



CITY OF
**Sterling
Heights**
MICHIGAN

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

2020-2021



City of Sterling Heights, Michigan

**Annual Comprehensive Financial Report
with Supplemental Information
For the Fiscal Year Ended June 30, 2021
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 9, 2021

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 Annual Comprehensive Financial Report (ACFR) of the City of Sterling Heights, Michigan (the "City") as of and for the year ended June 30, 2021 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 55,293 households and 4,340 commercial and industrial businesses. According to the 2020 census, the official population for the City increased 3.6 percent to 134,346. Sterling Heights remains the fourth largest populated city in Michigan. At the end of the fiscal year, the City had a 4.3 percent unemployment rate as compared to a Macomb County rate of 4.5 percent, a statewide rate of 5.3 percent, and a national average of 6.1 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. Due to a voter approved change to the city charter, the mayor and City Council that was elected in November 2021 will serve four-year terms. 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 seven years bringing total reserves to \$32.2 million or 28.4% 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. In the upcoming years, additional funds received through the American Rescue Plan Act will allow the City to invest in infrastructure improvements and quality of life initiatives. City Administration and City Council will be finalizing a plan for the utilization of these funds in the coming months, incorporating the input of the community and other stakeholders.

The 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 \$3.7 million in dedicated funding for neighborhood street repairs and \$7.8 million to prevent further reductions in the number of sworn police and firefighters.

Because of the Safe Streets 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.

Since 2008, the City lost a cumulative \$148.5 million in property taxes compared to a normal inflationary housing market. The City has also lost \$80 million in revenue sharing since 2002.

Despite labor contract savings and lower full-time staffing, funding for long-term retirement liabilities remains a significant ongoing expenditure. For the fiscal year 2021/2022 budget, contributions to pension and other post-retirement benefit funds total 24 percent of the General Fund operating budget. Strong returns across all funds in fiscal year 2020/2021 have increased the combined funding level of all three plans to nearly 77%.

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 134 positions since 2002 and labor contract savings totaling \$12.5 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

The COVID-19 pandemic continued to impact city operations throughout the fiscal year. Although most facilities were reopened and many amenities and activities were reinstituted, additional resources and planning was required to ensure that employees and residents were kept safe as we attempted to return to "normal". 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 2020/2021:

1. The Sterling Heights Fire Department, in conjunction with Macomb County Emergency Management (EM), and Macomb County Health Department created and operated a drive-thru vaccination site and walk-in site during the first half of 2021 to administer vaccinations. The Sterling Heights Senior Center and a vacant Sears Automotive Center was used to administer vaccines to thousands of residents. During the 14 weeks of operation, nearly 7,000 doses of vaccine were administered at the drive-thru site.
2. The investments continued in improving the city's aging facilities. The newly renovated 41-A District Court, Library, Police Station, and City Hall were presented to the public via an open house held on August 5, 2021. Important upgrades were completed that will improve the longevity of our buildings while also focusing on sustainability measures that are more eco-friendly and efficient. Upgrades were also made that will provide more accessibility and augmented experiences for residents who come to our campus for various transactions.
3. Work continued on the new Department of Public Works facility culminating with a public opening on October 19, 2021. The new \$24.6 million, 178,000-square-foot facility will house roughly 100 employees along with DPW fleet vehicles and equipment. This new state-of-the-art

facility incorporates improved energy efficiency technology, vehicle maintenance bays, more natural lighting for employees, better ventilation and vastly improved training amenities. The project is consistent with the City's newly adopted Sustainability Plan and, ultimately, will help enhance services to our residents and businesses.

4. Significant strides were made in the City's Diversity, Equity and Inclusion programs including the creation of the commUNITY Alliance and the African American Coalition. In combination with additional efforts, including the hiring of a DEI consultant, the goal of these groups is to break through the barriers of prejudice, bias and divisiveness to realize our vision of a vibrant, inclusive community with an exceptional quality of life.
5. Significant investment continued in road improvements including the resurfacing of portions of Schoenherr Road, 19 Mile Road, and Metro Parkway, not to mention the groundbreaking on the \$230 million total Reconstruction of Mound Road. And thanks to the Safe Streets millage a total of \$6.3 million was invested in neighborhood road repairs.
6. The City announced a collection of signature events and amenities for the public which were all conducted based on the current public health guidelines. The "Break-Free Blast" events included a Memorial Day cruise, an outdoor Cultural Exchange and the return of Summer Thursdays to Dodge Park, which consisted of the Dodge Park Farmers Market, Patios n' Pints and the return of Music in the Park.
7. The City developed a 2022 budget that prioritized critical needs including the addition of seven police officers and the City's first ever full-time social worker. The budget continues to prioritize road repair and reconstruction and funds a total of \$16.8 million toward a total investment of \$105 million in major road reconstruction during the 2021 construction season. The adopted budget includes the resumption of the sidewalk gap and repair programs and includes funding for the replacement of all residential water meters – most of which are 50 years old – with new, state-of-the-art meters. The proposed budget also continues to invest in public safety through the replacement of critical vehicles and equipment.

Major Initiatives for July 1, 2021 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 will develop a plan for the strategic use of funds received through the American Rescue Plan Act and will incorporate the feedback of a variety of stakeholders through the use of on-line surveys and Community Investment forums.
3. 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.
4. 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.
5. The City is undertaking a project to convert all streetlights to LED. This project will not only save nearly 22% annually in electricity costs, but will also move us one step closer to a sustainable future.
6. The nearly 50-year old water meters will be replaced throughout the city. The new meters will include new technology that will allow residents to monitor their water usage enabling the early detection of high usage and leaks. The new technology will also allow the city to move to monthly bills and budget billing, allowing customers the opportunity to smooth out seasonal spikes and better budget their water and sewer costs.
7. 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 2022. Major road investment will continue including

planned resurfacings of 14 Mile Road, 19 Mile Road, Hayes Road and Metro Parkway and the first phase of the total reconstruction of Mound Road.

8. 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.

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 included in the Annual Report 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. 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 Annual Comprehensive Financial Report (ACFR), whose contents conform to program standards. As such, the ACFR 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 33 consecutive years (fiscal years 1988–2020). 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.

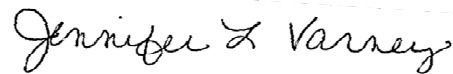
Acknowledgments

The preparation of this Annual Comprehensive 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

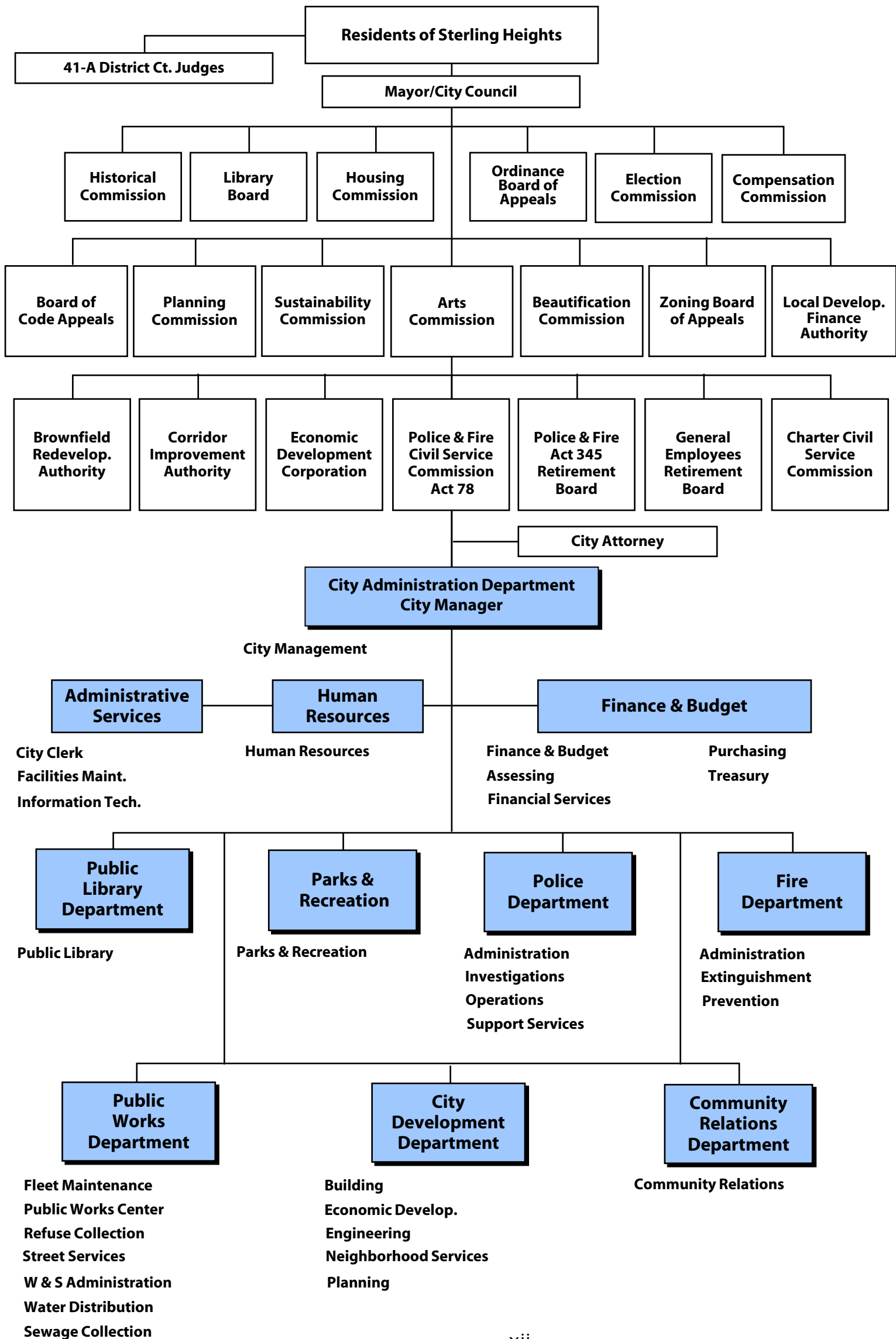
**City of Sterling Heights
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



CITY OF STERLING HEIGHTS, MICHIGAN
List of Principal Officials

Title	Name
City Manager	Mark D. Vanderpool
Assistant City Manager	Jeffery Bahorski
Building Official	Frank Bayer
City Assessor	Robin Palazzolo
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
American Rescue Plan Act*

Debt Service

Capital Projects

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

General Employees' Retirement System
Police and Fire Retirement System
Retiree Medical Benefits
Tax Collections
District Court

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, 2021 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, 2021 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the basic financial statements, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. Our opinion is not modified with respect to this matter.

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 9, 2021 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 solely 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 effectiveness of the City of Sterling Heights, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sterling Heights, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 9, 2021

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, 2021. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i - x and is intended to serve as an introduction to the City of Sterling Heights, Michigan's basic financial statements.

Financial Highlights

- As a result of this year's operations, the City's overall net position increased by \$35.2 million, or 22.7 percent. The net position of both governmental activities and business-type activities increased.
- The net position of governmental activities increased by \$30.1 million, or 84.7 percent, primarily due to investments in roads, parks and recreation facilities, building renovations, and a new public works building. The net pension and OPEB liabilities also decreased due to annual rates of return of over 30 percent across all three plans.
- The net position of business-type activities increased by \$5.1 million, or 4.2 percent, primarily due to unspent OMID bond proceeds and positive operational income due to dry weather, offset by depreciation expense.
- The General Fund reported a \$2.3 million contribution to fund balance for the current year, bringing total General Fund reserves to \$32.2 million, or 28.4 percent of expenditures. General Fund revenue increased by \$6.3 million, or 5.8 percent, due to increased property tax revenue of \$2.0 million resulting from an overall 4.0 percent increase in taxable value (1.9 percent due to inflation and the remainder due to growth and development), partially offset by a decrease in the general operating millage rate of 0.1834 mill. The Police and Fire Retirement System pension tax contributed \$1.4 million to this increase due to an increase in the required contribution to the pension fund. Grant revenue was also up \$4.9 million primarily due to the receipt of funding related COVID-19, the largest of which was \$4.0 million from the Public Safety Public Health Payroll Reimbursement Program grant through the State of Michigan. These increases were partially offset by lower court fine revenue resulting from the extended shutdown of the 41-A District Court and reduced interest on investment earnings due to the continued low interest rate environment.
- General Fund expenses increased by \$7.0 million, or 6.6 percent, over last year primarily due to a \$4.0 million increase in public safety expenditures resulting from an increase in the required contribution to the Police and Fire Retirement System pension fund, the hiring of six additional firefighters, and expenditures related to the drive-thru vaccination center. Transfers to other funds increased by \$3.0 million due to additional transfers to the Major Roads Fund and the Facilities Improvement Fund.

Government-wide Statements

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

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

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

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

- **Component Units** - The City includes four other separate entities in its report: the Economic Development Corporation, the Brownfield Redevelopment Authority, the Corridor Improvement Authority, and the Local Development Finance Authority. Although legally separate, these component units are important because the City is considered financially accountable 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 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 in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information on pension and OPEB plans.

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, 2021 and 2020:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 114,009,034	\$ 105,326,154	\$ 57,051,259	\$ 26,492,863	\$ 171,060,293	\$ 131,819,017
Capital assets	344,599,991	314,863,444	185,037,963	182,340,598	529,637,954	497,204,042
Total assets	458,609,025	420,189,598	242,089,222	208,833,461	700,698,247	629,023,059
Deferred Outflows of Resources	26,174,859	42,113,313	1,066,998	2,204,118	27,241,857	44,317,431
Liabilities						
Current liabilities	33,449,847	26,331,750	6,951,355	5,459,514	40,401,202	31,791,264
Noncurrent liabilities	289,261,850	391,605,130	105,742,962	84,849,684	395,004,812	476,454,814
Total liabilities	322,711,697	417,936,880	112,694,317	90,309,198	435,406,014	508,246,078
Deferred Inflows of Resources	96,318,131	8,761,992	5,782,090	1,122,459	102,100,221	9,884,451
Net Position						
Net investment in capital assets	247,555,511	233,489,857	100,099,360	111,234,487	347,654,871	344,724,344
Restricted	12,414,891	11,579,485	16,102,118	3,816,286	28,517,009	15,395,771
Unrestricted	(194,216,346)	(209,465,303)	8,478,335	4,555,149	(185,738,011)	(204,910,154)
Total net position	<u>\$ 65,754,056</u>	<u>\$ 35,604,039</u>	<u>\$ 124,679,813</u>	<u>\$ 119,605,922</u>	<u>\$ 190,433,869</u>	<u>\$ 155,209,961</u>

The City as a Whole

The City's overall net position increased by 22.7 percent from last year, growing from \$155.2 million to \$190.4 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. The net pension and OPEB liabilities also decreased due to annual rates of return of over 30 percent across all three plans.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$30.1 million in net position during fiscal year 2021. As noted above, this is primarily due to investments in roads, parks and recreation facilities, building renovations, and a new public works building, as well as the decrease in net pension and OPEB liabilities. As of June 30, 2021, 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 \$194.2 million. This represents an increase of \$15.2 million compared to June 30, 2020. The negative amount primarily is due to recognition of future pension and OPEB liabilities, which decreased this year due to strong investment returns. The City is committed to continued funding of these long-term liabilities on a yearly basis.

The business-type activities experienced an increase in net position of \$5.1 million, primarily due to unspent OMID bond proceeds and positive operational income due to dry weather, offset by depreciation expense.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 11,949,375	\$ 12,876,234	\$ 58,984,621	\$ 50,351,649	\$ 70,933,996	\$ 63,227,883
Operating grants	16,793,437	10,376,070	-	875,241	16,793,437	11,251,311
Capital grants	15,668,776	15,118,758	994,297	1,871,557	16,663,073	16,990,315
General revenue:						
Taxes	74,319,939	72,130,241	-	-	74,319,939	72,130,241
Intergovernmental	14,499,046	12,677,603	-	-	14,499,046	12,677,603
Investment earnings	762,914	2,220,455	41,778	333,463	804,692	2,553,918
Other revenue	4,585,790	5,136,880	16,075	5,136	4,601,865	5,142,016
Total revenue	138,579,277	130,536,241	60,036,771	53,437,046	198,616,048	183,973,287
Expenses						
General government	13,349,706	16,349,557	-	-	13,349,706	16,349,557
41A District Court	3,443,551	4,103,248	-	-	3,443,551	4,103,248
Public safety	57,676,549	65,604,864	-	-	57,676,549	65,604,864
Public works	20,977,660	21,430,495	-	-	20,977,660	21,430,495
Recreation and culture	9,675,805	8,860,964	-	-	9,675,805	8,860,964
Debt service	3,305,989	3,540,056	-	-	3,305,989	3,540,056
Water and sewer operations	-	-	54,962,880	56,529,468	54,962,880	56,529,468
Total expenses	108,429,260	119,889,184	54,962,880	56,529,468	163,392,140	176,418,652
Change in Net Position	30,150,017	10,647,057	5,073,891	(3,092,422)	35,223,908	7,554,635
Net Position - Beginning of year	35,604,039	24,956,982	119,605,922	122,698,344	155,209,961	147,655,326
Net Position - End of year	\$ 65,754,056	\$ 35,604,039	\$ 124,679,813	\$ 119,605,922	\$ 190,433,869	\$ 155,209,961

Financial Analysis of Individual Funds

The fund financial statements provide detailed information on the most significant funds. The City's major governmental funds for 2021 include the General Fund, the General Improvements Fund, the Road Bond Construction Fund, and the American Rescue Plan Act Fund.

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

General Fund Budgetary Highlights

General Fund revenue increased by \$6.3 million, or 5.8 percent, compared to the prior year to \$116 million. Property taxes increased by 3.1 percent due to a 1.9 percent inflationary increase in taxable value and additional growth from new construction and development. This growth was partially offset by a decrease in the general operating millage rate of 0.1834 mill. The Police and Fire Retirement System pension tax contributed \$1.4 million to this increase due to an increase in the required contribution to the pension fund. Grant revenue was also up \$4.9 million primarily due to the receipt of funding related to COVID-19, the largest of which was \$4.0 million from the Public Safety Public Health Payroll Reimbursement Program grant through the State of Michigan. These increases were partially offset by lower court fine revenue resulting from the extended shutdown of the 41-A District Court and reduced interest on investment earnings due to the continued low interest rate environment.

General Fund expenditures totaled \$113.7 million, which is an increase of \$7 million, or 6.6 percent, compared to the prior year. Public safety expenditures increased \$4.0 million primarily due to an increase in the required contribution to the Police and Fire Retirement System pension fund, the hiring of six additional firefighters, and expenditures related to the drive-thru vaccination center. Transfers to other funds increased by \$3.0 million due to additional transfers to the Major Roads Fund to fund additional road improvements and to the Facilities Improvement Fund to fund renovations to City Hall, the Police Department, the public library and the 41-A District Court.

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 2021. Final budgeted expenditures were \$7.1 million, or 6.6 percent, higher than the original budget primarily due to the transfer of an additional \$3.8 million to the Facilities Improvement Fund to fund expenditures related to the renovations at City Hall, the Police Department, the public library, and the 41-A District Court. Additional transfers to the Major Roads Fund, capital project fund, and Parks and Recreation Fund totaling \$3 million were also added to fund future road and capital improvements. Final budgeted revenue was \$10.5 million, or 10 percent, higher than the original budget due to a higher property tax reimbursement from the State of Michigan, an increase in state-shared revenue over original projections, and additional COVID-19 related grant revenue, offset by reductions to fines and forfeitures due to the pandemic related closure of the 41-A District Court and decreased investment income due to the continued low interest rate environment.

At year end, actual General Fund expenditures were 98.7 percent of the budgeted amount, or \$1.5 million under budget. Every department in the City came in under budget. General Fund revenue was 100.1 percent of the budget amount, or \$139,000 over budget.

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 last year to fund the construction of a new building for the department of public works. A \$7.9 million decrease to fund balance was seen in the current year, as proceeds from the bond issued in the prior year were used to finance the ongoing construction of the new DPW building.

Road Bond Construction Fund Highlights

The Road Bond Construction Fund is used to account for road improvements financed through the issuance of Michigan Transportation Fund (MTF) bonds. In the current fiscal year, an \$18 million MTF Bond was issued to fund the first tranche of the total reconstruction of Mound Road. Future MTF bonds will be issued to fund the City's \$43 million share of this \$230 million project. Other funding sources include a federal grant, as well as cost sharing with Macomb County, Michigan and the City of Warren, Michigan. The total fund balance in this fund increased by \$17.7 million due to the issuance of these bonds, the proceeds of which will be expended over the next two years.

American Rescue Plan Act Fund Highlights

The American Rescue Plan Act Fund was created to track the revenue and expenditures related to the funds the City will receive as part of the American Rescue Plan Act passed by the federal government in 2021. The City will receive a total of \$19.8 million over two years, and eligible expenditures must be incurred by 2026. The City received the first half of the grant in 2021 but has not incurred any expenditures; therefore, the grant is recorded as unearned revenue. The City has been conducting community forums and community surveys to determine the best use of the funds, and City Council is expected to approve a plan in early 2022.

Capital Assets and Debt Administration

At the end of fiscal year 2021, the City had \$348.4 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$295.4 million and \$264.3 million for fiscal years 2021 and 2020, respectively (see Note 6 to the notes to the financial statements for additional information).

As part of the City's March 2021 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 2021 totaled \$9.2 million (see Note 9 to the notes to the financial statements for additional information).

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Significant bond activity for the audited fiscal year included an \$18 million Michigan Transportation Fund Bond issued in March 2021 to fund the first tranche of the total reconstruction of Mound Road and a \$15 million Capital improvement Bond issued at the same time to fund water and sewer main replacements under Mound Road and other critical sewer line repairs.

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
2021	\$ 158,156,722	2.7027%	\$ 1,177
2020	132,897,674	2.2711%	1,025
2019	103,815,182	1.9008%	800

Current Economic Conditions

To say the past year was unprecedented is a gross understatement. Over one year ago, the City declared a local emergency to begin addressing the crisis, which would continue to evolve, resulting in the worst pandemic in modern history. The City responded swiftly, shutting down facilities, developing emergency assistance programs, and innovating service delivery to ensure continuity of local services that residents and businesses rely on to survive. The City developed the At-home Services plan, which enabled individuals to access services remotely. This minimized construction delays across the City, provided virtual recreational and library services, extended lifelines to seniors through a volunteer corps addressing their most basic daily needs including shopping and meal deliveries. Many other services are provided remotely under this plan.

The City was one of the first in the area to resume in-person City Council meetings to ensure participatory and inclusionary government prevailed even during a time of crisis. The City established a Vaccine Task Force, ultimately becoming one of the first cities in the state to be approved as a vaccine provider under the Michigan Care Improvement Registry (MICRS). City paramedics began administering the vaccine in March and soon will open a drive-thru vaccination center. The end goal is to do all that is possible to get as many Sterling Heights residents vaccinated as quickly as possible.

Coinciding with the pandemic crisis, the Police Department worked hard to keep protesters and others safe during the summer months filled with racial unrest. The City did not sit idly by hoping the problem would just go away. Instead, the African American Coalition was created to establish meaningful dialogue with the City's Black population in the spirit of inclusivity and equity. While there are no easy answers to the country's history of racial injustice, the City of Sterling Heights, Michigan is committed to doing all that is possible to foster a culture of understanding and respect centered on diversity, equity, and inclusion.

While the challenges seemed insurmountable, the City forged ahead with major facility renovations, including the court, library, police station, City Hall, and DPW facility. Even though the projects experienced delays, the state-of-the-art improvements are nearing completion and will serve the community for decades to come. The City also completed a long list of road projects and related infrastructure improvements across the City.

Notwithstanding the COVID-19 pandemic, the City continued to experience economic growth with major manufacturing, commercial, and residential development. For example, Amazon opened in 2020, Stellantis (formerly FCA) completed construction of a major facility on Enterprise Drive, numerous commercial projects commenced on 18½ Mile Road between Mound and Van Dyke, Lakeside Mall redevelopment planning progressed, light manufacturing facilities were constructed on Mound Road, a new hotel and restaurant was approved on Van Dyke, Portillo's restaurant opened to much fanfare, and numerous residential projects were started or completed. This impressive investment activity led once again to aggregate property values ranking among the highest in the state.

Property Tax Revenue

The City's overall property tax assessments increased by 4.0 percent in fiscal year 2021. Proposal A limited the inflationary adjustment to 1.9 percent, and new construction and property turnover leading to the uncapping of assessments accounted for an additional 4.7 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 5.5 percent reduction in personal property value. Despite recent increases, taxable values (including personal property value losses) have still fallen by 11 percent since 2008, resulting in a cumulative \$148.5 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 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 2021 tax year, the average homeowner's total tax bill is only \$312 higher than 2007, an annualized increase of less than 1 percent per year. The City's tax rate remains lower than 57 percent of all cities in the state and one of the lowest of any city in Macomb County. For 2021, the City's tax rate was 5.8 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 11 percent. The State has cut revenue-sharing payments, resulting in a cumulative \$80 million loss since 2002, despite a growing city population.

Road Funding

The City of Sterling Heights, Michigan continued to prioritize road reconstruction in 2021 by investing over \$11.8 million in major and local road reconstruction. This significant investment was financed through a variety of sources, including state road funding, bond proceeds, and contributions from the General Fund. Thankfully, the Safe Streets millage that was first approved in 2013 was renewed in 2019 for an additional 10 years and will generate \$3.7 million annually for local road reconstruction. Despite recent increases in road funding from the State, the City has still lost \$12.2 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 Staffing

Due to past revenue losses, the City had to eliminate numerous positions over the past 10 years, as nearly 74 percent of the city budget is composed of personnel costs. In the fiscal year 2021-2022 budget, the City was able to add 29 new positions through a variety of funding sources, including ambulance transport revenue and the shifting of jail operations to Macomb County, Michigan. The City now has 515 budgeted full-time employees but is still down 134 full-time employees since its peak in 2002. Our ratio of full-time employees remains very low at 4.0 employees for every 1,000 residents and is below any comparable city in Michigan.

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 seven years. General Fund reserves now total \$32.2 million, or 28.4 percent of General Fund expenditures. The 2021-2022 budget includes a use of fund balance equating to approximately \$2 million; however, more recent projections, which include an increase in expected revenue sharing and a reduction in postretirement benefit expenditures, indicate that the use of fund balance will be eliminated. By following the City's long-term financial plan, the City has been able to weather the financial storm caused by the pandemic and avoided compromising its superior AA bond rating, which saves hundreds of thousands of dollars in annual interest costs.

Future Actions Needed for 2022 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 many communities. Regularly updating the City's financial forecast allowed the City to take corrective action early when necessary. 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 continue to provide critical police and fire services that result in the City remaining one of the safest large cities in the country. 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.

In the upcoming years, additional funds received through the American Rescue Plan Act will allow the City to invest in infrastructure improvements and quality of life initiatives. City administration and the City Council will be finalizing a plan for the utilization of these funds in the coming months, using the input of the community and other stakeholders.

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 aside funds 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.

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 31,655,372	\$ 9,552,312	\$ 41,207,684	\$ 1,810,587
Investments (Note 3)	40,073,630	3,528,542	43,602,172	-
Receivables:				
Customer receivables	-	13,001,512	13,001,512	19,534
Special assessments receivable	898,853	-	898,853	-
Accrued interest receivable	389,380	30,361	419,741	23
Other receivables	1,152,007	-	1,152,007	-
Due from other governmental units	5,789,699	-	5,789,699	-
Internal balances	4,800	(4,800)	-	-
Inventory	915,002	280,115	1,195,117	295,800
Prepaid expenses and other assets	8,591,218	-	8,591,218	-
Restricted assets - Cash and cash equivalents (Note 4)	23,183,241	30,663,217	53,846,458	-
Capital assets:				
Assets not subject to depreciation (Note 6)	94,431,374	9,437,574	103,868,948	2,668,818
Assets subject to depreciation - Net (Note 6)	250,168,617	175,600,389	425,769,006	2,875,982
Rehabilitation loans (Note 5)	1,355,832	-	1,355,832	-
Total assets	458,609,025	242,089,222	700,698,247	7,670,744
Deferred Outflows of Resources (Note 7)				
Deferred charges on bond refunding	4,713	242,612	247,325	-
Deferred pension costs	13,532,398	93,167	13,625,565	-
Deferred OPEB costs	12,637,748	731,219	13,368,967	-
Total deferred outflows of resources	26,174,859	1,066,998	27,241,857	-
Liabilities				
Accounts payable	6,628,252	6,055,784	12,684,036	100,332
Due to other governmental units	1,019,466	64,973	1,084,439	-
Cash and bond deposits	2,915,120	-	2,915,120	-
Accrued and other liabilities	9,393,155	650,923	10,044,078	12,515
Unearned revenue (Note 8)	13,493,854	179,675	13,673,529	30,430
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	986,424	107,703	1,094,127	-
Provision for claims (Note 10)	1,034,808	-	1,034,808	-
Current portion of bonds and contracts payable (Note 9)	6,803,000	4,565,231	11,368,231	-
Due in more than one year:				
Net pension liability (Note 11)	120,585,457	3,938,954	124,524,411	-
Net OPEB obligation (Note 12)	43,655,776	2,525,919	46,181,695	-
Compensated absences (Note 9)	4,168,774	145,334	4,314,108	-
Provision for claims (Note 10)	250,747	-	250,747	-
Bonds and contracts payable - Net of current portion (Note 9)	111,776,864	94,459,821	206,236,685	-
Total liabilities	322,711,697	112,694,317	435,406,014	143,277
Deferred Inflows of Resources (Note 7)				
Deferred benefit on bond refunding	-	717,262	717,262	-
Deferred pension cost reductions	53,569,559	2,591,400	56,160,959	-
Deferred OPEB cost reductions	42,748,572	2,473,428	45,222,000	-
Total deferred inflows of resources	96,318,131	5,782,090	102,100,221	-

City of Sterling Heights, Michigan

Statement of Net Position (Continued)

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 247,555,511	\$ 100,099,360	\$ 347,654,871	\$ 5,544,800
Restricted:				
Roads	10,280,380	-	10,280,380	-
Public safety	891,746	-	891,746	-
Debt service	1,142,072	-	1,142,072	-
County drains (Note 4)	-	16,102,118	16,102,118	-
Community service	100,693	-	100,693	-
Unrestricted	(194,216,346)	8,478,335	(185,738,011)	1,982,667
Total net position	<u><u>\$ 65,754,056</u></u>	<u><u>\$ 124,679,813</u></u>	<u><u>\$ 190,433,869</u></u>	<u><u>\$ 7,527,467</u></u>

City of Sterling Heights, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,349,706	\$ 2,785,584	\$ -	\$ -
41A District Court	3,443,551	1,452,870	141,326	-
Public safety	57,676,549	4,052,332	6,273,839	1,304,037
Public works	20,977,660	3,046,608	9,630,712	14,364,739
Recreation and culture	9,675,805	611,981	747,560	-
Interest on long-term debt	3,305,989	-	-	-
Total governmental activities	108,429,260	11,949,375	16,793,437	15,668,776
Business-type activities - Water and Sewer	54,962,880	58,984,621	-	994,297
Total primary government	\$ 163,392,140	\$ 70,933,996	\$ 16,793,437	\$ 16,663,073
Component units:				
Brownfield Redevelopment Authority	\$ 627,275	\$ -	\$ -	\$ -
Corridor Improvement Authority	161,801	-	-	-
Economic Development Corporation	77,900	-	-	-
Local Development Finance Authority	1,064,925	-	-	-
Total component units	\$ 1,931,901	\$ -	\$ -	\$ -
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, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (10,564,122)	\$ -	\$ (10,564,122)	\$ -
(1,849,355)	-	(1,849,355)	-
(46,046,341)	-	(46,046,341)	-
6,064,399	-	6,064,399	-
(8,316,264)	-	(8,316,264)	-
(3,305,989)	-	(3,305,989)	-
(64,017,672)	-	(64,017,672)	-
-	5,016,038	5,016,038	-
(64,017,672)	5,016,038	(59,001,634)	-
-	-	-	(627,275)
-	-	-	(161,801)
-	-	-	(77,900)
-	-	-	(1,064,925)
-	-	-	(1,931,901)
74,319,939	-	74,319,939	2,241,115
14,499,046	-	14,499,046	-
762,914	41,778	804,692	198,620
2,218,739	-	2,218,739	-
20,636	16,075	36,711	-
2,346,415	-	2,346,415	-
94,167,689	57,853	94,225,542	2,439,735
30,150,017	5,073,891	35,223,908	507,834
35,604,039	119,605,922	155,209,961	7,019,633
\$ 65,754,056	\$ 124,679,813	\$ 190,433,869	\$ 7,527,467

City of Sterling Heights, Michigan

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	General Improvements	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 4,581,314	\$ 5,516,736	\$ 194,724	\$ 9,918,631	\$ 9,718,607	\$ 29,930,012
Investments - At fair value (Note 3)	35,573,539	2,255,656	-	-	500,000	38,329,195
Receivables:						
Special assessments receivable	-	56,091	-	-	842,762	898,853
Accrued interest receivable	176,757	17,203	17	-	138,282	332,259
Other receivables	947,484	118,840	-	-	-	1,066,324
Due from other governmental units	3,032,458	18,196	-	-	2,739,045	5,789,699
Due from other funds (Note 13)	738,765	-	-	-	-	738,765
Inventory	820,440	-	-	-	94,562	915,002
Prepays and other assets	126,520	-	1,404,306	-	4,256,594	5,787,420
Restricted assets (Note 4)	-	6,207,877	16,975,364	-	-	23,183,241
Rehabilitation loans (Note 5)	-	-	-	-	1,355,832	1,355,832
Total assets	\$ 45,997,277	\$ 14,190,599	\$ 18,574,411	\$ 9,918,631	\$ 19,645,684	\$ 108,326,602
Liabilities						
Accounts payable	\$ 2,182,122	\$ 1,692,784	\$ 25,114	\$ -	\$ 2,620,247	\$ 6,520,267
Due to other governmental units	1,005,915	-	-	-	13,551	1,019,466
Due to other funds (Note 13)	-	-	-	-	733,965	733,965
Cash and bond deposits	2,915,120	-	-	-	-	2,915,120
Accrued and other liabilities	4,404,767	2,051,747	-	-	1,993,697	8,450,211
Unearned revenue (Note 8)	145,521	1,772,042	-	9,918,631	1,657,660	13,493,854
Total liabilities	10,653,445	5,516,573	25,114	9,918,631	7,019,120	33,132,883
Deferred Inflows of Resources -						
Unavailable revenue (Note 8)	3,094,659	45,664	-	-	767,755	3,908,078
Total liabilities and deferred inflows of resources	13,748,104	5,562,237	25,114	9,918,631	7,786,875	37,040,961
Fund Balances						
Nonspendable	946,960	-	1,404,306	-	4,351,156	6,702,422
Restricted:						
Roads	-	-	17,144,991	-	4,412,084	21,557,075
Police	-	-	-	-	797,184	797,184
Debt service	-	-	-	-	441,417	441,417
Capital projects	-	4,555,307	-	-	-	4,555,307
Community service	-	-	-	-	100,693	100,693
Committed - Park acquisitions and improvements	-	-	-	-	31,283	31,283
Assigned:						
Capital projects	-	4,073,055	-	-	962,383	5,035,438
Parks and recreation	-	-	-	-	762,609	762,609
Unassigned	31,302,213	-	-	-	-	31,302,213
Total fund balances	32,249,173	8,628,362	18,549,297	-	11,858,809	71,285,641
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,997,277	\$ 14,190,599	\$ 18,574,411	\$ 9,918,631	\$ 19,645,684	\$ 108,326,602

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 71,285,641
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	344,599,991
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,908,078
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(118,575,151)
Accrued interest is not due and payable in the current period and is not reported in the funds	(942,944)
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	(5,155,198)
Pension benefits	(160,622,618)
Retiree health care benefits	(73,766,600)
Internal service funds are included as part of governmental activities	5,022,857
Net Position of Governmental Activities	<u><u>\$ 65,754,056</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	General Fund	General Improvements	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 66,001,527	\$ -	\$ -	\$ -	\$ 8,401,127	\$ 74,402,654
Special assessments	-	10,653	-	-	108,774	119,427
Intergovernmental:						
Federal sources	6,056,664	651,518	-	-	1,569,453	8,277,635
State sources	22,090,442	-	-	-	15,485,390	37,575,832
Local sources	-	348,984	-	-	-	348,984
Charges for services	13,184,263	-	-	-	473,354	13,657,617
Fines and forfeitures	1,079,803	-	-	-	-	1,079,803
Licenses and permits:						
Cable franchise fees	2,218,739	-	-	-	-	2,218,739
Fees and permits	2,344,498	-	-	-	-	2,344,498
Investment income:						
Investment earnings	297,664	146,012	-	-	228,200	671,876
Rental income	1,640,887	-	-	-	-	1,640,887
Other revenue	1,093,955	785,910	-	-	546,961	2,426,826
Total revenue	116,008,442	1,943,077	-	-	26,813,259	144,764,778
Expenditures						
Current services:						
General government	12,753,975	-	-	-	-	12,753,975
41A District Court	3,433,515	-	-	-	135,997	3,569,512
Public safety	59,545,824	-	-	-	158,493	59,704,317
Public works	15,666,765	-	166,570	-	5,874,656	21,707,991
General expenditures	1,932,314	-	-	-	990,649	2,922,963
Recreation and culture	2,608,613	-	-	-	4,544,433	7,153,046
Capital outlay	223,780	15,149,653	862,118	-	29,055,939	45,291,490
Debt service	-	-	-	-	9,173,619	9,173,619
Total expenditures	96,164,786	15,149,653	1,028,688	-	49,933,786	162,276,913
Excess of Revenue Over (Under) Expenditures	19,843,656	(13,206,576)	(1,028,688)	-	(23,120,527)	(17,512,135)
Other Financing Sources (Uses)						
Transfers in	-	5,338,130	-	-	14,601,940	19,940,070
Transfers out	(17,550,810)	-	-	-	(2,389,260)	(19,940,070)
New debt issued	-	-	18,000,000	-	973,000	18,973,000
Debt premium or discount	-	-	702,899	-	-	702,899
Sale of capital assets	41,899	-	-	-	-	41,899
Total other financing (uses) sources	(17,508,911)	5,338,130	18,702,899	-	13,185,680	19,717,798
Net Change in Fund Balances	2,334,745	(7,868,446)	17,674,211	-	(9,934,847)	2,205,663
Fund Balances - Beginning of year	29,914,428	16,496,808	875,086	-	21,793,656	69,079,978
Fund Balances - End of year	\$ 32,249,173	\$ 8,628,362	\$ 18,549,297	\$ -	\$ 11,858,809	\$ 71,285,641

Governmental Funds

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 2,205,663
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	44,487,430
Depreciation expense	(14,729,620)
Net book value of assets disposed of	(21,263)
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	926,279
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(19,675,899)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	6,882,586
Interest expense is recognized in the government-wide statements as it accrues	(24,299)
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	11,307,301
Internal service funds are included as part of governmental activities	(1,208,161)
Change in Net Position of Governmental Activities	<u>\$ 30,150,017</u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 9,552,312	\$ 1,725,360
Investments - At fair value (Note 3)	3,528,542	1,744,435
Receivables:		
Customer receivables	13,001,512	-
Accrued interest receivable	30,361	57,121
Other receivables	-	85,683
Inventory	280,115	-
Prepaid expenses and other assets	-	2,803,798
Total current assets	26,392,842	6,416,397
Noncurrent assets:		
Restricted assets (Note 4)	30,663,217	-
Capital assets: (Note 6)		
Assets not subject to depreciation	9,437,574	-
Assets subject to depreciation - Net	175,600,389	-
Total noncurrent assets	215,701,180	-
Total assets	242,094,022	6,416,397
Deferred Outflows of Resources (Notes 7, 11 and 12)		
Deferred charges on bond refunding	242,612	-
Deferred pension costs	93,167	-
Deferred OPEB costs	731,219	-
Total deferred outflows of resources	1,066,998	-
Liabilities		
Current liabilities:		
Accounts payable	6,055,784	107,985
Due to other governmental units	64,973	-
Due to other funds	4,800	-
Accrued and other liabilities	650,923	-
Unearned revenue (Note 8)	179,675	-
Compensated absences	107,703	-
Provision for claims	-	1,034,808
Current portion of bonds and contracts payable (Note 9)	4,565,231	-
Total current liabilities	11,629,089	1,142,793
Noncurrent liabilities:		
Compensated absences	145,334	-
Provision for claims	-	250,747
Net pension liability (Note 11)	3,938,954	-
Net OPEB obligation (Note 12)	2,525,919	-
Bonds and contracts payable - Net of current portion (Note 9)	94,459,821	-
Total noncurrent liabilities	101,070,028	250,747

**Proprietary Funds
Statement of Net Position (Continued)**

June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Deferred Inflows of Resources (Notes 7, 11 and 12)		
Deferred benefit on bond refunding	\$ 717,262	\$ -
Deferred pension cost reductions	2,591,400	-
Deferred OPEB cost reductions	2,473,428	-
Total deferred inflows of resources	5,782,090	-
Net Position		
Net investment in capital assets	100,099,360	-
Restricted - County drains	16,102,118	-
Unrestricted (Note 17)	8,478,335	5,022,857
Total net position	\$ 124,679,813	\$ 5,022,857

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Business-type Funds	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 22,241,992	\$ -
Sewage disposal charges	33,729,019	-
Service charges	918,073	-
City contributions	-	7,358,563
Other	2,095,537	407,247
Total operating revenue	58,984,621	7,765,810
Operating Expenses		
Wages and fringe benefits	4,150,754	-
Water purchases	16,375,729	-
Sewage disposal charges	20,450,952	-
Materials and supplies	490,322	-
Repairs and maintenance	1,078,649	-
Building and equipment rental	182,644	-
Contractual services	955,924	-
Administration expenses and other	53,727	1,159,756
Other	2,261,680	-
Insurance and reinsurance charges and claims	137,460	7,905,253
Depreciation	6,426,095	-
Total operating expenses	52,563,936	9,065,009
Operating Income (Loss)	6,420,685	(1,299,199)
Nonoperating Revenue (Expense)		
Investment income	41,778	91,038
Interest expense	(2,398,944)	-
Gain on sale of assets	16,075	-
Total nonoperating (expense) revenue	(2,341,091)	91,038
Income (Loss) - Before capital contributions	4,079,594	(1,208,161)
Capital Contributions		
Lines donated by developers	440,236	-
Other capital contributions	554,061	-
Total capital contributions	994,297	-
Change in Net Position	5,073,891	(1,208,161)
Net Position - Beginning of year	119,605,922	6,231,018
Net Position - End of year	\$ 124,679,813	\$ 5,022,857

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 58,635,336	\$ 7,270,071
Payments for interfund services and reimbursements	(2,068,104)	99,323
Payments to suppliers	(37,995,845)	(116,406)
Payments to employees and fringes	(5,102,228)	-
Claims paid	-	(7,832,667)
Other payments	-	2,809
Net cash and cash equivalents provided by (used in) operating activities	13,469,159	(576,870)
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	15,525,397	-
Special assessment collections	554,061	-
Proceeds from sale of capital assets	16,075	-
Purchase of capital assets	(3,948,345)	-
Principal and interest paid on capital debt	(7,301,255)	-
Net cash and cash equivalents provided by capital and related financing activities	4,845,933	-
Cash Flows from Investing Activities		
Interest received on investments	35,772	73,027
Proceeds from sale and maturities of investment securities	1,959,519	709,644
Net cash and cash equivalents provided by investing activities	1,995,291	782,671
Net Increase in Cash and Cash Equivalents	20,310,383	205,801
Cash and Cash Equivalents - Beginning of year	3,803,028	1,519,559
Cash and Cash Equivalents - End of year	\$ 24,113,411	\$ 1,725,360
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 13,080,854	\$ 3,469,795
Less amounts classified as investments	(3,528,542)	(1,744,435)
Restricted cash	14,561,099	-
Total cash and cash equivalents	\$ 24,113,411	\$ 1,725,360

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 6,420,685	\$ (1,299,199)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	6,426,095	-
Changes in assets and liabilities:		
Receivables	(349,285)	(85,683)
Due to and from other funds	193,576	99,323
Inventories	95,169	-
Accrued wages	2,522,656	-
Accounts payable	1,634,393	(116,406)
Estimated claims liability	-	825,095
Net pension or OPEB liability	(6,751,858)	-
Deferrals related to pension or OPEB	3,277,728	-
Total adjustments	7,048,474	722,329
Net cash and cash equivalents provided by (used in) operating activities	\$ 13,469,159	\$ (576,870)

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2021, developers constructed water and sewer lines with a value of approximately \$440,000 and donated them to the City's Water and Sewer Fund. Also during the year, approximately \$4.7 million of capital assets was recorded in connection with Oakland and Macomb County's MID and OMID drain interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan. In addition, Oakland and Macomb County's MID and OMID issued bonds on behalf of the City for approximately \$17.0 million. The issuance of the bonds did not have any impact on the cash reported by the City.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2021

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 14,651,754	\$ 58,597	\$ 14,710,351
Investments - At fair value:			
Government securities	34,006,601	-	34,006,601
Mutual funds	60,618,911	-	60,618,911
Common and preferred stocks	424,753,392	-	424,753,392
Corporate bonds	24,934,673	-	24,934,673
Private real estate	859,982	-	859,982
Receivables - Other	1,113,192	-	1,113,192
Total assets	560,938,505	58,597	560,997,102
Liabilities			
Accounts payable	1,349,566	-	1,349,566
Due to other governmental units	6	58,597	58,603
Accrued and other liabilities	39,100	-	39,100
Provision for claims	567,505	-	567,505
Total liabilities	1,956,177	\$ 58,597	\$ 2,014,774
Net Position - Restricted			
Pension	393,639,950	-	393,639,950
Postemployment benefits other than pension	165,342,378	-	165,342,378
Total net position	<u><u>\$ 558,982,328</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 558,982,328</u></u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income (expense):			
Interest and dividends	\$ 14,412,526	\$ -	\$ 14,412,526
Net increase in fair value of investments	130,779,280	-	130,779,280
Investment costs	(3,274,225)	-	(3,274,225)
Net investment income	141,917,581	-	141,917,581
Contributions:			
Employer contributions	26,499,060	-	26,499,060
Employee contributions	2,525,518	-	2,525,518
Total contributions	29,024,578	-	29,024,578
Property tax collections	-	132,189,214	132,189,214
Court fees collected for other governments	-	644,526	644,526
Total additions	170,942,159	132,833,740	303,775,899
Deductions			
Benefit payments	42,978,888	-	42,978,888
Refunds of contributions	2,178,413	-	2,178,413
Tax distributions to other governments	-	132,189,214	132,189,214
Court fees distributed to other governments	-	644,526	644,526
Total deductions	45,157,301	132,833,740	177,991,041
Net Increase in Fiduciary Net Position - Restricted for pension and OPEB	125,784,858	-	125,784,858
Net Position - Restricted for pension and OPEB - Beginning of year	433,197,470	-	433,197,470
Net Position - Restricted for pension and OPEB - End of year	\$ 558,982,328	\$ -	\$ 558,982,328

City of Sterling Heights, Michigan

Component Units Statement of Net Position

June 30, 2021

	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
Assets					
Cash and cash equivalents	\$ 192,661	\$ 2,142	\$ 1,011,759	\$ 604,025	\$ 1,810,587
Receivables:					
Customer receivables	-	-	19,534	-	19,534
Accrued interest receivable	2	6	10	5	23
Inventory	-	-	-	295,800	295,800
Capital assets: (Note 6)					
Assets not subject to depreciation	-	-	2,668,818	-	2,668,818
Assets subject to depreciation - Net	-	-	2,875,982	-	2,875,982
Total assets	192,663	2,148	6,576,103	899,830	7,670,744
Liabilities					
Accounts payable	-	-	95,832	4,500	100,332
Accrued and other liabilities	-	-	12,515	-	12,515
Unearned revenue	-	-	30,430	-	30,430
Total liabilities	-	-	138,777	4,500	143,277
Net Position					
Net investment in capital assets	-	-	5,544,800	-	5,544,800
Unrestricted	192,663	2,148	892,526	895,330	1,982,667
Total net position	<u>\$ 192,663</u>	<u>\$ 2,148</u>	<u>\$ 6,437,326</u>	<u>\$ 895,330</u>	<u>\$ 7,527,467</u>

City of Sterling Heights, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation	\$ 77,900	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	627,275	-	-	-
Local Development Finance Authority	1,064,925	-	-	-
Corridor Improvement Authority	161,801	-	-	-
Total component units	\$ 1,931,901	\$ -	\$ -	\$ -

General revenue:

Property taxes

Unrestricted investment income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position				
Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
\$ (77,900)	\$ -	\$ -	\$ -	\$ (77,900)
-	(627,275)	-	-	(627,275)
-	-	(1,064,925)	-	(1,064,925)
-	-	-	(161,801)	(161,801)
(77,900)	(627,275)	(1,064,925)	(161,801)	(1,931,901)
-	627,276	1,383,231	230,608	2,241,115
75	71	198,326	148	198,620
75	627,347	1,581,557	230,756	2,439,735
(77,825)	72	516,632	68,955	507,834
270,488	2,076	5,920,694	826,375	7,019,633
\$ 192,663	\$ 2,148	\$ 6,437,326	\$ 895,330	\$ 7,527,467

June 30, 2021

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.

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 expanding within the City so as to provide needed services to and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Corporation.

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.

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, 2021

Note 1 - Significant Accounting Policies (Continued)

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.

Fiduciary Component Units

General Employees' Retirement System

The General Employees' Retirement System is governed by a five-member board that includes the city treasurer, the city finance director, one member appointed by the City, and two members elected by plan participants. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority of the board and the plan imposes a financial burden on the City.

Police and Fire Retirement System

The Police and Fire Retirement System is governed by a five-member board that includes the city treasurer, two members appointed by the City, and two members elected by plan participants. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority of the board and the plan imposes a financial burden on the City.

City of Sterling Heights Retiree Health Care Plan

The Retiree Health Care Plan is administered by the City. Management of the plan is vested in a three-member investment committee that includes the city treasurer, the city finance director, and the city clerk. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City acts as the governing body over the plan and the plan imposes a financial burden on the City.

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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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 General Improvements Fund (a capital project fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of constructing all major capital improvement projects of the City other than special assessment, road, and enterprise projects.
- The Road Bond Construction Fund (a capital project fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of construction activity for roads and storm drains.
- The American Rescue Plan Act Fund (a special revenue fund type) accounts for the resources of federal grant revenue whose use is restricted for COVID-19 expenditures or the negative economic impacts of COVID-19.

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 project funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new property, buildings, and equipment; technology upgrades; 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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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 Receiving Fund, which collects taxes on behalf of all the taxing authorities (state, county, school district, and various others) and remits the taxes to each authority.
- The District Court Fund, which accounts for assets held by the City as an agent for individuals, organizations, and other governments.

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.

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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Receivables and Payables

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

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable. Prepaids 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 project funds) and the Water and Sewer Fund, which are required to be set aside for construction.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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 bond 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, and the Water and Sewer Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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.

June 30, 2021**Note 1 - Significant Accounting Policies (Continued)**

The 2021 taxable valuation of the City totaled \$4,612,210,687, on which taxes levied consisted of 9.3106 mills for operating purposes, 0.9639 mills for refuse collection, 2.4441 mills for police and fire pension, 0.1097 mills for debt service related to firehouse improvements, 2.4343 mills for safe streets, and 0.9443 mills for parks and recreation. This resulted in \$42,664,123 for operating, \$4,416,896 for refuse collection, \$11,220,782 for police and fire pension, \$508,133 for debt service related to firehouse improvements, \$11,148,185 for safe streets, and \$4,322,188 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 and the Police and Fire Retirement System pension plans and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Costs

The City offers retiree 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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the Tax Receiving and District Court funds, which were previously reported as agency funds, are now reported as custodial funds. A statement of changes in fiduciary net position is now presented for these custodial funds.

Upcoming Accounting Pronouncements

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.

June 30, 2021

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, 2020		\$	(9,565,154)
Current year permit revenue			2,660,693
Related expenses:			
Direct costs	\$	1,446,695	
Estimated indirect costs		1,610,940	3,057,635
			<u>(396,942)</u>
Current year shortfall			
Cumulative shortfall at June 30, 2021		\$	<u><u>(9,962,096)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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. Treasuries, U.S. agencies and instrumentalities (date-specific maturities only), nonnegotiable 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 that 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.

June 30, 2021

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of approximately \$14,600,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy sets forth restrictions on the types of investment instruments and length of investment maturities the City may hold.

June 30, 2021

Note 3 - Deposits and Investments (Continued)

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

Investment	Carrying Value	Weighted- average Maturity (Years)
Government-wide		
Commercial paper	\$ 25,985,026	0.1784
U.S. government agency bonds	32,585,120	3.7441
Municipal bonds	5,578,138	3.0170
U.S. government obligations	8,483,785	2.0874
General Employees' Retirement System		
Corporate bonds	8,769,825	5.9157
U.S. government agency bonds	2,993,990	4.6159
U.S. government obligations	5,664,945	9.1608
Police and Fire Retirement System		
Corporate bonds	8,891,541	6.3873
U.S. government agency bonds	7,119,026	4.0702
U.S. government obligations	10,739,615	10.0631
Municipal bonds	30,782	8.7406
Retiree Medical Benefits Trust		
Corporate bonds	7,273,307	5.9631
U.S. government agency bonds	2,494,899	4.6232
U.S. government obligations	4,963,343	9.2573

June 30, 2021

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	\$ 40,269,299	NR	N/A
Pooled funds	4,735,137	AAA	S&P
Commercial paper	25,985,026	A1	S&P
U.S. government agency bonds	32,585,120	AA+	S&P
Municipal bonds	5,578,138	AA-	S&P
U.S. government obligations	8,483,785	AA+	S&P
General Employees' Retirement System			
Money market	479,827	NR	N/A
Corporate bonds	469,651	AAA	S&P
Corporate bonds	92,514	AA-	S&P
Corporate bonds	1,946,085	A+ to A-	S&P
Corporate bonds	4,233,615	BBB+ to BBB-	S&P
Corporate bonds	85,344	Baa3	Moody's
Corporate bonds	1,856,727	BB+ to BB-	S&P
Corporate bonds	85,889	B	S&P
U.S. government agency bonds	2,993,990	AA+	S&P
U.S. government obligations	5,664,945	AA+	S&P
Police and Fire Retirement System			
Money market	1,891,928	NR	N/A
Corporate bonds	307,909	AAA	S&P
Corporate bonds	264,707	AAA	Moody's
Corporate bonds	349,120	AA+ to AA-	S&P
Corporate bonds	40,000	Aa2	Moody's
Corporate bonds	2,269,470	A+ to A-	S&P
Corporate bonds	4,543,137	BBB+ to BBB-	S&P
Corporate bonds	45,679	Ba1	Moody's
Corporate bonds	72,609	Baa1	Moody's
Corporate bonds	471,897	BB+ to BB-	S&P
Corporate bonds	260,981	B+ to B-	S&P
Corporate bonds	68,679	CCC to CCC+	S&P
Corporate bonds	60,881	CC	S&P
Corporate bonds	59,271	Caa2	Moody's
Corporate bonds	77,201	NR	N/A
U.S. government agency bonds	7,119,026	AA+	S&P
U.S. government obligations	10,739,615	AA+	S&P
Municipal bonds	10,288	AAA	S&P
Municipal bonds	20,494	AA+ to AA	S&P
Retiree Medical Benefits Trust			
Pooled funds	617,373	NR	N/A
Corporate bonds	378,200	AA+	S&P
Corporate bonds	80,179	AA+ to AA-	S&P
Corporate bonds	1,653,464	A+ to A-	S&P
Corporate bonds	3,589,210	BBB+ to BBB-	S&P
Corporate bonds	1,572,254	BB+ to BB-	S&P
U.S. government agency bonds	2,494,899	AA+	S&P
U.S. government obligations	4,963,343	AA+	S&P

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, 2021.

June 30, 2021

Note 3 - Deposits and Investments (Continued)

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, 2021.

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.

June 30, 2021

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2021:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2021				
	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, 2021
Investments by fair value level:				
Debt securities:				
U.S. Treasury securities	\$ 29,851,688	\$ -	\$ -	\$ 29,851,688
U.S. government agencies	45,193,035	-	-	45,193,035
Municipal obligations	5,608,920	-	-	5,608,920
Corporate bonds	-	24,934,674	-	24,934,674
Total debt securities	80,653,643	24,934,674	-	105,588,317
Equity securities:				
Consumer discretionary	48,642,491	-	-	48,642,491
Consumer staples	22,066,470	-	-	22,066,470
Energy	7,894,418	-	-	7,894,418
Financials	48,537,821	-	-	48,537,821
Health care	51,071,632	-	-	51,071,632
Industrials	50,141,060	-	-	50,141,060
Information technology	82,334,588	-	-	82,334,588
Materials	14,215,255	-	-	14,215,255
Real estate	12,151,190	-	-	12,151,190
Telecommunications	30,897,452	-	-	30,897,452
Utilities	5,361,582	-	-	5,361,582
Other	51,439,434	-	-	51,439,434
Total equity securities	424,753,393	-	-	424,753,393
Total	\$ 505,407,036	\$ 24,934,674	\$ -	530,341,710
Investments measured at NAV:				
Michigan CLASS Investment Pool				4,735,137
Mutual funds - Western Asset Manager				23,231,572
Mutual funds - Other				37,387,338
U.S. Real Estate Investment Fund				889,552
Total investments measured at NAV				66,243,599
Total assets				\$ 596,585,309

The fair value of equity securities at June 30, 2021 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, 2021 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.

June 30, 2021

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, 2021, 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	\$ 4,735,137	\$ -	N/A	None
Mutual funds - Western Asset Manager	23,231,572	-	N/A	None
Mutual funds - Other	37,387,338	-	N/A	None
U.S. Real Estate Investment Fund	889,552	-	Quarterly	None
Total	<u>\$ 66,243,599</u>	<u>\$ -</u>		

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, the General Improvements Fund, and the Road Bond Construction 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, 2021, restricted assets are composed of the following:

Water and Sewer Fund - Due from Oakland County, Michigan*	\$ 16,102,118
General Improvements Fund - Due from Macomb County, Michigan**	1,652,570
Water and Sewer Fund - Unspent bond proceeds	14,561,099
General Improvements Fund - Unspent bond proceeds	4,555,307
Road Bond Construction Fund - Unspent bond proceeds	<u>16,975,364</u>
Total	<u>\$ 53,846,458</u>

June 30, 2021

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 \$1,355,832 at June 30, 2021 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, 2020	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 46,334,640	\$ 128,660	\$ -	\$ -	\$ 46,463,300
Construction in progress	74,351,700	22,472,261	-	(49,323,534)	47,500,427
Works of art	458,447	9,200	-	-	467,647
Subtotal	121,144,787	22,610,121	-	(49,323,534)	94,431,374
Capital assets being depreciated:					
Buildings and improvements	67,540,717	13,495,959	-	7,953,893	88,990,569
Land improvements	44,429,616	2,619,544	-	891,700	47,940,860
Equipment	44,065,165	3,668,619	(1,144,933)	421,515	47,010,366
Furnishings and fixtures	1,342,103	2,044,620	-	-	3,386,723
Infrastructure	291,496,488	48,567	-	40,056,426	331,601,481
Subtotal	448,874,089	21,877,309	(1,144,933)	49,323,534	518,929,999
Accumulated depreciation:					
Buildings and improvements	18,884,056	2,420,996	-	-	21,305,052
Land improvements	6,217,793	1,521,252	-	-	7,739,045
Equipment	28,160,572	3,018,868	(1,123,670)	-	30,055,770
Furnishing and fixtures	941,533	102,500	-	-	1,044,033
Infrastructure	200,951,478	7,666,004	-	-	208,617,482
Subtotal	255,155,432	14,729,620	(1,123,670)	-	268,761,382
Net capital assets being depreciated	193,718,657	7,147,689	(21,263)	49,323,534	250,168,617
Net governmental activities capital assets	<u>\$ 314,863,444</u>	<u>\$ 29,757,810</u>	<u>\$ (21,263)</u>	<u>\$ -</u>	<u>\$ 344,599,991</u>

June 30, 2021

Note 6 - Capital Assets (Continued)***Business-type Activities***

	Balance July 1, 2020	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	6,027,568	4,085,250	-	(740,115)	9,372,703
Subtotal	6,092,439	4,085,250	-	(740,115)	9,437,574
Capital assets being depreciated:					
Buildings and improvements	524,660	-	-	-	524,660
Equipment	6,424,182	1,102,933	(209,162)	-	7,317,953
Furnishings and fixtures	21,075	-	-	-	21,075
Water and sewer lines	326,633,099	3,935,277	-	740,115	331,308,491
Subtotal	333,603,016	5,038,210	(209,162)	740,115	339,172,179
Accumulated depreciation:					
Buildings and improvements	208,130	15,870	-	-	224,000
Equipment	4,223,585	393,641	(209,162)	-	4,408,064
Furnishing and fixtures	20,908	80	-	-	20,988
Water and sewer lines	152,902,234	6,016,504	-	-	158,918,738
Subtotal	157,354,857	6,426,095	(209,162)	-	163,571,790
Net capital assets being depreciated	176,248,159	(1,387,885)	-	740,115	175,600,389
Net business-type activities capital assets	<u>\$ 182,340,598</u>	<u>\$ 2,697,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,037,963</u>

Construction in progress includes \$7,757,200 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 \$285,920,457. 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.

June 30, 2021

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2021 was as follows:

Local Development Finance Authority

	Balance July 1, 2020	Additions	Reclassifications	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Construction in progress	1,817,579	314,788	(672,752)	1,459,615
Subtotal	3,026,782	314,788	(672,752)	2,668,818
Capital assets being depreciated:				
Buildings and improvements	2,646,546	138,718	620,924	3,406,188
Equipment	45,312	57,840	51,828	154,980
Subtotal	2,691,858	196,558	672,752	3,561,168
Accumulated depreciation:				
Buildings and improvements	562,125	85,473	-	647,598
Equipment	24,708	12,880	-	37,588
Subtotal	586,833	98,353	-	685,186
Net capital assets being depreciated	2,105,025	98,205	672,752	2,875,982
Net capital assets	<u>\$ 5,131,807</u>	<u>\$ 412,993</u>	<u>\$ -</u>	<u>\$ 5,544,800</u>

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

Governmental activities:	
General government	\$ 252,806
41A District Court	111,426
Public safety	2,076,380
Public works	8,652,127
Economic development	815,605
Recreation and culture	2,821,276
Total governmental activities	<u>\$ 14,729,620</u>
Business-type activities - Water and Sewer	<u>\$ 6,426,095</u>
Component unit activities - Local Development Finance Authority	<u>\$ 98,353</u>

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	\$ 66,903,774	\$ 14,596,291

June 30, 2021

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)	\$ 388,335	\$ 93,167	\$ 481,502
Pension expense - PFRS (Note 11)	13,144,063	-	13,144,063
OPEB expense - RMB (Note 12)	12,637,748	731,219	13,368,967
Bond refunding loss being amortized (Note 9)	4,713	242,612	247,325
Total deferred outflows	<u>\$ 26,174,859</u>	<u>\$ 1,066,998</u>	<u>\$ 27,241,857</u>

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	\$ 784,088	\$ -	\$ -	\$ 784,088
Other revenue - Unavailable	3,123,990	-	-	3,123,990
Total unavailable	3,908,078	-	-	3,908,078
Pension expense - GERS (Note 11)	-	10,801,446	2,591,400	13,392,846
Pension expense - PFRS (Note 11)	-	42,768,113	-	42,768,113
OPEB expense - RMB (Note 12)	-	42,748,572	2,473,428	45,222,000
Bond refunding gain being amortized (Note 9)	-	-	717,262	717,262
Total deferred inflows	<u>\$ 3,908,078</u>	<u>\$ 96,318,131</u>	<u>\$ 5,782,090</u>	<u>\$ 106,008,299</u>

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, 2021, the City had \$3,908,078 of unavailable revenue and \$13,703,959 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 and federal grant funds, and fees paid to the City in 2021 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.

June 30, 2021

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 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 -					
Maturing through 2022	2.05%	\$515,000	\$ 990,000	\$ -	\$ (500,000)	\$ 490,000	\$ 490,000
Unamortized premium on refunding			2,814	-	(1,421)	1,393	-
2017 Unlimited Tax General Obligation							
Refunding Bonds:							
Amount of issue - \$3,105,000	1.00% -	\$445,000 -					
Maturing through 2023	2.00%	\$575,000	1,695,000	-	(555,000)	1,140,000	565,000
Total direct borrowings and direct							
placements principal							
outstanding			2,687,814	-	(1,056,421)	1,631,393	1,055,000
Other debt:							
2008 Special Assessment Limited Tax							
Bonds:							
Amount of issue - \$3,260,000	4.00% -	\$150,000 -					
Maturing through 2028	4.50%	\$400,000	1,800,000	-	(200,000)	1,600,000	200,000
2010 Michigan Transportation							
Recovery Zone Bonds:							
Amount of issue - \$1,570,000	4.25% -	\$50,000 -					
Maturing through 2025	6.05%	\$200,000	1,075,000	-	(1,075,000)	-	-
2016 Michigan Transportation Fund							
Bonds:							
Amount of issue - \$9,630,000	2.00% -	\$520,000 -					
Maturing through 2031	3.00%	\$785,000	7,460,000	-	(580,000)	6,880,000	600,000
Unamortized premium			212,558	-	(16,573)	195,985	-
2017 Capital Improvement Bond							
Limited Tax General Obligation							
Bonds:							
Amount of issue - \$42,135,000	3.00% -	\$1,390,000 -					
Maturing through 2037	5.00%	\$2,905,000	37,695,000	-	(1,530,000)	36,165,000	1,610,000
Unamortized premium			2,556,413	-	(207,911)	2,348,502	-
2017 Michigan Transportation Fund							
Bonds:							
Amount of issue - \$2,075,000	2.00% -	\$110,000 -					
Maturing through 2032	3.00%	\$175,000	1,740,000	-	(120,000)	1,620,000	125,000
Unamortized premium			33,815	-	(2,585)	31,230	-
2018 Capital Improvement Bonds							
Limited Tax General Obligation:							
Amount of issue - \$19,390,000	3.00% -	\$640,000 -					
Maturing through 2038	5.00%	\$1,330,000	18,035,000	-	(670,000)	17,365,000	710,000
Unamortized premium			890,860	-	(34,835)	856,025	-
2018 Michigan Transportation Fund							
Bonds:							
Amount of issue - \$8,200,000	2.625% -	\$470,000 -					
Maturing through 2033	5.00%	\$655,000	7,235,000	-	(480,000)	6,755,000	490,000
Unamortized premium			380,028	-	(25,582)	354,446	-

June 30, 2021

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% -	\$775,000 -					
Maturing through 2039	5.00%	\$1,530,000	\$ 22,005,000	\$ -	\$ (775,000)	\$ 21,230,000	\$ 810,000
Unamortized premium			1,975,350	-	(103,966)	1,871,384	-
2020 Michigan Transportation							
Refunding Bonds							
General Obligation Limited Tax:							
Amount of issue - \$973,000	1.08%	\$163,000 -					
Maturing through 2025		\$209,000	-	973,000	-	973,000	163,000
2021 Michigan Transportation Fund							
Bonds							
General Obligation Limited Tax:							
Amount of issue - \$18,000,000	2.00%	\$1,040,000 -					
Maturing through 2036		\$1,375,000	-	18,000,000	-	18,000,000	1,040,000
Unamortized premium			-	702,899	-	702,899	-
Total other debt principal outstanding			103,094,024	19,675,899	(5,821,452)	116,948,471	5,748,000
Total bonds and contracts payable			105,781,838	19,675,899	(6,877,873)	118,579,864	6,803,000
Compensated absences			4,879,997	5,558,039	(5,282,838)	5,155,198	986,424
Total governmental activities long- term debt			\$ 110,661,835	\$ 25,233,938	\$ (12,160,711)	\$ 123,735,062	\$ 7,789,424

June 30, 2021

Note 9 - Long-term Debt (Continued)

Business-type Activities - Water and Sewer

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements:							
State Revolving Fund Loans (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 -					
Maturing through 2031	2.50%	\$269,613	\$ 2,627,696	\$ -	\$ (210,249)	\$ 2,417,447	\$ 215,196
Special Assessment Roll No. 1							
Series 2011A (Segment 2):							
Maximum loan amount -							
\$5,168,777							
Balance drawn - \$5,168,777		\$223,717 -					
Maturing through 2033	2.50%	\$322,923	3,876,077	-	(234,852)	3,641,225	240,926
Special Assessment Roll No. 1							
Series 2013A (Segment 3):							
Maximum loan amount -							
\$11,278,994							
Balance drawn - \$11,278,994		\$492,612 -					
Maturing through 2034	2.50%	\$676,150	8,863,548	-	(512,524)	8,351,024	522,913
Special Assessment Roll No. 1							
Series 2015A (MIDD Project							
#5624-01):							
Maximum loan amount -							
\$1,151,536							
Balance drawn - \$917,293		\$47,001 -					
Maturing through 2035	2.50%	\$65,802	730,656	153,737	(203,674)	680,719	40,735
2015 Oakland-Macomb							
Interceptor Drainage District							
SAW Loan:							
Maximum loan amount -							
\$3,298,735							
Balance drawn - \$3,298,735		\$135,991 -					
Maturing through 2036	2.50%	\$207,871	2,762,544	-	(141,818)	2,620,726	145,704
2020 Macomb Interceptor							
Drainage District SRF Loan							
(Project # 5659-03):							
Maximum loan amount -							
\$8,036,105							
Balance drawn - \$774,555		\$375,533 -					
Maturing through 2040	2.00%	\$525,438	-	774,555	-	774,555	-
Total state revolving fund							
loans			18,860,521	928,292	(1,303,117)	18,485,696	1,165,474

June 30, 2021

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:							
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$252,751	4.35% -	\$8,716 -					
Maturing through 2035	6.35%	\$14,526	\$ 174,012	\$ -	\$ (9,162)	\$ 164,850	\$ 9,460
2014A Sewer Lining Repairs:							
Amount of issue - \$1,649,117	2.00% -	\$68,381 -					
Maturing through 2034	3.125%	\$108,270	1,316,330	-	(71,800)	1,244,530	72,940
2015 North Gratiot Interceptor Drainage District Refunding Bonds:							
Amount of issue - \$2,067,205	3.50% -	\$85,779 -					
Maturing through 2033	5.00%	\$140,531	1,661,429	-	(118,629)	1,542,800	118,630
Unamortized premium on refunding			147,729	-	(11,364)	136,365	-
2017A MID Drainage District:							
Amount of issue - \$19,085,935	3.00% -	\$426,989 -					
Maturing through 2042	5.00%	\$1,261,919	17,855,762	-	(471,434)	17,384,328	495,244
Unamortized premium on refunding			2,886,344	-	(131,197)	2,755,147	-
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248	3.00% -	\$687,570 -					
Maturing through 2035	5.00%	\$1,492,530	16,338,175	-	(758,846)	15,579,329	796,575
Unamortized premium on refunding			2,821,520	-	(188,098)	2,633,422	-
2019 OMID Drainage District Refunding:							
Amount of issue - \$743,703	1.85%	\$45,348 -					
Maturing through 2030		\$82,451	698,355	-	(58,539)	639,816	60,189
2019 OMID Drainage District Bonds:							
Amount of issue - \$2,502,606		\$230,787 -					
Maturing through 2025	1.55%	\$1,060,182	2,502,606	-	(1,060,179)	1,442,427	495,232
2020 MID Drainage District Refunding (Clintondale Pump Station):							
Amount of issue - \$4,942,287		\$336,210 -					
Maturing through 2031	5.00%	\$600,375	4,942,287	-	(336,206)	4,606,081	360,225
Unamortized premium on refunding			1,160,967	-	(105,542)	1,055,425	-
2020A Oakland-Macomb Interceptor Drain Drainage District LTGO:							
Amount of issue - \$15,432,144	2.00% -	\$262,979 -					
Maturing through 2040	5.00%	\$1,082,934	-	15,432,145	(262,980)	15,169,165	376,262
Unamortized premium on refunding			-	814,011	-	814,011	-
2021 LTGO Capital Improvement Bonds:							
Amount of issue - \$15,000,000	2.00% -	\$615,000 -					
Maturing through 2041	2.125%	\$900,000	-	15,000,000	-	15,000,000	615,000
Unamortized premium on refunding			-	371,660	-	371,660	-
Total county drain contract obligations			52,505,516	31,617,816	(3,583,976)	80,539,356	3,399,757
Total direct borrowings and direct placements principal outstanding			71,366,037	32,546,108	(4,887,093)	99,025,052	4,565,231
Compensated absences			266,916	245,496	(259,375)	253,037	107,703
Total business-type activities long- term debt			\$ 71,632,953	\$ 32,791,604	\$ (5,146,468)	\$ 99,278,089	\$ 4,672,934

The City had deferred outflows of \$247,325 related to deferred charges on bond refundings and deferred inflows of \$717,262 related to deferred gains on bond refundings at June 30, 2021.

June 30, 2021

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 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		Total	Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2022	\$ 1,055,000	\$ 26,693	\$ 5,748,000	\$ 3,734,125	\$ 10,563,818	\$ 4,565,231	\$ 3,171,283	\$ 7,736,514
2023	575,000	11,500	6,009,000	3,506,716	10,102,216	4,812,343	3,015,364	7,827,707
2024	-	-	6,220,000	3,270,483	9,490,483	4,979,454	2,849,236	7,828,690
2025	-	-	6,435,000	3,023,244	9,458,244	5,151,607	2,676,300	7,827,907
2026	-	-	6,676,000	2,766,255	9,442,255	5,161,799	2,503,528	7,665,327
2027-2031	-	-	35,750,000	9,988,704	45,738,704	27,474,594	9,535,840	37,010,434
2032-2036	-	-	33,755,000	4,589,252	38,344,252	24,225,010	4,501,350	28,726,360
2037-2041	-	-	9,995,000	505,282	10,500,282	14,000,743	1,637,278	15,638,021
Thereafter	-	-	-	-	-	888,241	63,096	951,337
Total	\$ 1,630,000	\$ 38,193	\$ 110,588,000	\$ 31,384,061	\$ 143,640,254	\$ 91,259,022	\$ 29,953,275	\$ 121,212,297

The Oakland-Macomb Interceptor Drainage District is a construction and rehabilitation project that began in 2010 and is projected to continue through 2021. 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 Loan (SRF) (OMID Series 2010A \$26 million, OMID Series 2011A \$25 million, OMID Series 2013 \$65 million, and OMID Series 2014 \$9 million). During the year, the City had no SRF draws on this debt.

The OMID Series 2020A bonds were issued to fund construction and maintenance of the local drain system administered by the Oakland-Macomb Interceptor Drainage District.

June 30, 2021

Note 9 - Long-term Debt (Continued)

During 2016, the Macomb Interceptor Drain Drainage District (MIDD) was approved for \$3,675,000 of loans through the Michigan State Revolving Fund Loan Program, of which approximately \$1,151,500 was anticipated as the City's share. On this loan, \$917,293 of the City's share has been drawn to date, and no further draws are anticipated. The City's share of SRF funds drawn and payable at June 30, 2021 is \$680,719.

During 2020, the Macomb Interceptor Drain Drainage District was approved for \$26,000,000 of loans through the Michigan State Revolving Fund Loan Program (SRF), of which approximately \$8,036,105 was anticipated as the City's share. The City's share of the SRF funds drawn and payable at June 30, 2021 is \$774,555. 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 \$243,281, as funds due to other governmental units.

Refunding

In November 2020, the City issued Michigan Transportation Refunding Bonds, Series 2020, in the amount of \$973,000. The City's debt refunded amounted to \$950,000 of Michigan Transportation Recovery Zone Bonds, Series 2010, maturing in years 2021 through 2025. The refunding was undertaken to reduce the debt service payment over the next five years, with net savings of \$34,458, and to obtain an economic (present value) gain of \$33,506.

Bond Issuance

During 2021, the City issued \$18,000,000 in Michigan Transportation Bonds. The proceeds of these bonds were received to fund the construction and reconstruction of roads throughout the City.

During 2021, the City issued \$15,000,000 in Capital Improvement Bonds. The proceeds of these bonds were received to fund the replacement of water infrastructure, critical drain system repairs, and water meter replacements.

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 \$182,020 will be paid for all claims reported to date and \$279,265 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, 2021

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, 2021. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$24,090 will be paid for all claims reported to date and \$755,543 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, 2021. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2021, it was estimated, based on past experience, that \$44,637 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Estimated liability - Beginning of year	\$ 871,712	\$ 523,675	\$ 101,340	\$ 309,279	\$ 647,202	\$ 657,691	\$ 566,256	\$ 630,318
Estimated claims incurred, including changes in estimates	390,562	1,421,189	202,381	279,149	5,610,831	5,796,109	8,462,995	8,177,952
Claim payments	(800,988)	(1,073,152)	(259,084)	(487,088)	(5,478,401)	(5,806,598)	(8,461,746)	(8,242,014)
Estimated liability - End of year	<u>\$ 461,286</u>	<u>\$ 871,712</u>	<u>\$ 44,637</u>	<u>\$ 101,340</u>	<u>\$ 779,632</u>	<u>\$ 647,202</u>	<u>\$ 567,505</u>	<u>\$ 566,256</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, a single-employer plan administered by the General Employees' Pension Board, and Police and Fire Retirement System, 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, 2021

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 pension and other employee benefit 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, 2021

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, 2021 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	357	399
Inactive plan members entitled to but not yet receiving benefits	19	28
Active plan members	71	227
Total employees covered by the plan	447	654

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, 2021, the average active member contribution was approximately 8.5 percent of covered payroll for GERS and 8.3 percent for PFRS. The City's average contribution rate was 69.9 and 51.2 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, 2021	June 30, 2021
Based on a comprehensive actuarial valuation as of	June 30, 2021	June 30, 2021

June 30, 2021

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, 2020	\$ 143,622,202	\$ 102,783,781	\$ 40,838,421
Changes for the year:			
Service cost	848,617	-	848,617
Interest	10,363,444	-	10,363,444
Differences between expected and actual experience	(286,885)	-	(286,885)
Changes in assumptions	3,292,370	-	3,292,370
Contributions - Employer	-	4,029,741	(4,029,741)
Contributions - Employee	-	490,970	(490,970)
Net investment income	-	30,177,513	(30,177,513)
Benefit payments, including refunds	(11,734,502)	(11,734,502)	-
Net changes	2,483,044	22,963,722	(20,480,678)
Balance at June 30, 2021	<u>\$ 146,105,246</u>	<u>\$ 125,747,503</u>	<u>\$ 20,357,743</u>

The plan's fiduciary net position represents 86.1 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, 2020	\$ 361,901,108	\$ 207,375,719	\$ 154,525,389
Changes for the year:			
Service cost	4,849,101	-	4,849,101
Interest	25,557,497	-	25,557,497
Changes in benefits	810,864	-	810,864
Differences between expected and actual experience	2,557,466	-	2,557,466
Contributions - Employer	-	11,969,319	(11,969,319)
Contributions - Employee	-	1,949,272	(1,949,272)
Net investment income	-	70,313,859	(70,313,859)
Benefit payments, including refunds	(23,616,915)	(23,616,915)	-
Administrative expenses	-	(98,801)	98,801
Net changes	10,158,013	60,516,734	(50,358,721)
Balance at June 30, 2021	<u>\$ 372,059,121</u>	<u>\$ 267,892,453</u>	<u>\$ 104,166,668</u>

The plan's fiduciary net position represents 72.0 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, 2021, the City recognized pension expense of \$2,622,003 related to GERS and \$12,245,228 related to PFRS.

June 30, 2021

Note 11 - Pension Plans (Continued)

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 41,956
Changes in assumptions	481,502	-
Net difference between projected and actual earnings on pension plan investments	-	13,350,890
Total	\$ 481,502	\$ 13,392,846

	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,438,397	\$ 1,156,886
Changes in assumptions	9,705,666	697,392
Net difference between projected and actual earnings on pension plan investments	-	40,913,835
Total	\$ 13,144,063	\$ 42,768,113

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
2022	\$ (2,301,360)	\$ (1,595,758)	\$ (3,897,118)
2023	(2,811,943)	(7,807,232)	(10,619,175)
2024	(3,250,193)	(9,330,345)	(12,580,538)
2025	(4,547,848)	(10,890,715)	(15,438,563)
Total	\$ (12,911,344)	\$ (29,624,050)	\$ (42,535,394)

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%	2.25%
Salary increases (including inflation)	3.50 to 11.25%	3.00 to 20.10%
Investment rate of return (net of investment expenses)	7.25%	7.25%
Mortality rates	RP-2014 Tables with MP-2016	Pub-2010 Tables 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, 2021

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	7.25%	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	7.25%	7.25%

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

The following presents the net pension liability of GERS and 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the General Employees' Retirement System	\$ 34,957,799	\$ 20,357,743	\$ 7,933,029
Net pension liability of the Police and Fire Retirement System	143,802,911	104,166,668	71,145,473

Assumption Changes

With respect to GERS, both the discount rate and investment rate of return decreased from 7.50 to 7.25 percent for the year ended June 30, 2021.

With respect to PFRS, there were no significant assumption changes for the year ended June 30, 2021.

Benefit Changes

With respect to GERS, there were no significant benefit changes for the year ended June 30, 2021.

With respect to PFRS, the benefit multiplier for certain employees hired after September 17, 2012 increased from 2.00 percent to 2.50 percent and the employee contribution rate for certain active members increased from 8.00 percent to 10.00 percent.

June 30, 2021

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, 2021 and best estimates of arithmetic real rates of return as of the June 30, 2021 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 - GERS	Target Allocation - PFRS	Long-term Expected Real Rate of Return - PFRS
Large-capitalization growth equities	7.30 %	4.91 %	12.00 %	4.91 %
Large-capitalization value equities	7.30	5.12	12.00	5.12
Large-capitalization core equities	7.40	5.02	12.00	5.02
Small-/Middle-capitalization equities	10.00	5.71	6.00	5.71
International equities	22.00	4.47	19.00	4.47
Emerging markets	5.00	6.89	6.00	6.89
Fixed income	32.00	0.11	25.00	0.11
Alternative investments	5.00	2.78	5.00	2.78
Real estate	4.00	4.34	3.00	4.34

Annual Money-weighted Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 30.30 and 34.20 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, 2021

Note 11 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 117,390,983	\$ 119,022,282
Employee reserve	6,725,220	6,725,220
PFRS		
Retiree reserve	256,617,431	246,651,289
Employee reserve	21,241,164	21,241,164

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, 2021, the plan has \$24,153,732 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, 2020
Retirees and beneficiaries	648
Active and DROP members	465
Total members	1,113

June 30, 2021

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, 2021, the City's contribution was \$10,500,000. 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, 2021 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, 2021 measurement date. The June 30, 2021 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

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, 2020	\$ 220,213,932	\$ 123,037,970	\$ 97,175,962
Changes for the year:			
Service cost	1,618,774	-	1,618,774
Interest	16,148,111	-	16,148,111
Differences between expected and actual experience	(27,706,806)	-	(27,706,806)
Changes in assumptions	11,868,794	-	11,868,794
Contributions - Employer	-	10,500,000	(10,500,000)
Contributions - Employee	-	85,276	(85,276)
Net investment income	-	41,525,017	(41,525,017)
Benefit payments, including refunds	(9,805,884)	(9,805,884)	-
Other	(812,847)	-	(812,847)
Net changes	(8,689,858)	42,304,409	(50,994,267)
Balance at June 30, 2021	<u>\$ 211,524,074</u>	<u>\$ 165,342,379</u>	<u>\$ 46,181,695</u>

The Plan's fiduciary net position represents 78.2 percent of the total OPEB liability.

June 30, 2021

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, 2021, the City recognized an OPEB recovery of \$843,400.

At June 30, 2021, 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	\$ -	\$ 25,080,308
Changes in assumptions	13,368,967	-
Net difference between projected and actual earnings on OPEB plan investments	-	20,141,692
Total	<u>\$ 13,368,967</u>	<u>\$ 45,222,000</u>

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
2022	\$ (7,933,690)
2023	(7,549,927)
2024	(8,138,395)
2025	(8,231,021)
Total	<u>\$ (31,853,033)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 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 7.25 percent; a health care cost trend rate of 7.50 percent for 2021, decreasing 0.25 to 0.50 percent per year to an ultimate rate of 3.50 percent for 2032 and later years; and the RP-2014 mortality tables with the MP-2016 improvement scale for general members and the Pub-2010 mortality tables with the MP-2019 improvement scale for police and fire members. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016 for general members and an experience study for the four-year period ended June 30, 2019 for police and fire members.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 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.

June 30, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

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.

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 7.25 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 70,319,020	\$ 46,181,695	\$ 25,126,375

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 7.50 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 (6.50% to 2.50%)	Current Health Care Cost Trend Rate (7.50% to 3.50%)	1 Percentage Point Increase (8.50% to 4.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 23,740,922	\$ 46,181,695	\$ 71,888,053

Assumption Changes

Changes in assumptions in 2021 reflect the effects of changes in the discount rate and investment rate of return, health care cost trend rates, and mortality assumptions used. The discount rate and investment rate of return both decreased from 7.50 percent to 7.25 percent. Health care cost trend rates were adjusted from an initial trend of 8.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent. For police and fire members, the valuation changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2019). Mortality assumptions remained the same for general members.

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.

June 30, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

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.

The OPEB board's adopted asset allocation policies as of June 30, 2021 and best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large-capitalization equities	10.00 %	4.91 %
Large-capitalization value equities	10.00	5.12
Large-capitalization core equities	10.00	5.02
Small-/Middle-capitalization equities	15.00	5.71
International equities	20.00	4.47
Emerging markets	5.00	6.89
Fixed income	25.00	0.11
Alternative investments	5.00	2.78

Annual Money-weighted Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 34.37 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	\$ 733,965
	Water and sewer operations	4,800
	Total	<u>\$ 738,765</u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	General Improvements Fund	\$ 5,338,130
	Nonmajor governmental funds	12,212,680
	Total General Fund	17,550,810
Nonmajor governmental funds	Nonmajor governmental funds	2,389,260
	Total	<u>\$ 19,940,070</u>

June 30, 2021

Note 13 - Interfund Receivables, Payables, and Transfers (Continued)

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 unrestricted resources for operations and capital projects, restricted resources for debt service payments, and repair and replacement of 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.

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 to 5.0 percent of employees' base wages, based on employee group, while the employees contribute a minimum of 5.0 percent of eligible 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 \$385,195 during the current year, and employees contributed \$547,125.

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, 2021, the City abated \$730,955 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.

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	5,221,073
Total unrestricted net position	<u>\$ 7,761,073</u>

June 30, 2021

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	\$ 2,048,979	\$ 9,268,943	\$ 3,333,832	\$ 14,651,754
Investments:				
Government securities	8,658,935	17,889,424	7,458,242	34,006,601
Mutual funds	13,928,075	31,776,571	14,914,265	60,618,911
Common and preferred stocks	92,291,427	199,586,058	132,875,907	424,753,392
Corporate bonds	8,769,825	8,891,541	7,273,307	24,934,673
Private real estate	-	859,982	-	859,982
Receivables - Other	345,658	-	767,534	1,113,192
Total assets	126,042,899	268,272,519	166,623,087	560,938,505
Liabilities:				
Accounts payable	(295,396)	(380,066)	(674,104)	(1,349,566)
Due to other governmental units	-	(6)	-	(6)
Accrued and other liabilities	-	-	(39,100)	(39,100)
Provision for claims	-	-	(567,505)	(567,505)
Total liabilities	(295,396)	(380,072)	(1,280,709)	(1,956,177)
Net position - Restricted for pension and OPEB	\$ 125,747,503	\$ 267,892,447	\$ 165,342,378	\$ 558,982,328

June 30, 2021

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				
(expense):				
Interest and dividends	\$ 3,853,300	\$ 6,609,337	\$ 3,949,889	\$ 14,412,526
Net increase in fair value of investments	27,080,867	65,099,761	38,598,652	130,779,280
Investment-related expenses	(756,653)	(1,494,047)	(1,023,525)	(3,274,225)
Contributions:				
Employer contributions	4,029,741	11,969,319	10,500,000	26,499,060
Employee contributions	490,970	1,949,272	85,276	2,525,518
Deductions:				
Benefit payments	(11,356,754)	(21,816,250)	(9,805,884)	(42,978,888)
Refunds of contributions	(377,748)	(1,800,665)	-	(2,178,413)
Net increase in net position	22,963,723	60,516,727	42,304,408	125,784,858
Net position - Restricted for pension and OPEB - Beginning of year	102,783,780	207,375,720	123,037,970	433,197,470
Net position - Restricted for pension and OPEB - End of year	\$ 125,747,503	\$ 267,892,447	\$ 165,342,378	\$ 558,982,328

Required Supplemental Information

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 66,734,770	\$ 65,942,720	\$ 66,001,527	\$ 58,807
Intergovernmental:				
Federal sources	155,900	6,416,230	6,056,664	(359,566)
State sources	14,956,780	22,118,480	22,090,442	(28,038)
Charges for services	13,818,090	13,269,740	13,184,263	(85,477)
Fines and forfeitures - District court fines and fees	1,740,500	1,004,160	1,079,803	75,643
Licenses and permits	4,647,600	4,506,250	4,563,237	56,987
Investment income	2,156,380	1,766,380	1,938,551	172,171
Other revenue	1,212,700	845,260	1,093,955	248,695
Total revenue	105,422,720	115,869,220	116,008,442	139,222
Expenditures				
Current services:				
General government:				
City administration	10,927,070	11,609,810	11,484,761	125,049
Community relations	1,552,780	1,291,650	1,269,214	22,436
41A District Court	3,656,350	3,442,910	3,433,515	9,395
Public safety:				
Police	37,315,190	36,677,850	36,273,969	403,881
Fire	22,548,770	23,607,965	23,271,855	336,110
Public works:				
Public works	6,648,910	6,571,880	6,465,937	105,943
Refuse collection	4,666,480	4,721,180	4,567,234	153,946
City development	5,147,650	4,871,240	4,633,594	237,646
General expenditures	1,916,300	2,005,980	1,932,314	73,666
Recreation and culture - Public library	2,910,150	2,885,990	2,832,393	53,597
Total expenditures	97,289,650	97,686,455	96,164,786	1,521,669
Excess of Revenue Over Expenditures	8,133,070	18,182,765	19,843,656	1,660,891
Other Financing (Uses) Sources				
Transfers out	(10,852,970)	(17,550,810)	(17,550,810)	-
Sale of capital assets	80,000	45,000	41,899	(3,101)
Total other financing uses	(10,772,970)	(17,505,810)	(17,508,911)	(3,101)
Net Change in Fund Balance	(2,639,900)	676,955	2,334,745	1,657,790
Fund Balance - Beginning of year	29,914,428	29,914,428	29,914,428	-
Fund Balance - End of year	<u>\$ 27,274,528</u>	<u>\$ 30,591,383</u>	<u>\$ 32,249,173</u>	<u>\$ 1,657,790</u>

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund American Rescue Plan Act

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Last Eight Fiscal Years							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 848,617	\$ 926,654	\$ 923,068	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741	\$ 1,149,820
Interest	10,363,444	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	(286,885)	867,442	722,498	782,654	(790,128)	(220,359)	1,896,980	-
Changes in assumptions	3,292,370	-	-	-	6,023,738	3,043,452	-	-
Benefit payments, including refunds	(11,734,502)	(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	2,483,044	290,792	669,809	688,359	5,402,229	3,321,131	2,139,317	225,542
Total Pension Liability - Beginning of year	143,622,202	143,331,410	142,661,601	141,973,242	136,571,013	133,249,881	131,110,564	130,885,022
Total Pension Liability - End of year	\$ 146,105,246	\$ 143,622,202	\$ 143,331,410	\$ 142,661,601	\$ 141,973,242	\$ 136,571,012	\$ 133,249,881	\$ 131,110,564
Plan Fiduciary Net Position								
Contributions - Employer	\$ 4,029,741	\$ 3,778,317	\$ 3,612,060	\$ 3,265,820	\$ 2,648,960	\$ 2,768,790	\$ 2,610,080	\$ 2,735,453
Contributions - Member	490,970	505,668	529,015	555,471	583,975	619,418	712,397	711,608
Net investment income (loss)	30,177,513	1,399,063	5,813,306	7,578,055	11,402,709	(288,329)	3,903,536	18,570,457
Benefit payments, including refunds	(11,734,502)	(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	22,963,722	(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	102,783,781	108,944,501	110,271,962	110,237,923	106,683,028	114,783,962	118,470,102	107,385,692
Plan Fiduciary Net Position - End of year	\$ 125,747,503	\$ 102,783,781	\$ 108,944,501	\$ 110,271,962	\$ 110,237,923	\$ 106,683,028	\$ 114,783,962	\$ 118,470,102
City's Net Pension Liability - Ending	\$ 20,357,743	\$ 40,838,421	\$ 34,386,909	\$ 32,389,639	\$ 31,735,319	\$ 29,887,984	\$ 18,465,919	\$ 12,640,462
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.07 %	71.57 %	76.01 %	77.30 %	77.65 %	78.12 %	86.14 %	90.36 %
Covered Payroll	\$ 5,767,945	\$ 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	352.95 %	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.

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

Last Eight Fiscal Years

In 2021, both the discount rate and investment rate of return decreased from 7.50 percent to 7.25 percent.

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

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

Last Ten Fiscal Years
Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 4,029,741	\$ 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
Contributions in relation to the actuarially determined contribution	4,029,741	3,778,317	3,612,059	3,265,816	2,648,960	2,768,786	2,610,074	2,735,453	1,790,556	1,089,481
Contribution Excess	\$ -	\$ 9,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,767,945	\$ 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
Contributions as a Percentage of Covered Payroll	69.86 %	63.03 %	56.61 %	52.64 %	35.70 %	36.96 %	29.32 %	29.77 %	14.47 %	7.95 %

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	13 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 for the period from 2011-2016
Mortality	RP-2014 Healthy Annuitant Mortality Table with blue-collar adjustments and extended via cubic spline adjusted backward 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 Eight Fiscal Years Years Ended June 30							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	30.30 %	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

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

	Last Seven Fiscal Years						
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 4,849,101	\$ 4,765,180	\$ 4,116,668	\$ 3,380,879	\$ 3,118,370	\$ 4,566,392	\$ 3,745,877
Interest	25,557,497	24,559,781	24,500,149	23,166,857	23,330,680	21,627,043	20,597,428
Changes in benefit terms	810,864	-	-	-	-	-	-
Differences between expected and actual experience	2,557,466	(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	(23,616,915)	(22,746,754)	(23,083,898)	(24,296,503)	(22,414,879)	(19,003,317)	(18,772,663)
Net Change in Total Pension Liability	10,158,013	3,055,887	30,349,255	19,110,961	8,103,247	(49,223,095)	34,184,440
Total Pension Liability - Beginning of year	361,901,108	358,845,221	328,495,966	309,385,005	301,281,758	350,504,853	316,320,413
Total Pension Liability - End of year	\$ 372,059,121	\$ 361,901,108	\$ 358,845,221	\$ 328,495,966	\$ 309,385,005	\$ 301,281,758	\$ 350,504,853
Plan Fiduciary Net Position							
Contributions - Employer	\$ 11,969,319	\$ 9,830,873	\$ 10,103,803	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970
Contributions - Member	1,949,272	1,993,395	1,857,374	2,038,119	1,660,858	1,538,401	1,297,931
Net investment income (loss)	70,313,859	8,329,773	14,613,943	19,084,405	22,479,683	(1,776,431)	9,106,541
Benefit payments, including refunds	(23,616,915)	(22,746,754)	(23,083,898)	(24,296,503)	(22,414,879)	(19,003,316)	(18,772,663)
Administrative expenses	(98,801)	(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	60,516,734	(2,693,970)	3,429,997	4,857,496	9,666,436	(11,242,766)	(412,501)
Plan Fiduciary Net Position - Beginning of year	207,375,719	210,069,689	206,639,692	201,782,196	192,115,760	203,358,526	203,771,027
Plan Fiduciary Net Position - End of year	\$ 267,892,453	\$ 207,375,719	\$ 210,069,689	\$ 206,639,692	\$ 201,782,196	\$ 192,115,760	\$ 203,358,526
City's Net Pension Liability - Ending	\$ 104,166,668	\$ 154,525,389	\$ 148,775,532	\$ 121,856,274	\$ 107,602,809	\$ 109,165,998	\$ 147,146,327
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.00 %	57.30 %	58.54 %	62.90 %	65.22 %	63.77 %	58.02 %
Covered Payroll	\$ 23,391,529	\$ 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	445.32 %	684.47 %	650.84 %	565.48 %	543.77 %	565.00 %	887.00 %

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

Last Seven Fiscal Years

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

In 2021, benefit changes included an increase in the benefit multiplier from 2.00 percent to 2.50 percent for certain employees. The employee contribution rate also increased from 8.00 percent to 10.00 percent for certain employees.

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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 11,969,088	\$ 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
Contributions in relation to the actuarially determined contribution	11,969,319	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
Contribution Excess	\$ 231	\$ 17,483	\$ 1,012,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 23,391,529	\$ 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
Contributions as a Percentage of Covered Payroll	51.17 %	43.55 %	44.20 %	38.50 %	48.19 %	51.93 %	55.62 %	55.18 %	45.88 %	32.85 %

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	22 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	7.50 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

City of Sterling Heights, Michigan

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

	Last Eight Fiscal Years Years Ended June 30							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	34.20 %	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 Five Fiscal Years				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 1,618,774	\$ 1,678,922	\$ 1,719,869	\$ 1,882,705	\$ 2,001,128
Interest	16,148,111	15,511,460	14,979,531	14,695,533	14,177,069
Differences between expected and actual experience	(27,706,806)	(1,942,968)	(5,425,052)	(3,926,583)	(380,735)
Changes in assumptions	11,868,794	3,381,580	5,723,906	5,411,956	5,411,956
Benefit payments, including refunds	(9,805,884)	(9,602,980)	(9,824,162)	(8,212,223)	(8,447,897)
Other	(812,847)	469,199	-	-	-
Net Change in Total OPEB Liability	(8,689,858)	9,495,213	7,174,092	9,851,388	12,761,521
Total OPEB Liability - Beginning of year	220,213,932	210,718,719	203,544,627	199,105,195	186,343,674
Total OPEB Liability - End of year	\$ 211,524,074	\$ 220,213,932	\$ 210,718,719	\$ 208,956,583	\$ 199,105,195
Plan Fiduciary Net Position					
Contributions - Employer	\$ 10,500,000	\$ 11,500,000	\$ 11,452,950	\$ 11,452,950	\$ 11,452,950
Contributions - Members	85,276	65,649	200,196	174,683	12,822
Net investment income	41,525,017	1,088,614	6,082,507	7,950,032	11,360,581
Benefit payments, including refunds	(9,805,884)	(9,602,980)	(9,824,162)	(8,752,335)	(8,447,897)
Other	-	-	-	-	10,572
Net Change in Plan Fiduciary Net Position	42,304,409	3,051,283	7,911,491	10,825,330	14,389,028
Plan Fiduciary Net Position - Beginning of year	123,037,970	119,986,687	112,075,196	101,249,866	86,860,838
Plan Fiduciary Net Position - End of year	\$ 165,342,379	\$ 123,037,970	\$ 119,986,687	\$ 112,075,196	\$ 101,249,866
Net OPEB Liability - Ending	\$ 46,181,695	\$ 97,175,962	\$ 90,732,032	\$ 96,881,387	\$ 97,855,329
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	78.17 %	55.87 %	56.94 %	53.64 %	50.85 %
Covered Payroll	\$ 26,600,457	\$ 24,904,864	\$ 27,050,738	\$ 27,014,605	\$ 28,386,397
Net OPEB Liability as a Percentage of Covered Payroll	173.61 %	390.19 %	335.41 %	358.63 %	344.73 %

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

Changes in assumptions in 2021 reflect the effects of changes in the discount rate and investment rate of return, health care cost trend rates, and mortality assumptions used. The discount rate and investment rate of return both decreased from 7.50 percent to 7.25 percent. Health care cost trend rates were adjusted from an initial trend of 8.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent. For police and fire members, the valuation changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2019). Mortality assumptions remained the same for general members.

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).

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

Last Five Fiscal Years

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 10,468,129	\$ 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
Contributions in relation to the actuarially determined contribution	10,500,000	11,500,000	11,452,950	11,452,950	11,452,950	12,584,830	12,334,370	12,195,350	11,984,780	11,523,820
Contribution Excess	\$ 31,871	\$ 948,408	\$ 899,011	\$ 815,848	\$ -	\$ 1,012,195	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 26,600,457	\$ 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
Contributions as a Percentage of Covered Payroll	39.47 %	46.18 %	42.34 %	42.40 %	40.35 %	35.38 %	34.68 %	29.83 %	29.31 %	26.55 %

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	23 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	Healthy postretirement: RP-2014 Healthy Annuitant Generational Mortality Tables, blue-collar adjustment, projected with scale MP-2016 from a base year of 2006; disability retirement: RP-2014 Disabled Mortality Tables, projected with scale MP-2016 from a base year of 2006
Other information	There were no benefit changes during the year.

Required Supplemental Information
Schedule of OPEB Investment Returns*

	Last Five Fiscal Years				
	Years Ended June 30				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	34.37 %	0.51 %	5.65 %	7.77 %	12.86 %

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

June 30, 2021

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

Other Financial and Supplemental Information

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 1,620	\$ 1,620	\$ 10,653	\$ 9,033
Intergovernmental	-	700,670	1,000,502	299,832
Investment income	150,000	53,500	146,012	92,512
Other revenue	1,090,420	850,420	785,910	(64,510)
Total revenue	1,242,040	1,606,210	1,943,077	336,867
Expenditures - Capital outlay	4,556,010	19,983,830	15,149,653	4,834,177
Other Financing Sources - Transfers in	4,081,010	5,338,130	5,338,130	-
Net Change in Fund Balance	767,040	(13,039,490)	(7,868,446)	5,171,044
Fund Balance - Beginning of year	16,496,808	16,496,808	16,496,808	-
Fund Balance - End of year	<u>\$ 17,263,848</u>	<u>\$ 3,457,318</u>	<u>\$ 8,628,362</u>	<u>\$ 5,171,044</u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Budgetary Comparison Schedules - Major Capital Projects Funds (Continued) Road Bond Construction

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 300,000	\$ 2,000	\$ -	\$ (2,000)
Expenditures				
Current services	-	163,040	166,570	(3,530)
Capital outlay	1,000,000	1,854,000	862,118	991,882
Total expenditures	1,000,000	2,017,040	1,028,688	988,352
Excess of Expenditures Over Revenue	(700,000)	(2,015,040)	(1,028,688)	986,352
Other Financing Sources				
New debt issued	14,500,000	18,522,900	18,000,000	(522,900)
Debt premium or discount	-	-	702,899	702,899
Total other financing sources	14,500,000	18,522,900	18,702,899	179,999
Net Change in Fund Balance	13,800,000	16,507,860	17,674,211	1,166,351
Fund Balance - Beginning of year	875,086	875,086	875,086	-
Fund Balance - End of year	<u><u>\$ 14,675,086</u></u>	<u><u>\$ 17,382,946</u></u>	<u><u>\$ 18,549,297</u></u>	<u><u>\$ 1,166,351</u></u>

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.

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.

Parks and Recreation

The Parks and Recreation Fund accounts for the resources for the operation, development, and improvements of the City's park system.

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

Clinton River Restoration

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

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.

City of Sterling Heights, Michigan

Other Financial and Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

Facilities Improvement Fund

The Facilities Improvement Fund accounts for the proceeds of bond issues and all other resources used for the purpose of improving major city-owned facilities.

City of Sterling Heights, Michigan

	Special Revenue Funds						
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Michigan Indigent Defense Commission	Parks and Recreation	Total Special Revenue Funds
Assets							
Cash and cash equivalents	\$ -	\$ 1,802,420	\$ 1,133,611	\$ 851,309	\$ 431,018	\$ 1,351,638	\$ 5,569,996
Investments	-	-	-	-	-	500,000	500,000
Receivables:							
Special assessments receivable	-	-	39,999	-	-	-	39,999
Accrued interest receivable	-	9	1,714	33	-	7	1,763
Due from other governmental units	398,152	1,625,056	603,532	-	-	82,974	2,709,714
Inventory	-	-	-	94,562	-	-	94,562
Prepays and other assets	-	4,256,594	-	-	-	-	4,256,594
Rehabilitation loans	1,355,832	-	-	-	-	-	1,355,832
Total assets	\$ 1,753,984	\$ 7,684,079	\$ 1,778,856	\$ 945,904	\$ 431,018	\$ 1,934,619	\$ 14,528,460
Liabilities							
Accounts payable	\$ 288,224	\$ 364,059	\$ 27,236	\$ 17,571	\$ 29,797	\$ 817,578	\$ 1,544,465
Due to other governmental units	-	-	-	-	-	13,551	13,551
Due to other funds	107,399	-	-	36,587	-	-	143,986
Accrued and other liabilities	2,529	152,917	212,276	-	-	339,880	707,602
Unearned revenue - Unearned miscellaneous revenue	1,355,832	-	-	-	300,528	1,300	1,657,660
Total liabilities	1,753,984	516,976	239,512	54,158	330,325	1,172,309	4,067,264
Deferred Inflows of Resources -							
Unavailable revenue	-	-	37,769	-	-	-	37,769
Total liabilities and deferred inflows of resources	1,753,984	516,976	277,281	54,158	330,325	1,172,309	4,105,033
Fund Balances							
Nonspendable	-	4,256,594	-	94,562	-	-	4,351,156
Restricted:							
Roads	-	2,910,509	1,501,575	-	-	-	4,412,084
Public safety	-	-	-	797,184	-	-	797,184
Debt service	-	-	-	-	-	-	-
Community service	-	-	-	-	100,693	-	100,693
Committed - Park acquisitions and improvements	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	762,310	762,310
Total fund balances	-	7,167,103	1,501,575	891,746	100,693	762,310	10,423,427
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,753,984	\$ 7,684,079	\$ 1,778,856	\$ 945,904	\$ 431,018	\$ 1,934,619	\$ 14,528,460

Other Financial and Supplemental Information

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

Debt Service Funds					Capital Project Funds					
Road Bond Debt Retirement	General Drain Debt	Voted Tax GO Debt	Limited Tax GO Debt	Total Debt Service Funds	Clinton River Restoration	Land and Water Conservation	Facilities Improvement	Total Capital Project Funds	Total	
\$ 370,567	\$ 1,547	\$ 515,804	\$ 299	\$ 888,217	\$ 17,963	\$ 51,703	\$ 3,190,728	\$ 3,260,394	\$ 9,718,607	
-	-	-	-	-	-	-	-	-	500,000	
802,763	-	-	-	802,763	-	-	-	-	842,762	
41,985	-	20	-	42,005	-	-	94,514	94,514	138,282	
-	-	-	-	-	-	-	29,331	29,331	2,739,045	
-	-	-	-	-	-	-	-	-	94,562	
-	-	-	-	-	-	-	-	-	4,256,594	
-	-	-	-	-	-	-	-	-	1,355,832	
\$ 1,215,315	\$ 1,547	\$ 515,824	\$ 299	\$ 1,732,985	\$ 17,963	\$ 51,703	\$ 3,314,573	\$ 3,384,239	\$ 19,645,684	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ -	\$ 1,075,675	\$ 1,075,782	\$ 2,620,247	
-	-	-	-	-	-	-	-	-	13,551	
77,912	-	512,067	-	589,979	-	-	-	-	733,965	
-	-	635	-	635	-	20,420	1,265,040	1,285,460	1,993,697	
-	-	-	-	-	-	-	-	-	1,657,660	
77,912	-	512,702	-	590,614	107	20,420	2,340,715	2,361,242	7,019,120	
700,655	-	-	-	700,655	-	-	29,331	29,331	767,755	
778,567	-	512,702	-	1,291,269	107	20,420	2,370,046	2,390,573	7,786,875	
-	-	-	-	-	-	-	-	-	4,351,156	
-	-	-	-	-	-	-	-	-	4,412,084	
-	-	-	-	-	-	-	-	-	797,184	
436,748	1,547	3,122	-	441,417	-	-	-	-	441,417	
-	-	-	-	-	-	-	-	-	100,693	
-	-	-	-	-	-	31,283	-	31,283	31,283	
-	-	-	299	299	17,856	-	944,527	962,383	1,724,992	
436,748	1,547	3,122	299	441,716	17,856	31,283	944,527	993,666	11,858,809	
\$ 1,215,315	\$ 1,547	\$ 515,824	\$ 299	\$ 1,732,985	\$ 17,963	\$ 51,703	\$ 3,314,573	\$ 3,384,239	\$ 19,645,684	

City of Sterling Heights, Michigan

	Special Revenue Funds						
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Michigan Indigent Defense Commission	Parks and Recreation	Total Special Revenue Funds
Revenue							
Property taxes	\$ -	\$ -	\$ 3,563,506	\$ -	\$ -	\$ 4,331,003	\$ 7,894,509
Special assessments	-	-	9,051	-	-	-	9,051
Intergovernmental:							
Federal sources	1,329,827	12,994	-	188,443	-	38,189	1,569,453
State sources	-	10,256,957	4,077,696	602,519	-	510,522	15,447,694
Charges for services	-	-	-	-	-	473,354	473,354
Investment income	-	26,162	10,578	731	76	3,807	41,354
Other revenue	-	300,357	78,288	-	-	75,306	453,951
Total revenue	1,329,827	10,596,470	7,739,119	791,693	76	5,432,181	25,889,366
Expenditures							
Current services:							
41A District Court	-	-	-	-	135,997	-	135,997
Public safety	-	-	-	158,493	-	-	158,493
Public works	792,564	2,517,294	2,564,798	-	-	-	5,874,656
General expenditures	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	4,534,088	4,534,088
Capital outlay	537,263	6,152,431	4,771,354	467,963	-	1,829,115	13,758,126
Debt service	-	-	-	-	-	2,998,588	2,998,588
Total expenditures	1,329,827	8,669,725	7,336,152	626,456	135,997	9,361,791	27,459,948
Excess of Revenue Over (Under) Expenditures	-	1,926,745	402,967	165,237	(135,921)	(3,929,610)	(1,570,582)
Other Financing Sources (Uses)							
Transfers in	-	2,000,000	-	-	-	3,486,350	5,486,350
Transfers out	-	(2,389,260)	-	-	-	-	(2,389,260)
New debt issued	-	-	-	-	-	-	-
Total other financing (uses) sources	-	(389,260)	-	-	-	3,486,350	3,097,090
Net Change in Fund Balances	-	1,537,485	402,967	165,237	(135,921)	(443,260)	1,526,508
Fund Balances - Beginning of year	-	5,629,618	1,098,608	726,509	236,614	1,205,570	8,896,919
Fund Balances - End of year	\$ -	\$ 7,167,103	\$ 1,501,575	\$ 891,746	\$ 100,693	\$ 762,310	\$ 10,423,427

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

Year Ended June 30, 2021

Debt Service Funds					Capital Project Funds					
Road Bond Debt Retirement	General Drain Debt	Voted Tax GO Debt	Limited Tax GO Debt	Total Debt Service Funds	Clinton River Restoration	Land and Water Conservation	Facilities Improvement	Total Capital Project Funds	Total	
\$ -	\$ 450	\$ 506,168	\$ -	\$ 506,618	\$ -	\$ -	\$ -	\$ -	\$ 8,401,127	
99,723	-	-	-	99,723	-	-	-	-	108,774	
-	-	-	-	-	-	-	-	-	1,569,453	
-	-	37,696	-	37,696	-	-	-	-	15,485,390	
-	-	-	-	-	-	-	-	-	473,354	
386	1	262	-	649	-	44	186,153	186,197	228,200	
58,486	-	-	-	58,486	-	-	34,524	34,524	546,961	
158,595	451	544,126	-	703,172	-	44	220,677	220,721	26,813,259	
-	-	-	-	-	-	-	-	-	135,997	
-	-	-	-	-	-	-	-	-	158,493	
-	-	-	-	-	-	-	-	-	5,874,656	
989,149	-	500	1,000	990,649	-	-	-	-	990,649	
-	-	-	-	-	10,345	-	-	10,345	4,544,433	
-	-	-	-	-	51,799	128,660	15,117,354	15,297,813	29,055,939	
2,634,875	-	585,550	2,954,606	6,175,031	-	-	-	-	9,173,619	
3,624,024	-	586,050	2,955,606	7,165,680	62,144	128,660	15,117,354	15,308,158	49,933,786	
(3,465,429)	451	(41,924)	(2,955,606)	(6,462,508)	(62,144)	(128,616)	(14,896,677)	(15,087,437)	(23,120,527)	
2,389,260	-	15,000	2,955,610	5,359,870	80,000	-	3,675,720	3,755,720	14,601,940	
-	-	-	-	-	-	-	-	-	(2,389,260)	
973,000	-	-	-	973,000	-	-	-	-	973,000	
3,362,260	-	15,000	2,955,610	6,332,870	80,000	-	3,675,720	3,755,720	13,185,680	
(103,169)	451	(26,924)	4	(129,638)	17,856	(128,616)	(11,220,957)	(11,331,717)	(9,934,847)	
539,917	1,096	30,046	295	571,354	-	159,899	12,165,484	12,325,383	21,793,656	
<u>\$ 436,748</u>	<u>\$ 1,547</u>	<u>\$ 3,122</u>	<u>\$ 299</u>	<u>\$ 441,716</u>	<u>\$ 17,856</u>	<u>\$ 31,283</u>	<u>\$ 944,527</u>	<u>\$ 993,666</u>	<u>\$ 11,858,809</u>	

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 1,126,600	\$ 1,916,060	\$ 1,329,827	\$ (586,233)
Expenditures - Community development	1,126,600	1,916,060	1,329,827	586,233
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, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 9,735,720	\$ 10,290,970	\$ 10,269,951	\$ (21,019)
Investment income	80,000	5,600	26,162	20,562
Other revenue	295,000	295,000	300,357	5,357
Total revenue	10,110,720	10,591,570	10,596,470	4,900
Expenditures				
Current services - Public works	2,778,760	2,900,625	2,517,294	383,331
Capital outlay	6,140,000	10,130,410	6,152,431	3,977,979
Total expenditures	8,918,760	13,031,035	8,669,725	4,361,310
Excess of Revenue Over (Under) Expenditures	1,191,960	(2,439,465)	1,926,745	4,366,210
Other Financing Sources (Uses)				
Transfers in	1,000,000	2,000,000	2,000,000	-
Transfers out	(2,760,150)	(2,389,260)	(2,389,260)	-
Total other financing uses	(1,760,150)	(389,260)	(389,260)	-
Net Change in Fund Balance	(568,190)	(2,828,725)	1,537,485	4,366,210
Fund Balance - Beginning of year	5,629,618	5,629,618	5,629,618	-
Fund Balance - End of year	\$ 5,061,428	\$ 2,800,893	\$ 7,167,103	\$ 4,366,210

City of Sterling Heights, Michigan**Other Financial and Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Local Roads****Year Ended June 30, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,680,810	\$ 3,563,400	\$ 3,563,506	\$ 106
Special assessments	2,790	2,790	9,051	6,261
Intergovernmental	3,828,620	4,077,730	4,077,696	(34)
Investment income	45,000	2,700	10,578	7,878
Other revenue	47,150	67,150	78,288	11,138
Total revenue	7,604,370	7,713,770	7,739,119	25,349
Expenditures				
Current services - Public works	2,444,580	2,612,270	2,564,798	47,472
Capital outlay	5,100,000	5,929,000	4,771,354	1,157,646
Total expenditures	7,544,580	8,541,270	7,336,152	1,205,118
Net Change in Fund Balance	59,790	(827,500)	402,967	1,230,467
Fund Balance - Beginning of year	1,098,608	1,098,608	1,098,608	-
Fund Balance - End of year	\$ 1,158,398	\$ 271,108	\$ 1,501,575	\$ 1,230,467

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 28,800	\$ 781,800	\$ 790,962	\$ 9,162
Investment income	12,550	650	731	81
Total revenue	41,350	782,450	791,693	9,243
Expenditures				
Public safety	185,660	168,490	158,493	9,997
Capital outlay	415,610	467,990	467,963	27
Total expenditures	601,270	636,480	626,456	10,024
Net Change in Fund Balance	(559,920)	145,970	165,237	19,267
Fund Balance - Beginning of year	726,509	726,509	726,509	-
Fund Balance - End of year	<u><u>\$ 166,589</u></u>	<u><u>\$ 872,479</u></u>	<u><u>\$ 891,746</u></u>	<u><u>\$ 19,267</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, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 486,460	\$ 361,180	\$ 76	\$ (361,104)
Expenditures - 41A District Court	483,460	329,130	135,997	193,133
Net Change in Fund Balance	3,000	32,050	(135,921)	(167,971)
Fund Balance - Beginning of year	236,614	236,614	236,614	-
Fund Balance - End of year	<u><u>\$ 239,614</u></u>	<u><u>\$ 268,664</u></u>	<u><u>\$ 100,693</u></u>	<u><u>\$ (167,971)</u></u>

City of Sterling Heights, Michigan

Other Financial and Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Parks and Recreation

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 4,386,990	\$ 4,330,210	\$ 4,331,003	\$ 793
Intergovernmental	720,200	562,320	548,711	(13,609)
Charges for services	764,000	478,770	473,354	(5,416)
Investment income	30,000	3,500	3,807	307
Other revenue	30,100	73,040	75,306	2,266
Total revenue	5,931,290	5,447,840	5,432,181	(15,659)
Expenditures				
Current services - Recreation and culture	5,167,570	4,740,370	4,534,088	206,282
Capital outlay	1,960,000	2,250,800	1,829,115	421,685
Debt service	2,998,590	2,998,590	2,998,588	2
Total expenditures	10,126,160	9,989,760	9,361,791	627,969
Excess of Expenditures Over Revenue	(4,194,870)	(4,541,920)	(3,929,610)	612,310
Other Financing Sources - Transfers in	2,736,350	3,486,350	3,486,350	-
Net Change in Fund Balance	(1,458,520)	(1,055,570)	(443,260)	612,310
Fund Balance - Beginning of year	1,205,570	1,205,570	1,205,570	-
Fund Balance - End of year	<u><u>\$ (252,950)</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 762,310</u></u>	<u><u>\$ 612,310</u></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, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 96,440	\$ 96,440	\$ 99,723	\$ 3,283
Investment income	6,000	370	386	16
Other revenue	64,390	55,880	58,486	2,606
Total revenue	166,830	152,690	158,595	5,905
Expenditures				
Current services	3,150	4,390	989,149	(984,759)
Debt service	2,757,000	2,634,880	2,634,875	5
Total expenditures	2,760,150	2,639,270	3,624,024	(984,754)
Excess of Expenditures Over Revenue	(2,593,320)	(2,486,580)	(3,465,429)	(978,849)
Other Financing Sources				
Transfers in	2,760,150	2,389,260	2,389,260	-
New debt issued	-	-	973,000	973,000
Total other financing sources	2,760,150	2,389,260	3,362,260	973,000
Net Change in Fund Balance	166,830	(97,320)	(103,169)	(5,849)
Fund Balance - Beginning of year	539,917	539,917	539,917	-
Fund Balance - End of year	<u><u>\$ 706,747</u></u>	<u><u>\$ 442,597</u></u>	<u><u>\$ 436,748</u></u>	<u><u>\$ (5,849)</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 710	\$ 710	\$ 450	\$ (260)
Investment income	-	-	1	1
Total revenue	710	710	451	(259)
Expenditures	-	-	-	-
Net Change in Fund Balance	710	710	451	(259)
Fund Balance - Beginning of year	1,096	1,096	1,096	-
Fund Balance - End of year	<u>\$ 1,806</u>	<u>\$ 1,806</u>	<u>\$ 1,547</u>	<u>\$ (259)</u>

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, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 514,930	\$ 503,760	\$ 506,168	\$ 2,408
Intergovernmental	36,280	37,700	37,696	(4)
Investment income	5,500	250	262	12
Total revenue	556,710	541,710	544,126	2,416
Expenditures				
Current services	500	500	500	-
Debt service	585,550	585,550	585,550	-
Total expenditures	586,050	586,050	586,050	-
Excess of Expenditures Over Revenue	(29,340)	(44,340)	(41,924)	2,416
Other Financing Sources - Transfers in	-	15,000	15,000	-
Net Change in Fund Balance	(29,340)	(29,340)	(26,924)	2,416
Fund Balance - Beginning of year	30,046	30,046	30,046	-
Fund Balance - End of year	<u><u>\$ 706</u></u>	<u><u>\$ 706</u></u>	<u><u>\$ 3,122</u></u>	<u><u>\$ 2,416</u></u>

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, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current services	1,000	1,000	1,000	-
Debt service	2,954,610	2,954,610	2,954,606	4
Total expenditures	2,955,610	2,955,610	2,955,606	4
Excess of Expenditures Over Revenue	(2,955,610)	(2,955,610)	(2,955,606)	4
Other Financing Sources - Transfers in	2,955,610	2,955,610	2,955,610	-
Net Change in Fund Balance	-	-	4	4
Fund Balance - Beginning of year	295	295	295	-
Fund Balance - End of year	<u>\$ 295</u>	<u>\$ 295</u>	<u>\$ 299</u>	<u>\$ 4</u>

City of Sterling Heights, Michigan**Other Financial and Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Clinton River Restoration****Year Ended June 30, 2021**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current services	20,000	20,000	10,345	9,655
Capital outlay	60,000	60,000	51,799	8,201
Total expenditures	80,000	80,000	62,144	17,856
Excess of Expenditures Over Revenue	(80,000)	(80,000)	(62,144)	17,856
Other Financing Sources - Transfers in	80,000	80,000	80,000	-
Net Change in Fund Balance	-	-	17,856	17,856
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,856</u>	<u>\$ 17,856</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, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ 44	\$ 44
Expenditures - Capital outlay	-	133,000	128,660	4,340
Net Change in Fund Balance	-	(133,000)	(128,616)	4,384
Fund Balance - Beginning of year	159,899	159,899	159,899	-
Fund Balance - End of year	<u>\$ 159,899</u>	<u>\$ 26,899</u>	<u>\$ 31,283</u>	<u>\$ 4,384</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 200,000	\$ 187,500	\$ 186,153	\$ (1,347)
Other revenue	90,000	34,510	34,524	14
Total revenue	290,000	222,010	220,677	(1,333)
Expenditures - Capital outlay	6,847,190	16,013,210	15,117,354	895,856
Excess of Expenditures Over Revenue	(6,557,190)	(15,791,200)	(14,896,677)	894,523
Other Financing Sources - Transfers in	-	3,675,720	3,675,720	-
Net Change in Fund Balance	(6,557,190)	(12,115,480)	(11,220,957)	894,523
Fund Balance - Beginning of year	12,165,484	12,165,484	12,165,484	-
Fund Balance - End of year	<u><u>\$ 5,608,294</u></u>	<u><u>\$ 50,004</u></u>	<u><u>\$ 944,527</u></u>	<u><u>\$ 894,523</u></u>

City of Sterling Heights, Michigan

	Pension and Other Employee Benefit Trust Funds			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 2,048,979	\$ 9,268,943	\$ 3,333,832	\$ 14,651,754
Investments:				
Government securities	8,658,935	17,889,424	7,458,242	34,006,601
Mutual funds	13,928,075	31,776,571	14,914,265	60,618,911
Common and preferred stocks	92,291,427	199,586,058	132,875,907	424,753,392
Corporate bonds	8,769,825	8,891,541	7,273,307	24,934,673
Private real estate	-	859,982	-	859,982
Receivables - Other	345,658	-	767,534	1,113,192
Total assets	126,042,899	268,272,519	166,623,087	560,938,505
Liabilities				
Accounts payable	295,396	380,066	674,104	1,349,566
Due to other governmental units	-	6	-	6
Accrued and other liabilities	-	-	39,100	39,100
Provision for claims	-	-	567,505	567,505
Total liabilities	295,396	380,072	1,280,709	1,956,177
Net Position				
Restricted:				
Pension	125,747,503	267,892,447	-	393,639,950
Postemployment benefits other than pension	-	-	165,342,378	165,342,378
Total net position	<u>\$ 125,747,503</u>	<u>\$ 267,892,447</u>	<u>\$ 165,342,378</u>	<u>\$ 558,982,328</u>

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

June 30, 2021

Custodial Funds				
Tax Receiving	District Court	Total	Total Fiduciary Funds	
\$ -	\$ 58,597	\$ 58,597	\$	14,710,351
-	-	-		34,006,601
-	-	-		60,618,911
-	-	-		424,753,392
-	-	-		24,934,673
-	-	-		859,982
-	-	-		1,113,192
-	58,597	58,597		560,997,102
-	-	-		1,349,566
-	58,597	58,597		58,603
-	-	-		39,100
-	-	-		567,505
-	58,597	58,597		2,014,774
-	-	-		393,639,950
-	-	-		165,342,378
\$ -	\$ -	\$ -	\$	558,982,328

City of Sterling Heights, Michigan

	Pension and Other Employee Benefit Trust Funds			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Investment income (expense):				
Interest and dividends	\$ 3,853,300	\$ 6,609,337	\$ 3,949,889	\$ 14,412,526
Net increase in fair value of investments	27,080,867	65,099,761	38,598,652	130,779,280
Investment costs	(756,653)	(1,494,047)	(1,023,525)	(3,274,225)
Net investment income	30,177,514	70,215,051	41,525,016	141,917,581
Contributions:				
Employer contributions	4,029,741	11,969,319	10,500,000	26,499,060
Employee contributions	490,970	1,949,272	85,276	2,525,518
Total contributions	4,520,711	13,918,591	10,585,276	29,024,578
Property tax collections	-	-	-	-
Court fees collected for other governments	-	-	-	-
Total additions	34,698,225	84,133,642	52,110,292	170,942,159
Deductions				
Benefit payments	11,356,754	21,816,250	9,805,884	42,978,888
Refunds of contributions	377,748	1,800,665	-	2,178,413
Tax distributions to other governments	-	-	-	-
Court fees distributed to other governments	-	-	-	-
Total deductions	11,734,502	23,616,915	9,805,884	45,157,301
Net Increase in Fiduciary Net Position -				
Restricted for pension and OPEB	22,963,723	60,516,727	42,304,408	125,784,858
Net Position - Restricted for pension and OPEB				
- Beginning of year	102,783,780	207,375,720	123,037,970	433,197,470
Net Position - Restricted for pension and OPEB				
- End of year	\$ 125,747,503	\$ 267,892,447	\$ 165,342,378	\$ 558,982,328

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

Year Ended June 30, 2021

Custodial Funds			
<u>Tax Receiving</u>	<u>District Court</u>	<u>Total</u>	<u>Total Fiduciary Funds</u>
\$ -	\$ -	\$ -	\$ 14,412,526
-	-	-	130,779,280
-	-	-	(3,274,225)
-	-	-	141,917,581
-	-	-	26,499,060
-	-	-	2,525,518
-	-	-	29,024,578
132,189,214	-	132,189,214	132,189,214
-	644,526	644,526	644,526
132,189,214	644,526	132,833,740	303,775,899
-	-	-	42,978,888
-	-	-	2,178,413
132,189,214	-	132,189,214	132,189,214
-	644,526	644,526	644,526
132,189,214	644,526	132,833,740	177,991,041
-	-	-	125,784,858
-	-	-	433,197,470
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,982,328</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,			
	2012	2013	2014	2015 (1)
Governmental Activities:				
Net investment in capital assets	\$ 163,744,453	\$ 159,678,093	\$ 159,604,551	\$ 166,305,991
Restricted	10,876,504	11,385,681	9,040,309	9,687,600
Unrestricted	27,712,790	26,650,520	24,290,676	(107,150,997)
Total net position	<u>\$ 202,333,747</u>	<u>\$ 197,714,294</u>	<u>\$ 192,935,536</u>	<u>\$ 68,842,594</u>
Business Type Activities:				
Net investment in capital assets	\$ 127,122,039	\$ 125,395,977	\$ 122,324,204	\$ 118,109,220
Restricted	9,424,998	9,596,925	9,368,833	10,521,601
Unrestricted	22,170,126	20,362,360	14,888,421	9,948,067
Total net position	<u>\$ 158,717,163</u>	<u>\$ 155,355,262</u>	<u>\$ 146,581,458</u>	<u>\$ 138,578,888</u>
Primary government in total:				
Net investment in capital assets	\$ 290,866,492	\$ 285,074,070	\$ 281,928,755	\$ 284,415,211
Restricted	20,301,502	20,982,606	18,409,142	20,209,201
Unrestricted	49,882,916	47,012,880	39,179,097	(97,202,930)
Total net position	<u>\$ 361,050,910</u>	<u>\$ 353,069,556</u>	<u>\$ 339,516,994</u>	<u>\$ 207,421,482</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, 2021

As of June 30,					
2016	2017	2018 (2)	2019	2020	2021
\$ 172,609,179	\$ 141,192,833	\$ 193,873,282	\$ 207,285,272	\$ 233,489,857	\$ 247,555,511
8,325,564	52,219,283	10,222,676	17,743,175	11,579,485	12,414,891
(110,411,191)	(114,623,816)	(203,205,414)	(200,071,465)	(209,465,303)	(194,216,346)
\$ 70,523,552	\$ 78,788,300	\$ 890,544	\$ 24,956,982	\$ 35,604,039	\$ 65,754,056
\$ 119,117,466	\$ 109,551,411	\$ 113,751,804	\$ 113,701,480	\$ 111,234,487	\$ 100,099,360
1,307,099	10,193,185	3,008,771	2,459,517	3,816,286	16,102,118
14,617,172	12,974,017	7,879,223	6,537,347	4,555,149	8,478,335
\$ 135,041,737	\$ 132,718,613	\$ 124,639,798	\$ 122,698,344	\$ 119,605,922	\$ 124,679,813
\$ 291,726,645	\$ 250,744,244	\$ 307,625,086	\$ 320,986,752	\$ 344,724,344	\$ 347,654,871
9,632,663	62,412,468	13,231,447	20,202,692	15,395,771	28,517,009
(95,794,019)	(101,649,799)	(195,326,191)	(193,534,118)	(204,910,154)	(185,738,011)
\$ 205,565,289	\$ 211,506,913	\$ 125,530,342	\$ 147,655,326	\$ 155,209,961	\$ 190,433,869

City of Sterling Heights, Michigan

	As of June 30,			
	2012	2013	2014	2015
Expenses:				
Governmental activities				
General government	\$ 6,543,937	\$ 5,918,474	\$ 5,467,242	\$ 6,200,880
District Court	3,379,925	3,334,854	3,288,275	3,351,422
Public safety	54,994,001	51,345,058	52,851,304	61,063,426
Public works	23,959,824	22,852,033	24,439,731	24,385,159
Recreation and culture	5,291,332	4,891,039	4,640,609	4,892,593
Interest on long-term debt	1,081,347	1,099,714	718,646	603,500
Total governmental activities	95,250,366	89,441,172	91,405,807	100,496,980
Business-type activities - Water and sewer	37,438,961	38,788,850	41,790,235	44,886,232
Total primary government expenses	<u>132,689,327</u>	<u>128,230,022</u>	<u>133,196,042</u>	<u>145,383,212</u>
Program revenues:				
Governmental activities				
Charges for services				
General government	3,513,053	3,634,419	3,272,341	3,760,720
District Court	2,570,621	2,336,662	2,227,523	2,368,667
Public safety	1,519,175	1,558,701	1,445,007	1,562,339
Public works	3,563,445	2,533,213	2,768,235	2,936,122
Recreation and culture	807,387	677,068	724,114	760,007
Total charges for services	11,973,681	10,740,063	10,437,220	11,387,855
	8,565,267	5,136,968	2,747,213	3,566,906
	2,546,378	4,547,019	8,552,754	8,129,304
Total governmental activities program revenue	23,085,326	20,424,050	21,737,187	23,084,065
Business-type activities - Water and sewer:				
Charges for services	31,028,424	35,282,896	32,097,323	36,020,248
Operating grants and contributions	-	-	-	602,738
Capital grants and contributions	2,721,482	601,903	338,004	1,954,700
Total business-type activities program revenue	33,749,906	35,884,799	32,435,327	38,577,686
Total primary government program revenues	<u>56,835,232</u>	<u>56,308,849</u>	<u>54,172,514</u>	<u>61,661,751</u>
General revenues:				
Governmental activities				
Property taxes	53,247,883	51,643,869	51,344,025	62,231,352
State-shared revenues	10,094,387	10,342,983	10,606,230	10,785,806
Investment earnings	1,159,709	118,280	596,654	630,068
Insurance proceeds	-	-	-	-
Cable franchise fees	-	-	-	-
Miscellaneous	2,033,751	2,292,537	2,342,953	2,533,069
Total governmental activities general revenues	66,535,730	64,397,669	64,889,862	76,180,295
Business-type activities - Investment income	751,685	(457,850)	581,104	635,502
Total primary government	<u>67,287,415</u>	<u>63,939,819</u>	<u>65,470,966</u>	<u>76,815,797</u>
Change in net position				
Governmental activities	(5,629,310)	(4,619,453)	(4,778,758)	(1,232,620)
Business-type activities	(2,937,370)	(3,361,901)	(8,773,804)	(5,673,044)
Total primary government	<u>(8,566,680)</u>	<u>(7,981,354)</u>	<u>(13,552,562)</u>	<u>(6,905,664)</u>

Changes in Net Position

Last Ten Fiscal Years

June 30, 2021

As of June 30,					
2016	2017	2018	2019	2020	2021
\$ 7,351,777	\$ 8,060,141	\$ 7,267,842	\$ 14,396,969	\$ 16,349,557	\$ 13,349,706
3,877,503	4,126,604	3,728,890	3,762,089	4,103,248	3,443,551
55,117,055	55,632,517	54,397,264	58,518,653	65,604,864	57,676,549
28,014,220	26,282,093	29,961,490	21,642,326	21,430,495	20,977,660
5,735,889	6,624,266	6,343,690	7,411,196	8,860,964	9,675,805
514,247	675,198	2,496,423	3,628,285	3,540,056	3,305,989
100,610,691	101,400,819	104,195,599	109,359,518	119,889,184	108,429,260
49,351,047	52,082,635	55,599,159	54,411,558	56,529,468	54,962,880
149,961,738	153,483,454	159,794,758	163,771,076	176,418,652	163,392,140
3,227,800	3,441,658	2,378,747	2,538,972	2,516,764	2,785,584
2,692,034	2,604,583	2,908,337	3,079,738	1,890,130	1,452,870
1,633,571	1,656,530	2,679,269	4,730,272	4,580,155	4,052,332
3,189,189	3,596,813	3,443,958	3,359,102	3,260,383	3,046,608
733,620	752,883	574,725	862,525	628,802	611,981
11,476,214	12,052,467	11,985,036	14,570,609	12,876,234	11,949,375
4,048,708	6,618,802	9,931,126	11,315,298	10,376,070	16,793,437
8,553,786	16,135,905	14,316,813	14,537,254	15,244,980	15,668,776
24,078,708	34,807,174	36,232,975	40,423,161	38,497,284	44,411,588
40,026,642	45,917,303	50,589,347	49,231,779	50,351,649	58,984,621
96,712	-	559,609	565,149	875,241	-
5,014,380	3,906,683	3,100,357	1,986,596	1,871,557	994,297
45,137,734	49,823,986	54,249,313	51,783,524	53,098,447	59,978,918
69,216,442	84,631,160	90,482,288	92,206,685	91,595,731	104,390,506
64,036,721	60,946,929	66,282,454	72,772,592	72,130,241	74,319,939
10,694,421	11,259,947	11,784,623	12,162,566	12,677,603	14,499,046
886,403	71,918	1,454,230	3,176,376	2,220,455	762,914
-	-	-	-	-	-
-	-	2,414,752	2,329,624	2,227,827	2,218,739
2,595,396	2,579,599	1,883,080	2,561,637	2,782,831	2,367,051
78,212,941	74,858,393	83,819,139	93,002,795	92,038,957	94,167,689
676,162	(64,475)	35,247	686,580	338,599	57,853
78,889,103	74,793,918	83,854,386	93,689,375	92,377,556	94,225,542
1,680,958	8,264,748	15,856,515	24,066,438	10,647,057	30,150,017
(3,537,151)	(2,323,124)	(1,314,599)	(1,941,454)	(3,092,422)	5,073,891
(1,856,193)	5,941,624	14,541,916	22,124,984	7,554,635	35,223,908

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:				
Prior to adoption of GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	-	-	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	823,640	821,876	538,644	580,872
Assigned	973,137	691,319	3,668,787	4,457,140
Unassigned	<u>3,451,703</u>	<u>3,735,285</u>	<u>1,021,961</u>	<u>2,501,722</u>
Total general fund	<u>5,248,480</u>	<u>5,248,480</u>	<u>5,229,392</u>	<u>7,539,734</u>
All other governmental funds:				
Prior to adoption of GASB 54:				
Reserved	-	-	-	-
Unreserved and undesignated	-	-	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	219,826	175,383	24,079	222,835
Restricted	6,366,964	7,014,780	4,739,133	5,391,767
Committed	623,578	605,390	528,412	85,588
Assigned	1,181,275	1,012,786	657,869	1,630,427
Total all other governmental funds	<u>8,391,643</u>	<u>8,808,339</u>	<u>5,949,493</u>	<u>7,330,617</u>
Total of all governmental funds	<u>\$ 13,640,123</u>	<u>\$ 14,056,819</u>	<u>\$ 11,178,885</u>	<u>\$ 14,870,351</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, 2021

As of June 30,					
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ -	\$ -	\$ -	\$ -		
-	-	-	-		
735,358	829,129	563,361	565,524	664,405	946,960
5,095,500	5,076,900	-	-		
<u>5,564,011</u>	<u>11,360,580</u>	<u>24,150,393</u>	<u>26,318,389</u>	<u>29,250,023</u>	<u>31,302,213</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>	<u>32,249,173</u>
-	-	-	-		
-	-	-	-		
2,009,754	610,377	695,486	3,499,383	5,640,822	5,755,462
10,514,620	54,501,560	62,149,539	40,105,715	29,549,254	27,451,676
623,435	374,420	190,436	161,907	159,899	31,283
1,732,331	1,499,058	3,852,870	9,738,175	5,356,141	5,798,047
14,880,140	56,985,415	66,888,331	53,505,180	39,165,550	39,036,468
<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>	<u>\$ 71,285,641</u>

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue				
Property taxes	\$ 53,149,713	\$ 51,665,928	\$ 51,344,025	\$ 62,231,352
Fees and permits	2,271,967	1,789,803	1,735,413	1,800,968
Federal sources	2,661,338	1,126,423	1,921,050	1,456,596
State and local sources	18,065,838	18,825,672	19,920,337	21,054,148
Fines and forfeitures	2,770,160	2,489,252	2,326,870	2,567,229
Charges for services	8,443,205	8,306,458	9,048,012	10,085,731
Investment income	672,239	58,534	257,632	247,437
Special assessments	254,977	206,501	314,871	212,828
Rental income	1,508,954	1,536,939	1,951,540	1,829,381
Cable revenue	2,033,751	2,292,537	2,342,953	2,533,069
Other	2,044,415	1,700,076	1,619,427	1,414,282
Total revenue	93,876,557	89,998,123	92,782,130	105,433,021
Expenditures				
Current:				
General government	8,571,928	7,700,466	7,175,604	7,803,567
District Court	3,252,852	3,258,362	3,078,766	3,087,262
Public safety	52,297,573	48,644,125	48,807,450	49,752,772
Public works	18,680,870	18,062,177	20,790,973	21,450,688
Recreation and culture	4,489,169	4,339,952	4,002,476	4,189,468
General expenditures	2,766,125	2,294,184	2,171,473	1,119,452
Capital outlay	4,275,883	3,115,621	7,026,982	14,388,416
Debt service principal	3,940,000	3,895,000	3,235,000	2,620,000
Debt service Interest	1,098,474	1,114,056	744,170	628,563
Total expenditures	99,372,874	92,423,943	97,032,894	105,040,188
Excess of Revenue Over Expenditures	(5,496,317)	(2,425,820)	(4,250,764)	392,833
Other Financing Sources (Uses)				
Debt issuance	3,780,000	3,275,000	-	198,633
Debt premium or discount	274,196	9,311	-	-
Sale of fixed assets	-	-	-	-
Transfers in	3,526,740	6,158,405	5,639,290	13,594,435
Transfers out	(3,526,740)	(3,500,200)	(4,266,460)	(10,494,435)
Total other financing sources (uses)	4,054,196	5,942,516	1,372,830	3,298,633
Net change in fund balances	\$ (1,442,121)	\$ 3,516,696	\$ (2,877,934)	\$ 3,691,466
Debt service as a percentage of noncapital expenditures	5.30%	5.61%	4.42%	3.58%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2021

As of June 30,

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 64,036,721	\$ 60,946,929	\$ 66,282,454	\$ 72,759,327	\$ 72,179,599	\$ 74,402,654
2,149,069	2,568,909	2,648,068	2,629,072	2,562,476	2,344,498
1,990,255	6,300,698	4,122,227	2,356,723	2,713,283	8,277,635
21,279,925	27,584,764	31,365,436	34,699,398	36,310,073	37,924,816
3,057,417	2,944,500	2,384,499	2,517,198	1,540,704	1,079,803
9,719,467	9,842,019	12,373,661	14,938,523	14,298,086	13,657,617
426,998	112,450	1,120,683	3,382,059	2,045,963	671,876
201,579	199,092	222,250	263,804	126,507	119,427
1,578,977	1,488,753	1,630,951	1,552,811	1,498,761	1,640,887
2,595,396	2,579,599	2,414,752	2,329,624	2,227,827	2,218,739
1,960,041	1,568,519	1,866,109	2,510,236	2,792,592	2,426,826
108,995,845	116,136,232	126,431,090	139,938,775	138,295,871	144,764,778
8,154,052	8,300,238	9,118,455	11,087,713	12,485,728	12,753,975
3,223,740	3,242,874	3,309,841	3,480,346	3,646,569	3,569,512
49,704,157	48,646,567	50,311,362	54,426,486	55,657,071	59,704,317
20,929,934	20,869,103	23,165,358	21,359,651	20,507,719	21,707,991
4,393,760	7,664,887	4,805,997	6,159,499	7,039,735	7,153,046
1,027,555	1,164,656	1,845,158	1,589,904	2,369,508	2,922,963
19,122,277	22,513,996	39,333,835	44,685,871	62,799,049	45,291,490
1,725,000	2,280,000	4,100,000	5,340,000	6,462,520	5,535,000
545,331	700,971	2,025,489	3,109,779	3,574,278	3,638,619
108,825,806	115,383,292	138,015,495	151,239,249	174,542,177	162,276,913
170,039	752,940	(11,584,405)	(11,300,474)	(36,246,306)	(17,512,135)
9,630,000	47,315,000	27,590,000	-	24,919,316	18,973,000
254,555	2,902,577	1,302,812	-	-	702,899
-	80,363	41,655	87,482	17,875	41,899
10,797,379	10,180,735	10,588,025	23,133,990	17,627,275	19,940,070
(9,447,315)	(10,180,735)	(10,588,025)	(23,133,990)	(17,627,275)	(19,940,070)
11,234,619	50,297,940	28,934,467	87,482	24,937,191	19,717,798
\$ 11,404,658	\$ 51,050,880	\$ 17,350,062	\$ (11,212,992)	\$ (11,309,115)	\$ 2,205,663
2.53%	3.21%	6.23%	7.99%	8.98%	7.84%

Revenue Capacity

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

General Government Tax Revenue by Source

Last Ten Fiscal Years

June 30, 2021

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	Total	Safe Streets	Recreating Recreation	General Drain	Voted Tax General Obligation	Total	
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

Property Tax Levies and Collections

Last Ten Fiscal Years

June 30, 2021

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	75,178,547	73,894,914	98.29%	1,144,217	75,039,131	99.81%
2021	2022	80,365,281 (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

City Direct Rates									Overlapping Rates					
Fiscal Year (Tax Year)	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
2012 (2011)														
Homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400
Non-homestead	9.6617	0.9999	1.6694	0.2735	0.0813	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400
2013 (2012)														
Homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400
Non-homestead	9.1428	1.0838	2.0669	0.3020	0.0903	0.0000	0.0000	12.6858	2.9430	1.5712	0.2146	0.5900	0.1000	0.0400
2014 (2013)														
Homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400
Non-homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400
2015 (2014)														
Homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400
Non-homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400
2016 (2015)														
Homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400
Non-homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400
2017 (2016)														
Homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398
Non-homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398
2018 (2017)														
Homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682
Non-homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682
2019 (2018)														
Homestead	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
Non-homestead	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
2020 (2019)														
Homestead	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
Non-homestead	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
2021 (2020)														
Homestead	9.3106	0.9639	2.4441	0.0000	0.1097	2.4343	0.9443	16.2069	4.7296	1.4387	0.2104	0.9827	0.0967	0.0667
Non-homestead	9.3106	0.9639	2.4441	0.0000	0.1097	2.4343	0.9443	16.2069	4.7296	1.4387	0.2104	0.9827	0.0967	0.0667

(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, 2021

		Overlapping Rates										Total Direct and Overlapping Rates by Resident's School District	
		Macomb County		Utica Community School District (2)			Warren Consolidated School District (2)						
D.I.A.	Med Call	Operating	Drain Debt Service	State Education Tax	Operating/ Local	Debt	State Education Tax	Operating/ Local	Supplemental	Sinking	Debt	Utica Community	Warren Consolidated
0.0000		4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4057	0.9964	2.4400	32.5681	39.5602
0.0000		4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.9964	2.4400	50.4997	50.1545
0.2000		4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.5024	0.0000	3.8600	32.7681	40.2805
0.2000		4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.8600	50.6997	50.7781
0.2000		4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4629	0.0000	3.9200	32.7281	40.2610
0.2000		4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	50.6597	50.7981
0.2000		4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.1603	0.0000	3.6000	35.6331	42.5434
0.2000		4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.6000	53.5647	53.3831
0.2000		4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7766	0.0000	3.9200	35.6371	42.4837
0.2000		4.5685	0.0050	6.0000	17.9082	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	53.5453	53.7071
0.1994		4.5566	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7914	0.0000	4.8700	35.5050	43.3164
0.1994		4.5566	0.0050	6.0000	17.6968	3.8500	6.0000	17.8182	0.0000	0.0000	4.8700	53.2018	54.3432
0.1979		4.5242	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.5091	0.0000	4.8700	36.4223	43.9514
0.1979		4.5242	0.0050	6.0000	17.5676	3.8500	6.0000	17.7487	0.0000	0.0000	4.8700	53.9899	55.1910
0.1965		4.4925	0.0050	6.0000	0.0000	3.7600	6.0000	0.0000	6.1678	0.0000	4.7800	37.3719	44.5597
0.1965		4.4925	0.0050	6.0000	17.3128	3.7600	6.0000	18.0000	0.0000	0.0000	4.7800	54.6847	56.3919
0.1950		4.4592	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.7931	0.0000	4.7800	36.0580	43.1311
0.1950		4.4592	0.0000	6.0000	17.1621	3.5000	6.0000	17.9463	5.7931	0.0000	4.7800	53.2201	55.2843
0.1930	0.0990	4.4150	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.3583	0.0000	4.7800	37.9387	44.5770
0.1930	0.0990	4.4150	0.0000	6.0000	16.9183	3.5000	6.0000	17.9463	0.0000	0.0000	4.7800	54.8570	57.1650

City of Sterling Heights, Michigan

	2012	2013	2014	2015
State Equalized Value				
SEV equivalent	\$ 4,488,430,900	\$ 4,154,032,625	\$ 4,201,961,947	\$ 4,421,529,781
IFT exemption	<u>204,669,200</u>	<u>150,866,925</u>	<u>147,523,025</u>	<u>149,204,525</u>
Total SEV	<u>\$ 4,693,100,100</u>	<u>\$ 4,304,899,550</u>	<u>\$ 4,349,484,972</u>	<u>\$ 4,570,734,306</u>
Taxable Value				
By Class:				
Real property	\$ 3,743,670,800	\$ 3,503,196,250	\$ 3,526,557,005	\$ 3,564,635,642
Personal property	<u>874,496,200</u>	<u>755,514,350</u>	<u>724,659,700</u>	<u>714,092,150</u>
Total value	<u>\$ 4,618,167,000</u>	<u>\$ 4,258,710,600</u>	<u>\$ 4,251,216,705</u>	<u>\$ 4,278,727,792</u>
By Type:				
Residential	\$ 2,714,198,550	\$ 2,527,262,250	\$ 2,584,362,566	\$ 2,640,642,487
Commercial	651,408,200	609,340,350	564,052,015	558,328,319
Industrial	348,879,800	314,238,500	305,334,016	296,637,552
Personal property	494,463,050	506,194,400	502,509,250	488,607,400
IFT real and personal property	<u>409,217,400</u>	<u>301,675,100</u>	<u>294,958,858</u>	<u>294,512,034</u>
Total	4,618,167,000	4,258,710,600	4,251,216,705	4,278,727,792
Less exempt property	<u>(204,608,700)</u>	<u>(150,837,550)</u>	<u>(147,479,429)</u>	<u>(147,256,017)</u>
Total taxable value	<u>\$ 4,413,558,300</u>	<u>\$ 4,107,873,050</u>	<u>\$ 4,103,737,276</u>	<u>\$ 4,131,471,775</u>
Total direct tax rate (1)	<u>\$ 12.6858</u>	<u>\$ 12.6858</u>	<u>\$ 12.6858</u>	<u>\$ 15.1858</u>
Total taxable value as				
a percentage of SEV equivalent	94.04%	95.42%	94.35%	90.39%
Total taxable value as				
a percentage of total value	95.57%	96.46%	96.53%	96.56%

(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, 2021

2016	2017	2018	2019	2020	2021
\$ 4,796,034,350	\$ 4,949,191,377	\$ 5,200,275,450	\$ 5,409,399,365	\$ 5,798,698,325	\$ 6,158,957,816
123,790,350	64,411,150	61,439,675	52,225,350	53,110,750	52,709,800
\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616
\$ 3,665,393,466	\$ 3,737,558,043	\$ 3,855,214,582	\$ 4,032,937,100	\$ 4,244,580,889	\$ 4,427,329,545
670,143,500	366,173,450	327,166,100	289,445,900	305,210,600	282,249,500
\$ 4,335,536,966	\$ 4,103,731,493	\$ 4,182,380,682	\$ 4,322,383,000	\$ 4,549,791,489	\$ 4,709,579,045
\$ 2,717,724,673	\$ 2,777,714,820	\$ 2,863,163,811	\$ 2,986,252,214	\$ 3,121,603,015	\$ 3,241,733,427
574,872,887	594,885,971	612,549,438	637,542,166	679,530,404	726,105,453
305,821,724	314,006,932	317,662,123	343,983,905	369,124,697	376,971,307
494,865,700	289,981,650	270,324,150	254,615,000	279,689,900	267,400,500
242,251,982	127,142,120	118,681,160	99,989,715	99,843,473	97,368,358
4,335,536,966	4,103,731,493	4,182,380,682	4,322,383,000	4,549,791,489	4,709,579,045
(121,125,991)	(63,571,060)	(59,340,580)	(49,994,858)	(49,921,737)	(48,684,179)
\$ 4,214,410,975	\$ 4,040,160,433	\$ 4,123,040,102	\$ 4,272,388,143	\$ 4,499,869,753	\$ 4,660,894,866
\$ 15.1858	\$ 15.1858	\$ 16.1558	\$ 17.1804	\$ 16.2069	\$ 16.2069
85.66%	80.58%	77.49%	78.23%	76.90%	75.03%
97.21%	98.45%	98.84%	98.84%	98.90%	98.97%

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago
June 30, 2021

Company Name	Product/Service	Year Ended June 30, 2021			Year Ended June 30, 2012		
		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	\$ 56,689,982	1	1.22	\$ -		4.73
DTE Energy	Public electric utility	52,049,495	2	1.12	35,122,950	3	0.76
Consumer Energy	Public utility for gas	41,223,179	3	0.88	-		4.85
Ford Motor Company	Automotive manufacturing and drive shafts	29,977,249	4	0.64	220,045,725	1	4.99
J. G Kern Enterprises	Automotive Parts Manufacturing	26,554,000	5				
Lakeside OOTB Ventures, LLC	Retail and rental properties	14,837,058	6	0.32	-		-
Liberty Park Commerce Center, LLC	Industrial facilities	14,409,500	7	0.31			
International Transmission	Automotive	14,254,096	8	0.31			
Chalk Spade Investments (USA)	Investments	23,945,738	9	0.51	-		0.00
International Transmission	Automotive	13,376,353	10	0.29	-		-
Liberty Park Commerce Center, LLC	Industrial facilities	13,459,725	8	0.29	-		-
General Dynamics	Engineering and design	13,255,251	9	-	31,434,775	4	0.66
BAE Systems	Military and defense systems	11,831,801	10	0.25	-		0.00
Chrysler Group LLC	Automotive assembly & stamping				216,686,200	2	
Detroit Media Partnership Lakeside	Printing plant - Newspapers	-		-	28,494,950	6	0.68
Associates	Retail shopping center	-	-	-	28,722,150	5	0.64
Laurel/Shoal Creek	Office and apartment complex	-		-	18,361,300	7	0.39
Comcast Cable	Cable communications	-		-	15,807,850	8	0.38
Ledd's Development	Office and business complex	-		-	12,708,000	9	0.31
Market Place Properties	Retail shopping center	-		-	-	10	0.27
NJT Enterprises	Retail Shopping center				12,609,775		
	Ten largest taxpayers	325,863,427		6.14	619,993,675		18.66
	Other taxpayers	4,335,031,439			3,793,564,625		
	Total taxable value	\$ 4,660,894,866			\$ 4,413,558,300		

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	General Obligation Bonds
2012	8,455,000	2,630,000	(22,232)	-
2013	7,690,000	1,525,000	(19,201)	-
2014	5,777,683	775,000	(20,308)	-
2015	5,253,950	150,000	(18,201)	-
2016	4,667,114	-	(28,263)	-
2017	46,135,000	-	(63,338)	-
2018	63,190,000	-	(92,722)	-
2019	60,335,000	-	(57,046)	-
2020	84,852,623	-	(31,437)	-
2021	80,975,911	-	(4,968)	15,371,660

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, 2021

Business-type <u>Activities</u>		Percentage of Estimated Total Taxable Value of Property (1)		
County Issued Bonds	Total Primary Government		Population	Per Capita
36,565,773	47,628,541	1.0791	129,699	367.22
35,428,997	44,624,796	1.0863	129,699	344.06
34,264,780	40,797,155	0.9941	129,699	314.55
33,071,724	38,457,473	0.9356	129,699	296.51
35,885,137	40,523,988	0.9653	129,699	312.45
50,299,962	96,371,624	2.3882	129,699	743.04
48,741,669	111,838,947	2.6207	129,699	862.30
46,797,853	107,075,807	2.5062	129,699	825.57
51,344,551	136,165,737	3.0260	129,699	1,049.86
65,167,696	161,510,299	3.4652	132,438	1,219.52

City of Sterling Heights, Michigan

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County- issued Bonds
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	-
2021	80,975,911	36,003,953	1,600,000	-

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

(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, 2021

Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
County Issued						
General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds				
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
78,695,341	1,844,015	18,485,696	217,604,916	6.93%	129,699	1,677.77

S.

City of Sterling Heights, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2021

Direct Debt

General Obligation Bonds

04/27/05	Limited Tax	\$	-	
04/21/17	GO Refunding Unlimited Tax		1,140,000	
05/09/17	Limited Tax		38,513,502	
05/22/18	Limited Tax		18,221,025	
08/22/19	Limited Tax		23,101,384	
03/10/21	Limited Tax		<u>15,371,660</u>	\$ 96,347,571

Michigan Transportation Fund Bonds

06/22/10	Recovery Zone Bonds, Series 2010		-	
02/07/12	Refunding Bonds, Series 2012		-	
02/14/13	Refunding Bonds, Series 2013		491,393	
04/05/16	MTF Bonds, Series 2016		7,075,985	
05/09/17	MTF Bonds, Series 2017		1,651,230	
05/22/18	MTF Bonds, Series 2018		7,109,446	
10/28/20	MTF Bonds, Series 2020		973,000	
03/10/21	MTF Bonds, Series 2021		<u>18,702,899</u>	36,003,953

Special Assessment Bonds

08/03/08	Improvements			<u>1,600,000</u>
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Total direct debt outstanding 133,951,524

Indirect Debt

Share of County-issued Drain Bonds

MID District - 2010 A Series	-	
MID District SA - 2010 North Gratiot	164,850	
MID District - 2011 Clintondale Pump	-	
MID District SA - 2015 North Gratiot Refunding	1,679,165	
MID District - 2017A Series	20,139,475	
MID District - 2017A Refunding	18,212,751	
MID District - 2020 Clintondale Pump Refunding	5,661,506	
OMID District SA - 2014 Series A	1,244,530	
OMID District - 2019A Series	639,816	
OMID District - 2019B Series	1,442,427	
OMID District - 2020A Series	<u>15,983,176</u>	65,167,696

Total direct and indirect debt outstanding 199,119,220

Less:	MTF Bonds	36,003,953	
	Special Assessment Bonds	1,600,000	
	MID District Special Assessments	1,844,015	
	OMID District Special Assessments	<u>1,244,530</u>	40,692,498

Net direct and indirect debt outstanding 158,426,722

Overlapping Debt

Municipality	Net Tax Supported Debt	City allocation	
Utica Community School District	170,660,000	36.16%	61,710,656
Warren Consolidated School District	194,000,000	44.66%	86,640,400
Macomb Intermediate School District	1,150,000	15.07%	173,305
Macomb County at large	273,215,479	15.41%	42,102,505
Total overlapping debt			<u>190,626,866</u>
Net direct and indirect debt outstanding and overlapping debt			<u><u>\$ 349,053,588</u></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,			
	2012	2013	2014	2015
Governmental Activities:				
General obligation bonds	\$ 6,905,000	\$ 6,165,000	\$ 5,777,683	\$ 5,253,950
Michigan transportation fund bonds	12,170,000	10,405,000	8,811,416	7,465,086
Special assessment bonds	2,960,000	2,850,000	2,700,000	2,550,000
County issued bonds	2,630,000	1,525,000	775,000	150,000
Total	24,665,000	20,945,000	18,064,099	15,419,036
Business Type Activities:				
General obligation bonds	36,565,773	35,428,997	34,264,780	33,071,724
Special assessment bonds	2,716,185	2,647,602	2,548,452	4,098,344
County state revolving loan funds	4,931,838	6,825,826	11,703,389	17,592,684
Total	44,213,796	44,902,425	48,516,621	54,762,752
Total debt of the government	\$ 68,878,796	\$ 65,847,425	\$ 66,580,720	\$ 70,181,788
Total residential personal income	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
Ratio of total debt to personal income	2.19%	2.10%	2.12%	2.23%
Total Population	129,699	129,699	129,699	129,699
Total debt per capita	531.07	507.69	513.35	541.11

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2021

As of June 30,					
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 4,667,114	\$ 49,055,194	\$ 63,190,000	\$ 60,335,000	\$ 84,852,623	\$ 80,975,911
16,480,393	17,080,252	23,180,000	20,845,000	19,129,213	36,003,953
2,400,000	2,250,000	2,100,000	1,950,000	1,800,000	1,600,000
-	-	-	-	-	-
23,547,507	68,385,446	88,470,000	83,130,000	105,781,836	118,579,864
31,831,025	53,263,196	48,741,669	46,797,853	51,344,551	78,695,341
4,054,112	3,884,347	2,258,379	1,962,402	1,983,169	1,844,015
20,725,947	22,126,394	21,072,504	19,973,656	18,860,521	18,485,696
56,611,084	79,273,937	72,072,552	68,733,911	72,188,241	99,025,052
\$ 80,158,591	\$ 147,659,383	\$ 160,542,552	\$ 151,863,911	\$ 177,970,077	\$ 217,604,916
\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
2.55%	4.70%	5.11%	4.84%	5.67%	6.93%
129,699	129,699	129,699	129,699	129,699	129,699
618.04	1,138.48	1,237.81	1,170.90	1,372.18	1,677.77

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Calculation of debt limit:				
State equalized valuation	\$ 4,693,100,100	\$ 4,304,899,550	\$ 4,349,484,972	\$ 4,570,734,306
10% of taxable value	469,310,010	430,489,955	434,948,497	457,073,431
Calculation of debt subject to limit:				
Total debt	63,946,958	59,021,599	54,523,232	52,260,068
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	12,170,000	8,880,000	8,535,000	7,205,000
Special Assessment Bonds	2,960,000	2,850,000	2,700,000	2,550,000
MID District Special Assessments	2,716,185	2,647,602	2,548,452	2,449,227
OMID District Special Assessments	-	-	100	1,649,117
net debt subject to limit	46,100,773	44,643,997	40,739,680	38,406,724
Legal debt margin	423,209,237	385,845,958	394,208,817	418,666,707
Net debt subject to limit as % of debt limit	9.82%	10.37%	9.37%	8.40%

(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, 2021

As of June 30,					
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616
491,982,470	501,360,253	526,171,513	546,162,472	585,180,908	621,166,762
59,037,263	115,396,836	137,286,391	129,958,435	157,126,387	199,119,220
15,995,000	16,595,000	23,180,000	20,845,000	19,129,213	36,003,953
2,400,000	2,250,000	2,100,000	1,950,000	1,800,000	1,600,000
2,468,817	2,182,194	2,258,379	1,962,402	1,983,169	1,844,015
<u>1,585,295</u>	<u>1,520,333</u>	<u>1,454,232</u>	<u>1,385,851</u>	<u>1,316,331</u>	<u>1,244,530</u>
36,588,151	92,849,309	108,293,780	103,815,182	132,897,674	158,426,722
455,394,319	408,510,944	417,877,733	442,347,290	452,283,234	462,740,040
7.44%	18.52%	20.58%	19.01%	22.71%	25.50%

Pledged Revenue Coverage

Last Ten Fiscal Years

June 30, 2021

Limited Tax Obligation Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2021	7,277,798	2,975,000	2,978,194	5,953,194	1.223

Michigan Transportation Fund Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2021	6,805,281	2,005,000	629,875	2,634,875	2.583

Special Assessment Bonds					
Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)
		Principal	Interest	Total	
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
2021	122,688	200,000	72,600	272,600	0.450

(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.

Demographic and Economic Statistics

Last Ten Fiscal Years

June 30, 2021

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education Age 25 or Older (2)		Per Capita Income (2)	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					
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%
2021	132,438	40.44	86.4%	26.7%	30,631	3,140,402	51,615	64,833	4.3%

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

Population			Income and Benefit Characteristics	
2010 U.S. Census	129,699		Household Income	Number of Households
2000 U.S. Census	124,471		Less than \$14,999	3,749
1990 U.S. Census	117,810		\$15,000 - \$34,999	8,519
1980 U.S. Census	108,999		\$35,000 - \$49,999	6,774
			\$50,000 - \$74,999	9,084
			\$75,000 - \$99,999	7,818
			\$100,000 or more	15,423
Housing Tenure			Households:	Number
Types	2010	2000	With earnings	39,289
Owner occupied	37,685	36,584	With Social Security income	19,068
Renter occupied	11,766	9,735	With retirement income	15,260
Vacant:			With supplemental security income	2,735
Seasonal/Migrant	128	148	With cash public assistance income	1,693
Other vacant units	2,611	1,080	With food stamps/SNAP benefits	4,712
Total	52,190	47,547		
Household Characteristics			Labor Characteristics	
Types	2010	2000	By Occupation:	Number of Employees
With seniors 65+	14,229	10,252	Management, professional, and related	25,812
Without seniors	35,222	36,067	Service	11,556
Two or more without children	21,007	19,041	Sales and office	15,445
Live alone, over 65	5,316	3,915	Natural resources, construction, and maintenance	4,076
Live alone, under 65	7,791	7,245	Production, transportation, and material moving	10,247
With children	15,337	16,118	Total	67,136
Total households	49,451	46,319	By Industry:	
			Agriculture, forestry, fishing and hunting, and mining	112
			Construction	2,414
			Manufacturing	15,868
			Wholesale trade	1,796
			Retail trade	7,955
			Transportation, warehousing, and utilities	3,522
			Information	963
			Finance, insurance, real estate, rental, and leasing	3,098
			Professional, scientific, management, administrative, and waste management services	6,429
			Educational, health, and social services	13,791
			Arts, entertainment, recreation, accommodation, and food services	6,550
			Other professional and related services	3,163
			Public administration	1,475
			Total	67,136
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%		

Source: United States Census Bureau - 2000/2010 Census and 2019 American Community Survey One Year Estimates

Principal Employers (Major Employers)

Current Year and Ten Years Ago
June 30, 2021

Company Name	Product/Service	Year Ended June 30, 2021			Year Ended June 30, 2012		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
FCA US, LLC	Automotive assembly and stamping	9,928	1	14.79%	2,500	2	4.31%
Ford Motor Company	Automotive axles and transmissions	2,720	2	4.05%	1,500	4	2.58%
General Dynamics	Defense-related manufacturing	3,170	3	4.72%	2,700	1	4.65%
Utica Community Schools	Education	1,637	4	2.44%	1,150	6	1.98%
Beaumont Health	Healthcare	1,299	5	1.93%			
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	6	1.49%	1,000	5	1.72%
Mayco International/Stonebridge Industries	Automotive plastics	750	7	1.12%			
BAE Systems	Defense Technology	600	8	0.89%	-		
Metalsa Structural Products	Automotive Parts	583	9	0.87%			
Walmart Stores	Retail	550	10	0.82%	-		
Lakeside Associates	Retail Shopping Center	-			2,000	3	3.44%
Warren Consolidated Schools	Education	-			790	7	1.36%
City of Sterling Heights	Government	-			458	9	0.79%
Miliken Milwork, Inc.	Wooden and stainless steel doors and stairs	-		-	500	10	0.86%
Henry Ford Health System	Healthcare	-		-	450	8	0.78%
	Ten largest employers	22,237		33.12%	13,048		22.47%
	Other employers	44,899		66.88%	45,009		77.53%
	Total employment	67,136			58,057		

Operating Information

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

Operating Indicators by Function

Last Ten Fiscal Years

June 30, 2021

	Fiscal Year								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government									
Election Data									
Registered voters	85,436	88,164	87,576	86,465	88,520	84,781	86,629	90,254	98,915
Voters at polls	42,504	21,322	26,444	8,178	41,578	8,130	35,160	8,798	29,532
Absentee ballots	16,205	8,966	11,862	8,475	16,443	8,221	14,232	9,105	40,672
Percent voting	68.72%	34.35%	43.74%	19.00%	65.55%	19.29%	57.02%	19.84%	70.97%
41A District Court									
Court Cases									
Civil	3,546	2,550	2,652	2,566	2,612	3,021	3,180	2,467	2,709
Criminal	3,408	3,813	4,279	3,644	3,321	3,825	4,018	3,057	3,226
Landlord and tenant	2,265	2,491	2,223	2,161	1,932	1,971	2,164	1,538	1,069
Small claims	313	400	333	386	393	340	282	175	100
Traffic	22,889	22,550	25,887	31,584	31,445	26,847	27,350	18,567	13,417
Public Safety									
Police Protection									
Adult arrests	3,083	3,113	3,882	3,919	3,612	3,290	3,411	2,529	1,018
Civil infractions	21,788	20,535	27,031	30,780	26,088	22,994	23,990	15,510	9,095
Group A offenses (1)	3,216	2,926	2,885	2,871	2,782	3,078	3,210	2,800	2,987
Group B offenses (2)	2,030	2,306	2,867	3,235	2,917	3,467	4,090	3,877	4,515
Injury accidents	598	860	952	1,300	1,265	899	925	710	653
Juvenile arrests	195	190	219	212	116	99	88	57	31
OUIL arrests	220	183	204	169	138	157	120	141	116
Parking violations	1,116	1,298	1,282	1,333	1,468	1,116	1,326	1,097	462
Property damage	2,974	3,488	3,625	3,638	3,825	3,915	3,680	2,946	2,599
Private property damage	712	741	700	644	531	323	197	184	193
Total traffic violations	22,428	24,142	31,777	35,610	30,678	26,521	27,986	18,528	10,034
Fire Protection									
Emergency alarms answered	11,653	12,451	13,588	14,293	14,805	15,930	15,795	15,683	16,170
Fire inspections conducted	882	878	863	1,232	1,688	1,146	1,235	1,937	2,113
Inspection violations issued	1,670	1,020	945	2,433	24,722	2,500	2,319	3,050	3,483
Medical emergencies	8,969	9,435	10,253	10,753	11,025	11,808	11,856	11,644	12,993
Training hours completed	22,790	24,994	26,086	24,359	32,116	35,002	43,780	40,687	42,538
Recreation and Culture									
Parks and Recreation									
Adult athletics attendance	24,357	21,967	19,006	17,914	21,291	20,051	18,728	18,942	13,865
Instructional rec. attendance	22,666	20,344	23,566	23,916	22,903	27,143	29,802	17,980	12,506
Nature program attendance	14,582	17,170	15,079	16,187	15,753	18,085	16,020	9,999	5,521
50th Activity program attendance	103,667	100,026	97,769	101,770	101,825	108,155	101,055	91,619	33,880
Special event attendance	53,734	46,379	80,680	114,295	93,327	112,833	120,118	124,280	55,071
Adaptive recreation program attendance	9,895	8,395	8,847	8,460	7,568	7,523	7,135	4,990	2,355
Summer playground attendance	12,613	13,053	12,765	10,353	12,182	11,254	8,776	6,674	1,374
Library									
Outreach Visits	-	-	-	-	-	-	130	130	305
Total Room Usage	1,325	1,183	1,463	1,528	1,587	1,668	1,600	1,126	16
In-house materials usage	132,298	82,304	60,279	54,742	39,714	32,590	33,526	18,710	-
Interlibrary loan requests	90,764	86,950	80,545	78,015	71,796	69,323	68,940	54,225	71,081
Interlibrary loans - Lent	82,832	79,360	72,109	70,606	62,818	61,479	61,875	49,901	69,814
Items circulated	577,448	536,485	536,038	548,414	536,321	565,478	632,157	492,674	347,536
Library visits	412,656	384,063	376,007	385,398	314,813	241,302	223,577	149,962	43,040
Electronic Database Usage	-	-	-	-	-	-	125,076	100,896	109,077
Program attendance	15,310	15,196	16,322	20,209	23,208	27,721	32,751	63,867	33,198
Reference transactions	83,000	68,052	65,368	65,587	64,893	59,864	54,365	42,828	50,613
Registered borrowers	51,248	49,863	48,490	47,334	46,498	66,043	64,449	62,882	65,530
Water and Sewer Services									
Customers: (3)									
Residential	35,077	35,155	35,223	35,319	35,419	35,494	35,539	35,599	34,970
Commercial/Industrial	4,280	4,280	4,274	4,297	4,270	4,320	4,333	4,340	4,358
Water (in thousand cubic feet):									
Purchased from Detroit	678,000	614,039	603,378	636,215	615,045	580,053	584,634	571,473	657,886
Sold to residents	698,650	618,799	602,994	590,426	629,333	591,358	587,317	555,329	620,625
Rates (per thousand):									
1,000 CU. FT.	\$ 43.97	\$ 48.52	\$ 55.37	\$ 62.59	\$ 71.79	\$ 74.75	\$ 77.20	81.22	79.10
Next 2,000 CU.FT.	43.97	48.52	55.37	62.59	71.79	74.75	77.20	81.22	79.10
Over 3,000 CU.FT.	48.24	53.13	60.53	68.26	78.11	81.51	84.39	88.78	92.10
Sewer only - Per billing	60.00	65.00	70.00	80.00	85.00	87.00	89.00	91.00	93.00

(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.

Capital Asset Statistics by Function

Last Ten Fiscal Years

June 30, 2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government									
Buildings									
City Center Commons	1	1	1	1	1	1	1	1	1
41A District Court	1	1	1	1	1	1	1	1	1
Public Safety									
Police Protection									
Stations	1	1	1	1	1	1	1	1	1
Vehicles - Marked	50	50	53	54	49	51	45	52	52
Vehicles - Unmarked	57	54	65	56	57	58	58	62	62
Fire Protection									
Stations	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	16	16	16	16	21	21	23	23	23
Public Works									
Streets and Sidewalks									
Miles of City:									
Primary streets	63	63	63	63	63	63	63	63	63
Secondary streets	286	286	286	286	286	288	288	288	289
Sidewalks	611	612	614	615	617	618	620	628	639
Bridges	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	1	1	1
Street lights	2,530	2,530	2,535	2,535	2,535	2,535	2,535	2,535	2,535
Vehicles - Snow plows	22	21	21	25	25	25	23	23	23
Water and Sewer Services									
Fire hydrants	7,261	7,270	7,281	7,292	7,305	7,317	7,429	7,428	7,428
Miles of water mains	576	576	576	667	667	667	667	667	667
Miles of sanitary sewers	430	430	430	430	430	475	475	475	475
Recreation and Culture									
Parks and Recreation									
Acres	820	820	820	820	820	820	820	820	821
Developed parks	28	28	28	28	28	28	228	28	28
Buildings	3	3	3	3	3	3	3	3	3
Library									
Book collections	209,040	195,656	196,437	196,019	190,166	186,932	185,922	172,302	177,874
Other collections (1)	46,306	37,848	57,623	53,447	64,638	71,715	143,464	147,271	149,168
Buildings	1	1	1	1	1	1	1	1	1
Vehicles - Library van	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

Building Permits at Market Value

Last Ten Fiscal Years

June 30, 2021

Fiscal Year Ended June 30	Residential				Total Residential
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
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	155	28,786,551	790	1,101,534	29,888,085
2019	42	13,392,236	1,401	887,605	14,279,841
2020	198	38,434,748	1,076	1,107,943	39,542,691
2021	130	45,584,777	1,465	1,241,345	46,826,122
	Commercial				
Fiscal Year Ended June 30	New Construction		Additions/Improvements		Total Commercial
	Number	Value	Number	Value	
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	31	77,545,580	131	31,448,148	108,993,728
2019	11	108,794,390	110	29,263,744	138,058,134
2020	15	74,557,626	90	40,847,483	115,405,109
2021	10	32,648,979	120	37,667,034	70,316,013

Source: City of Sterling Heights Office of Building Services

City of Sterling Heights, Michigan

Full-time and Part-time City Government Employees by Function

Last Ten Fiscal Years

June 30, 2021

	Full-time and Part-time Employees as of June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
General government	60	56	57	60	61	57	63	65	67	72
41A District Court	39	38	37	39	39	41	41	42	43	44
Public safety:										
Police	228	222	222	203	203	202	206	206	206	214
Fire	91	86	86	88	88	88	104	104	106	112
Public works:										
City development	19	24	26	28	29	31	28	31	32	36
Public works	26	29	31	34	34	35	35	19	19	20
Street services	21	18	21	25	24	24	24	28	28	31
Engineering	9	8	9	9	9	9	9	9	9	10
Recreation and culture:										
Parks and recreation	10	10	10	11	12	10	15	17	17	18
Library	38	36	37	38	38	38	38	39	39	41
Water and sewer	37	35	35	35	36	36	40	46	47	51
Total	578	562	571	570	573	571	603	606	613	649

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.

State-shared Revenue

Last Ten Fiscal Years

June 30, 2021

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Modified Accrual</u> <u>Basis of Accounting</u>	<u>Accrual Basis of</u> <u>Accounting</u>
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
2021	12,818,384	13,743,415

Source: City of Sterling Heights

Gas and Weight Taxes

Last Ten Fiscal Years

June 30, 2021

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Roads	
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
2021	9,924,666	3,685,896	13,610,562

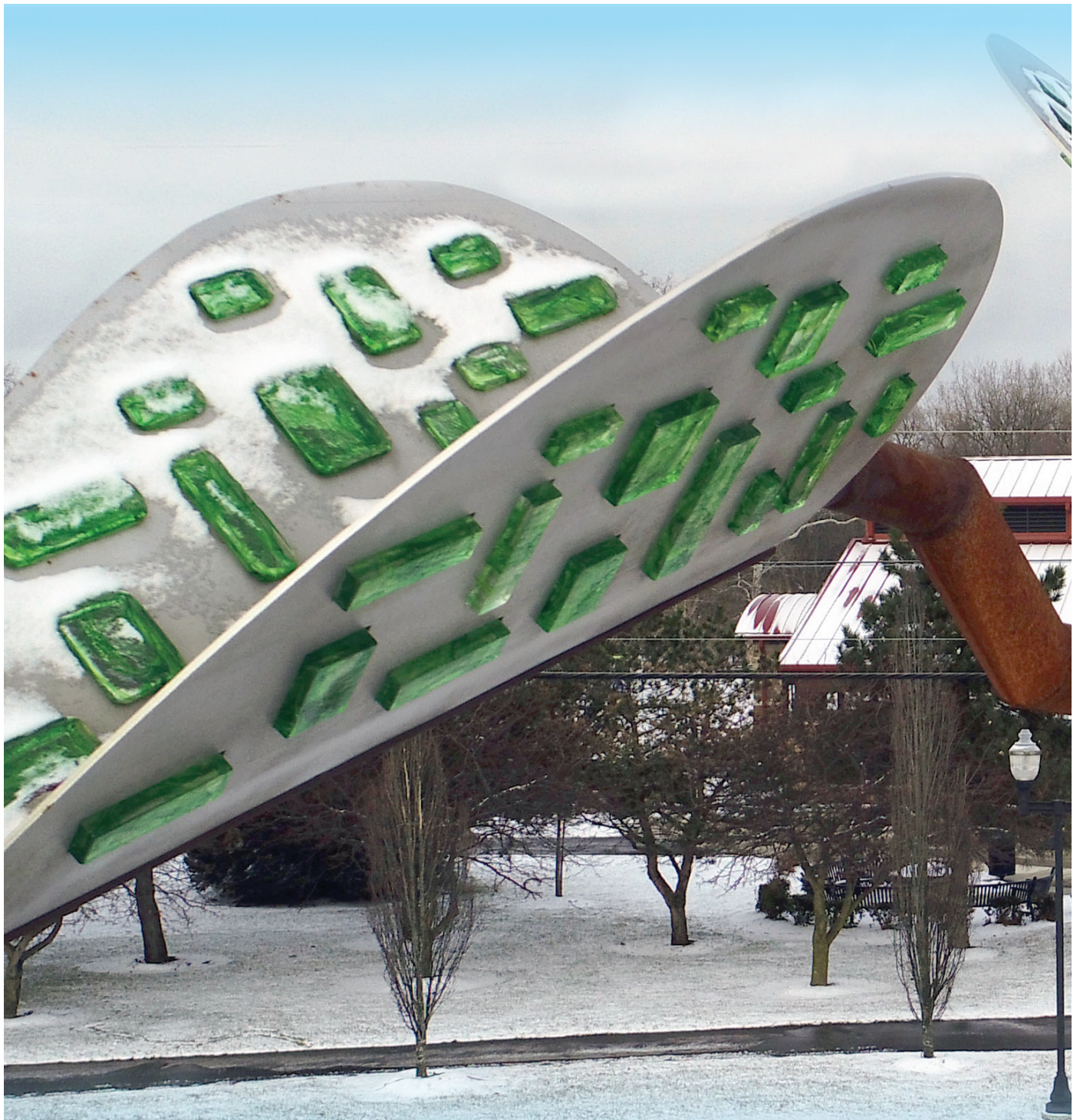
Source: City of Sterling Heights

June 30, 2021

Name	Contract Expiration	Actual Number of Employees	
	Date	Covered	
Union Employees		Full Time	Part Time
Police Officers Michigan Association of Police (MAP)	6/30/2024	123	-
Firefighters International Association of Firefighters, Local 1557	6/30/2022	106	-
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2022	65	32*
Department of Public Works Field Employees Teamsters, Local 214	6/30/2024	60	-
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2022	35	-
Professional and Technical Employees Michigan Association of Public Employees (MAPE)	6/30/2023	41	14
Court Clerical AFSCME, Local 1884, Council 25	6/30/2022	19	6
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2023	20	-
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2022	14	-
Executive Employees Sterling Heights Executive Group	6/30/2022	7	-
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2023	9	-
Nonunion Employees			
41A District Court Administration	N/A	11	-
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