year Ended June 30, 2018			Year Ended June 30, 2009		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
FCA US, LLC	Automotive assembly and stamping	9,507	1	14.94%	2,450	3	3.74%
Ford Motor Company	Automotive axles and transmissions	3,910	2	6.15%	3,300	1	5.04%
Administrative Employer Services, LLC	Professional employer organization	2,800	3	4.40%	-	-	-
General Dynamics	Defense-related manufacturing	2,670	4	4.20%	2,700	2	4.13%
Lakeside Associates	Retail shopping center	1,800	5	2.83%	2,000	4	3.06%
Utica Community Schools	Education	1,637	6	2.57%	1,150	6	1.76%
Mayco International/Stonebridge Industries	Automotive plastics	1,324	7	2.08%	-	-	-
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	8	1.57%	1,200	5	1.83%
Walmart Stores	Retail	850	9	1.34%	-	-	-
Key Safety Systems	Mobile safety systems	750	10	1.18%	-	-	-
Warren Consolidated Schools	Education	-	-	-	790	7	1.21%
City of Sterling Heights	Government	-	-	-	606	8	0.93%
Miliken Millwork	Wooden, stainless steel doors and stairs	-	-	-	500	9	0.76%
U.S. Farathane Corporation	Paints and finishes manufacturer	-	-	-	450	10	0.69%
	Ten largest employers	26,248		41.26%	15,146		23.15%
	Other employers	<u>37,367</u>		<u>58.74%</u>	<u>50,291</u>		<u>76.85%</u>
	Total employment	<u>63,615</u>			<u>65,437</u>		

Source: City of Sterling Heights, Economic Development Office

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.

City of Sterling Heights, Michigan

Operating Indicators by Function

Last Ten Fiscal Years

June 30, 2018

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Election Data										
Registered voters	88,258	85,345	85,953	86,231	85,436	88,164	87,576	86,465	88,520	84,781
Voters at polls	44,074	10,138	39,285	13,020	42,504	21,322	26,444	8,178	41,578	8,130
Absentee ballots	16,972	7,963	11,037	8,299	16,205	8,966	11,862	8,475	16,443	8,221
Percent voting	69.17%	21.21%	58.55%	24.72%	68.72%	34.35%	43.74%	19.00%	65.55%	19.29%
41A District Court										
Court Cases										
Civil	3,947	3,816	4,037	3,760	3,546	2,550	2,652	2,566	2,612	3,021
Criminal	4,922	4,818	4,254	3,654	3,408	3,813	4,279	3,644	3,321	3,825
Landlord and tenant	2,653	2,407	2,442	2,610	2,265	2,491	2,223	2,161	1,932	1,971
Small claims	524	448	451	404	313	400	333	386	393	340
Traffic	30,422	35,540	31,074	22,924	22,889	22,550	25,887	31,584	31,445	26,847
Public Safety										
Police Protection										
Adult arrests	3,079	3,000	2,691	2,686	3,083	3,113	3,882	3,919	3,612	3,290
Civil infractions	29,855	32,724	29,315	20,670	21,788	20,535	27,031	30,780	26,088	22,994
Group A offenses (1)	6,686	6,484	5,769	3,890	3,216	2,926	2,885	2,871	2,782	3,078
Group B offenses (2)	2,632	2,370	1,960	1,652	2,030	2,306	2,867	3,235	2,917	3,467
Injury accidents	824	704	752	616	598	860	952	1,300	1,265	899
Juvenile arrests	156	173	159	143	195	190	219	212	116	99
OUIL arrests	414	394	297	199	220	183	204	169	138	157
Parking violations	1,702	1,992	1,125	585	1,116	1,298	1,282	1,333	1,468	1,116
Property damage	3,191	3,071	3,408	2,849	2,974	3,488	3,625	3,638	3,825	3,915
Private property damage	1,037	944	846	820	712	741	700	644	531	323
Total traffic violations	32,154	37,022	32,752	24,109	22,428	24,142	31,777	35,610	30,678	26,521
Fire Protection										
Emergency alarms answered	10,480	10,383	11,062	11,589	11,653	12,451	13,588	14,293	14,805	15,930
Fire inspections conducted	3,874	2,859	2,288	1,029	882	878	863	1,232	1,688	1,146
Inspection violations issued	7,495	5,831	4,397	2,067	1,670	1,020	945	2,433	24,722	2,500
Medical emergencies	7,745	7,693	8,617	8,948	8,969	9,435	10,253	10,753	11,025	11,808
Training hours completed	31,121	30,955	29,986	23,230	22,790	24,994	26,086	24,359	32,116	35,002
Recreation and Culture										
Parks and Recreation										
Adult athletics attendance	15,360	25,477	21,301	21,221	24,357	21,967	19,006	17,914	21,291	20,051
Instructional rec. attendance	24,795	23,999	23,933	27,132	22,666	20,344	23,566	23,916	22,903	27,143
Nature program attendance	23,321	27,708	23,374	21,318	14,582	17,170	15,079	16,187	15,753	18,085
Senior program attendance	116,564	117,570	102,577	103,663	103,667	100,026	97,769	101,770	101,825	108,155
Special event attendance	74,449	65,551	72,321	62,015	53,734	46,379	80,680	114,295	93,327	112,833
Special recreation program attendance	15,679	11,351	10,803	10,766	9,895	8,395	8,847	8,460	7,568	7,523
Summer playground attendance	11,370	7,565	12,160	11,144	12,613	13,053	12,765	10,353	12,182	11,254
Library										
Book van deliveries	8,818	7,909	7,367	4,547	3,788	3,253	3,259	2,833	2,797	2,837
Community meeting room reservations	1,200	1,289	1,209	1,463	1,325	1,183	1,463	1,528	1,587	1,668
In-house materials usage	121,907	93,714	107,155	133,539	132,298	82,304	60,279	54,742	39,714	32,590
Interlibrary loan requests	125,167	110,778	97,588	93,068	90,764	86,950	80,545	78,015	71,796	69,323
Interlibrary loans - Lent	117,671	105,692	87,255	82,094	82,832	79,360	72,109	70,606	62,818	61,479
Items circulated	625,688	627,496	614,905	600,445	577,448	536,485	536,038	548,414	536,321	565,478
Library visits	581,046	560,035	484,259	453,690	412,656	384,063	376,007	385,398	314,813	241,302
Online computer uses	552,503	583,260	610,054	768,815	1,050,062	1,659,105	1,216,053	921,671	998,803	913,999
Program attendance	37,639	31,664	23,184	22,168	15,310	15,196	16,322	20,209	23,208	27,721
Reference transactions	148,978	131,039	120,873	93,243	83,000	68,052	65,368	65,587	64,893	59,864
Registered borrowers	52,043	53,114	53,181	52,733	51,248	49,863	48,490	47,334	46,498	66,043
Water and Sewer Services										
Customers: (3)										
Residential	34,811	34,846	34,869	34,995	35,077	35,155	35,223	35,319	35,419	35,494
Commercial/Industrial	4,233	4,234	4,126	4,262	4,280	4,280	4,274	4,297	4,270	4,320
Water (in thousand cubic feet):										
Purchased from Detroit	716,384	659,817	683,223	695,711	678,000	614,039	603,378	636,215	615,045	580,053
Sold to residents	711,126	667,792	692,621	677,554	698,650	618,799	602,994	590,426	629,333	591,358
Rates (per thousand):										
1,000 CU. FT.	\$ 31.94	\$ 37.22	\$ 40.59	\$ 42.07	\$ 43.97	\$ 48.52	\$ 55.37	\$ 62.59	\$ 71.79	\$ 74.75
Next 2,000 CU.FT.	31.94	37.22	40.59	42.07	43.97	48.52	55.37	62.59	71.79	74.75
Over 3,000 CU.FT.	32.90	38.32	41.77	46.18	48.24	53.13	60.53	68.26	78.11	81.51
Sewer only - Per billing	35.00	45.00	50.00	55.00	60.00	65.00	70.00	80.00	85.00	87.00

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

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

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

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Capital Asset Statistics by Function

Last Ten Fiscal Years

June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	54	54	54	51	50	50	53	54	49	51
Vehicles - Unmarked	77	64	63	65	57	54	65	56	57	58
Fire Protection										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	16	16	16	16	16	16	16	16	21	21
Public Works										
Streets and Sidewalks										
Miles of City:										
Primary streets	63	63	63	63	63	63	63	63	63	63
Secondary streets	286	286	286	286	286	286	286	286	286	288
Sidewalks	609	609	610	610	611	612	614	615	617	618
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	2	2	2	2
Street lights	2,520	2,520	2,520	2,530	2,530	2,530	2,535	2,535	2,535	2,535
Vehicles - Snow plows	22	23	22	22	22	21	21	25	25	25
Water and Sewer Services										
Fire hydrants	7,162	7,203	7,221	7,238	7,261	7,270	7,281	7,292	7,305	7,317
Miles of water mains	573	574	575	576	576	576	576	667	667	667
Miles of sanitary sewers	430	430	430	430	430	430	430	430	430	475
Recreation and Culture										
Parks and Recreation										
Acres	820	820	820	820	820	820	820	820	820	820
Developed parks	28	28	28	28	28	28	28	28	28	28
Buildings	3	3	3	3	3	3	3	3	3	3
Library										
Book collections	199,968	203,593	204,977	208,102	209,040	195,656	196,437	196,019	190,166	186,932
Other collections (1)	37,344	37,051	37,603	42,507	46,306	37,848	57,623	53,447	64,638	71,715
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
June 30, 2018

Fiscal Year Ended June 30	Residential				Total Residential
	New Construction		Additions/Improvements		
Number	Value	Number	Value		
2009	14	3,481,198	429	1,261,884	4,743,082
2010	70	12,386,830	360	839,587	13,226,417
2011	87	15,494,221	402	1,147,729	16,641,950
2012	96	19,872,576	405	1,291,986	21,164,562
2013	89	20,919,441	442	2,528,899	23,448,340
2014	134	31,286,101	537	1,191,570	32,477,671
2015	96	22,656,130	585	1,126,895	23,783,025
2016	170	87,099,668	726	1,528,732	88,628,400
2017	247	55,558,146	574	958,155	56,516,301
2018	62	19,906,414	790	1,101,534	21,007,948

Fiscal Year Ended June 30	Commercial				Total Commercial
	New Construction		Additions/Improvements		
Number	Value	Number	Value		
2009	16	5,148,379	160	23,119,046	28,267,425
2010	27	31,115,804	165	28,194,133	59,309,937
2011	20	91,661,691	122	21,444,771	113,106,462
2012	46	97,795,253	114	16,137,512	113,932,765
2013	8	15,546,849	141	37,063,864	52,610,713
2014	8	6,077,060	129	25,288,174	31,365,234
2015	10	25,455,891	166	26,570,017	52,025,908
2016	31	31,932,939	135	15,628,005	47,560,944
2017	29	81,070,698	94	9,340,587	90,411,285
2018	124	86,425,717	131	31,448,148	117,873,865

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
June 30, 2018

<u>Function</u>	Full-time and Part-time Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	78	71	74	60	56	57	60	61	57	63
41A District Court	39	40	40	39	38	37	39	39	41	41
Public safety:										
Police	259	251	243	228	222	222	203	203	202	206
Fire	106	104	101	91	86	86	88	88	88	104
Public works:										
City development	32	32	24	19	24	26	28	29	31	28
Public works	40	37	34	26	29	31	34	34	35	35
Street services	21	21	21	21	18	21	25	24	24	24
Engineering (1)	14	13	11	9	8	9	9	9	9	9
Recreation and culture:										
Parks and recreation	13	12	11	10	10	10	11	12	10	15
Library	42	42	41	38	36	37	38	38	38	38
Water and sewer	40	39	39	37	35	35	35	36	36	40
Total	684	662	639	578	562	571	570	573	571	603

(1) Prior to 2013, facilities maintenance employees were included in general government.

Source: City of Sterling Heights

Continuing Disclosures

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.

City of Sterling Heights, Michigan

State-shared Revenue

Last Ten Fiscal Years
June 30, 2018

Fiscal Year Ended June 30	Modified Accrual Basis of Accounting	Accrual Basis of Accounting
2009	10,487,825	10,183,758
2010	9,136,700	9,057,434
2011	9,368,599	9,057,434
2012	9,615,531	10,094,387
2013	10,268,109	10,342,983
2014	10,541,415	10,606,230
2015	10,814,534	10,785,806
2016	10,694,421	10,776,313
2017	11,259,947	11,389,139
2018	11,626,225	11,721,760

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Gas and Weight Taxes

Last Ten Fiscal Years
June 30, 2018

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Roads	
2008	\$ 4,933,090	\$ 1,864,418	\$ 6,797,508
2009	4,763,221	1,800,557	6,563,778
2010	4,719,496	1,764,105	6,483,601
2011	4,788,874	1,790,555	6,579,429
2012	5,194,602	1,923,776	7,118,378
2013	5,297,645	1,958,488	7,256,133
2014	5,461,373	2,020,459	7,481,832
2015	5,575,631	2,063,204	7,638,835
2016	5,874,539	2,175,881	8,050,420
2017	6,755,605	2,504,476	9,260,081
2018	8,095,038	3,002,237	11,097,275

Source: City of Sterling Heights

City of Sterling Heights, Michigan

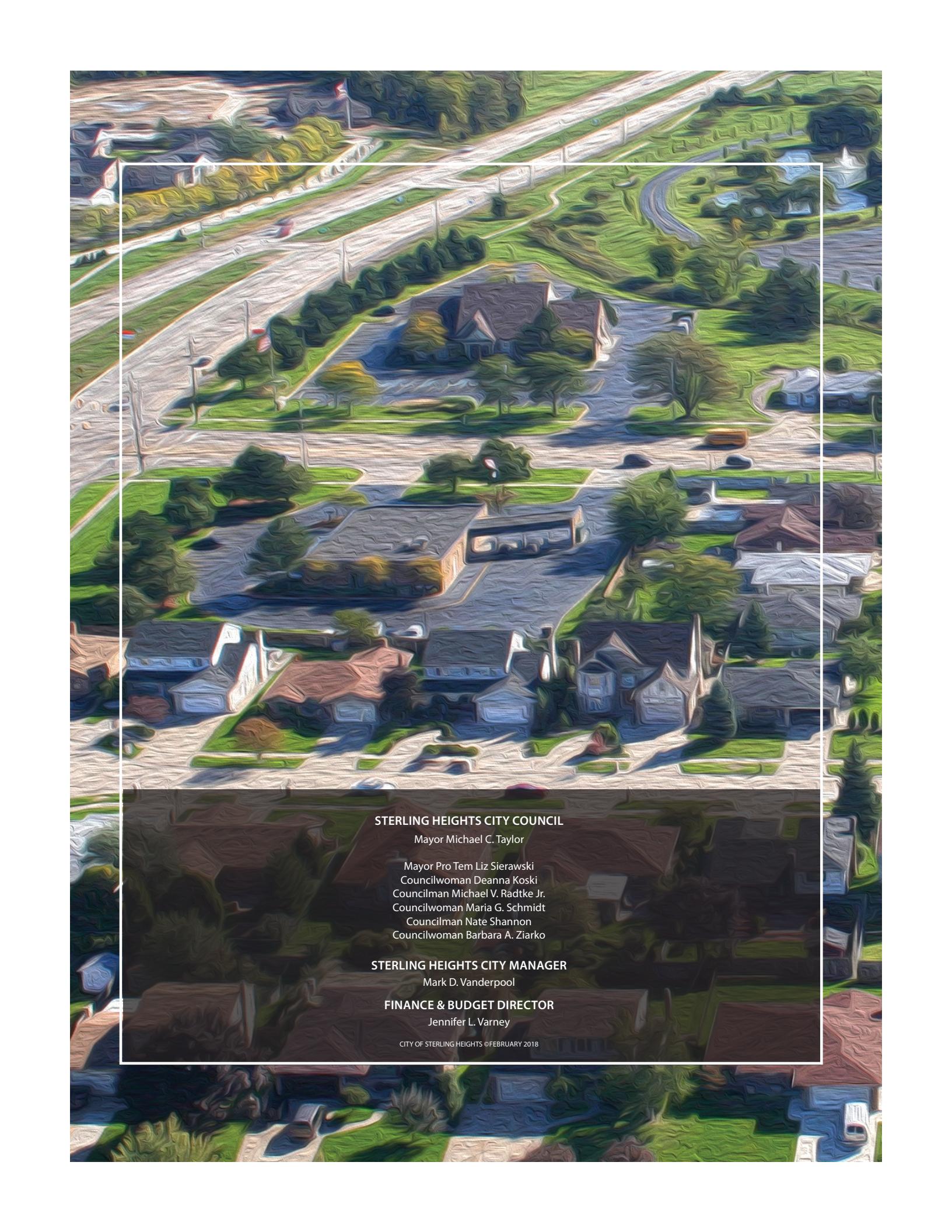
Labor Agreements

June 30, 2018

Name	Date	Contract Expiration		Actual Number of Employees Covered
		Full Time	Part Time	
Union Employees				
Police Officers Michigan Association of Police (MAP)	6/30/2021	117	-	
Firefighters International Association of Firefighters, Local 1557	6/30/2018	99	-	
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2022	61	30*	
Department of Public Works Field Employees Teamsters, Local 214	6/30/2021	58	-	
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2022	33	-	
Professional and Technical Employees Michigan Association of Public Employees (MAPE)	6/30/2019	33	13	
Court Clerical AFSCME, Local 1884, Council 25	6/30/2022	18	7	
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2019	20	2	
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2020	14	-	
Executive Employees Sterling Heights Executive Group	6/30/2018	7	-	
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2020	7	-	
Nonunion Employees				
41A District Court Administration	N/A	10	-	
41A District Court Judges	N/A	3	-	
Ordinance Employees	N/A	2	-	

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

Source: City of Sterling Heights, Office of City Management



STERLING HEIGHTS CITY COUNCIL

Mayor Michael C. Taylor

Mayor Pro Tem Liz Sierawski
Councilwoman Deanna Koski
Councilman Michael V. Radtke Jr.
Councilwoman Maria G. Schmidt
Councilman Nate Shannon
Councilwoman Barbara A. Ziarko

STERLING HEIGHTS CITY MANAGER

Mark D. Vanderpool

FINANCE & BUDGET DIRECTOR

Jennifer L. Varney

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