



Sterling Heights Community Center



CITY OF
**Sterling
Heights**
MICHIGAN

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

2019 - 2020

City of Sterling Heights, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
For the Fiscal Year Ended June 30, 2020
Prepared by the Office of Financial Services**

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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>	Henry Yanez
<i>Councilwoman</i>	Barbara A. Ziarko

City Manager Mark D. Vanderpool

December 1, 2020

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, 2020 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 Corridor

Improvement Authority, Economic Development Corporation, Brownfield Redevelopment Authority, 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 351 miles are maintained by the City. City services are provided to 54,272 households and 4,333 commercial and industrial businesses. The 2020 estimated population for the City stands at 129,699, making Sterling Heights the fourth largest populated city in Michigan. The population is expected to increase with the results of the 2020 census and many sources, including the Southeast Michigan Council of Government (SEMCOG), expect that Sterling Heights will soon have the third largest population in Michigan. At the end of the fiscal year, the City had a 17.5 percent unemployment rate as compared to a Macomb County rate of 18.3 percent, a statewide rate of 15.0 percent, and a national average of 11.2 percent. These percentages are up significantly from the prior year due to the COVID-19 pandemic. The most recent unemployment rate is now under 9 percent.

The City's massive investment in quality of life assets, not to mention an impressive investment in road infrastructure and improvements, is paying dividends for the community. Nowhere is this payoff more evident than property values. Sterling Heights continues to rank first in Macomb County in terms of residential and commercial property valuation.

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 historically have served two-year terms. In November 2020, voters approved an increase to four-year terms for mayor and City Council, beginning with the November 2021 election. 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.

Long-term Financial Planning

The City has continued to follow its successful long-term financial plan of providing excellent services with a low tax rate and continually monitoring revenue trends. After falling to a low of \$5.2 million in 2014 due to the Great Recession, the City has been able to add to General Fund reserves for the past six years bringing total reserves to \$29.9 million or 28% of expenditures as of the current audit. This healthy fund balance will ensure the City has the financial resources to weather the ongoing economic uncertainty caused by the COVID-19 pandemic. The recently renewed Safe Streets millage has also been a critical factor in enabling the City to continue to provide the excellent services

expected by residents. The millage provides \$3.5 million in dedicated funding for neighborhood street repairs and \$7.4 million to prevent further reductions in the number of sworn police and firefighters.

Because of the renewed 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 future.

In November 2016 the voters passed the Recreating Recreation millage. This millage provides 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 renewal of the Safe Streets millage, the City has been able to continue funding for replacement capital equipment and infrastructure, which had been dramatically reduced.

Since 2008, the City lost a cumulative \$139.7 million in property taxes compared to a normal inflationary housing market. The City has also lost \$63 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 163 positions since 2002 and labor contract savings totaling \$15 million annually, 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

Of course, the COVID-19 pandemic and subsequent shutdown affected every department in the City at the end of the fiscal year. Resources were redirected toward the task of keeping employees and residents safe through the closing of facilities and amenities, the purchasing of personal protection equipment for City employees and first responders, and investments in City facilities to ensure safety for all once facilities were allowed to reopen. Despite the vast amount of resources committed to that effort, there were still many other activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2019-2020:

1. The City's massive investment in quality of life services, funded through the Recreating Recreation millage, culminated in the grand opening of the City's new state of the art community center. Thousands attended the grand opening and the excitement over new amenities like the ice rink, skate park, Clinton River landings and launches, along with the opening of the City's first dog park, is proving to be transformational.
2. The City has also been focused on improving aging facilities. The new Public Works facility broke ground, along with the much anticipated renovation of the City Center campus facilities. The renovated 41-A District Court, Library, Police Station, and City Hall will be more welcoming to the general public, and include improved customer service amenities.
3. A significant investment was made during the fiscal year in the City's human assets. Sterling University, a unique program that allows employees to spend time in other departments, was expanded to allow more employees to attend, with the long-term goal of allowing every employee, as well as City Council to attend the program. We also hope to make this program available to the public. Leadership training was also made available for Directors and Managers and Lean Six Sigma productivity training was provided through Macomb Community College. The City also offered a one-day sabbatical to all employees to attend the training of their choice.
4. A significant effort was undertaken by the City to ensure that every resident was counted as part of the 2020 census. A massive advertising and social media campaign culminated with the introduction of the official City mascot – Sterling B. Counted. Our efforts were successful and the City self-response rate was 84.7%, which was 6.3% higher than during the 2010 census. Sterling Heights had the highest response rate in the state and the second highest in the country among cities with populations over 100,000. An accurate census count is critical to ensure that Sterling Heights residents receive their fair share of federal and state funding.
5. The City developed a 2021 budget that was subsequently adjusted due to the COVID-19 pandemic. Millions of dollars were eliminated from departmental requests in order to align with anticipated reductions in revenues and for the first time in many years projected a use of fund balance. Fortunately, primarily due to funding provided through the CARES Act, current projections show that use of fund balance will no longer be necessary. The 2021 budget still included significant investments in road repair and reconstruction as well as continued vehicle and

equipment replacements, and needed technology improvements identified through the City's Technology Plan.

6. Due to the Safe Streets initiative the City was able to continue significant investments in neighborhood road repairs. And thanks to the renewal of the Safe Streets millage, significant neighborhood road investment will continue for the next ten years.

Major Initiatives for July 1, 2020 and Thereafter

1. The City will continue to devote resources and effort to managing the COVID-19 pandemic, including pursuing all available funding and grant opportunities to offset the financial impact.
2. The City continues to update an on-going five-year financial plan, including monitoring changing financial conditions due to the COVID-19 pandemic, and focusing 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.
3. 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.
4. The City will continue investing in major road construction by continuing to leverage Federal, State, County and local resources that will equate to \$416 million in road improvement funding between 2014 and 2022. This funding will result in another aggressive construction season in Sterling Heights for fiscal year 2021. Major road investment will continue including planned resurfacings of 14 Mile Road, 19 Mile Road, Hayes Road and Metro Parkway. The total reconstruction of Mound Road from 696 to Hall Road is also slated to begin this summer.
5. Thanks to the 10-year renewal of the Safe Streets millage that was passed in November 2019, the police and fire departments will continue to have the necessary revenue to preserve excellent police and fire services and the City will be able to continue with an aggressive program for improving our neighborhood streets.
6. The City will focus on protecting community assets with the formation of the Sustainability Commission. The Sustainability Commission will be charged with further development and implementation of the City's first Sustainability Plan in collaboration with City Administration and City Council.
7. The City will continue and strengthen the emphasis on diversity and inclusion through the formation of the African American Coalition. The group will provide an opportunity to discuss challenges and opportunities centered on racial equity within Sterling Heights and beyond. City Council also approved the formation of the commUNITY Alliance to engage in a thoughtful analysis of the strengths, weaknesses, opportunities, and threats (SWOT) for Sterling Heights in terms of being a unified community. Armed with the SWOT analysis, the commUNITY Alliance will be tasked to apply that information to develop goals and objectives to

create a Sterling Heights where every resident feels welcome, accepted, respected and safe.

8. Due to the economic uncertainty caused by the COVID-19 pandemic, the fiscal year 2021 budget funded only the highest priority needs of the City, emphasizing sustaining City operations as well as investments in roads, infrastructure, and technology.

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, 2019. 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 32 consecutive years (fiscal years 1988-2019). 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 Mayor and 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**

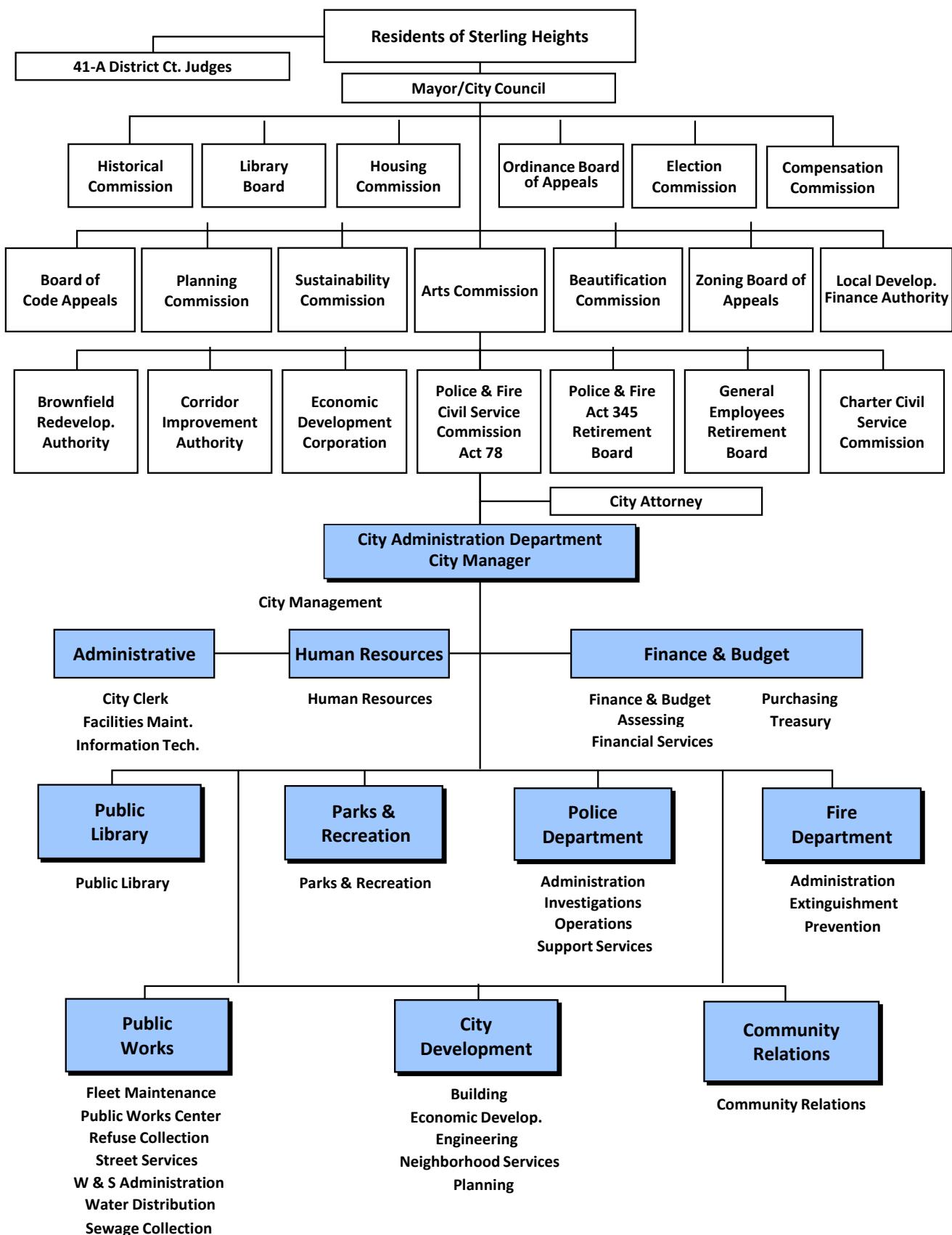
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Monell

Executive Director/CEO

CITY OF STERLING HEIGHTS, MICHIGAN
Organizational Chart



CITY OF STERLING HEIGHTS, MICHIGAN
List of Principal Officials

Title	Name
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 D. Ryksa
City Development Director	Jason Castor
City Engineer	Brent S. Bashaw
City Planner/City Development Manager	Christopher McLeod
City Treasurer	Mary Chavez
Community Relations Director	Melanie D. Davis
Controller	Nick Makie
Facilities Maintenance Director	Jared Beaudoin
Finance and Budget Director	Jennifer L. Varney
Interim Fire Chief	Edwin Miller
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	Mark Carufel

Governmental Funds

General *	Special Revenue
	Major Roads Local Roads Parks and Recreation* Public Safety Forfeiture Indigent Defense Community Development Block Grant (CDBG) Neighborhood Stabilization
Debt Service	Capital Projects
<hr/>	
General Drain Voted Tax General Obligation Road Bond Debt Retirement Limited Tax General Obligation	General Improvements * Road Bond Construction Land and Water Conservation Clinton River Restoration Facilities Improvement *
Proprietary Funds	
Enterprise	Internal Service
Water and Sewer *	Self-insurance
Fiduciary Funds	
Trust	Agency
General Employees' Retirement System Police and Fire Retirement System Retiree Medical Benefits	Tax Collections General Agency
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, 2020 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, 2020 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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the City'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 opinions on the financial statements that collectively comprise the City'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 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.



December 1, 2020

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, 2020. 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 11.

Financial Highlights

- As a result of this year's operations, the City's overall net position increased by \$7.6 million, or 5.1 percent, primarily due an increase in the net position of governmental activities offset by a decrease in the business-type activities.
- The net position of governmental activities increased by \$10.6 million, or 42.7 percent, primarily due to investments in roads, parks and recreation facilities, building renovations, and a new public works building, offset by increases to the net pension and OPEB liabilities.
- The net position of business-type activities decreased by \$3.0 million, or 2.6 percent, primarily due to depreciation on capital assets.
- The General Fund reported a \$3.0 million contribution to fund balance for the current year, bringing total General Fund reserves to \$29.9 million, or 28 percent of expenditures. General Fund revenue decreased \$1.9 million, or 1.7 percent, primarily due to decreased property tax revenue due to the rollback of the one-time, 1 mill increase in the prior year; a decrease in fines and forfeitures of nearly \$1 million due to the shutdown of operations at the 41-A District Court as a result of the COVID-19 pandemic; and lower interest income and cable TV revenue. These decreases were offset by an increase of \$1.4 million in police and fire pension tax revenue due to an increase to the required contribution, increased grant revenue from the Staffing for Adequate Firefighters (SAFER) grant, and a 3 percent increase in state-shared revenue.
- General Fund expenses decreased \$2.8 million, or 2.6 percent, over last year primarily due to significant investments in major and local roads in the prior year, offset by increases in full-time wages, health insurance, street lighting, transfers to parks and recreation and debt service, and costs related to the COVID-19 pandemic.

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.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

- **Component Units** - The City includes four other separate entities in its report: the Economic Development Corporation, the Brownfield Redevelopment Authority, the Corridor Improvement Authority, and the Local Development Finance Authority. Although legally separate, these component units are important because the City is considered financially accountable for them. 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.

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 schedules 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, 2020 and 2019:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 99,936,029	\$ 109,134,287	\$ 26,492,863	\$ 25,418,946	\$ 126,428,892	\$ 134,553,233
Capital assets	314,863,444	264,602,664	182,340,598	186,383,384	497,204,042	450,986,048
Total assets	414,799,473	373,736,951	208,833,461	211,802,330	623,632,934	585,539,281
Deferred Outflows of Resources						
	42,113,313	40,601,852	2,204,118	1,119,446	44,317,431	41,721,298
Liabilities						
Current liabilities	20,941,625	15,951,823	5,459,514	5,252,617	26,401,139	21,204,440
Noncurrent liabilities	391,605,130	355,781,400	84,849,684	84,625,879	476,454,814	440,407,279
Total liabilities	412,546,755	371,733,223	90,309,198	89,878,496	502,855,953	461,611,719
Deferred Inflows of Resources						
	8,761,992	17,648,598	1,122,459	344,936	9,884,451	17,993,534
Net Position						
Net investment in capital assets	233,489,857	207,285,272	111,234,487	113,701,480	344,724,344	320,986,752
Restricted	11,579,485	17,743,175	3,816,286	2,459,517	15,395,771	20,202,692
Unrestricted	(209,465,303)	(200,071,465)	4,555,149	6,537,347	(204,910,154)	(193,534,118)
Total net position	\$ 35,604,039	\$ 24,956,982	\$ 119,605,922	\$ 122,698,344	\$ 155,209,961	\$ 147,655,326

The City as a Whole

The City's overall net position increased 5.1 percent from last year, growing from \$147.7 million to \$155.2 million. The increase in net position can be primarily attributed to investments in roads, parks and recreation facilities, building renovations, and a new public works building, offset by increases to the net pension and OPEB liabilities and depreciation on water and sewer assets.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$10.6 million in net position during fiscal year 2020. As noted above, this is primarily due to investments in roads, parks and recreation facilities, building renovations, and a new public works building, offset by increases to the net pension and OPEB liabilities. As of June 30, 2020, 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 \$209.5 million. This represents a reduction of \$9.4 million compared to June 30, 2019. The negative amount primarily is due to recognition of future pension and OPEB liabilities, which increased this year due to revised assumptions, including lowering the expected rate of return and updating mortality tables. 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 \$3.0 million, primarily due to depreciation on capital assets.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 12,876,234	\$ 14,570,609	\$ 50,351,649	\$ 49,231,779	\$ 63,227,883	\$ 63,802,388
Operating grants	10,376,070	10,530,314	875,241	565,149	11,251,311	11,095,463
Capital grants	15,244,980	15,322,238	1,871,557	1,986,596	17,116,537	17,308,834
General revenue:						
Taxes	72,130,241	72,772,592	-	-	72,130,241	72,772,592
Intergovernmental	12,677,603	12,162,566	-	-	12,677,603	12,162,566
Investment earnings	2,220,455	3,382,059	333,463	688,531	2,553,918	4,070,590
Other revenue	5,010,658	4,891,261	5,136	(1,951)	5,015,794	4,889,310
Total revenue	130,536,241	133,631,639	53,437,046	52,470,104	183,973,287	186,101,743
Expenses						
General government	16,349,557	15,173,470	-	-	16,349,557	15,173,470
41A District Court	4,103,248	3,704,070	-	-	4,103,248	3,704,070
Public safety	65,604,864	57,673,969	-	-	65,604,864	57,673,969
Public works	21,430,495	21,769,350	-	-	21,430,495	21,769,350
Recreation and culture	8,860,964	7,616,057	-	-	8,860,964	7,616,057
Debt service	3,540,056	3,628,285	-	-	3,540,056	3,628,285
Water and sewer operations	-	-	56,529,468	54,411,558	56,529,468	54,411,558
Total expenses	119,889,184	109,565,201	56,529,468	54,411,558	176,418,652	163,976,759
Change in Net Position	10,647,057	24,066,438	(3,092,422)	(1,941,454)	7,554,635	22,124,984
Net Position - Beginning of year	24,956,982	890,544	122,698,344	124,639,798	147,655,326	125,530,342
Net Position - End of year	\$ 35,604,039	\$ 24,956,982	\$ 119,605,922	\$ 122,698,344	\$ 155,209,961	\$ 147,655,326

Financial Analysis of Individual Funds

The fund financial statements begin on page 15 and provide detailed information on the most significant funds. The City's major governmental funds for 2020 include the General Fund, the Parks and Recreation Fund, the Facilities Improvement Fund, and the General Improvements Fund.

A brief analysis of each of those funds is presented below:

General Fund Budgetary Highlights

General Fund revenue decreased \$1.9 million, or 1.7 percent, compared to the prior year to \$109.7 million. Property taxes decreased 1.5 percent due to the elimination of the one-time, 1 mill property tax increase that was instituted in the prior year, offset by an increase to police and fire pension tax revenue due to a higher required contribution. The City also saw a 5.5 percent increase in overall taxable value, which included a 2.4 percent inflationary increase, as well as property value growth due to new construction and developments. Other revenue decreases included a \$1 million reduction in fines and forfeitures primarily due to the shutdown of the 41A District Court as a result of the COVID-19 pandemic. Investment income and cable TV revenue were also lower than the prior year by a combined \$650,000. Offsetting these decreases was increased grant revenue of \$525,000 from the SAFER grant, which reimburses the City for a portion of the salary of six firefighters hired to staff ambulance runs, and an increase in state-shared revenue of \$400,000.

General Fund expenditures totaled \$106.7 million, which is a decrease of \$2.8 million, or 2.6 percent, compared to the prior year. The majority of the decrease is due to significant transfers from the General Fund for major and local road investments in the prior year. This was offset by increases in transfers to the Parks and Recreation Fund and debt service funds, as well as increases in full-time wages, health insurance, street lighting, liability insurance, and COVID-19 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 2020. Final budgeted expenditures were \$2.8 million, or 2.7 percent, higher than the original budget primarily due to the transfer of an additional \$2.7 million from the General Fund to the Parks and Recreation Fund and \$320,000 in expenditures related to the COVID-19 pandemic. Final budgeted revenue was \$3 million, or 2.8 percent, higher than the original budget due to a higher property tax reimbursement from the State of Michigan and additional grant revenue, offset by reductions to fines and forfeitures and permit fees as a result of the COVID-19 pandemic.

At year end, actual General Fund expenditures were 98.7 percent of the budget, or \$1.4 million under budget. Every department in the City came in under budget. General Fund revenue was 100.3 percent, or \$350,000, greater than budgeted due to higher permit fees and charges for services than expected, offset by lower grant revenue.

Parks and Recreation Fund Highlights

Parks and Recreation Fund revenue increased by \$2.3 million, or 25 percent, primarily due to an increase in the transfer from the General Fund of \$2.8 million to fund capital expenditures. Property tax revenue from the Recreating Recreation millage also increased by \$200,000 due to increased taxable value; however, this was offset by a \$250,000 decrease in recreation fees due to shutdowns in programs and services caused by the COVID-19 pandemic. Total fund balance decreased by \$12.2 million to \$1.2 million due to capital expenditures for the Community Center and other park improvements funded through the Recreating Recreation millage. A \$45 million bond was issued for the completion of these and other projects, and all planned projects are in the final phase toward completion.

Facilities Improvement Fund Highlights

The Facilities Improvement Fund was created to track the proceeds of a \$20 million bond issued in 2019 to fund renovations at City Hall, the 41A District Court, the public library, and the police station. Fund balance was reduced by \$5.9 million this year to total \$12.2 million at year end. Capital expenditures of \$6.3 million were incurred toward the renovation projects, and all renovations are expected to be complete by the end of fiscal year 2021.

General Improvements Fund Highlights

The General Improvements Fund is used to account for purchases of vehicles, equipment, and other capital projects. A \$22.8 million bond was issued this year to fund the construction of a new building for the department of public works. A \$12 million increase to fund balance resulted from the receipt of bond proceeds, offset by construction expenditures that were incurred for the project.

Capital Assets and Debt Administration

At the end of fiscal year 2020, the City had \$344.7 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$264.3 million and \$268.5 million for fiscal years 2020 and 2019, respectively (see Note 6 of the notes to the basic financial statements for additional information).

As part of the City's August 2019 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 2020 consisted of \$6.6 million in principal and \$3.6 million in interest after adjustments for recognition of amortized premiums (see Note 9 of the notes to the basic financial statements for additional information).

Significant bond activity for the audited fiscal year included a \$22.8 million capital improvement bond that was issued in August 2019 to finance the construction of a new public works building.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

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

Years Ended	Net Debt Outstanding (Direct and Indirect)	Ratio of Net Debt Outstanding to Total State Equalized Value	Net Debt Outstanding per Capita
2020	\$ 132,897,674	2.2711%	\$ 1,025
2019	103,815,182	1.9008%	800
2018	108,293,780	2.0581%	835

Current Economic Conditions

The COVID-19 pandemic resulted in unexpected challenges at the end of the fiscal year. City offices were shut down for nearly three months, with all nonessential employees working remotely. This unprecedented crisis presented a lot of unknowns economically, and the true impact probably will not be seen for several years. For fiscal year 2019-2020, the economic impacts to the City included reductions in expected revenue - primarily court fines, parks and recreation fees, investment income, state-shared revenue, and road funding from the State. Additional expenses were also incurred for personal protection equipment, building modifications, and disinfecting. Fortunately, city administration and City Council have prioritized building up fund balance over the years since coming out of the Great Recession to its current level of 28 percent of expenditures. This healthy fund balance will ensure the City has the financial resources to weather the ongoing economic uncertainty caused by the pandemic. The 2021 budget was also adjusted to account for projected revenue losses and to fund only the highest priorities.

Despite these challenges, the City continues to invest in quality of life services and infrastructure. The City is nearing the end of a massive investment in quality of life services with numerous parks and recreation improvements across the City, not the least of which culminated with the grand opening of the City's new state-of-the-art community center. This and many other new amenities were funded with the proceeds from the voter-approved Recreating Recreation millage and will position the City for continued growth and prosperity and increase property values. Among the five communities with the highest overall property values, the City of Sterling Heights, Michigan now ranks third highest statewide and number one in Macomb County in terms of residential property valuation.

The City is also anxiously awaiting the results of the 2020 census. The City put extensive efforts into ensuring that all residents were counted and had a response rate of 84.7 percent, which is 6.3 percent higher than the response rate in 2010. The response rate in Sterling Heights ranked first in Michigan and second in the United States amongst cities with populations over 100,000. The Southeastern Michigan Council of Governments (SEMCOG) has projected that Sterling Heights will soon be the third largest city in Michigan, which has the potential to increase any state and federal funding that is based on population.

Economic development also continues in the commercial, industrial, and manufacturing sectors. The most significant news regarding one of the City's largest retail properties was the sale of Lakeside Mall to Out of Box Ventures, which shares the City's long-term vision of the mall set forth in the Lakeside Master Plan. City officials have been collaborating with the new owners regularly to best position the Lakeside area for continued long-term success.

Although the City continues to see commercial and residential growth, there still remains a structural funding problem facing communities in Michigan. Due to the passage of Proposal A in 1993, the City will only see an inflationary adjustment from property tax revenue going forward. Additional tax revenue from economic development is also limited due to Headlee rollbacks, which reduce the overall millage rate, and the elimination of property taxes on eligible manufacturing personal property. State revenue sharing, the City's second largest revenue source, is tied to sales tax receipts and is always at risk of further cuts.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The passage of the Safe Streets millage in 2013 was a critical part of the stabilization of city finances after the Great Recession. The successful renewal of the millage by voters in November 2019 will allow the City to continue on the path of stabilized operations and investment in infrastructure and 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 benefit the community financially 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.

Property Tax Revenue

The City's overall property tax assessments increased 5.5 percent in fiscal year 2020. Proposal A limited the inflationary adjustment to 2.4 percent, and new construction and property turnover leading to the uncapping of assessments accounted for an additional 6.6 percent increase in taxable value. However, continued declines in personal property assessments due to the phased-in exemption of eligible manufacturing personal property offset these increases with a 9.8 percent reduction in personal property value. Despite recent increases, taxable values (including personal property value losses) have still fallen by 14 percent since 2008, resulting in a cumulative \$139.7 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 renewed Safe Streets millage, the City will not be able to restore all of the millions in operational cuts made to date. For the 2020 tax year, the average homeowner's total tax bill is only \$300 higher than 2007, an annualized increase of less than 1 percent per year. The City's tax rate remains lower than 56 percent of all cities in the state and one of the lowest of any city in Macomb County. For 2019, the City's tax rate was 6.3 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 General Fund revenue, while it currently represents just over 9 percent. The State has cut revenue-sharing payments, resulting in a cumulative \$63 million loss since 2002, despite a growing city population.

Road Funding

A significant challenge for the entire state, including southeastern Michigan, is the critical need for more road funding. The governor's office has indicated that Michigan needs to invest an additional \$2.5 billion annually into road reconstruction; however, the current fiscal 2021 state budget does not include any increase in road funding. This means cities and counties will need to find additional money to improve roads, which, in many cases, are in deplorable condition.

The City of Sterling Heights, Michigan continued to prioritize road reconstruction in 2020 by investing nearly \$17.4 million in major and local road reconstruction. This significant investment was financed through a variety of sources, including state road funding; bond proceeds; contributions from the General Fund; and a one-time, 1 mill property tax increase last year. Thankfully, the Safe Streets millage that was first approved in 2013 was renewed in 2019 for an additional 10 years and will generate \$3.6 million annually for local road reconstruction. Despite recent increases in road funding from the State 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 \$14.5 million in revenue since 2002. Until the state Legislature can agree on a permanent solution, the ongoing repair and maintenance of major and local roads will continue to be challenges.

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 486 budgeted full-time employees, and no increase in positions is included in the 2021 budget year. In total, the City is down 163 full-time employees since its peak in 2002. The City continues to use part-time staffing when possible, and, as such, it has increased by 60 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. Thanks to the renewal of the Safe Streets millage in November 2019, no further staffing cuts are planned.

Contribution to Fund Balance

After depleting the General Fund balance to just over \$5 million during the economic downturn, the City has been able to steadily restore reserves over the past five years. General Fund reserves now total \$29.9 million, or 28 percent of General Fund expenditures. The 2020-2021 budget funds only the most critical capital replacements and facility improvements and continues significant investment in road improvements. While the adopted budget included a use of fund balance based on conservative estimates regarding potential revenue reductions resulting from the COVID-19 pandemic, revised projections based on more recent economic data combined with CARES Act grant revenue received by the City indicate that the usage of fund balance will be less than anticipated. 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 2021 and Beyond

Because the City has successfully approached challenging financial times in a comprehensive, long-term manner, it is able to weather unexpected economic challenges. As such, we are able to continue to focus on the future by continuing to implement the City's Visioning 2030 Plan. This process continues to 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 56 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 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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 21,757,404	\$ 3,803,028	\$ 25,560,432	\$ 1,636,045
Investments (Note 3)	34,168,516	5,488,061	39,656,577	-
Receivables:				
Customer receivables	-	12,611,226	12,611,226	2,400
Special assessments receivable	1,107,555	-	1,107,555	-
Accrued interest receivable	326,012	24,355	350,367	-
Other receivables	787,297	-	787,297	-
Due from other governmental units	4,338,179	185,847	4,524,026	-
Due from primary government	-	-	-	470,150
Internal balances	(188,776)	188,776	-	-
Inventory	603,777	375,284	979,061	295,800
Prepaid expenses and other assets	9,485,042	-	9,485,042	-
Restricted assets - Cash and cash equivalents (Note 4)	26,101,074	3,816,286	29,917,360	-
Capital assets:				
Assets not subject to depreciation (Note 6)	121,144,787	6,092,439	127,237,226	3,026,782
Assets subject to depreciation - Net (Note 6)	193,718,657	176,248,159	369,966,816	2,105,025
Rehabilitation loans (Note 5)	1,449,949	-	1,449,949	-
Total assets	414,799,473	208,833,461	623,632,934	7,536,202
Deferred Outflows of Resources (Note 7)				
Deferred charges on bond refunding	-	259,926	259,926	-
Deferred pension costs	29,116,355	1,192,183	30,308,538	-
Deferred OPEB costs	12,996,958	752,009	13,748,967	-
Total deferred outflows of resources	42,113,313	2,204,118	44,317,431	-
Liabilities				
Accounts payable	10,950,801	4,687,728	15,638,529	451,181
Due to other governmental units	484,036	-	484,036	-
Due to component units	470,150	-	470,150	-
Accrued and other liabilities	5,823,689	633,112	6,456,801	62,988
Unearned revenue (Note 8)	3,212,949	138,674	3,351,623	2,400
Noncurrent liabilities:				
Due within one year:				
Compensated absences	515,022	37,517	552,539	-
Provision for claims (Note 10)	952,727	-	952,727	-
Current portion of bonds and contracts payable (Note 9)	5,535,000	4,034,379	9,569,379	-
Due in more than one year:				
Net pension liability (Note 11)	187,462,182	7,901,628	195,363,810	-
Net OPEB liability (Note 12)	91,860,859	5,315,103	97,175,962	-
Compensated absences	4,364,975	229,399	4,594,374	-
Provision for claims (Note 10)	667,527	-	667,527	-
Bonds and contracts payable - Net of current portion (Note 9)	100,246,838	67,331,658	167,578,496	-
Total liabilities	412,546,755	90,309,198	502,855,953	516,569
Deferred Inflows of Resources (Note 7)				
Deferred benefit on bond refunding	-	796,958	796,958	-
Deferred pension cost reductions	3,136,362	-	3,136,362	-
Deferred OPEB cost reductions	5,625,630	325,501	5,951,131	-
Total deferred inflows of resources	8,761,992	1,122,459	9,884,451	-

See notes to financial statements.

City of Sterling Heights, Michigan

Statement of Net Position (Continued)

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 233,489,857	\$ 111,234,487	\$ 344,724,344	\$ 5,131,807
Restricted:				
Roads	9,017,487	-	9,017,487	-
Public safety	726,509	-	726,509	-
Debt service	1,495,110	-	1,495,110	-
County drains (Note 4)	-	3,816,286	3,816,286	-
Facilities improvement	103,765	-	103,765	-
Community service	236,614	-	236,614	-
Unrestricted	(209,465,303)	4,555,149	(204,910,154)	1,887,826
Total net position	\$ 35,604,039	\$ 119,605,922	\$ 155,209,961	\$ 7,019,633

City of Sterling Heights, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 16,349,557	\$ 2,516,764	\$ -	\$ 126,222
41A District Court	4,103,248	1,890,130	550,687	-
Public safety	65,604,864	4,580,155	1,024,929	781,478
Public works	21,430,495	3,260,383	8,007,583	14,337,280
Recreation and culture	8,860,964	628,802	792,871	-
Interest on long-term debt	3,540,056	-	-	-
Total governmental activities	119,889,184	12,876,234	10,376,070	15,244,980
Business-type activities - Water and Sewer	56,529,468	50,351,649	875,241	1,871,557
Total primary government	\$ 176,418,652	\$ 63,227,883	\$ 11,251,311	\$ 17,116,537
Component units:				
Brownfield Redevelopment Authority	\$ 243,507	\$ -	\$ -	\$ -
Corridor Improvement Authority	148	-	200,000	-
Economic Development Corporation	73,244	-	-	-
Local Development Finance Authority	869,427	-	-	29,000
Total component units	\$ 1,186,326	\$ -	\$ 200,000	\$ 29,000
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

Net Position - End of year

Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (13,706,571)	\$ -	\$ (13,706,571)	\$ -
(1,662,431)	-	(1,662,431)	-
(59,218,302)	-	(59,218,302)	-
4,174,751	-	4,174,751	-
(7,439,291)	-	(7,439,291)	-
(3,540,056)	-	(3,540,056)	-
 (81,391,900)	-	(81,391,900)	-
 - (3,431,021)	 (3,431,021)	 (3,431,021)	 -
 (81,391,900)	 (3,431,021)	 (84,822,921)	 -
 - - -	 - - -	 - - -	 (243,507)
 - - -	 - - -	 - - -	 199,852
 - - -	 - - -	 - - -	 (73,244)
 - - -	 - - -	 - - -	 (840,427)
 - - -	 - - -	 - - -	 (957,326)
 72,130,241	 - -	 72,130,241	 1,733,900
 12,677,603	 - -	 12,677,603	 -
 2,220,455	 333,463	 2,553,918	 219,840
 2,227,827	 - -	 2,227,827	 -
 - 5,136	 5,136	 5,136	 (4,670)
 2,782,831	 - -	 2,782,831	 -
 92,038,957	 338,599	 92,377,556	 1,949,070
 10,647,057	 (3,092,422)	 7,554,635	 991,744
 24,956,982	 122,698,344	 147,655,326	 6,027,889
 \$ 35,604,039	 \$ 119,605,922	 \$ 155,209,961	 \$ 7,019,633

City of Sterling Heights, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Parks and Recreation Fund	Facilities Improvement Fund	General Improvements Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 13,042,400	\$ 3,112,910	\$ -	\$ 1,862,045	\$ 2,220,490	\$ 20,237,845
Investments - At fair value (Note 3)	19,377,752	-	3,781,926	4,840,064	3,714,695	31,714,437
Receivables:						
Special assessments receivable	-	-	-	11,337	1,096,218	1,107,555
Accrued interest receivable	119,330	-	94,500	17,285	55,787	286,902
Other receivables	787,297	-	-	-	-	787,297
Due from other governmental units	2,128,352	219,546	-	18,196	1,972,085	4,338,179
Due from other funds (Note 13)	2,430,504	-	-	1,017,254	595,324	4,043,082
Inventory	531,276	-	-	-	72,501	603,777
Prepaid expenses and other assets	133,129	-	-	-	5,388,321	5,521,450
Restricted assets (Note 4)	-	-	12,061,719	14,039,355	-	26,101,074
Rehabilitation loans (Note 5)	-	-	-	-	1,449,949	1,449,949
Total assets	\$ 38,550,040	\$ 3,332,456	\$ 15,938,145	\$ 21,805,536	\$ 16,565,370	\$ 96,191,547
Liabilities						
Accounts payable	\$ 2,033,789	\$ 606,013	\$ 3,763,915	\$ 2,408,481	\$ 1,914,212	\$ 10,726,410
Due to other governmental units	484,036	-	-	-	-	484,036
Due to component units	470,150	-	-	-	-	470,150
Due to other funds (Note 13)	1,892,082	27,110	8,746	-	2,403,243	4,331,181
Accrued and other liabilities	1,690,968	1,492,463	-	1,198,995	522,618	4,905,044
Unearned revenue (Note 8)	69,016	1,300	-	1,692,684	1,449,949	3,212,949
Total liabilities	6,640,041	2,126,886	3,772,661	5,300,160	6,290,022	24,129,770
Deferred Inflows of Resources -						
Unavailable revenue (Note 8)	1,995,571	-	-	8,568	977,660	2,981,799
Total liabilities and deferred inflows of resources	8,635,612	2,126,886	3,772,661	5,308,728	7,267,682	27,111,569
Fund Balances						
Nonspendable	664,405	-	-	-	5,460,822	6,125,227
Restricted:						
Roads	-	-	-	-	3,575,557	3,575,557
Police	-	-	-	-	654,008	654,008
Debt service	-	-	-	-	571,059	571,059
Capital projects	-	-	12,165,484	12,346,532	-	24,512,016
Community service	-	-	-	-	236,614	236,614
Committed - Park acquisitions and improvements	-	-	-	-	159,899	159,899
Assigned:						
Capital projects	-	-	-	4,150,276	-	4,150,276
Parks and recreation	-	1,205,570	-	-	295	1,205,865
Unassigned	29,250,023	-	-	-	(1,360,566)	27,889,457
Total fund balances	29,914,428	1,205,570	12,165,484	16,496,808	9,297,688	69,079,978
Total liabilities, deferred inflows of resources, and fund balances	\$ 38,550,040	\$ 3,332,456	\$ 15,938,145	\$ 21,805,536	\$ 16,565,370	\$ 96,191,547

City of Sterling Heights, Michigan

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

June 30, 2020

Fund Balances Reported in Governmental Funds	
	\$ 69,079,978
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	314,863,444
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	2,981,799
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(105,781,838)
Accrued interest is not due and payable in the current period and is not reported in the funds	(918,645)
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	(4,879,997)
Pension benefits	(161,482,189)
Retiree health care benefits	(84,489,531)
Internal service funds are included as part of governmental activities	6,231,018
Net Position of Governmental Activities	\$ 35,604,039

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	General Fund	Parks and Recreation Fund	Facilities Improvement Fund	General Improvements Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 63,979,293	\$ 4,228,073	\$ -	\$ -	\$ 3,972,233	\$ 72,179,599
Special assessments	-	-	-	3,594	122,913	126,507
Intergovernmental:						
Federal sources	1,151,429	-	-	460,711	1,101,143	2,713,283
State sources	20,435,576	566,207	-	2,250	13,792,463	34,796,496
Local sources	-	-	-	1,513,577	-	1,513,577
Charges for services	13,779,420	518,666	-	-	-	14,298,086
Fines and forfeitures	1,540,704	-	-	-	-	1,540,704
Licenses and permits:						
Cable franchise fees	2,227,827	-	-	-	-	2,227,827
Fees and permits	2,562,476	-	-	-	-	2,562,476
Investment income:						
Investment earnings	1,206,866	173,992	246,144	263,925	155,036	2,045,963
Rental income	1,498,761	-	-	-	-	1,498,761
Other revenue	1,279,989	36,410	155,165	838,946	482,082	2,792,592
Total revenue	109,662,341	5,523,348	401,309	3,083,003	19,625,870	138,295,871
Expenditures						
Current services:						
General government	12,485,728	-	-	-	-	12,485,728
41A District Court	3,475,770	-	-	-	170,799	3,646,569
Public safety	55,511,099	-	-	-	145,972	55,657,071
Public works	15,566,792	-	-	-	4,940,927	20,507,719
General expenditures	2,365,408	-	-	-	4,100	2,369,508
Recreation and culture	2,594,486	4,441,249	-	-	4,000	7,039,735
Capital outlay	219,193	15,894,498	6,314,210	20,623,772	19,747,376	62,799,049
Debt service	-	3,001,588	-	222,520	6,812,690	10,036,798
Total expenditures	92,218,476	23,337,335	6,314,210	20,846,292	31,825,864	174,542,177
Excess of Revenue Over (Under) Expenditures						
	17,443,865	(17,813,987)	(5,912,901)	(17,763,289)	(12,199,994)	(36,246,306)
Other Financing Sources (Uses)						
Transfers in	26,430	5,550,000	-	4,878,840	7,172,005	17,627,275
Transfers out	(14,457,655)	-	-	-	(3,169,620)	(17,627,275)
New debt issued	-	-	-	24,919,316	-	24,919,316
Sale of capital assets	17,875	-	-	-	-	17,875
Total other financing (uses) sources	(14,413,350)	5,550,000	-	29,798,156	4,002,385	24,937,191
Net Change in Fund Balances						
Fund Balances - Beginning of year	3,030,515	(12,263,987)	(5,912,901)	12,034,867	(8,197,609)	(11,309,115)
Fund Balances - End of year	\$ 29,914,428	\$ 1,205,570	\$ 12,165,484	\$ 16,496,808	\$ 9,297,688	\$ 69,079,978

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, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ (11,309,115)
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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	62,788,586
Depreciation expense	(12,258,654)
Net book value of assets disposed of	(269,152)

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

(975,100)

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

(24,919,316)

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

6,675,756

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

(149,809)

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

(7,052,494)

Internal service funds are included as part of governmental activities

(1,883,645)

Change in Net Position of Governmental Activities

\$ 10,647,057

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position

June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,803,028	\$ 1,519,559
Investments - At fair value (Note 3)	5,488,061	2,454,079
Receivables:		
Customer receivables	12,611,226	-
Accrued interest receivable	24,355	39,110
Due from other governmental units	185,847	-
Due from other funds (Note 13)	188,776	99,323
Inventory	375,284	-
Prepaid expenses and other assets	-	3,963,592
Total current assets	22,676,577	8,075,663
Noncurrent assets:		
Restricted assets (Note 4)	3,816,286	-
Capital assets: (Note 6)		
Assets not subject to depreciation	6,092,439	-
Assets subject to depreciation - Net	176,248,159	-
Total noncurrent assets	186,156,884	-
Total assets	208,833,461	8,075,663
Deferred Outflows of Resources (Notes 7, 11 and 12)		
Deferred charges on bond refunding	259,926	-
Deferred pension costs	1,192,183	-
Deferred OPEB costs	752,009	-
Total deferred outflows of resources	2,204,118	-
Liabilities		
Current liabilities:		
Accounts payable	4,687,728	224,391
Accrued and other liabilities	633,112	-
Unearned revenue (Note 8)	138,674	-
Compensated absences	37,517	-
Provision for claims	-	952,727
Current portion of bonds and contracts payable (Note 9)	4,034,379	-
Total current liabilities	9,531,410	1,177,118
Noncurrent liabilities:		
Compensated absences	229,399	-
Provision for claims	-	667,527
Net pension liability (Note 11)	7,901,628	-
Net OPEB liability (Note 12)	5,315,103	-
Bonds and contracts payable - Net of current portion (Note 9)	67,331,658	-
Total noncurrent liabilities	80,777,788	667,527

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position (Continued)

June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Deferred Inflows of Resources (Notes 7 and 12)		
Deferred benefit on bond refunding	\$ 796,958	\$ -
Deferred OPEB cost reductions	325,501	-
Total deferred inflows of resources	<u>1,122,459</u>	-
Net Position		
Net investment in capital assets	111,234,487	-
Restricted - County drains	3,816,286	-
Unrestricted (Note 17)	4,555,149	6,231,018
Total net position	<u>\$ 119,605,922</u>	<u>\$ 6,231,018</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 19,134,877	\$ -
Sewage disposal charges	28,942,133	-
Service charges	949,353	-
City contributions	-	6,853,762
Other	1,325,286	824,329
 Total operating revenue	 50,351,649	 7,678,091
Operating Expenses		
Wages and fringe benefits	5,559,807	-
Water purchases	15,245,607	-
Sewage disposal charges	20,872,634	-
Materials and supplies	443,871	-
Repairs and maintenance	966,985	-
Building and equipment rental	182,267	-
Contractual services	1,985,934	-
Administration expenses and other	56,168	815,846
Other	2,477,520	-
Insurance and reinsurance charges and claims	202,460	8,920,382
Depreciation	6,304,061	-
 Total operating expenses	 54,297,314	 9,736,228
Operating Loss		
	(3,945,665)	(2,058,137)
Nonoperating Revenue (Expense)		
Investment income	333,463	174,492
Interest expense	(2,232,154)	-
Gain on sale of assets	5,136	-
Operating grants	875,241	-
 Total nonoperating (expense) revenue	 (1,018,314)	 174,492
Loss - Before capital contributions		
	(4,963,979)	(1,883,645)
Capital Contributions		
Lines donated by developers	783,956	-
Other capital contributions	1,087,601	-
 Total capital contributions	 1,871,557	 -
Change in Net Position		
	(3,092,422)	(1,883,645)
Net Position - Beginning of year		
	122,698,344	8,114,663
Net Position - End of year	\$ 119,605,922	\$ 6,231,018

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 49,600,956	\$ 7,034,749
Payments for interfund services and reimbursements	(2,630,575)	(26,004)
Payments to suppliers	(39,611,446)	125,176
Payments to employees and fringes	(4,022,685)	-
Claims paid	-	(11,121,455)
Other payments	-	(2,809)
Net cash and cash equivalents provided by (used in) operating activities	3,336,250	(3,990,343)
Cash Flows Provided by Noncapital Financing Activities - Operating grants and subsidies	875,241	-
Cash Flows from Capital and Related Financing Activities		
Special assessment collections	1,087,601	-
Proceeds from sale of capital assets	5,136	-
Purchase of capital assets	(2,834,088)	-
Principal and interest paid on capital debt	(3,805,904)	-
Net cash and cash equivalents used in capital and related financing activities	(5,547,255)	-
Cash Flows from Investing Activities		
Interest received on investments	360,908	212,356
Proceeds from sale and maturities of investment securities	2,026,805	5,195,724
Net cash and cash equivalents provided by investing activities	2,387,713	5,408,080
Net Increase in Cash and Cash Equivalents	1,051,949	1,417,737
Cash and Cash Equivalents - Beginning of year	2,751,079	101,822
Cash and Cash Equivalents - End of year	\$ 3,803,028	\$ 1,519,559
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 9,291,089	\$ 3,973,638
Less amounts classified as investments	(5,488,061)	(2,454,079)
Total cash and cash equivalents	\$ 3,803,028	\$ 1,519,559

City of Sterling Heights, Michigan

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (3,945,665)	\$ (2,058,137)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	6,304,061	-
Changes in assets and liabilities:		
Receivables	(750,693)	178,178
Due to and from other funds	(153,055)	(26,004)
Inventories	(70,176)	-
Accrued wages	(373,516)	-
Accounts payable	414,656	127,118
Estimated claims liability	-	(2,211,498)
Net pension or OPEB liability	1,804,224	-
Deferrals related to pension or OPEB	106,414	-
Total adjustments	7,281,915	(1,932,206)
Net cash and cash equivalents provided by (used in) operating activities	\$ 3,336,250	\$ (3,990,343)

Significant Noncash Transactions

Donated sewer lines	\$ 783,956	\$ -
Assets constructed using cash held at the county	1,157,364	-

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2020

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 10,502,172	\$ 1,661,291
Investments - At fair value:		
Short-term investment fund	-	3,777,930
Government securities	32,596,739	-
Mutual funds	47,491,692	-
Common and preferred stocks	316,933,343	-
Corporate bonds	26,011,776	-
Private real estate	850,949	-
Receivables - Due from other governmental units	464,804	-
 Total assets	 434,851,475	 <u>\$ 5,439,221</u>
Liabilities		
Accounts payable	1,055,267	\$ -
Due to other governmental units	7	43,533
Accrued and other liabilities	32,475	2,318,652
Cash and bond deposits	-	3,077,036
Provision for claims	566,256	-
 Total liabilities	 1,654,005	 <u>\$ 5,439,221</u>
Net Position		
Pension	310,159,500	
Postemployment benefits other than pension	123,037,970	
 Total net position	 <u>\$ 433,197,470</u>	

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 17,660,990
Net decrease in fair value of investments	(3,529,328)
Investment-related expenses	<u>(3,415,654)</u>
Net investment income	10,716,008
Contributions:	
Employer contributions	25,104,247
Employee contributions	2,536,620
Purchase of prior year's service credits	<u>102,584</u>
Total contributions	<u>27,743,451</u>
Total additions	38,459,459
Deductions	
Benefit payments	42,712,439
Refunds of contributions	<u>1,555,370</u>
Total deductions	<u>44,267,809</u>
Net Decrease in Fiduciary Net Position - Restricted for pension and OPEB	(5,808,350)
Net Position - Restricted for pension and OPEB - Beginning of year	<u>439,005,820</u>
Net Position - Restricted for pension and OPEB - End of year	<u>\$ 433,197,470</u>

City of Sterling Heights, Michigan

Component Units Statement of Net Position

June 30, 2020

	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
Assets					
Cash and cash equivalents	\$ 270,488	\$ 245,583	\$ 589,399	\$ 530,575	\$ 1,636,045
Receivables - Customer receivables	-	-	2,400	-	2,400
Due from primary government	-	-	470,150	-	470,150
Inventory	-	-	-	295,800	295,800
Capital assets: (Note 6)					
Assets not subject to depreciation	-	-	3,026,782	-	3,026,782
Assets subject to depreciation - Net	-	-	2,105,025	-	2,105,025
Total assets	270,488	245,583	6,193,756	826,375	7,536,202
Liabilities					
Accounts payable	-	243,507	207,674	-	451,181
Accrued and other liabilities	-	-	62,988	-	62,988
Unearned revenue	-	-	2,400	-	2,400
Total liabilities	-	243,507	273,062	-	516,569
Net Position					
Net investment in capital assets	-	-	5,131,807	-	5,131,807
Unrestricted	270,488	2,076	788,887	826,375	1,887,826
Total net position	\$ 270,488	\$ 2,076	\$ 5,920,694	\$ 826,375	\$ 7,019,633

City of Sterling Heights, Michigan

	Program Revenue		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs			
Economic Development Corporation	\$ 73,244	\$ -	\$ -
Brownfield Redevelopment Authority	243,507	-	-
Local Development Finance Authority	869,427	-	29,000
Corridor Improvement Authority	148	200,000	-
Total component units	\$ 1,186,326	\$ 200,000	\$ 29,000
General revenue:			
Property taxes			
Unrestricted investment income			
Gain on sale of capital assets			
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, 2020

<u>Net (Expense) Revenue and Changes in Net Position</u>				
<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Local Development Finance Authority</u>	<u>Corridor Improvement Authority</u>	<u>Total</u>
\$ (73,244)	\$ -	\$ -	\$ -	\$ (73,244)
-	(243,507)	-	-	(243,507)
-	-	(840,427)	-	(840,427)
-	-	-	199,852	199,852
(73,244)	(243,507)	(840,427)	199,852	(957,326)
 - 4,757	243,507 2,076	1,266,659 208,597 (4,670)	223,734 4,410 -	1,733,900 219,840 (4,670)
4,757	245,583	1,470,586	228,144	1,949,070
 (68,487)	2,076	630,159	427,996	991,744
338,975	-	5,290,535	398,379	6,027,889
\$ 270,488	\$ 2,076	\$ 5,920,694	\$ 826,375	\$ 7,019,633

June 30, 2020

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 Nos. 61 and 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 Sterling Heights 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 provide means and methods to encourage revitalization and redevelopment of brownfields, which are abandoned, undeveloped, or underutilized properties not being developed or fully utilized due to environmental contamination. 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, 2020

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 health care-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 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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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, and 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 fund 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 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, 2020

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.

June 30, 2020**Note 1 - Significant Accounting Policies (Continued)****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. Prepays of governmental funds are recorded as expenditures under the consumption method.

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 and General Improvements Fund (capital projects funds), 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 other financing sources and bond discounts as other financing uses. The debt service funds, the Parks and Recreation Fund, the Facilities Improvement Fund, the General Improvements Fund, and the Water and Sewer Fund are generally used to liquidate governmental long-term debt.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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 benefit 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 net investment in capital assets 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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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.

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 exist only 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 on 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 2020 taxable valuation of the City totaled \$4,449,948,016, on which taxes levied consisted of 9.4940 mills for operating purposes, 1.0038 mills for refuse collection, 2.1984 mills for police and fire pension, 0.1096 mills for debt service related to firehouse improvements, 2.4505 mills for safe streets, and 0.9506 mills for parks and recreation. This resulted in \$42,131,073 for operating, \$4,454,516 for refuse collection, \$9,780,505 for police and fire pension, \$490,812 for debt service related to firehouse improvements, \$10,868,015 for safe streets, and \$4,215,369 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.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit (OPEB) Costs

The City offers retiree health care 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.

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 and 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.

Upcoming Accounting Pronouncements

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, 2021.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

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, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

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:

Cumulative shortfall at July 1, 2019	\$ (9,318,691)
Current year permit revenue	2,861,052
Related expenses:	
Direct costs	\$ 1,387,396
Estimated indirect costs	1,720,119
	<u>3,107,515</u>
Current year shortfall	<u>(246,463)</u>
Cumulative shortfall at June 30, 2020	<u>\$ (9,565,154)</u>

June 30, 2020

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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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. Treasurys, U.S. agencies and instrumentalities (date-specific maturities only), non-negotiable certificates of deposit, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512.

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 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 cash. Other cash equivalents are held at this and several other institutions. 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.

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 approximately \$15,000,000 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.

June 30, 2020

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of 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	\$ 35,667,452	0.44
U.S. government agency bonds	10,272,033	5.72
Municipal bonds	8,632,169	2.78
General Employees' Retirement System		
Corporate bonds	8,334,580	5.47
U.S. government agency bonds	4,421,563	2.53
U.S. government obligations	4,575,668	12.36
Police and Fire Retirement System		
Corporate bonds	10,743,465	6.21
U.S. government agency bonds	9,299,146	1.96
U.S. government obligations	6,489,305	12.03
Municipal bonds	119,409	15.03
Retiree Medical Benefits Trust		
Corporate bonds	6,933,731	5.45
U.S. government agency bonds	3,733,920	2.53
U.S. government obligations	3,957,726	12.41

June 30, 2020

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	\$ 23,804,737	NR	N/A
Pooled funds	9,344,757	AAA	S&P
Commercial paper	35,667,452	A1	S&P
U.S. government agency bonds	10,272,033	AA+	S&P
Municipal bonds	8,632,169	AA-	S&P
General Employees' Retirement System			
Money market	72,235	NR	N/A
Corporate bonds	591,652	AAA	S&P
Corporate bonds	209,175	AA+	S&P
Corporate bonds	2,049,920	AA+ to AA-	S&P
Corporate bonds	3,605,656	BBB+ to BBB-	S&P
Corporate bonds	1,792,628	BB+ to BB-	S&P
Corporate bonds	85,549	B+	S&P
U.S. government agency bonds	4,421,563	AA+	S&P
U.S. government obligations	4,575,668	AA+	S&P
Police and Fire Retirement System			
Money market	959,283	NR	N/A
Corporate bonds	948,474	AAA	S&P
Corporate bonds	258,427	AAA	Moody's
Corporate bonds	593,213	AA+ to AA-	S&P
Corporate bonds	335,782	AA-	S&P
Corporate bonds	2,789,774	A+ to A-	S&P
Corporate bonds	4,242,295	BBB+ to BBB-	S&P
Corporate bonds	235,441	BBB	Moody's
Corporate bonds	653,618	BB+ to BB-	S&P
Corporate bonds	579,275	B+ to B-	S&P
Corporate bonds	107,166	CCC	S&P
U.S. government agency bonds	3,256,980	AA+	S&P
U.S. government agency bonds	6,042,166	AAA	S&P
U.S. government obligations	6,489,305	AA+	S&P
Municipal bonds	119,409	AAA	S&P
Retiree Medical Benefits Trust			
Pooled funds	244,821	NR	N/A
Corporate bonds	244,317	AAA	S&P
Corporate bonds	307,582	Aaa/AAA	Moody's/S&P
Corporate bonds	191,561	AA+ to AA-	S&P
Corporate bonds	1,742,648	A+ to A-	S&P
Corporate bonds	3,079,421	BBB+ to BBB-	S&P
Corporate bonds	1,297,750	BB+ to BB-	S&P
Corporate bonds	70,452	B+	S&P
U.S. government agency bonds	2,015,596	AAA	S&P
U.S. government agency bonds	1,718,324	AA+	S&P
U.S. government obligations	2,172,198	AAA	S&P
U.S. government obligations	1,785,528	AA+	S&P

June 30, 2020

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, 2020.

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, 2020.

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' Retirement System and Police and Fire Retirement 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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where 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.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2020:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020					
	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, 2020	
Investments by fair value level:					
Debt securities:					
U.S. Treasury securities	\$ 15,022,699	\$ -	\$ -	\$ 15,022,699	
U.S. government agencies	27,726,662	-	-	27,726,662	
Municipal obligations	8,751,578	-	-	8,751,578	
Corporate bonds	-	26,011,776	-	26,011,776	
Total debt securities	51,500,939	26,011,776	-	77,512,715	
Equity securities:					
Consumer discretionary	45,366,840	-	-	45,366,840	
Consumer staples	22,231,966	-	-	22,231,966	
Energy	15,664,115	-	-	15,664,115	
Financials	55,050,995	-	-	55,050,995	
Health care	36,762,774	-	-	36,762,774	
Industrials	35,508,416	-	-	35,508,416	
Information technology	53,325,174	-	-	53,325,174	
Materials	16,753,478	-	-	16,753,478	
Telecommunications	6,523,633	-	-	6,523,633	
Utilities	3,942,361	-	-	3,942,361	
Other	25,803,591	-	-	25,803,591	
Total equity securities	316,933,343	-	-	316,933,343	
Total	\$ 368,434,282	\$ 26,011,776	\$ -	394,446,058	
Investments measured at NAV:					
Michigan CLASS Investment Pool				9,344,756	
Mutual funds - Western Asset Manager				47,491,692	
U.S. Real Estate Investment Fund				850,949	
Total investments measured at NAV				57,687,397	
Total assets				\$ 452,133,455	

The fair value of equity securities at June 30, 2020 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, 2020 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 net asset value per share (or its equivalent) is presented in the table below.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 3 - Deposits and Investments (Continued)

Investments that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where 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, 2020, 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	\$ 9,345,087	\$ -	N/A	None
Mutual funds - Western Asset Management	47,491,692	-	N/A	None
U.S. Real Estate Investment Fund	850,949	-	N/A	None
Total	\$ 57,687,728	\$ -		

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 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 to 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 a result of external governments issuing bonds whose proceeds are required by state law 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, 2020, restricted assets are composed of the following:

Water and Sewer Fund - Due from Oakland County, Michigan*	\$ 3,816,286
General Improvements Fund - Due from Macomb County, Michigan**	1,692,823
General Improvements Fund - Unspent bond proceeds	12,346,532
Facilities Improvement Fund - Unspent bond proceeds	12,061,719
Total	\$ 29,917,360

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 4 - Restricted Assets (Continued)

*This amount is held by Oakland County, Michigan 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, Michigan 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 \$1,449,949 at June 30, 2020 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, 2019	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 46,334,640	\$ -	\$ -	\$ -	\$ 46,334,640
Construction in progress	58,322,055	41,647,651	-	(25,618,006)	74,351,700
Works of art	458,447	-	-	-	458,447
Subtotal	105,115,142	41,647,651	-	(25,618,006)	121,144,787
Capital assets being depreciated:					
Buildings and improvements	41,704,202	13,055,996	(239,584)	13,020,103	67,540,717
Land improvements	36,208,703	3,845,898	-	4,375,015	44,429,616
Equipment	40,976,669	3,339,270	(1,760,893)	1,510,119	44,065,165
Furnishings and fixtures	1,413,506	13,339	(84,742)	-	1,342,103
Infrastructure	283,897,287	886,432	-	6,712,769	291,496,488
Subtotal	404,200,367	21,140,935	(2,085,219)	25,618,006	448,874,089
Accumulated depreciation:					
Buildings and improvements	17,984,672	970,312	(70,928)	-	18,884,056
Land improvements	4,962,612	1,255,181	-	-	6,217,793
Equipment	26,883,096	2,943,104	(1,665,628)	-	28,160,572
Furnishings and fixtures	984,521	36,523	(79,511)	-	941,533
Infrastructure	193,897,944	7,053,534	-	-	200,951,478
Subtotal	244,712,845	12,258,654	(1,816,067)	-	255,155,432
Net capital assets being depreciated	159,487,522	8,882,281	(269,152)	25,618,006	193,718,657
Net governmental activities capital assets	\$ 264,602,664	\$ 50,529,932	\$ (269,152)	\$ -	\$ 314,863,444

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	5,011,095	1,016,473	-	-	6,027,568
Subtotal	5,075,966	1,016,473	-	-	6,092,439
Capital assets being depreciated:					
Buildings and improvements	524,660	-	-	-	524,660
Equipment	6,332,451	158,050	(66,319)	-	6,424,182
Furnishings and fixtures	21,075	-	-	-	21,075
Water and sewer lines	325,546,347	1,086,752	-	-	326,633,099
Subtotal	332,424,533	1,244,802	(66,319)	-	333,603,016
Accumulated depreciation:					
Buildings and improvements	192,219	15,911	-	-	208,130
Equipment	3,903,096	386,808	(66,319)	-	4,223,585
Furnishings and fixtures	20,828	80	-	-	20,908
Water and sewer lines	147,000,972	5,901,262	-	-	152,902,234
Subtotal	151,117,115	6,304,061	(66,319)	-	157,354,857
Net capital assets being depreciated	181,307,418	(5,059,259)	-	-	176,248,159
Net business-type activities capital assets	\$ 186,383,384	\$ (4,042,786)	\$ -	\$ -	\$ 182,340,598

Construction in progress includes \$5,196,674 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 \$259,566,110. 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 9 for additional information.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2020 was as follows:

Local Development Finance Authority

	Balance July 1, 2019	Additions	Disposals, Adjustments, and Reclassifications	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Construction in progress	1,171,584	645,995	-	1,817,579
Subtotal	2,380,787	645,995	-	3,026,782
Capital assets being depreciated:				
Buildings and improvements	2,610,980	35,566	-	2,646,546
Equipment	51,447	-	(6,135)	45,312
Subtotal	2,662,427	35,566	(6,135)	2,691,858
Accumulated depreciation:				
Buildings and improvements	492,046	70,079	-	562,125
Equipment	20,468	5,705	(1,465)	24,708
Subtotal	512,514	75,784	(1,465)	586,833
Net capital assets being depreciated	2,149,913	(40,218)	(4,670)	2,105,025
Net capital assets	\$ 4,530,700	\$ 605,777	\$ (4,670)	\$ 5,131,807

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

Governmental activities:			
General government		\$ 381,109	
41A District Court		33,946	
Public safety		1,789,725	
Public works		8,726,743	
Recreation and culture		1,327,131	
Total governmental activities		\$ 12,258,654	
Business-type activities - Water and Sewer		\$ 6,304,061	
Component unit activities - Local Development Finance Authority		\$ 75,784	

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	\$ 75,471,527	\$ 38,489,608

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

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 11)	\$ 4,969,414	\$ 1,192,183	\$ 6,161,597
Pension expense - PFRS (Note 11)	24,146,941	-	24,146,941
OPEB expense - RMB (Note 12)	12,996,958	752,009	13,748,967
Bond refunding loss being amortized (Note 9)	-	259,926	259,926
Total deferred outflows	\$ 42,113,313	\$ 2,204,118	\$ 44,317,431

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	\$ 986,228	\$ -	\$ -	\$ 986,228
Other revenue - Unavailable	<u>1,995,571</u>	<u>-</u>	<u>-</u>	<u>1,995,571</u>
Total unavailable	2,981,799	-	-	2,981,799
Pension expense - PFRS (Note 11)	-	3,136,362	-	3,136,362
OPEB expense - RMB (Note 12)	-	5,625,630	325,501	5,951,131
Bond refunding gain being amortized (Note 9)	-	-	796,958	796,958
Total deferred inflows	\$ 2,981,799	\$ 8,761,992	\$ 1,122,459	\$ 12,866,250

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, 2020, the City had \$2,981,799 of unavailable revenue and \$3,354,023 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, state grant funds, and fees paid to the City in 2020 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, Michigan for future drain repairs.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2013 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$3,275,000		\$430,000 - \$515,000	\$ 1,500,000 4,264	\$ -	\$ (510,000) \$ (1,450)	\$ 990,000 2,814	\$ 500,000 -
Maturing through 2022	2.05%						
Unamortized premium on refunding							
2017 Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue - \$3,105,000	1.00% - 2.00%	\$445,000 - \$575,000	2,210,000	-	(515,000)	1,695,000	555,000
Maturing through 2023							
Total direct borrowings and direct placements principal outstanding			3,714,264	-	(1,026,450)	2,687,814	1,055,000
Other debt:							
2005 Limited Tax Refunding Bonds:							
Amount of issue - \$2,820,000	4.00% - 5.00%	\$295,000 - \$300,000	295,000 17,196	-	(295,000) (17,196)	-	-
Maturing through 2019							
Unamortized premium							
2008 Special Assessment Limited Tax Bonds:							
Amount of issue - \$3,260,000	4.00% - 4.50%	\$150,000 - \$400,000	1,950,000	-	(150,000)	1,800,000	200,000
Maturing through 2028							
2010 Michigan Transportation Recovery Zone Bonds:							
Amount of issue - \$1,570,000	4.25% - 6.05%	\$50,000 - \$200,000	1,175,000	-	(100,000)	1,075,000	125,000
Maturing through 2025							
2012 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$3,780,000	3.00% - 4.00%	\$475,000 - \$585,000	585,000 80,496	-	(585,000) (80,496)	-	-
Maturing through 2020							
Unamortized premium on refunding							
2016 Michigan Transportation Fund Bonds:							
Amount of issue - \$9,630,000	2.00% - 3.00%	\$520,000 - \$785,000	8,025,000 227,721	-	(565,000) (15,163)	7,460,000 212,558	580,000 -
Maturing through 2031							
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	39,155,000 2,710,472	-	(1,460,000) (154,059)	37,695,000 2,556,413	1,530,000 -
Maturing through 2037							
Unamortized premium							
2017 Michigan Transportation Fund Bonds:							
Amount of issue - \$2,075,000	2.00% - 3.00%	\$110,000 - \$175,000	1,855,000 36,110	-	(115,000) (2,295)	1,740,000 33,815	120,000 -
Maturing through 2032							
Unamortized premium							
2018 Capital Improvement Bonds Limited Tax General Obligation:							
Amount of issue - \$19,390,000	3.00% - 5.00%	\$640,000 - \$1,330,000	18,675,000 909,622	-	(640,000) (18,762)	18,035,000 890,860	670,000 -
Maturing through 2038							
Unamortized premium							
2018 Michigan Transportation Fund Bonds:							
Amount of issue - \$8,200,000	2.625% - 5.00%	\$470,000 - \$655,000	7,705,000 393,190	-	(470,000) (13,162)	7,235,000 380,028	480,000 -
Maturing through 2033							
Unamortized premium							

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 9 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt (continued):							
2019 Capital Improvement Bonds							
General Obligation Limited Tax:							
Amount of issue - \$22,840,000	3.00% - 5.00%	\$775,000 - \$1,530,000	\$ -	\$ 22,840,000	\$ (835,000)	\$ 22,005,000	\$ 775,000
Maturing through 2039							
Unamortized premium							
Total other debt principal outstanding			83,794,807	24,919,316	(5,620,099)	103,094,024	4,480,000
Total bonds and contracts payable			87,509,071	24,919,316	(6,646,549)	105,781,838	5,535,000
Capital lease - Copiers:							
Amount of issue \$9,348							
Date of issue - February 2015		\$1,727 - \$1,374					
Maturing through 2020	4.625%		29,206	-	(29,206)		
Compensated absences			4,270,511	1,241,982	(632,496)	4,879,997	515,022
Total governmental activities long-term debt			\$ 91,808,788	\$ 26,161,298	\$ (7,308,251)	\$ 110,661,835	\$ 6,050,022

Business-type Activities - Water and Sewer

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
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		\$194,583 - \$269,613	\$ 2,832,999	\$ -	\$ (205,303)	\$ 2,627,696	\$ 210,249
Maturing through 2031	2.50%						
Special Assessment Roll No. 1							
Series 2011A (Segment 2):							
Maximum loan amount - \$5,168,777		\$223,717 - \$322,923	4,104,856	\$ -	(228,779)	3,876,077	234,852
Balance drawn - \$5,168,777	2.50%						
Maturing through 2033							
Special Assessment Roll No. 1							
Series 2013A (Segment 3):							
Maximum loan amount - \$11,278,994		\$492,612 - \$676,150	9,365,684	\$ -	(502,136)	8,863,548	512,524
Balance drawn - \$11,278,994	2.50%						
Maturing through 2034							
Special Assessment Roll No. 1							
Series 2015A (MIDD Project #5624-01):							
Maximum loan amount - \$1,151,536		\$47,001 - \$65,802	767,696	11,527	(48,567)	730,656	50,135
Balance drawn - \$905,567	2.50%						
Maturing through 2035							
2015 Oakland-Macomb Interceptor Drainage District SAW Loan:							
Maximum loan amount - \$3,298,735		\$135,991 - \$207,871	2,902,421	\$ -	(139,877)	2,762,544	141,818
Balance drawn - \$3,298,735	2.50%						
Maturing through 2036							
Total state revolving fund loans			19,973,656	11,527	(1,124,662)	18,860,521	1,149,578

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 9 - Long-term Debt (Continued)

	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	3.90% - 5.90%	\$46,172 - \$85,749	\$ 735,459	\$ -	\$ (735,459)	\$ -	\$ -
Maturing through 2030							
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$252,751	4.35% - 6.35%	\$8,716 - \$14,526	182,951	-	(8,939)	174,012	9,162
Maturing through 2035							
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$9,862,021	3.15% - 5.50%	\$384,235 - \$800,489	7,348,487	-	(7,348,487)	-	-
Maturing through 2032							
2014A Sewer Lining Repairs:							
Amount of issue - \$1,649,117	2.00% - 3.125%	\$68,381 - \$108,270	1,385,851	-	(69,521)	1,316,330	71,800
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	1,779,451	-	(118,022)	1,661,429	118,630
Maturing through 2033							
Unamortized premium on refunding							
2017A MID Drainage District:							
Amount of issue - \$19,085,935	3.00% - 5.00%	\$426,989 - \$1,261,919	18,304,974	-	(449,212)	17,855,762	471,434
Maturing through 2042							
Unamortized premium on refunding							
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248	3.00% - 5.00%	\$687,570 - \$1,492,530	17,060,680	-	(722,505)	16,338,175	758,843
Maturing through 2035							
Unamortized premium on refunding							
2019 OMID Drainage District Refunding:							
Amount of issue - \$743,703	1.85%	\$45,348 - \$82,451	-	743,703	(45,348)	698,355	58,540
Maturing through 2030							
2019 OMID Drainage District Bonds:							
Amount of issue - \$2,502,606	1.55%	\$230,787 - \$1,060,182	-	2,502,606	-	2,502,606	1,060,182
Maturing through 2025							
2020 MID Drainage District Refunding (Clintondale Pump Station):							
Amount of issue - \$4,942,287	5.00%	\$336,210 - \$600,375	-	4,942,287	-	4,942,287	336,210
Maturing through 2031							
Unamortized premium on refunding							
Total county drain contract obligations							
			52,984,106	9,349,563	(9,828,153)	52,505,516	2,884,801
Total direct borrowings and direct placements principal outstanding							
			72,957,762	9,361,090	(10,952,815)	71,366,037	4,034,379
Capital lease - Copiers:							
Amount of issue \$9,348							
Date of issue - February 2015							
Maturing through 2020							
Compensated absences	4.625%	\$1,984 - \$1,375	1,375 254,236	- 69,397	(1,375) (56,717)	266,916	37,517
Total business-type activities long-term debt							
			\$ 73,213,373	\$ 9,430,487	\$ (11,010,907)	\$ 71,632,953	\$ 4,071,896

The City had deferred outflows of \$259,926 related to deferred charges on bond refundings and deferred inflows of \$796,958 related to deferred gains on bond refundings at June 30, 2020.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 9 - Long-term Debt (Continued)

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.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General and Water and Sewer funds. 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 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			
	Direct Borrowings and Direct Placements		Other Debt			Direct Borrowings and Direct Placements			
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total	
2021	\$ 1,055,000	\$ 45,720	\$ 4,480,000	\$ 3,616,516	\$ 9,197,236	\$ 4,034,379	\$ 2,481,413	\$ 6,515,792	
2022	1,055,000	26,693	4,695,000	3,414,447	9,191,140	3,583,369	2,344,677	5,928,046	
2023	575,000	11,500	4,940,000	3,201,197	8,727,697	3,423,983	2,220,457	5,644,440	
2024	-	-	5,130,000	2,976,949	8,106,949	3,554,704	2,093,836	5,648,540	
2025	-	-	5,330,000	2,741,797	8,071,797	3,683,880	1,961,772	5,645,652	
2026-2030	-	-	29,070,000	10,093,024	39,163,024	19,639,329	7,643,572	27,282,901	
2031-2035	-	-	27,945,000	5,056,968	33,001,968	18,526,638	3,745,950	22,272,588	
2036-2040	-	-	15,455,000	1,004,963	16,459,963	5,439,678	1,399,293	6,838,971	
Thereafter	-	-	-	-	-	2,463,517	186,272	2,649,789	
Total	\$ 2,685,000	\$ 83,913	\$ 97,045,000	\$ 32,105,861	\$ 131,919,774	\$ 64,349,477	\$ 24,077,242	\$ 88,426,719	

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2020. 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 \$139 million of loans, of which debt \$16 million was federally forgiven and \$125 million will be loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A \$26 million, OMID Series 2011A \$25 million, OMID Series 2013 \$65 million, OMID Series 2014 \$9 million). During the year, the City's portion of SRF draws was \$11,527.

June 30, 2020

Note 9 - Long-term Debt (Continued)

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, 2020 is \$730,656. 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 \$18,612, as funds due to other governmental units.

Refundings

In December 2019, the Oakland-Macomb Interceptor Drainage District issued Drain Refunding Bonds, Series 2019, in the amount of \$4,510,000, of which \$743,703 was allocated to the City. The City's allocated share of debt refunded amounted to \$735,459 of Oakland-Macomb Interceptor Drainage District Drain Bonds, Series 2010B, maturing in years 2020 through 2030. The refunding was undertaken to reduce the debt service payment over the next 11 years with net savings of \$324,369 and to obtain an economic (present value) gain of \$300,311. The City's allocated net savings is \$53,489 and the City's economic gain resulting from the refunding is \$49,522.

In February 2020, the Macomb Interceptor Drainage District issued Clintondale Pump Station Improvements Drainage District Refunding Bonds, Series 2020, in the amount of \$15,435,000, of which \$4,942,287 was allocated to the City. The bonds were sold at a premium of \$3,625,755, of which \$1,160,967 was allocated to the City. The debt refunded amounted to \$21,550,000 of Clintondale Pump Station Improvements Drainage District, Series 2011, maturing in years 2020 through 2032. The City's allocated share of the refunded bonds amounted to \$6,900,213. The refunding was undertaken to reduce the debt service payment over the next 13 years with net savings of \$3,409,873 and to obtain an economic (present value) gain of \$3,109,184. The City's allocated net savings is \$1,091,841, and the City's economic gain resulting from the refunding is \$995,561.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), 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 Authority, the City purchased reinsurance through Arthur J. Gallagher and Company, an international insurance brokerage firm.

The City estimates, based on past experience, that \$540,732 will be paid for all claims reported to date and \$330,979 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 are shown in table below.

June 30, 2020

Note 10 - Risk Management (Continued)

Medical Claims and Short-term Disability

As of April 1, 1989, the City became self-insured for Blue Cross/Blue Shield-equivalent health care 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, 2020. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$25,455 will be paid for all claims reported to date and \$621,748 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. 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, 2020. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2020, it was estimated, based on past experience, that \$101,340 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Estimated liability - Beginning of year	\$ 523,675	\$ 343,107	\$ 309,279	\$ 298,513	\$ 657,691	\$ 521,642	\$ 630,318	\$ 517,828
Estimated claims incurred, including changes in estimates	1,421,189	545,584	279,149	367,067	5,796,109	5,545,562	8,177,952	8,571,627
Claim payments	(1,073,152)	(365,016)	(487,088)	(356,301)	(5,806,598)	(5,409,513)	(8,242,014)	(8,459,137)
Estimated liability - End of year	<u>\$ 871,712</u>	<u>\$ 523,675</u>	<u>\$ 101,340</u>	<u>\$ 309,279</u>	<u>\$ 647,202</u>	<u>\$ 657,691</u>	<u>\$ 566,256</u>	<u>\$ 630,318</u>

Note 11 - 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 provides pensions for certain 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. The plan is closed to new members.

June 30, 2020

Note 11 - Pension Plans (Continued)

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

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

The General Employees' Retirement System and the 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 (5 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 benefit 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 his or her employee required contributions, plus any accumulated interest. General plan members are not eligible for annual cost of living increases subsequent to their retirement.

Police and Fire Retirement System

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.

June 30, 2020

Note 11 - Pension Plans (Continued)

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 that 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 benefit as regular retirement but is actuarially reduced with a 100.0 percent joint and survivor election. A member who leaves city service may withdraw his or her 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, 2020 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	360	392
Inactive plan members entitled to but not yet receiving benefits	21	22
Active plan members	77	235
 Total employees covered by the plan	 458	 649

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, 2020, the average active member contribution was approximately 8.4 percent of covered payroll for GERS and 8.8 percent for PFRS. The City's average contribution rate was 63.0 and 43.5 percent of covered payroll for GERS and PFRS, respectively.

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's net pension liability	June 30, 2020	June 30, 2020
Based on a comprehensive actuarial valuation as of	June 30, 2020	June 30, 2020

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 11 - Pension Plans (Continued)

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, 2019	\$ 143,331,410	\$ 108,944,501	\$ 34,386,909
Changes for the year:			
Service cost	926,654	-	926,654
Interest	10,340,464	-	10,340,464
Differences between expected and actual experience	867,442	-	867,442
Contributions - Employer	-	3,778,317	(3,778,317)
Contributions - Employee	-	505,668	(505,668)
Net investment income	-	1,399,063	(1,399,063)
Benefit payments, including refunds	(11,843,768)	(11,843,768)	-
Net changes	290,792	(6,160,720)	6,451,512
Balance at June 30, 2020	\$ 143,622,202	\$ 102,783,781	\$ 40,838,421

The plan's fiduciary net position represents 71.6 percent of the total pension liability.

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, 2019	\$ 358,845,221	\$ 210,069,689	\$ 148,775,532
Changes for the year:			
Service cost	4,765,180	-	4,765,180
Interest	24,559,781	-	24,559,781
Differences between expected and actual experience	(2,197,579)	-	(2,197,579)
Changes in assumptions	(1,324,741)	-	(1,324,741)
Contributions - Employer	-	9,830,873	(9,830,873)
Contributions - Employee	-	1,993,395	(1,993,395)
Net investment income	-	8,329,773	(8,329,773)
Benefit payments, including refunds	(22,746,754)	(22,746,754)	-
Administrative expenses	-	(101,257)	101,257
Net changes	3,055,887	(2,693,970)	5,749,857
Balance at June 30, 2020	\$ 361,901,108	\$ 207,375,719	\$ 154,525,389

The plan's fiduciary net position represents 57.3 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, 2020, the City recognized pension expense of \$6,713,763 related to GERS and \$15,496,207 related to PFRS.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 11 - Pension Plans (Continued)

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERS	PFRS
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 201,920	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>5,959,677</u>	<u>-</u>
Total	<u>\$ 6,161,597</u>	<u>\$ -</u>
		PFRS
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,653,936	\$ 2,125,295
Changes in assumptions	18,728,195	1,011,067
Net difference between projected and actual earnings on pension plan investments	<u>2,764,810</u>	<u>-</u>
Total	<u>\$ 24,146,941</u>	<u>\$ 3,136,362</u>

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
2021	\$ 1,321,089	\$ 8,104,352	\$ 9,425,441
2022	1,806,944	8,950,763	10,757,707
2023	1,735,907	2,739,289	4,475,196
2024	<u>1,297,657</u>	<u>1,216,175</u>	<u>2,513,832</u>
Total	<u>\$ 6,161,597</u>	<u>\$ 21,010,579</u>	<u>\$ 27,172,176</u>

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%	2.60%
Salary increases (including inflation)	3.50 to 11.25%	3.00 to 20.10%
Investment rate of return (net of investment expenses)	7.50%	7.25
Mortality rates	RP-2014 Mortality Table with MP 2016	Pub-2010 with MP 2019

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.

June 30, 2020

Note 11 - Pension Plans (Continued)

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%	7.25%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	7.50%	7.25%

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 7.25 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 Percentage Point Decrease (6.5% - GERS; 6.25% - PFRS)	Current (7.5% - GERS; 7.25% - PFRS)	1 Percentage Point Increase (8.5% - GERS; 8.25% - PFRS)
Net pension liability of the General Employees' Retirement System	\$ 55,042,078	\$ 40,838,421	\$ 28,740,972
Net pension liability of the Police and Fire Retirement System	193,074,658	154,525,389	122,399,111

Assumption Changes

With respect to GERS, there were no significant assumption changes for the year ended June 30, 2020.

With respect to PFRS, both the discount rate and investment rate of return increased from 7.02 to 7.25 percent. The mortality table utilized in the valuation was updated from the RP-2014 with the Generational MP-2017 improvement scale in 2019 to the Pub-2010 with the MP-2019 improvement scale in 2020.

June 30, 2020

Note 11 - Pension Plans (Continued)

Investment Policy and Long-term Expected Real Investment Rate of Return

The pension plans' policies in regard to the allocation of invested assets are established and may be amended by the pension boards by a majority vote of their members. It is the policy of the pension boards to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policies discourage the use of cash equivalents, except for liquidity purposes, and aim to refrain from dramatically shifting asset class allocations over short time spans. The pension boards' adopted asset allocation policies as of June 30, 2020 and best estimates of arithmetic real rates of return as of the June 30, 2020 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	Target Allocation - GERS	Long-term Expected Real Rate of Return -		Target Allocation - PFRS	Long-term Expected Real Rate of Return - PFRS
		GERS	PFRS		
Large-capitalization growth equities	7.30 %	6.06 %	12.00 %	6.06 %	6.06 %
Large-capitalization value equities	7.30	6.06	12.00	6.06	6.06
Large-capitalization core equities	7.40	6.06	12.00	6.06	6.06
Small-/Middle-capitalization equities	10.00	7.21	6.00	7.21	7.21
International equities	22.00	6.77	19.00	6.77	6.77
Emerging markets	5.00	8.97	6.00	8.97	8.97
Fixed income	32.00	2.39	25.00	2.39	2.39
Alternative investments	5.00	3.85	5.00	3.85	3.85
Real estate	4.00	5.62	3.00	5.62	5.62

Annual Money-weighted Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.33 and 3.96 percent for the General Employees' Retirement System and Police and Fire Retirement System, 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 plans maintain a record of the amount contributed by each employee and credit interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plans, 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 plans after funding the above two reserves.

June 30, 2020

Note 11 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2020 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 115,508,124	\$ 96,168,018
Employee reserve	6,615,763	6,615,763
PFRS		
Retiree reserve	244,460,679	186,698,199
Employee reserve	20,677,520	20,677,520

Deferred Retirement Option Program (DROP)

The City offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out with interest at 4.00 percent after the employee has fully retired (discontinued providing employee services to the City). At June 30, 2020, the plan has \$23,243,343 accumulated in DROP accounts.

Note 12 - 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 City of Sterling Heights 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 plan is closed to new members.

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 health care 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.

The 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, 2018
Retirees and beneficiaries	632
Active and DROP members	475
Total members	1,107

June 30, 2020

Note 12 - 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, 2020, the City's contribution was \$11,500,000. DROP plan members are required to contribute 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, 2020 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, 2020 measurement date. The June 30, 2020 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018.

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, 2019	\$ 210,718,719	\$ 119,986,687	\$ 90,732,032
Changes for the year:			
Service cost	1,678,922	-	1,678,922
Interest	15,511,460	-	15,511,460
Differences between expected and actual experience	(1,942,968)	-	(1,942,968)
Changes in assumptions	3,381,580	-	3,381,580
Contributions - Employer	-	11,500,000	(11,500,000)
Contributions - Employee	-	65,649	(65,649)
Net investment income	-	1,088,614	(1,088,614)
Benefit payments, including refunds	(9,602,980)	(9,602,980)	-
Other	469,199	-	469,199
Net changes	9,495,213	3,051,283	6,443,930
Balance at June 30, 2020	\$ 220,213,932	\$ 123,037,970	\$ 97,175,962

The Plan's fiduciary net position represents 55.9 percent of the total OPEB liability.

June 30, 2020

Note 12 - Other Postemployment Benefit Plan (Continued)

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$10,025,038.

At June 30, 2020, 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	\$ -	\$ 5,951,131
Changes in assumptions	6,026,230	-
Net difference between projected and actual earnings on OPEB plan investments	7,722,737	-
Total	\$ 13,748,967	\$ 5,951,131

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2021	\$ 1,490,822
2022	2,042,652
2023	2,426,415
2024	1,837,947
Total	\$ 7,797,836

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using an inflation assumption of 2.60 percent; assumed salary increases (including inflation) of 3.00 to 20.10 percent; an investment rate of return (net of investment expenses) of 7.50 percent; a health care cost trend rate of 8.25 percent for 2020, decreasing 0.75 to 0.50 percent per year to an ultimate rate of 3.50 percent for 2029 and later years; and 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, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended 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, 2020

Note 12 - Other Postemployment Benefit Plan (Continued)

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 7.5 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 Percentage Point Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 123,426,554	\$ 97,175,962	\$ 75,404,739

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

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 8.25 percent to 3.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.25% to 2.50%)	Current Health Care Cost Trend Rate (8.25% to 3.50%)	1 Percentage Point Increase (9.25% to 4.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 72,215,512	\$ 97,175,962	\$ 127,283,517

Assumption Changes

Changes in assumptions in 2020 reflect the effects of changes in the assumed salary increases, health care cost trend rates, and mortality assumptions used. Assumed salary increases (including inflation) were adjusted from a range of 3.75 to 20.00 percent to a range of 3.00 to 20.10 percent. Health care cost trend rates were adjusted from an initial trend of 9.00 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 8.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent. The valuation changed from using the RP-2000 Healthy Annuitant Tables for males and females (projected to 2015 using Scale AA) to the RP-2014 tables (projected with scale MP-2016 from a base year of 2006).

Investment Policy and Long-term Expected Real Investment Rate of Return

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 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 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.

June 30, 2020

Note 12 - Other Postemployment Benefit Plan (Continued)

The OPEB board's adopted asset allocation policies as of June 30, 2020 and best estimates of arithmetic real rates of return as of the June 30, 2020 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:

City of Sterling Heights Retiree Health Care Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large-capitalization equities	10.00 %	6.06 %
Large-capitalization value equities	10.00	6.06
Large-capitalization core equities	10.00	6.06
Small-/Middle-capitalization equities	15.00	7.21
International equities	20.00	6.77
Emerging markets	5.00	8.97
Fixed income	25.00	2.39
Alternative investments	5.00	3.85

Annual Money-weighted Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 2,403,243
	Parks and Recreation Fund	27,110
	Facilities Improvement Fund	151
	Total General Fund	2,430,504
General Improvements Fund	General Fund	1,008,659
	Facilities Improvement Fund	8,595
	Total General Improvements Fund	1,017,254
Water and Sewer Fund	General Fund	188,776
Nonmajor governmental funds	General Fund	595,324
Self-insurance Fund	General Fund	99,323
	Total	\$ 4,331,181

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.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 13 - 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	Parks and Recreation Fund	\$ 5,550,000
	General Improvements Fund	4,878,840
	Nonmajor governmental funds	4,028,815
	Total General Fund	14,457,655
Nonmajor governmental funds	Nonmajor governmental funds	3,143,190
	General Fund	26,430
	Total nonmajor governmental funds	3,169,620
	Total	\$ 17,627,275

The transfers from the General Fund to the Parks and Recreation Fund represent the transfer of unrestricted resources for operations; the transfers from the General Fund to the General Improvements Fund represent the transfer of assigned resources for capital projects; 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 nonmajor governmental funds (Major Roads Fund) to the nonmajor governmental funds (Road Bond Debt Retirement Fund) represents restricted resources for debt service payments. The transfer from the nonmajor governmental funds (Michigan Indigent Defense Commission) to the General Fund represents a transfer of unrestricted resources in repayment of a previous transfer.

Note 14 - Defined Contribution Pension Plan

The City provides pension benefits to all new general employees through a defined contribution plan administered by the City. 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 \$353,352 during the current year, and employees contributed \$498,555.

Note 15 - Contingent Liabilities

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

Note 16 - 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, 2020, the City abated \$752,983 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 17 - Unrestricted Net Position

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

	Enterprise Fund - Water and Sewer
Capital improvement	\$ 2,540,000
Undesignated	<u>2,015,149</u>
 Total unrestricted net position	 <u>\$ 4,555,149</u>

Note 18 - Pension and Other Employee Benefit Trust Funds

The following are financial statements for the individual pension plans and postemployment health care plan:

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Statement of Net Position				
Assets:				
Cash and cash equivalents	\$ 2,055,848	\$ 5,533,086	\$ 2,913,238	\$ 10,502,172
Investments:				
Government securities	8,997,231	15,907,862	7,691,646	32,596,739
Mutual funds	10,895,048	25,256,928	11,339,716	47,491,692
Common and preferred stocks	72,625,646	149,388,508	94,919,189	316,933,343
Corporate bonds	8,334,580	10,743,465	6,933,731	26,011,776
Private real estate	-	850,949	-	850,949
Receivables - Due from other governmental units	-	-	464,804	464,804
 Total assets	 102,908,353	 207,680,798	 124,262,324	 434,851,475
Liabilities:				
Accounts payable	(124,573)	(305,071)	(625,623)	(1,055,267)
Due to other governmental units	-	(7)	-	(7)
Accrued and other liabilities	-	-	(32,475)	(32,475)
Provision for claims	-	-	(566,256)	(566,256)
 Total liabilities	 (124,573)	 (305,078)	 (1,224,354)	 (1,654,005)
Net position - Restricted for pension and OPEB				
	\$ 102,783,780	\$ 207,375,720	\$ 123,037,970	\$ 433,197,470

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2020

Note 18 - Pension and Other Employee Benefit Trust Funds (Continued)

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Statement of Changes in Net Position				
Additions:				
Investment income (loss):				
Interest and dividends	\$ 5,088,038	\$ 7,682,303	\$ 4,890,649	\$ 17,660,990
Net (decrease) increase in fair value of investments	(2,860,181)	2,453,449	(3,122,596)	(3,529,328)
Investment-related expenses	(828,795)	(1,907,235)	(679,624)	(3,415,654)
Contributions:				
Employer contributions	3,773,374	9,830,873	11,500,000	25,104,247
Employee contributions	505,668	1,890,811	140,141	2,536,620
Purchase of prior year's service credits	-	102,584	-	102,584
Deductions:				
Benefit payments	(11,304,268)	(21,730,884)	(9,677,287)	(42,712,439)
Refunds of contributions	(539,500)	(1,015,870)	-	(1,555,370)
Net (decrease) increase in net position	<u>\$ (6,165,664)</u>	<u>\$ (2,693,969)</u>	<u>\$ 3,051,283</u>	<u>\$ (5,808,350)</u>

Required Supplemental Information

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 64,163,220	\$ 63,896,680	\$ 63,979,293	\$ 82,613
Intergovernmental:				
Federal sources	692,870	1,583,400	1,151,429	(431,971)
State sources	17,036,760	20,399,170	20,435,576	36,406
Charges for services	13,419,480	13,439,130	13,779,420	340,290
Fines and forfeitures - District court fines and fees	2,384,000	1,567,230	1,540,704	(26,526)
Licenses and permits	4,845,000	4,492,950	4,790,303	297,353
Investment income	2,562,930	2,653,930	2,705,627	51,697
Other revenue	1,188,090	1,274,140	1,279,989	5,849
Total revenue	106,292,350	109,306,630	109,662,341	355,711
Expenditures				
Current services:				
General government:				
City administration	10,576,240	11,163,790	10,956,706	207,084
Community relations	1,523,640	1,551,830	1,529,022	22,808
41A District Court	3,595,230	3,522,710	3,475,770	46,940
Public safety:				
Police	35,203,920	34,889,240	34,551,797	337,443
Fire	20,913,150	21,308,150	20,959,302	348,848
Public works:				
Public works	6,486,920	6,368,750	6,057,971	310,779
Refuse collection	4,516,800	4,501,840	4,500,488	1,352
City development	5,279,020	5,273,670	5,208,333	65,337
General expenditures	2,188,370	2,224,360	2,165,408	58,952
Recreation and culture - Public library	2,889,230	2,840,030	2,813,679	26,351
Total expenditures	93,172,520	93,644,370	92,218,476	1,425,894
Excess of Revenue Over Expenditures	13,119,830	15,662,260	17,443,865	1,781,605
Other Financing Sources (Uses)				
Transfers in	-	26,430	26,430	-
Transfers out	(12,137,940)	(14,457,660)	(14,457,655)	5
Sale of capital assets	30,000	18,000	17,875	(125)
Total other financing uses	(12,107,940)	(14,413,230)	(14,413,350)	(120)
Net Change in Fund Balance	1,011,890	1,249,030	3,030,515	1,781,485
Fund Balance - Beginning of year	26,883,913	26,883,913	26,883,913	-
Fund Balance - End of year	\$ 27,895,803	\$ 28,132,943	\$ 29,914,428	\$ 1,781,485

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Parks and Recreation Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,265,740	\$ 4,221,540	\$ 4,228,073	\$ 6,533
Intergovernmental	503,600	580,730	566,207	(14,523)
Charges for services	751,940	516,940	518,666	1,726
Investment income	300,000	150,000	173,992	23,992
Other revenue	82,800	23,600	36,410	12,810
Total revenue	5,904,080	5,492,810	5,523,348	30,538
Expenditures				
Current services - Recreation and culture	4,750,260	4,602,980	4,441,249	161,731
Capital outlay	10,033,250	16,531,310	15,894,498	636,812
Debt service	3,001,590	3,001,590	3,001,588	2
Total expenditures	17,785,100	24,135,880	23,337,335	798,545
Excess of Expenditures Over Revenue	(11,881,020)	(18,643,070)	(17,813,987)	829,083
Other Financing Sources - Transfers in	2,800,000	5,550,000	5,550,000	-
Net Change in Fund Balance	(9,081,020)	(13,093,070)	(12,263,987)	829,083
Fund Balance - Beginning of year	13,469,557	13,469,557	13,469,557	-
Fund Balance - End of year	\$ 4,388,537	\$ 376,487	\$ 1,205,570	\$ 829,083

City of Sterling Heights, Michigan

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

	Last Seven Fiscal Years						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 926,654	\$ 923,068	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741	\$ 1,149,820
Interest	10,340,464	10,310,982	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	867,442	722,498	782,654	(790,128)	(220,359)	1,896,980	-
Changes in assumptions	-	-	-	6,023,738	3,043,452	-	-
Benefit payments, including refunds	(11,843,768)	(11,286,739)	(11,365,307)	(11,080,749)	(11,221,254)	(10,912,153)	(10,933,108)
Net Change in Total Pension Liability	290,792	669,809	688,359	5,402,229	3,321,131	2,139,317	225,542
Total Pension Liability - Beginning of year	<u>143,331,410</u>	<u>142,661,601</u>	<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>\$ 143,622,202</u>	<u>\$ 143,331,410</u>	<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	\$ 3,778,317	\$ 3,612,060	\$ 3,265,820	\$ 2,648,960	\$ 2,768,790	\$ 2,610,080	\$ 2,735,453
Contributions - Member	505,668	529,015	555,471	583,975	619,418	712,397	711,608
Net investment income (loss)	1,399,063	5,813,306	7,578,055	11,402,709	(288,329)	3,903,536	18,570,457
Benefit payments, including refunds	(11,843,768)	(11,286,739)	(11,365,307)	(11,080,749)	(11,221,254)	(10,912,153)	(10,933,108)
Other	-	4,897	-	-	20,441	-	-
Net Change in Plan Fiduciary Net Position	(6,160,720)	(1,327,461)	34,039	3,554,895	(8,100,934)	(3,686,140)	11,084,410
Plan Fiduciary Net Position - Beginning of year	<u>108,944,501</u>	<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>	<u>107,385,692</u>
Plan Fiduciary Net Position - End of year	<u>\$ 102,783,781</u>	<u>\$ 108,944,501</u>	<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>\$ 40,838,421</u>	<u>\$ 34,386,909</u>	<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	71.57 %	76.01 %	77.30 %	77.65 %	78.12 %	86.14 %	90.36 %
Covered Payroll	\$ 5,994,428	\$ 6,380,656	\$ 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	681.27 %	538.92 %	522.04 %	427.68 %	398.96 %	207.41 %	137.58 %

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios - General Employees' Retirement System

The mortality table utilized in 2017 was the MP-2014 using a fully generational improvement scale (MP-2016), whereas the table utilized previously was the RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale AA. The discount rate in 2016 was adjusted from 8.00 to 7.75 percent. The discount rate in 2017 was adjusted from 7.75 to 7.50 percent.

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

City of Sterling Heights, Michigan

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

	Last Ten Fiscal Years Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,768,403	\$ 3,612,059	\$ 3,265,816	\$ 2,648,960	\$ 2,768,786	\$ 2,610,074	\$ 2,735,453	\$ 1,790,556	\$ 1,089,481	\$ 486,906
Contributions in relation to the actuarially determined contribution	<u>3,778,317</u>	<u>3,612,059</u>	<u>3,265,816</u>	<u>2,648,960</u>	<u>2,768,786</u>	<u>2,610,074</u>	<u>2,735,453</u>	<u>1,790,556</u>	<u>1,089,481</u>	<u>486,906</u>
Contribution Excess	\$ 9,914	\$ -	\$ -	\$ -						
Covered Payroll	\$ 5,994,428	\$ 6,380,656	\$ 6,204,481	\$ 7,420,404	\$ 7,491,549	\$ 8,903,144	\$ 9,187,685	\$ 12,375,670	\$ 13,709,541	\$ 1,500,778
Contributions as a Percentage of Covered Payroll	63.03 %	56.61 %	52.64 %	35.70 %	36.96 %	29.32 %	29.77 %	14.47 %	7.95 %	32.44 %

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

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution amounts are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.60 percent
Salary increase	3.50 to 11.25 percent including inflation
Investment rate of return	7.50 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study from the period from 2011-2016
Mortality	RP-2014 Healthy Annuitant Mortality Table with blue-collar adjustments and extended via cubic spline adjusted backwards to 2006 with MP-2014 scale with future improvements using scale MP-2016.
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 Seven Fiscal Years Years Ended June 30						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	1.33 %	5.39 %	7.16 %	11.08 %	(0.24)%	3.40 %	17.90 %

*This schedule is being built prospectively until the 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 Six Fiscal Years					
	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 4,765,180	\$ 4,116,668	\$ 3,380,879	\$ 3,118,370	\$ 4,566,392	\$ 3,745,877
Interest	24,559,781	24,500,149	23,166,857	23,330,680	21,627,043	20,597,428
Differences between expected and actual experience	(2,197,579)	2,866,838	2,689,692	(2,688,374)	4,075,015	5,363,325
Changes in assumptions	(1,324,741)	21,949,498	14,170,036	6,757,450	(60,488,228)	23,250,473
Benefit payments, including refunds	(22,746,754)	(23,083,898)	(24,296,503)	(22,414,879)	(19,003,317)	(18,772,663)
Net Change in Total Pension Liability	3,055,887	30,349,255	19,110,961	8,103,247	(49,223,095)	34,184,440
Total Pension Liability - Beginning of year	<u>358,845,221</u>	<u>328,495,966</u>	<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>\$ 361,901,108</u>	<u>\$ 358,845,221</u>	<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	\$ 9,830,873	\$ 10,103,803	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970
Contributions - Member	1,993,395	1,857,374	2,038,119	1,660,858	1,538,401	1,297,931
Net investment income (loss)	8,329,773	14,613,943	19,084,405	22,479,683	(1,776,431)	9,106,541
Benefit payments, including refunds	(22,746,754)	(23,083,898)	(24,296,503)	(22,414,879)	(19,003,316)	(18,772,663)
Administrative expenses	(101,257)	(61,225)	(6,503)	(53,973)	(64,145)	(51,574)
Other	-	-	(259,392)	-	76,413	53,294
Net Change in Plan Fiduciary Net Position	(2,693,970)	3,429,997	4,857,496	9,666,436	(11,242,766)	(412,501)
Plan Fiduciary Net Position - Beginning of year	<u>210,069,689</u>	<u>206,639,692</u>	<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>\$ 207,375,719</u>	<u>\$ 210,069,689</u>	<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>\$ 154,525,389</u>	<u>\$ 148,775,532</u>	<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	57.30 %	58.54 %	62.90 %	65.22 %	63.77 %	58.02 %
Covered Payroll	\$ 22,575,989	\$ 22,859,153	\$ 21,549,009	\$ 19,788,423	\$ 19,321,315	\$ 16,589,288
City's Net Pension Liability as a Percentage of Covered Payroll	684.47 %	650.84 %	565.48 %	543.77 %	565.00 %	887.00 %

City of Sterling Heights, Michigan

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

Last Six Fiscal Years

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios - Police and Fire Retirement System

The discount rate in 2020 was adjusted from 7.02 to 7.25 percent. The mortality table utilized in 2020 was Pub-2010 with the MP-2019 improvement scale, whereas the table utilized previously was the RP-2014 with Generational MP-2017 improvement scale.

The discount rate in 2019 was adjusted from 7.68 to 7.02 percent.

The discount rate in 2018 was adjusted from 7.75 to 7.68 percent. The mortality table utilized in 2018 was the RP-2014 with Generational MP-2017 improvement scale, whereas the table utilized previously was the RP-2000 Combined Healthy Mortality table projected to 2014.

The discount rate in 2017 was adjusted from 8.00 to 7.75 percent.

The discount rate in 2016 was adjusted from 6.30 to 8.00 percent. The mortality table utilized in 2016 was the RP-2000 Combined Healthy Mortality table projected to 2014, whereas the table utilized previously was the RP-2014 Healthy Annuitant Mortality table.

The discount rate in 2015 was adjusted from 6.67 to 6.30 percent. The mortality table utilized in 2015 was the RP-2014 Healthy Annuitant Mortality table, whereas the table utilized previously was the 1994 Uninsured Pension Mortality.

*This schedule is being built prospectively until the 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 9,813,390	\$ 9,091,402	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970	\$ 8,095,472	\$ 8,815,031	\$ 7,368,876	\$ 6,135,053
Contributions in relation to the actuarially determined contribution	9,830,873	10,103,803	8,297,370	7,994,747	7,986,312	7,953,970	8,095,472	8,815,031	7,368,876	6,135,053
Contribution Excess	\$ 17,483	\$ 1,012,401	\$ -							
Covered Payroll	\$ 22,575,989	\$ 22,859,153	\$ 21,549,009	\$ 16,589,288	\$ 15,378,745	\$ 14,300,045	\$ 14,671,724	\$ 19,213,007	\$ 22,432,921	\$ 22,510,638
Contributions as a Percentage of Covered Payroll	43.55 %	44.20 %	38.50 %	48.19 %	51.93 %	55.62 %	55.18 %	45.88 %	32.85 %	27.25 %
Notes to Schedule of Pension Contributions - Police and Fire Retirement System										
Actuarial valuation information relative to the determination of contributions:										
Valuation date	Actuarially determined contribution amounts are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.									
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age normal									
Amortization method	Level percent of payroll, closed									
Remaining amortization period	23 years									
Asset valuation method	4-year smoothed market									
Inflation	2.00 percent									
Salary increase	3.00 to 20.10 percent including inflation									
Investment rate of return	7.75 percent									
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition									
Mortality	RP-2000 projected to 2014 Mortality Table									
Other information	There were no benefit changes during the year.									

City of Sterling Heights, Michigan

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

	Last Seven Fiscal Years Years Ended June 30						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	3.96 %	7.15 %	10.22 %	12.70 %	(0.40)%	4.90 %	19.06 %

*This schedule is being built prospectively until the 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 Four Fiscal Years			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 1,678,922	\$ 1,719,869	\$ 1,882,705	\$ 2,001,128
Interest	15,511,460	14,979,531	14,695,533	14,177,069
Differences between expected and actual experience	(1,942,968)	(5,425,052)	(3,926,583)	(380,735)
Changes in assumptions	3,381,580	5,723,906	-	5,411,956
Benefit payments, including refunds	(9,602,980)	(9,824,162)	(8,212,223)	(8,447,897)
Other	469,199	-	-	-
Net Change in Total OPEB Liability	9,495,213	7,174,092	4,439,432	12,761,521
Total OPEB Liability - Beginning of year	<u>210,718,719</u>	<u>203,544,627</u>	<u>199,105,195</u>	<u>186,343,674</u>
Total OPEB Liability - End of year	<u>\$ 220,213,932</u>	<u>\$ 210,718,719</u>	<u>\$ 203,544,627</u>	<u>\$ 199,105,195</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 11,500,000	\$ 11,452,950	\$ 11,452,950	\$ 11,452,950
Contributions - Members	65,649	200,196	174,683	12,822
Net investment income	1,088,614	6,082,507	7,950,032	11,360,581
Benefit payments, including refunds	(9,602,980)	(9,824,162)	(8,752,335)	(8,447,897)
Other	-	-	-	10,572
Net Change in Plan Fiduciary Net Position	3,051,283	7,911,491	10,825,330	14,389,028
Plan Fiduciary Net Position - Beginning of year	<u>119,986,687</u>	<u>112,075,196</u>	<u>101,249,866</u>	<u>86,860,838</u>
Plan Fiduciary Net Position - End of year	<u>\$ 123,037,970</u>	<u>\$ 119,986,687</u>	<u>\$ 112,075,196</u>	<u>\$ 101,249,866</u>
Net OPEB Liability - Ending	<u>\$ 97,175,962</u>	<u>\$ 90,732,032</u>	<u>\$ 91,469,431</u>	<u>\$ 97,855,329</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	55.87 %	56.94 %	55.06 %	50.85 %
Covered Payroll	\$ 24,904,864	\$ 27,050,738	\$ 27,014,605	\$ 28,386,397
Net OPEB Liability as a Percentage of Covered Payroll	390.19 %	335.41 %	338.59 %	344.73 %

Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios - Retiree Medical Benefits Trust

Changes in assumptions in 2020 reflect the effects of changes in the assumed salary increases, health care cost trend rates, and mortality assumptions used. Assumed salary increases (including inflation) were adjusted from a range of 3.75 to 20.00 percent to a range of 3.00 to 20.10 percent. Health care cost trend rates were adjusted from an initial trend of 9.00 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 8.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent. The valuation changed from using the RP-2000 Healthy Annuitant Tables for males and females (projected to 2015 using Scale AA) to the RP-2014 tables (projected with scale MP-2016 from a base year of 2006).

Assumed salary increases (including inflation) were adjusted in 2019 to a range of 3.75 to 20.00 percent from 3.00 to 3.25 percent.

The discount rate in 2017 was adjusted from 7.75 to 7.50 percent. The mortality table utilized in 2017 was the RP-2014, whereas the table utilized previously was the RP-2000 Combined Healthy Mortality table projected to 2015.

*This schedule is being built prospectively until the 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 Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 10,551,592	\$ 10,553,939	\$ 10,637,102	\$ 11,452,950	\$ 11,572,635	\$ 12,334,370	\$ 12,195,350	\$ 11,984,780	\$ 11,523,820	\$ 12,070,700
Contributions in relation to the actuarially determined contribution	<u>11,500,000</u>	<u>11,452,950</u>	<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>
Contribution Excess	\$ 948,408	\$ 899,011	\$ 815,848	\$ -	\$ 1,012,195	\$ -				
Covered Payroll	\$ 24,904,864	\$ 27,050,738	\$ 27,014,605	\$ 28,386,397	\$ 35,568,006	\$ 35,567,006	\$ 40,887,900	\$ 40,887,900	\$ 43,400,000	\$ 43,400,000
Contributions as a Percentage of Covered Payroll	46.18 %	42.34 %	42.40 %	40.35 %	35.38 %	34.68 %	29.83 %	29.31 %	26.55 %	27.81 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 of even numbered years, which is six months prior to the beginning of the fiscal year biennium in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Inflation	No explicit price inflation assumption used
Health care cost trend rates	Initial trend of 8.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent
Salary increase	3.00 to 20.10 percent, including inflation
Investment rate of return	7.50 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-2014 Healthy Annuitant Tables projected with scale MP-2016 from a base year of 2006

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns*

	Last Four Fiscal Years Years Ended June 30			
	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	0.51 %	5.65 %	7.77 %	12.86 %

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

City of Sterling Heights, Michigan

Note to Required Supplemental Information

June 30, 2020

Budgetary Information

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

The City adopts its budget by budgetary center for the General Fund, special revenue funds, 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.

Other Financial and Supplemental Information

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedules - Major Capital Projects Funds Facilities Improvement Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 300,000	\$ 340,000	\$ 246,144	\$ (93,856)
Other revenue	-	155,170	155,165	(5)
Total revenue	300,000	495,170	401,309	(93,861)
Expenditures - Capital outlay	<u>8,611,650</u>	<u>11,091,140</u>	<u>6,314,210</u>	<u>4,776,930</u>
Net Change in Fund Balance	(8,311,650)	(10,595,970)	(5,912,901)	4,683,069
Fund Balance - Beginning of year	<u>18,078,385</u>	<u>18,078,385</u>	<u>18,078,385</u>	-
Fund Balance - End of year	<u>\$ 9,766,735</u>	<u>\$ 7,482,415</u>	<u>\$ 12,165,484</u>	<u>\$ 4,683,069</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedules - Major Capital Projects Funds (Continued) General Improvements

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 930	\$ 930	\$ 3,594	\$ 2,664
Intergovernmental	-	598,750	1,976,538	1,377,788
Investment income	300,000	375,000	263,925	(111,075)
Other revenue	910,090	210,090	838,946	628,856
Total revenue	1,211,020	1,184,770	3,083,003	1,898,233
Expenditures				
Capital outlay	26,300,840	33,034,930	20,623,772	12,411,158
Debt service	-	112,310	222,520	(110,210)
Total expenditures	26,300,840	33,147,240	20,846,292	12,300,948
Excess of Expenditures Over Revenue	(25,089,820)	(31,962,470)	(17,763,289)	14,199,181
Other Financing Sources				
Transfers in	4,878,840	4,878,840	4,878,840	-
New debt issued	-	24,809,100	24,919,316	110,216
Total other financing sources	4,878,840	29,687,940	29,798,156	110,216
Net Change in Fund Balance	(20,210,980)	(2,274,530)	12,034,867	14,309,397
Fund Balance - Beginning of year	4,461,941	4,461,941	4,461,941	-
Fund Balance - End of year	\$ (15,749,039)	\$ 2,187,411	\$ 16,496,808	\$ 14,309,397

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 the purpose of developing a viable urban community by providing economic opportunities principally for persons of low and moderate income.

Major Roads

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

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 moneys and the proceeds from the sale of forfeited property.

Neighborhood Stabilization Program

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

Michigan Indigent Defense Commission

The Michigan Indigent Defense Commission Fund accounts for state grants received for the purpose of assisting governments to provide indigent defendants in criminal cases with effective assistance of counsel.

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 GO 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.

Road Bond Construction

The Road Bond Construction Fund accounts for the proceeds of bond issues and all other resources used for the purpose of construction activity for roads and storm drains.

City of Sterling Heights, Michigan

	Special Revenue Funds								Michigan Indigent Defense Commission	Total Special Revenue Funds
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Neighborhood Stabilization Program					
Assets										
Cash and cash equivalents	\$ -	\$ 106,456	\$ 160,447	\$ 670,129	\$ -	\$ 281,686	\$ 1,218,718			
Investments	-	2,974,647	740,048	-	-	-	-			3,714,695
Receivables:										
Special assessments receivable	-	-	56,403	-	-	-	-			56,403
Accrued interest receivable	-	-	2,255	-	-	-	-			2,255
Due from other governmental units	160,813	1,343,997	467,275	-	-	-	-			1,972,085
Due from other funds	-	-	595,029	-	-	-	-			595,029
Inventory	-	-	-	72,501	-	-	-			72,501
Prepaid expenses and other assets	-	3,152,669	-	-	-	-	-			3,152,669
Rehabilitation loans	1,449,949	-	-	-	-	-	-			1,449,949
Total assets	\$ 1,610,762	\$ 7,577,769	\$ 2,021,457	\$ 742,630	\$ -	\$ 281,686	\$ 12,234,304			
Liabilities										
Accounts payable	\$ 63,353	\$ 1,058,625	\$ 732,203	\$ 14,550	\$ -	\$ 45,072	\$ 1,913,803			
Due to other funds	97,460	513,998	-	1,571	-	-	-			613,029
Accrued and other liabilities	-	375,528	137,037	-	-	-	-			512,565
Unearned revenue - Unearned miscellaneous revenue	1,449,949	-	-	-	-	-	-			1,449,949
Total liabilities	1,610,762	1,948,151	869,240	16,121	-	45,072	4,489,346			
Deferred Inflows of Resources -										
Unavailable revenue	-	-	53,609	-	-	-	-			53,609
Total liabilities and deferred inflows of resources	1,610,762	1,948,151	922,849	16,121	-	45,072	4,542,955			
Fund Balances										
Nonspendable	-	3,152,669	-	72,501	-	-	-			3,225,170
Restricted:										
Roads	-	2,476,949	1,098,608	-	-	-	-			3,575,557
Public safety	-	-	-	654,008	-	-	-			654,008
Debt service	-	-	-	-	-	-	-			-
Community service	-	-	-	-	-	-	236,614			236,614
Committed - Park acquisitions and improvements	-	-	-	-	-	-	-			-
Assigned	-	-	-	-	-	-	-			-
Unassigned	-	-	-	-	-	-	-			-
Total fund balances	-	5,629,618	1,098,608	726,509	-	236,614	7,691,349			
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,610,762	\$ 7,577,769	\$ 2,021,457	\$ 742,630	\$ -	\$ 281,686	\$ 12,234,304			

Other Financial and Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

Debt Service Funds					Capital Project Funds				
General Drain Debt	Road Bond Debt Retirement	Voted Tax GO Debt	Limited Tax GO Debt	Total Debt Service Funds	Land and Water Conservation	Road Bond Construction	Total Capital Project Funds	Total	
\$ 1,096	\$ 370,621	\$ 30,506	\$ -	\$ 402,223	\$ 169,492	\$ 430,057	\$ 599,549	\$ 2,220,490	
-	-	-	-	-	-	-	-	3,714,695	
- 1,039,815	-	-	-	1,039,815	-	-	-	1,096,218	
- 53,532	-	-	-	53,532	-	-	-	55,787	
- -	-	-	-	-	-	-	-	1,972,085	
- -	-	-	295	295	-	-	-	595,324	
- -	-	-	-	-	-	-	-	72,501	
- -	-	-	-	-	-	2,235,652	2,235,652	5,388,321	
- -	-	-	-	-	-	-	-	1,449,949	
\$ 1,096	\$ 1,463,968	\$ 30,506	\$ 295	\$ 1,495,865	\$ 169,492	\$ 2,665,709	\$ 2,835,201	\$ 16,565,370	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409	\$ 409	\$ 1,914,212	
-	-	-	-	-	-	1,790,214	1,790,214	2,403,243	
-	-	460	-	460	9,593	-	9,593	522,618	
-	-	-	-	-	-	-	-	1,449,949	
-	-	460	-	460	9,593	1,790,623	1,800,216	6,290,022	
-	924,051	-	-	924,051	-	-	-	977,660	
-	924,051	460	-	924,511	9,593	1,790,623	1,800,216	7,267,682	
-	-	-	-	-	-	2,235,652	2,235,652	5,460,822	
-	-	-	-	-	-	-	-	3,575,557	
-	-	-	-	-	-	-	-	654,008	
1,096	539,917	30,046	-	571,059	-	-	-	571,059	
-	-	-	-	-	-	-	-	236,614	
-	-	-	-	-	159,899	-	159,899	159,899	
-	-	-	295	295	-	-	-	295	
-	-	-	-	-	-	(1,360,566)	(1,360,566)	(1,360,566)	
1,096	539,917	30,046	295	571,354	159,899	875,086	1,034,985	9,297,688	
\$ 1,096	\$ 1,463,968	\$ 30,506	\$ 295	\$ 1,495,865	\$ 169,492	\$ 2,665,709	\$ 2,835,201	\$ 16,565,370	

City of Sterling Heights, Michigan

	Special Revenue Funds							Michigan Indigent Defense Commission	Total Special Revenue Funds
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Neighborhood Stabilization Program				
Revenue									
Property taxes	\$ -	\$ -	\$ 3,479,549	\$ -	\$ -	\$ -	\$ -		\$ 3,479,549
Special assessments	-	-	4,794	-	-	-	-		4,794
Intergovernmental:									
Federal sources	947,751	-	17,205	130,267	5,920	-	-	1,101,143	
State sources	-	9,340,429	3,699,210	318,517	-	405,890	405,890	13,764,046	
Investment income	-	73,948	41,828	11,453	-	-	2,185	129,414	
Other revenue	-	337,683	62,139	1,677	-	-	-	401,499	
Total revenue	947,751	9,752,060	7,304,725	461,914	5,920	408,075	408,075	18,880,445	
Expenditures									
Current services:									
41A District Court	-	-	-	-	-	170,799	170,799		
Public safety	-	-	-	145,972	-	-	-	145,972	
Public works	330,590	2,520,781	2,083,636	-	5,920	-	-	4,940,927	
General expenditures	-	-	-	-	-	-	-	-	
Recreation and culture	-	-	-	-	-	-	-	-	
Capital outlay	617,161	11,105,183	6,305,684	424,348	-	1,145	1,145	18,453,521	
Debt service	-	-	-	-	-	-	-	-	
Total expenditures	947,751	13,625,964	8,389,320	570,320	5,920	171,944	171,944	23,711,219	
Excess of Revenue (Under) Over Expenditures	-	(3,873,904)	(1,084,595)	(108,406)	-	236,131	236,131	(4,830,774)	
Other Financing Sources (Uses)									
Transfers in	-	1,000,000	-	-	-	-	-	1,000,000	
Transfers out	-	(3,100,190)	-	-	-	-	(26,430)	(3,126,620)	
Total other financing (uses) sources	-	(2,100,190)	-	-	-	-	(26,430)	(2,126,620)	
Net Change in Fund Balances	-	(5,974,094)	(1,084,595)	(108,406)	-	209,701	209,701	(6,957,394)	
Fund Balances - Beginning of year	-	11,603,712	2,183,203	834,915	-	26,913	26,913	14,648,743	
Fund Balances - End of year	\$ -	\$ 5,629,618	\$ 1,098,608	\$ 726,509	\$ -	\$ 236,614	\$ 236,614	\$ 7,691,349	

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

Year Ended June 30, 2020

General Drain Debt	Debt Service Funds				Capital Project Funds				Total
	Road Bond Debt Retirement	Voted Tax GO Debt	Limited Tax GO Debt	Total Debt Service Funds	Land and Water Conservation	Road Bond Construction	Total Capital Project Funds		
\$ 627	\$ -	\$ 492,057	\$ -	\$ 492,684	\$ -	\$ -	\$ -	\$ 3,972,233	
-	118,119	-	-	118,119	-	-	-	-	122,913
-	-	-	-	-	-	-	-	-	1,101,143
-	-	28,417	-	28,417	-	-	-	-	13,792,463
453	4,891	6,093	4	11,441	2,592	11,589	14,181	155,036	
-	80,583	-	-	80,583	-	-	-	-	482,082
1,080	203,593	526,567	4	731,244	2,592	11,589	14,181	19,625,870	
-	-	-	-	-	-	-	-	-	170,799
-	-	-	-	-	-	-	-	-	145,972
-	-	-	-	-	-	-	-	-	4,940,927
-	2,600	500	1,000	4,100	-	-	-	-	4,100
-	-	-	-	-	4,000	-	4,000	4,000	
-	-	-	-	-	600	1,293,255	1,293,855	19,747,376	
-	3,232,115	552,760	3,027,815	6,812,690	-	-	-	-	6,812,690
-	3,234,715	553,260	3,028,815	6,816,790	4,600	1,293,255	1,297,855	31,825,864	
1,080	(3,031,122)	(26,693)	(3,028,811)	(6,085,546)	(2,008)	(1,281,666)	(1,283,674)	(12,199,994)	
-	3,100,190	43,000	3,028,815	6,172,005	-	-	-	-	7,172,005
(43,000)	-	-	-	(43,000)	-	-	-	-	(3,169,620)
(43,000)	3,100,190	43,000	3,028,815	6,129,005	-	-	-	-	4,002,385
(41,920)	69,068	16,307	4	43,459	(2,008)	(1,281,666)	(1,283,674)	(8,197,609)	
43,016	470,849	13,739	291	527,895	161,907	2,156,752	2,318,659	17,495,297	
\$ 1,096	\$ 539,917	\$ 30,046	\$ 295	\$ 571,354	\$ 159,899	\$ 875,086	\$ 1,034,985	\$ 9,297,688	

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds CDBG

Year Ended June 30, 2020

	<u>Original Budget (Unaudited)</u>	<u>Amended Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance with Amended Budget (Unaudited)</u>
Revenue - Federal grants	\$ 1,036,930	\$ 1,149,070	\$ 947,751	\$ (201,319)
Expenditures - Community development	<u>1,036,930</u>	<u>1,149,070</u>	<u>947,751</u>	<u>201,319</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 Schedules - Nonmajor Governmental Funds (Continued) Major Roads

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 9,689,890	\$ 9,522,840	\$ 9,340,429	\$ (182,411)
Investment income	60,000	95,000	73,948	(21,052)
Other revenue	300,000	308,730	337,683	28,953
Total revenue	10,049,890	9,926,570	9,752,060	(174,510)
Expenditures				
Current services - Public works	2,691,090	2,573,330	2,520,781	52,549
Capital outlay	7,310,000	16,277,580	11,105,183	5,172,397
Total expenditures	10,001,090	18,850,910	13,625,964	5,224,946
Excess of Revenue Over (Under) Expenditures	48,800	(8,924,340)	(3,873,904)	5,050,436
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(3,100,190)	(3,100,190)	(3,100,190)	-
Total other financing uses	(2,100,190)	(2,100,190)	(2,100,190)	-
Net Change in Fund Balance	(2,051,390)	(11,024,530)	(5,974,094)	5,050,436
Fund Balance - Beginning of year	11,603,712	11,603,712	11,603,712	-
Fund Balance - End of year	\$ 9,552,322	\$ 579,182	\$ 5,629,618	\$ 5,050,436

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Local Roads

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,493,930	\$ 3,472,930	\$ 3,479,549	\$ 6,619
Special assessments	3,080	3,080	4,794	1,714
Intergovernmental	3,821,170	3,772,010	3,716,415	(55,595)
Investment income	45,000	48,700	41,828	(6,872)
Other revenue	47,630	57,390	62,139	4,749
Total revenue	7,410,810	7,354,110	7,304,725	(49,385)
Expenditures				
Current services - Public works	2,455,080	2,115,080	2,083,636	31,444
Capital outlay	6,775,000	7,043,790	6,305,684	738,106
Total expenditures	9,230,080	9,158,870	8,389,320	769,550
Net Change in Fund Balance	(1,819,270)	(1,804,760)	(1,084,595)	720,165
Fund Balance - Beginning of year	2,183,203	2,183,203	2,183,203	-
Fund Balance - End of year	\$ 363,933	\$ 378,443	\$ 1,098,608	\$ 720,165

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State sources	\$ 28,350	\$ 396,280	\$ 448,784	\$ 52,504
Investment income	13,500	10,850	11,453	603
Other revenue	-	1,680	1,677	(3)
Total revenue	41,850	408,810	461,914	53,104
Expenditures				
Public safety	164,720	178,540	145,972	32,568
Capital outlay	278,390	426,350	424,348	2,002
Total expenditures	443,110	604,890	570,320	34,570
Net Change in Fund Balance				
Fund Balance - Beginning of year	(401,260)	(196,080)	(108,406)	87,674
Fund Balance - End of year	<u>834,915</u>	<u>834,915</u>	<u>834,915</u>	-
	\$ 433,655	\$ 638,835	\$ 726,509	\$ 87,674

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 37,000	\$ 10,460	\$ 5,920	\$ (4,540)
Expenditures - Public works	<u>37,000</u>	<u>10,460</u>	<u>5,920</u>	<u>4,540</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 Schedules - Nonmajor Governmental Funds (Continued) Michigan Indigent Defense Commission

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State sources	\$ 230,590	\$ 441,650	\$ 405,890	\$ (35,760)
Investment income	1,000	2,000	2,185	185
Total revenue	231,590	443,650	408,075	(35,575)
Expenditures				
Current services	232,190	459,460	170,799	288,661
Capital outlay	-	1,150	1,145	5
Total expenditures	232,190	460,610	171,944	288,666
Excess of Revenue (Under) Over Expenditures	(600)	(16,960)	236,131	253,091
Other Financing Uses - Transfers in	-	(26,430)	(26,430)	-
Net Change in Fund Balance	(600)	(43,390)	209,701	253,091
Fund Balance - Beginning of year	26,913	26,913	26,913	-
Fund Balance - End of year	\$ 26,313	\$ (16,477)	\$ 236,614	\$ 253,091

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 820	\$ 820	\$ 627	\$ (193)
Investment income	1,000	1,000	453	(547)
Total revenue	1,820	1,820	1,080	(740)
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	1,820	1,820	1,080	(740)
Other Financing Uses - Transfers out	(43,000)	(43,000)	(43,000)	-
Net Change in Fund Balance	(41,180)	(41,180)	(41,920)	(740)
Fund Balance - Beginning of year	43,016	43,016	43,016	-
Fund Balance - End of year	<u>\$ 1,836</u>	<u>\$ 1,836</u>	<u>\$ 1,096</u>	<u>\$ (740)</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 131,920	\$ 131,920	\$ 118,119	\$ (13,801)
Investment income	8,000	8,000	4,891	(3,109)
Other revenue	88,110	88,110	80,583	(7,527)
Total revenue	228,030	228,030	203,593	(24,437)
Expenditures				
Current services	2,600	2,600	2,600	-
Debt service	3,232,120	3,232,120	3,232,115	5
Total expenditures	3,234,720	3,234,720	3,234,715	5
Excess of Expenditures Over Revenue	(3,006,690)	(3,006,690)	(3,031,122)	(24,432)
Other Financing Sources - Transfers in	3,100,190	3,100,190	3,100,190	-
Net Change in Fund Balance	93,500	93,500	69,068	(24,432)
Fund Balance - Beginning of year	470,849	470,849	470,849	-
Fund Balance - End of year	\$ 564,349	\$ 564,349	\$ 539,917	\$ (24,432)

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 462,950	\$ 462,950	\$ 492,057	\$ 29,107
Intergovernmental	29,440	29,440	28,417	(1,023)
Investment income	5,000	5,000	6,093	1,093
Total revenue	497,390	497,390	526,567	29,177
Expenditures				
Current services	500	500	500	-
Debt service	552,760	552,760	552,760	-
Total expenditures	553,260	553,260	553,260	-
Excess of Expenditures Over Revenue	(55,870)	(55,870)	(26,693)	29,177
Other Financing Sources - Transfers in	43,000	43,000	43,000	-
Net Change in Fund Balance	(12,870)	(12,870)	16,307	29,177
Fund Balance - Beginning of year	13,739	13,739	13,739	-
Fund Balance - End of year	\$ 869	\$ 869	\$ 30,046	\$ 29,177

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ 4	\$ 4
Expenditures				
Current services	1,230	1,000	1,000	-
Debt service	3,431,440	3,027,820	3,027,815	5
Total expenditures	<u>3,432,670</u>	<u>3,028,820</u>	<u>3,028,815</u>	<u>5</u>
Excess of Expenditures Over Revenue	(3,432,670)	(3,028,820)	(3,028,811)	9
Other Financing Sources - Transfers in	3,432,670	3,028,820	3,028,815	(5)
Net Change in Fund Balance	-	-	4	4
Fund Balance - Beginning of year	291	291	291	-
Fund Balance - End of year	<u>\$ 291</u>	<u>\$ 291</u>	<u>\$ 295</u>	<u>\$ 4</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 3,000	\$ 2,500	\$ 2,592	\$ 92
Expenditures				
Current services	-	4,000	4,000	-
Capital outlay	-	133,600	600	133,000
Total expenditures	-	137,600	4,600	133,000
Net Change in Fund Balance	3,000	(135,100)	(2,008)	133,092
Fund Balance - Beginning of year	161,907	161,907	161,907	-
Fund Balance - End of year	\$ 164,907	\$ 26,807	\$ 159,899	\$ 133,092

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 12,500	\$ 11,500	\$ 11,589	\$ 89
Expenditures - Capital outlay	<u>2,500,000</u>	<u>1,509,010</u>	<u>1,293,255</u>	<u>215,755</u>
Excess of Expenditures Over Revenue	<u>(2,487,500)</u>	<u>(1,497,510)</u>	<u>(1,281,666)</u>	<u>215,844</u>
Other Financing Sources - Transfers in	<u>29,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>26,512,500</u>	<u>(1,497,510)</u>	<u>(1,281,666)</u>	<u>215,844</u>
Fund Balance - Beginning of year	<u>2,156,752</u>	<u>2,156,752</u>	<u>2,156,752</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 28,669,252</u>	<u>\$ 659,242</u>	<u>\$ 875,086</u>	<u>\$ 215,844</u>

City of Sterling Heights, Michigan

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

June 30, 2020

	Pension and Other Retirement Benefit Trust Funds			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 2,055,848	\$ 5,533,086	\$ 2,913,238	\$ 10,502,172
Investments:				
Government securities	8,997,231	15,907,862	7,691,646	32,596,739
Mutual funds	10,895,048	25,256,928	11,339,716	47,491,692
Common and preferred stocks	72,625,646	149,388,508	94,919,189	316,933,343
Corporate bonds	8,334,580	10,743,465	6,933,731	26,011,776
Private real estate	-	850,949	-	850,949
Receivables - Due from other governmental units	-	-	464,804	464,804
Total assets	102,908,353	207,680,798	124,262,324	434,851,475
Liabilities				
Accounts payable	124,573	305,071	625,623	1,055,267
Due to other governmental units	-	7	-	7
Accrued and other liabilities	-	-	32,475	32,475
Provision for claims	-	-	566,256	566,256
Total liabilities	124,573	305,078	1,224,354	1,654,005
Net Position				
Restricted:				
Pension	102,783,780	207,375,720	-	310,159,500
Postemployment benefits other than pension	-	-	123,037,970	123,037,970
Total net position	\$ 102,783,780	\$ 207,375,720	\$ 123,037,970	\$ 433,197,470

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

Pension and Other Retirement Benefit Trust Funds				
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Investment income (loss):				
Interest and dividends	\$ 5,088,038	\$ 7,682,303	\$ 4,890,649	\$ 17,660,990
Net (decrease) increase in fair value of investments	(2,860,181)	2,453,449	(3,122,596)	(3,529,328)
Investment-related expenses	(828,795)	(1,907,235)	(679,624)	(3,415,654)
Net investment income	1,399,062	8,228,517	1,088,429	10,716,008
Contributions:				
Employer contributions	3,773,374	9,830,873	11,500,000	25,104,247
Employee contributions	505,668	1,890,811	140,141	2,536,620
Purchase of prior year's service credits	-	102,584	-	102,584
Total contributions	4,279,042	11,824,268	11,640,141	27,743,451
Total additions	5,678,104	20,052,785	12,728,570	38,459,459
Deductions				
Benefit payments	11,304,268	21,730,884	9,677,287	42,712,439
Refunds of contributions	539,500	1,015,870	-	1,555,370
Total deductions	11,843,768	22,746,754	9,677,287	44,267,809
Net (Decrease) Increase in Fiduciary Net Position - Restricted for pension and OPEB	(6,165,664)	(2,693,969)	3,051,283	(5,808,350)
Net Position - Restricted for pension and OPEB - Beginning of year	108,949,444	210,069,689	119,986,687	439,005,820
Net Position - Restricted for pension and OPEB - End of year	\$ 102,783,780	\$ 207,375,720	\$ 123,037,970	\$ 433,197,470

City of Sterling Heights, Michigan

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

June 30, 2020

	Tax Collection	General Agency	Total
Assets			
Cash and cash equivalents	\$ -	\$ 1,661,291	\$ 1,661,291
Investments - At fair value - Short-term investment funds	<u>-</u>	<u>3,777,930</u>	<u>3,777,930</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 5,439,221</u></u>	<u><u>\$ 5,439,221</u></u>
Liabilities			
Due to other governmental units	\$ -	\$ 43,533	\$ 43,533
Accrued and other liabilities	<u>-</u>	<u>2,318,652</u>	<u>2,318,652</u>
Cash and bond deposits	<u>-</u>	<u>3,077,036</u>	<u>3,077,036</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 5,439,221</u></u>	<u><u>\$ 5,439,221</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2020

Tax Collection				
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets - Cash and cash equivalents				
	<u>\$ -</u>	<u>\$ 139,112,189</u>	<u>\$ (139,112,189)</u>	<u>\$ -</u>
Liabilities				
Due to other governmental units	<u>\$ -</u>	<u>\$ 431,247,754</u>	<u>\$ (431,247,754)</u>	<u>\$ -</u>
Accrued and other liabilities	<u>\$ -</u>	<u>1,244,203</u>	<u>(1,244,203)</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 432,491,957</u>	<u>\$ (432,491,957)</u>	<u>\$ -</u>
General Agency				
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets				
Cash and cash equivalents	<u>\$ 1,409,205</u>	<u>\$ 5,789,328</u>	<u>\$ (5,537,242)</u>	<u>\$ 1,661,291</u>
Investments - At fair value - Short-term investment fund	<u>4,101,605</u>	<u>5,227,916</u>	<u>(5,551,591)</u>	<u>3,777,930</u>
Total assets	<u>\$ 5,510,810</u>	<u>\$ 11,017,244</u>	<u>\$ (11,088,833)</u>	<u>\$ 5,439,221</u>
Liabilities				
Due to other governmental units	<u>\$ 60,833</u>	<u>\$ 12,419,713</u>	<u>\$ (12,437,013)</u>	<u>\$ 43,533</u>
Accrued and other liabilities	<u>1,624,224</u>	<u>1,543,694</u>	<u>(849,266)</u>	<u>2,318,652</u>
Cash and bond deposits	<u>3,825,753</u>	<u>922,893</u>	<u>(1,671,610)</u>	<u>3,077,036</u>
Total liabilities	<u>\$ 5,510,810</u>	<u>\$ 14,886,300</u>	<u>\$ (14,957,889)</u>	<u>\$ 5,439,221</u>
Totals - All Agency Funds				
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets				
Cash and cash equivalents	<u>\$ 1,409,205</u>	<u>\$ 144,901,517</u>	<u>\$ (144,649,431)</u>	<u>\$ 1,661,291</u>
Investments - Short-term investment fund	<u>4,101,605</u>	<u>5,227,916</u>	<u>(5,551,591)</u>	<u>3,777,930</u>
Total assets	<u>\$ 5,510,810</u>	<u>\$ 150,129,433</u>	<u>\$ (150,201,022)</u>	<u>\$ 5,439,221</u>
Liabilities				
Due to other governmental units	<u>\$ 60,833</u>	<u>\$ 443,667,467</u>	<u>\$ (443,684,767)</u>	<u>\$ 43,533</u>
Accrued and other liabilities	<u>1,624,224</u>	<u>2,787,897</u>	<u>(2,093,469)</u>	<u>2,318,652</u>
Cash and bond deposits	<u>3,825,753</u>	<u>922,893</u>	<u>(1,671,610)</u>	<u>3,077,036</u>
Total liabilities	<u>\$ 5,510,810</u>	<u>\$ 447,378,257</u>	<u>\$ (447,449,846)</u>	<u>\$ 5,439,221</u>

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,			
	2011	2012	2013	2014
Governmental Activities:				
Net investment in capital assets	\$ 166,882,162	\$ 163,744,453	\$ 159,678,093	\$ 159,604,551
Restricted	9,413,052	10,876,504	11,385,681	9,040,309
Unrestricted	<u>31,667,843</u>	<u>27,712,790</u>	<u>26,650,520</u>	<u>24,290,676</u>
Total net position	<u>\$ 207,963,057</u>	<u>\$ 202,333,747</u>	<u>\$ 197,714,294</u>	<u>\$ 192,935,536</u>
Business Type Activities:				
Net investment in capital assets	\$ 128,950,328	\$ 127,122,039	\$ 125,395,977	\$ 122,324,204
Restricted	8,369,375	9,424,998	9,596,925	9,368,833
Unrestricted	<u>24,334,830</u>	<u>22,170,126</u>	<u>20,362,360</u>	<u>14,888,421</u>
Total net position	<u>\$ 161,654,533</u>	<u>\$ 158,717,163</u>	<u>\$ 155,355,262</u>	<u>\$ 146,581,458</u>
Primary government in total:				
Net investment in capital assets	\$ 295,832,490	\$ 290,866,492	\$ 285,074,070	\$ 281,928,755
Restricted	17,782,427	20,301,502	20,982,606	18,409,142
Unrestricted	<u>56,002,673</u>	<u>49,882,916</u>	<u>47,012,880</u>	<u>39,179,097</u>
Total net position	<u>\$ 369,617,590</u>	<u>\$ 361,050,910</u>	<u>\$ 353,069,556</u>	<u>\$ 339,516,994</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, 2020

As of June 30,

2015 (1)	2016	2017	2018 (2)	2019	2020
\$ 166,305,991	\$ 172,609,179	\$ 141,192,833	\$ 193,873,282	\$ 207,285,272	\$ 233,489,857
9,687,600	8,325,564	52,219,283	10,222,676	17,743,175	11,579,485
<u>(107,150,997)</u>	<u>(110,411,191)</u>	<u>(114,623,816)</u>	<u>(203,205,414)</u>	<u>(200,071,465)</u>	<u>(209,465,303)</u>
<u>\$ 68,842,594</u>	<u>\$ 70,523,552</u>	<u>\$ 78,788,300</u>	<u>\$ 890,544</u>	<u>\$ 24,956,982</u>	<u>\$ 35,604,039</u>
\$ 118,109,220	\$ 119,117,466	\$ 109,551,411	\$ 113,751,804	\$ 113,701,480	\$ 111,234,487
10,521,601	1,307,099	10,193,185	3,008,771	2,459,517	3,816,286
<u>9,948,067</u>	<u>14,617,172</u>	<u>12,974,017</u>	<u>7,879,223</u>	<u>6,537,347</u>	<u>4,555,149</u>
<u>\$ 138,578,888</u>	<u>\$ 135,041,737</u>	<u>\$ 132,718,613</u>	<u>\$ 124,639,798</u>	<u>\$ 122,698,344</u>	<u>\$ 119,605,922</u>
\$ 284,415,211	\$ 291,726,645	\$ 250,744,244	\$ 307,625,086	\$ 320,986,752	\$ 344,724,344
20,209,201	9,632,663	62,412,468	13,231,447	20,202,692	15,395,771
<u>(97,202,930)</u>	<u>(95,794,019)</u>	<u>(101,649,799)</u>	<u>(195,326,191)</u>	<u>(193,534,118)</u>	<u>(204,910,154)</u>
<u>\$ 207,421,482</u>	<u>\$ 205,565,289</u>	<u>\$ 211,506,913</u>	<u>\$ 125,530,342</u>	<u>\$ 147,655,326</u>	<u>\$ 155,209,961</u>

City of Sterling Heights, Michigan

	As of June 30,			
	2011	2012	2013	2014
Expenses:				
Governmental activities				
General government	\$ 8,011,940	\$ 6,543,937	\$ 5,918,474	\$ 5,467,242
District Court	3,523,447	3,379,925	3,334,854	3,288,275
Public safety	53,740,479	54,994,001	51,345,058	52,851,304
Public works	26,062,500	23,959,824	22,852,033	24,439,731
Recreation and culture	5,617,090	5,291,332	4,891,039	4,640,609
Interest on long-term debt	1,192,797	1,081,347	1,099,714	718,646
Total governmental activities	<u>98,148,253</u>	<u>95,250,366</u>	<u>89,441,172</u>	<u>91,405,807</u>
Business-type activities - Water and sewer	<u>33,562,610</u>	<u>37,438,961</u>	<u>38,788,850</u>	<u>41,790,235</u>
Total primary government expenses	<u>131,710,863</u>	<u>132,689,327</u>	<u>128,230,022</u>	<u>133,196,042</u>
Program revenues:				
Governmental activities				
Charges for services				
General government	2,906,715	3,513,053	3,634,419	3,272,341
District Court	2,888,076	2,570,621	2,336,662	2,227,523
Public safety	1,695,612	1,519,175	1,558,701	1,445,007
Public works	2,295,345	3,563,445	2,533,213	2,768,235
Recreation and culture	982,981	807,387	677,068	724,114
Total charges for services	10,768,729	11,973,681	10,740,063	10,437,220
	9,091,234	8,565,267	5,136,968	2,747,213
	<u>1,809,917</u>	<u>2,546,378</u>	<u>4,547,019</u>	<u>8,552,754</u>
Total governmental activities program revenue	<u>21,669,880</u>	<u>23,085,326</u>	<u>20,424,050</u>	<u>21,737,187</u>
Business-type activities - Water and sewer:				
Charges for services	28,222,756	31,028,424	35,282,896	32,097,323
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,459,851	2,721,482	601,903	338,004
Total business-type activities program revenue	<u>29,682,607</u>	<u>33,749,906</u>	<u>35,884,799</u>	<u>32,435,327</u>
Total primary government program revenues	<u>51,352,487</u>	<u>56,835,232</u>	<u>56,308,849</u>	<u>54,172,514</u>
General revenues:				
Governmental activities				
Property taxes	59,196,747	53,247,883	51,643,869	51,344,025
State-shared revenues	9,057,434	10,094,387	10,342,983	10,606,230
Investment earnings	707,426	1,159,709	118,280	596,654
Insurance proceeds	-	-	-	-
Cable franchise fees	-	-	-	-
Miscellaneous	1,950,435	2,033,751	2,292,537	2,342,953
Total governmental activities general revenues	<u>70,912,042</u>	<u>66,535,730</u>	<u>64,397,669</u>	<u>64,889,862</u>
Business-type activities - Investment income	502,048	751,685	(457,850)	581,104
Total primary government	<u>71,414,090</u>	<u>67,287,415</u>	<u>63,939,819</u>	<u>65,470,966</u>
Change in net position				
Governmental activities	(5,566,331)	(5,629,310)	(4,619,453)	(4,778,758)
Business-type activities	<u>(3,377,955)</u>	<u>(2,937,370)</u>	<u>(3,361,901)</u>	<u>(8,773,804)</u>
Total primary government	<u>(8,944,286)</u>	<u>(8,566,680)</u>	<u>(7,981,354)</u>	<u>(13,552,562)</u>

Changes in Net Position

Last Ten Fiscal Years

June 30, 2020

As of June 30,

2015	2016	2017	2018	2019	2020
\$ 6,200,880	\$ 7,351,777	\$ 8,060,141	\$ 7,267,842	\$ 14,396,969	\$ 16,349,557
3,351,422	3,877,503	4,126,604	3,728,890	3,762,089	4,103,248
61,063,426	55,117,055	55,632,517	54,397,264	58,518,653	65,604,864
24,385,159	28,014,220	26,282,093	29,961,490	21,642,326	21,430,495
4,892,593	5,735,889	6,624,266	6,343,690	7,411,196	8,860,964
603,500	514,247	675,198	2,496,423	3,628,285	3,540,056
<u>100,496,980</u>	<u>100,610,691</u>	<u>101,400,819</u>	<u>104,195,599</u>	<u>109,359,518</u>	<u>119,889,184</u>
<u>44,886,232</u>	<u>49,351,047</u>	<u>52,082,635</u>	<u>55,599,159</u>	<u>54,411,558</u>	<u>56,529,468</u>
<u>145,383,212</u>	<u>149,961,738</u>	<u>153,483,454</u>	<u>159,794,758</u>	<u>163,771,076</u>	<u>176,418,652</u>
3,760,720	3,227,800	3,441,658	2,378,747	2,538,972	2,516,764
2,368,667	2,692,034	2,604,583	2,908,337	3,079,738	1,890,130
1,562,339	1,633,571	1,656,530	2,679,269	4,730,272	4,580,155
2,936,122	3,189,189	3,596,813	3,443,958	3,359,102	3,260,383
760,007	733,620	752,883	574,725	862,525	628,802
<u>11,387,855</u>	<u>11,476,214</u>	<u>12,052,467</u>	<u>11,985,036</u>	<u>14,570,609</u>	<u>12,876,234</u>
3,566,906	4,048,708	6,618,802	9,931,126	11,315,298	10,376,070
8,129,304	8,553,786	16,135,905	14,316,813	14,537,254	15,244,980
<u>23,084,065</u>	<u>24,078,708</u>	<u>34,807,174</u>	<u>36,232,975</u>	<u>40,423,161</u>	<u>38,497,284</u>
36,020,248	40,026,642	45,917,303	50,589,347	49,231,779	50,351,649
602,738	96,712	-	559,609	565,149	875,241
1,954,700	5,014,380	3,906,683	3,100,357	1,986,596	1,871,557
<u>38,577,686</u>	<u>45,137,734</u>	<u>49,823,986</u>	<u>54,249,313</u>	<u>51,783,524</u>	<u>53,098,447</u>
<u>61,661,751</u>	<u>69,216,442</u>	<u>84,631,160</u>	<u>90,482,288</u>	<u>92,206,685</u>	<u>91,595,731</u>
62,231,352	64,036,721	60,946,929	66,282,454	72,772,592	72,130,241
10,785,806	10,694,421	11,259,947	11,784,623	12,162,566	12,677,603
630,068	886,403	71,918	1,454,230	3,176,376	2,220,455
-	-	-	-	-	-
2,533,069	2,595,396	2,579,599	1,883,080	2,561,637	2,782,831
<u>76,180,295</u>	<u>78,212,941</u>	<u>74,858,393</u>	<u>83,819,139</u>	<u>93,002,795</u>	<u>92,038,957</u>
635,502	676,162	(64,475)	35,247	686,580	338,599
<u>76,815,797</u>	<u>78,889,103</u>	<u>74,793,918</u>	<u>83,854,386</u>	<u>93,689,375</u>	<u>92,377,556</u>
(1,232,620)	1,680,958	8,264,748	15,856,515	24,066,438	10,647,057
(5,673,044)	(3,537,151)	(2,323,124)	(1,314,599)	(1,941,454)	(3,092,422)
<u>(6,905,664)</u>	<u>(1,856,193)</u>	<u>5,941,624</u>	<u>14,541,916</u>	<u>22,124,984</u>	<u>7,554,635</u>

City of Sterling Heights, Michigan

	As of June 30,			
	2011	2012	2013	2014
General Fund:				
Prior to adoption of GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	- -	- -	- -	- -
Subsequent to adoption of GASB 54:				
Nonspendable	861,449	823,640	821,876	538,644
Assigned	5,500,280	973,137	691,319	3,668,787
Unassigned	4,629,487	3,451,703	3,735,285	1,021,961
Total general fund	<u>10,991,216</u>	<u>5,248,480</u>	<u>5,248,480</u>	<u>5,229,392</u>
All other governmental funds:				
Prior to adoption of GASB 54:				
Reserved	- -	- -	- -	- -
Unreserved and undesignated	- -	- -	- -	- -
Subsequent to adoption of GASB 54:				
Nonspendable	463,096	219,826	175,383	24,079
Restricted	4,730,650	6,366,964	7,014,780	4,739,133
Committed	733,573	623,578	605,390	528,412
Assigned	2,113,709	1,181,275	1,012,786	657,869
Total all other governmental funds	<u>8,041,028</u>	<u>8,391,643</u>	<u>8,808,339</u>	<u>5,949,493</u>
Total of all governmental funds	<u>\$ 19,032,244</u>	<u>\$ 13,640,123</u>	<u>\$ 14,056,819</u>	<u>\$ 11,178,885</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, 2020

As of June 30,

2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
580,872	735,358	829,129	563,361	565,524	664,405
4,457,140	5,095,500	5,076,900	-	-	-
2,501,722	5,564,011	11,360,580	24,150,393	26,318,389	29,250,023
<u>7,539,734</u>	<u>11,394,869</u>	<u>17,266,609</u>	<u>24,713,754</u>	<u>26,883,913</u>	<u>29,914,428</u>
-	-	-	-	-	-
222,835	2,009,754	610,377	695,486	3,499,383	5,640,822
5,391,767	10,514,620	54,501,560	62,149,539	40,105,715	29,549,254
85,588	623,435	374,420	190,436	161,907	159,899
1,630,427	1,732,331	1,499,058	3,852,870	9,738,175	5,356,141
7,330,617	14,880,140	56,985,415	66,888,331	53,505,180	39,165,550
<u>\$ 14,870,351</u>	<u>\$ 26,275,009</u>	<u>\$ 74,252,024</u>	<u>\$ 91,602,085</u>	<u>\$ 80,389,093</u>	<u>\$ 69,079,978</u>

City of Sterling Heights, Michigan

	As of June 30,			
	2011	2012	2013	2014
Revenue				
Property taxes	\$ 59,045,208	\$ 53,149,713	\$ 51,665,928	\$ 51,344,025
Fees and permits	1,438,197	2,271,967	1,789,803	1,735,413
Federal sources	3,085,016	2,661,338	1,126,423	1,921,050
State and local sources	17,184,734	18,065,838	18,825,672	19,920,337
Fines and forfeitures	3,353,875	2,770,160	2,489,252	2,326,870
Charges for services	8,583,882	8,443,205	8,306,458	9,048,012
Investment income	308,422	672,239	58,534	257,632
Special assessments	203,298	254,977	206,501	314,871
Rental income	1,685,041	1,508,954	1,536,939	1,951,540
Cable revenue	1,950,435	2,033,751	2,292,537	2,342,953
Other	1,526,205	2,044,415	1,700,076	1,619,427
Total revenue	98,364,313	93,876,557	89,998,123	92,782,130
Expenditures				
Current:				
General government	8,613,941	8,571,928	7,700,466	7,175,604
District Court	3,246,811	3,252,852	3,258,362	3,078,766
Public safety	50,929,421	52,297,573	48,644,125	48,807,450
Public works	21,034,821	18,680,870	18,062,177	20,790,973
Recreation and culture	4,603,108	4,489,169	4,339,952	4,002,476
General expenditures	2,540,873	2,766,125	2,294,184	2,171,473
Capital outlay	4,867,162	4,275,883	3,115,621	7,026,982
Debt service principal	3,970,000	3,940,000	3,895,000	3,235,000
Debt service Interest	1,221,055	1,098,474	1,114,056	744,170
Total expenditures	101,027,192	99,372,874	92,423,943	97,032,894
Excess of Revenue Over Expenditures	(2,662,879)	(5,496,317)	(2,425,820)	(4,250,764)
Other Financing Sources (Uses)				
Debt issuance	-	3,780,000	3,275,000	-
Debt premium or discount	-	274,196	9,311	-
Sale of fixed assets	-	-	-	-
Transfers in	3,953,940	3,526,740	6,158,405	5,639,290
Transfers out	(3,953,940)	(3,526,740)	(3,500,200)	(4,266,460)
Total other financing sources (uses)	-	4,054,196	5,942,516	1,372,830
Net change in fund balances	\$ (2,662,879)	\$ (1,442,121)	\$ 3,516,696	\$ (2,877,934)
Debt service as a percentage of noncapital expenditures	5.40%	5.30%	5.61%	4.42%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2020

As of June 30,

2015	2016	2017	2018	2019	2020
\$ 62,231,352	\$ 64,036,721	\$ 60,946,929	\$ 66,282,454	\$ 72,759,327	\$ 72,179,599
1,800,968	2,149,069	2,568,909	2,648,068	2,629,072	2,562,476
1,456,596	1,990,255	6,300,698	4,122,227	2,356,723	2,713,283
21,054,148	21,279,925	27,584,764	31,365,436	34,699,398	36,310,073
2,567,229	3,057,417	2,944,500	2,384,499	2,517,198	1,540,704
10,085,731	9,719,467	9,842,019	12,373,661	14,938,523	14,298,086
247,437	426,998	112,450	1,120,683	3,382,059	2,045,963
212,828	201,579	199,092	222,250	263,804	126,507
1,829,381	1,578,977	1,488,753	1,630,951	1,552,811	1,498,761
2,533,069	2,595,396	2,579,599	2,414,752	2,329,624	2,227,827
1,414,282	1,960,041	1,568,519	1,866,109	2,510,236	2,792,592
105,433,021	108,995,845	116,136,232	126,431,090	139,938,775	138,295,871
7,803,567	8,154,052	8,300,238	9,118,455	11,087,713	12,485,728
3,087,262	3,223,740	3,242,874	3,309,841	3,480,346	3,646,569
49,752,772	49,704,157	48,646,567	50,311,362	54,426,486	55,657,071
21,450,688	20,929,934	20,869,103	23,165,358	21,359,651	20,507,719
4,189,468	4,393,760	7,664,887	4,805,997	6,159,499	7,039,735
1,119,452	1,027,555	1,164,656	1,845,158	1,589,904	2,369,508
14,388,416	19,122,277	22,513,996	39,333,835	44,685,871	62,799,049
2,620,000	1,725,000	2,280,000	4,100,000	5,340,000	6,462,520
628,563	545,331	700,971	2,025,489	3,109,779	3,574,278
105,040,188	108,825,806	115,383,292	138,015,495	151,239,249	174,542,177
392,833	170,039	752,940	(11,584,405)	(11,300,474)	(36,246,306)
198,633	9,630,000	47,315,000	27,590,000	-	24,919,316
-	254,555	2,902,577	1,302,812	-	-
-	-	80,363	41,655	87,482	17,875
13,594,435	10,797,379	10,180,735	10,588,025	23,133,990	17,627,275
(10,494,435)	(9,447,315)	(10,180,735)	(10,588,025)	(23,133,990)	(17,627,275)
3,298,633	11,234,619	50,297,940	28,934,467	87,482	24,937,191
\$ 3,691,466	\$ 11,404,658	\$ 51,050,880	\$ 17,350,062	\$ (11,212,992)	\$ (11,309,115)

3.58%

2.53%

3.21%

6.23%

7.99%

8.98%

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, 2020

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
	Operating	Refuse	Police and Fire Retirement System	Safe Streets		Safe Streets	Recreatin Recreation	General Drain	Voted Tax General Obligation	Total	
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
2019	44,404,945	4,407,310	9,011,570	7,102,036	64,925,861	3,330,120	4,032,610	688	413,759	414,447	72,703,038
2020	42,343,466	4,454,516	9,780,505	7,400,807	63,979,294	3,479,548	4,228,073	628	492,057	492,685	72,179,600

City of Sterling Heights, Michigan

Property Tax Levies and Collections

Last Ten Fiscal Years
June 30, 2020

Tax Year	Year ended June 30,	Total levy (1)	Current collections	Percent collected	Delinquent collections (2)	Total tax collections	Percent of levy collected
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	73,342,584	71,900,008	98.03%	1,295,204	73,195,212	99.80%
2019	2020	72,676,628	71,373,019	98.21%	1,198,695	72,571,714	99.86%
2020	2021	75,590,292 (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						
	Operating (1)		Refuse	Police and Fire Retirement System	Drain Debt Service	Public Improvement Debt Service	Safe Streets	Recreating Recreation	Total	Macomb Intermediate School District	Macomb Community College	Huron/Clinton Metro Authority	S.M.A.R.T.	County Zoo Authority	Veterans Operations	D.I.A.	
	Homestead	Non-homestead															
2010 (2009)	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		
	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		
2011 (2010)	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		
	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		
2012 (2011)	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		
	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		
2013 (2012)	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		
	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		
2014 (2013)	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		
	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		
2015 (2014)	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		
	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		
2016 (2015)	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		
	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		
2017 (2016)	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		
	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		
2018 (2017)	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		
	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		
2019 (2018)	10.4940	1.0420	2.1279	0.0000	0.0971	2.4678	0.9516	17.1804	2.8945	1.4640	0.2129	1.0000	0.0985	0.0676	0.1965		
	10.4940	1.0420	2.1279	0.0000	0.0971	2.4678	0.9516	17.1804	2.8945	1.4640	0.2129	1.0000	0.0985	0.0676	0.1965		
2020 (2019)	9.4940	1.0038	2.1984	0.0000	0.1096	2.4505	0.9506	16.2069	2.8744	1.4531	0.2117	0.9926	0.0977	0.0674	0.1950		
	9.4940	1.0038	2.1984	0.0000	0.1096	2.4505	0.9506	16.2069	2.8744	1.4531	0.2117	0.9926	0.0977	0.0674	0.1950		

(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, 2020

Overlapping Rates

Overlapping Rates											Total Direct and Overlapping Rates by Resident's School District	
Macomb County		Utica Community School District (2)				Warren Consolidated School District (2)				Total Direct and Overlapping Rates by Resident's School District		
Operating	Debt	Drain Debt Service	State Education Tax	Operating/Local	Debt	State Education Tax	Operating/Local	Supplemental	Sinking	Debt	Utica Community	Warren Consolidated
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	
4.4925	0.0050	6.0000	0.0000	3.7600	6.0000	0.0000	6.1678	0.0000	4.7800	37.3719	44.5597	
4.4925	0.0050	6.0000	17.3128	3.7600	6.0000	18.0000	0.0000	0.0000	4.7800	54.6847	56.3919	
4.4592	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.7931	0.0000	4.7800	36.0580	43.1311	
4.4592	0.0000	6.0000	17.3128	3.5000	6.0000	18.0000	5.7931	0.0000	4.7800	53.3708	61.1311	

City of Sterling Heights, Michigan

	2011	2012	2013	2014
State Equalized Value				
SEV equivalent	\$ 4,879,206,305	\$ 4,488,430,900	\$ 4,154,032,625	\$ 4,201,961,947
IFT exemption	<u>223,651,575</u>	<u>204,669,200</u>	<u>150,866,925</u>	<u>147,523,025</u>
Total SEV	\$ 5,102,857,880	\$ 4,693,100,100	\$ 4,304,899,550	\$ 4,349,484,972
Taxable Value				
By Class:				
Real property	\$ 4,046,809,230	\$ 3,743,670,800	\$ 3,503,196,250	\$ 3,526,557,005
Personal property	<u>917,612,350</u>	<u>874,496,200</u>	<u>755,514,350</u>	<u>724,659,700</u>
Total value	\$ 4,964,421,580	\$ 4,618,167,000	\$ 4,258,710,600	\$ 4,251,216,705
By Type:				
Residential	\$ 2,920,197,630	\$ 2,714,198,550	\$ 2,527,262,250	\$ 2,584,362,566
Commercial	704,190,150	651,408,200	609,340,350	564,052,015
Industrial	388,756,200	348,879,800	314,238,500	305,334,016
Personal property	504,729,350	494,463,050	506,194,400	502,509,250
IFT real and personal property	<u>446,548,250</u>	<u>409,217,400</u>	<u>301,675,100</u>	<u>294,958,858</u>
Total	4,964,421,580	4,618,167,000	4,258,710,600	4,251,216,705
Less exempt property	<u>(223,274,125)</u>	<u>(204,608,700)</u>	<u>(150,837,550)</u>	<u>(147,479,429)</u>
Total taxable value	\$ 4,741,147,455	\$ 4,413,558,300	\$ 4,107,873,050	\$ 4,103,737,276
Total direct tax rate (1)	\$ 12.6858	\$ 12.6858	\$ 12.6858	\$ 12.6858
Total taxable value as a percentage of SEV equivalent	92.91%	94.04%	95.42%	94.35%
Total taxable value as a percentage of total value	95.50%	95.57%	96.46%	96.53%

(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, 2020

2015	2016	2017	2018	2019	2020
\$ 4,421,529,781 149,204,525	\$ 4,796,034,350 123,790,350	\$ 4,949,191,377 64,411,150	\$ 5,200,275,450 61,439,675	\$ 5,409,399,365 52,225,350	\$ 5,798,698,325 53,110,750
\$ 4,570,734,306	\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075
\$ 3,564,635,642 714,092,150	\$ 3,665,393,466 670,143,500	\$ 3,737,558,043 366,173,450	\$ 3,855,214,582 327,166,100	\$ 4,032,937,100 289,445,900	\$ 4,244,580,889 305,210,600
\$ 4,278,727,792	\$ 4,335,536,966	\$ 4,103,731,493	\$ 4,182,380,682	\$ 4,322,383,000	\$ 4,549,791,489
\$ 2,640,642,487 558,328,319 296,637,552 488,607,400 294,512,034	\$ 2,717,724,673 574,872,887 305,821,724 494,865,700 242,251,982	\$ 2,777,714,820 594,885,971 314,006,932 289,981,650 127,142,120	\$ 2,863,163,811 612,549,438 317,662,123 270,324,150 118,681,160	\$ 2,986,252,214 637,542,166 343,983,905 254,615,000 99,989,715	\$ 3,121,603,015 679,530,404 369,124,697 279,689,900 99,843,473
4,278,727,792 (147,256,017)	4,335,536,966 (121,125,991)	4,103,731,493 (63,571,060)	4,182,380,682 (59,340,580)	4,322,383,000 (49,994,858)	4,549,791,489 (49,921,737)
\$ 4,131,471,775	\$ 4,214,410,975	\$ 4,040,160,433	\$ 4,123,040,102	\$ 4,272,388,143	\$ 4,499,869,753
\$ 15.1858	\$ 15.1858	\$ 15.1858	\$ 16.1558	\$ 17.1804	\$ 16.2069
90.39%	85.66%	80.58%	77.49%	78.23%	76.90%
96.56%	97.21%	98.45%	98.84%	98.84%	98.90%

City of Sterling Heights, Michigan

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago
June 30, 2020

Company Name	Product/Service	Year Ended June 30, 2020			Year Ended June 30, 2011		
		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	\$ 84,326,356	1	1.87	\$ 224,265,800	2	4.73
DTE Energy	Public electric utility	51,176,763	2	1.14	36,196,200	3	0.76
Ford Motor Company	Automotive manufacturing and drive shafts	39,753,824	3	0.88	230,087,625	1	4.85
Consumers Energy	Public utility for gas	39,732,128	4	0.88	-	-	-
Lakeside OOTB Ventures, LLC	Retail and rental properties	32,230,500	5	0.72	-	-	-
Chalk Spade Investments (USA)	Investments	23,945,738	6	0.53	-	-	0.00
International Transmission	Automotive	13,376,353	7	0.30	-	-	-
Liberty Park Commerce Center, LLC	Industrial facilities	13,459,725	8	0.30	-	-	-
General Dynamics	Engineering and design	13,255,251	9	-	31,090,850	5	0.66
BAE Systems	Military and defense systems	11,831,801	10	0.26	-	-	0.00
Detroit News Agency	Printing plant - Newspapers	-	-	-	32,231,850	4	0.68
Lakeside Associates	Retail shopping center	-	-	-	30,144,150	6	0.64
Laurel/Shoal Creek	Office and apartment complex	-	-	-	18,476,700	7	0.39
Comcast Cable	Cable communications	-	-	-	17,827,800	8	0.38
Ledd's Development	Office and business complex	-	-	-	14,799,500	9	0.31
Market Place Properties	Retail shopping center	-	-	-	12,864,400	10	0.27
	Ten largest taxpayers	323,088,439		<u>6.88</u>	647,984,875		<u>13.67</u>
	Other taxpayers	<u>4,176,781,314</u>			<u>4,093,162,580</u>		
	Total taxable value	<u>\$ 4,499,869,753</u>			<u>\$ 4,741,147,455</u>		

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

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities
	General Obligation Bonds	County Issued Bonds	Amounts Available in Debt Service Funds	County Issued Bonds
2011	9,595,000	3,655,000	(11,873)	27,799,300
2012	8,455,000	2,630,000	(22,232)	36,565,773
2013	7,690,000	1,525,000	(19,201)	35,428,997
2014	5,777,683	775,000	(20,308)	34,264,780
2015	5,253,950	150,000	(18,201)	33,071,724
2016	4,667,114	-	(28,263)	35,885,137
2017	46,135,000	-	(63,338)	50,299,962
2018	63,190,000	-	(92,722)	48,741,669
2019	60,335,000	-	(57,046)	46,797,853
2020	84,852,623		(31,437)	51,344,551

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, 2020

Total Primary Government	Percentage of Estimated Total Taxable Value of Property (1)	Population	Per Capita
41,037,427	0.8656	129,699	316.41
47,628,541	1.0791	129,699	367.22
44,624,796	1.0863	129,699	344.06
40,797,155	0.9941	129,699	314.55
38,457,473	0.9356	129,699	296.51
40,523,988	0.9653	129,699	312.45
96,371,624	2.3882	129,699	743.04
111,838,947	2.6207	129,699	862.30
107,075,807	2.5062	129,699	825.57
136,165,737	3.0260	129,699	1,049.86

City of Sterling Heights, Michigan

Governmental Activities

Fiscal Year Ended June 30	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County-issued Bonds
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
2016	4,667,114	16,480,393	2,400,000	-
2017	46,135,000	16,595,000	2,250,000	-
2018	63,190,000	23,180,000	2,100,000	-
2019	60,335,000	20,845,000	1,950,000	-
2020	84,852,623	19,129,213	1,800,000	

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, 2020

Business-type Activities						
County Issued			Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds				
30,584,068	-	3,314,862	62,673,930	1.66%	129,699	483.23
36,565,773	2,716,185	4,931,838	68,878,796	1.88%	129,699	531.07
35,428,997	2,647,602	6,825,826	65,847,425	1.74%	129,699	507.69
34,264,780	2,548,452	11,703,389	66,580,720	2.12%	129,699	513.35
33,071,724	4,098,344	17,592,684	70,181,788	2.23%	129,699	541.11
31,831,025	4,054,112	20,725,947	80,158,591	2.55%	129,699	618.04
46,597,435	3,702,527	22,126,394	137,406,356	4.38%	129,699	1,059.42
48,741,669	2,258,379	21,072,504	160,542,552	5.11%	129,699	1,237.81
46,797,853	1,962,402	19,973,656	151,863,911	4.84%	129,699	1,170.90
51,344,551	1,983,169	18,860,521	177,970,077	5.67%	129,699	1,372.18

City of Sterling Heights, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2020

Direct Debt

General Obligation Bonds

04/27/05	Limited Tax	\$ -
04/21/17	GO Refunding Unlimited Tax	1,695,000
05/09/17	Limited Tax	40,251,413
05/22/18	Limited Tax	18,925,860
08/22/19	Limited Tax	<u>23,980,350</u>
		\$ 84,852,623

Michigan Transportation Fund Bonds

06/22/10	Recovery Zone Bonds, Series 2010	1,075,000
02/07/12	Refunding Bonds, Series 2012	-
02/14/13	Refunding Bonds, Series 2013	992,814
04/05/16	MTF Bonds, Series 2016	7,672,556
05/09/17	MTF Bonds, Series 2017	1,773,815
05/22/18	MTF Bonds, Series 2018	<u>7,615,028</u>
		19,129,213

Special Assessment Bonds

08/03/08	Improvements	<u>1,800,000</u>
Total direct debt outstanding		105,781,836

Indirect Debt

Share of County-issued Drain Bonds

MID District - 2010 A Series	-
MID District SA - 2010 North Gratiot	174,012
MID District - 2011 Clintondale Pump	-
MID District SA - 2015 North Gratiot Refunding	1,809,157
MID District - 2017A Series	20,742,106
MID District - 2017A Refunding	19,159,696
MID District - 2020 Clintondale Pump Refunding	4,942,287
OMID District SA - 2014 Series A	1,316,331
OMID District - 2019A Series	698,356
OMID District - 2019B Series	<u>2,502,606</u>
	51,344,551

Total direct and indirect debt outstanding 157,126,387

Less:

MTF Bonds	19,129,213
Special Assessment Bonds	1,800,000
MID District Special Assessments	1,983,169
OMID District Special Assessments	<u>1,316,331</u>

24,228,713

Net direct and indirect debt outstanding 132,897,674

Overlapping Debt

Municipality

	Net Tax Supported Debt	City allocation
Utica Community School District	191,620,000	36.28%
Warren Consolidated School District	202,870,000	44.72%
Macomb Intermediate School District	1,705,000	15.14%
Macomb County at large	268,627,685	15.48%
Total overlapping debt		202,084,903
Net direct and indirect debt outstanding and overlapping debt		<u>\$ 334,982,577</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,			
	2011	2012	2013	2014
Governmental Activities:				
General obligation bonds	\$ 7,880,000	\$ 6,905,000	\$ 6,165,000	\$ 5,777,683
Michigan transportation fund bonds	14,180,000	12,170,000	10,405,000	8,811,416
Special assessment bonds	3,060,000	2,960,000	2,850,000	2,700,000
County issued bonds	3,655,000	2,630,000	1,525,000	775,000
Total	28,775,000	24,665,000	20,945,000	18,064,099
Business Type Activities:				
General obligation bonds	30,584,068	36,565,773	35,428,997	34,264,780
Special assessment bonds	-	2,716,185	2,647,602	2,548,452
County state revolving loan funds	3,314,862	4,931,838	6,825,826	11,703,389
Total	33,898,930	44,213,796	44,902,425	48,516,621
Total debt of the government	\$ 62,673,930	\$ 68,878,796	\$ 65,847,425	\$ 66,580,720
Total residential personal income	\$ 3,781,755,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
Ratio of total debt to personal income	1.66%	2.19%	2.10%	2.12%
Total Population	129,699	129,699	129,699	129,699
Total debt per capita	483.23	531.07	507.69	513.35

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2020

As of June 30,

	2015	2016	2017	2018	2019	2020
\$	5,253,950	\$ 4,667,114	\$ 49,055,194	\$ 63,190,000	\$ 60,335,000	\$ 84,852,623
7,465,086	16,480,393	17,080,252	23,180,000	20,845,000	19,129,213	
2,550,000	2,400,000	2,250,000	2,100,000	1,950,000	1,800,000	
150,000	-	-	-	-	-	-
	15,419,036	23,547,507	68,385,446	88,470,000	83,130,000	105,781,836
33,071,724	31,831,025	53,263,196	48,741,669	46,797,853	51,344,551	
4,098,344	4,054,112	3,884,347	2,258,379	1,962,402	1,983,169	
17,592,684	20,725,947	22,126,394	21,072,504	19,973,656	18,860,521	
54,762,752	56,611,084	79,273,937	72,072,552	68,733,911	72,188,241	
\$ 70,181,788	\$ 80,158,591	\$ 147,659,383	\$ 160,542,552	\$ 151,863,911	\$ 177,970,077	
\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
2.23%	2.55%	4.70%	5.11%	4.84%	5.67%	
129,699	129,699	129,699	129,699	129,699	129,699	129,699
541.11	618.04	1,138.48	1,237.81	1,170.90	1,372.18	

City of Sterling Heights, Michigan

	As of June 30,			
	2011	2012	2013	2014
Calculation of debt limit:				
State equalized valuation	\$ 5,102,857,880	\$ 4,693,100,100	\$ 4,304,899,550	\$ 4,349,484,972
10% of taxable value	510,285,788	469,310,010	430,489,955	434,948,497
Calculation of debt subject to limit:				
Total debt	59,359,068	63,946,958	59,021,599	54,523,232
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	14,180,000	12,170,000	8,880,000	8,535,000
Special Assessment Bonds	3,060,000	2,960,000	2,850,000	2,700,000
MID District Special Assessments	2,784,768	2,716,185	2,647,602	2,548,452
OMID District Special Assessments	-	-	-	100
net debt subject to limit	39,334,300	46,100,773	44,643,997	40,739,680
Legal debt margin	470,951,488	423,209,237	385,845,958	394,208,817
Net debt subject to limit as % of debt limit	7.71%	9.82%	10.37%	9.37%

(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, 2020

As of June 30,

2015	2016	2017	2018	2019	2020
\$ 4,570,734,306	\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075
457,073,431	491,982,470	501,360,253	526,171,513	546,162,472	585,180,908
52,260,068	59,037,263	115,396,836	137,286,391	129,958,435	157,126,387
7,205,000	15,995,000	16,595,000	23,180,000	20,845,000	19,129,213
2,550,000	2,400,000	2,250,000	2,100,000	1,950,000	1,800,000
2,449,227	2,468,817	2,182,194	2,258,379	1,962,402	1,983,169
1,649,117	1,585,295	1,520,333	1,454,232	1,385,851	1,316,331
38,406,724	36,588,151	92,849,309	108,293,780	103,815,182	132,897,674
418,666,707	455,394,319	408,510,944	417,877,733	442,347,290	452,283,234
8.40%	7.44%	18.52%	20.58%	19.01%	22.71%

City of Sterling Heights, Michigan

Pledged Revenue Coverage

Last Ten Fiscal Years
June 30, 2020

Limited Tax Obligation Bonds

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2019	5,720,642	2,405,000	2,293,487	4,698,487	1.218
2020	7,244,184	3,230,000	2,799,402	6,029,402	1.201

Michigan Transportation Fund Bonds

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2019	5,919,343	2,335,000	773,131	3,108,131	1.904
2020	6,184,549	2,495,000	737,114	3,232,114	1.913

Special Assessment Bonds

Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)
		Principal	Interest	Total	
2011	311,450	100,000	123,400	223,400	1
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
2019	320,493	150,000	85,600	235,600	1.360
2020	221,453	150,000	79,600	229,600	0.965

(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, 2020

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education Age 25 or Older (2)		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					
2010	128,500	35-39	84.0%	22.9%	29,430	3,781,755	49,339	60,494	13.6%
2011	129,699	40-44	84.0%	22.9%	24,213	3,140,402	49,508	53,390	9.8%
2012	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	9.0%
2013	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	9.0%
2014	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	9.0%
2015	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	7.0%
2016	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	4.6%
2017	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	3.4%
2018	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	3.9%
2019	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	4.2%
2020	129,699	40-44	86.4%	22.9%	24,213	3,140,402	49,576	53,390	17.5%

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, 2020

			Income and Benefit Characteristics	
Population		Household Income		Number of Households
2010 U.S. Census		129,699	Less than \$14,999	3,664
2000 U.S. Census		124,471	\$15,000 - \$34,999	9,056
1990 U.S. Census		117,810	\$35,000 - \$49,999	7,056
1980 U.S. Census		108,999	\$50,000 - \$74,999	9,296
			\$75,000 - \$99,999	7,420
			\$100,000 or more	13,531
Housing Tenure			Households:	
Types	2010	2000	Number	
Owner occupied	37,685	36,584	With earnings	
Renter occupied	11,766	9,735	With Social Security income	
Vacant:			With retirement income	
Seasonal/Migrant	128	148	With supplemental security income	
Other vacant units	2,611	1,080	With cash public assistance income	
Total	52,190	47,547	With food stamps/SNAP benefits	
Household Characteristics				
Types	2010	2000	Number of Employees	
With seniors 65+	14,229	10,252	Management, professional, and related	
Without seniors	35,222	36,067	Service	
Two or more without children	21,007	19,041	Sales and office	
Live alone, over 65	5,316	3,915	Natural resources, construction, and maintenance	
Live alone, under 65	7,791	7,245	Production, transportation, and material moving	
With children	15,337	16,118	Total	
Total households	49,451	46,319	65,031	
Age Statistics				
Years	2010	2000		
Under 5	5.5%	6.2%		
5 to 19	18.7%	20.3%		
20 to 24	6.3%	6.1%		
25 to 44	25.8%	30.4%		
45 to 64	28.5%	25.2%		
Over 64	15.2%	11.8%		
			Total	
			65,031	

Source: United States Census Bureau - 2000/2010 Census and 2018 American Community Survey One Year Estimates

City of Sterling Heights, Michigan

Principal Employers (Major Employers)

Current Year and Ten Years Ago

June 30, 2020

Company Name	Product/Service	Year Ended June 30, 2020			Year Ended June 30, 2011		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
FCA US, LLC	Automotive assembly and stamping	9,928	1	15.27%	2,500	2	4.33%
America's Back Office	Professional employer organization	3,500	2	5.38%	-	-	-
General Dynamics	Defense-related manufacturing	3,170	3	4.87%	2,700	1	4.68%
Ford Motor Company	Automotive axles and transmissions	2,720	4	4.18%	1,400	4	2.43%
Utica Community Schools	Education	1,637	5	2.52%	1,150	6	1.99%
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	6	1.54%	1,200	5	2.08%
Mayco International/Stonebridge Industries	Automotive plastics	750	7	1.15%	-	-	-
Walmart Stores	Retail	850	8	1.31%	-	-	-
BAE Systems	Defense Technology	600	9	0.92%	-	-	-
Meijer, Inc.	Retail	475	10	0.73%	-	-	-
Lakeside Associates	Retail Shopping Center	-			2,000	3	3.47%
Warren Consolidated Schools	Education	-			790	7	1.37%
City of Sterling Heights	Government	-			543	8	0.94%
Miliken Milwork, Inc.	Wooden and stainless steel doors and stairs	-	-		500	9	0.87%
Kuka Flexible Production System, Inc.	Automotive interior	-	-		450	10	0.78%
	Ten largest employers	24,630		37.87%	13,233		22.94%
	Other employers	40,401		62.13%	44,449		77.06%
	Total employment	<u>65,031</u>			<u>57,682</u>		

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, 2020

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Election Data										
Registered voters	85,953	86,231	85,436	88,164	87,576	86,465	88,520	84,781	86,629	90,254
Voters at polls	39,285	13,020	42,504	21,322	26,444	8,178	41,578	8,130	35,160	8,798
Absentee ballots	11,037	8,299	16,205	8,966	11,862	8,475	16,443	8,221	14,232	9,105
Percent voting	58.55%	24.72%	68.72%	34.35%	43.74%	19.00%	65.55%	19.29%	57.02%	19.84%
41A District Court										
Court Cases										
Civil	4,037	3,760	3,546	2,550	2,652	2,566	2,612	3,021	3,180	2,467
Criminal	4,254	3,654	3,408	3,813	4,279	3,644	3,321	3,825	4,018	3,057
Landlord and tenant	2,442	2,610	2,265	2,491	2,223	2,161	1,932	1,971	2,164	1,538
Small claims	451	404	313	400	333	386	393	340	282	175
Traffic	31,074	22,924	22,889	22,550	25,887	31,584	31,445	26,847	27,350	18,567
Public Safety										
Police Protection										
Adult arrests	2,691	2,686	3,083	3,113	3,882	3,919	3,612	3,290	3,411	2,529
Civil infractions	29,315	20,670	21,788	20,535	27,031	30,780	26,088	22,994	23,990	15,510
Group A offenses (1)	5,769	3,890	3,216	2,926	2,885	2,871	2,782	3,078	3,210	2,800
Group B offenses (2)	1,960	1,652	2,030	2,306	2,867	3,235	2,917	3,467	4,090	3,877
Injury accidents	752	616	598	860	952	1,300	1,265	899	925	710
Juvenile arrests	159	143	195	190	219	212	116	99	88	57
OUIL arrests	297	199	220	183	204	169	138	157	120	141
Parking violations	1,125	585	1,116	1,298	1,282	1,333	1,468	1,116	1,326	1,097
Property damage	3,408	2,849	2,974	3,488	3,625	3,638	3,825	3,915	3,680	2,946
Private property damage	846	820	712	741	700	644	531	323	197	184
Total traffic violations	32,752	24,109	22,428	24,142	31,777	35,610	30,678	26,521	27,986	18,528
Fire Protection										
Emergency alarms answered	11,062	11,589	11,653	12,451	13,588	14,293	14,805	15,930	15,795	15,683
Fire inspections conducted	2,288	1,029	882	878	863	1,232	1,688	1,146	1,235	1,937
Inspection violations issued	4,397	2,067	1,670	1,020	945	2,433	24,722	2,500	2,319	3,050
Medical emergencies	8,617	8,948	8,969	9,435	10,253	10,753	11,025	11,808	11,856	11,644
Training hours completed	29,986	23,230	22,790	24,994	26,086	24,359	32,116	35,002	43,780	40,687
Recreation and Culture										
Parks and Recreation										
Adult athletics attendance	21,301	21,221	24,357	21,967	19,006	17,914	21,291	20,051	18,728	18,942
Instructional rec. attendance	23,933	27,132	22,666	20,344	23,566	23,916	22,903	27,143	29,802	17,980
Nature program attendance	23,374	21,318	14,582	17,170	15,079	16,187	15,753	18,085	16,020	9,999
Senior program attendance	102,577	103,663	103,667	100,026	97,769	101,770	101,825	108,155	118,720	98,036
Special event attendance	72,321	62,015	53,734	46,379	80,680	114,295	93,327	112,833	120,118	124,280
Adaptive recreation program attendance	10,803	10,766	9,895	8,395	8,847	8,460	7,568	7,523	7,135	4,990
Summer playground attendance	12,160	11,144	12,613	13,053	12,765	10,353	12,182	11,254	8,776	6,674
Library										
Book van deliveries	7,367	4,547	3,788	3,253	3,259	2,833	2,797	2,837	2,833	1,979
Community meeting room reservations	1,209	1,463	1,325	1,183	1,463	1,528	1,587	1,668	1,600	1,126
In-house materials usage	107,155	133,539	132,298	82,304	60,279	54,742	39,714	32,590	33,526	18,710
Interlibrary loan requests	97,588	93,068	90,764	86,950	80,545	78,015	71,796	69,323	68,940	54,225
Interlibrary loans - Lent	87,255	82,094	82,832	79,360	72,109	70,606	62,818	61,479	61,875	49,901
Items circulated	614,905	600,445	577,448	536,485	536,038	548,414	536,321	565,478	632,157	492,674
Library visits	484,259	453,690	412,656	384,063	376,007	385,398	314,813	241,302	223,577	149,962
Online computer uses	610,054	768,815	1,050,062	1,659,105	1,216,053	921,671	998,803	913,999	1,091,578	1,077,819
Program attendance	23,184	22,168	15,310	15,196	16,322	20,209	23,208	27,721	32,751	63,867
Reference transactions	120,873	93,243	83,000	68,052	65,368	65,587	64,893	59,864	54,365	42,828
Registered borrowers	53,181	52,733	51,248	49,863	48,490	47,334	46,498	66,043	64,449	62,882
Water and Sewer Services										
Customers: (3)										
Residential	34,869	34,995	35,077	35,155	35,223	35,319	35,419	35,494	35,539	35,599
Commercial/Industrial	4,126	4,262	4,280	4,280	4,274	4,297	4,270	4,320	4,333	4,340
Water (in thousand cubic feet):										
Purchased from Detroit	683,223	695,711	678,000	614,039	603,378	636,215	615,045	580,053	584,634	571,473
Sold to residents	692,621	677,554	698,650	618,799	602,994	590,426	629,333	591,358	587,317	555,329
Rates (per thousand):										
1,000 CU. FT.	\$ 40.59	\$ 42.07	\$ 43.97	\$ 48.52	\$ 55.37	\$ 62.59	\$ 71.79	\$ 74.75	\$ 77.20	\$ 81.22
Next 2,000 CU.FT.	40.59	42.07	43.97	48.52	55.37	62.59	71.79	74.75	77.20	81.22
Over 3,000 CU.FT.	41.77	46.18	48.24	53.13	60.53	68.26	78.11	81.51	84.39	88.78
Sewer only - Per billing	50.00	55.00	60.00	65.00	70.00	80.00	85.00	87.00	89.00	91.00

(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.

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Capital Asset Statistics by Function

Last Ten Fiscal Years

June 30, 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	51	50	50	53	54	49	51	45	52
Vehicles - Unmarked	63	65	57	54	65	56	57	58	58	62
Fire Protection										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	16	16	16	16	16	16	21	21	23	23
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	288	288	288
Sidewalks	610	610	611	612	614	615	617	618	620	628
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	2	2	1	1
Street lights	2,520	2,530	2,530	2,530	2,535	2,535	2,535	2,535	2,535	2,535
Vehicles - Snow plows	22	22	22	21	21	25	25	25	23	23
Water and Sewer Services										
Fire hydrants	7,221	7,238	7,261	7,270	7,281	7,292	7,305	7,317	7,429	7,428
Miles of water mains	575	576	576	576	576	667	667	667	667	667
Miles of sanitary sewers	430	430	430	430	430	430	475	475	475	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	204,977	208,102	209,040	195,656	196,437	196,019	190,166	186,932	185,922	172,302
Other collections (1)	37,603	42,507	46,306	37,848	57,623	53,447	64,638	71,715	143,464	147,271
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, 2020

Fiscal Year Ended June 30	Residential					Total Residential	
	New Construction		Additions/Improvements				
	Number	Value	Number	Value			
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		
2019	42	13,392,236	1,401	887,605	14,279,841		
2020	88	27,502,441	1,076	1,107,943	28,610,384		

Fiscal Year Ended June 30	Commercial					Total Commercial	
	New Construction		Additions/Improvements				
	Number	Value	Number	Value			
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		
2019	11	108,794,390	110	29,263,744	138,058,134		
2020	125	85,489,933	90	40,847,483	126,337,416		

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, 2020

Function	Full-time and Part-time Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	74	60	56	57	60	61	57	63	65	67
41A District Court	40	39	38	37	39	39	41	41	42	43
Public safety:										
Police	243	228	222	222	203	203	202	206	206	206
Fire	101	91	86	86	88	88	88	104	104	106
Public works:										
City development	24	19	24	26	28	29	31	28	31	32
Public works	34	26	29	31	34	34	35	35	19	19
Street services	21	21	18	21	25	24	24	24	28	28
Engineering (1)	11	9	8	9	9	9	9	9	9	9
Recreation and culture:										
Parks and recreation	11	10	10	10	11	12	10	15	17	17
Library	41	38	36	37	38	38	38	38	39	39
Water and sewer	39	37	35	35	35	36	36	40	46	47
Total	<u>639</u>	<u>578</u>	<u>562</u>	<u>571</u>	<u>570</u>	<u>573</u>	<u>571</u>	<u>603</u>	<u>606</u>	<u>613</u>

(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, 2020

Fiscal Year Ended June 30	Modified Accrual Basis of Accounting	Accrual Basis of Accounting
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
2019	12,149,046	12,162,566
2020	12,532,213	12,055,055

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Gas and Weight Taxes

Last Ten Fiscal Years
June 30, 2020

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Roads	
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
2019	8,635,594	3,203,092	11,838,686
2020	9,021,127	3,347,971	12,369,098

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Labor Agreements

June 30, 2020

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	6/30/2022	100	-	
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2022	59	34*	
Department of Public Works Field Employees Teamsters, Local 214	6/30/2021	59	-	
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2022	34	-	
Professional and Technical Employees Michigan Association of Public Employees (MAPE)	6/30/2023	37	15	
Court Clerical AFSCME, Local 1884, Council 25	6/30/2022	19	6	
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2023	20	0	
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2022	12	-	
Executive Employees Sterling Heights Executive Group	6/30/2022	7	-	
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2023	7	-	
Nonunion Employees				
41A District Court Administration	N/A	10	-	
41A District Court Judges	N/A	3	-	
Ordinance Employees	N/A	2	-	

* Includes ten 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 Henry Yanez
Councilwoman Barbara A. Ziarko

STERLING HEIGHTS CITY MANAGER

Mark D. Vanderpool

FINANCE & BUDGET DIRECTOR

Jennifer L. Varney