



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

2021 - 2022

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City Council

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

City Manager Mark D. Vanderpool

December 1, 2022

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, 2022 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 352 miles are maintained by the City. City services are provided to 54,909 households and 4,358 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 4.1 percent unemployment rate as compared to a Macomb County rate of 4.3 percent, a statewide rate of 4.8 percent, and a national average of 3.8 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 eight years bringing total reserves to \$32.9 million or 28.7% 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. 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 Council approved the ARPA Action Plan in April 2022 which included a variety of transformational projects, many of which are already in progress.

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 \$3.6 million in dedicated funding for neighborhood street repairs and \$7.7 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 \$149.8 million in property taxes compared to a normal inflationary housing market. The City has also lost \$120 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 2022/2023 budget, contributions to pension and other post-retirement benefit funds total 21 percent of the General Fund operating budget. Investment losses in the current fiscal year have decreased the combined funding level of all three plans to 61.5%. The City is committed to fully funding the required contribution for both pension plans and continues to fund over the recommended contribution for the retiree medical plan.

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 127 positions since

2002 and labor contract savings totaling \$11.8 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

Sterling Heights has emerged from the COVID-19 pandemic stronger than ever thanks to proactive initiatives involving vaccinations and testing for the community and employees. As a result, the community is leading the way on many metrics including home sales, which increased 17% in 2021, construction activity averaging well above \$100 million and significant infrastructure improvements, including but not limited to the following:

- The \$24 million completion of facility improvements on the City Center Campus including City Hall, the Police Station, Library and Court building
- Substantial completion of the new state of the art \$24 million Department of Public Works facility
- Over \$16 million in various neighborhood and major road improvements
- \$15 million in water and sewer infrastructure improvements

A number of Economic Development and Financial initiatives were also advanced over the past year, some which include:

- Completion of the VELOCITY Co-working Lab and the hiring of a new General Manager continuing the center's mission of fostering the development and growth of start-up companies supplementing the City's robust commercial and industrial corridors
- Completion of the North Van Dyke Master Plan and acquisition of numerous properties to begin activating the plan

- Finalization of the Lakeside Redevelopment Plan creating a reimagined area that will pay significant dividends to the City and at the entire region for decades
- Completion of numerous residential developments including significant multi-family areas creating vitality for the surrounding commercial uses
- Commencement of the water meter replacement program which will enable customers to control costs through dynamic pricing, water conservation and improved budgeting through implementation of monthly billing which is the standard for utilities across the country
- Continuation of the City's superior AA bond rating resulting in a cost savings to tax payers
- Reduction of the City's millage rate continuing a long tradition of being one of the lowest in the County and among the lowest statewide

The City has established a reputation as a community having a high quality of life retaining existing residents and businesses while attracting new families. Quality of life amenity enhancements over the past year include the following:

- Expansion of the City's significant trail systems
- The return of Sterlingfest after a two year hiatus due to the Covid Pandemic
- The addition of four public art sculptures located in Imus Park, Nelson Park, Mark Sawyers Family Park and the Nature Center
- Creation of a plan to acquire more open space at the Fillmore school site benefiting residents in the southeast quadrant of the City
- Development of one of the largest sidewalk replacement and gap elimination programs in the City's history
- Creation of the CommUnity Alliance and continued advancement of the African American Coalition
- Construction of the final component of Recreating Recreation – the Senior Center indoor multi-season Bocce Ball Center
- Development of an Electrical Vehicle Charging Station Strategic Plan to prepare for transition to more electric vehicles

Numerous organizational service improvements were also initiated, including but not limited to the following:

- Consolidation of the City's jail with the County jail creating savings for taxpayers and enabling the City to hire seven new officers increasing presence in neighborhoods and commercial areas
- Creation of the City's Passport program which has proven to be very popular
- Replacement of all roadway lighting throughout the City increasing reliability, safety and aesthetics while reducing costs all under the banner of the City's sustainability plan
- Initiation of a Micro-forest, community gardens and retention pond improvements again under the umbrella of the city's sustainability plan
- Development of an organization- wide Diversity, Equity and Inclusion (DEI) Strategic Plan, overseen by the DEI Employee Council, the members of which represent diversity across the organization

Major Initiatives for July 1, 2022 and Thereafter

- ✓ The City will work to implement the ARPA Action Plan approved by City Council ensuring these transformational projects come to fruition by the deadline of December 2026.
- ✓ 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.
- ✓ The City will begin the process of revisiting and updating the Visioning 2030 plan for the next decade to create the Visioning 2040 plan.
- ✓ The City will work with the owners and developers of Lakeside Mall to implement the agreements approved by City Council in the recent Memo of Understanding to ensure the timeliness of this transformational redevelopment.

- ✓ The City will continue investing in major road construction by continuing to leverage Federal, State, County and local resources. This funding will result in another aggressive construction season in Sterling Heights for fiscal year 2023. Major road investment will continue including planned resurfacings of 14 Mile Road, Schoenherr Road, Ryan Road, Plumbrook Road and the continuation of the total reconstruction of Mound Road.
- ✓ 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, 2021. 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

34 consecutive years (fiscal years 1988–2021). 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.

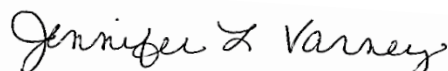
Acknowledgments

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

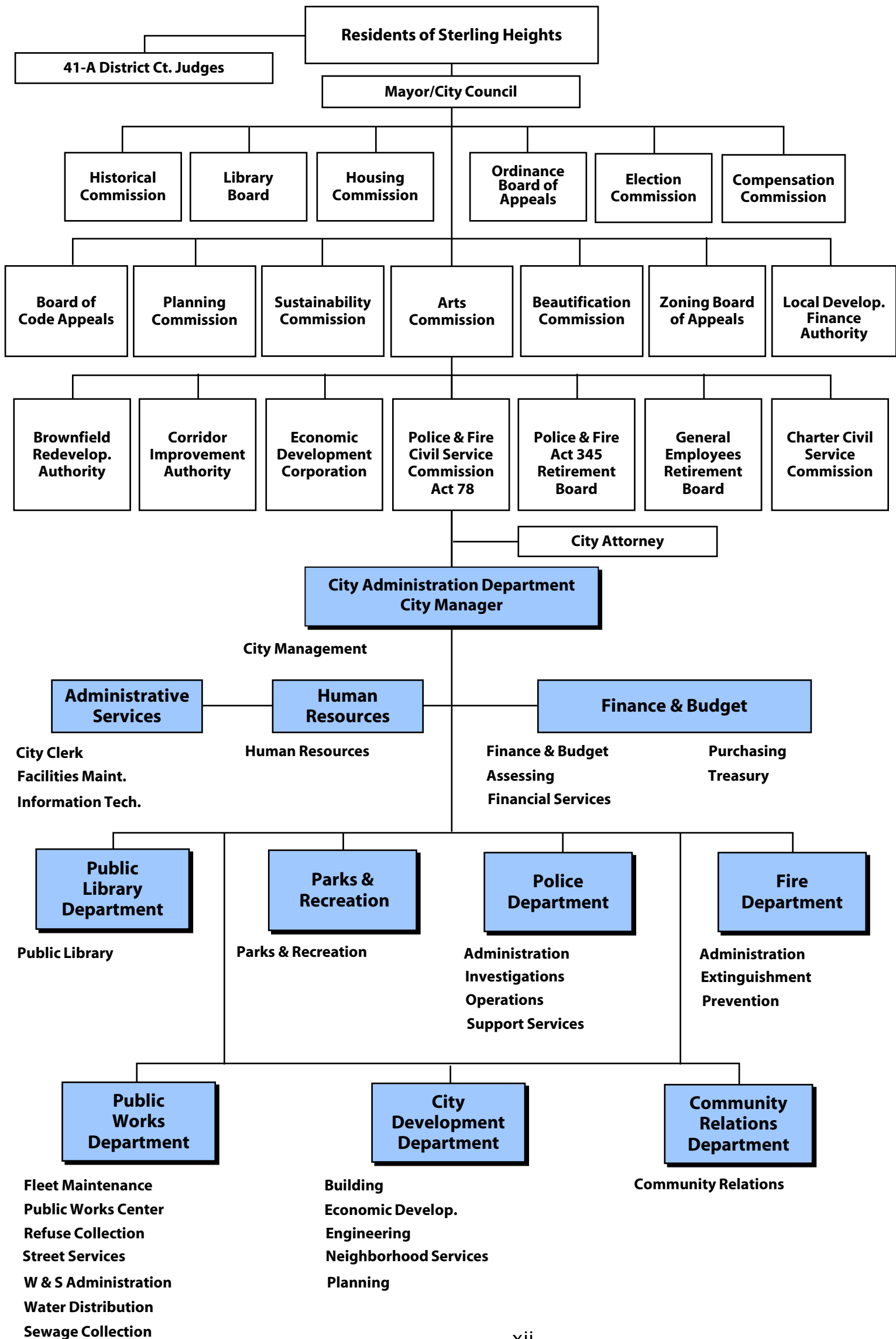
**City of Sterling Heights
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

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
Assistant Finance and Budget Director	Nick Makie
Building Official	Frank Bayer
City Assessor	Robin Palazzolo
City Attorney	Marc Kaszubski
City Clerk	Melanie D. Ryksa
City Development Director	Jason Castor
City Development Manager/Assistant City Planner	Jake Parcell
City Engineer	Brent S. Bashaw
City Planner	Vacant
City Treasurer	Mary Chavez
Community Relations Director	Melanie D. Davis
Controller	Jason Denton
Facilities Maintenance Director	Jared Beaudoin
Finance and Budget Director	Jennifer L. Varney
Fire Chief	Kevin Edmond
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	Christine Jamison

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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, as of and for the year ended June 30, 2022. This statement requires recognition of lease assets and liabilities for leases that meet certain criteria based on the provisions of the contract. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

Supplemental 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, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, and statistical, and continuing disclosure sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 on our consideration of the City'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'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's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 22, 2022

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, 2022. 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 \$1.1 million, or 0.6 percent. The net position of governmental activities increased by \$3.9 million, or 6.0 percent, which was offset by a decrease in the net position of business-type activities of \$2.8 million, or 2.3 percent.
- The increase in the net position of governmental activities was primarily due to investments in roads, including the total reconstruction of Mound Road, and facilities, including a new public works building. This was partially offset by an increase in the net pension and OPEB liabilities due to investment losses of 14 to 15 percent across all three plans.
- The net position of business-type activities decreased by \$2.8 million, or 2.3 percent, primarily due to an operating loss in the Water and Sewer Fund of \$2 million largely resulting from less usage due to weather.
- The General Fund reported an approximately \$625,000 contribution to fund balance for the current year, bringing total General Fund reserves to \$32.9 million, or 28.7 percent of expenditures. General Fund revenue decreased by \$850,000, or 0.7 percent, due to unrealized investment losses of \$2.4 million and coronavirus relief grant revenue of \$5.5 million received in the prior year. These decreases were offset by increased operating property tax revenue of \$2.2 million resulting from an overall 4.0 percent increase in taxable value (1.4 percent due to inflation and the remainder due to growth and development) and an increase to the general operating millage rate of 0.1834 mill to return to pre-pandemic levels. The Police and Fire Retirement System pension tax contributed \$1.6 million to this increase due to an increase in the required contribution to the pension fund. State revenue sharing added \$2.5 million to general fund revenue due to higher sales tax collections. Increases to ALS transport revenue and court fines added another \$1 million.
- General Fund expenses increased by approximately \$854,000, or 0.75 percent, over last year primarily due to contractual wage increases, health insurance and overtime costs of \$2.2 million, an increase to the Police and Fire Pension Fund required contribution of \$1.8 million, and an increase in General Liability Insurance of \$1 million. This increase was partially offset by a decrease in the recommended OPEB contribution of \$1.1 million and a nonrecurring \$3.7 million transfer to the Facilities Improvement Fund in the prior year.

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, 2022 and 2021:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 128,652,623	\$ 114,009,034	\$ 50,363,202	\$ 57,051,259	\$ 179,015,825	\$ 171,060,293
Capital assets	357,326,994	344,599,991	199,349,128	185,037,963	556,676,122	529,637,954
Total assets	485,979,617	458,609,025	249,712,330	242,089,222	735,691,947	700,698,247
Deferred Outflows of Resources	53,490,144	26,174,859	3,704,046	1,066,998	57,194,190	27,241,857
Liabilities						
Current liabilities	37,517,415	33,449,847	8,704,817	6,951,355	46,222,232	40,401,202
Noncurrent liabilities	410,463,842	289,261,850	121,162,176	105,742,962	531,626,018	395,004,812
Total liabilities	447,981,257	322,711,697	129,866,993	112,694,317	577,848,250	435,406,014
Deferred Inflows of Resources	21,808,626	96,318,131	1,695,339	5,782,090	23,503,965	102,100,221
Net Position						
Net investment in capital assets	252,451,250	247,555,511	106,623,230	100,099,360	359,074,480	347,654,871
Restricted	17,511,052	12,414,891	9,184,883	16,102,118	26,695,935	28,517,009
Unrestricted	(200,282,424)	(194,216,346)	6,045,931	8,478,335	(194,236,493)	(185,738,011)
Total net position	<u>\$ 69,679,878</u>	<u>\$ 65,754,056</u>	<u>\$ 121,854,044</u>	<u>\$ 124,679,813</u>	<u>\$ 191,533,922</u>	<u>\$ 190,433,869</u>

The City as a Whole

The City's overall net position increased by 0.6 percent from last year, growing from \$190.4 million to \$191.5 million. The increase in net position can be primarily attributed to investments in roads, including the total reconstruction of Mound Road, and facilities, including a new public works building. This was partially offset by an operating loss in the Water and Sewer Fund due to weather and an increase in the net pension and OPEB liabilities due to investment losses of 14 to 15 percent across all three plans.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$3.9 million in net position during fiscal year 2022. As noted above, this is primarily due to investments in roads, facilities, and a new public works building, as well as the increase in net pension and OPEB liabilities. As of June 30, 2022, 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 deficit of \$200.3 million. This represents a decrease of \$6.1 million compared to June 30, 2021. The negative amount is primarily due to recognition of future pension and OPEB liabilities, which increased this year due to investment losses. The City is committed to continued funding of these long-term liabilities on a yearly basis.

The business-type activities experienced a decrease in net position of \$2.8 million, primarily due to operational losses due to weather.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 14,084,736	\$ 11,855,679	\$ 54,238,528	\$ 58,984,621	\$ 68,323,264	\$ 70,840,300
Operating grants	12,138,713	16,887,133	-	-	12,138,713	16,887,133
Capital grants	17,341,628	15,630,666	1,954,602	994,297	19,296,230	16,624,963
General revenue:						
Taxes	78,406,913	74,402,654	-	-	78,406,913	74,402,654
Intergovernmental	16,288,653	14,499,046	-	-	16,288,653	14,499,046
Investment (losses) earnings	(2,626,093)	762,914	(54,761)	41,778	(2,680,854)	804,692
Other revenue	4,101,599	4,541,185	-	16,075	4,101,599	4,557,260
Total revenue	139,736,149	138,579,277	56,138,369	60,036,771	195,874,518	198,616,048
Expenses						
General government	16,824,449	13,349,706	-	-	16,824,449	13,349,706
41A District Court	4,780,581	3,443,551	-	-	4,780,581	3,443,551
Public safety	72,686,196	57,676,549	-	-	72,686,196	57,676,549
Public works	26,530,983	20,978,909	-	-	26,530,983	20,978,909
Recreation and culture	11,704,479	9,675,805	-	-	11,704,479	9,675,805
Capital outlay	-	(1,249)	-	-	-	(1,249)
Debt service	3,283,639	3,305,989	-	-	3,283,639	3,305,989
Water and sewer operations	-	-	58,964,138	54,962,880	58,964,138	54,962,880
Total expenses	135,810,327	108,429,260	58,964,138	54,962,880	194,774,465	163,392,140
Change in Net Position	3,925,822	30,150,017	(2,825,769)	5,073,891	1,100,053	35,223,908
Net Position - Beginning of year	65,754,056	35,604,039	124,679,813	119,605,922	190,433,869	155,209,961
Net Position - End of year	<u>\$ 69,679,878</u>	<u>\$ 65,754,056</u>	<u>\$ 121,854,044</u>	<u>\$ 124,679,813</u>	<u>\$ 191,533,922</u>	<u>\$ 190,433,869</u>

Financial Analysis of Individual Funds

The fund financial statements provide detailed information on the most significant funds. The City's major governmental funds for 2022 include the General 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 decreased by approximately \$850,000 (0.7 percent) compared to the prior year to \$115.2 million. The reduction was due to unrealized investment losses of \$2.4 million and coronavirus relief grant revenue of \$5.5 million received in the prior year. These decreases were offset by increased property tax revenue of \$2.2 million resulting from an overall 4.0 percent increase in taxable value (1.4 percent due to inflation and the remainder due to growth and development) and an increase to the general operating millage rate of 0.1834 mills to return to pre-pandemic levels. The Police and Fire Retirement System pension tax contributed \$1.6 million to this increase due to an increase in the required contribution to the pension fund. State revenue sharing added \$2.5 million to general fund revenue due to increased sales tax collection. Increases to ALS transport revenue and court fines added another \$1 million.

General Fund expenditures totaled \$114.6 million, which is an increase of \$854,000, or 0.75 percent, compared to the prior year. The increase was primarily due to contractual wage increases, health insurance and overtime costs of \$2.2 million, an increase to the Police and Fire Pension Fund required contribution of \$1.8 million, and an increase in General Liability Insurance of \$1 million. This increase was partially offset by a decrease in the recommended OPEB contribution of \$1.1 million and a \$3.7 million transfer to the Facilities Improvement Fund in the prior year.

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 2022. Final budgeted expenditures were \$2.3 million, or 2.0 percent, higher than the original budget primarily due to an increase in General Liability Insurance funding of \$1.0 million caused by higher than expected claims, and increased transfers to the Major Roads and General Improvements funds. Final budgeted revenue was \$5.2 million, or 4.6 percent, higher than the original budget due to a higher personal property tax reimbursement from the State of Michigan and an increase in state-shared revenue over original projections.

At year end, actual General Fund expenditures were 98.3 percent of the budgeted amount, or \$2.0 million under budget. Every department in the City came in under budget. General Fund revenue was 98.2 percent of the budget amount, or \$2.1 million under budget. This was primarily due to unrealized losses on investment income.

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, a \$16.85 million MTF Bond was issued to fund the second tranche of the total reconstruction of Mound Road. Future MTF bonds may be necessary 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 \$7.3 million due to the issuance of these bonds, offset by the spending of \$10 million of bond proceeds.

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 was allocated as part of the American Rescue Plan Act passed by the federal government in 2021. The City has received a total of \$19.8 million over two years, and eligible expenditures must be incurred by 2026. The ARPA Action Plan was approved by the City Council in April 2022 and includes a variety of transformational projects, including road reconstruction, multiuse trails, land acquisition, community gardens, and much more. Expenditures of \$2.3 million were incurred during 2022, primarily for road repair and reconstruction.

Capital Assets and Debt Administration

At the end of fiscal year 2022, the City had \$359.1 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$295.5 million and \$295.4 million for fiscal years 2022 and 2021, respectively (see Note 6 to the financial statements for additional information).

As part of the City's May 2022 bond sale, Standard & Poor's affirmed the City's excellent AA credit rating and upgraded the City's outlook from stable to positive. S&P noted the City's low debt, strong financial management, and progress toward fully funding legacy costs. The City's excellent credit rating allows the City to obtain low rates on debt issuances. Debt service for all outstanding direct debt during fiscal year 2022 totaled \$10.6 million (see Note 9 to the financial statements for additional information).

Significant bond activity for the audited fiscal year included a \$16.85 million Michigan Transportation Fund Bond issued in May 2022 to fund the second tranche of the total reconstruction of Mound Road and a \$12.3 million Capital Improvement Bond issued at the same time to fund water meter replacements and retro-fittings for all residential and commercial customers.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

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

Years Ended	Net Debt Outstanding (Direct and Indirect)	Ratio of Net Debt Outstanding to Total State Equalized Value	Net Debt Outstanding per Capita
2022	\$ 163,534,898	2.52%	\$ 1,217
2021	158,425,723	2.55%	1,179
2020	134,880,843	2.30%	1,040

Economic Conditions and Outlook

The following economic factors currently affect the City and were considered in developing the 2022/2023 fiscal year budget:

General Fund

General Fund Revenue

Total General Fund revenue is expected to increase by \$3.3 million (2.9 percent) to a total of \$117.5 million in fiscal year 2022/2023.

Property Taxes

The City's overall property tax assessments are expected to increase by 4.6 percent due to a 3.3 percent inflationary increase and an additional 1.3 percent increase due to new construction and property turnover leading to the uncapping of assessments. The City's operating tax rate of 9.494 mills is lower than the maximum allowable levy by 0.8517 mills, which allows the capture of additional property tax revenue through growth and investment. However, this gap continues to narrow each year due to consistent Headlee rollbacks and, without legislative change, will disappear, limiting the City's ability to increase revenue. The City's total millage rate will decrease by 0.2942 mills to a total of 16.38 mills resulting from a decrease to the required contribution to the Police and Fire Pension Fund.

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 5.2 mills below the average of all cities in the county. For the 2022 tax year, the average homeowner's city tax bill is \$1,403 annually for all city services, less than \$117 per month.

Other expected revenue increases include state revenue sharing (2.4 percent), personal property tax reimbursement (11.8 percent), and ordinance fines and costs (36 percent).

General Fund Expenditures

General Fund expenditures are budgeted at \$117.2 million for fiscal year 2023. This is an increase of \$3.4 million (3.0 percent) compared to the fiscal year 2021/2022 budget. The increase is primarily due to increases in contractual wages and benefits.

Contribution to Fund Balance

After depleting the General Fund fund balance to just over \$5 million during the economic downturn, the City has been able to steadily restore reserves over the past eight years. General Fund reserves now total \$32.9 million, or 28.7 percent of General Fund expenditures. The 2022/2023 budget includes an additional contribution to fund balance of \$306,000. 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.

Road Funding

The City of Sterling Heights, Michigan continued to prioritize road reconstruction in 2022 by investing over \$19.3 million in major and local road reconstruction. This investment continues in the fiscal year 2022/2023 budget, which includes an additional \$30 million of road construction expenditures, including significant progress on the transformative total reconstruction of Mound Road. This significant investment in roads 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 \$3.6 million annually for local road reconstruction. Despite recent increases in road funding from the State, the City has still lost \$8.9 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 a challenge.

American Rescue Plan Act Funding

The City of Sterling Heights, Michigan received \$19.8 million in funding through the American Rescue Plan Act. In April 2022, the Sterling Heights City Council approved the ARPA Action Plan, which laid out the plan for the use of these funds. Some of the transformative projects approved include the following:

- The resurfacing of Plumbrook Road
- Concrete repairs to Ryan Road
- A two-mile multiuse hike/bike trail along the ITC Corridor
- Land acquisition for improvements in the North Van Dyke District
- Land acquisition for a park in the southern portion of the City
- Additional tree plantings, sidewalk gap construction, the creation of a community garden, a micro forest, and much more.

These projects are all currently in the development stages and are expected to be completed by December 2026.

Water and Sewer Fund

The City of Sterling Heights, Michigan purchases water from the Great Lakes Water Authority (GLWA) and sewer services from Macomb County Public Works. Over 76 percent of the expenditures in the Water and Sewer Fund are directly related to the costs passed on by these two entities.

For fiscal year 2022/2023, the GLWA increased rates by 3.4 percent, and Macomb County Public Works increased rates by 2.2 percent. In addition, the City issued \$12 million in Capital Improvement Bonds to finance the water meter replacement and retro-fittings of all 40,000 residential and commercial customers. These cost increases resulted in a 5 percent increase in water and sewer rates for city customers. Even with this increase, the City continues to offer the lowest average water and sewer rates of our surrounding communities.

Future Actions Needed for 2023 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. And soon, the City will be looking forward to 2040 by updating this plan for the next decade. 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 57 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.

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 18,526,940	\$ 756,190	\$ 19,283,130	\$ 2,168,351
Investments (Note 3)	60,393,553	11,075,400	71,468,953	-
Receivables:				
Customer receivables	-	12,596,087	12,596,087	18,169
Special assessments receivable	764,691	-	764,691	-
Accrued interest receivable	497,855	59,833	557,688	23
Leases receivable (Note 19)	1,611,434	-	1,611,434	-
Other receivables	1,222,210	-	1,222,210	-
Due from other governmental units	6,560,082	-	6,560,082	-
Inventory	847,825	233,473	1,081,298	295,800
Prepaid expenses and other assets	10,999,817	1,906,350	12,906,167	-
Restricted assets - Cash and cash equivalents (Note 4)	25,913,598	23,735,869	49,649,467	-
Capital assets:				
Assets not subject to depreciation (Note 6)	87,599,025	14,639,534	102,238,559	1,618,469
Assets subject to depreciation - Net (Note 6)	269,727,969	184,709,594	454,437,563	4,263,340
Rehabilitation loans (Note 5)	1,314,618	-	1,314,618	-
Total assets	485,979,617	249,712,330	735,691,947	8,364,152
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	3,535	225,302	228,837	-
Deferred pension costs (Note 11)	29,755,543	2,105,653	31,861,196	-
Deferred OPEB costs (Note 12)	23,731,066	1,373,091	25,104,157	-
Total deferred outflows of resources	53,490,144	3,704,046	57,194,190	-
Liabilities				
Accounts payable	6,153,331	7,842,313	13,995,644	71,163
Due to other governmental units	8,568	-	8,568	-
Cash and bond deposits	2,883,002	-	2,883,002	-
Accrued and other liabilities	7,604,056	730,614	8,334,670	12,290
Unearned revenue (Note 8)	20,868,458	131,890	21,000,348	4,384
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	1,181,793	74,164	1,255,957	-
Provision for claims (Note 10)	1,128,338	-	1,128,338	-
Current portion of bonds and contracts payable (Note 9)	7,464,000	5,257,349	12,721,349	-
Due in more than one year:				
Net pension liability (Note 11)	200,142,810	9,763,028	209,905,838	-
Net OPEB liability (Note 12)	74,037,925	4,283,870	78,321,795	-
Compensated absences (Note 9)	3,927,308	176,494	4,103,802	-
Provision for claims (Note 10)	900,465	-	900,465	-
Bonds and contracts payable - Net of current portion (Note 9)	121,681,203	101,607,271	223,288,474	-
Total liabilities	447,981,257	129,866,993	577,848,250	87,837
Deferred Inflows of Resources				
Deferred benefit on bond refunding (Note 7)	-	637,566	637,566	-
Deferred pension cost reductions (Note 11)	1,976,963	-	1,976,963	-
Deferred OPEB cost reductions (Note 12)	18,281,440	1,057,773	19,339,213	-
Deferred lease revenue (Note 19)	1,550,223	-	1,550,223	-
Total deferred inflows of resources	21,808,626	1,695,339	23,503,965	-

City of Sterling Heights, Michigan

Statement of Net Position (Continued)

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 252,451,250	\$ 106,623,230	\$ 359,074,480	\$ 5,881,809
Restricted:				
Roads	14,871,089	-	14,871,089	-
Public safety	1,351,622	-	1,351,622	-
Debt service	1,187,649	-	1,187,649	-
County drains (Note 4)	-	9,184,883	9,184,883	-
Community service	100,692	-	100,692	-
Unrestricted	(200,282,424)	6,045,931	(194,236,493)	2,394,506
Total net position	<u><u>\$ 69,679,878</u></u>	<u><u>\$ 121,854,044</u></u>	<u><u>\$ 191,533,922</u></u>	<u><u>\$ 8,276,315</u></u>

City of Sterling Heights, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 16,824,449	\$ 3,031,456	\$ -	\$ 1,421,764
41A District Court	4,780,581	1,940,087	380,490	-
Public safety	72,686,196	4,642,445	1,279,398	554,081
Public works	26,530,983	3,444,596	9,743,747	15,365,783
Recreation and culture	11,704,479	1,026,152	735,078	-
Interest on long-term debt	3,283,639	-	-	-
Total governmental activities	135,810,327	14,084,736	12,138,713	17,341,628
Business-type activities - Water and Sewer	58,964,138	54,238,528	-	1,954,602
Total primary government	<u><u>\$ 194,774,465</u></u>	<u><u>\$ 68,323,264</u></u>	<u><u>\$ 12,138,713</u></u>	<u><u>\$ 19,296,230</u></u>
Component units:				
Brownfield Redevelopment Authority	\$ 706,550	\$ -	\$ -	\$ -
Corridor Improvement Authority	136,824	-	-	-
Economic Development Corporation	77,900	-	-	-
Local Development Finance Authority	1,092,312	-	-	-
Total component units	<u><u>\$ 2,013,586</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Investment (losses) earnings				
Cable franchise fees				
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, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,371,229)	\$ -	\$ (12,371,229)	\$ -
(2,460,004)	-	(2,460,004)	-
(66,210,272)	-	(66,210,272)	-
2,023,143	-	2,023,143	-
(9,943,249)	-	(9,943,249)	-
(3,283,639)	-	(3,283,639)	-
(92,245,250)	-	(92,245,250)	-
-	(2,771,008)	(2,771,008)	-
(92,245,250)	(2,771,008)	(95,016,258)	-
-	-	-	(706,550)
-	-	-	(136,824)
-	-	-	(77,900)
-	-	-	(1,092,312)
-	-	-	(2,013,586)
78,406,913	-	78,406,913	2,546,409
16,288,653	-	16,288,653	-
(2,626,093)	(54,761)	(2,680,854)	216,025
2,114,490	-	2,114,490	-
1,987,109	-	1,987,109	-
96,171,072	(54,761)	96,116,311	2,762,434
3,925,822	(2,825,769)	1,100,053	748,848
65,754,056	124,679,813	190,433,869	7,527,467
\$ 69,679,878	\$ 121,854,044	\$ 191,533,922	\$ 8,276,315

City of Sterling Heights, Michigan

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3) \$	4,321,887	\$ -	\$ 7,087,236	\$ 7,105,850	\$ 18,514,973
Investments - At fair value (Note 3)	36,601,182	-	11,255,344	9,660,416	57,516,942
Receivables:					
Special assessments receivable	-	-	-	764,691	764,691
Accrued interest receivable	226,773	20,598	13,832	176,928	438,131
Leases receivable (Note 19)	1,611,434	-	-	-	1,611,434
Other receivables	1,070,528	-	-	949	1,071,477
Due from other governmental units	3,969,447	-	-	2,590,635	6,560,082
Due from other funds (Note 13)	60,273	-	-	-	60,273
Inventory	835,103	-	-	12,722	847,825
Prepays and other assets	225,994	3,322,370	-	4,367,118	7,915,482
Restricted assets (Note 4)	-	22,508,949	-	3,404,649	25,913,598
Rehabilitation loans (Note 5)	-	-	-	1,314,618	1,314,618
Total assets	\$ 48,922,621	\$ 25,851,917	\$ 18,356,412	\$ 29,398,576	\$ 122,529,526
Liabilities					
Accounts payable	\$ 2,895,055	\$ 386	\$ 694,607	\$ 2,489,044	\$ 6,079,092
Due to other governmental units	8,568	-	-	-	8,568
Due to other funds (Note 13)	-	-	-	60,273	60,273
Cash and bond deposits	2,883,002	-	-	-	2,883,002
Accrued and other liabilities	5,019,438	-	121,400	1,485,190	6,626,028
Unearned revenue (Note 8)	133,781	-	17,511,767	3,222,910	20,868,458
Total liabilities	10,939,844	386	18,327,774	7,257,417	36,525,421
Deferred Inflows of Resources					
Unavailable revenue	3,558,248	-	-	840,400	4,398,648
Deferred lease revenue	1,550,223	-	-	-	1,550,223
Total deferred inflows of resources	5,108,471	-	-	840,400	5,948,871
Total liabilities and deferred inflows of resources	16,048,315	386	18,327,774	8,097,817	42,474,292
Fund Balances					
Nonspendable	1,061,097	3,322,370	-	4,379,840	8,763,307
Restricted:					
Roads	-	22,529,161	-	7,023,461	29,552,622
Public Safety	-	-	-	1,338,900	1,338,900
Debt service	-	-	-	600,130	600,130
Capital projects	-	-	-	1,756,975	1,756,975
Community service	-	-	-	100,692	100,692
Committed - Park acquisitions and improvements	-	-	-	31,283	31,283
Assigned:					
Capital projects	-	-	28,638	5,238,126	5,266,764
Parks and recreation	-	-	-	831,352	831,352
Unassigned	31,813,209	-	-	-	31,813,209
Total fund balances	32,874,306	25,851,531	28,638	21,300,759	80,055,234
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,922,621	\$ 25,851,917	\$ 18,356,412	\$ 29,398,576	\$ 122,529,526

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 80,055,234
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds	357,326,994
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	4,398,648
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(129,141,668)
Accrued interest is not due and payable in the current period and is not reported in the funds	(978,028)
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	(5,109,101)
Pension benefits	(172,364,230)
Retiree health care benefits	(68,588,299)
Internal service funds are included as part of governmental activities	4,080,328
Net Position of Governmental Activities	<u><u>\$ 69,679,878</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	General Fund	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 69,831,358	\$ -	\$ -	\$ 8,575,555	\$ 78,406,913
Special assessments	-	-	-	151,788	151,788
Intergovernmental:					
Federal sources	557,339	-	2,325,495	1,569,312	4,452,146
State sources	23,978,925	-	-	16,734,460	40,713,385
Local sources	-	-	-	51,413	51,413
Charges for services	13,648,102	-	-	921,377	14,569,479
Fines and forfeitures	1,678,277	-	-	-	1,678,277
Licenses and permits:					
Cable franchise fees	2,114,490	-	-	-	2,114,490
Fees and permits	2,572,200	-	-	-	2,572,200
Investment (loss) income:					
Investment (losses) earnings	(2,147,920)	(154,741)	28,638	(308,904)	(2,582,927)
Rental income	1,746,415	-	-	-	1,746,415
Other revenue	1,176,265	-	-	695,446	1,871,711
Total revenue	115,155,451	(154,741)	2,354,133	28,390,447	145,745,290
Expenditures					
Current services:					
General government	13,273,352	-	903,731	-	14,177,083
41A District Court	3,736,014	-	-	223,088	3,959,102
Public safety	61,869,706	-	-	174,815	62,044,521
Public works	16,523,425	405,838	-	5,347,211	22,276,474
General expenditures	3,407,230	-	-	4,348	3,411,578
Recreation and culture	2,575,935	-	-	5,206,119	7,782,054
Capital outlay	227,106	10,023,340	1,421,764	19,052,215	30,724,425
Debt service	-	-	-	10,563,843	10,563,843
Total expenditures	101,612,768	10,429,178	2,325,495	40,571,639	154,939,080
Excess of Revenue Over (Under) Expenditures	13,542,683	(10,583,919)	28,638	(12,181,192)	(9,193,790)
Other Financing Sources (Uses)					
Transfers in	-	-	-	17,012,684	17,012,684
Transfers out	(12,994,780)	-	-	(4,017,904)	(17,012,684)
New debt issued	-	16,850,000	-	-	16,850,000
Debt premium or discount	-	1,036,153	-	-	1,036,153
Sale of capital assets	77,230	-	-	-	77,230
Total other financing (uses) sources	(12,917,550)	17,886,153	-	12,994,780	17,963,383
Net Change in Fund Balances	625,133	7,302,234	28,638	813,588	8,769,593
Fund Balances - Beginning of year	32,249,173	18,549,297	-	20,487,171	71,285,641
Fund Balances - End of year	\$ 32,874,306	\$ 25,851,531	\$ 28,638	\$ 21,300,759	\$ 80,055,234

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 8,769,593
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	30,719,345
Depreciation expense	(17,757,401)
Net book value of assets disposed of	(234,941)
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	490,570
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(17,886,153)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	7,319,636
Interest expense is recognized in the government-wide statements as it accrues	(35,084)
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	(6,517,214)
Internal service funds are included as part of governmental activities	(942,529)
Change in Net Position of Governmental Activities	<u>\$ 3,925,822</u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 756,190	\$ 11,967
Investments - At fair value (Note 3)	11,075,400	2,876,611
Receivables:		
Customer receivables	12,596,087	-
Accrued interest receivable	59,833	59,724
Other receivables	-	150,733
Inventory	233,473	-
Prepaid expenses and other assets	1,906,350	3,084,335
Total current assets	26,627,333	6,183,370
Noncurrent assets:		
Restricted assets (Note 4)	23,735,869	-
Capital assets: (Note 6)		
Assets not subject to depreciation	14,639,534	-
Assets subject to depreciation - Net	184,709,594	-
Total noncurrent assets	223,084,997	-
Total assets	249,712,330	6,183,370
Deferred Outflows of Resources (Notes 7, 11 and 12)		
Deferred charges on bond refunding	225,302	-
Deferred pension costs	2,105,653	-
Deferred OPEB costs	1,373,091	-
Total deferred outflows of resources	3,704,046	-
Liabilities		
Current liabilities:		
Accounts payable	7,842,313	74,239
Accrued and other liabilities	730,614	-
Unearned revenue (Note 8)	131,890	-
Compensated absences	74,164	-
Provision for claims	-	1,128,338
Current portion of bonds and contracts payable (Note 9)	5,257,349	-
Total current liabilities	14,036,330	1,202,577
Noncurrent liabilities:		
Compensated absences	176,494	-
Provision for claims	-	900,465
Net pension liability (Note 11)	9,763,028	-
Net OPEB liability (Note 12)	4,283,870	-
Bonds and contracts payable - Net of current portion (Note 9)	101,607,271	-
Total noncurrent liabilities	115,830,663	900,465
Total liabilities	129,866,993	2,103,042

Proprietary Funds
Statement of Net Position (Continued)

June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Deferred Inflows of Resources (Notes 7 and 12)		
Deferred benefit on bond refunding	\$ 637,566	\$ -
Deferred OPEB cost reductions	1,057,773	-
Total deferred inflows of resources	1,695,339	-
Net Position		
Net investment in capital assets	106,623,230	-
Restricted - County drains	9,184,883	-
Unrestricted (Note 17)	6,045,931	4,080,328
Total net position	\$ 121,854,044	\$ 4,080,328

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

Year Ended June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 20,817,986	\$ -
Sewage disposal charges	31,476,838	-
Service charges	815,206	-
City contributions	-	8,938,389
Other	1,128,498	324,277
Total operating revenue	54,238,528	9,262,666
Operating Expenses		
Wages and fringe benefits	6,540,310	-
Water purchases	16,235,356	-
Sewage disposal charges	21,211,837	-
Materials and supplies	287,546	-
Repairs and maintenance	1,400,131	-
Building and equipment rental	448,098	-
Contractual services	558,510	-
Administration expenses and other	46,403	622,591
Other	2,252,940	-
Insurance and reinsurance charges and claims	139,598	9,539,438
Depreciation	7,175,809	-
Total operating expenses	56,296,538	10,162,029
Operating Loss	(2,058,010)	(899,363)
Nonoperating Expense		
Investment loss	(54,761)	(43,166)
Interest expense	(2,667,600)	-
Total nonoperating expense	(2,722,361)	(43,166)
Loss - Before capital contributions	(4,780,371)	(942,529)
Capital Contributions		
Lines donated by developers	1,049,406	-
Other capital contributions	905,196	-
Total capital contributions	1,954,602	-
Change in Net Position	(2,825,769)	(942,529)
Net Position - Beginning of year	124,679,813	5,022,857
Net Position - End of year	\$ 121,854,044	\$ 4,080,328

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 54,596,168	\$ 8,873,339
Payments for interfund services and reimbursements	(2,257,740)	-
Payments to suppliers	(38,572,260)	(33,746)
Payments to employees and fringes	(5,661,469)	-
Claims paid	-	(9,375,041)
Net cash and cash equivalents provided by (used in) operating activities	8,104,699	(535,448)
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	12,900,280	-
Special assessment collections	905,196	-
Proceeds from sale of capital assets	2,138	-
Purchase of capital assets	(13,522,471)	-
Principal and interest paid on capital debt	(7,658,636)	-
Advance construction deposit	(1,906,350)	-
Net cash and cash equivalents used in capital and related financing activities	(9,279,843)	-
Cash Flows from Investing Activities		
Interest received on investments	(54,761)	(43,166)
Purchases of investment securities	(7,576,330)	(1,134,779)
Net cash and cash equivalents used in investing activities	(7,631,091)	(1,177,945)
Net Decrease in Cash and Cash Equivalents	(8,806,235)	(1,713,393)
Cash and Cash Equivalents - Beginning of year	24,113,411	1,725,360
Cash and Cash Equivalents - End of year	\$ 15,307,176	\$ 11,967
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 11,831,590	\$ 2,888,578
Less amounts classified as investments	(11,075,400)	(2,876,611)
Restricted cash	14,550,986	-
Total cash and cash equivalents	\$ 15,307,176	\$ 11,967

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,058,010)	\$ (899,363)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	7,175,809	-
Changes in assets and liabilities:		
Receivables	357,640	(65,050)
Due to and from other funds	(4,800)	-
Inventories	46,642	-
Net pension or OPEB asset	22,753	-
Accounts payable	1,706,439	(33,746)
Estimated claims liability	-	462,711
Net pension or OPEB liability	7,582,025	-
Deferrals related to pension or OPEB	(6,723,799)	-
Total adjustments	10,162,709	363,915
Net cash and cash equivalents provided by (used in) operating activities	<u><u>\$ 8,104,699</u></u>	<u><u>\$ (535,448)</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2022, developers constructed water and sewer lines with a value of approximately \$1,049,000 and donated them to the City's Water and Sewer Fund. Also during the year, approximately \$8 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.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 13,938,040	\$ 143,286
Investments - At fair value:		
Government securities	34,952,538	-
Mutual funds	58,859,804	-
Common and preferred stocks	309,254,620	-
Corporate bonds	24,409,940	-
Private real estate	10,164,047	-
Hedge funds	9,801,393	-
Receivables - Other	506,812	-
Total assets	461,887,194	143,286
Liabilities		
Accounts payable	936,643	-
Accrued and other liabilities	44,913	-
Provision for claims	630,964	-
Total liabilities	1,612,520	\$ -
Net Position - Restricted		
Pension	320,968,235	-
Postemployment benefits other than pension	139,306,439	-
Individuals, organizations, and other governments	-	143,286
Total net position	\$ 460,274,674	\$ 143,286

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Investment income (expense):		
Interest and dividends	\$ 14,637,953	\$ -
Net decrease in fair value of investments	(94,885,078)	-
Investment costs	(3,422,409)	-
Net investment expense	(83,669,534)	-
Contributions:		
Employer contributions	27,572,202	-
Employee contributions	2,964,578	-
Purchase of prior year's service credits	19,734	-
Total contributions	30,556,514	-
Property tax collections for other governments	-	134,665,610
Court fees collected for other governments	-	814,629
Total additions	(53,113,020)	135,480,239
Deductions		
Benefit payments	44,089,730	-
Refunds of contributions	1,504,904	-
Tax distributions to other governments	-	134,665,610
Court fees distributed to other governments	-	671,343
Total deductions	45,594,634	135,336,953
Net (Decrease) Increase in Fiduciary Net Position	(98,707,654)	143,286
Net Position - Beginning of year	558,982,328	-
Net Position - End of year	\$ 460,274,674	\$ 143,286

City of Sterling Heights, Michigan

Component Units Statement of Net Position

June 30, 2022

	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
Assets					
Cash and cash equivalents	\$ 114,761	\$ 2,142	\$ 1,334,814	\$ 716,634	\$ 2,168,351
Receivables:					
Customer receivables	-	-	18,169	-	18,169
Accrued interest receivable	2	6	10	5	23
Inventory	-	-	-	295,800	295,800
Capital assets: (Note 6)					
Assets not subject to depreciation	-	-	1,618,469	-	1,618,469
Assets subject to depreciation - Net	-	-	4,263,340	-	4,263,340
Total assets	114,763	2,148	7,234,802	1,012,439	8,364,152
Liabilities					
Accounts payable	-	-	71,163	-	71,163
Accrued and other liabilities	-	-	12,290	-	12,290
Unearned revenue	-	-	4,384	-	4,384
Total liabilities	-	-	87,837	-	87,837
Net Position					
Net investment in capital assets	-	-	5,881,809	-	5,881,809
Unrestricted	114,763	2,148	1,265,156	1,012,439	2,394,506
Total net position	<u>\$ 114,763</u>	<u>\$ 2,148</u>	<u>\$ 7,146,965</u>	<u>\$ 1,012,439</u>	<u>\$ 8,276,315</u>

City of Sterling Heights, Michigan

		Program Revenue		
		Charges for	Operating Grants	Capital Grants and
	Expenses	Services	and Contributions	Contributions
Functions/Programs				
Economic Development Corporation	\$ 77,900	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	706,550	-	-	-
Local Development Finance Authority	1,092,312	-	-	-
Corridor Improvement Authority	136,824	-	-	-
Total component units	\$ 2,013,586	\$ -	\$ -	\$ -

General revenue:

Property taxes

Investment earnings

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, 2022

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)
-	(706,550)	-	-	(706,550)
-	-	(1,092,312)	-	(1,092,312)
-	-	-	(136,824)	(136,824)
(77,900)	(706,550)	(1,092,312)	(136,824)	(2,013,586)
-	706,550	1,585,926	253,933	2,546,409
-	-	216,025	-	216,025
-	706,550	1,801,951	253,933	2,762,434
(77,900)	-	709,639	117,109	748,848
192,663	2,148	6,437,326	895,330	7,527,467
\$ 114,763	\$ 2,148	\$ 7,146,965	\$ 1,012,439	\$ 8,276,315

June 30, 2022

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, 2022

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, 2022

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 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 projects 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; and 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 quarterly user charges.

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

Fiduciary Funds

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

- The General Employees' Retirement System, the Police and Fire Retirement System, and the Retiree Medical Benefits Trust account for the activities of the trust funds, which accumulate resources for pension benefits and retiree medical benefits provided to qualified individuals.

Note 1 - Significant Accounting Policies (Continued)

- The Tax Receiving Fund 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 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.

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.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)***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 Road Bond Construction 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.

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

	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

Note 1 - Significant Accounting Policies (Continued)

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 on a straight line basis. 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 assets 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 assets 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)	✓	✓
Deferred lease revenue	✓	

Net Position

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

Net Position Flow Assumption

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

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)

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.

The 2022 taxable valuation of the City totaled \$4,766,488,246, on which taxes levied consisted of 9.4940 mills for operating purposes, 0.9877 mills for refuse collection, 2.7240 mills for police and fire pension, 0.1150 mills for debt service related to firehouse improvements, 2.4157 mills for safe streets, and 0.9378 mills for parks and recreation. This resulted in \$44,414,185 for operating, \$4,654,345 for refuse collection, \$12,866,281 for police and fire pension, \$546,634 for debt service related to firehouse improvements, \$11,374,617 for safe streets, and \$4,395,965 for parks and recreation. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

June 30, 2022**Note 1 - Significant Accounting Policies (Continued)****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.

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.

Note 1 - Significant Accounting Policies (Continued)

Leases

The City is a lessor for noncancelable leases of land for the use of cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 87, *Leases*. As a result, the General Fund and governmental activities now include receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 19. There was no effect on fund balance or net position as a result of the adoption of this standard.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

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.

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	Budget	Actual
41A District Court	\$ 3,725,080	\$ 3,736,014

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, 2021		\$ (9,962,096)
Current year permit revenue		2,771,753
Related expenses:		
Direct costs	\$ 1,441,748	
Estimated indirect costs	1,693,209	3,134,957
Current year shortfall		(363,204)
Cumulative shortfall at June 30, 2022		\$ (10,325,300)

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.

Note 3 - Deposits and Investments (Continued)

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.

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 \$41,700,000 (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, no 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.

June 30, 2022

Note 3 - Deposits and Investments (Continued)***Interest Rate Risk***

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

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

Investment	Carrying Value	Weighted- average Maturity (Years)
Government-wide		
Commercial paper	\$ 9,963,143	.2049
U.S. government agency bonds	64,055,747	2.6730
Municipal bonds	3,100,193	3.5654
U.S. government obligations	20,067,345	1.2453
General Employees' Retirement System		
Corporate bonds	6,203,296	5.6174
U.S. government agency bonds	3,812,119	7.4256
U.S. government obligations	4,441,431	9.0593
Police and Fire Retirement System		
Corporate bonds	10,368,002	6.3600
U.S. government agency bonds	9,545,028	6.1875
U.S. government obligations	6,738,641	9.1791
Municipal bonds	61,455	5.5981
Retiree Medical Benefits Trust		
Corporate bonds	7,838,642	5.4194
U.S. government agency bonds	4,629,885	7.4526
U.S. government obligations	5,723,979	8.4427

June 30, 2022

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	\$ 2,505,693	AAA	S&P
Commercial paper	9,963,143	A1	S&P
U.S. government agency bonds	64,055,747	AA+	S&P
Municipal bonds	3,100,193	AA-	S&P
U.S. government obligations	20,067,345	AA+	S&P
General Employees' Retirement System			
Money market	494,290	NR	N/A
Corporate bonds	269,067	AA-	S&P
Corporate bonds	144,255	AA+	S&P
Corporate bonds	1,349,606	A+ to A-	S&P
Corporate bonds	3,137,151	BBB+ to BBB-	S&P
Corporate bonds	203,682	Baa3	Moody's
Corporate bonds	1,002,353	BB+ to BB-	S&P
Corporate bonds	97,182	B	S&P
U.S. government agency bonds	3,812,119	AA+	S&P
U.S. government obligations	4,441,431	AA+	S&P
Police and Fire Retirement System			
Money market	1,972,505	NR	N/A
Corporate bonds	745,305	AAA	Moody's
Corporate bonds	56,765	AA+ to AA-	S&P
Corporate bonds	200,377	Aa2	S&P
Corporate bonds	338,612	AA-	S&P
Corporate bonds	136,528	A+ to A-	Moody's
Corporate bonds	2,492,231	A+ to A-	S&P
Corporate bonds	5,116,226	BBB+ to BBB-	S&P
Corporate bonds	181,845	Ba1	Moody's
Corporate bonds	187,606	Baa1	S&P
Corporate bonds	258,366	BB+ to BB-	S&P
Corporate bonds	269,498	B+ to B-	S&P
Corporate bonds	11,830	CCC to CCC+	S&P
Corporate bonds	133,046	CC	S&P
Corporate bonds	140,028	Caa2	Moody's
Corporate bonds	99,740	NR	N/A
U.S. government agency bonds	9,545,028	AA+	S&P
U.S. government obligations	6,738,641	AA+	S&P
Municipal bonds	13,419	AAA	S&P
Municipal bonds	48,036	AA+ to AA	S&P
Retiree Medical Benefits Trust			
Corporate bonds	97,560	AA+	S&P
Corporate bonds	153,757	AA+ to AA-	S&P
Corporate bonds	1,888,095	A+ to A-	S&P
Corporate bonds	4,257,900	BBB+ to BBB-	S&P
Corporate bonds	1,317,807	BB+ to BB-	S&P
Corporate bonds	123,523	B+	S&P
U.S. government agency bonds	4,629,885	AA+	S&P
U.S. government obligations	5,723,979	AA+	S&P

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Through its investment policy, the City places a 15.0 percent limit on the amount it may invest in any one issuer. No issuer held greater than 15.0 percent of investments as of June 30, 2022.

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, 2022.

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, 2022

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2022:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022				
	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, 2022
Investments by fair value level:				
Debt securities:				
U.S. Treasury securities	\$ 36,971,396	\$ -	\$ -	\$ 36,971,396
U.S. government agencies	82,042,779	-	-	82,042,779
Municipal obligations	3,161,648	-	-	3,161,648
Corporate bonds	-	24,409,940	-	24,409,940
Total debt securities	122,175,823	24,409,940	-	146,585,763
Equity securities:				
Consumer discretionary	35,338,963	-	-	35,338,963
Consumer staples	16,102,729	-	-	16,102,729
Energy	5,763,213	-	-	5,763,213
Financials	35,366,166	-	-	35,366,166
Health care	37,173,230	-	-	37,173,230
Industrials	36,547,721	-	-	36,547,721
Information technology	59,936,699	-	-	59,936,699
Materials	10,384,676	-	-	10,384,676
Real estate	8,902,514	-	-	8,902,514
Telecommunications	22,407,930	-	-	22,407,930
Utilities	3,925,928	-	-	3,925,928
Other	37,404,851	-	-	37,404,851
Total equity securities	309,254,620	-	-	309,254,620
Alternative investments:				
Hedge funds	-	-	7,952,006	7,952,006
Private equity funds	-	-	1,849,387	1,849,387
Total alternative investments	-	-	9,801,393	9,801,393
Total	\$ 431,430,443	\$ 24,409,940	\$ 9,801,393	465,641,776
Investments measured at NAV:				
Michigan CLASS Investment Pool				2,505,694
Mutual funds - Western Asset Management				20,199,064
Mutual funds - Other				38,660,740
American Core Realty Fund				4,945,201
U.S. Real Estate Investment Fund				5,218,846
Total investments measured at NAV				71,529,545
Total assets				\$ 537,171,321

The fair value of equity securities at June 30, 2022 was determined primarily based on Level 1 inputs. The City estimates the fair value using prices quoted in active markets for those securities.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

The fair value of debt securities at June 30, 2022 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.

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, 2022, 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	\$ 2,505,693	\$ -	N/A	None
Mutual funds - Western Asset Manager	20,199,064	-	N/A	None
Mutual funds - Other	38,660,741	-	N/A	None
American Core Realty Fund	4,945,201	-	Quarterly	15 days
U.S. Real Estate Investment Fund	5,218,846	-	Quarterly	None
Total	<u>\$ 71,529,545</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 American Core Realty Fund is a real estate core fund managed by American Realty Advisors. The Fund has been organized to allow Taft-Hartley pension funds, governmental retirement plans, corporate pension plans and qualified trusts forming part of a pension or profit-sharing plan, endowments, charitable foundations and other taxable and tax-exempt organizations to pool their assets to make investments primarily in core, stable, institutional quality office, retail, industrial and residential properties that are substantially leased and have minimal deferred maintenance or functional obsolescence.

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.

June 30, 2022

Note 4 - Restricted Assets

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

At June 30, 2022, restricted assets are composed of the following:

Water and Sewer Fund - Due from Oakland County, Michigan*	\$ 9,184,883
General Improvements Fund - Due from Macomb County, Michigan**	1,647,674
Water and Sewer Fund - Unspent bond proceeds	14,550,986
General Improvements Fund - Unspent bond proceeds	1,756,975
Road Bond Construction Fund - Unspent bond proceeds	<u>22,508,949</u>
Total	<u>\$ 49,649,467</u>

*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 \$1,314,618 at June 30, 2022 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.

June 30, 2022

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 46,463,300	\$ -	\$ -	\$ -	\$ 46,463,300
Construction in progress	47,500,427	23,871,541	-	(30,725,490)	40,646,478
Works of art	467,647	10,800	-	10,800	489,247
Subtotal	94,431,374	23,882,341	-	(30,714,690)	87,599,025
Capital assets being depreciated:					
Buildings and improvements	88,990,569	52,248	(255,460)	21,986,038	110,773,395
Land improvements	47,940,860	1,971,467	(5,839)	1,249,819	51,156,307
Equipment	47,010,366	4,237,186	(3,339,843)	606,577	48,514,286
Furnishings and fixtures	3,386,723	377,214	(92,215)	-	3,671,722
Infrastructure	331,601,481	198,889	-	6,872,256	338,672,626
Subtotal	518,929,999	6,837,004	(3,693,357)	30,714,690	552,788,336
Accumulated depreciation:					
Buildings and improvements	21,305,052	3,722,079	(117,883)	-	24,909,248
Land improvements	7,739,045	1,690,327	(2,041)	-	9,427,331
Equipment	30,055,770	3,768,460	(3,252,624)	-	30,571,606
Furnishing and fixtures	1,044,033	193,949	(85,868)	-	1,152,114
Infrastructure	208,617,482	8,382,586	-	-	217,000,068
Subtotal	268,761,382	17,757,401	(3,458,416)	-	283,060,367
Net capital assets being depreciated	250,168,617	(10,920,397)	(234,941)	30,714,690	269,727,969
Net governmental activities capital assets	\$ 344,599,991	\$ 12,961,944	\$ (234,941)	\$ -	\$ 357,326,994

June 30, 2022

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	9,372,703	20,680,339	-	(15,478,379)	14,574,663
Subtotal	9,437,574	20,680,339	-	(15,478,379)	14,639,534
Capital assets being depreciated:					
Buildings and improvements	524,660	-	-	-	524,660
Equipment	7,317,953	489,747	(338,574)	8,168,084	15,637,210
Furnishings and fixtures	21,075	-	(19,875)	-	1,200
Water and sewer lines	331,308,491	319,027	-	7,310,295	338,937,813
Subtotal	339,172,179	808,774	(358,449)	15,478,379	355,100,883
Accumulated depreciation:					
Buildings and improvements	224,000	15,592	-	-	239,592
Equipment	4,408,064	991,047	(336,435)	-	5,062,676
Furnishing and fixtures	20,988	80	(19,875)	-	1,193
Water and sewer lines	158,918,738	6,169,090	-	-	165,087,828
Subtotal	163,571,790	7,175,809	(356,310)	-	170,391,289
Net capital assets being depreciated	175,600,389	(6,367,035)	(2,139)	15,478,379	184,709,594
Net business-type activities capital assets	\$ 185,037,963	\$ 14,313,304	\$ (2,139)	\$ -	\$ 199,349,128

Construction in progress includes \$8,383,546 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 \$323,854,073. 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, 2022

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2022 was as follows:

Local Development Finance Authority

	Balance July 1, 2021	Additions	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Construction in progress	1,459,615	9,388	(1,062,737)	406,266
Works of art	-	-	3,000	3,000
Subtotal	2,668,818	9,388	(1,059,737)	1,618,469
Capital assets being depreciated:				
Buildings and improvements	3,406,188	406,917	1,059,737	4,872,842
Equipment	154,980	117,897	-	272,877
Subtotal	3,561,168	524,814	1,059,737	5,145,719
Accumulated depreciation:				
Buildings and improvements	647,598	167,771	-	815,369
Equipment	37,588	29,422	-	67,010
Subtotal	685,186	197,193	-	882,379
Net capital assets being depreciated	2,875,982	327,621	1,059,737	4,263,340
Net capital assets	<u>\$ 5,544,800</u>	<u>\$ 337,009</u>	<u>\$ -</u>	<u>\$ 5,881,809</u>

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

Governmental activities:	
General government	\$ 269,220
41A District Court	190,513
Public safety	2,723,124
Public works	10,418,077
Economic development	1,051,730
Recreation and culture	3,104,737
Total governmental activities	<u>\$ 17,757,401</u>
Business-type activities - Water and Sewer	<u>\$ 7,175,809</u>
Component unit activities - Local Development Finance Authority	<u>\$ 197,193</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	\$ 59,848,403	\$ 17,724,226

June 30, 2022

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)	\$ 8,776,521	\$ 2,105,653	\$ 10,882,174
Pension expense - PFRS (Note 11)	20,979,022	-	20,979,022
OPEB expense - RMB (Note 12)	23,731,066	1,373,091	25,104,157
Bond refunding loss being amortized (Note 9)	3,535	225,302	228,837
Total deferred outflows	<u>\$ 53,490,144</u>	<u>\$ 3,704,046</u>	<u>\$ 57,194,190</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
Special assessments - Unavailable	\$ 4,398,648	\$ -	\$ -
Pension expense - PFRS (Note 11)	-	1,976,963	-
OPEB expense - RMB (Note 12)	-	18,281,440	1,057,773
Bond refunding gain being amortized (Note 9)	-	-	637,566
Lease deferred inflows (Note 9)	1,550,223	1,550,223	-
Total deferred inflows	<u>\$ 5,948,871</u>	<u>\$ 21,808,626</u>	<u>\$ 1,695,339</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, 2022, the City had \$5,948,871 of unavailable revenue and \$21,004,732 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 2022 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. Unearned revenue in the Local Development Finance Authority discretely presented component represents property taxes paid to the City in 2022 that are applicable to future years.

June 30, 2022

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 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	\$ 490,000	\$ -	\$ (490,000)	\$ -	\$ -
Unamortized premium on refunding			1,393	-	(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	1,140,000	-	(565,000)	575,000	575,000
Total direct borrowings and direct placements principal outstanding							
			1,631,393	-	(1,056,393)	575,000	575,000
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	1,600,000	-	(200,000)	1,400,000	200,000
2016 Michigan Transportation Fund Bonds:							
Amount of issue - \$9,630,000	2.00% -	\$520,000 -					
Maturing through 2031	3.00%	\$785,000	6,880,000	-	(600,000)	6,280,000	620,000
Unamortized premium			195,985	-	(15,276)	180,709	-
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	36,165,000	-	(1,610,000)	34,555,000	1,690,000
Unamortized premium			2,348,502	-	(257,648)	2,090,854	-
2017 Michigan Transportation Fund Bonds:							
Amount of issue - \$2,075,000	2.00% -	\$110,000 -					
Maturing through 2032	3.00%	\$175,000	1,620,000	-	(125,000)	1,495,000	130,000
Unamortized premium			31,230	-	(2,315)	28,915	-
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	17,365,000	-	(710,000)	16,655,000	745,000
Unamortized premium			856,025	-	(52,642)	803,383	-
2018 Michigan Transportation Fund Bonds:							
Amount of issue - \$8,200,000	2.625% -	\$470,000 -					
Maturing through 2033	5.00%	\$655,000	6,755,000	-	(490,000)	6,265,000	500,000
Unamortized premium			354,446	-	(37,714)	316,732	-
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	21,230,000	-	(810,000)	20,420,000	855,000
Unamortized premium			1,871,384	-	(103,966)	1,767,418	-
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	-	(163,000)	810,000	209,000
2021 Michigan Transportation Fund Bonds General Obligation Limited Tax:							
Amount of issue - \$18,000,000		\$1,040,000 -					
Maturing through 2036	2.00%	\$1,375,000	18,000,000	-	(1,040,000)	16,960,000	1,060,000
Unamortized premium			702,899	-	(46,860)	656,039	-

June 30, 2022

Note 9 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2022 Michigan Transportation Fund Bonds General Obligation Limited Tax: Amount of issue - \$16,850,000 Maturing through 2037 Unamortized premium	3.375% - 5.000%	\$825,000 - \$1,470,000	\$ - -	\$ 16,850,000 1,036,153	\$ - -	\$ 16,850,000 1,036,153	\$ 880,000 -
Total other debt principal outstanding			116,948,471	17,886,153	(6,264,421)	128,570,203	6,889,000
Total bonds and contracts payable			118,579,864	17,886,153	(7,320,814)	129,145,203	7,464,000
Compensated absences			5,155,198	940,327	(986,424)	5,109,101	1,181,793
Total governmental activities long-term debt			\$ 123,735,062	\$ 18,826,480	\$ (8,307,238)	\$ 134,254,304	\$ 8,645,793

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 Maturing through 2031	2.50%	\$194,583 - \$269,613	\$ 2,417,447	\$ -	\$ (215,195)	\$ 2,202,252	\$ 220,967
Special Assessment Roll No. 1 Series 2011A (Segment 2): Maximum loan amount - \$5,168,777 Balance drawn - \$5,168,777 Maturing through 2033	2.50%	\$223,717 - \$322,923	3,641,225	-	(240,925)	3,400,300	245,987
Special Assessment Roll No. 1 Series 2013A (Segment 3): Maximum loan amount - \$11,278,994 Balance drawn - \$11,278,994 Maturing through 2034	2.50%	\$492,612 - \$676,150	8,351,024	-	(522,912)	7,828,112	533,302
Special Assessment Roll No. 1 Series 2015A (MIDD Project #5624-01): Maximum loan amount - \$1,151,536 Balance drawn - \$917,293 Maturing through 2035	2.50%	\$47,001 - \$65,802	680,719	-	(40,735)	639,984	40,735
2015 Oakland-Macomb Interceptor Drainage District SAW Loan: Maximum loan amount - \$3,298,735 Balance drawn - \$3,298,735 Maturing through 2036	2.50%	\$135,991 - \$207,871	2,620,726	-	(145,703)	2,475,023	149,589
2020 Macomb Interceptor Drainage District SRF Loan (Project # 5659- 03): Maximum loan amount - \$8,036,105 Balance drawn - \$774,555 Maturing through 2040	2.00%	\$375,533 - \$525,438	774,555	-	-	774,555	375,533
Total state revolving fund loans			18,485,696	-	(1,165,470)	17,320,226	1,566,113

June 30, 2022

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	\$ 164,850	\$ -	\$ (9,460)	\$ 155,390	\$ 9,758
2014A Sewer Lining Repairs:							
Amount of issue - \$1,649,117	2.00% -	\$68,381 -					
Maturing through 2034	3.125%	\$108,270	1,244,530	-	(72,940)	1,171,590	75,219
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	1,542,800	-	(118,630)	1,424,170	118,022
Unamortized premium on refunding			136,365	-	(11,364)	125,001	-
2017A MID Drainage District:							
Amount of issue - \$19,085,935	3.00% -	\$426,989 -					
Maturing through 2042	5.00%	\$1,261,919	17,384,328	-	(495,244)	16,889,084	519,055
Unamortized premium on refunding			2,755,147	-	(131,197)	2,623,950	-
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248	3.00% -	\$687,570 -					
Maturing through 2035	5.00%	\$1,492,530	15,579,329	-	(796,575)	14,782,754	837,103
Unamortized premium on refunding			2,633,422	-	(188,101)	2,445,321	-
2019 OMID Drainage District Refunding:							
Amount of issue - \$743,703		\$45,348 -					
Maturing through 2030	1.85%	\$82,451	639,816	-	(60,188)	579,628	62,663
2019 OMID Drainage District Bonds:							
Amount of issue - \$2,502,606		\$230,787 -					
Maturing through 2025	1.55%	\$1,060,182	1,442,427	-	(495,231)	947,196	230,789
2020 MID Drainage District Refunding (Clintondale Pump Station):							
Amount of issue - \$4,942,287		\$336,210 -					
Maturing through 2031	5.00%	\$600,375	4,606,081	-	(360,225)	4,245,856	369,832
Unamortized premium on refunding			1,055,425	-	(105,542)	949,883	-
2020A Oakland-Macomb Interceptor Drainage District LTGO:							
Amount of issue - \$15,432,144	2.00% -	\$262,979 -					
Maturing through 2040	5.00%	\$1,082,934	15,169,165	-	(376,261)	14,792,904	393,795
Unamortized premium on refunding			814,011	-	(40,701)	773,310	-
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	-	(615,000)	14,385,000	630,000
Unamortized premium on refunding			371,660	-	(18,583)	353,077	-
2022 Capital Improvement Bonds:							
Amount of issue - \$12,270,000	3.75% -	\$400,000 -					
Maturing through 2042	5.00%	\$875,000	-	12,270,000	-	12,270,000	445,000
Unamortized premium on refunding			-	630,280	-	630,280	-
Total county drain contract obligations			80,539,356	12,900,280	(3,895,242)	89,544,394	3,691,236
Total direct borrowings and direct placements principal outstanding			99,025,052	12,900,280	(5,060,712)	106,864,620	5,257,349
Compensated absences			253,037	105,324	(107,703)	250,658	74,164
Total business-type activities long-term debt			\$ 99,278,089	\$ 13,005,604	\$ (5,168,415)	\$ 107,115,278	\$ 5,331,513

The City reported deferred outflows of \$228,837 related to deferred charges on bond refundings and deferred inflows of \$774,555 related to deferred gains on bond refundings at June 30, 2022.

June 30, 2022

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 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		
2023	\$ 575,000	\$ 11,500	\$ 6,889,000	\$ 4,151,442	\$ 11,626,942	\$ 5,257,349	\$ 3,475,420	\$ 8,732,769	
2024	-	-	7,045,000	3,968,021	11,013,021	5,379,454	3,356,123	8,735,577	
2025	-	-	7,305,000	3,679,532	10,984,532	5,197,926	3,163,188	8,361,114	
2026	-	-	7,586,000	3,379,043	10,965,043	5,601,799	2,969,415	8,571,214	
2027	-	-	7,690,000	3,066,315	10,756,315	5,551,716	2,757,824	8,309,540	
2028-2032	-	-	41,470,000	10,872,963	52,342,963	30,242,726	10,333,193	40,575,919	
2033-2037	-	-	39,355,000	4,350,274	43,705,274	25,254,484	4,912,980	30,167,464	
2038-2042	-	-	4,350,000	183,050	4,533,050	16,478,344	1,669,205	18,147,549	
Total	\$ 575,000	\$ 11,500	\$ 121,690,000	\$ 33,650,640	\$ 155,927,140	\$ 98,963,798	\$ 32,637,348	\$ 131,601,146	

The Oakland-Macomb Interceptor Drainage District is a construction and rehabilitation project that began in 2010 and is projected to continue through 2022. 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, 2022

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, 2022 is \$639,983.

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, 2022 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 \$342,422, as funds due to other governmental units.

Bond Issuance

During 2022, the City issued \$16,850,000 in Michigan Transportation Bonds. The proceeds of these bonds were received to fund the construction and reconstruction of roads throughout the City.

During 2022, the City issued \$12,270,000 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 \$760,704 will be paid for all claims reported to date and \$366,899 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.

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, 2022. At January 1, 1990, the City became self-insured for short-term disability.

June 30, 2022

Note 10 - Risk Management (Continued)

It is estimated, based on past experience, that \$8,566 will be paid for all claims reported to date and \$761,439 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, 2022. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2022, it was estimated, based on past experience, that \$131,195 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Estimated liability - Beginning of year	\$ 461,286	\$ 871,712	\$ 44,637	\$ 101,340	\$ 779,632	\$ 647,202	\$ 567,505	\$ 566,256
Estimated claims incurred, including changes in estimates	1,680,310	390,562	365,103	202,381	5,579,249	5,610,831	8,781,156	8,462,995
Claim payments	(1,013,993)	(800,988)	(278,545)	(259,084)	(5,588,876)	(5,478,401)	(8,717,697)	(8,461,746)
Estimated liability - End of year	<u>\$ 1,127,603</u>	<u>\$ 461,286</u>	<u>\$ 131,195</u>	<u>\$ 44,637</u>	<u>\$ 770,005</u>	<u>\$ 779,632</u>	<u>\$ 630,964</u>	<u>\$ 567,505</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.

Management of 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 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.

June 30, 2022

Note 11 - Pension Plans (Continued)

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.

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.

June 30, 2022

Note 11 - Pension Plans (Continued)

Employees Covered by Benefit Terms

At the June 30, 2022 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	361	405
Inactive plan members entitled to but not yet receiving benefits	18	32
Active plan members	64	239
Total employees covered by the plan	443	676

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, 2022, the average active member contribution was approximately 8.4 percent of covered payroll for GERS and 9.4 percent for PFRS. The City's average contribution rate was 82.5 and 57.4 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, 2022	June 30, 2022
Based on a comprehensive actuarial valuation as of	June 30, 2022	June 30, 2022

June 30, 2022

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, 2021	\$ 146,105,246	\$ 125,747,503	\$ 20,357,743
Changes for the year:			
Service cost	857,788	-	857,788
Interest	10,192,021	-	10,192,021
Differences between expected and actual experience	1,750,581	-	1,750,581
Changes in assumptions	4,717,863	-	4,717,863
Contributions - Employer	-	4,533,280	(4,533,280)
Contributions - Employee	-	460,224	(460,224)
Net investment income	-	(17,574,042)	17,574,042
Benefit payments, including refunds	(11,909,081)	(11,909,081)	-
Net changes	5,609,172	(24,489,619)	30,098,791
Balance at June 30, 2022	<u>\$ 151,714,418</u>	<u>\$ 101,257,884</u>	<u>\$ 50,456,534</u>

The plan's fiduciary net position represents 66.7 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, 2021	\$ 372,059,121	\$ 267,892,453	\$ 104,166,668
Changes for the year:			
Service cost	5,249,370	-	5,249,370
Interest	26,322,454	-	26,322,454
Differences between expected and actual experience	(1,240,342)	-	(1,240,342)
Contributions - Employer	-	13,738,932	(13,738,932)
Contributions - Employee	-	2,244,516	(2,244,516)
Net investment income	-	(40,828,197)	40,828,197
Benefit payments, including refunds	(23,230,948)	(23,230,948)	-
Administrative expenses	-	(106,405)	106,405
Net changes	7,100,534	(48,182,102)	55,282,636
Balance at June 30, 2022	<u>\$ 379,159,655</u>	<u>\$ 219,710,351</u>	<u>\$ 159,449,304</u>

The plan's fiduciary net position represents 57.9 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, 2022, the City recognized pension expense of \$10,838,552 related to GERS and \$20,395,458 related to PFRS.

June 30, 2022

Note 11 - Pension Plans (Continued)

At June 30, 2022, 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	\$ 92,049	\$ -
Changes in assumptions	248,073	-
Net difference between projected and actual earnings on pension plan investments	10,542,052	-
Total	<u>\$ 10,882,174</u>	<u>\$ -</u>

	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,665,392	\$ (1,593,245)
Changes in assumptions	1,809,379	(383,718)
Net difference between projected and actual earnings on pension plan investments	17,504,251	-
Total	<u>\$ 20,979,022</u>	<u>\$ (1,976,963)</u>

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

Years Ending June 30	GERS	PFRS	Total
2023	\$ 2,816,188	\$ 3,905,896	\$ 6,722,084
2024	2,037,816	2,382,783	4,420,599
2025	740,160	822,412	1,562,572
2026	5,288,010	11,890,968	17,178,978
Total	<u>\$ 10,882,174</u>	<u>\$ 19,002,059</u>	<u>\$ 29,884,233</u>

Actuarial Assumptions

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

	General Employees' Retirement System	Police and Fire Retirement System
Inflation	2.50%	2.25%
Salary increases (including inflation)	3.00 to 10.75%	3.00 to 20.10%
Investment rate of return (net of investment expenses)	7.15%	7.25%
Mortality rates	Pub-2010 Tables with MP-2021	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, 2022

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.

	<u>General Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>
Assumed investment rate of return	7.15%	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	7.15%	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 7.15 and 7.25 percent, respectively, 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:

	<u>1 Percentage Point Decrease</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Increase</u>
Net pension liability of the General Employees' Retirement System (current discount rate - 7.15%)	\$ 65,839,244	\$ 50,456,534	\$ 37,380,887
Net pension liability of the Police and Fire Retirement System (current discount rate - 7.25%)	199,493,891	159,449,304	126,078,515

Assumption Changes

With respect to GERS, both the discount rate and investment rate of return decreased from 7.25 to 7.15 percent for the year ended June 30, 2022. The valuation also changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2021).

With respect to PFRS, there were no significant assumption changes for the year ended June 30, 2022.

Benefit Changes

With respect to GERS and PFRS, there were no significant benefit changes for the year ended June 30, 2022.

June 30, 2022

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, 2022 and best estimates of arithmetic real rates of return as of the June 30, 2022 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	7.70 %	5.29 %	8.40 %	5.29 %
Large-capitalization value equities	7.70	5.69	8.40	5.69
Large-capitalization core equities	7.60	5.49	8.20	5.49
Small-/Middle-capitalization equities	10.50	6.17	8.00	6.17
International equities	20.00	5.12	19.00	5.12
Emerging markets	7.50	7.21	9.00	7.21
Fixed income	3.00	0.79	15.00	0.79
Alternative investments	16.00	3.52	17.00	3.52
Real estate	20.00	4.17	7.00	4.17

Annual Money-weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (14.34) and (15.29) 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, 2022

Note 11 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2022 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 122,431,316	\$ 94,703,681
Employee reserve	6,554,203	6,554,203
PFRS		
Retiree reserve	263,531,243	196,846,785
Employee reserve	22,863,566	22,863,566

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, 2022, the plan has \$26,105,000 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, 2022

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, 2022, the City's contribution was \$9,299,990. 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, 2022 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, 2022 measurement date. The June 30, 2022 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, 2021	\$ 211,524,073	\$ 165,342,378	\$ 46,181,695
Changes for the year:			
Service cost	1,556,117	-	1,556,117
Interest	14,907,440	-	14,907,440
Differences between expected and actual experience	(2,936,786)	-	(2,936,786)
Changes in assumptions	2,921,151	-	2,921,151
Contributions - Employer	-	9,299,990	(9,299,990)
Contributions - Employee	-	279,572	(279,572)
Net investment income	-	(25,160,896)	25,160,896
Benefit payments, including refunds	(10,343,761)	(10,343,761)	-
Other	-	(110,844)	110,844
Net changes	6,104,161	(26,035,939)	32,140,100
Balance at June 30, 2022	<u>\$ 217,628,234</u>	<u>\$ 139,306,439</u>	<u>\$ 78,321,795</u>

The Plan's fiduciary net position represents 64.01 percent of the total OPEB liability.

June 30, 2022

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, 2022, the City recognized OPEB expense of \$3,822,114.

At June 30, 2022, 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	\$ -	\$ (19,339,213)
Changes in assumptions	11,115,451	-
Net difference between projected and actual earnings on OPEB plan investments	13,988,706	-
Total	<u>\$ 25,104,157</u>	<u>\$ (19,339,213)</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
2023	\$ (129,287)
2024	(717,754)
2025	(810,380)
2026	7,422,365
Total	<u>\$ 5,764,944</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 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 7.25 percent for 2022, decreasing 0.25 to 0.50 percent per year to an ultimate rate of 3.50 percent for 2032 and later years; and the Pub-2010 mortality tables with the MP-2021 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, 2022 valuation were based on the results of an actuarial experience study for the five-year period ended April 30, 2022 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, 2022

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	\$ 102,956,615	\$ 78,321,795	\$ 56,931,943

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

	1 Percentage Point Decrease (6.25% to 2.50%)	Current Health Care Cost Trend Rate (7.25% to 3.50%)	1 Percentage Point Increase (8.25% to 4.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 53,793,788	\$ 78,321,795	\$ 106,706,546

Assumption Changes

Changes in assumptions in 2022 reflect the effects of changes in the health care cost trend rates and mortality assumptions used. Health care cost trend rates were adjusted from an initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 7.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent. For general 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-2021). Mortality assumptions remained the same for police and fire 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.

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

June 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

The OPEB board's adopted asset allocation policies as of June 30, 2022 and best estimates of arithmetic real rates of return as of the June 30, 2022 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	23.00 %	5.24 %
Small-/Middle-capitalization equities	10.50	6.37
International equities	20.00	6.07
Emerging markets	7.50	8.02
Real estate	7.00	4.75
Fixed income	20.00	1.32
Hedge funds	3.00	3.31
Infrastructure	5.00	5.59
Private equity	4.00	9.81

Annual Money-weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (15.24) 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	\$ 60,273

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	Nonmajor governmental funds	\$ 12,994,780
Nonmajor governmental funds	Nonmajor governmental funds	4,017,904
	Total	<u>\$ 17,012,684</u>

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

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 transfers between the nonmajor governmental funds represent 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 \$448,777 during the current year, and employees contributed \$614,022.

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, 2022, the City abated \$855,404 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 water and sewer fund with management's designation:

	Enterprise Fund - Water and Sewer
Capital improvement	\$ 2,540,000
Undesignated	3,505,931
Total unrestricted net position	<u>\$ 6,045,931</u>

June 30, 2022

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	\$ 4,005,851	\$ 5,234,719	\$ 4,697,470	\$ 13,938,040
Investments:				
Government securities	8,253,550	16,345,124	10,353,864	34,952,538
Mutual funds	12,293,927	32,312,655	14,253,222	58,859,804
Common and preferred stocks	68,428,441	140,838,036	99,988,143	309,254,620
Corporate bonds	6,203,296	10,368,002	7,838,642	24,409,940
Private real estate	-	10,164,047	-	10,164,047
Hedge funds	2,178,087	4,737,340	2,885,966	9,801,393
Receivables - Other	11,690	-	495,122	506,812
Total assets	101,374,842	219,999,923	140,512,429	461,887,194
Liabilities:				
Accounts payable	(116,958)	(289,572)	(530,113)	(936,643)
Accrued and other liabilities	-	-	(44,913)	(44,913)
Provision for claims	-	-	(630,964)	(630,964)
Total liabilities	(116,958)	(289,572)	(1,205,990)	(1,612,520)
Net position - Restricted for pension and OPEB	\$ 101,257,884	\$ 219,710,351	\$ 139,306,439	\$ 460,274,674
Statement of Changes in Net Position				
Additions:				
Investment income (expense):				
Interest and dividends	\$ 3,591,643	\$ 6,885,205	\$ 4,161,105	\$ 14,637,953
Net decrease in fair value of investments	(20,473,374)	(46,028,705)	(28,382,999)	(94,885,078)
Investment-related expenses	(692,311)	(1,791,096)	(939,002)	(3,422,409)
Contributions:				
Employer contributions	4,533,280	13,738,932	9,299,990	27,572,202
Employee contributions	460,224	2,224,782	279,572	2,964,578
Purchase of prior year's service credits	-	19,734	-	19,734
Deductions:				
Benefit payments	(11,443,237)	(22,191,888)	(10,454,605)	(44,089,730)
Refunds of contributions	(465,844)	(1,039,060)	-	(1,504,904)
Net increase in net position	(24,489,619)	(48,182,096)	(26,035,939)	(98,707,654)
Net position - Restricted for pension and OPEB - Beginning of year	125,747,503	267,892,447	165,342,378	558,982,328
Net position - Restricted for pension and OPEB - End of year	\$ 101,257,884	\$ 219,710,351	\$ 139,306,439	\$ 460,274,674

Note 19 - Leases

The City leases certain assets to various third parties. The assets leased include land for the use of cell towers. Payments are generally adjusted annually for periodic escalation clauses.

June 30, 2022

Note 19 - Leases (Continued)

During the year ended June 30, 2022, the City recognized the following related to its lessor agreements:

Lease revenue	\$	275,336
Interest income related to its leases		62,804

Required Supplemental Information

City of Sterling Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 70,647,110	\$ 69,879,490	\$ 69,831,358	\$ (48,132)
Intergovernmental:				
Federal sources	880,000	895,000	557,339	(337,661)
State sources	17,466,700	23,373,010	23,978,925	605,915
Charges for services	14,008,150	13,687,530	13,648,102	(39,428)
Fines and forfeitures - District court fines and fees	1,314,900	1,545,340	1,678,277	132,937
Licenses and permits	4,776,600	4,604,400	4,686,690	82,290
Investment income (loss)	2,023,860	2,125,120	(401,505)	(2,526,625)
Other revenue	1,010,000	1,167,820	1,176,265	8,445
Total revenue	112,127,320	117,277,710	115,155,451	(2,122,259)
Expenditures				
Current services:				
General government:				
City administration	12,223,980	12,174,220	11,719,908	454,312
Community relations	1,555,220	1,630,510	1,553,444	77,066
41A District Court	3,907,660	3,725,080	3,736,014	(10,934)
Public safety:				
Police	39,391,090	38,499,610	37,821,326	678,284
Fire	23,568,070	24,123,350	24,048,380	74,970
Public works:				
Public works	6,738,500	6,847,740	6,650,534	197,206
Refuse collection	4,765,210	4,769,190	4,618,494	150,696
City development	5,621,960	5,523,850	5,254,397	269,453
General expenditures	2,603,450	3,429,690	3,407,230	22,460
Recreation and culture - Public library	3,030,340	2,869,790	2,803,041	66,749
Total expenditures	103,405,480	103,593,030	101,612,768	1,980,262
Excess of Revenue Over Expenditures	8,721,840	13,684,680	13,542,683	(141,997)
Other Financing (Uses) Sources				
Transfers out	(10,909,780)	(12,994,780)	(12,994,780)	-
Sale of capital assets	40,000	68,540	77,230	8,690
Total other financing uses	(10,869,780)	(12,926,240)	(12,917,550)	8,690
Net Change in Fund Balance	(2,147,940)	758,440	625,133	(133,307)
Fund Balance - Beginning of year	32,249,173	32,249,173	32,249,173	-
Fund Balance - End of year	<u>\$ 30,101,233</u>	<u>\$ 33,007,613</u>	<u>\$ 32,874,306</u>	<u>\$ (133,307)</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ -	\$ 2,643,790	\$ 2,354,133	\$ (289,657)
Expenditures	-	2,636,790	2,325,495	311,295
Net Change in Fund Balance	-	7,000	28,638	21,638
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 28,638</u>	<u>\$ 21,638</u>

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

	Last Nine Fiscal Years								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 857,788	\$ 848,617	\$ 926,654	\$ 923,068	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741	\$ 1,149,820
Interest	10,192,021	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	1,750,581	(286,885)	867,442	722,498	782,654	(790,128)	(220,359)	1,896,980	-
Changes in assumptions	4,717,863	3,292,370	-	-	-	6,023,738	3,043,452	-	-
Benefit payments, including refunds	(11,909,081)	(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	5,609,172	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	146,105,246	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	\$ 151,714,418	\$ 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	\$ 4,533,280	\$ 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	460,224	490,970	505,668	529,015	555,471	583,975	619,418	712,397	711,608
Net investment (loss) income	(17,574,042)	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	(11,909,081)	(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	(24,489,619)	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	125,747,503	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	\$ 101,257,884	\$ 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	\$ 50,456,534	\$ 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	66.74 %	86.07 %	71.57 %	76.01 %	77.30 %	77.65 %	78.12 %	86.14 %	90.36 %
Covered Payroll	\$ 5,492,708	\$ 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	918.61 %	352.95 %	681.27 %	538.92 %	522.04 %	427.68 %	398.96 %	207.41 %	137.58 %

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

Last Nine Fiscal Years

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

In 2022, both the discount rate and investment rate of return decreased from 7.25 percent to 7.15 percent. The valuation also changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2021).

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

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

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

City of Sterling Heights, Michigan

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

	Last Ten Fiscal Years Years Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 4,516,276	\$ 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
Contributions in relation to the actuarially determined contribution	4,533,280	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
Contribution Excess	\$ 17,004	\$ -	\$ 9,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,492,708	\$ 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
Contributions as a Percentage of Covered Payroll	82.53 %	69.86 %	63.03 %	56.61 %	52.64 %	35.70 %	36.96 %	29.32 %	29.77 %	14.47 %

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 percent of payroll, closed
Remaining amortization period	12 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 Nine Fiscal Years Years Ended June 30								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	(14.34)%	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 Eight Fiscal Years							
	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 5,249,370	\$ 4,849,101	\$ 4,765,180	\$ 4,116,668	\$ 3,380,879	\$ 3,118,370	\$ 4,566,392	\$ 3,745,877
Interest	26,322,454	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	(1,240,342)	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	(23,230,948)	(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	7,100,534	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	372,059,121	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	\$ 379,159,655	\$ 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	\$ 13,738,932	\$ 11,969,319	\$ 9,830,873	\$ 10,103,803	\$ 8,297,370	\$ 7,994,747	\$ 7,986,312	\$ 7,953,970
Contributions - Member	2,244,516	1,949,272	1,993,395	1,857,374	2,038,119	1,660,858	1,538,401	1,297,931
Net investment (loss) income	(40,828,197)	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	(23,230,948)	(23,616,915)	(22,746,754)	(23,083,898)	(24,296,503)	(22,414,879)	(19,003,316)	(18,772,663)
Administrative expenses	(106,405)	(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	(48,182,102)	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	267,892,453	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	\$ 219,710,351	\$ 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	\$ 159,449,304	\$ 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	57.95 %	72.00 %	57.30 %	58.54 %	62.90 %	65.22 %	63.77 %	58.02 %
Covered Payroll	\$ 23,945,932	\$ 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	665.87 %	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 Eight 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 13,738,932	\$ 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
Contributions in relation to the actuarially determined contribution	13,738,932	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
Contribution Excess	\$ -	\$ 231	\$ 17,483	\$ 1,012,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 23,945,932	\$ 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
Contributions as a Percentage of Covered Payroll	57.37 %	51.17 %	43.55 %	44.20 %	38.50 %	48.19 %	51.93 %	55.62 %	55.18 %	45.88 %

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	20 years
Asset valuation method	5-year smoothed market
Inflation	2.25 percent
Salary increase	3.00 to 20.10 percent including inflation
Investment rate of return	7.25 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 amount-weighted general tables projected using the fully generational MP-2019 projection scale with a base year of 2010

City of Sterling Heights, Michigan

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

	Last Nine Fiscal Years Years Ended June 30								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	(15.29)%	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.

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

	Last Six Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 1,556,117	\$ 1,618,774	\$ 1,678,922	\$ 1,719,869	\$ 1,882,705	\$ 2,001,128
Interest	14,907,440	16,148,111	15,511,460	14,979,531	14,695,533	14,177,069
Differences between expected and actual experience	(2,936,786)	(27,706,806)	(1,942,968)	(5,425,052)	(3,926,583)	(380,735)
Changes in assumptions	2,921,151	11,868,794	3,381,580	5,723,906	5,411,956	5,411,956
Benefit payments, including refunds	(10,343,761)	(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	6,104,161	(8,689,858)	9,495,213	7,174,092	9,851,388	12,761,521
Total OPEB Liability - Beginning of year	211,524,073	220,213,932	210,718,719	203,544,627	199,105,195	186,343,674
Total OPEB Liability - End of year	\$ 217,628,234	\$ 211,524,074	\$ 220,213,932	\$ 210,718,719	\$ 208,956,583	\$ 199,105,195
Plan Fiduciary Net Position						
Contributions - Employer	\$ 9,299,990	\$ 10,500,000	\$ 11,500,000	\$ 11,452,950	\$ 11,452,950	\$ 11,452,950
Contributions - Members	279,572	85,276	65,649	200,196	174,683	12,822
Net investment (loss) income	(25,160,896)	41,525,017	1,088,614	6,082,507	7,950,032	11,360,581
Benefit payments, including refunds	(10,343,761)	(9,805,884)	(9,602,980)	(9,824,162)	(8,752,335)	(8,447,897)
Other	(110,844)	-	-	-	-	10,572
Net Change in Plan Fiduciary Net Position	(26,035,939)	42,304,409	3,051,283	7,911,491	10,825,330	14,389,028
Plan Fiduciary Net Position - Beginning of year	165,342,378	123,037,970	119,986,687	112,075,196	101,249,866	86,860,838
Plan Fiduciary Net Position - End of year	\$ 139,306,439	\$ 165,342,379	\$ 123,037,970	\$ 119,986,687	\$ 112,075,196	\$ 101,249,866
Net OPEB Liability - Ending	\$ 78,321,795	\$ 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	64.01 %	78.17 %	55.87 %	56.94 %	53.64 %	50.85 %
Covered Payroll	\$ 25,216,929	\$ 26,600,457	\$ 24,904,864	\$ 27,050,738	\$ 27,014,605	\$ 28,386,397
Net OPEB Liability as a Percentage of Covered Payroll	310.59 %	173.61 %	390.19 %	335.41 %	358.63 %	344.73 %

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

Last Six Fiscal Years

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

Changes in assumptions in 2022 reflect the effects of changes in the health care cost trend rates and mortality assumptions used. Health care cost trend rates were adjusted from an initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 7.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent. For general 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-2021). Mortality assumptions remained the same for police and fire members.

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).

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 8,269,618	\$ 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
Contributions in relation to the actuarially determined contribution	9,299,990	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
Contribution Excess	\$ 1,030,372	\$ 31,871	\$ 948,408	\$ 899,011	\$ 815,848	\$ -	\$ 1,012,195	\$ -	\$ -	\$ -
Covered Payroll	\$ 25,216,929	\$ 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
Contributions as a Percentage of Covered Payroll	36.88 %	39.47 %	46.18 %	42.34 %	42.40 %	40.35 %	35.38 %	34.68 %	29.83 %	29.31 %

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	22 years
Asset valuation method	5-year smoothed market
Inflation	No explicit price inflation assumption used
Health care cost trend rates	Non-Medicare: 7.50% gradually decreasing to an ultimate trend rate of 3.50%; Medicare: 6.25% gradually decreasing to an ultimate trend rate of 3.50%
Salary increase	3.00 to 20.10 percent, including inflation
Investment rate of return	7.25 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.

City of Sterling Heights, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns*

	Last Six Fiscal Years Years Ended June 30					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	(15.24)%	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, 2022

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 Road Bond Construction

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income (loss)	\$ 30,000	\$ 30,000	\$ (154,741)	\$ (184,741)
Expenditures				
Current services	-	406,330	405,838	492
Capital outlay	13,500,000	14,637,930	10,023,340	4,614,590
Total expenditures	13,500,000	15,044,260	10,429,178	4,615,082
Excess of Expenditures Over Revenue	(13,470,000)	(15,014,260)	(10,583,919)	4,430,341
Other Financing Sources				
New debt issued	-	16,850,000	16,850,000	-
Debt premium or discount	-	1,036,160	1,036,153	(7)
Total other financing sources	-	17,886,160	17,886,153	(7)
Net Change in Fund Balance	(13,470,000)	2,871,900	7,302,234	4,430,334
Fund Balance - Beginning of year	18,549,297	18,549,297	18,549,297	-
Fund Balance - End of year	<u>\$ 5,079,297</u>	<u>\$ 21,421,197</u>	<u>\$ 25,851,531</u>	<u>\$ 4,430,334</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

General Improvements

The General Improvements Fund 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.

Clinton River Restoration

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

City of Sterling Heights, Michigan

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

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.

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	\$ -	\$ 412,612	\$ 1,164,123	\$ 1,382,260	\$ 304,158	\$ 1,384,450	\$ 4,647,603
Investments	-	4,715,490	-	-	-	-	4,715,490
Receivables:							
Special assessments receivable	-	-	38,003	-	-	-	38,003
Accrued interest receivable	-	7,434	1,622	-	-	-	9,056
Other receivables	-	-	-	-	-	-	-
Due from other governmental units	142,741	1,752,539	616,796	-	-	49,228	2,561,304
Inventory	-	-	-	12,722	-	-	12,722
Prepays and other assets	-	4,367,118	-	-	-	-	4,367,118
Restricted assets	-	-	-	-	-	-	-
Rehabilitation loans	1,314,618	-	-	-	-	-	1,314,618
Total assets	\$ 1,457,359	\$ 11,255,193	\$ 1,820,544	\$ 1,394,982	\$ 304,158	\$ 1,433,678	\$ 17,665,914
Liabilities							
Accounts payable	\$ 78,565	\$ 478,891	\$ 937,387	\$ 43,360	\$ 35,937	\$ 382,712	\$ 1,956,852
Due to other funds	60,273	-	-	-	-	-	60,273
Accrued and other liabilities	3,903	12,040	118,912	-	-	160,248	295,103
Unearned revenue - Unearned miscellaneous revenue	1,314,618	-	-	-	167,529	1,300	1,483,447
Total liabilities	1,457,359	490,931	1,056,299	43,360	203,466	544,260	3,795,675
Deferred Inflows of Resources - Unavailable revenue	-	-	137,928	-	-	58,368	196,296
Total liabilities and deferred inflows of resources	1,457,359	490,931	1,194,227	43,360	203,466	602,628	3,991,971
Fund Balances							
Nonspendable	-	4,367,118	-	12,722	-	-	4,379,840
Restricted:							
Roads	-	6,397,144	626,317	-	-	-	7,023,461
Public safety	-	-	-	1,338,900	-	-	1,338,900
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Community service	-	-	-	-	100,692	-	100,692
Committed - Park acquisitions and improvements	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	831,050	831,050
Total fund balances	-	10,764,262	626,317	1,351,622	100,692	831,050	13,673,943
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,457,359	\$ 11,255,193	\$ 1,820,544	\$ 1,394,982	\$ 304,158	\$ 1,433,678	\$ 17,665,914

Other Financial and Supplemental Information

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

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	General Improvements	Clinton River Restoration	Land and Water Conservation	Facilities Improvement	Total Capital Project Funds	Total	
\$ 454,439	\$ 2,162	\$ 8,654	\$ 302	\$ 465,557	\$ 1,557,880	\$ 17,234	\$ 48,884	\$ 368,692	\$ 1,992,690	\$ 7,105,850	
-	-	-	-	-	4,944,926	-	-	-	4,944,926	9,660,416	
688,083	-	-	-	688,083	38,605	-	-	-	38,605	764,691	
36,169	-	-	-	36,169	37,203	-	-	94,500	131,703	176,928	
-	157	-	-	157	792	-	-	-	792	949	
-	-	-	-	-	-	-	-	29,331	29,331	2,590,635	
-	-	-	-	-	-	-	-	-	-	12,722	
-	-	-	-	-	-	-	-	-	-	4,367,118	
-	-	-	-	-	3,404,649	-	-	-	3,404,649	3,404,649	
-	-	-	-	-	-	-	-	-	-	1,314,618	
\$ 1,178,691	\$ 2,319	\$ 8,654	\$ 302	\$ 1,189,966	\$ 9,984,055	\$ 17,234	\$ 48,884	\$ 492,523	\$10,542,696	\$ 29,398,576	
\$ -	\$ -	\$ 871	\$ -	\$ 871	\$ 492,091	\$ -	\$ 3,921	\$ 35,309	\$ 531,321	\$ 2,489,044	
-	-	-	-	-	-	-	-	-	-	60,273	
-	-	1,144	-	1,144	1,123,006	-	13,680	52,257	1,188,943	1,485,190	
-	-	-	-	-	1,739,463	-	-	-	1,739,463	3,222,910	
-	-	2,015	-	2,015	3,354,560	-	17,601	87,566	3,459,727	7,257,417	
587,519	-	-	-	587,519	27,254	-	-	29,331	56,585	840,400	
587,519	-	2,015	-	589,534	3,381,814	-	17,601	116,897	3,516,312	8,097,817	
-	-	-	-	-	-	-	-	-	-	4,379,840	
-	-	-	-	-	-	-	-	-	-	7,023,461	
-	-	-	-	-	-	-	-	-	-	1,338,900	
591,172	2,319	6,639	-	600,130	-	-	-	-	-	600,130	
-	-	-	-	-	1,756,975	-	-	-	1,756,975	1,756,975	
-	-	-	-	-	-	-	-	-	-	100,692	
-	-	-	-	-	-	-	31,283	-	31,283	31,283	
-	-	-	302	302	4,845,266	17,234	-	375,626	5,238,126	6,069,478	
591,172	2,319	6,639	302	600,432	6,602,241	17,234	31,283	375,626	7,026,384	21,300,759	
\$ 1,178,691	\$ 2,319	\$ 8,654	\$ 302	\$ 1,189,966	\$ 9,984,055	\$ 17,234	\$ 48,884	\$ 492,523	\$10,542,696	\$ 29,398,576	

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	\$ -	\$ -	\$ 3,631,076	\$ -	\$ -	\$ 4,396,909	\$ 8,027,985
Special assessments	-	-	2,586	-	-	-	2,586
Intergovernmental:							
Federal sources	1,032,075	15,397	-	493,588	-	28,252	1,569,312
State sources	-	11,057,119	4,370,262	551,313	223,087	498,928	16,700,709
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	921,377	921,377
Investment (loss) income	-	(229,993)	40	2,023	-	1,333	(226,597)
Other revenue	-	278,611	66,777	36,228	-	100,190	481,806
Total revenue	1,032,075	11,121,134	8,070,741	1,083,152	223,087	5,946,989	27,477,178
Expenditures							
Current services:							
41A District Court	-	-	-	-	223,088	-	223,088
Public safety	-	-	-	174,815	-	-	174,815
Public works	429,291	2,633,817	2,284,103	-	-	-	5,347,211
General expenditures	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	5,205,497	5,205,497
Capital outlay	602,784	2,622,254	6,661,896	448,461	-	196,634	10,532,029
Debt service	-	-	-	-	-	3,002,088	3,002,088
Total expenditures	1,032,075	5,256,071	8,945,999	623,276	223,088	8,404,219	24,484,728
Excess of Revenue Over (Under) Expenditures	-	5,865,063	(875,258)	459,876	(1)	(2,457,230)	2,992,450
Other Financing Sources (Uses)							
Transfers in	-	1,750,000	-	-	-	2,525,970	4,275,970
Transfers out	-	(4,017,904)	-	-	-	-	(4,017,904)
Total other financing (uses) sources	-	(2,267,904)	-	-	-	2,525,970	258,066
Net Change in Fund Balances	-	3,597,159	(875,258)	459,876	(1)	68,740	3,250,516
Fund Balances - Beginning of year	-	7,167,103	1,501,575	891,746	100,693	762,310	10,423,427
Fund Balances - End of year	\$ -	\$ 10,764,262	\$ 626,317	\$ 1,351,622	\$ 100,692	\$ 831,050	\$ 13,673,943

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

Year Ended June 30, 2022

Debt Service Funds					Capital Project Funds					Total
Road Bond Debt Retirement	General Drain Debt	Voted Tax GO Debt	Limited Tax GO Debt	Total Debt Service Funds	General Improvements	Clinton River Restoration	Land and Water Conservation	Facilities Improvement Fund	Total Capital Project Funds	
\$ - 120,770	\$ 772 -	\$ 546,798 -	\$ - -	\$ 547,570 120,770	\$ - 28,432	\$ - -	\$ - -	\$ - -	\$ - 28,432	\$ 8,575,555 151,788
-	-	-	-	-	-	-	-	-	-	1,569,312
-	-	33,751	-	33,751	-	-	-	-	-	16,734,460
-	-	-	-	-	51,413	-	-	-	51,413	51,413
-	-	-	-	-	-	-	-	-	-	921,377
158	-	137	-	295	(83,206)	-	-	604	(82,602)	(308,904)
36,169	-	-	-	36,169	119,914	-	-	57,557	177,471	695,446
157,097	772	580,686	-	738,555	116,553	-	-	58,161	174,714	28,390,447
-	-	-	-	-	-	-	-	-	-	223,088
-	-	-	-	-	-	-	-	-	-	174,815
-	-	-	-	-	-	-	-	-	-	5,347,211
2,848	-	499	1,001	4,348	-	-	-	-	-	4,348
-	-	-	-	-	-	622	-	-	622	5,206,119
-	-	-	-	-	7,653,124	-	-	867,062	8,520,186	19,052,215
4,017,729	-	586,670	2,957,356	7,561,755	-	-	-	-	-	10,563,843
4,020,577	-	587,169	2,958,357	7,566,103	7,653,124	622	-	867,062	8,520,808	40,571,639
(3,863,480)	772	(6,483)	(2,958,357)	(6,827,548)	(7,536,571)	(622)	-	(808,901)	(8,346,094)	(12,181,192)
4,017,904	-	10,000	2,958,360	6,986,264	5,510,450	-	-	240,000	5,750,450	17,012,684
-	-	-	-	-	-	-	-	-	-	(4,017,904)
4,017,904	-	10,000	2,958,360	6,986,264	5,510,450	-	-	240,000	5,750,450	12,994,780
154,424	772	3,517	3	158,716	(2,026,121)	(622)	-	(568,901)	(2,595,644)	813,588
436,748	1,547	3,122	299	441,716	8,628,362	17,856	31,283	944,527	9,622,028	20,487,171
<u>\$ 591,172</u>	<u>\$ 2,319</u>	<u>\$ 6,639</u>	<u>\$ 302</u>	<u>\$ 600,432</u>	<u>\$ 6,602,241</u>	<u>\$ 17,234</u>	<u>\$ 31,283</u>	<u>\$ 375,626</u>	<u>\$ 7,026,384</u>	<u>\$ 21,300,759</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 1,737,090	\$ 1,725,090	\$ 1,032,075	\$ (693,015)
Expenditures - Community development	1,737,090	1,725,090	1,032,075	693,015
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 10,448,990	\$ 11,013,200	\$ 11,072,516	\$ 59,316
Investment income (loss)	5,000	1,000	(229,993)	(230,993)
Other revenue	308,000	348,000	278,611	(69,389)
Total revenue	10,761,990	11,362,200	11,121,134	(241,066)
Expenditures				
Current services - Public works	2,641,040	3,027,550	2,633,817	393,733
Capital outlay	3,300,000	6,997,840	2,622,254	4,375,586
Total expenditures	5,941,040	10,025,390	5,256,071	4,769,319
Excess of Revenue Over Expenditures	4,820,950	1,336,810	5,865,063	4,528,253
Other Financing Sources (Uses)				
Transfers in	250,000	1,750,000	1,750,000	-
Transfers out	(3,961,300)	(4,017,900)	(4,017,904)	(4)
Total other financing uses	(3,711,300)	(2,267,900)	(2,267,904)	(4)
Net Change in Fund Balance	1,109,650	(931,090)	3,597,159	4,528,249
Fund Balance - Beginning of year	7,167,103	7,167,103	7,167,103	-
Fund Balance - End of year	\$ 8,276,753	\$ 6,236,013	\$ 10,764,262	\$ 4,528,249

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,730,550	\$ 3,629,320	\$ 3,631,076	\$ 1,756
Special assessments	2,790	2,790	2,586	(204)
Intergovernmental	4,134,300	4,452,530	4,370,262	(82,268)
Investment income	2,600	40	40	-
Other revenue	47,050	77,050	66,777	(10,273)
Total revenue	7,917,290	8,161,730	8,070,741	(90,989)
Expenditures				
Current services - Public works	2,355,080	2,245,080	2,284,103	(39,023)
Capital outlay	5,500,000	7,159,860	6,661,896	497,964
Total expenditures	7,855,080	9,404,940	8,945,999	458,941
Net Change in Fund Balance	62,210	(1,243,210)	(875,258)	367,952
Fund Balance - Beginning of year	1,501,575	1,501,575	1,501,575	-
Fund Balance - End of year	\$ 1,563,785	\$ 258,365	\$ 626,317	\$ 367,952

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 16,800	\$ 506,000	\$ 1,044,901	\$ 538,901
Investment income	860	860	2,023	1,163
Other revenue	-	35,770	36,228	458
Total revenue	17,660	542,630	1,083,152	540,522
Expenditures				
Public safety	180,900	200,370	174,815	25,555
Capital outlay	246,600	531,310	448,461	82,849
Total expenditures	427,500	731,680	623,276	108,404
Net Change in Fund Balance	(409,840)	(189,050)	459,876	648,926
Fund Balance - Beginning of year	891,746	891,746	891,746	-
Fund Balance - End of year	<u><u>\$ 481,906</u></u>	<u><u>\$ 702,696</u></u>	<u><u>\$ 1,351,622</u></u>	<u><u>\$ 648,926</u></u>

City of Sterling Heights, Michigan

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

Michigan Indigent Defense Commission

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ -	\$ 259,610	\$ 223,087	\$ (36,523)
Investment income	50	50	-	(50)
Total revenue	50	259,660	223,087	(36,573)
Expenditures - 41A District Court	298,930	360,350	223,088	137,262
Net Change in Fund Balance	(298,880)	(100,690)	(1)	100,689
Fund Balance - Beginning of year	100,693	100,693	100,693	-
Fund Balance (Deficit) - End of year	<u><u>\$ (198,187)</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 100,692</u></u>	<u><u>\$ 100,689</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 4,437,570	\$ 4,405,220	\$ 4,396,909	\$ (8,311)
Intergovernmental	627,980	568,910	527,180	(41,730)
Charges for services	1,074,070	900,000	921,377	21,377
Investment income	1,000	1,000	1,333	333
Other revenue	58,700	77,420	100,190	22,770
Total revenue	6,199,320	5,952,550	5,946,989	(5,561)
Expenditures				
Current services - Recreation and culture	5,490,640	5,534,430	5,205,497	328,933
Capital outlay	360,000	410,000	196,634	213,366
Debt service	3,002,090	3,002,090	3,002,088	2
Total expenditures	8,852,730	8,946,520	8,404,219	542,301
Excess of Expenditures Over Revenue	(2,653,410)	(2,993,970)	(2,457,230)	536,740
Other Financing Sources - Transfers in	2,950,970	2,525,970	2,525,970	-
Net Change in Fund Balance	297,560	(468,000)	68,740	536,740
Fund Balance - Beginning of year	762,310	762,310	762,310	-
Fund Balance - End of year	<u>\$ 1,059,870</u>	<u>\$ 294,310</u>	<u>\$ 831,050</u>	<u>\$ 536,740</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 102,680	\$ 102,680	\$ 120,770	\$ 18,090
Investment income	500	500	158	(342)
Other revenue	36,930	36,930	36,169	(761)
Total revenue	140,110	140,110	157,097	16,987
Expenditures				
Current services	3,680	3,680	2,848	832
Debt service	3,961,300	4,017,730	4,017,729	1
Total expenditures	3,964,980	4,021,410	4,020,577	833
Excess of Expenditures Over Revenue	(3,824,870)	(3,881,300)	(3,863,480)	17,820
Other Financing Sources - Transfers in	3,961,300	4,017,900	4,017,904	4
Net Change in Fund Balance	136,430	136,600	154,424	17,824
Fund Balance - Beginning of year	436,748	436,748	436,748	-
Fund Balance - End of year	<u><u>\$ 573,178</u></u>	<u><u>\$ 573,348</u></u>	<u><u>\$ 591,172</u></u>	<u><u>\$ 17,824</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Property taxes	\$ -	\$ -	\$ 772	\$ 772
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	772	772
Fund Balance - Beginning of year	1,547	1,547	1,547	-
Fund Balance - End of year	<u><u>\$ 1,547</u></u>	<u><u>\$ 1,547</u></u>	<u><u>\$ 2,319</u></u>	<u><u>\$ 772</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 553,400	\$ 546,450	\$ 546,798	\$ 348
Intergovernmental	38,100	33,750	33,751	1
Investment income	100	100	137	37
Total revenue	591,600	580,300	580,686	386
Expenditures				
Current services	500	500	499	1
Debt service	586,670	586,670	586,670	-
Total expenditures	587,170	587,170	587,169	1
Excess of Revenue Over (Under) Expenditures	4,430	(6,870)	(6,483)	387
Other Financing Sources - Transfers in	-	10,000	10,000	-
Net Change in Fund Balance	4,430	3,130	3,517	387
Fund Balance - Beginning of year	3,122	3,122	3,122	-
Fund Balance - End of year	<u>\$ 7,552</u>	<u>\$ 6,252</u>	<u>\$ 6,639</u>	<u>\$ 387</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current services	1,000	1,000	1,001	(1)
Debt service	2,957,360	2,957,360	2,957,356	4
Total expenditures	2,958,360	2,958,360	2,958,357	3
Excess of Expenditures Over Revenue	(2,958,360)	(2,958,360)	(2,958,357)	3
Other Financing Sources - Transfers in	2,958,360	2,958,360	2,958,360	-
Net Change in Fund Balance	-	-	3	3
Fund Balance - Beginning of year	299	299	299	-
Fund Balance - End of year	<u>\$ 299</u>	<u>\$ 299</u>	<u>\$ 302</u>	<u>\$ 3</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 1,940	\$ 1,940	\$ 28,432	\$ 26,492
Intergovernmental	-	15,000	51,413	36,413
Investment income (loss)	10,000	10,000	(83,206)	(93,206)
Other revenue	900,230	100,230	119,914	19,684
Total revenue	912,170	127,170	116,553	(10,617)
Expenditures - Capital outlay	5,611,980	10,932,470	7,653,124	3,279,346
Excess of Expenditures Over Revenue	(4,699,810)	(10,805,300)	(7,536,571)	3,268,729
Other Financing Sources - Transfers in	4,750,450	5,510,450	5,510,450	-
Net Change in Fund Balance	50,640	(5,294,850)	(2,026,121)	3,268,729
Fund Balance - Beginning of year	8,628,362	8,628,362	8,628,362	-
Fund Balance - End of year	<u><u>\$ 8,679,002</u></u>	<u><u>\$ 3,333,512</u></u>	<u><u>\$ 6,602,241</u></u>	<u><u>\$ 3,268,729</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ -	\$ -
Expenditures - Recreation and culture	-	10,000	622	9,378
Net Change in Fund Balance	-	(10,000)	(622)	9,378
Fund Balance - Beginning of year	17,856	17,856	17,856	-
Fund Balance - End of year	<u>\$ 17,856</u>	<u>\$ 7,856</u>	<u>\$ 17,234</u>	<u>\$ 9,378</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	31,283	31,283	31,283	-
Fund Balance - End of year	<u>\$ 31,283</u>	<u>\$ 31,283</u>	<u>\$ 31,283</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ -	\$ -	\$ 604	\$ 604
Other revenue	-	57,560	57,557	(3)
Total revenue	-	57,560	58,161	601
Expenditures - Capital outlay	-	1,240,830	867,062	373,768
Excess of Expenditures Over Revenue	-	(1,183,270)	(808,901)	374,369
Other Financing Sources - Transfers in	-	240,000	240,000	-
Net Change in Fund Balance	-	(943,270)	(568,901)	374,369
Fund Balance - Beginning of year	944,527	944,527	944,527	-
Fund Balance - End of year	<u><u>\$ 944,527</u></u>	<u><u>\$ 1,257</u></u>	<u><u>\$ 375,626</u></u>	<u><u>\$ 374,369</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	\$ 4,005,851	\$ 5,234,719	\$ 4,697,470	\$ 13,938,040
Investments:				
Government securities	8,253,550	16,345,124	10,353,864	34,952,538
Mutual funds	12,293,927	32,312,655	14,253,222	58,859,804
Common and preferred stocks	68,428,441	140,838,036	99,988,143	309,254,620
Corporate bonds	6,203,296	10,368,002	7,838,642	24,409,940
Private real estate	-	10,164,047	-	10,164,047
Hedge funds	2,178,087	4,737,340	2,885,966	9,801,393
Receivables:				
Other receivables	11,690	-	-	11,690
Due from other governmental units	-	-	495,122	495,122
Total assets	101,374,842	219,999,923	140,512,429	461,887,194
Liabilities				
Accounts payable	116,958	289,572	530,113	936,643
Accrued and other liabilities	-	-	44,913	44,913
Provision for claims	-	-	630,964	630,964
Total liabilities	116,958	289,572	1,205,990	1,612,520
Net Position				
Restricted:				
Pension	101,257,884	219,710,351	-	320,968,235
Postemployment benefits other than pension	-	-	139,306,439	139,306,439
Individuals, organizations, and other governments	-	-	-	-
Total net position	<u>\$ 101,257,884</u>	<u>\$ 219,710,351</u>	<u>\$ 139,306,439</u>	<u>\$ 460,274,674</u>

Other Financial and Supplemental Information Combining Statement of Fiduciary Net Position

June 30, 2022

Custodial Funds			
<u>Tax Receiving</u>	<u>District Court</u>	<u>Total</u>	<u>Total Fiduciary Funds</u>
\$ -	\$ 143,286	\$ 143,286	\$ 14,081,326
-	-	-	34,952,538
-	-	-	58,859,804
-	-	-	309,254,620
-	-	-	24,409,940
-	-	-	10,164,047
-	-	-	9,801,393
-	-	-	506,812
-	-	-	11,690
-	-	-	495,122
-	143,286	143,286	462,030,480
-	-	-	936,643
-	-	-	44,913
-	-	-	630,964
-	-	-	1,612,520
-	-	-	320,968,235
-	-	-	139,306,439
-	143,286	143,286	143,286
\$ -	\$ 143,286	\$ 143,286	\$ 460,417,960

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	\$ 3,591,643	\$ 6,885,205	\$ 4,161,105	\$ 14,637,953
Net decrease in fair value of investments	(20,473,374)	(46,028,705)	(28,382,999)	(94,885,078)
Investment costs	(692,311)	(1,791,096)	(939,002)	(3,422,409)
Net investment loss	(17,574,042)	(40,934,596)	(25,160,896)	(83,669,534)
Contributions:				
Employer contributions	4,533,280	13,738,932	9,299,990	27,572,202
Employee contributions	460,224	2,224,782	279,572	2,964,578
Purchase of prior year's service credits	-	19,734	-	19,734
Total contributions	4,993,504	15,983,448	9,579,562	30,556,514
Property tax collections for other governments	-	-	-	-
Court fees collected for other governments	-	-	-	-
Total additions	(12,580,538)	(24,951,148)	(15,581,334)	(53,113,020)
Deductions				
Benefit payments	11,443,237	22,191,888	10,454,605	44,089,730
Refunds of contributions	465,844	1,039,060	-	1,504,904
Tax distributions to other governments	-	-	-	-
Court fees distributed to other governments	-	-	-	-
Total deductions	11,909,081	23,230,948	10,454,605	45,594,634
Net Decrease in Fiduciary Net Position - Restricted for pension and OPEB	(24,489,619)	(48,182,096)	(26,035,939)	(98,707,654)
Net Position - Restricted for pension and OPEB - Beginning of year	125,747,503	267,892,447	165,342,378	558,982,328
Net Position - Restricted for pension and OPEB - End of year	\$ 101,257,884	\$ 219,710,351	\$ 139,306,439	\$ 460,274,674

Other Financial and Supplemental Information

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

Custodial Funds			
<u>Tax Receiving</u>	<u>District Court</u>	<u>Total</u>	<u>Total Fiduciary Funds</u>
\$ -	\$ -	\$ -	\$ 14,637,953
-	-	-	(94,885,078)
-	-	-	(3,422,409)
-	-	-	(83,669,534)
-	-	-	27,572,202
-	-	-	2,964,578
-	-	-	19,734
-	-	-	30,556,514
134,665,610	-	134,665,610	134,665,610
-	814,629	814,629	814,629
134,665,610	814,629	135,480,239	82,367,219
-	-	-	44,089,730
-	-	-	1,504,904
134,665,610	-	134,665,610	134,665,610
-	671,343	671,343	671,343
134,665,610	671,343	135,336,953	180,931,587
-	143,286	143,286	(98,564,368)
-	-	-	558,982,328
<u>\$ -</u>	<u>\$ 143,286</u>	<u>\$ 143,286</u>	<u>\$ 460,417,960</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,			
	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>
Governmental Activities:				
Net investment in capital assets	\$ 159,678,093	\$ 159,604,551	\$ 166,305,991	\$ 172,609,179
Restricted	11,385,681	9,040,309	9,687,600	8,325,564
Unrestricted	<u>26,650,520</u>	<u>24,290,676</u>	<u>(107,150,997)</u>	<u>(110,411,191)</u>
Total net position	<u>\$ 197,714,294</u>	<u>\$ 192,935,536</u>	<u>\$ 68,842,594</u>	<u>\$ 70,523,552</u>
Business Type Activities:				
Net investment in capital assets	\$ 125,395,977	\$ 122,324,204	\$ 118,109,220	\$ 119,117,466
Restricted	9,596,925	9,368,833	10,521,601	1,307,099
Unrestricted	<u>20,362,360</u>	<u>14,888,421</u>	<u>9,948,067</u>	<u>14,617,172</u>
Total net position	<u>\$ 155,355,262</u>	<u>\$ 146,581,458</u>	<u>\$ 138,578,888</u>	<u>\$ 135,041,737</u>
Primary government in total:				
Net investment in capital assets	\$ 285,074,070	\$ 281,928,755	\$ 284,415,211	\$ 291,726,645
Restricted	20,982,606	18,409,142	20,209,201	9,632,663
Unrestricted	<u>47,012,880</u>	<u>39,179,097</u>	<u>(97,202,930)</u>	<u>(95,794,019)</u>
Total net position	<u>\$ 353,069,556</u>	<u>\$ 339,516,994</u>	<u>\$ 207,421,482</u>	<u>\$ 205,565,289</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, 2022

As of June 30,					
2017	2018 (2)	2019	2020	2021	2022
\$ 141,192,833	\$ 193,873,282	\$ 207,285,272	\$ 233,489,857	\$ 247,550,798	\$ 252,451,250
52,219,283	10,222,676	17,743,175	11,579,485	12,414,891	17,539,690
(114,623,816)	(203,205,414)	(200,071,465)	(209,465,303)	(194,211,633)	(200,311,062)
\$ 78,788,300	\$ 890,544	\$ 24,956,982	\$ 35,604,039	\$ 65,754,056	\$ 69,679,878
\$ 109,551,411	\$ 113,751,804	\$ 113,701,480	\$ 111,234,487	\$ 100,816,622	\$ 106,623,230
10,193,185	3,008,771	2,459,517	3,816,286	16,102,118	9,184,883
12,974,017	7,879,223	6,537,347	4,555,149	7,761,073	6,045,931
\$ 132,718,613	\$ 124,639,798	\$ 122,698,344	\$ 119,605,922	\$ 124,679,813	\$ 121,854,044
\$ 250,744,244	\$ 307,625,086	\$ 320,986,752	\$ 344,724,344	\$ 348,367,420	\$ 359,074,480
62,412,468	13,231,447	20,202,692	15,395,771	28,517,009	26,724,573
(101,649,799)	(195,326,191)	(193,534,118)	(204,910,154)	(186,450,560)	(194,265,131)
\$ 211,506,913	\$ 125,530,342	\$ 147,655,326	\$ 155,209,961	\$ 190,433,869	\$ 191,533,922

City of Sterling Heights, Michigan

	As of June 30,			
	2013	2014	2015	2016
Expenses:				
Governmental activities				
General government	\$ 5,918,474	\$ 5,467,242	\$ 6,200,880	\$ 7,351,777
District Court	3,334,854	3,288,275	3,351,422	3,877,503
Public safety	51,345,058	52,851,304	61,063,426	55,117,055
Public works	22,852,033	24,439,731	24,385,159	28,014,220
Recreation and culture	4,891,039	4,640,609	4,892,593	5,735,889
Interest on long-term debt	1,099,714	718,646	603,500	514,247
Total governmental activities	89,441,172	91,405,807	100,496,980	100,610,691
Business-type activities - Water and sewer	38,788,850	41,790,235	44,886,232	49,351,047
Total primary government expenses	<u>128,230,022</u>	<u>133,196,042</u>	<u>145,383,212</u>	<u>149,961,738</u>
Program revenues:				
Governmental activities				
Charges for services				
General government	3,634,419	3,272,341	3,760,720	3,227,800
District Court	2,336,662	2,227,523	2,368,667	2,692,034
Public safety	1,558,701	1,445,007	1,562,339	1,633,571
Public works	2,533,213	2,768,235	2,936,122	3,189,189
Recreation and culture	677,068	724,114	760,007	733,620
Total charges for services	10,740,063	10,437,220	11,387,855	11,476,214
Operating grants and contributions	5,136,968	2,747,213	3,566,906	4,048,708
Capital grants and contributions	4,547,019	8,552,754	8,129,304	8,553,786
Total governmental activities program revenue	20,424,050	21,737,187	23,084,065	24,078,708
Business-type activities - Water and sewer:				
Charges for services	35,282,896	32,097,323	36,020,248	40,026,642
Operating grants and contributions	-	-	602,738	96,712
Capital grants and contributions	601,903	338,004	1,954,700	5,014,380
Total business-type activities program revenue	35,884,799	32,435,327	38,577,686	45,137,734
Total primary government program revenues	<u>56,308,849</u>	<u>54,172,514</u>	<u>61,661,751</u>	<u>69,216,442</u>
General revenues:				
Governmental activities				
Property taxes	51,643,869	51,344,025	62,231,352	64,036,721
State-shared revenues	10,342,983	10,606,230	10,785,806	10,694,421
Investment earnings	118,280	596,654	630,068	886,403
Insurance proceeds	-	-	-	-
Cable franchise fees	-	-	-	-
Miscellaneous	2,292,537	2,342,953	2,533,069	2,595,396
Total governmental activities general revenues	64,397,669	64,889,862	76,180,295	78,212,941
Business-type activities - Investment income	(457,850)	581,104	635,502	676,162
Total primary government	<u>63,939,819</u>	<u>65,470,966</u>	<u>76,815,797</u>	<u>78,889,103</u>
Change in net position				
Governmental activities	(4,619,453)	(4,778,758)	(1,232,620)	1,680,958
Business-type activities	(3,361,901)	(8,773,804)	(5,673,044)	(3,537,151)
Total primary government	<u>(7,981,354)</u>	<u>(13,552,562)</u>	<u>(6,905,664)</u>	<u>(1,856,193)</u>

Changes in Net Position

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
2017	2018	2019	2020	2021	2022
\$ 8,060,141	\$ 7,267,842	\$ 14,396,969	\$ 16,349,557	\$ 14,487,942	\$ 16,824,449
4,126,604	3,728,890	3,762,089	4,103,248	3,351,572	4,780,581
55,632,517	54,397,264	58,518,653	65,604,864	56,874,610	72,686,196
26,282,093	29,961,490	21,642,326	21,430,495	20,805,200	26,530,983
6,624,266	6,343,690	7,411,196	8,860,964	9,603,947	11,704,479
675,198	2,496,423	3,628,285	3,540,056	3,305,989	3,283,639
101,400,819	104,195,599	109,359,518	119,889,184	108,429,260	135,810,327
52,082,635	55,599,159	54,411,558	56,529,468	54,962,880	58,964,138
153,483,454	159,794,758	163,771,076	176,418,652	163,392,140	194,774,465
3,441,658	2,378,747	2,538,972	2,516,764	2,785,584	3,031,456
2,604,583	2,908,337	3,079,738	1,890,130	1,452,870	1,940,087
1,656,530	2,679,269	4,730,272	4,580,155	4,052,332	4,642,445
3,596,813	3,443,958	3,359,102	3,260,383	3,046,608	3,444,596
752,883	574,725	862,525	628,802	611,981	1,026,152
12,052,467	11,985,036	14,570,609	12,876,234	11,949,375	14,084,736
6,618,802	9,931,126	11,315,298	10,376,070	16,793,437	12,138,713
16,135,905	14,316,813	14,537,254	15,244,980	15,668,776	17,341,628
34,807,174	36,232,975	40,423,161	38,497,284	44,411,588	43,565,077
45,917,303	50,589,347	49,231,779	50,351,649	58,984,621	54,238,528
-	559,609	565,149	875,241	-	-
3,906,683	3,100,357	1,986,596	1,871,557	994,297	1,954,602
49,823,986	54,249,313	51,783,524	53,098,447	59,978,918	56,193,130
84,631,160	90,482,288	92,206,685	91,595,731	104,390,506	99,758,207
60,946,929	66,282,454	72,772,592	72,130,241	74,319,939	78,406,913
11,259,947	11,784,623	12,162,566	12,677,603	14,499,046	16,288,653
71,918	1,454,230	3,176,376	2,220,455	762,914	(2,626,093)
-	-	-	-	-	-
-	2,414,752	2,329,624	2,227,827	2,218,739	2,114,490
2,579,599	1,883,080	2,561,637	2,782,831	2,367,051	1,987,109
74,858,393	83,819,139	93,002,795	92,038,957	94,167,689	96,171,072
(64,475)	35,247	686,580	338,599	57,853	(54,761)
74,793,918	83,854,386	93,689,375	92,377,556	94,225,542	96,116,311
8,264,748	15,856,515	24,066,438	10,647,057	30,150,017	3,925,822
(2,323,124)	(1,314,599)	(1,941,454)	(3,092,422)	5,073,891	(2,825,769)
5,941,624	14,541,916	22,124,984	7,554,635	35,223,908	1,100,053

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Prior to adoption of GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	-	-	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	821,876	538,644	580,872	735,358
Assigned	691,319	3,668,787	4,457,140	5,095,500
Unassigned	<u>3,735,285</u>	<u>1,021,961</u>	<u>2,501,722</u>	<u>5,564,011</u>
Total general fund	<u>5,248,480</u>	<u>5,229,392</u>	<u>7,539,734</u>	<u>11,394,869</u>
All other governmental funds:				
Prior to adoption of GASB 54:				
Reserved	-	-	-	-
Unreserved and undesignated	-	-	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	175,383	24,079	222,835	2,009,754
Restricted	7,014,780	4,739,133	5,391,767	10,514,620
Committed	605,390	528,412	85,588	623,435
Assigned	1,012,786	657,869	1,630,427	1,732,331
Total all other governmental funds	<u>8,808,339</u>	<u>5,949,493</u>	<u>7,330,617</u>	<u>14,880,140</u>
Total of all governmental funds	<u>\$ 14,056,819</u>	<u>\$ 11,178,885</u>	<u>\$ 14,870,351</u>	<u>\$ 26,275,009</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, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ -	\$ -	\$ -			
-	-	-			
829,129	563,361	565,524	664,405	946,960	1,061,097
5,076,900	-	-			
<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>31,813,209</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>	<u>32,874,306</u>
-	-	-			
-	-	-			
610,377	695,486	3,499,383	5,640,822	5,755,462	7,702,210
54,501,560	62,149,539	40,105,715	29,549,254	27,451,676	33,377,957
374,420	190,436	161,907	159,899	31,283	31,283
1,499,058	3,852,870	9,738,175	5,356,141	5,798,047	6,069,478
56,985,415	66,888,331	53,505,180	39,165,550	39,036,468	47,180,928
<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>	<u>\$ 80,055,234</u>

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue				
Property taxes	\$ 51,665,928	\$ 51,344,025	\$ 62,231,352	\$ 64,036,721
Fees and permits	1,789,803	1,735,413	1,800,968	2,149,069
Federal sources	1,126,423	1,921,050	1,456,596	1,990,255
State and local sources	18,825,672	19,920,337	21,054,148	21,279,925
Fines and forfeitures	2,489,252	2,326,870	2,567,229	3,057,417
Charges for services	8,306,458	9,048,012	10,085,731	9,719,467
Investment income	58,534	257,632	247,437	426,998
Special assessments	206,501	314,871	212,828	201,579
Rental income	1,536,939	1,951,540	1,829,381	1,578,977
Cable revenue	2,292,537	2,342,953	2,533,069	2,595,396
Other	1,700,076	1,619,427	1,414,282	1,960,041
Total revenue	89,998,123	92,782,130	105,433,021	108,995,845
Expenditures				
Current:				
General government	7,700,466	7,175,604	7,803,567	8,154,052
District Court	3,258,362	3,078,766	3,087,262	3,223,740
Public safety	48,644,125	48,807,450	49,752,772	49,704,157
Public works	18,062,177	20,790,973	21,450,688	20,929,934
Recreation and culture	4,339,952	4,002,476	4,189,468	4,393,760
General expenditures	2,294,184	2,171,473	1,119,452	1,027,555
Capital outlay	3,115,621	7,026,982	14,388,416	19,122,277
Debt service principal	3,895,000	3,235,000	2,620,000	1,725,000
Debt service Interest	1,114,056	744,170	628,563	545,331
Total expenditures	92,423,943	97,032,894	105,040,188	108,825,806
Excess of Revenue Over Expenditures	(2,425,820)	(4,250,764)	392,833	170,039
Other Financing Sources (Uses)				
Debt issuance	3,275,000	-	198,633	9,630,000
Debt premium or discount	9,311	-	-	254,555
Sale of capital assets	-	-	-	-
Transfers in	6,158,405	5,639,290	13,594,435	10,797,379
Transfers out	(3,500,200)	(4,266,460)	(10,494,435)	(9,447,315)
Total other financing sources (uses)	5,942,516	1,372,830	3,298,633	11,234,619
Net change in fund balances	\$ 3,516,696	\$ (2,877,934)	\$ 3,691,466	\$ 11,404,658
Debt service as a percentage of noncapital expenditures	5.61%	4.42%	3.58%	2.53%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2022

As of June 30,

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 60,946,929	\$ 66,282,454	\$ 72,759,327	\$ 72,179,599	\$ 74,402,654	\$ 78,406,913
2,568,909	2,648,068	2,629,072	2,562,476	2,344,498	2,572,200
6,300,698	4,122,227	2,356,723	2,713,283	8,277,635	4,452,146
27,584,764	31,365,436	34,699,398	36,310,073	37,924,816	40,764,798
2,944,500	2,384,499	2,517,198	1,540,704	1,079,803	1,678,277
9,842,019	12,373,661	14,938,523	14,298,086	13,657,617	14,569,479
112,450	1,120,683	3,382,059	2,045,963	671,876	(2,582,927)
199,092	222,250	263,804	126,507	119,427	151,788
1,488,753	1,630,951	1,552,811	1,498,761	1,640,887	1,746,415
2,579,599	2,414,752	2,329,624	2,227,827	2,218,739	2,114,490
1,568,519	1,866,109	2,510,236	2,792,592	2,426,826	1,871,711
116,136,232	126,431,090	139,938,775	138,295,871	144,764,778	145,745,290
8,300,238	9,118,455	11,087,713	12,485,728	12,753,975	14,177,083
3,242,874	3,309,841	3,480,346	3,646,569	3,569,512	3,959,102
48,646,567	50,311,362	54,426,486	55,657,071	59,704,317	62,044,521
20,869,103	23,165,358	21,359,651	20,507,719	21,707,991	22,276,474
7,664,887	4,805,997	6,159,499	7,039,735	7,153,046	7,782,054
1,164,656	1,845,158	1,589,904	2,369,508	2,922,963	3,411,578
22,513,996	39,333,835	44,685,871	62,799,049	45,291,490	30,724,425
2,280,000	4,100,000	5,340,000	6,462,520	5,535,000	6,803,000
700,971	2,025,489	3,109,779	3,574,278	3,638,619	3,760,843
115,383,292	138,015,495	151,239,249	174,542,177	162,276,913	154,939,080
752,940	(11,584,405)	(11,300,474)	(36,246,306)	(17,512,135)	(9,193,790)
47,315,000	27,590,000	-	24,919,316	18,973,000	16,850,000
2,902,577	1,302,812	-	-	702,899	1,036,153
80,363	41,655	87,482	17,875	41,899	77,230
10,180,735	10,588,025	23,133,990	17,627,275	19,940,070	17,012,684
(10,180,735)	(10,588,025)	(23,133,990)	(17,627,275)	(19,940,070)	(17,012,684)
50,297,940	28,934,467	87,482	24,937,191	19,717,798	17,963,383
\$ 51,050,880	\$ 17,350,062	\$ (11,212,992)	\$ (11,309,115)	\$ 2,205,663	\$ 8,769,593
3.21%	6.23%	7.99%	8.98%	7.79%	8.50%

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, 2022

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	
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
2021	42,775,551	4,416,896	11,220,782	7,588,298	66,001,527	3,563,507	4,325,536	607	506,168	506,775	74,397,345

Property Tax Levies and Collections

Last Ten Fiscal Years

June 30, 2022

Tax Year	Year ended June 30,	Total levy (1)	Current collections	Percent collected	Delinquent collections (2)	Total tax collections	Percent of levy collected
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	80,310,614	78,245,801	97.43%	1,236,272	79,482,073	98.97%
2022	2023	82,703,836 (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
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
2022 (2021)														
Homestead	9.4940	0.9877	2.7240	0.0000	0.1150	2.4157	0.9378	16.6742	4.6845	1.4247	0.2089	0.9731	0.0957	0.0660
Non-homestead	9.4940	0.9877	2.7240	0.0000	0.1150	2.4157	0.9378	16.6742	4.6845	1.4247	0.2089	0.9731	0.0957	0.0660

(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, 2022

		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
0.2000		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
0.1911	0.0000	4.3721	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.0652	0.0000	4.7800	38.1903	44.5355
0.1911	0.0000	4.3721	0.0000	6.0000	16.9183	3.5000	6.0000	17.8296	0.0000	0.0000	4.7800	55.1086	57.2999

City of Sterling Heights, Michigan

	2013	2014	2015	2016
State Equalized Value				
SEV equivalent	\$ 4,154,032,625	\$ 4,201,961,947	\$ 4,421,529,781	\$ 4,796,034,350
IFT exemption	<u>150,866,925</u>	<u>147,523,025</u>	<u>149,204,525</u>	<u>123,790,350</u>
Total SEV	<u>\$ 4,304,899,550</u>	<u>\$ 4,349,484,972</u>	<u>\$ 4,570,734,306</u>	<u>\$ 4,919,824,700</u>
Taxable Value				
By Class:				
Real property	\$ 3,503,196,250	\$ 3,526,557,005	\$ 3,564,635,642	\$ 3,665,393,466
Personal property	<u>755,514,350</u>	<u>724,659,700</u>	<u>714,092,150</u>	<u>670,143,500</u>
Total value	<u>\$ 4,258,710,600</u>	<u>\$ 4,251,216,705</u>	<u>\$ 4,278,727,792</u>	<u>\$ 4,335,536,966</u>
By Type:				
Residential	\$ 2,527,262,250	\$ 2,584,362,566	\$ 2,640,642,487	\$ 2,717,724,673
Commercial	609,340,350	564,052,015	558,328,319	574,872,887
Industrial	314,238,500	305,334,016	296,637,552	305,821,724
Personal property	506,194,400	502,509,250	488,607,400	494,865,700
IFT real and personal property	<u>301,675,100</u>	<u>294,958,858</u>	<u>294,512,034</u>	<u>242,251,982</u>
Total	4,258,710,600	4,251,216,705	4,278,727,792	4,335,536,966
Less exempt property	<u>(150,837,550)</u>	<u>(147,479,429)</u>	<u>(147,256,017)</u>	<u>(121,125,991)</u>
Total taxable value	<u>\$ 4,107,873,050</u>	<u>\$ 4,103,737,276</u>	<u>\$ 4,131,471,775</u>	<u>\$ 4,214,410,975</u>
Total direct tax rate (1)	<u>\$ 12.6858</u>	<u>\$ 12.6858</u>	<u>\$ 15.1858</u>	<u>\$ 15.1858</u>
Total taxable value as				
a percentage of SEV equivalent	95.42%	94.35%	90.39%	85.66%
Total taxable value as				
a percentage of total value	96.46%	96.53%	96.56%	97.21%

(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, 2022

2017	2018	2019	2020	2021	2022
\$ 4,949,191,377	\$ 5,200,275,450	\$ 5,409,399,365	\$ 5,798,698,325	\$ 6,158,957,816	\$ 6,427,561,200
64,411,150	61,439,675	52,225,350	53,110,750	52,709,800	62,864,450
\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616	\$ 6,490,425,650
\$ 3,737,558,043	\$ 3,855,214,582	\$ 4,032,937,100	\$ 4,244,580,889	\$ 4,427,329,545	\$ 4,562,968,811
366,173,450	327,166,100	289,445,900	305,210,600	282,249,500	319,918,100
\$ 4,103,731,493	\$ 4,182,380,682	\$ 4,322,383,000	\$ 4,549,791,489	\$ 4,709,579,045	\$ 4,882,886,911
\$ 2,777,714,820	\$ 2,863,163,811	\$ 2,986,252,214	\$ 3,121,603,015	\$ 3,241,733,427	\$ 3,356,319,778
594,885,971	612,549,438	637,542,166	679,530,404	726,105,453	704,267,708
314,006,932	317,662,123	343,983,905	369,124,697	376,971,307	397,600,360
289,981,650	270,324,150	254,615,000	279,689,900	267,400,500	308,300,400
127,142,120	118,681,160	99,989,715	99,843,473	97,368,358	116,398,665
4,103,731,493	4,182,380,682	4,322,383,000	4,549,791,489	4,709,579,045	4,882,886,911
(63,571,060)	(59,340,580)	(49,994,858)	(49,921,737)	(48,684,179)	(58,199,333)
\$ 4,040,160,433	\$ 4,123,040,102	\$ 4,272,388,143	\$ 4,499,869,753	\$ 4,660,894,866	\$ 4,824,687,579
\$ 15.1858	\$ 16.1558	\$ 17.1804	\$ 16.2069	\$ 16.2069	\$ 16.6742
80.58%	77.49%	78.23%	76.90%	75.03%	74.34%
98.45%	98.84%	98.84%	98.90%	98.97%	98.81%

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago
June 30, 2022

Company Name	Product/Service	Year Ended June 30, 2022			Year Ended June 30, 2013		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
DTE Energy	Public electric utility	\$ 53,954,936	1	1.12	35,470,450	3	0.86
FCA US, LLC	Automotive assembly and stamping	51,751,998	2	1.07			
Consumer Energy	Public utility for gas	49,836,642	3	1.03	12,789,750	8	0.31
Ford Motor Company	Automotive manufacturing and drive shafts	27,568,546	4	0.57	184,141,875	2	4.48
International Transmission	Automotive	15,648,522	5	0.32			
Lakeside OOTB Ventures, LLC	Retail and rental properties	14,934,415	6	0.31	-		-
Liberty Park Commerce Center, LLC	Industrial facilities	14,885,013	7	0.31			
GFL Environmental USA, Inc.	Solid waste hauling	14,200,800	8				
Chalk Spade Investments (USA)	Investments	13,985,359	9	0.29			
General Dynamics	Engineering and design	13,209,786	10	0.27	31,160,000	4	0.76
Chrysler Group LLC	Automotive assembly & stamping				194,645,450	1	4.74
Lakeside Associates	Retail shopping center	-	-	-	27,096,550	5	0.66
Detroit Media Partnership	Printing plant - Newspapers	-		-	26,582,000	6	0.65
Comcast Cable	Cable communications	-		-	15,704,500	7	0.38
MNP Corporation	Nut, blot, and wire manufacturer	-		-	10,601,650	9	0.26
NJT Enterprises	Retail Shopping center				10,014,850	10	0.24
	Ten largest taxpayers	269,976,017		4.17	548,207,075		12.48
	Other taxpayers	4,554,711,562			3,559,665,975		
	Total taxable value	\$ 4,824,687,579			\$ 4,170,873,050		

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
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	96,347,571		(4,968)	15,371,660
2022	76,866,655		(11,118)	27,638,357

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, 2022

Business-type Activities		Percentage of Estimated Total Taxable Value of Property (1)	Population	Per Capita
County Issued Bonds	Total Primary Government			
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	161,240,299	3.4594	132,438	1,217.48
61,906,037	166,399,931	3.4489	134,346	1,238.59

City of Sterling Heights, Michigan

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County- issued Bonds	General Obligation 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		15,371,660
2022	76,866,655	50,878,548	1,400,000		27,638,357

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

(1) See the schedule of demographic and economic statistics for personal income data.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

June 30, 2022

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
63,323,681	1,844,015	18,485,695	219,178,930	6.98%	129,699	1,689.90
60,201,476	1,704,561	17,320,226	236,009,823	5.61%	134,346	1,756.73

City of Sterling Heights, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2022

Direct Debt

General Obligation Bonds

04/21/17	GO Refunding Unlimited Tax	575,000	
05/09/17	Limited Tax	36,645,854	
05/22/18	Limited Tax	17,458,383	
08/22/19	Limited Tax	<u>22,187,418</u>	\$ 76,866,655

Michigan Transportation Fund Bonds

04/05/16	MTF Bonds, Series 2016	6,460,709	
05/09/17	MTF Bonds, Series 2017	1,523,915	
05/22/18	MTF Bonds, Series 2018	6,581,732	
10/28/20	MTF Bonds, Series 2020	810,000	
03/10/21	MTF Bonds, Series 2021	17,616,039	
05/18/22	MTF Bonds, Series 2022	<u>17,886,153</u>	50,878,548

Special Assessment Bonds

08/03/08	Improvements		<u>1,400,000</u>
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Total direct debt outstanding 129,145,203

Less:	MTF Bonds	50,878,548	
	Special Assessment Bonds	<u>1,400,000</u>	<u>52,278,548</u>

Net direct and indirect debt outstanding 76,866,655

Overlapping Debt

Municipality	Net Tax Supported Debt	City allocation	
Utica Community School District	166,625,000	35.82%	59,685,075
Warren Consolidated School District	232,450,000	44.67%	103,835,415
Macomb Intermediate School District	580,000	14.89%	86,362
Macomb County at large	253,400,607	15.23%	38,592,912
Total overlapping debt			<u>202,199,764</u>
Net direct and indirect debt outstanding and overlapping debt			<u>\$ 279,066,419</u>

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

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities:				
General obligation bonds	\$ 6,165,000	\$ 5,777,683	\$ 5,253,950	\$ 4,667,114
Michigan transportation fund bonds	10,405,000	8,811,416	7,465,086	16,480,393
Special assessment bonds	2,850,000	2,700,000	2,550,000	2,400,000
County issued bonds	1,525,000	775,000	150,000	-
Total	20,945,000	18,064,099	15,419,036	23,547,507
Business Type Activities:				
General obligation bonds	35,428,997	34,264,780	33,071,724	31,831,025
Special assessment bonds	2,647,602	2,548,452	4,098,344	4,054,112
County state revolving loan funds	6,825,826	11,703,389	17,592,684	20,725,947
Total	44,902,425	48,516,621	54,762,752	56,611,084
Total debt of the government	\$ 65,847,425	\$ 66,580,720	\$ 70,181,788	\$ 80,158,591
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	2.10%	2.12%	2.23%	2.55%
Total Population	129,699	129,699	129,699	129,699
Total debt per capita	507.69	513.35	541.11	618.04

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 49,055,194	\$ 63,190,000	\$ 60,335,000	\$ 84,852,623	\$ 80,975,911	\$ 76,866,655
17,080,252	23,180,000	20,845,000	19,129,213	36,003,953	50,878,548
2,250,000	2,100,000	1,950,000	1,800,000	1,600,000	1,400,000
-	-	-	-	-	-
68,385,446	88,470,000	83,130,000	105,781,836	118,579,864	129,145,203
53,263,196	48,741,669	46,797,853	51,344,551	78,695,342	87,839,833
3,884,347	2,258,379	1,962,402	1,983,169	1,844,015	1,704,561
22,126,394	21,072,504	19,973,656	18,860,521	18,485,695	17,320,226
79,273,937	72,072,552	68,733,911	72,188,241	99,025,052	106,864,620
\$ 147,659,383	\$ 160,542,552	\$ 151,863,911	\$ 177,970,077	\$ 217,604,916	\$ 236,009,823
\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
4.70%	5.11%	4.84%	5.67%	6.93%	7.52%
129,699	129,699	129,699	129,699	132,438	134,346
1,138.48	1,237.81	1,170.90	1,372.18	1,643.07	1,756.73

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Calculation of debt limit:				
State equalized valuation	\$ 4,304,899,550	\$ 4,349,484,972	\$ 4,570,734,306	\$ 4,919,824,700
10% of taxable value	430,489,955	434,948,497	457,073,431	491,982,470
Calculation of debt subject to limit:				
Total debt	59,021,599	54,877,331	52,589,104	59,432,644
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	8,880,000	8,535,000	7,205,000	15,995,000
Special Assessment Bonds	2,850,000	2,700,000	2,550,000	2,400,000
MID District Special Assessments	2,647,602	2,548,452	2,449,227	2,468,817
OMID District Special Assessments	-	100	1,649,117	1,585,295
net debt subject to limit	44,643,997	41,093,779	38,735,760	36,983,532
Legal debt margin	385,845,958	393,854,718	418,337,671	454,998,938
Net debt subject to limit as % of debt limit	10.37%	9.45%	8.47%	7.52%

(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, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 5,013,602,527	\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616	\$ 6,490,425,650
501,360,253	526,171,513	546,162,472	585,180,908	621,166,762	649,042,565
125,532,989	139,470,048	131,890,255	159,109,556	199,119,221	218,689,597
16,595,000	23,180,000	20,845,000	19,129,213	36,003,953	50,878,548
2,250,000	2,100,000	1,950,000	1,800,000	1,600,000	1,400,000
2,182,194	2,258,379	1,962,402	1,983,169	1,844,015	1,704,561
<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>	<u>1,171,590</u>
102,985,462	110,477,437	105,747,002	134,880,843	158,426,723	163,534,898
398,374,791	415,694,076	440,415,470	450,300,065	462,740,039	485,507,667
20.54%	21.00%	19.36%	23.05%	25.50%	25.20%

Pledged Revenue Coverage

Last Ten Fiscal Years

June 30, 2022

Limited Tax Obligation Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2022	7,372,802	3,745,000	3,132,509	6,877,509	1.072
Michigan Transportation Fund Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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	1,805,000	557,275	2,634,875	2.583
2022	7,339,411	2,908,000	845,177	3,753,177	1.956
Special Assessment Bonds					
Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)
		Principal	Interest	Total	
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	99,723	200,000	72,600	272,600	0.450
2022	120,770	200,000	64,550	264,550	0.457

(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, 2022

Fiscal Year Ended June 30	Estimated Population (1)	Median Age (2)	Education Age 25 or Older (2)		Per Capita Income (1)	Income (in thousands) (4)	Number of Households (1)	Median Household Income (1)	Unemployment Rate (3)/(4)
			High School Graduate or Higher	Bachelor's Degree or Higher					
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	4,056,708	51,615	64,833	4.3%
2022	134,346	40.44	86.4%	26.7%	31,335	4,209,732	51,615	64,833	4.1%

Sources:

(1) United States Census Bureau - 2000/2010/2020 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	
			Household Income	Number of Households
2020 U.S. Census	134,346		Less than \$14,999	3,563
2010 U.S. Census	129,699		\$15,000 - \$34,999	8,387
2000 U.S. Census	124,471		\$35,000 - \$49,999	7,075
1990 U.S. Census	117,810		\$50,000 - \$74,999	9,608
			\$75,000 - \$99,999	7,176
			\$100,000 or more	14,707
Housing Tenure			Households:	Number
Types	2010	2000		
Owner occupied	37,685	36,584	With earnings	39,336
Renter occupied	11,766	9,735	With Social Security income	17,348
Vacant:			With retirement income	11,762
Seasonal/Migrant	128	148	With supplemental security income	3,171
Other vacant units	2,611	1,080	With cash public assistance income	1,227
			With food stamps/SNAP benefits	5,768
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	24,962
Without seniors	35,222	36,067	Service	10,581
			Sales and office	15,043
Two or more without children	21,007	19,041	Natural resources, construction, and maintenance	3,984
Live alone, over 65	5,316	3,915	Production, transportation, and material moving	10,761
Live alone, under 65	7,791	7,245		
With children	15,337	16,118	Total	65,331
Total households	49,451	46,319	By Industry:	
			Agriculture, forestry, fishing and hunting, and mining	110
			Construction	2,813
			Manufacturing	14,468
			Wholesale trade	1,722
			Retail trade	9,186
			Transportation, warehousing, and utilities	3,112
			Information	885
			Finance, insurance, real estate, rental, and leasing	3,255
			Professional, scientific, management, administrative, and waste management services	5,933
			Educational, health, and social services	12,554
			Arts, entertainment, recreation, accommodation, and food services	6,035
			Other professional and related services	3,312
			Public administration	1,946
			Total	65,331
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 - 2000/2010/2020 Census and 2020 American Community Survey Five Year Estimates

Principal Employers (Major Employers)

Current Year and Ten Years Ago
June 30, 2022

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	9,061	1	13.87%	2,500	2	4.05%
Ford Motor Company	Automotive axles and transmissions	4,180	2	6.40%	1,500	4	2.43%
General Dynamics	Defense-related manufacturing	3,170	3	4.85%	2,700	1	4.38%
Utica Community Schools	Education	2,300	4	3.52%	1,150	5	1.86%
Beaumont Health	Healthcare	1,299	5	1.99%			
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	6	1.53%	1,000	6	1.62%
Mayco International/Stonebridge Industries	Automotive plastics	750	7	1.15%			
BAE Systems	Defense Technology	600	8	0.92%	-		
Metalsa Structural Products	Automotive Parts	583	9	0.89%			
Walmart Stores	Retail	550	10	0.84%	-		
Lakeside Associates	Retail Shopping Center	-		-	2,000	3	3.24%
Warren Consolidated Schools	Education	-		-	790	7	1.28%
Henry Ford Health System	Healthcare	-		-	600	8	0.97%
Miliken Milwork, Inc.	Wooden and stainless steel doors and stairs	-		-	500	9	0.81%
U.S. Farathane Corporation	Paints and finishes	-		-	450	10	0.73%
	Ten largest employers	23,493		35.96%	13,190		22.72%
	Other employers	41,838		64.04%	44,867		77.28%
	Total employment	65,331			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, 2022

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Election Data										
Registered voters	85,436	88,164	87,576	86,465	88,520	84,781	86,629	90,254	98,915	99,390
Voters at polls	42,504	21,322	26,444	8,178	41,578	8,130	35,160	8,798	29,532	7,134
Absentee ballots	16,205	8,966	11,862	8,475	16,443	8,221	14,232	9,105	40,672	12,517
Percent voting	68.72%	34.35%	43.74%	19.00%	65.55%	19.29%	57.02%	19.84%	70.97%	19.77%
41A District Court										
Court Cases										
Civil	3,546	2,550	2,652	2,566	2,612	3,021	3,180	2,467	2,709	2,401
Criminal	3,408	3,813	4,279	3,644	3,321	3,825	4,018	3,057	3,226	1,407
Landlord and tenant	2,265	2,491	2,223	2,161	1,932	1,971	2,164	1,538	1,069	2,111
Small claims	313	400	333	386	393	340	282	175	100	130
Traffic	22,889	22,550	25,887	31,584	31,445	26,847	27,350	18,567	13,417	18,393
Public Safety										
Police Protection										
Adult arrests	3,083	3,113	3,882	3,919	3,612	3,290	3,411	2,529	1,018	1,888
Civil infractions	21,788	20,535	27,031	30,780	26,088	22,994	23,990	15,510	9,095	15,121
Group A offenses (1)	3,216	2,926	2,885	2,871	2,782	3,078	3,210	2,800	2,987	3,486
Group B offenses (2)	2,030	2,306	2,867	3,235	2,917	3,467	4,090	3,877	4,515	4,803
Injury accidents	598	860	952	1,300	1,265	899	925	710	653	787
Juvenile arrests	195	190	219	212	116	99	88	57	31	38
OUIL arrests	220	183	204	169	138	157	120	141	116	165
Parking violations	1,116	1,298	1,282	1,333	1,468	1,116	1,326	1,097	462	2,291
Property damage	2,974	3,488	3,625	3,638	3,825	3,915	3,680	2,946	2,599	3,436
Private property damage	712	741	700	644	531	323	197	184	193	218
Total traffic violations	22,428	24,142	31,777	35,610	30,678	26,521	27,986	18,528	10,034	19,459
Fire Protection										
Emergency alarms answered	11,653	12,451	13,588	14,293	14,805	15,930	15,795	15,683	16,170	18,130
Fire inspections conducted	882	878	863	1,232	1,688	1,146	1,235	1,937	2,113	2,141
Inspection violations issued	1,670	1,020	945	2,433	24,722	2,500	2,319	3,050	3,483	2,913
Medical emergencies	8,969	9,435	10,253	10,753	11,025	11,808	11,856	11,644	12,993	13,957
Training hours completed	22,790	24,994	26,086	24,359	32,116	35,002	43,780	40,687	42,538	42,159
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	12,407
Instructional rec. attendance	22,666	20,344	23,566	23,916	22,903	27,143	29,802	17,980	12,506	26,276
Nature program attendance	14,582	17,170	15,079	16,187	15,753	18,085	16,020	9,999	5,521	9,531
50th Activity program attendance	103,667	100,026	97,769	101,770	101,825	108,155	101,055	91,619	33,880	85,208
Special event attendance	53,734	46,379	80,680	114,295	93,327	112,833	120,118	124,280	55,071	178,894
Adaptive recreation program attendance	9,895	8,395	8,847	8,460	7,568	7,523	7,135	4,990	2,355	2,978
Summer playground attendance	12,613	13,053	12,765	10,353	12,182	11,254	8,776	6,674	1,374	6,649
Library										
Outreach Visits	-	-	-	-	-	-	130	130	305	421
Total Room Usage	1,325	1,183	1,463	1,528	1,587	1,668	1,600	1,126	16	2,361
In-house materials usage	132,298	82,304	60,279	54,742	39,714	32,590	33,526	18,710	-	14,103
Interlibrary loan requests	90,764	86,950	80,545	78,015	71,796	69,323	68,940	54,225	71,081	57,795
Interlibrary loans - Lent	82,832	79,360	72,109	70,606	62,818	61,479	61,875	49,901	69,814	59,758
Items circulated	577,448	536,485	536,038	548,414	536,321	565,478	632,157	492,674	347,536	460,384
Library visits	412,656	384,063	376,007	385,398	314,813	241,302	223,577	149,962	43,040	114,189
Electronic Database Usage	-	-	-	-	-	-	125,076	100,896	109,077	89,002
Program attendance	15,310	15,196	16,322	20,209	23,208	27,721	32,751	63,867	33,198	14,733
Reference transactions	83,000	68,052	65,368	65,587	64,893	59,864	54,365	42,828	50,613	44,940
Registered borrowers	51,248	49,863	48,490	47,334	46,498	66,043	64,449	62,882	65,530	64,287
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	36,738
Commercial/Industrial	4,280	4,280	4,274	4,297	4,270	4,320	4,333	4,340	4,358	2,871
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	590,785
Sold to residents	698,650	618,799	602,994	590,426	629,333	591,358	587,317	555,329	620,625	579,482
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	83.10
Next 2,000 CU.FT.	43.97	48.52	55.37	62.59	71.79	74.75	77.20	81.22	79.10	83.10
Over 3,000 CU.FT.	48.24	53.13	60.53	68.26	78.11	81.51	84.39	88.78	92.10	102.00
Sewer only - Per billing	60.00	65.00	70.00	80.00	85.00	87.00	89.00	91.00	93.00	95.00

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

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

Source: City of Sterling Heights

Capital Asset Statistics by Function

Last Ten Fiscal Years

June 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Buildings										
City Center Commons	1	1	1	1	1	1	1	1	1	1
41A District Court	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police Protection										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles - Marked	50	50	53	54	49	51	45	52	52	57
Vehicles - Unmarked	57	54	65	56	57	58	58	62	62	62
Fire Protection										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	16	16	16	16	21	21	23	23	23	23
Public Works										
Streets and Sidewalks										
Miles of City:										
Primary streets	63	63	63	63	63	63	63	63	63	63
Secondary streets	286	286	286	286	286	288	288	288	289	290
Sidewalks	611	612	614	615	617	618	620	628	639	640
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	2	1	1	1	1
Street lights	2,530	2,530	2,535	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	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	7,454
Miles of water mains	576	576	576	667	667	667	667	667	667	667
Miles of sanitary sewers	430	430	430	430	430	475	475	475	475	475
Recreation and Culture										
Parks and Recreation										
Acres	820	820	820	820	820	820	820	820	821	821
Developed parks	28	28	28	28	28	28	228	28	28	28
Buildings	3	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	174,994
Other collections (1)	46,306	37,848	57,623	53,447	64,638	71,715	143,464	147,271	149,168	181,113
Buildings	1	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, 2022

Fiscal Year Ended June 30	Residential				Total Residential
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
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
2022	128	68,867,372	1,561	1,033,094	69,900,466
Fiscal Year Ended June 30	Commercial				Total Commercial
	New Construction		Additions/Improvements		
	Number	Value	Number	Value	
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
2022	9	26,217,462	260	58,202,708	84,420,170

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, 2022

Function	Full-time and Part-time Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	56	57	60	61	57	63	65	67	72	79
41A District Court	38	37	39	39	41	41	42	43	44	44
Public safety:										
Police	222	222	203	203	202	206	206	206	214	215
Fire	86	86	88	88	88	104	104	106	112	115
Public works:										
City development	24	26	28	29	31	28	31	32	36	36
Public works	29	31	34	34	35	35	19	19	20	20
Street services	18	21	25	24	24	24	28	28	31	31
Engineering	8	9	9	9	9	9	9	9	10	10
Recreation and culture:										
Parks and recreation	10	10	11	12	10	15	17	17	18	18
Library	36	37	38	38	38	38	39	39	41	39
Water and sewer	35	35	35	36	36	40	46	47	51	49
Total	562	571	570	573	571	603	606	613	649	656

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, 2022

<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
2022	15,281,499	15,487,551

Source: City of Sterling Heights

Gas and Weight Taxes

Last Ten Fiscal Years

June 30, 2022

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Roads	
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
2022	10,706,769	3,972,053	14,678,821

Source: City of Sterling Heights

Name	Contract Expiration Date	Actual Number of Employees 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	6/30/2025	106	-
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2025	67	36*
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	46	12
Court Clerical AFSCME, Local 1884, Council 25	6/30/2025	19	6
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2023	20	-
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2025	13	-
Executive Employees Sterling Heights Executive Group	6/30/2025	8	-
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2024	9	-
Nonunion Employees			
41A District Court Administration	N/A	11	-
41A District Court Judges	N/A	3	-
Ordinance Employees	N/A	2	-

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

Source: City of Sterling Heights, Office of City Management

Designed by
Kelly Gray
Installed by
CORPUS ART INC.

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