

CITY OF
**Sterling
Heights**
MICHIGAN

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

2022-2023

City of Sterling Heights, Michigan

**Annual Comprehensive Financial Report
with Supplementary Information
For the Fiscal Year Ended June 30, 2023
Prepared by the Financial Department**

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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, 2023

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, 2023 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 354 miles are maintained by the City. City services are provided to 55,066 households and 4,665 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 3.4 percent unemployment rate as compared to a Macomb County rate of 3.6 percent, a statewide rate of 4.1 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. The City continues to add to General Fund reserves annually. Total General Fund reserves equate to \$35.5 million or 28.8% 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 addition, the funds received through the American Rescue Plan Act will allow the City to invest in infrastructure improvements and quality of life initiatives. Many of the transformational projects approved by City Council in the ARPA Action Plan have been completed or are in progress, including the resurfacing of Plumbrook Road, the acquisition of land in the Van Dyke corridor, and the construction of a multi-use pathway along the ITC corridor. ARPA funds are also being used to promote sustainability with projects that provided free rain barrels to residents and grants to households to offset the cost of home improvements promoting energy efficiency.

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 \$3.8 million in dedicated funding for neighborhood street repairs and

\$8.1 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 \$166.9 million in property taxes compared to a normal inflationary housing market. The City has also lost \$128 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 2023/24 budget, contributions to pension and other post-retirement benefit funds total 20 percent of the General Fund operating budget. Investment earnings in the current fiscal year increased the combined funding level of all three plans to 66.2%. 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. Although critical positions have been added since the reduction in headcount during the Great Recession, the full-time workforce is still lower than 2002 levels by 118 positions, resulting in annual contract savings totaling \$12 million, 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.

The Year in Review

Sterling Heights is continuing to experience unprecedented growth and economic development activity:

- The housing market continues to be very strong with average home values just under \$300,000. In fact, Crain's Detroit Business recently highlighted Sterling Heights as a hot housing market to watch in 2023.
- Multiple new subdivisions were completed over the past year with home prices ranging from \$400,000 to over \$600,000. This strong single family housing market has resulted in high demand for multi-family housing with numerous significant developments approved over the past year.
- After many years of planning, the Chaldean Community Foundation began construction on their long anticipated \$30 million mixed use development on North Van Dyke.
- The most notable economic development initiative over the past year was the approval of the \$1 billion Lakeside City Center development Memorandum of Understanding which established a framework for the implementation of the largest development in the City's history. After completing the necessary development districts over the next year, the

redevelopment will finally commence with demolition and infrastructure construction.

- The redevelopment of the former Wyndham hotel began which includes conversion to market rate apartments and a new high end Radisson hotel near Van Dyke. Other major developments along the Van Dyke corridor continued over the past year as well, including GM's Worldwide Virtual showroom.

Major road improvements continued over the past year including:

- Substantial completion of the \$230 million Innovate Mound Project with one more year of construction remaining.
- Approval of the \$5 million resurfacing of Plumbrook Road including the first ever bike lanes along a major road in the City.
- Road construction projects on Schoenherr Road, Metro Parkway, Ryan Road, Hayes Road, and nearly \$6 million in neighborhood road improvements were completed.
- Securing a \$500,000 Traffic Calming grant necessary to address speeding concerns on roads across the City including neighborhood roads.
- Securing a \$1 million grant to complete a feasibility study to transform Metro Parkway between Mound Road and Van Dyke, including replacement of the Conrail Bridge.

Significant infrastructure projects beyond roads including:

- Water and Sewer main improvements equating to \$11 million.
- Approval of over a \$1 million sidewalk repair and gap program.
- Televising all sewer lines in the City to prepare for a massive repair and maintenance program over the next 10 years.

Many organizational accomplishments were realized over the past year including:

- Hiring 5 new Police Officers dedicated to directed patrols in neighborhoods and retail areas which has resulted pro-active policing further improving the City's safe city ranking.

- The City Council approved the first ever lift assist ordinance to address the dramatic increase in EMS runs to senior living facilities across the City.
- Completion of the installation of 40,000 new water meters across the City including the successful transition to monthly billing.
- Improving the City's superior bond rating to AA with a positive outlook ensuring continued low interest rates.
- Implementation of a new cutting-edge work week to address employee retention and recruitment without reducing services to residents and businesses.

Many quality-of-life initiatives were completed over the past year including:

- Creation of the Go Green Grants program to provide grants and low interest loans for home energy improvements.
- Securing additional funding for the City's Urban Reforestation Initiative.
- Expansion of the bike hike trail system with a new segment east of Schoenherr.
- In collaboration with the African American Coalition, coordinating the first ever Memorial Day Tuskegee Flyover attracting significant community and regional attention.
- Developing a cutting-edge water usage portal for residents to monitor and lower water usage and reduce costs.
- Completion of an enclosed Bocce Ball Court at the Senior Center.
- Unveiling three new community sculptures at Imus, Nelson and Mark Sawyers Family Park honoring Firefighters and Police Officers killed in the line of duty.

The City is continuing to experience unprecedented growth and financial success due to thoughtful long-range planning. Our goal is to continue this tradition of excellence over the next fiscal year and beyond.

Major Initiatives for July 1, 2023 and Thereafter

- ✓ The City will continue 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 will strive to implement the Fire Department strategic plan including an equipment allocation plan intended to extend the useful life of critical fire vehicles and equipment.
- ✓ The City will embark on a comprehensive rewrite of the City's Master Land Use Plan which will include community engagement exercises and reflect current best practices.
- ✓ The City continues to update an on-going five-year financial plan, 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 continue the process of revisiting and updating the Visioning 2030 plan for the next decade to create the Visioning 2040 plan.
- ✓ The City will continue to 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 2024. Major road investment will continue including planned resurfacings of Moravian Road, Metro Parkway, Maple Lane Road and Pond View.
- ✓ 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, 2022. 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 35 consecutive years (fiscal years 1988–2022). 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

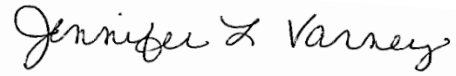
The preparation of this Annual Comprehensive Financial Report was made possible by the efficient and dedicated service of the entire staff of the Office of Financial Services. We wish to express our sincere appreciation to each of them and to various employees from other offices for their cooperation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

A handwritten signature in black ink, appearing to read "Mark D. Vanderpool", with a long horizontal flourish extending to the right.

Mark D. Vanderpool
City Manager

A handwritten signature in black ink, appearing to read "Jennifer L. Varney", written in a cursive style.

Jennifer L. Varney
Finance and Budget Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

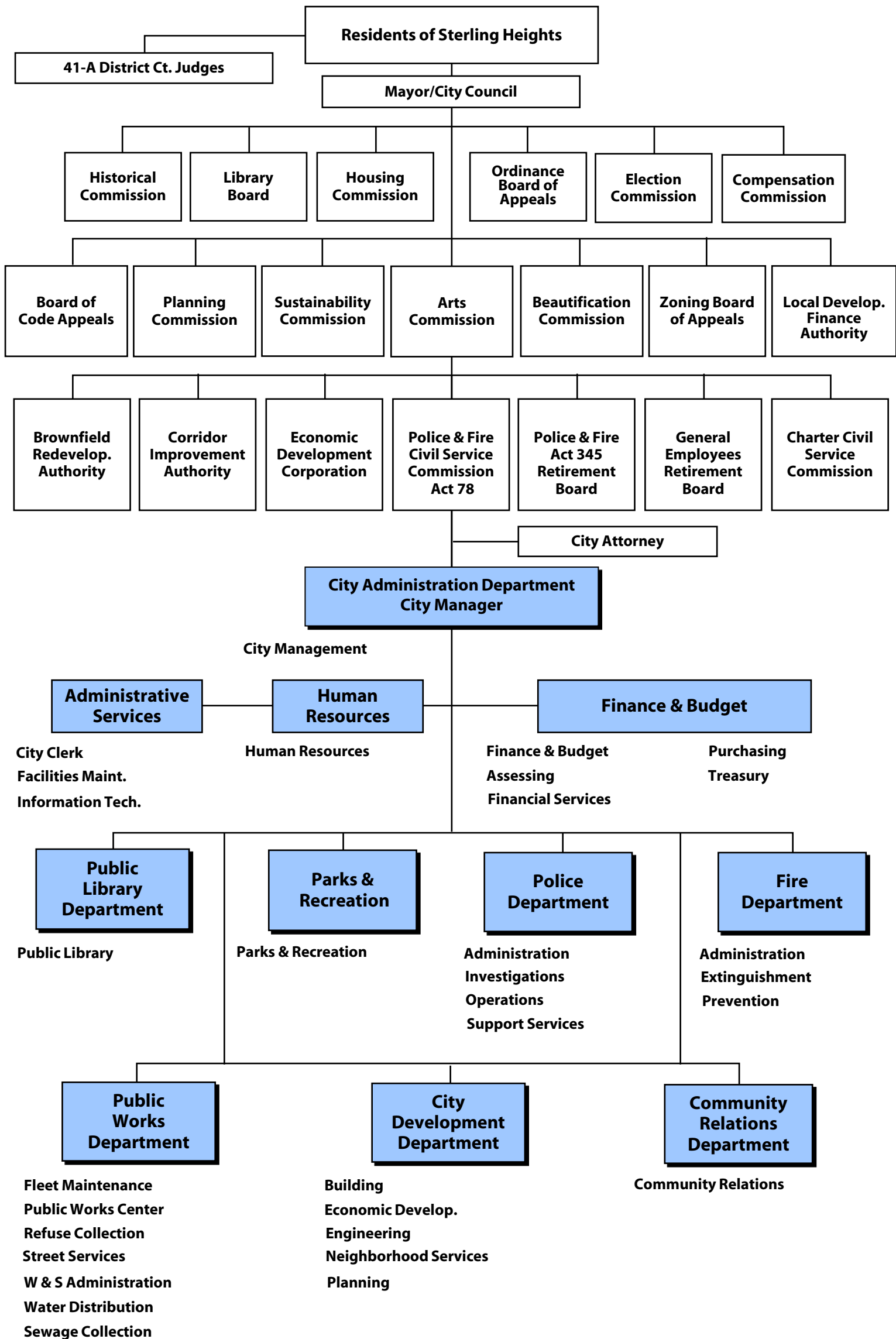
**City of Sterling Heights
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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 D. Kaszubski
City Clerk	Melanie D. Ryksa
City Development Director	Jason Castor
City Engineer	Brent S. Bashaw
City Planner/City Development Manager	Jake Parcell
City Treasurer	Mary Chavez
Community Relations Director	Melanie D. Davis
Controller	Jason Denton
Facilities Maintenance Director	Todd Macovis
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	Erik Skurda

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*
Opioid Settlement Fund

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, 2023 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, 2023 and the respective changes in its financial position and, where applicable, its 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.

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.

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.

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

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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary 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 supplementary 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 supplementary 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.

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

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 30, 2023 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 & Moreau, PLLC

November 30, 2023

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, 2023. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i - xi 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 \$36.8 million, or 19.2 percent. The net position of governmental activities increased by \$27.0 million, or 38.7 percent, and the net position of business-type activities increased by \$9.8 million, or 8.1 percent.
- The increase in the net position of governmental activities was primarily due to investments in roads, facilities, vehicles, and equipment. In addition, a \$2.5 million receivable was recognized for future proceeds from the national opioid settlement. A reduction in the net pension and OPEB liabilities due to increased rates of return and a decrease in unearned revenue also contributed to the net position gain.
- The net position of business-type activities increased by \$9.8 million, or 8.1 percent, primarily due to investments in water and sewer mains and an increase in the restricted funds held on behalf of the City by the Oakland-Macomb Interceptor Drainage District.
- The General Fund reported a \$2.6 million contribution to fund balance for the current year, bringing total General Fund reserves to \$35.5 million, or 28.8 percent of expenditures. General Fund revenue increased by \$10.4 million, or 9 percent. Many factors contributed to the increase, including higher property taxes of \$2.7 million resulting from an overall 4.6 percent increase in taxable value (3.3 percent due to inflation and the remainder due to growth and development); additional grant revenue of \$0.5 million primarily due to proceeds from the SAFER grant, additional proceeds from the Tier 3 personal property tax reimbursement from the State of Michigan of \$1.8 million and additional state revenue sharing of \$0.6 million, increases to ALS transport revenue and court fines of \$1.2 million, increased investment income of \$2.9 million due to the higher interest rate environment, and a decrease in the recognition of unrealized investment losses over the prior year.
- General Fund expenses increased by approximately \$8.5 million, or 7.4 percent, over last year primarily due to increased labor costs of \$3 million resulting from increases in contractual wages, health insurance, and overtime, offset by a reduction in the required contribution to the pension and retiree medical insurance (OPEB) plans. Transfers to other funds increased by \$4.2 million. An additional \$2.25 million was transferred to the Major and Local Roads funds, an additional \$0.5 million was transferred to the Parks and Recreation Fund, and an additional \$1.7 million was transferred to the capital projects funds for future building renovations. These transfers were primarily funded with revenue received from the personal property tax reimbursement.

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 supplementary 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 supplementary 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, 2023 and 2022:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 126,820,374	\$ 128,652,623	\$ 46,243,255	\$ 50,363,202	\$ 173,063,629	\$ 179,015,825
Capital assets	372,174,575	357,326,994	204,555,268	199,349,128	576,729,843	556,676,122
Total assets	498,994,949	485,979,617	250,798,523	249,712,330	749,793,472	735,691,947
Deferred Outflows of Resources	22,391,430	53,490,144	1,721,534	3,704,046	24,112,964	57,194,190
Liabilities						
Current liabilities	34,113,203	37,517,415	6,083,594	8,704,817	40,196,797	46,222,232
Noncurrent liabilities	369,574,886	410,463,842	113,103,393	121,162,176	482,678,279	531,626,018
Total liabilities	403,688,089	447,981,257	119,186,987	129,866,993	522,875,076	577,848,250
Deferred Inflows of Resources	21,024,467	21,808,626	1,642,482	1,695,339	22,666,949	23,503,965
Net Position						
Net investment in capital assets	264,368,326	252,451,250	112,001,593	106,623,230	376,369,919	359,074,480
Restricted	10,614,288	17,511,052	13,156,905	9,184,883	23,771,193	26,695,935
Unrestricted	(178,308,791)	(200,282,424)	6,532,090	6,045,931	(171,776,701)	(194,236,493)
Total net position	<u>\$ 96,673,823</u>	<u>\$ 69,679,878</u>	<u>\$ 131,690,588</u>	<u>\$ 121,854,044</u>	<u>\$ 228,364,411</u>	<u>\$ 191,533,922</u>

The City as a Whole

The City's overall net position increased by 19.2 percent from last year, growing from \$191.5 million to \$228.4 million. The increase in net position can be primarily attributed to investments in infrastructure, including roads and water and sewer mains, as well as investments in facilities, vehicles, and equipment.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$27 million in net position during fiscal year 2023. As noted above, this is primarily due to investments in roads, facilities, vehicles, and equipment. In addition, a \$2.5 million receivable was recognized for future proceeds from the national opioid settlement. A reduction in the net pension and OPEB liabilities due to increased rates of return and a decrease in unearned revenue also contributed to the net position gain. As of June 30, 2023, 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 \$178.3 million. This represents an increase of \$22 million compared to June 30, 2022. The negative amount is primarily due to recognition of future pension and OPEB liabilities, which decreased this year due to investment gains. The City is committed to continued funding of these long-term liabilities on a yearly basis.

The business-type activities experienced an increase in net position of \$9.8 million, primarily due investments in water and sewer mains and an increase in the restricted funds held on behalf of the City by the Oakland-Macomb Interceptor Drain District.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 18,449,599	\$ 14,084,736	\$ 57,508,595	\$ 54,238,528	\$ 75,958,194	\$ 68,323,264
Operating grants	15,877,906	12,138,713	-	-	15,877,906	12,138,713
Capital grants	20,576,994	17,341,628	10,567,931	1,954,602	31,144,925	19,296,230
General revenue:						
Taxes	81,474,109	78,406,913	-	-	81,474,109	78,406,913
Intergovernmental	16,490,679	16,288,653	-	-	16,490,679	16,288,653
Investment earnings	1,851,094	(2,626,093)	559,190	(54,761)	2,410,284	(2,680,854)
Other revenue	4,895,708	4,101,599	-	-	4,895,708	4,101,599
Total revenue	159,616,089	139,736,149	68,635,716	56,138,369	228,251,805	195,874,518
Expenses						
General government	17,901,375	16,824,449	-	-	17,901,375	16,824,449
41A District Court	4,332,387	4,780,581	-	-	4,332,387	4,780,581
Public safety	70,551,306	72,686,196	-	-	70,551,306	72,686,196
Public works	24,441,304	26,530,983	-	-	24,441,304	26,530,983
Recreation and culture	11,876,111	11,704,479	-	-	11,876,111	11,704,479
Debt service	3,519,661	3,283,639	-	-	3,519,661	3,283,639
Water and sewer operations	-	-	58,799,172	58,964,138	58,799,172	58,964,138
Total expenses	132,622,144	135,810,327	58,799,172	58,964,138	191,421,316	194,774,465
Change in Net Position	26,993,945	3,925,822	9,836,544	(2,825,769)	36,830,489	1,100,053
Net Position - Beginning of year	69,679,878	65,754,056	121,854,044	124,679,813	191,533,922	190,433,869
Net Position - End of year	<u>\$ 96,673,823</u>	<u>\$ 69,679,878</u>	<u>\$ 131,690,588</u>	<u>\$ 121,854,044</u>	<u>\$ 228,364,411</u>	<u>\$ 191,533,922</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 2023 include the General Fund and the American Rescue Plan Act Fund.

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

General Fund Budgetary Highlights

General Fund revenue increased by approximately \$10.4 million (9 percent) compared to the prior year to \$125.6 million. Many factors contributed to the increase, including the following:

- Higher property taxes of \$2.7 million resulting from an overall 4.6 percent increase in taxable value (3.3 percent due to inflation and the remainder due to growth and development)
- Additional grant revenue of \$0.5 million primarily due to proceeds from the SAFER grant
- Additional proceeds from the Tier 3 personal property tax reimbursement from the State of Michigan of \$1.8 million and additional state revenue sharing of \$0.6 million
- Increases to ALS transport revenue and court fines of \$1.2 million
- Increased investment income of \$2.9 million due to the higher interest rate environment and a decrease in the recognition of unrealized investment losses over the prior year

General Fund expenditures totaled \$123 million, which is an increase of \$8.5 million, or 7.4 percent, compared to the prior year. The increase was primarily due to increased labor costs of \$3 million resulting from increases in contractual wages, health insurance, and overtime, offset by a reduction in the required contribution to the pension and retiree medical insurance (OPEB) plans. Transfers to other funds increased by \$4.2 million. An additional \$2.25 million was transferred to the Major and Local Roads funds, an additional \$0.5 million was transferred to the Parks and Recreation Fund, and an additional \$1.7 million was transferred to the capital projects funds for future building renovations. These transfers were primarily funded with revenue received from the personal property tax reimbursement.

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 2023. Final budgeted expenditures were \$7.7 million, or 6.6 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 and Local Roads and General Improvements funds. Final budgeted revenue was \$8.3 million, or 7.1 percent, higher than the original budget due to a higher personal property tax reimbursement from the State of Michigan; an increase in state-shared revenue over original projections; and higher transport fees, court fine revenue, and investment interest than expected.

At year end, actual General Fund expenditures were 98.6 percent of the budgeted amount, or \$1.7 million under budget. Every department in the City came in under budget, with the exception of refuse collection, which experienced an unanticipated cost related to hazardous material disposal. General Fund revenue was 99.9 percent of the budget amount, or \$150,000 under budget.

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 \$4.5 million were incurred during 2023. Projects completed or in progress include the resurfacing of Plumbrook Road, the acquisition of land in the Van Dyke corridor, the Go Green Grants program, which provided financial assistance for energy saving home improvements and the rain barrel distribution program.

Capital Assets and Debt Administration

At the end of fiscal year 2023, the City had \$376.4 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$304.8 million and \$295.5 million for fiscal years 2023 and 2022, 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 2023 totaled \$11.6 million (see Note 9 to the financial statements for additional information).

There were no bond issuances or significant bond activity in fiscal year 2023.

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
2023	\$ 153,981,884	2.28	\$ 1,146
2022	163,534,898	2.25	1,217
2021	158,425,723	2.55	1,179

Economic Conditions and Outlook

The following economic factors currently affect the City and were considered in developing the 2023/2024 fiscal year budget:

General Fund

General Fund Revenue

Total General Fund revenue is expected to increase by \$6.3 million (5.3 percent) to a total of \$125.4 million in fiscal year 2023/2024.

Property Taxes

The City's overall property tax assessments are expected to increase by 7.1 percent due to a 5 percent inflationary increase and an additional 2.1 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 remain the same at a total of 16.38 mills.

The City's tax rate remains lower than 51 percent of all cities in the state and one of the lowest of any city in Macomb County. For 2023, the City's tax rate was 5.4 mills below the average of all cities in the county. For the 2023 tax year, the average homeowner's city tax bill is \$1,506 annually for all city services, about \$125 per month.

Other expected revenue increases include state revenue sharing (3.6 percent), personal property tax reimbursement (4.2 percent), and ordinance fines and costs (33 percent).

General Fund Expenditures

General Fund expenditures are budgeted at \$125.4 million for fiscal year 2024. This is an increase of \$6.7 million (5.6 percent) compared to the fiscal year 2022/2023 budget. The increase is primarily due to increases in contractual wages and benefits, a change to the rubbish removal contract to include universal carts and curbside recycling, and increases to general liability insurance and the transfers to the Major Roads Fund and the Parks and Recreation Fund.

Contribution to Fund Balance

The City continues to prioritize a healthy General Fund fund balance to protect against future economic downturns. As a result, General Fund reserves now total \$35.5 million, or 28.8 percent of General Fund expenditures. The 2023/2024 budget includes an additional contribution to fund balance of \$15,150. 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.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Road Funding

The City of Sterling Heights, Michigan continued to prioritize road reconstruction in 2023 by investing nearly \$22 million in major and local road reconstruction. This investment continues in the fiscal year 2023/2024 budget, which includes an additional \$12.8 million of road construction expenditures, including the completion of 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 generates over \$4.0 million annually for local road reconstruction. Despite these significant investments, much more is needed. 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.

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 2023/2024, the GLWA increased rates by 0.4 percent, and Macomb County Public Works increased rates by 3.1 percent. These cost increases plus a continued decline in usage resulted in a 4 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 at a cost of \$72 per month for the average household.

Future Actions Needed for 2024 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 have been able to focus on the future by continuing to implement the City's Visioning 2030 Plan. The City is now looking forward to 2040 and is currently 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 51 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 continues to fund amenities like the skate park and community center and exciting improvements to Dodge Park and other neighborhood parks.

The City is continuing to experience unprecedented growth and financial success due to thoughtful long-range planning. Our goal is to continue this tradition of excellence over the next fiscal year and beyond by continuing to balance service delivery needs, the need for capital investments, and the 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, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 30,884,677	\$ 3,232,714	\$ 34,117,391	\$ 3,067,704
Investments (Note 3)	55,426,646	7,486,528	62,913,174	-
Receivables:				
Customer receivables	-	11,859,067	11,859,067	22,945
Special assessments receivable	904,759	-	904,759	-
Accrued interest receivable	542,958	104,424	647,382	23
Leases receivable (Note 19)	1,529,626	-	1,529,626	-
Other receivables	1,362,510	-	1,362,510	-
Due from other governmental units	7,582,652	-	7,582,652	-
Opioid settlement receivable	2,488,385	-	2,488,385	-
Inventory	955,919	477,953	1,433,872	295,800
Prepaid expenses and other assets	7,904,696	939,207	8,843,903	-
Restricted assets - Cash and cash equivalents (Note 4)	6,079,518	13,156,905	19,236,423	-
Restricted assets - Investments (Note 4)	9,959,442	8,986,457	18,945,899	-
Capital assets:				
Assets not subject to depreciation (Note 6)	94,854,375	19,919,370	114,773,745	2,019,767
Assets subject to depreciation - Net (Note 6)	277,320,200	184,635,898	461,956,098	4,314,471
Rehabilitation loans (Note 5)	1,198,586	-	1,198,586	-
Total assets	498,994,949	250,798,523	749,793,472	9,720,710
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	2,358	207,996	210,354	-
Deferred pension costs (Note 11)	13,048,973	973,264	14,022,237	-
Deferred OPEB costs (Note 12)	9,340,099	540,274	9,880,373	-
Total deferred outflows of resources	22,391,430	1,721,534	24,112,964	-
Liabilities				
Accounts payable	5,593,433	5,184,923	10,778,356	476,406
Due to other governmental units	1,733,274	-	1,733,274	-
Cash and bond deposits	2,810,776	-	2,810,776	-
Accrued and other liabilities	7,722,378	747,876	8,470,254	50,780
Unearned revenue (Note 8)	16,253,342	150,795	16,404,137	32,074
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	46,026	109,986	156,012	-
Compensated absences (Note 9)	1,019,912	99,180	1,119,092	-
Provision for claims (Note 10)	1,169,153	-	1,169,153	-
Current portion of bonds and contracts payable (Note 9)	7,045,000	5,379,457	12,424,457	-
Due in more than one year:				
Net pension liability (Note 11)	188,543,252	8,595,069	197,138,321	-
Net OPEB liability (Note 12)	52,980,174	3,064,611	56,044,785	-
Compensated absences (Note 9)	3,922,681	154,275	4,076,956	-
Provision for claims (Note 10)	875,554	-	875,554	-
Bonds and contracts payable - Net of current portion (Note 9)	113,973,134	95,700,815	209,673,949	-
Total liabilities	403,688,089	119,186,987	522,875,076	559,260
Deferred Inflows of Resources				
Deferred benefit on bond refunding (Note 7)	-	557,870	557,870	-
Deferred pension cost reductions (Note 11)	859,311	-	859,311	-
Deferred OPEB cost reductions (Note 12)	18,750,477	1,084,612	19,835,089	-
Deferred lease revenue (Note 19)	1,414,679	-	1,414,679	-
Total deferred inflows of resources	21,024,467	1,642,482	22,666,949	-
Net Position				
Net investment in capital assets	264,368,326	112,001,593	376,369,919	6,334,238
Restricted:				
Roads	4,374,396	-	4,374,396	-
Public safety	2,322,076	-	2,322,076	-
Debt service	813,659	-	813,659	-
County drains (Note 4)	-	13,156,905	13,156,905	-
Opioid settlement	3,104,157	-	3,104,157	-
Unrestricted	(178,308,791)	6,532,090	(171,776,701)	2,827,212
Total net position	\$ 96,673,823	\$ 131,690,588	\$ 228,364,411	\$ 9,161,450

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	\$ 17,901,375	\$ 3,249,159	\$ 1,188,794	\$ 3,306,017
41A District Court	4,332,387	2,797,889	421,846	-
Public safety	70,551,306	8,322,955	2,584,252	1,110,311
Public works	24,441,304	2,841,568	10,950,715	16,160,666
Recreation and culture	11,876,111	1,238,028	732,299	-
Interest on long-term debt	3,519,661	-	-	-
Total governmental activities	132,622,144	18,449,599	15,877,906	20,576,994
Business-type activities - Water and Sewer	58,799,172	57,508,595	-	10,567,931
Total primary government	\$ 191,421,316	\$ 75,958,194	\$ 15,877,906	\$ 31,144,925
Component units:				
Brownfield Redevelopment Authority	\$ 691,371	\$ -	\$ -	\$ -
Corridor Improvement Authority	44,423	-	-	-
Economic Development Corporation	77,901	-	-	-
Local Development Finance Authority	1,131,484	-	20,000	-
Total component units	\$ 1,945,179	\$ -	\$ 20,000	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Investment 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, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,157,405)	\$ -	\$ (10,157,405)	\$ -
(1,112,652)	-	(1,112,652)	-
(58,533,788)	-	(58,533,788)	-
5,511,645	-	5,511,645	-
(9,905,784)	-	(9,905,784)	-
(3,519,661)	-	(3,519,661)	-
(77,717,645)	-	(77,717,645)	-
-	9,277,354	9,277,354	-
(77,717,645)	9,277,354	(68,440,291)	-
-	-	-	(691,371)
-	-	-	(44,423)
-	-	-	(77,901)
-	-	-	(1,111,484)
-	-	-	(1,925,179)
81,474,109	-	81,474,109	2,515,074
16,490,679	-	16,490,679	-
1,851,094	559,190	2,410,284	295,240
1,982,585	-	1,982,585	-
2,913,123	-	2,913,123	-
104,711,590	559,190	105,270,780	2,810,314
26,993,945	9,836,544	36,830,489	885,135
69,679,878	121,854,044	191,533,922	8,276,315
\$ 96,673,823	\$ 131,690,588	\$ 228,364,411	\$ 9,161,450

City of Sterling Heights, Michigan

Governmental Funds Balance Sheet

June 30, 2023

	General Fund	American Rescue Plan Act Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 6,288,350	\$ 7,035,042	\$ 16,537,503	\$ 29,860,895
Investments - At fair value (Note 3)	38,004,029	7,317,080	7,205,152	52,526,261
Receivables:				
Special assessments receivable	-	-	904,759	904,759
Accrued interest receivable	316,451	56,535	110,248	483,234
Leases receivable (Note 19)	1,529,626	-	-	1,529,626
Other receivables	1,331,432	-	31,078	1,362,510
Due from other governmental units	4,683,998	-	2,898,654	7,582,652
Opioid settlement receivable	-	-	2,488,385	2,488,385
Due from other funds (Note 13)	124,479	-	-	124,479
Inventory	955,919	-	-	955,919
Prepays and other assets	164,151	-	6,844,462	7,008,613
Restricted assets (Note 4)	-	-	6,079,518	6,079,518
Restricted assets - Investments (Note 4)	-	-	9,959,442	9,959,442
Rehabilitation loans (Note 5)	-	-	1,198,586	1,198,586
Total assets	\$ 53,398,435	\$ 14,408,657	\$ 54,257,787	\$ 122,064,879
Liabilities				
Accounts payable	\$ 2,188,929	\$ 672,045	\$ 2,573,626	\$ 5,434,600
Due to other governmental units	1,733,274	-	-	1,733,274
Due to other funds (Note 13)	-	-	124,479	124,479
Cash and bond deposits	2,810,776	-	-	2,810,776
Accrued and other liabilities	5,382,426	294,054	1,053,108	6,729,588
Unearned revenue (Note 8)	152,598	12,994,018	3,106,726	16,253,342
Payable from restricted assets	-	-	46,026	46,026
Total liabilities	12,268,003	13,960,117	6,903,965	33,132,085
Deferred Inflows of Resources				
Unavailable revenue	4,252,279	-	3,264,695	7,516,974
Deferred lease revenue	1,414,679	-	-	1,414,679
Total deferred inflows of resources	5,666,958	-	3,264,695	8,931,653
Total liabilities and deferred inflows of resources	17,934,961	13,960,117	10,168,660	42,063,738
Fund Balances				
Nonspendable	1,120,070	-	6,844,462	7,964,532
Restricted:				
Roads	-	-	13,126,482	13,126,482
Public safety	-	-	2,322,076	2,322,076
Debt service	-	-	354,939	354,939
Capital projects	-	-	1,479,770	1,479,770
Opioid settlement	-	-	615,772	615,772
Committed - Park acquisitions and improvements	-	-	32,461	32,461
Assigned:				
Capital projects	-	448,540	18,468,369	18,916,909
Parks and recreation	-	-	844,796	844,796
Unassigned	34,343,404	-	-	34,343,404
Total fund balances	35,463,474	448,540	44,089,127	80,001,141
Total liabilities, deferred inflows of resources, and fund balances	\$ 53,398,435	\$ 14,408,657	\$ 54,257,787	\$ 122,064,879

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 80,001,141
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	372,174,575
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	7,516,974
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(121,015,776)
Accrued interest is not due and payable in the current period and is not reported in the funds	(992,790)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(4,942,593)
Pension benefits	(176,353,590)
Retiree health care benefits	(62,390,552)
Internal service funds are included as part of governmental activities	2,676,434
Net Position of Governmental Activities	<u><u>\$ 96,673,823</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	General Fund	American Rescue Plan Act Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 72,530,132	\$ -	\$ 8,943,977	\$ 81,474,109
Special assessments	-	-	148,520	148,520
Intergovernmental:				
Federal sources	1,083,818	4,517,748	2,171,554	7,773,120
State sources	26,413,012	-	17,835,525	44,248,537
Local sources	-	-	128,703	128,703
Charges for services	14,822,781	-	1,724,327	16,547,108
Fines and forfeitures	2,469,429	-	-	2,469,429
Licenses and permits:				
Cable franchise fees	1,982,585	-	-	1,982,585
Fees and permits	2,443,600	-	-	2,443,600
Investment income:				
Investment earnings	756,458	419,902	588,459	1,764,819
Rental income	1,565,433	-	-	1,565,433
Other revenue	1,488,926	-	1,428,775	2,917,701
Total revenue	125,556,174	4,937,650	32,969,840	163,463,664
Expenditures				
Current services:				
General government	15,035,291	1,188,794	-	16,224,085
41A District Court	3,740,478	-	302,383	4,042,861
Public safety	64,297,688	-	192,381	64,490,069
Public works	17,206,147	43,937	5,122,057	22,372,141
General expenditures	2,696,868	-	3,849	2,700,717
Recreation and culture	2,658,889	-	6,125,277	8,784,166
Capital outlay	218,532	3,285,017	29,896,283	33,399,832
Debt service	-	-	11,626,943	11,626,943
Total expenditures	105,853,893	4,517,748	53,269,173	163,640,814
Excess of Revenue Over (Under) Expenditures	19,702,281	419,902	(20,299,333)	(177,150)
Other Financing Sources (Uses)				
Transfers in	-	-	22,252,546	22,252,546
Transfers out	(17,236,170)	-	(5,016,376)	(22,252,546)
Sale of capital assets	123,057	-	-	123,057
Total other financing (uses) sources	(17,113,113)	-	17,236,170	123,057
Net Change in Fund Balances	2,589,168	419,902	(3,063,163)	(54,093)
Fund Balances - Beginning of year	32,874,306	28,638	47,152,290	80,055,234
Fund Balances - End of year	\$ 35,463,474	\$ 448,540	\$ 44,089,127	\$ 80,001,141

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ (54,093)
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	33,845,729
Depreciation expense	(17,900,412)
Net book value of assets disposed of	(1,097,736)
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	3,118,326
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	8,127,069
Interest expense is recognized in the government-wide statements as it accrues	(14,762)
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	2,373,718
Internal service funds are included as part of governmental activities	(1,403,894)
Change in Net Position of Governmental Activities	<u>\$ 26,993,945</u>

Proprietary Funds
Statement of Net Position

June 30, 2023

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,232,714	\$ 1,023,782
Investments - At fair value (Note 3)	7,486,528	2,900,385
Receivables:		
Customer receivables	11,859,067	-
Accrued interest receivable	104,424	59,724
Inventory	477,953	-
Prepaid expenses and other assets	939,207	896,083
Total current assets	24,099,893	4,879,974
Noncurrent assets:		
Restricted assets - Cash and cash equivalents (Note 4)	13,156,905	-
Restricted assets - Investments	8,986,457	-
Capital assets: (Note 6)		
Assets not subject to depreciation	19,919,370	-
Assets subject to depreciation - Net	184,635,898	-
Total noncurrent assets	226,698,630	-
Total assets	250,798,523	4,879,974
Deferred Outflows of Resources (Notes 7, 11 and 12)		
Deferred charges on bond refunding	207,996	-
Deferred pension costs	973,264	-
Deferred OPEB costs	540,274	-
Total deferred outflows of resources	1,721,534	-
Liabilities		
Current liabilities:		
Accounts payable	5,184,923	158,833
Accrued and other liabilities	747,876	-
Unearned revenue (Note 8)	150,795	-
Compensated absences	99,180	-
Provision for claims	-	1,169,153
Current portion of bonds and contracts payable (Note 9)	5,379,457	-
Total current liabilities	11,562,231	1,327,986
Noncurrent liabilities:		
Payable from restricted assets	109,986	-
Compensated absences	154,275	-
Provision for claims	-	875,554
Net pension liability (Note 11)	8,595,069	-
Net OPEB liability (Note 12)	3,064,611	-
Bonds and contracts payable - Net of current portion (Note 9)	95,700,815	-
Total noncurrent liabilities	107,624,756	875,554
Total liabilities	119,186,987	2,203,540

Proprietary Funds
Statement of Net Position (Continued)

June 30, 2023

	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	\$ 557,870	\$ -
Deferred OPEB cost reductions	1,084,612	-
Total deferred inflows of resources	<u>1,642,482</u>	<u>-</u>
Net Position		
Net investment in capital assets	112,001,593	-
Restricted - County drains	13,156,905	-
Unrestricted (Note 17)	6,532,090	2,676,434
Total net position	<u><u>\$ 131,690,588</u></u>	<u><u>\$ 2,676,434</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 22,684,675	\$ -
Sewage disposal charges	32,696,203	-
Service charges	660,515	-
City contributions	-	9,050,482
Other	1,467,202	60,507
Total operating revenue	57,508,595	9,110,989
Operating Expenses		
Wages and fringe benefits	5,299,391	-
Water purchases	16,661,863	-
Sewage disposal charges	21,328,833	-
Materials and supplies	337,000	-
Repairs and maintenance	1,076,880	-
Building and equipment rental	451,096	-
Contractual services	739,389	-
Administration expenses and other	59,871	872,190
Other	2,470,100	-
Insurance and reinsurance charges and claims	203,830	9,728,968
Depreciation	7,293,008	-
Total operating expenses	55,921,261	10,601,158
Operating Income (Loss)	1,587,334	(1,490,169)
Nonoperating Revenue (Expense)		
Investment income	559,190	86,275
Interest expense	(2,877,911)	-
Total nonoperating (expense) revenue	(2,318,721)	86,275
Loss - Before capital contributions	(731,387)	(1,403,894)
Capital Contributions - Other capital contributions	10,567,931	-
Change in Net Position	9,836,544	(1,403,894)
Net Position - Beginning of year	121,854,044	4,080,328
Net Position - End of year	\$ 131,690,588	\$ 2,676,434

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2023

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 58,264,520	\$ 9,050,482
Payments for interfund services and reimbursements	(2,470,100)	-
Payments to suppliers	(43,695,236)	-
Payments to employees and fringes	(5,801,914)	-
Claims paid	-	(8,336,495)
Other receipts	-	235,327
Net cash and cash equivalents provided by operating activities	6,297,270	949,314
Cash Flows from Capital and Related Financing Activities		
Special assessment collections	233,221	-
Purchase of capital assets	(5,059,331)	-
Principal and interest paid on capital debt	(8,662,636)	-
Net cash and cash equivalents used in capital and related financing activities	(13,488,746)	-
Cash Flows from Investing Activities		
Interest received on investments	514,599	86,275
Purchases of investment securities	(5,442,176)	(23,774)
Proceeds from sale and maturities of investment securities	9,031,048	-
Net cash and cash equivalents provided by investing activities	4,103,471	62,501
Net (Decrease) Increase in Cash and Cash Equivalents	(3,088,005)	1,011,815
Cash and Cash Equivalents - Beginning of year	15,307,176	11,967
Cash and Cash Equivalents - End of year	\$ 12,219,171	\$ 1,023,782
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 3,232,714	\$ 1,023,782
Restricted cash	8,986,457	-
Total cash and cash equivalents	\$ 12,219,171	\$ 1,023,782
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 1,587,334	\$ (1,490,169)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	7,293,008	-
Changes in assets and liabilities:		
Receivables	755,925	-
Inventories	(244,480)	-
Net pension or OPEB asset	24,416	-
Accounts payable	(2,658,364)	235,327
Estimated claims liability	-	2,204,156
Net pension or OPEB liability	(2,387,218)	-
Deferrals related to pension or OPEB	1,926,649	-
Total adjustments	4,709,936	2,439,483
Net cash and cash equivalents provided by operating activities	\$ 6,297,270	\$ 949,314

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2023

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2023, approximately \$6.4 million of capital assets was recorded in connection with Oakland and Macomb County's MID and OMID drain interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan in addition to proceeds from other revenue streams. The total revenue recorded as contributed capital associated with these revenue streams during the year totaled approximately \$10.3 million. The excess of revenue over capital assets recorded in connection with the Oakland and Macomb County's MID and OMID drain interceptor projects resulted in an increase in restricted cash held at the County of approximately \$3.9 million.

City of Sterling Heights, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2023

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 11,819,335	\$ 84,002
Investments - At fair value:		
Negotiable CDs	122,196	-
Government securities	37,652,670	-
Mutual funds	58,878,796	-
Common and preferred stocks	342,903,905	-
Corporate bonds	23,635,308	-
Private real estate	9,776,319	-
Hedge funds	12,059,938	-
Receivables - Other	1,809,260	-
Total assets	498,657,727	84,002
Liabilities		
Accounts payable	571,519	-
Accrued and other liabilities	91,138	-
Provision for claims	968,293	-
Total liabilities	1,630,950	\$ -
Net Position - Restricted		
Pension	340,624,411	-
Postemployment benefits other than pension	156,402,366	-
Individuals, organizations, and other governments	-	84,002
Total net position	<u><u>\$ 497,026,777</u></u>	<u><u>\$ 84,002</u></u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Investment income (expense):		
Interest and dividends	\$ 13,159,362	\$ -
Net increase in fair value of investments	45,881,823	-
Investment costs	(2,888,058)	-
Net investment income	56,153,127	-
Contributions:		
Employer contributions	26,571,382	-
Employee contributions	3,336,354	-
Purchase of prior year's service credits	339,789	-
Total contributions	30,247,525	-
Property tax collections for other governments	-	138,440,066
Court fees collected for other governments	-	1,022,298
Total additions	86,400,652	139,462,364
Deductions		
Benefit payments	47,394,952	-
Refunds of contributions	2,253,597	-
Tax distributions to other governments	-	138,440,066
Court fees distributed to other governments	-	1,081,582
Total deductions	49,648,549	139,521,648
Net Increase (Decrease) in Fiduciary Net Position	36,752,103	(59,284)
Net Position - Beginning of year	460,274,674	143,286
Net Position - End of year	\$ 497,026,777	\$ 84,002

City of Sterling Heights, Michigan

Component Units Statement of Net Position

June 30, 2023

	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
Assets					
Cash and cash equivalents	\$ 38,203	\$ 8,913	\$ 2,039,108	\$ 981,480	\$ 3,067,704
Receivables:					
Customer receivables	-	-	22,945	-	22,945
Accrued interest receivable	2	6	10	5	23
Inventory	-	-	-	295,800	295,800
Capital assets: (Note 6)					
Assets not subject to depreciation	-	-	2,019,767	-	2,019,767
Assets subject to depreciation - Net	-	-	4,314,471	-	4,314,471
Total assets	38,205	8,919	8,396,301	1,277,285	9,720,710
Liabilities					
Accounts payable	-	-	465,631	10,775	476,406
Accrued and other liabilities	-	-	50,780	-	50,780
Unearned revenue	-	-	32,074	-	32,074
Total liabilities	-	-	548,485	10,775	559,260
Net Position					
Net investment in capital assets	-	-	6,334,238	-	6,334,238
Unrestricted	38,205	8,919	1,513,578	1,266,510	2,827,212
Total net position	<u>\$ 38,205</u>	<u>\$ 8,919</u>	<u>\$ 7,847,816</u>	<u>\$ 1,266,510</u>	<u>\$ 9,161,450</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	\$ 77,901	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	691,371	-	-	-
Local Development Finance Authority	1,131,484	-	20,000	-
Corridor Improvement Authority	44,423	-	-	-
Total component units	\$ 1,945,179	\$ -	\$ 20,000	\$ -

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, 2023

Net (Expense) Revenue and Changes in Net Position				
Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
\$ (77,901)	\$ -	\$ -	\$ -	\$ (77,901)
-	(691,371)	-	-	(691,371)
-	-	(1,111,484)	-	(1,111,484)
-	-	-	(44,423)	(44,423)
(77,901)	(691,371)	(1,111,484)	(44,423)	(1,925,179)
-	681,371	1,560,351	273,352	2,515,074
1,343	16,771	251,984	25,142	295,240
1,343	698,142	1,812,335	298,494	2,810,314
(76,558)	6,771	700,851	254,071	885,135
114,763	2,148	7,146,965	1,012,439	8,276,315
\$ 38,205	\$ 8,919	\$ 7,847,816	\$ 1,266,510	\$ 9,161,450

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.

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.

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 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.
- 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.

Note 1 - Significant Accounting Policies (Continued)

- 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.

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.

June 30, 2023

Note 1 - Significant Accounting Policies (Continued)**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

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.

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net 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.

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.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Policies

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

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

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

Property Tax Revenue

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

The 2023 taxable valuation of the City totaled \$4,991,325,548, on which taxes levied consisted of 9.4940 mills for operating purposes, 0.9468 mills for refuse collection, 2.5189 mills for police and fire pension, 0.1096 mills for debt service related to firehouse improvements, 2.3850 mills for safe streets, and 0.9257 mills for parks and recreation. This resulted in \$47,185,376 for operating, \$4,705,616 for refuse collection, \$12,556,551 for police and fire pension, \$551,006 for debt service related to firehouse improvements, \$11,847,231 for safe streets, and \$4,596,013 for parks and recreation. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

Pension

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

June 30, 2023**Note 1 - Significant Accounting Policies (Continued)****Other Postemployment Benefit (OPEB) Costs**

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

Compensated Absences (Vacation and Sick Leave)

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

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.

Note 1 - Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncements

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
Public works - Refuse collection	\$ 4,810,870	\$ 4,846,800

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, 2022		\$ (10,325,300)
Current year permit revenue		2,487,076
Related expenses:		
Direct costs	\$ 1,427,575	
Estimated indirect costs	1,755,300	3,182,875
Current year shortfall		(695,799)
Cumulative shortfall at June 30, 2023		\$ (11,021,099)

June 30, 2023

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council in accordance with the Public Act 20 of 1948, as amended, authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities (date-specific maturities only), nonnegotiable certificates of deposit, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512.

For mutual funds, the treasurer may invest in no-load fixed-income mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, either taxable or tax exempt. This authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

The pension trust funds and the Retiree Medical Benefits Trust are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated one bank for the deposit of its cash. Other cash equivalents are held at this and several other institutions. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's investments comply with all required laws and regulations.

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 \$36,680,000 (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.

June 30, 2023

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, 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.

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	\$ 13,383,553	0.1366
U.S. government agency bonds	60,269,813	1.1869
Municipal bonds	2,407,871	3.7648
U.S. government obligations	11,771,355	0.9981
General Employees' Retirement System		
Corporate bonds	5,689,420	4.8683
U.S. government agency bonds	5,170,678	6.8690
U.S. government obligations	3,619,760	12.1296
Police and Fire Retirement System		
Corporate bonds	10,734,492	6.2982
U.S. government agency bonds	11,275,381	5.7942
U.S. government obligations	6,490,096	10.4069
Municipal bonds	122,196	5.2456
Retiree Medical Benefits Trust		
Corporate bonds	7,211,396	5.1263
U.S. government agency bonds	6,314,785	6.8384
U.S. government obligations	4,781,972	11.5918

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	\$ 2,605,975	AAA	S&P
Commercial paper	13,383,533	A1	S&P
U.S. government agency bonds	60,269,813	AA+	S&P
Municipal bonds	2,407,871	AA-	S&P
U.S. government obligations	11,771,355	AA+	S&P
General Employees' Retirement System			
Money market	772,489	NR	N/A
Corporate bonds	510,611	AAA	Moody's
Corporate bonds	66,079	AA-	S&P
Corporate bonds	146,836	AA+	S&P
Corporate bonds	1,211,591	A+ to A-	S&P
Corporate bonds	2,679,398	BBB+ to BBB-	S&P
Corporate bonds	169,105	Baa3	Moody's
Corporate bonds	816,105	BB+ to BB-	S&P
Corporate bonds	86,694	B	S&P
U.S. government agency bonds	5,170,678	AA+	S&P
U.S. government obligations	3,619,760	AA+	S&P
Police and Fire Retirement System			
Money market	85,732	NR	N/A
Corporate bonds	260,148	AAA	S&P
Corporate bonds	425,615	AAA	Moody's
Corporate bonds	530,149	AA+ to AA-	S&P
Corporate bonds	77,323	Aa2	S&P
Corporate bonds	9,149	A+ to A-	Moody's
Corporate bonds	3,261,986	A+ to A-	S&P
Corporate bonds	4,993,479	BBB+ to BBB-	S&P
Corporate bonds	93,524	Ba1	Moody's
Corporate bonds	359,912	BB+ to BB-	S&P
Corporate bonds	410,994	B+ to B-	S&P
Corporate bonds	81,177	CCC to CCC+	S&P
Corporate bonds	132,096	Caa2	Moody's
Corporate bonds	98,940	NR	N/A
U.S. government agency bonds	11,275,381	AA+	S&P
U.S. government obligations	6,490,096	AA+	S&P
Municipal bonds	26,232	AAA	S&P
Municipal bonds	95,964	AA+ to AA	S&P
Retiree Medical Benefits Trust			
Corporate bonds	687,861	AA+	S&P
Corporate bonds	249,474	AA+ to AA-	S&P
Corporate bonds	1,460,997	A+ to A-	S&P
Corporate bonds	3,611,232	BBB+ to BBB-	S&P
Corporate bonds	1,082,240	BB+ to BB-	S&P
Corporate bonds	119,592	B+	S&P
U.S. government agency bonds	6,314,785	AA+	S&P
U.S. government obligations	4,781,972	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, 2023.

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, 2023.

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, 2023

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2023:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Investments by fair value level:				
Debt securities:				
U.S. Treasury securities	\$ 26,663,182	\$ -	\$ -	\$ 26,663,182
U.S. government agencies	83,030,656	-	-	83,030,656
Municipal obligations	2,530,067	-	-	2,530,067
Corporate bonds	-	37,018,860	-	37,018,860
Total debt securities	112,223,905	37,018,860	-	149,242,765
Equity securities:				
Consumer discretionary	39,338,442	-	-	39,338,442
Consumer staples	17,521,581	-	-	17,521,581
Energy	8,892,246	-	-	8,892,246
Financials	47,644,673	-	-	47,644,673
Health care	42,211,902	-	-	42,211,902
Industrials	52,923,108	-	-	52,923,108
Information technology	59,262,410	-	-	59,262,410
Materials	15,289,447	-	-	15,289,447
Real estate	11,800,895	-	-	11,800,895
Telecommunications	14,402,333	-	-	14,402,333
Utilities	6,718,692	-	-	6,718,692
Other	26,898,177	-	-	26,898,177
Total equity securities	342,903,906	-	-	342,903,906
Total	\$ 455,127,811	\$ 37,018,860	\$ -	492,146,671
Investments measured at NAV:				
Michigan CLASS Investment Pool				2,605,975
Mutual funds - Western Asset Management				20,281,588
Mutual funds - Other				38,597,208
American Core Realty Fund				4,768,562
U.S. Real Estate Investment Fund				5,007,757
Hedge funds				12,059,938
Total investments measured at NAV				83,321,028
Total assets				\$ 575,467,699

The fair values of U.S. Treasury securities, U.S. government agencies, municipal obligations, and equity securities at June 30, 2023 were determined primarily based on Level 1 inputs. The City estimates the fair value using prices quoted in active markets for those securities.

June 30, 2023

Note 3 - Deposits and Investments (Continued)

The fair value of corporate bonds at June 30, 2023 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, 2023, 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	\$ 2,605,975	\$ -	N/A	None
Mutual funds - Western Asset Manager	20,281,588	-	N/A	None
Mutual funds - Other	38,597,208	-	N/A	None
American Core Realty Fund	4,768,562	-	Quarterly	None
U.S. Real Estate Investment Fund	5,007,757	-	Quarterly	None
Hedge funds	12,059,938	-	Quarterly	45 - 95 days
Total	<u>\$ 83,321,028</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 industrial, residential, office, and retail 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, 2023

Note 3 - Deposits and Investments (Continued)

The hedge funds include investments in Millennium Fund and SEG Partners. The objective of the Millennium Fund is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investing strategies. SEG Partners' investment objective is to achieve maximum total return by primarily investing in equity securities.

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, 2023, restricted assets are composed of the following:

Water and Sewer Fund - Due from Oakland County, Michigan*	\$ 13,156,905
General Improvements Fund - Due from Macomb County, Michigan**	1,701,716
Water and Sewer Fund - Unspent bond proceeds	8,986,457
General Improvements Fund - Unspent bond proceeds	1,542,377
Road Bond Construction Fund - Unspent bond proceeds	12,794,867
Total	<u>\$ 38,182,322</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 \$1,198,586 at June 30, 2023 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, 2023

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2022	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 46,463,300	\$ 668,412	\$ -	\$ -	\$ 47,131,712
Construction in progress	40,646,478	27,228,127	(513,950)	(20,261,039)	47,099,616
Works of art	489,247	83,900	-	49,900	623,047
Subtotal	87,599,025	27,980,439	(513,950)	(20,211,139)	94,854,375
Capital assets being depreciated:					
Buildings and improvements	110,773,395	1,166,926	(561,193)	23,472	111,402,600
Land improvements	51,156,307	1,184,752	(12,874)	500,644	52,828,829
Equipment	48,514,286	2,857,903	(2,754,883)	83,461	48,700,767
Furnishings and fixtures	3,671,722	40,692	(122,622)	-	3,589,792
Infrastructure	338,672,626	615,017	-	19,603,562	358,891,205
Subtotal	552,788,336	5,865,290	(3,451,572)	20,211,139	575,413,193
Accumulated depreciation:					
Buildings and improvements	24,909,248	3,712,499	(182,249)	-	28,439,498
Land improvements	9,427,331	1,718,637	(7,582)	-	11,138,386
Equipment	30,571,606	3,797,713	(2,563,621)	-	31,805,698
Furnishing and fixtures	1,152,114	192,873	(114,334)	-	1,230,653
Infrastructure	217,000,068	8,478,690	-	-	225,478,758
Subtotal	283,060,367	17,900,412	(2,867,786)	-	298,092,993
Net capital assets being depreciated	269,727,969	(12,035,122)	(583,786)	20,211,139	277,320,200
Net governmental activities capital assets	\$ 357,326,994	\$ 15,945,317	\$ (1,097,736)	\$ -	\$ 372,174,575

June 30, 2023

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

	Balance July 1, 2022	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	14,574,663	7,370,071	-	(2,090,235)	19,854,499
Subtotal	14,639,534	7,370,071	-	(2,090,235)	19,919,370
Capital assets being depreciated:					
Buildings and improvements	524,660	-	(162,287)	-	362,373
Equipment	15,637,210	3,078,724	(148,378)	529,419	19,096,975
Furnishings and fixtures	1,200	-	(1,200)	-	-
Water and sewer lines	338,937,813	2,155,007	-	1,560,816	342,653,636
Subtotal	355,100,883	5,233,731	(311,865)	2,090,235	362,112,984
Accumulated depreciation:					
Buildings and improvements	239,592	9,116	(115,830)	-	132,878
Equipment	5,062,676	1,077,644	(90,188)	-	6,050,132
Furnishing and fixtures	1,193	-	(1,193)	-	-
Water and sewer lines	165,087,828	6,206,248	-	-	171,294,076
Subtotal	170,391,289	7,293,008	(207,211)	-	177,477,086
Net capital assets being depreciated	184,709,594	(2,059,277)	(104,654)	2,090,235	184,635,898
Net business-type activities capital assets	<u>\$ 199,349,128</u>	<u>\$ 5,310,794</u>	<u>\$ (104,654)</u>	<u>\$ -</u>	<u>\$ 204,555,268</u>

Construction in progress includes \$12,687,342 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 \$352,677,690. 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, 2023

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2023 was as follows:

Local Development Finance Authority

	Balance July 1, 2022	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,209,203	\$ -	\$ -	\$ -	\$ 1,209,203
Construction in progress	406,266	414,931	-	(13,633)	807,564
Works of art	3,000	-	-	-	3,000
Subtotal	1,618,469	414,931	-	(13,633)	2,019,767
Capital assets being depreciated:					
Buildings and improvements	4,872,842	89,205	(11,246)	13,633	4,964,434
Equipment	272,877	167,084	-	-	439,961
Subtotal	5,145,719	256,289	(11,246)	13,633	5,404,395
Accumulated depreciation:					
Buildings and improvements	815,369	169,692	(3,149)	-	981,912
Equipment	67,010	41,002	-	-	108,012
Subtotal	882,379	210,694	(3,149)	-	1,089,924
Net capital assets being depreciated	4,263,340	45,595	(8,097)	13,633	4,314,471
Net capital assets	\$ 5,881,809	\$ 460,526	\$ (8,097)	\$ -	\$ 6,334,238

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

Governmental activities:	
General government	\$ 279,598
41A District Court	196,306
Public safety	2,765,879
Public works	10,507,593
Economic development	1,022,208
Recreation and culture	3,128,828
Total governmental activities	\$ 17,900,412
Business-type activities - Water and Sewer	\$ 7,293,008
Component unit activities - Local Development Finance Authority	\$ 210,694

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	\$ 79,861,511	\$ 18,054,648

June 30, 2023

Note 7 - Deferred Inflows/Outflows of Resources

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

	Governmental Activities	Business-type Activities	Total
Pension expense - GERS (Note 11)	\$ 4,057,083	\$ 973,264	\$ 5,030,347
Pension expense - PFRS (Note 11)	8,991,890	-	8,991,890
OPEB expense - RMB (Note 12)	9,340,099	540,274	9,880,373
Bond refunding loss being amortized (Note 9)	2,358	207,996	210,354
Total deferred outflows	<u>\$ 22,391,430</u>	<u>\$ 1,721,534</u>	<u>\$ 24,112,964</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
State-shared revenue - Unavailable	\$ 2,466,891	\$ -	\$ -
Special assessments - Unavailable	776,310	-	-
Opioid settlement - Unavailable	2,488,385	-	-
Other revenue - Unavailable	1,785,388	-	-
Pension expense - PFRS (Note 11)	-	859,311	-
OPEB expense - RMB (Note 12)	-	18,750,477	1,084,612
Bond refunding gain being amortized (Note 9)	-	-	557,870
Lease deferred inflows	1,414,679	1,414,679	-
Total deferred inflows	<u>\$ 8,931,653</u>	<u>\$ 21,024,467</u>	<u>\$ 1,642,482</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, 2023, the City had \$8,931,653 of unavailable revenue and \$16,404,137 of unearned revenue. At June 30, 2023, the City's component units had \$32,074 of unearned revenue. Unavailable revenue primarily relates to state-shared revenue, special assessments, and opioid settlement proceeds 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 2023 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 rents paid to the City in 2023 that are applicable to future years.

June 30, 2023

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 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 - 2017							
Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue - \$3,105,000	1.00% -	\$445,000 -					
Maturing through 2023	2.00%	\$575,000	\$ 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	1,400,000	-	(200,000)	1,200,000	200,000
2016 Michigan Transportation Fund Bonds:							
Amount of issue - \$9,630,000	2.00% -	\$620,000 -					
Maturing through 2031	3.00%	\$785,000	6,280,000	-	(620,000)	5,660,000	635,000
Unamortized premium			180,709	-	(12,133)	168,576	-
2017 Capital Improvement Bond Limited Tax General Obligation Bonds:							
Amount of issue - \$42,135,000	3.00% -	\$1,690,000 -					
Maturing through 2037	5.00%	\$2,905,000	34,555,000	-	(1,690,000)	32,865,000	1,775,000
Unamortized premium			2,090,854	-	(308,124)	1,782,730	-
2017 Michigan Transportation Fund Bonds:							
Amount of issue - \$2,075,000	2.00% -	\$130,000 -					
Maturing through 2032	3.00%	\$175,000	1,495,000	-	(130,000)	1,365,000	130,000
Unamortized premium			28,915	-	(1,648)	27,267	-
2018 Capital Improvement Bonds Limited Tax General Obligation:							
Amount of issue - \$19,390,000	3.00% -	\$745,000 -					
Maturing through 2038	5.00%	\$1,330,000	16,655,000	-	(745,000)	15,910,000	785,000
Unamortized premium			803,383	-	(71,746)	731,637	-
2018 Michigan Transportation Fund Bonds:							
Amount of issue - \$8,200,000	2.625% -	\$500,000 -					
Maturing through 2033	5.00%	\$655,000	6,265,000	-	(500,000)	5,765,000	510,000
Unamortized premium			316,732	-	(49,515)	267,217	-
2019 Capital Improvement Bonds General Obligation Limited Tax:							
Amount of issue - \$22,840,000	3.00% -	\$855,000 -					
Maturing through 2039	5.00%	\$1,530,000	20,420,000	-	(855,000)	19,565,000	895,000
Unamortized premium			1,767,418	-	(103,966)	1,663,452	-
2020 Michigan Transportation Refunding Bonds General Obligation Limited Tax:							
Amount of issue - \$973,000	1.080% -	\$196,000 -					
Maturing through 2025	1.080%	\$209,000	810,000	-	(209,000)	601,000	205,000
2021 Michigan Transportation Fund Bonds General Obligation Limited Tax:							
Amount of issue - \$18,000,000	2.00% -	\$855,000 -					
Maturing through 2036	3.00%	\$1,530,000	16,960,000	-	(1,060,000)	15,900,000	1,085,000
Unamortized premium			656,039	-	(46,860)	609,179	-
2022 Michigan Transportation Fund Bonds General Obligation Limited Tax:							
Amount of issue - \$16,850,000	3.625% -	\$880,000 -					
Maturing through 2037	5.00%	\$1,470,000	16,850,000	-	(880,000)	15,970,000	825,000
Unamortized premium			1,036,153	-	(69,077)	967,076	-
Total other debt principal outstanding			128,570,203	-	(7,552,069)	121,018,134	7,045,000
Total bonds and contracts payable			129,145,203	-	(8,127,069)	121,018,134	7,045,000
Compensated absences			5,109,101	1,015,285	(1,181,793)	4,942,593	1,019,912
Total governmental activities long-term debt			\$ 134,254,304	\$ 1,015,285	\$ (9,308,862)	\$ 125,960,727	\$ 8,064,912

June 30, 2023

Note 9 - Long-term Debt (Continued)

Business-type Activities - Water and Sewer

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
State Revolving Fund Loans (Michigan Municipal Finance Authority):							
Special Assessment Roll No. 1 Series 2010A (Segment 1 - ARRA funding):							
Maximum loan amount - \$4,299,957							
Balance drawn - \$4,299,957		\$220,967 -					
Maturing through 2031	2.50%	\$269,613	\$ 2,202,252	\$ -	\$ (220,967)	\$ 1,981,285	\$ 226,739
Special Assessment Roll No. 1 Series 2011A (Segment 2):							
Maximum loan amount - \$5,168,777							
Balance drawn - \$5,168,777		\$245,989 -					
Maturing through 2033	2.50%	\$322,923	3,400,300	-	(245,987)	3,154,313	253,074
Special Assessment Roll No. 1 Series 2013A (Segment 3):							
Maximum loan amount - \$11,278,994							
Balance drawn - \$11,278,994		\$533,302 -					
Maturing through 2034	2.50%	\$674,296	7,828,112	-	(533,302)	7,294,810	543,691
Special Assessment Roll No. 1 Series 2015A (MIDD Project #5624-01):							
Maximum loan amount - \$1,151,536							
Balance drawn - \$917,293		\$40,735 -					
Maturing through 2035	2.50%	\$50,899	639,984	-	(40,735)	599,249	40,735
2015 Oakland-Macomb Interceptor Drainage District SAW Loan:							
Maximum loan amount - \$3,298,735							
Balance drawn - \$3,298,735		\$149,589 -					
Maturing through 2036	2.50%	\$207,871	2,475,023	-	(149,589)	2,325,434	153,475
2020 Macomb Interceptor Drainage District SRF Loan (Project # 5659-03):							
Maximum loan amount - \$8,036,105							
Balance drawn - \$774,555		\$15,761 -					
Maturing through 2040	2.0%	\$375,533	774,555	-	(375,533)	399,022	383,260
Total state revolving fund loans			17,320,226	-	(1,566,113)	15,754,113	1,600,974
County drain contract obligations:							
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$252,751	4.35% -	\$9,758 -					
Maturing through 2035	6.35%	\$14,526	155,390	-	(9,758)	145,632	10,056
2014A Sewer Lining Repairs:							
Amount of issue - \$1,649,117	2.000% -	\$75,219 -					
Maturing through 2034	3.125%	\$108,270	1,171,590	-	(75,219)	1,096,371	77,498
2015 North Gratiot Interceptor Drainage District Refunding Bonds:							
Amount of issue - \$2,067,205	3.75% -	\$118,022 -					
Maturing through 2033	5.00%	\$140,531	1,424,170	-	(118,022)	1,306,148	118,022
Unamortized premium on refunding			125,001	-	(11,364)	113,637	-
2017A MID Drainage District:							
Amount of issue - \$19,085,935		\$519,054 -					
Maturing through 2042	3.0% - 5.0%	\$1,261,919	16,889,084	-	(519,054)	16,370,030	544,451
Unamortized premium on refunding			2,623,950	-	(131,197)	2,492,753	-
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248		\$837,102 -					
Maturing through 2035	3.0% - 5.0%	\$1,492,530	14,782,754	-	(837,102)	13,945,652	879,031
Unamortized premium on refunding			2,445,321	-	(188,104)	2,257,217	-
2019 OMID Drainage District Refunding:							
Amount of issue - \$743,703		\$62,662 -					
Maturing through 2030	1.85%	\$82,451	579,628	-	(62,662)	516,966	65,960
2019 OMID Drainage District Bonds:							
Amount of issue - \$2,502,606		\$230,788 -					
Maturing through 2025	1.55%	\$242,808	947,196	-	(230,788)	716,408	235,596
2020 MID Drainage District Refunding (Clintondale Pump Station):							
Amount of issue - \$4,942,287		\$369,831 -					
Maturing through 2031	5.0%	\$600,375	4,245,856	-	(369,831)	3,876,025	393,846
Unamortized premium on refunding			949,883	-	(105,542)	844,341	-

June 30, 2023

Note 9 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2020A Oakland-Macomb Interceptor Drain							
Drainage District LTGO:							
Amount of issue - \$15,432,144		\$393,794 -					
Maturing through 2040	2.0% - 5.0%	\$1,082,934	\$ 14,792,904	\$ -	\$ (393,794)	\$ 14,399,110	\$ 414,023
Unamortized premium on refunding			773,310	-	(40,701)	732,609	-
2021 LTGO Capital Improvement Bonds:							
Amount of issue - \$15,000,000	2.0% -	\$630,000 -					
Maturing through 2041	2.125%	\$900,000	14,385,000	-	(630,000)	13,755,000	640,000
Unamortized premium on refunding			353,077	-	(18,583)	334,494	-
2022 Capital Improvement Bonds:							
Amount of issue - \$12,270,000	3.75% -	\$400,000 -					
Maturing through 2042	5.00%	\$875,000	12,270,000	-	(445,000)	11,825,000	400,000
Unamortized premium on refunding			630,280	-	(31,514)	598,766	-
Total county drain contract obligations			89,544,394	-	(4,218,235)	85,326,159	3,778,483
Total direct borrowings and direct placements principal outstanding			106,864,620	-	(5,784,348)	101,080,272	5,379,457
Compensated absences			250,658	76,961	(74,164)	253,455	99,180
Total business-type activities long- term debt			\$ 107,115,278	\$ 76,961	\$ (5,858,512)	\$ 101,333,727	\$ 5,478,637

The City reported deferred outflows of \$210,354 related to deferred charges on bond refundings and deferred inflows of \$557,870 related to deferred gains on bond refundings at June 30, 2023.

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.

June 30, 2023

Note 9 - Long-term Debt (Continued)***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		
	Other Debt			Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 7,045,000	\$ 3,968,021	\$ 11,013,021	\$ 5,379,457	\$ 3,356,123	\$ 8,735,580
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	8,000,000	2,751,073	10,751,073	5,784,633	2,539,740	8,324,373
2029-2033	41,670,000	9,479,038	51,149,038	30,433,815	9,151,922	39,585,737
2034-2038	33,975,000	3,130,276	37,105,276	22,957,996	4,129,536	27,087,532
2039-2043	1,530,000	45,900	1,575,900	12,799,113	1,094,180	13,893,293
Total	\$ 114,801,000	\$ 29,499,198	\$ 144,300,198	\$ 93,706,455	\$ 29,161,928	\$ 122,868,383

The Oakland-Macomb Interceptor Drainage District is a construction and rehabilitation project that began in 2010 and is projected to continue through 2023. 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.

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, 2023 is \$599,249.

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, 2023 is \$557,870.

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.

June 30, 2023

Note 10 - Risk Management (Continued)

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 \$707,599 will be paid for all claims reported to date and \$283,116 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 the 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, 2023. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$23,084 will be paid for all claims reported to date and \$886,038 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 the 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, 2023. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2023, it was estimated, based on past experience, that \$144,871 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 the 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Estimated liability - Beginning of year	\$ 1,127,603	\$ 461,286	\$ 131,195	\$ 44,637	\$ 770,005	\$ 779,632	\$ 630,964	\$ 567,505
Estimated claims incurred, including changes in estimates	744,704	1,680,310	280,274	365,103	7,327,590	5,579,249	9,464,232	8,781,156
Claim payments	(881,592)	(1,013,993)	(266,598)	(278,545)	(7,188,474)	(5,588,876)	(9,126,903)	(8,717,697)
Estimated liability - End of year	<u>\$ 990,715</u>	<u>\$ 1,127,603</u>	<u>\$ 144,871</u>	<u>\$ 131,195</u>	<u>\$ 909,121</u>	<u>\$ 770,005</u>	<u>\$ 968,293</u>	<u>\$ 630,964</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.

Note 11 - Pension Plans (Continued)

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.

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 2.5 to 2.8 percent of the member's final best three of the last 10 years' average salary times the member's first 25 years of service plus 1.0 percent of average salary times the years of service exceeding 25. The maximum benefit is 75.0 percent of annual final compensation for police members and 70 points for fire members. Eligibility for normal retirement is 25 years of service, regardless of age.

June 30, 2023

Note 11 - Pension Plans (Continued)

All plan members are eligible for nonduty disability benefits after 5 years of service and for duty-related disability benefits upon hire. Duty disability retirement benefits are computed as regular retirement but with additional service credited from date of disability to age 55 or when they would have completed 25 years of service, whichever comes first. Workers' compensation claims offset benefits with the exception of lump-sum settlements. Nonduty disability prior to age 55 is 1.5 percent of annual final compensation times years of service until attaining age 55. Duty death before benefit eligibility for normal retirement provides a pension that is the greater of the amount paid by workers' compensation or the member's regular retirement benefit actuarially reduced with a 100.0 percent joint and survivor pension. Nonduty death provides the same benefit as regular retirement but is actuarially reduced with a 100.0 percent joint and survivor election. A member who leaves city service may withdraw his or her employee required contributions, plus any accumulated interest. Certain members hired prior to 1994 are eligible to receive annual cost of living increases subsequent to their retirement, which is payable annually on January 1 in the range of \$500 - \$800 per applicable member.

Employees Covered by Benefit Terms

At the June 30, 2023 measurement date, the following members were covered by the benefit terms:

	General Employees' Retirement System	Police and Fire Retirement System
Inactive plan members or beneficiaries currently receiving benefits	357	411
Inactive plan members entitled to but not yet receiving benefits	17	36
Active plan members	58	239
Total employees covered by the plan	432	686

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, 2023, the average active member contribution was approximately 9.9 percent of covered payroll for GERS and 11.3 percent for PFRS. The City's average contribution rate was 81.3 and 53.6 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, 2023	June 30, 2023
Based on a comprehensive actuarial valuation as of	June 30, 2023	June 30, 2023

June 30, 2023

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, 2022	\$ 151,714,418	\$ 101,257,884	\$ 50,456,534
Changes for the year:			
Service cost	804,749	-	804,749
Interest	10,446,617	-	10,446,617
Differences between expected and actual experience	(1,976,159)	-	(1,976,159)
Contributions - Employer	-	4,048,820	(4,048,820)
Contributions - Employee	-	491,498	(491,498)
Net investment income	-	10,767,070	(10,767,070)
Benefit payments, including refunds	(12,020,508)	(12,020,508)	-
Net changes	(2,745,301)	3,286,880	(6,032,181)
Balance at June 30, 2023	<u>\$ 148,969,117</u>	<u>\$ 104,544,764</u>	<u>\$ 44,424,353</u>

The plan's fiduciary net position represents 70.2 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, 2022	\$ 379,159,655	\$ 219,710,351	\$ 159,449,304
Changes for the year:			
Service cost	5,418,565	-	5,418,565
Interest	26,731,488	-	26,731,488
Changes in benefits	1,608,259	-	1,608,259
Differences between expected and actual experience	2,193,181	-	2,193,181
Contributions - Employer	-	13,520,242	(13,520,242)
Contributions - Employee	-	2,857,797	(2,857,797)
Net investment income	-	26,308,790	(26,308,790)
Benefit payments, including refunds	(26,317,533)	(26,317,533)	-
Net changes	9,633,960	16,369,296	(6,735,336)
Balance at June 30, 2023	<u>\$ 388,793,615</u>	<u>\$ 236,079,647</u>	<u>\$ 152,713,968</u>

The plan's fiduciary net position represents 60.7 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, 2023, the City recognized pension expense of \$3,868,467 related to GERS and \$17,654,385 related to PFRS for total pension expense of \$21,522,852.

June 30, 2023

Note 11 - Pension Plans (Continued)

At June 30, 2023, 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
Net difference between projected and actual earnings on pension plan investments	\$ 5,030,347	\$ -
	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,533,669	\$ (789,265)
Changes in assumptions	-	(70,046)
Net difference between projected and actual earnings on pension plan investments	6,458,221	-
Total	\$ 8,991,890	\$ (859,311)

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
2024	\$ 1,278,907	\$ 688,570	\$ 1,967,477
2025	(18,750)	(871,801)	(890,551)
2026	4,529,100	10,196,755	14,725,855
2027	(758,910)	(1,880,945)	(2,639,855)
Total	\$ 5,030,347	\$ 8,132,579	\$ 13,162,926

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.

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.

June 30, 2023

Note 11 - Pension Plans (Continued)

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

	General Employees' Retirement System	Police and Fire Retirement System
Assumed investment rate of return	7.15%	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:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the General Employees' Retirement System (current discount rate - 7.15%)	\$ 59,299,120	\$ 44,424,353	\$ 31,761,996
Net pension liability of the Police and Fire Retirement System (current discount rate - 7.25%)	193,855,968	152,713,968	118,455,814

Assumption Changes

With respect to GERS and PFRS, there were no significant assumption changes for the year ended June 30, 2023.

Benefit Changes

With respect to GERS, there were no significant benefit changes for the year ended June 30, 2023. With respect to PFRS in 2023, benefit changes included an increase in the benefit multiplier from 2.00 percent to 2.50 percent for fire employees hired after January 2, 2013. The employee contribution rate also increased from 8.00 percent to 10.00 percent for fire employees.

June 30, 2023

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, 2023 and best estimates of arithmetic real rates of return as of the June 30, 2023 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 %	4.20 %	8.30 %	4.20 %
Large-capitalization value equities	7.70	4.39	8.30	4.39
Large-capitalization core equities	7.60	4.30	8.40	4.30
Small-/Middle-capitalization equities	10.50	4.92	8.00	4.92
International equities	20.00	3.70	19.00	3.70
Emerging markets	7.50	5.89	9.00	5.89
Fixed income	3.00	0.20	15.00	0.20
Alternative investments	16.00	2.59	17.00	2.59
Real estate	20.00	2.81	7.00	2.81

Annual Money-weighted Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.99 and 12.05 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, 2023

Note 11 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2023 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 121,123,233	\$ 97,879,847
Employee reserve	6,664,917	6,664,917
PFRS		
Retiree reserve	273,286,462	212,120,517
Employee reserve	23,959,130	23,959,130

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, 2023, the plan has \$27,686,033 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	June 30, 2022
Retirees and beneficiaries	660
Active and DROP members	437
Total members	1,097

June 30, 2023

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, 2023, the City's contribution was \$9,002,320. 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, 2023 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, 2023 measurement date. The June 30, 2023 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022.

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, 2022	\$ 217,628,234	\$ 139,306,439	\$ 78,321,795
Changes for the year:			
Service cost	1,702,998	-	1,702,998
Interest	15,450,129	-	15,450,129
Differences between expected and actual experience	(11,063,555)	-	(11,063,555)
Changes in assumptions	(70,989)	-	(70,989)
Contributions - Employer	-	9,002,320	(9,002,320)
Contributions - Employee	-	326,848	(326,848)
Net investment income	-	19,077,267	(19,077,267)
Benefit payments, including refunds	(11,310,508)	(11,310,508)	-
Other	110,842	-	110,842
Net changes	(5,181,083)	17,095,927	(22,277,010)
Balance at June 30, 2023	<u>\$ 212,447,151</u>	<u>\$ 156,402,366</u>	<u>\$ 56,044,785</u>

The Plan's fiduciary net position represents 73.66 percent of the total OPEB liability.

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$2,444,972.

June 30, 2023

Note 12 - Other Postemployment Benefit Plan (Continued)

At June 30, 2023, 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	\$ -	\$ (19,780,115)
Changes in assumptions	6,159,596	(54,974)
Net difference between projected and actual earnings on OPEB plan investments	3,720,777	-
Total	<u>\$ 9,880,373</u>	<u>\$ (19,835,089)</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
2024	\$ (5,036,385)
2025	(5,129,010)
2026	3,103,733
2027	(2,893,054)
Total	<u>\$ (9,954,716)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using an inflation assumption of 2.60 percent; assumed salary increases (including inflation) of 3.00 to 20.10 percent; an investment rate of return (net of investment expenses) of 7.25 percent; a health care cost trend rate of 7.50 percent for 2023, 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, 2023 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.

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

June 30, 2023

Note 12 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.25 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	\$ 79,497,987	\$ 56,044,785	\$ 36,408,730

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 (6.50% to 2.50%)	Current Health Care Cost Trend Rate (7.50% to 3.50%)	1 Percentage Point Increase (8.50% to 4.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 34,277,435	\$ 56,044,785	\$ 81,937,020

Assumption Changes

Changes in assumptions in 2023 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 7.25 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 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, 2023

Note 12 - Other Postemployment Benefit Plan (Continued)

The OPEB board's adopted asset allocation policies as of June 30, 2023 and best estimates of arithmetic real rates of return as of the June 30, 2023 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, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.68 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	\$ 124,479

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	\$ 17,236,170
Nonmajor governmental funds	Nonmajor governmental funds	5,016,376
	Total	<u>\$ 22,252,546</u>

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 \$576,397 during the current year, and employees contributed \$710,127.

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, 2023, the City abated \$825,248 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	<u>3,992,090</u>
Total unrestricted net position	<u><u>\$ 6,532,090</u></u>

June 30, 2023

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	\$ 3,111,723	\$ 5,420,857	\$ 3,286,755	\$ 11,819,335
Investments:				
Municipal bonds	-	122,196	-	122,196
Investments	8,790,437	17,765,477	11,096,756	37,652,670
Mutual funds	11,764,325	31,839,978	15,274,493	58,878,796
Common and preferred stocks	72,623,666	154,875,465	115,404,774	342,903,905
Corporate bonds	5,689,420	10,734,492	7,211,396	23,635,308
Private real estate	-	9,776,319	-	9,776,319
Hedge funds	2,679,986	5,828,970	3,550,982	12,059,938
Receivables - Other	-	-	1,809,260	1,809,260
Total assets	104,659,557	236,363,754	157,634,416	498,657,727
Liabilities:				
Accounts payable	(114,793)	(284,107)	(172,619)	(571,519)
Accrued and other liabilities	-	-	(91,138)	(91,138)
Provision for claims	-	-	(968,293)	(968,293)
Total liabilities	(114,793)	(284,107)	(1,232,050)	(1,630,950)
Net position - Restricted for pension and OPEB	\$ 104,544,764	\$ 236,079,647	\$ 156,402,366	\$ 497,026,777
Statement of Changes in Net Position				
Additions:				
Investment income (expense):				
Interest and dividends	\$ 2,927,305	\$ 6,142,608	\$ 4,089,449	\$ 13,159,362
Net increase in fair value of investments	8,421,720	21,633,871	15,826,232	45,881,823
Investment-related expenses	(581,955)	(1,467,689)	(838,414)	(2,888,058)
Contributions:				
Employer contributions	4,048,820	13,520,242	9,002,320	26,571,382
Employee contributions	491,498	2,518,008	326,848	3,336,354
Purchase of prior year's service credits	-	339,789	-	339,789
Deductions:				
Benefit payments	(11,652,947)	(24,431,497)	(11,310,508)	(47,394,952)
Refunds of contributions	(367,561)	(1,886,036)	-	(2,253,597)
Net increase in net position	3,286,880	16,369,296	17,095,927	36,752,103
Net position - Restricted for pension and OPEB - Beginning of year	101,257,884	219,710,351	139,306,439	460,274,674
Net position - Restricted for pension and OPEB - End of year	\$ 104,544,764	\$ 236,079,647	\$ 156,402,366	\$ 497,026,777

June 30, 2023

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.

During the year ended June 30, 2023, the City recognized the following related to its lessor agreements:

Lease revenue	\$	138,783
Interest income related to its leases		88,402

Required Supplementary Information

City of Sterling Heights, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 72,628,600	\$ 72,380,650	\$ 72,530,132	\$ 149,482
Intergovernmental:				
Federal sources	671,500	1,240,000	1,083,818	(156,182)
State sources	19,705,460	26,573,490	26,413,012	(160,478)
Charges for services	14,513,020	14,244,960	14,822,781	577,821
Fines and forfeitures - District court fines and fees	1,729,500	2,376,000	2,469,429	93,429
Licenses and permits	4,789,510	4,542,630	4,426,185	(116,445)
Investment income	2,118,400	2,745,900	2,321,891	(424,009)
Other revenue	1,252,520	1,606,370	1,488,926	(117,444)
Total revenue	117,408,510	125,710,000	125,556,174	(153,826)
Expenditures				
Current services:				
General government:				
City administration	294,080	299,850	294,406	5,444
Chief executive (manager, supervisor)	4,479,670	4,478,200	4,171,992	306,208
Finance/Accounting/Budget department	4,164,160	4,069,800	4,051,158	18,642
Purchasing	1,418,740	1,350,890	1,313,171	37,719
Buildings and grounds	2,308,090	2,527,580	2,469,935	57,645
Human Resources/Personnel	1,016,360	1,010,580	986,001	24,579
Community relations	1,787,480	1,999,060	1,748,628	250,432
41A District Court	3,848,890	3,750,140	3,740,478	9,662
Public safety:				
Police	37,724,130	37,642,880	37,101,864	541,016
Fire	24,262,690	25,205,870	25,096,036	109,834
Dispatch	2,134,290	2,136,960	2,099,788	37,172
Public works:				
Public works	9,147,280	9,134,120	8,916,675	217,445
Refuse collection	4,777,380	4,810,870	4,846,800	(35,930)
City development	3,332,980	3,530,550	3,442,672	87,878
General expenditures	1,802,660	2,725,970	2,696,868	29,102
Recreation and culture - Public library	2,953,310	2,707,960	2,658,889	49,071
Capital outlay	218,790	218,790	218,532	258
Total expenditures	105,670,980	107,600,070	105,853,893	1,746,177
Excess of Revenue Over Expenditures	11,737,530	18,109,930	19,702,281	1,592,351
Other Financing (Uses) Sources				
Transfers out	(11,448,170)	(17,236,170)	(17,236,170)	-
Sale of capital assets	50,000	123,060	123,057	(3)
Total other financing uses	(11,398,170)	(17,113,110)	(17,113,113)	(3)
Net Change in Fund Balance	339,360	996,820	2,589,168	1,592,348
Fund Balance - Beginning of year	32,874,306	32,874,306	32,874,306	-
Fund Balance - End of year	\$ 33,213,666	\$ 33,871,126	\$ 35,463,474	\$ 1,592,348

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ 6,000,000	\$ 7,455,200	\$ 4,937,650	\$ (2,517,550)
Expenditures	4,144,000	6,769,000	4,517,748	2,251,252
Net Change in Fund Balance	1,856,000	686,200	419,902	(266,298)
Fund Balance - Beginning of year	28,638	28,638	28,638	-
Fund Balance - End of year	<u><u>\$ 1,884,638</u></u>	<u><u>\$ 714,838</u></u>	<u><u>\$ 448,540</u></u>	<u><u>\$ (266,298)</u></u>

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

Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 804,749	\$ 857,788	\$ 848,617	\$ 926,654	\$ 923,068	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741	\$ 1,149,820
Interest	10,446,617	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	(1,976,159)	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	(12,020,508)	(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	(2,745,301)	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	151,714,418	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	<u>\$ 148,969,117</u>	<u>\$ 151,714,418</u>	<u>\$ 146,105,246</u>	<u>\$ 143,622,202</u>	<u>\$ 143,331,410</u>	<u>\$ 142,661,601</u>	<u>\$ 141,973,242</u>	<u>\$ 136,571,012</u>	<u>\$ 133,249,881</u>	<u>\$ 131,110,564</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 4,048,820	\$ 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	491,498	460,224	490,970	505,668	529,015	555,471	583,975	619,418	712,397	711,608
Net investment income (loss)	10,767,070	(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	(12,020,508)	(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	3,286,880	(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	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	107,385,692
Plan Fiduciary Net Position - End of year	<u>\$ 104,544,764</u>	<u>\$ 101,257,884</u>	<u>\$ 125,747,503</u>	<u>\$ 102,783,781</u>	<u>\$ 108,944,501</u>	<u>\$ 110,271,962</u>	<u>\$ 110,237,923</u>	<u>\$ 106,683,028</u>	<u>\$ 114,783,962</u>	<u>\$ 118,470,102</u>
City's Net Pension Liability - Ending	<u>\$ 44,424,353</u>	<u>\$ 50,456,534</u>	<u>\$ 20,357,743</u>	<u>\$ 40,838,421</u>	<u>\$ 34,386,909</u>	<u>\$ 32,389,639</u>	<u>\$ 31,735,319</u>	<u>\$ 29,887,984</u>	<u>\$ 18,465,919</u>	<u>\$ 12,640,462</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.18 %	66.74 %	86.07 %	71.57 %	76.01 %	77.30 %	77.65 %	78.12 %	86.14 %	90.36 %
Covered Payroll	\$ 4,980,818	\$ 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	891.91 %	918.61 %	352.95 %	681.27 %	538.92 %	522.04 %	427.68 %	398.96 %	207.41 %	137.58 %

See note to required supplementary information.

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

Last Ten 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 2017 was adjusted from 7.75 to 7.50 percent.

The discount rate in 2016 was adjusted from 8.00 to 7.75 percent.

City of Sterling Heights, Michigan

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

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,048,369	\$ 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
Contributions in relation to the actuarially determined contribution	4,048,820	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
Contribution Excess	\$ 451	\$ 17,004	\$ -	\$ 9,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,980,818	\$ 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
Contributions as a Percentage of Covered Payroll	81.29 %	82.53 %	69.86 %	63.03 %	56.61 %	52.64 %	35.70 %	36.96 %	29.32 %	29.77 %

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

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the 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	13 years
Asset valuation method	5-year smoothed market
Inflation	2.60 percent
Salary increase	3.50 to 11.25 percent including inflation
Investment rate of return	7.25 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 Supplementary Information Schedule of Pension Investment Returns General Employees' Retirement System

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	10.99 %	(14.34)%	30.30 %	1.33 %	5.39 %	7.16 %	11.08 %	(0.24)%	3.40 %	17.90 %

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

	Last Nine Fiscal Years								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	\$ 5,418,565	\$ 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	26,731,488	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	1,608,259	-	810,864	-	-	-	-	-	-
Differences between expected and actual experience	2,193,181	(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	(26,317,533)	(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	9,633,960	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	379,159,655	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	\$ 388,793,615	\$ 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	\$ 13,520,242	\$ 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	2,857,797	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 income (loss)	26,308,790	(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	(26,317,533)	(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	16,369,296	(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	219,710,351	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	\$ 236,079,647	\$ 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	\$ 152,713,968	\$ 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	60.72 %	57.95 %	72.00 %	57.30 %	58.54 %	62.90 %	65.22 %	63.77 %	58.02 %
Covered Payroll	\$ 25,229,061	\$ 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	605.31 %	665.87 %	445.32 %	684.47 %	650.84 %	565.48 %	543.77 %	565.00 %	887.00 %

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

Last Nine Fiscal Years

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

In 2023, benefit changes included an increase in the benefit multiplier from 2.00 percent to 2.50 percent for fire employees hired after January 2, 2013. The employee contribution rate also increased from 8.00 percent to 10.00 percent for fire employees.

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 Supplementary Information Schedule of Pension Contributions Police and Fire Retirement System

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 13,520,242	\$ 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
Contributions in relation to the actuarially determined contribution	13,520,242	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
Contribution Excess	\$ -	\$ -	\$ 231	\$ 17,483	\$ 1,012,401	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 25,229,061	\$ 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
Contributions as a Percentage of Covered Payroll	53.59 %	57.37 %	51.17 %	43.55 %	44.20 %	38.50 %	48.19 %	51.93 %	55.62 %	55.18 %

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 Supplementary Information Schedule of Pension Investment Returns Police and Fire Retirement System

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	12.05 %	(15.29)%	34.20 %	3.96 %	7.15 %	10.22 %	12.70 %	(0.40)%	4.90 %	19.06 %

City of Sterling Heights, Michigan

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

	Last Seven Fiscal Years						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 1,702,998	\$ 1,556,117	\$ 1,618,774	\$ 1,678,922	\$ 1,719,869	\$ 1,882,705	\$ 2,001,128
Interest	15,450,129	14,907,440	16,148,111	15,511,460	14,979,531	14,695,533	14,177,069
Differences between expected and actual experience	(11,063,555)	(2,936,786)	(27,706,806)	(1,942,968)	(5,425,052)	(3,926,583)	(380,735)
Changes in assumptions	(70,989)	2,921,151	11,868,794	3,381,580	5,723,906	5,411,956	5,411,956
Benefit payments, including refunds	(11,310,508)	(10,343,761)	(9,805,884)	(9,602,980)	(9,824,162)	(8,212,223)	(8,447,897)
Other	110,842	-	(812,847)	469,199	-	-	-
Net Change in Total OPEB Liability	(5,181,083)	6,104,161	(8,689,858)	9,495,213	7,174,092	9,851,388	12,761,521
Total OPEB Liability - Beginning of year	217,628,234	211,524,073	220,213,932	210,718,719	203,544,627	199,105,195	186,343,674
Total OPEB Liability - End of year	\$ 212,447,151	\$ 217,628,234	\$ 211,524,074	\$ 220,213,932	\$ 210,718,719	\$ 208,956,583	\$ 199,105,195
Plan Fiduciary Net Position							
Contributions - Employer	\$ 9,002,320	\$ 9,299,990	\$ 10,500,000	\$ 11,500,000	\$ 11,452,950	\$ 11,452,950	\$ 11,452,950
Contributions - Members	326,848	279,572	85,276	65,649	200,196	174,683	12,822
Net investment income (loss)	19,077,267	(25,160,896)	41,525,017	1,088,614	6,082,507	7,950,032	11,360,581
Benefit payments, including refunds	(11,310,508)	(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	17,095,927	(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	139,306,439	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	\$ 156,402,366	\$ 139,306,439	\$ 165,342,379	\$ 123,037,970	\$ 119,986,687	\$ 112,075,196	\$ 101,249,866
Net OPEB Liability - Ending	\$ 56,044,785	\$ 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	73.66 %	64.01 %	78.17 %	55.87 %	56.94 %	53.64 %	50.85 %
Covered Payroll	\$ 23,908,123	\$ 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	234.42 %	310.59 %	173.61 %	390.19 %	335.41 %	358.63 %	344.73 %

See note to required supplementary information.

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

Last Seven Fiscal Years

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

Changes in assumptions in 2023 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 7.25 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.

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 Supplementary Information Schedule of OPEB Contributions Retiree Medical Benefits Trust

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 8,088,229	\$ 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
Contributions in relation to the actuarially determined contribution	9,002,320	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
Contribution Excess	\$ 914,091	\$ 1,030,372	\$ 31,871	\$ 948,408	\$ 899,011	\$ 815,848	\$ -	\$ 1,012,195	\$ -	\$ -
Covered Payroll	\$ 23,908,123	\$ 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
Contributions as a Percentage of Covered Payroll	37.65 %	36.88 %	39.47 %	46.18 %	42.34 %	42.40 %	40.35 %	35.38 %	34.68 %	29.83 %

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	21 years
Asset valuation method	5-year smoothed market
Inflation	No explicit price inflation assumption used
Health care cost trend rates	Non-Medicare: 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent; Medicare: 6.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent
Salary increase	3.00 to 20.10 percent, including inflation
Investment rate of return	7.25 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	General: Version of RP-2014, projected with scale MP-2016 and base year 2006 Police/Fire: Version of Pub-2010, projected with scale MP-2019 and base year 2010
Other information	There were no benefit changes during the year.

City of Sterling Heights, Michigan

Required Supplementary Information Schedule of OPEB Investment Returns*

	Last Seven Fiscal Years						
	Years Ended June 30						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	13.68 %	(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, 2023

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 supplementary information. The budget presented as required supplementary information reflects greater detail than the amended budget adopted. A budget for the Opioid Settlement Fund was not adopted during the year given the City was not expecting and did not incur any expenditures during the year.

Other Financial and Supplementary Information

City of Sterling Heights, Michigan

Other Financial and Supplementary 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.

Opioid Settlement

The Opioid Settlement Fund accounts for the resources from the opioid settlement.

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 Supplementary 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.

Road Bond Construction

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

City of Sterling Heights, Michigan

	Special Revenue Funds							
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Michigan Indigent Defense Commission	Parks and Recreation	Opioid Settlement	Total Special Revenue Funds
Assets								
Cash and cash equivalents	\$ -	\$ 3,585,104	\$ 2,263,481	\$ 2,330,459	\$ 246,740	\$ 1,443,910	\$ 615,772	\$ 10,485,466
Investments	-	4,560,660	-	-	-	-	-	4,560,660
Receivables:								
Special assessments receivable	-	-	35,628	-	-	-	-	35,628
Accrued interest receivable	-	7,434	1,615	-	-	-	-	9,049
Other receivables	-	30,921	-	-	-	-	-	30,921
Due from other governmental units	171,736	2,005,759	702,763	-	-	-	-	2,880,258
Opioid settlement receivable	-	-	-	-	-	-	2,488,385	2,488,385
Prepays and other assets	-	4,940,295	-	-	-	-	-	4,940,295
Restricted assets	-	-	-	-	-	-	-	-
Restricted assets - Investments	-	-	-	-	-	-	-	-
Rehabilitation loans	1,198,586	-	-	-	-	-	-	1,198,586
Total assets	\$ 1,370,322	\$ 15,130,173	\$ 3,003,487	\$ 2,330,459	\$ 246,740	\$ 1,443,910	\$ 3,104,157	\$ 26,629,248
Liabilities								
Accounts payable	\$ 35,212	\$ 591,195	\$ 1,200,277	\$ 8,383	\$ 49,691	\$ 416,667	\$ -	\$ 2,301,425
Due to other funds	124,479	-	-	-	-	-	-	124,479
Accrued and other liabilities	12,045	16,514	340,904	-	-	181,464	-	550,927
Unearned revenue - Unearned miscellaneous revenue	1,198,586	-	-	-	197,049	1,300	-	1,396,935
Payable from restricted assets	-	-	-	-	-	-	-	-
Total liabilities	1,370,322	607,709	1,541,181	8,383	246,740	599,431	-	4,373,766
Deferred Inflows of Resources - Unavailable revenue	-	-	33,253	-	-	-	2,488,385	2,521,638
Total liabilities and deferred inflows of resources	1,370,322	607,709	1,574,434	8,383	246,740	599,431	2,488,385	6,895,404
Fund Balances								
Nonspendable	-	4,940,295	-	-	-	-	-	4,940,295
Restricted:								
Roads	-	-	302,736	-	-	-	-	302,736
Public safety	-	-	-	2,322,076	-	-	-	2,322,076
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Opioid settlement	-	-	-	-	-	-	615,772	615,772
Committed - Park acquisitions and improvements	-	-	-	-	-	-	-	-
Assigned	-	9,582,169	1,126,317	-	-	844,479	-	11,552,965
Total fund balances	-	14,522,464	1,429,053	2,322,076	-	844,479	615,772	19,733,844
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,370,322	\$ 15,130,173	\$ 3,003,487	\$ 2,330,459	\$ 246,740	\$ 1,443,910	\$ 3,104,157	\$ 26,629,248

Other Financial and Supplementary Information

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

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	Road Bond Construction	Total Capital Project Funds	Total	
\$ 181,911	\$ 2,852	\$ 22,289	\$ 317	\$ 207,369	\$ 5,785,364	\$ 12,910	\$ 46,394	\$ -	\$ -	\$ 5,844,668	\$ 16,537,503	
-	-	-	-	-	2,644,492	-	-	-	-	2,644,492	7,205,152	
573,403	-	-	-	573,403	295,728	-	-	-	-	295,728	904,759	
35,354	-	-	-	35,354	36,966	-	-	-	28,879	65,845	110,248	
-	157	-	-	157	-	-	-	-	-	-	31,078	
-	-	-	-	-	18,396	-	-	-	-	18,396	2,898,654	
-	-	-	-	-	-	-	-	-	-	-	2,488,385	
-	-	-	-	-	-	-	-	-	1,904,167	1,904,167	6,844,462	
-	-	-	-	-	2,029,365	-	-	-	4,050,153	6,079,518	6,079,518	
-	-	-	-	-	1,214,728	-	-	-	8,744,714	9,959,442	9,959,442	
-	-	-	-	-	-	-	-	-	-	-	1,198,586	
\$ 790,668	\$ 3,009	\$ 22,289	\$ 317	\$ 816,283	\$ 12,025,039	\$ 12,910	\$ 46,394	\$ -	\$ 14,727,913	\$ 26,812,256	\$ 54,257,787	
\$ -	\$ -	\$ 7	\$ -	\$ 7	\$ 271,524	\$ -	\$ 670	\$ -	\$ -	\$ 272,194	\$ 2,573,626	
-	-	-	-	-	-	-	-	-	-	-	124,479	
-	-	2,300	-	2,300	486,618	-	13,263	-	-	499,881	1,053,108	
-	-	-	-	-	1,709,791	-	-	-	-	1,709,791	3,106,726	
-	-	-	-	-	46,026	-	-	-	-	46,026	46,026	
-	-	2,307	-	2,307	2,513,959	-	13,933	-	-	2,527,892	6,903,965	
458,720	-	-	-	458,720	284,337	-	-	-	-	284,337	3,264,695	
458,720	-	2,307	-	461,027	2,798,296	-	13,933	-	-	2,812,229	10,168,660	
-	-	-	-	-	-	-	-	-	1,904,167	1,904,167	6,844,462	
-	-	-	-	-	-	-	-	-	12,823,746	12,823,746	13,126,482	
-	-	-	-	-	-	-	-	-	-	-	2,322,076	
331,948	3,009	19,982	-	354,939	-	-	-	-	-	-	354,939	
-	-	-	-	-	1,479,770	-	-	-	-	1,479,770	1,479,770	
-	-	-	-	-	-	-	-	-	-	-	615,772	
-	-	-	-	-	-	-	32,461	-	-	32,461	32,461	
-	-	-	317	317	7,746,973	12,910	-	-	-	7,759,883	19,313,165	
331,948	3,009	19,982	317	355,256	9,226,743	12,910	32,461	-	14,727,913	24,000,027	44,089,127	
\$ 790,668	\$ 3,009	\$ 22,289	\$ 317	\$ 816,283	\$ 12,025,039	\$ 12,910	\$ 46,394	\$ -	\$ 14,727,913	\$ 26,812,256	\$ 54,257,787	

City of Sterling Heights, Michigan

	Special Revenue Funds							
	CDBG	Major Roads	Local Roads	Public Safety Forfeiture	Michigan Indigent Defense Commission	Parks and Recreation	Opioid Settlement	Total Special Revenue Funds
Revenue								
Property taxes	\$ -	\$ -	\$ 3,794,584	\$ -	\$ -	\$ 4,597,504	\$ -	\$ 8,392,088
Special assessments	-	-	2,641	-	-	-	-	2,641
Intergovernmental:								
Federal sources	1,401,087	-	-	555,880	-	2,045	-	1,959,012
State sources	-	11,542,347	4,654,294	797,769	193,744	508,072	-	17,696,226
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	1,116,682	607,645	1,724,327
Investment income	-	27,667	28,158	62,490	7,947	79,380	8,127	213,769
Other revenue	-	302,397	59,792	68,601	-	79,656	-	510,446
Total revenue	1,401,087	11,872,411	8,539,469	1,484,740	201,691	6,383,339	615,772	30,498,509
Expenditures								
Current services:								
41A District Court	-	-	-	-	302,383	-	-	302,383
Public safety	-	-	-	192,381	-	-	-	192,381
Public works	426,988	2,595,230	2,099,839	-	-	-	-	5,122,057
General expenditures	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	6,120,953	-	6,120,953
Capital outlay	974,099	4,378,229	6,136,894	321,905	-	276,549	-	12,087,676
Debt service	-	-	-	-	-	3,001,588	-	3,001,588
Total expenditures	1,401,087	6,973,459	8,236,733	514,286	302,383	9,399,090	-	26,827,038
Excess of Revenue Over (Under) Expenditures	-	4,898,952	302,736	970,454	(100,692)	(3,015,751)	615,772	3,671,471
Other Financing Sources (Uses)								
Transfers in	-	3,500,000	500,000	-	-	3,029,180	-	7,029,180
Transfers out	-	(4,640,750)	-	-	-	-	-	(4,640,750)
Total other financing (uses) sources	-	(1,140,750)	500,000	-	-	3,029,180	-	2,388,430
Net Change in Fund Balances	-	3,758,202	802,736	970,454	(100,692)	13,429	615,772	6,059,901
Fund Balances - Beginning of year	-	10,764,262	626,317	1,351,622	100,692	831,050	-	13,673,943
Fund Balances - End of year	\$ -	\$ 14,522,464	\$ 1,429,053	\$ 2,322,076	\$ -	\$ 844,479	\$ 615,772	\$ 19,733,844

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

Year Ended June 30, 2023

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 Fund	Road Bond Construction	Total Capital Project Funds	Total	
\$ - 133,876	\$ 623 -	\$ 551,266 -	\$ - -	\$ 551,889 133,876	\$ - 12,003	\$ - -	\$ - -	\$ - -	\$ - -	\$ - 12,003	\$ 8,943,977 148,520	
- -	- -	- 39,299	- -	- 39,299	212,542 100,000	- -	- -	- -	- -	212,542 100,000	2,171,554 17,835,525	
- -	- -	- -	- -	- -	128,703 -	- -	- -	- -	- -	128,703 -	128,703 1,724,327	
11,145 35,354	67 -	9,278 -	10 -	20,500 35,354	2,394 882,975	- -	1,178 -	- -	350,618 -	354,190 882,975	588,459 1,428,775	
180,375	690	599,843	10	780,918	1,338,617	-	1,178	-	350,618	1,690,413	32,969,840	
- - 2,850 - -	- - - - -	- - - - 586,500	- - 999 - -	- - 3,849 - -	- - - 6,334,371 -	- - - 4,324 -	- - - - -	- - - - -	- - - - 11,474,236 -	- - - 4,324 -	302,383 192,381 5,122,057 3,849 29,896,283 11,626,943	
5,077,499	-	586,500	2,961,356	8,625,355	-	-	-	-	-	-	-	
5,080,349	-	586,500	2,962,355	8,629,204	6,334,371	4,324	-	-	11,474,236	17,812,931	53,269,173	
(4,899,974)	690	13,343	(2,962,345)	(7,848,286)	(4,995,754)	(4,324)	1,178	-	(11,123,618)	(16,122,518)	(20,299,333)	
4,640,750 -	- -	- -	2,962,360 -	7,603,110 -	7,620,256 -	- -	- -	- (375,626)	- -	7,620,256 (375,626)	22,252,546 (5,016,376)	
4,640,750	-	-	2,962,360	7,603,110	7,620,256	-	-	(375,626)	-	7,244,630	17,236,170	
(259,224)	690	13,343	15	(245,176)	2,624,502	(4,324)	1,178	(375,626)	(11,123,618)	(8,877,888)	(3,063,163)	
591,172	2,319	6,639	302	600,432	6,602,241	17,234	31,283	375,626	25,851,531	32,877,915	47,152,290	
\$ 331,948	\$ 3,009	\$ 19,982	\$ 317	\$ 355,256	\$ 9,226,743	\$ 12,910	\$ 32,461	\$ -	\$ 14,727,913	\$ 24,000,027	\$ 44,089,127	

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 1,370,720	\$ 2,110,010	\$ 1,401,087	\$ (708,923)
Expenditures - Community development	1,370,720	1,929,350	1,401,087	528,263
Net Change in Fund Balance	-	180,660	-	(180,660)
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 180,660</u>	<u>\$ -</u>	<u>\$ (180,660)</u>

City of Sterling Heights, Michigan

Other Financial and Supplementary Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Major Roads

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 11,110,050	\$ 11,328,170	\$ 11,542,347	\$ 214,177
Investment income	1,000	175,000	27,667	(147,333)
Other revenue	334,000	284,000	302,397	18,397
Total revenue	11,445,050	11,787,170	11,872,411	85,241
Expenditures				
Current services - Public works	2,621,330	2,797,830	2,595,230	202,600
Capital outlay	6,800,000	14,714,120	4,378,229	10,335,891
Total expenditures	9,421,330	17,511,950	6,973,459	10,538,491
Excess of Revenue Over (Under) Expenditures	2,023,720	(5,724,780)	4,898,952	10,623,732
Other Financing Sources (Uses)				
Transfers in	500,000	3,500,000	3,500,000	-
Transfers out	(4,447,940)	(4,640,750)	(4,640,750)	-
Total other financing uses	(3,947,940)	(1,140,750)	(1,140,750)	-
Net Change in Fund Balance	(1,924,220)	(6,865,530)	3,758,202	10,623,732
Fund Balance - Beginning of year	10,764,262	10,764,262	10,764,262	-
Fund Balance - End of year	\$ 8,840,042	\$ 3,898,732	\$ 14,522,464	\$ 10,623,732

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 3,793,820	\$ 3,778,950	\$ 3,794,584	\$ 15,634
Special assessments	2,380	2,380	2,641	261
Intergovernmental	4,637,160	4,717,680	4,654,294	(63,386)
Investment income	150	20,000	28,158	8,158
Other revenue	51,720	51,720	59,792	8,072
Total revenue	8,485,230	8,570,730	8,539,469	(31,261)
Expenditures				
Current services - Public works	2,593,580	2,308,580	2,099,839	208,741
Capital outlay	5,200,000	6,284,490	6,136,894	147,596
Total expenditures	7,793,580	8,593,070	8,236,733	356,337
Excess of Revenue Over (Under) Expenditures	691,650	(22,340)	302,736	325,076
Other Financing Sources - Transfers in	-	500,000	500,000	-
Net Change in Fund Balance	691,650	477,660	802,736	325,076
Fund Balance - Beginning of year	626,317	626,317	626,317	-
Fund Balance - End of year	<u><u>\$ 1,317,967</u></u>	<u><u>\$ 1,103,977</u></u>	<u><u>\$ 1,429,053</u></u>	<u><u>\$ 325,076</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 16,800	\$ 1,297,930	\$ 1,353,649	\$ 55,719
Investment income	-	33,150	62,490	29,340
Other revenue	-	68,020	68,601	581
Total revenue	16,800	1,399,100	1,484,740	85,640
Expenditures				
Current services - Public safety	190,310	272,960	192,381	80,579
Capital outlay	289,150	373,200	321,905	51,295
Total expenditures	479,460	646,160	514,286	131,874
Net Change in Fund Balance	(462,660)	752,940	970,454	217,514
Fund Balance - Beginning of year	1,351,622	1,351,622	1,351,622	-
Fund Balance - End of year	<u><u>\$ 888,962</u></u>	<u><u>\$ 2,104,562</u></u>	<u><u>\$ 2,322,076</u></u>	<u><u>\$ 217,514</u></u>

City of Sterling Heights, Michigan

Other Financial and Supplementary Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)

Michigan Indigent Defense Commission

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 360,350	\$ 360,350	\$ 193,744	\$ (166,606)
Investment income	-	-	7,947	7,947
Total revenue	360,350	360,350	201,691	(158,659)
Expenditures - 41A District Court	360,350	360,350	302,383	57,967
Net Change in Fund Balance	-	-	(100,692)	(100,692)
Fund Balance - Beginning of year	100,692	100,692	100,692	-
Fund Balance - End of year	<u><u>\$ 100,692</u></u>	<u><u>\$ 100,692</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (100,692)</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 4,606,560	\$ 4,586,000	\$ 4,597,504	\$ 11,504
Intergovernmental	570,710	570,710	510,117	(60,593)
Charges for services	1,253,770	1,190,800	1,116,682	(74,118)
Investment income	1,000	90,000	79,380	(10,620)
Other revenue	60,020	60,020	79,656	19,636
Total revenue	6,492,060	6,497,530	6,383,339	(114,191)
Expenditures				
Current services - Recreation and culture	6,085,390	6,421,920	6,120,953	300,967
Capital outlay	-	294,370	276,549	17,821
Debt service	3,001,590	3,001,590	3,001,588	2
Total expenditures	9,086,980	9,717,880	9,399,090	318,790
Excess of Expenditures Over Revenue	(2,594,920)	(3,220,350)	(3,015,751)	204,599
Other Financing Sources - Transfers in	2,741,180	3,029,180	3,029,180	-
Net Change in Fund Balance	146,260	(191,170)	13,429	204,599
Fund Balance - Beginning of year	831,050	831,050	831,050	-
Fund Balance - End of year	<u>\$ 977,310</u>	<u>\$ 639,880</u>	<u>\$ 844,479</u>	<u>\$ 204,599</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 114,680	\$ 114,680	\$ 133,876	\$ 19,196
Investment income	50	50	11,145	11,095
Other revenue	41,250	41,250	35,354	(5,896)
Total revenue	155,980	155,980	180,375	24,395
Expenditures				
Current services	3,470	3,470	2,850	620
Debt service	4,884,690	5,077,500	5,077,499	1
Total expenditures	4,888,160	5,080,970	5,080,349	621
Excess of Expenditures Over Revenue	(4,732,180)	(4,924,990)	(4,899,974)	25,016
Other Financing Sources - Transfers in	4,447,940	4,640,750	4,640,750	-
Net Change in Fund Balance	(284,240)	(284,240)	(259,224)	25,016
Fund Balance - Beginning of year	591,172	591,172	591,172	-
Fund Balance - End of year	<u>\$ 306,932</u>	<u>\$ 306,932</u>	<u>\$ 331,948</u>	<u>\$ 25,016</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Property taxes and other	\$ 600	\$ 600	\$ 690	\$ 90
Expenditures	-	-	-	-
Net Change in Fund Balance	600	600	690	90
Fund Balance - Beginning of year	2,319	2,319	2,319	-
Fund Balance - End of year	<u><u>\$ 2,919</u></u>	<u><u>\$ 2,919</u></u>	<u><u>\$ 3,009</u></u>	<u><u>\$ 90</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 550,510	\$ 550,510	\$ 551,266	\$ 756
Intergovernmental	40,540	40,540	39,299	(1,241)
Investment income	100	100	9,278	9,178
Total revenue	591,150	591,150	599,843	8,693
Expenditures				
Current services	500	500	-	500
Debt service	586,500	586,500	586,500	-
Total expenditures	587,000	587,000	586,500	500
Net Change in Fund Balance	4,150	4,150	13,343	9,193
Fund Balance - Beginning of year	6,639	6,639	6,639	-
Fund Balance - End of year	<u><u>\$ 10,789</u></u>	<u><u>\$ 10,789</u></u>	<u><u>\$ 19,982</u></u>	<u><u>\$ 9,193</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ 10	\$ 10
Expenditures				
Current services	1,000	1,000	999	1
Debt service	2,961,360	2,961,360	2,961,356	4
Total expenditures	2,962,360	2,962,360	2,962,355	5
Excess of Expenditures Over Revenue	(2,962,360)	(2,962,360)	(2,962,345)	15
Other Financing Sources - Transfers in	2,962,360	2,962,360	2,962,360	-
Net Change in Fund Balance	-	-	15	15
Fund Balance - Beginning of year	302	302	302	-
Fund Balance - End of year	<u>\$ 302</u>	<u>\$ 302</u>	<u>\$ 317</u>	<u>\$ 15</u>

City of Sterling Heights, Michigan

Other Financial and Supplementary Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) General Improvements

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 14,000	\$ 14,000	\$ 12,003	\$ (1,997)
Intergovernmental	110,000	513,050	441,245	(71,805)
Investment income	2,500	100,000	2,394	(97,606)
Other revenue	753,930	1,288,930	882,975	(405,955)
Total revenue	880,430	1,915,980	1,338,617	(577,363)
Expenditures - Capital outlay	6,109,630	12,036,340	6,334,371	5,701,969
Excess of Expenditures Over Revenue	(5,229,200)	(10,120,360)	(4,995,754)	5,124,606
Other Financing Sources - Transfers in	5,244,630	7,620,260	7,620,256	(4)
Net Change in Fund Balance	15,430	(2,500,100)	2,624,502	5,124,602
Fund Balance - Beginning of year	6,602,241	6,602,241	6,602,241	-
Fund Balance - End of year	<u><u>\$ 6,617,671</u></u>	<u><u>\$ 4,102,141</u></u>	<u><u>\$ 9,226,743</u></u>	<u><u>\$ 5,124,602</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ -	\$ -
Expenditures - Recreation and culture	-	17,230	4,324	12,906
Net Change in Fund Balance	-	(17,230)	(4,324)	12,906
Fund Balance - Beginning of year	17,234	17,234	17,234	-
Fund Balance - End of year	<u>\$ 17,234</u>	<u>\$ 4</u>	<u>\$ 12,910</u>	<u>\$ 12,906</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ -	\$ -	\$ 1,178	\$ 1,178
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	1,178	1,178
Fund Balance - Beginning of year	31,283	31,283	31,283	-
Fund Balance - End of year	<u><u>\$ 31,283</u></u>	<u><u>\$ 31,283</u></u>	<u><u>\$ 32,461</u></u>	<u><u>\$ 1,178</u></u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Capital outlay	-	-	-	-
Other Financing Uses - Transfers out	-	(375,626)	(375,626)	-
Net Change in Fund Balance	-	(375,626)	(375,626)	-
Fund Balance - Beginning of year	375,626	375,626	375,626	-
Fund Balance - End of year	<u>\$ 375,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sterling Heights, Michigan

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

Year Ended June 30, 2023

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 10,000	\$ 10,000	\$ 350,618	\$ 340,618
Expenditures - Capital outlay	18,000,000	22,584,700	11,474,236	11,110,464
Net Change in Fund Balance	(17,990,000)	(22,574,700)	(11,123,618)	11,451,082
Fund Balance - Beginning of year	25,851,531	25,851,531	25,851,531	-
Fund Balance - End of year	<u><u>\$ 7,861,531</u></u>	<u><u>\$ 3,276,831</u></u>	<u><u>\$ 14,727,913</u></u>	<u><u>\$ 11,451,082</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	\$ 3,111,723	\$ 5,420,857	\$ 3,286,755	\$ 11,819,335
Investments:				
Municipal bonds	-	122,196	-	122,196
Government securities	8,790,437	17,765,477	11,096,756	37,652,670
Mutual funds	11,764,325	31,839,978	15,274,493	58,878,796
Common and preferred stocks	72,623,666	154,875,465	115,404,774	342,903,905
Corporate bonds	5,689,420	10,734,492	7,211,396	23,635,308
Private real estate	-	9,776,319	-	9,776,319
Hedge funds	2,679,986	5,828,970	3,550,982	12,059,938
Receivables - Due from other governmental units	-	-	1,809,260	1,809,260
Total assets	104,659,557	236,363,754	157,634,416	498,657,727
Liabilities				
Accounts payable	114,793	284,107	172,619	571,519
Accrued and other liabilities	-	-	91,138	91,138
Provision for claims	-	-	968,293	968,293
Total liabilities	114,793	284,107	1,232,050	1,630,950
Net Position				
Restricted:				
Pension	104,544,764	236,079,647	-	340,624,411
Postemployment benefits other than pension	-	-	156,402,366	156,402,366
Individuals, organizations, and other governments	-	-	-	-
Total net position	<u>\$ 104,544,764</u>	<u>\$ 236,079,647</u>	<u>\$ 156,402,366</u>	<u>\$ 497,026,777</u>

Other Financial and Supplementary Information Combining Statement of Fiduciary Net Position

June 30, 2023

Custodial Funds			
<u>Tax Receiving</u>	<u>District Court</u>	<u>Total</u>	<u>Total Fiduciary Funds</u>
\$ -	\$ 84,002	\$ 84,002	\$ 11,903,337
-	-	-	122,196
-	-	-	37,652,670
-	-	-	58,878,796
-	-	-	342,903,905
-	-	-	23,635,308
-	-	-	9,776,319
-	-	-	12,059,938
-	-	-	1,809,260
-	84,002	84,002	498,741,729
-	-	-	571,519
-	-	-	91,138
-	-	-	968,293
-	-	-	1,630,950
-	-	-	340,624,411
-	-	-	156,402,366
-	84,002	84,002	84,002
<u>\$ -</u>	<u>\$ 84,002</u>	<u>\$ 84,002</u>	<u>\$ 497,110,779</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
Additions				
Investment income (expense):				
Interest and dividends	\$ 2,927,305	\$ 6,142,608	\$ 4,089,449	\$ 13,159,362
Net increase in fair value of investments	8,421,720	21,633,871	15,826,232	45,881,823
Investment costs	(581,955)	(1,467,689)	(838,414)	(2,888,058)
Net investment income	10,767,070	26,308,790	19,077,267	56,153,127
Contributions:				
Employer contributions	4,048,820	13,520,242	9,002,320	26,571,382
Employee contributions	491,498	2,518,008	326,848	3,336,354
Purchase of prior year's service credits	-	339,789	-	339,789
Total contributions	4,540,318	16,378,039	9,329,168	30,247,525
Property tax collections for other governments	-	-	-	-
Court fees collected for other governments	-	-	-	-
Total additions	15,307,388	42,686,829	28,406,435	86,400,652
Deductions				
Benefit payments	11,652,947	24,431,497	11,310,508	47,394,952
Refunds of contributions	367,561	1,886,036	-	2,253,597
Tax distributions to other governments	-	-	-	-
Court fees distributed to other governments	-	-	-	-
Total deductions	12,020,508	26,317,533	11,310,508	49,648,549
Net Increase in Fiduciary Net Position - Restricted for pension and OPEB	3,286,880	16,369,296	17,095,927	36,752,103
Net Position - Restricted for pension and OPEB - Beginning of year	101,257,884	219,710,351	139,306,439	460,274,674
Net Position - Restricted for pension and OPEB - End of year	\$ 104,544,764	\$ 236,079,647	\$ 156,402,366	\$ 497,026,777

Other Financial and Supplementary Information

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

Custodial Funds			
<u>Tax Receiving</u>	<u>District Court</u>	<u>Total</u>	<u>Total Fiduciary Funds</u>
\$ -	\$ -	\$ -	\$ 13,159,362
-	-	-	45,881,823
-	-	-	(2,888,058)
-	-	-	56,153,127
-	-	-	26,571,382
-	-	-	3,336,354
-	-	-	339,789
-	-	-	30,247,525
138,440,066	-	138,440,066	138,440,066
-	1,022,298	1,022,298	1,022,298
138,440,066	1,022,298	139,462,364	225,863,016
-	-	-	47,394,952
-	-	-	2,253,597
138,440,066	-	138,440,066	138,440,066
-	1,081,582	1,081,582	1,081,582
138,440,066	1,081,582	139,521,648	189,170,197
-	(59,284)	(59,284)	36,692,819
-	143,286	143,286	460,417,960
<u>\$ -</u>	<u>\$ 84,002</u>	<u>\$ 84,002</u>	<u>\$ 497,110,779</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,			
	2014	2015 (1)	2016	2017
Governmental Activities:				
Net investment in capital assets	\$ 159,604,551	\$ 166,305,991	\$ 172,609,179	\$ 141,192,833
Restricted	9,040,309	9,687,600	8,325,564	52,219,283
Unrestricted	24,290,676	(107,150,997)	(110,411,191)	(114,623,816)
Total net position	<u>\$ 192,935,536</u>	<u>\$ 68,842,594</u>	<u>\$ 70,523,552</u>	<u>\$ 78,788,300</u>
Business Type Activities:				
Net investment in capital assets	\$ 122,324,204	\$ 118,109,220	\$ 119,117,466	\$ 109,551,411
Restricted	9,368,833	10,521,601	1,307,099	10,193,185
Unrestricted	14,888,421	9,948,067	14,617,172	12,974,017
Total net position	<u>\$ 146,581,458</u>	<u>\$ 138,578,888</u>	<u>\$ 135,041,737</u>	<u>\$ 132,718,613</u>
Primary government in total:				
Net investment in capital assets	\$ 281,928,755	\$ 284,415,211	\$ 291,726,645	\$ 250,744,244
Restricted	18,409,142	20,209,201	9,632,663	62,412,468
Unrestricted	39,179,097	(97,202,930)	(95,794,019)	(101,649,799)
Total net position	<u>\$ 339,516,994</u>	<u>\$ 207,421,482</u>	<u>\$ 205,565,289</u>	<u>\$ 211,506,913</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, 2023

As of June 30,					
2018 (2)	2019	2020	2021	2022	2023
\$ 193,873,282	\$ 207,285,272	\$ 233,489,857	\$ 247,550,798	\$ 252,451,250	\$ 264,368,326
10,222,676	17,743,175	11,579,485	12,414,891	17,539,690	10,614,288
(203,205,414)	(200,071,465)	(209,465,303)	(194,211,633)	(200,311,062)	(178,308,791)
\$ 890,544	\$ 24,956,982	\$ 35,604,039	\$ 65,754,056	\$ 69,679,878	\$ 96,673,823
\$ 113,751,804	\$ 113,701,480	\$ 111,234,487	\$ 100,816,622	\$ 106,623,230	\$ 112,001,593
3,008,771	2,459,517	3,816,286	16,102,118	9,184,883	13,156,905
7,879,223	6,537,347	4,555,149	7,761,073	6,045,931	6,532,090
\$ 124,639,798	\$ 122,698,344	\$ 119,605,922	\$ 124,679,813	\$ 121,854,044	\$ 131,690,588
\$ 307,625,086	\$ 320,986,752	\$ 344,724,344	\$ 348,367,420	\$ 359,074,480	\$ 376,369,919
13,231,447	20,202,692	15,395,771	28,517,009	26,724,573	23,771,193
(195,326,191)	(193,534,118)	(204,910,154)	(186,450,560)	(194,265,131)	(171,776,701)
\$ 125,530,342	\$ 147,655,326	\$ 155,209,961	\$ 190,433,869	\$ 191,533,922	\$ 228,364,411

City of Sterling Heights, Michigan

	As of June 30,			
	2014	2015	2016	2017
Expenses:				
Governmental activities				
General government	\$ 5,467,242	\$ 6,200,880	\$ 7,351,777	\$ 8,060,141
District Court	3,288,275	3,351,422	3,877,503	4,126,604
Public safety	52,851,304	61,063,426	55,117,055	55,632,517
Public works	24,439,731	24,385,159	28,014,220	26,282,093
Recreation and culture	4,640,609	4,892,593	5,735,889	6,624,266
Interest on long-term debt	718,646	603,500	514,247	675,198
Total governmental activities	<u>91,405,807</u>	<u>100,496,980</u>	<u>100,610,691</u>	<u>101,400,819</u>
Business-type activities - Water and sewer	<u>41,790,235</u>	<u>44,886,232</u>	<u>49,351,047</u>	<u>52,082,635</u>
Total primary government expenses	<u>133,196,042</u>	<u>145,383,212</u>	<u>149,961,738</u>	<u>153,483,454</u>
Program revenues:				
Governmental activities				
Charges for services				
General government	3,272,341	3,760,720	3,227,800	3,441,658
District Court	2,227,523	2,368,667	2,692,034	2,604,583
Public safety	1,445,007	1,562,339	1,633,571	1,656,530
Public works	2,768,235	2,936,122	3,189,189	3,596,813
Recreation and culture	724,114	760,007	733,620	752,883
Total charges for services	10,437,220	11,387,855	11,476,214	12,052,467
Operating grants and contributions	2,747,213	3,566,906	4,048,708	6,618,802
Capital grants and contributions	8,552,754	8,129,304	8,553,786	16,135,905
Total governmental activities program revenue	<u>21,737,187</u>	<u>23,084,065</u>	<u>24,078,708</u>	<u>34,807,174</u>
Business-type activities - Water and sewer:				
Charges for services	32,097,323	36,020,248	40,026,642	45,917,303
Operating grants and contributions	-	602,738	96,712	-
Capital grants and contributions	338,004	1,954,700	5,014,380	3,906,683
Total business-type activities program revenue	<u>32,435,327</u>	<u>38,577,686</u>	<u>45,137,734</u>	<u>49,823,986</u>
Total primary government program revenues	<u>54,172,514</u>	<u>61,661,751</u>	<u>69,216,442</u>	<u>84,631,160</u>
General revenues:				
Governmental activities				
Property taxes	51,344,025	62,231,352	64,036,721	60,946,929
State-shared revenues	10,606,230	10,785,806	10,694,421	11,259,947
Investment earnings	596,654	630,068	886,403	71,918
Insurance proceeds	-	-	-	-
Cable franchise fees	-	-	-	-
Miscellaneous	2,342,953	2,533,069	2,595,396	2,579,599
Total governmental activities general revenues	<u>64,889,862</u>	<u>76,180,295</u>	<u>78,212,941</u>	<u>74,858,393</u>
Business-type activities - Investment income	581,104	635,502	676,162	(64,475)
Total primary government	<u>65,470,966</u>	<u>76,815,797</u>	<u>78,889,103</u>	<u>74,793,918</u>
Change in net position				
Governmental activities	(4,778,758)	(1,232,620)	1,680,958	8,264,748
Business-type activities	<u>(8,773,804)</u>	<u>(5,673,044)</u>	<u>(3,537,151)</u>	<u>(2,323,124)</u>
Total primary government	<u>(13,552,562)</u>	<u>(6,905,664)</u>	<u>(1,856,193)</u>	<u>5,941,624</u>

Changes in Net Position

Last Ten Fiscal Years

June 30, 2023

As of June 30,					
2018	2019	2020	2021	2022	2023
\$ 7,267,842	\$ 14,396,969	\$ 16,349,557	\$ 14,487,942	\$ 16,824,449	\$ 17,901,375
3,728,890	3,762,089	4,103,248	3,351,572	4,780,581	4,332,387
54,397,264	58,518,653	65,604,864	56,874,610	72,686,196	70,551,104
29,961,490	21,642,326	21,430,495	20,805,200	26,530,983	24,441,506
6,343,690	7,411,196	8,860,964	9,603,947	11,704,479	11,876,111
2,496,423	3,628,285	3,540,056	3,305,989	3,283,639	3,519,661
104,195,599	109,359,518	119,889,184	108,429,260	135,810,327	132,622,144
55,599,159	54,411,558	56,529,468	54,962,880	58,964,138	58,799,172
159,794,758	163,771,076	176,418,652	163,392,140	194,774,465	191,421,316
2,378,747	2,538,972	2,516,764	2,785,584	3,031,456	3,249,159
2,908,337	3,079,738	1,890,130	1,452,870	1,940,087	2,797,889
2,679,269	4,730,272	4,580,155	4,052,332	4,642,445	8,322,955
3,443,958	3,359,102	3,260,383	3,046,608	3,444,596	2,841,568
574,725	862,525	628,802	611,981	1,026,152	1,238,028
11,985,036	14,570,609	12,876,234	11,949,375	14,084,736	18,449,599
9,931,126	11,315,298	10,376,070	16,793,437	12,138,713	15,877,906
14,316,813	14,537,254	15,244,980	15,668,776	17,341,628	20,576,994
36,232,975	40,423,161	38,497,284	44,411,588	43,565,077	54,904,499
50,589,347	49,231,779	50,351,649	58,984,621	54,238,528	57,508,595
559,609	565,149	875,241	-	-	-
3,100,357	1,986,596	1,871,557	994,297	1,954,602	10,567,931
54,249,313	51,783,524	53,098,447	59,978,918	56,193,130	68,076,526
90,482,288	92,206,685	91,595,731	104,390,506	99,758,207	122,981,025
66,282,454	72,772,592	72,130,241	74,319,939	78,406,913	81,474,109
11,784,623	12,162,566	12,677,603	14,499,046	16,288,653	16,490,679
1,454,230	3,176,376	2,220,455	762,914	(2,626,093)	1,851,094
-	-	-	-	-	-
2,414,752	2,329,624	2,227,827	2,218,739	2,114,490	1,982,585
1,883,080	2,561,637	2,782,831	2,367,051	1,987,109	2,913,123
83,819,139	93,002,795	92,038,957	94,167,689	96,171,072	104,711,590
35,247	686,580	338,599	57,853	(54,761)	559,190
83,854,386	93,689,375	92,377,556	94,225,542	96,116,311	105,270,780
15,856,515	24,066,438	10,647,057	30,150,017	3,925,822	26,993,945
(1,314,599)	(1,941,454)	(3,092,422)	5,073,891	(2,825,769)	9,836,544
14,541,916	22,124,984	7,554,635	35,223,908	1,100,053	36,830,489

City of Sterling Heights, Michigan

	As of June 30,			
	2014	2015	2016	2017
General Fund:				
Prior to adoption of GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	-	-	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	538,644	580,872	735,358	829,129
Assigned	3,668,787	4,457,140	5,095,500	5,076,900
Unassigned	1,021,961	2,501,722	5,564,011	11,360,580
Total general fund	<u>5,229,392</u>	<u>7,539,734</u>	<u>11,394,869</u>	<u>17,266,609</u>
All other governmental funds:				
Nonspendable	24,079	222,835	2,009,754	610,377
Restricted	4,739,133	5,391,767	10,514,620	54,501,560
Committed	528,412	85,588	623,435	374,420
Assigned	657,869	1,630,427	1,732,331	1,499,058
Total all other governmental funds	<u>5,949,493</u>	<u>7,330,617</u>	<u>14,880,140</u>	<u>56,985,415</u>
Total of all governmental funds	<u>\$ 11,178,885</u>	<u>\$ 14,870,351</u>	<u>\$ 26,275,009</u>	<u>\$ 74,252,024</u>

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2023

As of June 30,					
2018	2019	2020	2021	2022	2023
\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	
563,361	565,524	664,405	946,960	1,061,097	1,120,070
-	-				
<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>34,343,404</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>	<u>35,463,474</u>
695,486	3,499,383	5,640,822	5,755,462	7,702,210	6,844,462
62,149,539	40,105,715	29,549,254	27,451,676	33,377,957	17,899,039
190,436	161,907	159,899	31,283	31,283	32,461
3,852,870	9,738,175	5,356,141	5,798,047	6,069,478	19,761,705
<u>66,888,331</u>	<u>53,505,180</u>	<u>39,165,550</u>	<u>39,036,468</u>	<u>47,180,928</u>	<u>44,537,667</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>	<u>\$ 80,001,141</u>

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenue				
Property taxes	\$ 51,344,025	\$ 62,231,352	\$ 64,036,721	\$ 60,946,929
Fees and permits	1,735,413	1,800,968	2,149,069	2,568,909
Federal sources	1,921,050	1,456,596	1,990,255	6,300,698
State and local sources	19,920,337	21,054,148	21,279,925	27,584,764
Fines and forfeitures	2,326,870	2,567,229	3,057,417	2,944,500
Charges for services	9,048,012	10,085,731	9,719,467	9,842,019
Investment income	257,632	247,437	426,998	112,450
Special assessments	314,871	212,828	201,579	199,092
Rental income	1,951,540	1,829,381	1,578,977	1,488,753
Cable revenue	2,342,953	2,533,069	2,595,396	2,579,599
Other	1,619,427	1,414,282	1,960,041	1,568,519
Total revenue	92,782,130	105,433,021	108,995,845	116,136,232
Expenditures				
Current:				
General government	7,175,604	7,803,567	8,154,052	8,300,238
District Court	3,078,766	3,087,262	3,223,740	3,242,874
Public safety	48,807,450	49,752,772	49,704,157	48,646,567
Public works	20,790,973	21,450,688	20,929,934	20,869,103
Recreation and culture	4,002,476	4,189,468	4,393,760	7,664,887
General expenditures	2,171,473	1,119,452	1,027,555	1,164,656
Capital outlay	7,026,982	14,388,416	19,122,277	22,513,996
Debt service principal	3,235,000	2,620,000	1,725,000	2,280,000
Debt service Interest	744,170	628,563	545,331	700,971
Total expenditures	97,032,894	105,040,188	108,825,806	115,383,292
Excess of Revenue Over Expenditures	(4,250,764)	392,833	170,039	752,940
Other Financing Sources (Uses)				
Debt issuance	-	198,633	9,630,000	47,315,000
Debt premium or discount	-	-	254,555	2,902,577
Sale of capital assets	-	-	-	80,363
Transfers in	5,639,290	13,594,435	10,797,379	10,180,735
Transfers out	(4,266,460)	(10,494,435)	(9,447,315)	(10,180,735)
Total other financing sources (uses)	1,372,830	3,298,633	11,234,619	50,297,940
Net change in fund balances	\$ (2,877,934)	\$ 3,691,466	\$ 11,404,658	\$ 51,050,880
Debt service as a percentage of noncapital expenditures	4.42%	3.58%	2.53%	3.21%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2023

As of June 30,

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 66,282,454	\$ 72,759,327	\$ 72,179,599	\$ 74,402,654	\$ 78,406,913	\$ 81,474,109
2,648,068	2,629,072	2,562,476	2,344,498	2,572,200	2,443,600
4,122,227	2,356,723	2,713,283	8,277,635	4,452,146	7,773,120
31,365,436	34,699,398	36,310,073	37,924,816	40,764,798	44,377,240
2,384,499	2,517,198	1,540,704	1,079,803	1,678,277	2,469,429
12,373,661	14,938,523	14,298,086	13,657,617	14,569,479	16,547,108
1,120,683	3,382,059	2,045,963	671,876	(2,582,927)	1,764,819
222,250	263,804	126,507	119,427	151,788	148,520
1,630,951	1,552,811	1,498,761	1,640,887	1,746,415	1,565,433
2,414,752	2,329,624	2,227,827	2,218,739	2,114,490	1,982,585
1,866,109	2,510,236	2,792,592	2,426,826	1,871,711	2,917,701
<u>126,431,090</u>	<u>139,938,775</u>	<u>138,295,871</u>	<u>144,764,778</u>	<u>145,745,290</u>	<u>163,463,664</u>
9,118,455	11,087,713	12,485,728	12,753,975	14,177,083	16,224,085
3,309,841	3,480,346	3,646,569	3,569,512	3,959,102	4,042,861
50,311,362	54,426,486	55,657,071	59,704,317	62,044,521	64,490,069
23,165,358	21,359,651	20,507,719	21,707,991	22,276,474	22,372,141
4,805,997	6,159,499	7,039,735	7,153,046	7,782,054	8,784,166
1,845,158	1,589,904	2,369,508	2,922,963	3,411,578	2,700,717
39,333,835	44,685,871	62,799,049	45,291,490	30,724,425	33,399,832
4,100,000	5,340,000	6,462,520	5,535,000	6,803,000	7,464,000
2,025,489	3,109,779	3,574,278	3,638,619	3,760,843	4,162,943
<u>138,015,495</u>	<u>151,239,249</u>	<u>174,542,177</u>	<u>162,276,913</u>	<u>154,939,080</u>	<u>163,640,814</u>
(11,584,405)	(11,300,474)	(36,246,306)	(17,512,135)	(9,193,790)	(177,150)
27,590,000	-	24,919,316	18,973,000	16,850,000	-
1,302,812	-	-	702,899	1,036,153	-
41,655	87,482	17,875	41,899	77,230	123,057
10,588,025	23,133,990	17,627,275	19,940,070	17,012,684	22,252,546
<u>(10,588,025)</u>	<u>(23,133,990)</u>	<u>(17,627,275)</u>	<u>(19,940,070)</u>	<u>(17,012,684)</u>	<u>(22,252,546)</u>
<u>28,934,467</u>	<u>87,482</u>	<u>24,937,191</u>	<u>19,717,798</u>	<u>17,963,383</u>	<u>123,057</u>
<u>\$ 17,350,062</u>	<u>\$ (11,212,992)</u>	<u>\$ (11,309,115)</u>	<u>\$ 2,205,663</u>	<u>\$ 8,769,593</u>	<u>\$ (54,093)</u>
6.23%	7.99%	8.98%	7.79%	8.50%	9.07%

Revenue Capacity

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

Fiscal Year Ended June 30	General Fund Property Taxes					Local Roads Property Taxes		Parks and Recreation Property Taxes		Debt Service Funds Property Taxes			
	Operating	Refuse	Police and Fire	Safe Streets	Total	Safe Streets	Recreating Recreation	General Drain	Voted Tax General	Total	Total All Property Taxes		
			Retirement System						Obligation				
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	42,719,547	4,416,896	11,220,782	7,580,766	65,937,991	3,564,606	4,331,004	607	506,343	506,950	74,340,551		
2022	44,817,855	4,654,345	12,866,281	7,748,836	70,087,318	3,631,075	4,402,377	615	549,205	546,799	78,670,590		
2023	47,287,467	4,705,616	12,556,551	8,071,382	72,621,016	3,795,529	4,600,110	619	551,550	552,169	81,568,824		

Property Tax Levies and Collections

Last Ten Fiscal Years
June 30, 2023

Tax Year	Year ended June 30,	Total levy (1)	Current collections	Percent collected	Delinquent collections (2)	Total tax collections	Percent of
							levy collected
2013	2014	51,490,018	50,356,033	97.80%	1,049,632	51,405,665	99.84%
2014	2015	62,603,722	61,350,710	98.00%	1,157,471	62,508,181	99.85%
2015	2016	63,842,382	62,694,645	98.20%	1,046,438	63,741,083	99.84%
2016	2017	61,003,077	59,820,159	98.06%	1,065,670	60,885,829	99.81%
2017	2018	66,431,075	65,265,032	98.24%	1,074,118	66,339,150	99.86%
2018	2019	73,342,584	71,900,008	98.03%	1,295,204	73,195,212	99.80%
2019	2020	72,676,628	71,373,019	98.21%	1,198,695	72,571,714	99.86%
2020	2021	75,590,292	73,894,914	98.29%	1,144,217	75,039,131	99.81%
2021	2022	80,455,135	78,245,801	97.25%	1,236,272	79,482,073	98.79%
2022	2023	82,703,836	81,190,278	98.17%	1,272,816	82,463,094	99.71%
2023	2024	87,988,683	(2)				

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

(2) Estimated tax levy. This levy will only change due to STC, MTT, and/or Board of Review adjustments and is included to facilitate continuing disclosure requirements.

Source: City Treasurer's Office

City of Sterling Heights, Michigan

Fiscal Year (Tax Year)	City Direct Rates								Overlapping Rates							
	Operating (1)	Refuse	Police and Fire Retirement System	Drain Debt Service	Public Improvement Debt Service	Safe Streets	Recreating Recreation	Total	Macomb Intermediate School District	Macomb Community College	Huron/ Clinton Metro Authority	S.M.A.R.T.	County Zoo Authority	Veterans Operations	D.I.A.	Med Call
2014 (2013)																
Homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000	
Non-homestead	9.4703	1.0879	1.8225	0.2033	0.1018	0.0000	0.0000	12.6858	2.9430	1.5312	0.2146	0.5900	0.1000	0.0400	0.2000	
2015 (2014)																
Homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	
Non-homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	
2016 (2015)																
Homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	
Non-homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	
2017 (2016)																
Homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	
Non-homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	
2018 (2017)																
Homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	
Non-homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	
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	0.1965	
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	0.1965	
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	0.1950	
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	0.1950	
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	0.1930	0.0990
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	0.1930	0.0990
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	0.1911	0.0000
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	0.1911	0.0000
2023 (2022)																
Homestead	9.4940	0.9468	2.5189	0.0000	0.1096	2.3850	0.9257	16.3800	4.6300	1.4077	0.2070	0.9500	0.0945	0.0652	0.1956	0.0000
Non-homestead	9.4940	0.9468	2.5189	0.0000	0.1096	2.3850	0.9257	16.3800	4.6300	1.4077	0.2070	0.9500	0.0945	0.0652	0.1956	0.0000

(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, 2023

Overlapping Rates										Total Direct and Overlapping Rates by Resident's School District	
Macomb County		Utica Community School District (2)			Warren Consolidated School District (2)						
Operating	Drain Debt Service	State Education Tax	Operating/ Local	Debt	State Education Tax	Operating/ Local	Supplemental	Sinking	Debt	Utica Community	Warren Consolidated
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.4629	0.0000	3.9200	32.7281	40.2610
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	50.6597	50.7981
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.1603	0.0000	3.6000	35.6331	42.5434
4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	0.0000	3.6000	53.5647	53.3831
4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7766	0.0000	3.9200	35.6371	42.4837
4.5685	0.0050	6.0000	17.9082	3.8500	6.0000	18.0000	0.0000	0.0000	3.9200	53.5453	53.7071
4.5566	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7914	0.0000	4.8700	35.5050	43.3164
4.5566	0.0050	6.0000	17.6968	3.8500	6.0000	17.8182	0.0000	0.0000	4.8700	53.2018	54.3432
4.5242	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.5091	0.0000	4.8700	36.4223	43.9514
4.5242	0.0050	6.0000	17.5676	3.8500	6.0000	17.7487	0.0000	0.0000	4.8700	53.9899	55.1910
4.4925	0.0050	6.0000	0.0000	3.7600	6.0000	0.0000	6.1678	0.0000	4.7800	37.3719	44.5597
4.4925	0.0050	6.0000	17.3128	3.7600	6.0000	18.0000	0.0000	0.0000	4.7800	54.6847	56.3919
4.4592	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.7931	0.0000	4.7800	36.0580	43.1311
4.4592	0.0000	6.0000	17.1621	3.5000	6.0000	17.9463	5.7931	0.0000	4.7800	53.2201	55.2843
4.4150	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.3583	0.0000	4.7800	37.9387	44.5770
4.4150	0.0000	6.0000	16.9183	3.5000	6.0000	17.9463	0.0000	0.0000	4.7800	54.8570	57.1650
4.3721	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.0652	0.0000	4.7800	38.1903	44.5355
4.3721	0.0000	6.0000	16.9183	3.5000	6.0000	17.8296	0.0000	0.0000	4.7800	55.1086	57.2999
4.3200	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	2.6824	0.0000	4.7800	37.7500	41.7124
4.3200	0.0000	6.0000	16.7508	3.5000	6.0000	17.6120	2.6824	0.0000	4.7800	54.5008	59.3244

City of Sterling Heights, Michigan

	2014	2015	2016	2017
State Equalized Value				
SEV equivalent	\$ 4,201,961,947	\$ 4,421,529,781	\$ 4,796,034,350	\$ 4,949,191,377
IFT exemption	<u>147,523,025</u>	<u>149,204,525</u>	<u>123,790,350</u>	<u>64,411,150</u>
Total SEV	<u>\$ 4,349,484,972</u>	<u>\$ 4,570,734,306</u>	<u>\$ 4,919,824,700</u>	<u>\$ 5,013,602,527</u>
Taxable Value				
By Class:				
Real property	\$ 3,526,557,005	\$ 3,564,635,642	\$ 3,665,393,466	\$ 3,737,558,043
Personal property	<u>724,659,700</u>	<u>714,092,150</u>	<u>670,143,500</u>	<u>366,173,450</u>
Total value	<u>\$ 4,251,216,705</u>	<u>\$ 4,278,727,792</u>	<u>\$ 4,335,536,966</u>	<u>\$ 4,103,731,493</u>
By Type:				
Residential	\$ 2,584,362,566	\$ 2,640,642,487	\$ 2,717,724,673	\$ 2,777,714,820
Commercial	564,052,015	558,328,319	574,872,887	594,885,971
Industrial	305,334,016	296,637,552	305,821,724	314,006,932
Personal property	502,509,250	488,607,400	494,865,700	289,981,650
IFT real and personal property	<u>294,958,858</u>	<u>294,512,034</u>	<u>242,251,982</u>	<u>127,142,120</u>
Total	4,251,216,705	4,278,727,792	4,335,536,966	4,103,731,493
Less exempt property	<u>(147,479,429)</u>	<u>(147,256,017)</u>	<u>(121,125,991)</u>	<u>(63,571,060)</u>
Total taxable value	<u>\$ 4,103,737,276</u>	<u>\$ 4,131,471,775</u>	<u>\$ 4,214,410,975</u>	<u>\$ 4,040,160,433</u>
Total direct tax rate (1)	<u>\$ 12.6858</u>	<u>\$ 15.1858</u>	<u>\$ 15.1858</u>	<u>\$ 15.1858</u>
Total taxable value as				
a percentage of SEV equivalent	94.35%	90.39%	85.66%	80.58%
Total taxable value as				
a percentage of total value	96.53%	96.56%	97.21%	98.45%

(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, 2023

2018	2019	2020	2021	2022	2023
\$ 5,200,275,450 61,439,675	\$ 5,409,399,365 52,225,350	\$ 5,798,698,325 53,110,750	\$ 6,158,957,816 52,709,800	\$ 6,427,561,200 62,864,450	\$ 6,698,886,900 61,276,500
\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616	\$ 6,490,425,650	\$ 6,760,163,400
\$ 3,855,214,582 327,166,100	\$ 4,032,937,100 289,445,900	\$ 4,244,580,889 305,210,600	\$ 4,427,329,545 282,249,500	\$ 4,562,968,811 319,918,100	\$ 4,823,098,811 282,964,300
\$ 4,182,380,682	\$ 4,322,383,000	\$ 4,549,791,489	\$ 4,709,579,045	\$ 4,882,886,911	\$ 5,106,063,111
\$ 2,863,163,811 612,549,438 317,662,123 270,324,150 118,681,160	\$ 2,986,252,214 637,542,166 343,983,905 254,615,000 99,989,715	\$ 3,121,603,015 679,530,404 369,124,697 279,689,900 99,843,473	\$ 3,241,733,427 726,105,453 376,971,307 267,400,500 97,368,358	\$ 3,356,319,778 704,267,708 397,600,360 308,300,400 116,398,665	\$ 3,559,441,589 741,971,902 414,915,057 274,997,000 114,737,563
4,182,380,682 (59,340,580)	4,322,383,000 (49,994,858)	4,549,791,489 (49,921,737)	4,709,579,045 (48,684,179)	4,882,886,911 (58,199,333)	5,106,063,111 (57,368,782)
\$ 4,123,040,102	\$ 4,272,388,143	\$ 4,499,869,753	\$ 4,660,894,866	\$ 4,824,687,579	\$ 5,048,694,330
\$ 16.1558	\$ 17.1804	\$ 16.2069	\$ 16.2069	\$ 16.6742	\$ 16.3800
77.49%	78.23%	76.90%	75.03%	74.34%	74.68%
98.84%	98.84%	98.90%	98.97%	98.81%	98.88%

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago
June 30, 2023

Company Name	Product/Service	Year Ended June 30, 2023			Year Ended June 30, 2014		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
DTE Energy	Public electric utility	\$ 56,633,434	1	1.12	35,263,600	3	0.86
Stellantis	Automotive assembly and stamping	53,066,262	2	1.05			
Consumer Energy	Public utility for gas	50,004,301	3	0.99	13,994,865	8	0.34
Ford Motor Company	Automotive manufacturing and drive shafts	28,289,567	4	0.56	155,279,281	2	3.78
Comcast Cable	Cable communications	17,753,216	5	0.35	14,535,350	7	0.35
International Transmission	Automotive	17,406,468	6	0.34			
Liberty Park Commerce Center, LLC	Industrial facilities	16,437,186	7	0.33			
Chalk Spade Investments (USA)	Investments	14,589,304	8	0.29			
General Dynamics	Engineering and design	13,532,280	9	0.27	25,893,725	4	0.63
Sun Properties	Manufactured Home Community	12,651,618	10	0.25	-		-
Chrysler Group LLC	Automotive assembly & stamping			0.00	223,610,703	1	5.45
Lakeside Associates	Retail shopping center	-	-	0.00	23,369,844	6	0.57
Detroit Media Partnership	Printing plant - Newspapers	-		-	24,758,485	5	0.60
MNP Corporation	Nut, blot, and wire manufacturer	-		-	10,984,000	10	0.27
NJT Enterprises	Retail Shopping center			-	13,127,950	9	0.32
	Ten largest taxpayers	280,363,636		5.55	540,817,803		13.17
	Other taxpayers	4,768,330,694			3,562,919,473		
	Total taxable value	\$ 5,048,694,330			\$ 4,103,737,276		

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
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
2023	72,517,518		(25,458)	26,513,260

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, 2023

Business-type Activities		Percentage of Estimated Total Taxable Value of Property (1)	Population	Per Capita
County Issued Bonds	Total Primary Government			
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
57,247,478	156,252,798	3.0949	134,346	1,163.06

City of Sterling Heights, Michigan

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County- issued Bonds
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	-
2022	76,866,655	50,878,548	1,400,000	-
2023	72,517,518	47,300,615	1,200,000	-

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

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

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

June 30, 2023

Business-type	Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Population	Per Capita
Activities	County Issued						
General Obligation Bonds	General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds				
-	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
15,371,660	63,323,681	1,844,015	18,485,695	219,178,930	6.98%	129,699	1,689.90
27,638,357	60,201,476	1,704,561	17,320,226	236,009,823	5.61%	134,346	1,756.73
26,513,260	57,247,478	1,565,415	15,754,110	222,098,396	5.28%	134,346	1,653.18

Direct and Overlapping Governmental Activities Debt

June 30, 2023

Direct Debt

General Obligation Bonds

04/21/17	GO Refunding Unlimited Tax	-	
05/09/17	Limited Tax	34,647,429	
05/22/18	Limited Tax	16,641,637	
08/22/19	Limited Tax	<u>21,228,452</u>	\$ 72,517,518

Michigan Transportation Fund Bonds

04/05/16	MTF Bonds, Series 2016	5,828,576	
05/09/17	MTF Bonds, Series 2017	1,392,267	
05/22/18	MTF Bonds, Series 2018	6,032,217	
10/28/20	MTF Bonds, Series 2020	601,000	
03/10/21	MTF Bonds, Series 2021	16,509,179	
05/18/22	MTF Bonds, Series 2022	<u>16,937,376</u>	47,300,615

Special Assessment Bonds

08/03/08	Improvements		<u>1,200,000</u>
Total direct debt outstanding			121,018,133

Less:	MTF Bonds	47,300,615	
	Special Assessment Bonds	<u>1,200,000</u>	<u>48,500,615</u>
		-	
Net direct and indirect debt outstanding			72,517,518

Overlapping Debt

Municipality	Net Tax Supported Debt	City allocation	
Utica Community School District	160,830,000	35.55%	57,175,065
Warren Consolidated School District	221,900,000	44.95%	99,744,050
Macomb Intermediate School District	-	0.00%	0
Macomb County at large	235,209,938	15.14%	35,610,785
Total overlapping debt			<u>192,529,900</u>
Net direct and indirect debt outstanding and overlapping debt			<u>\$ 265,047,418</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities:				
General obligation bonds	\$ 5,777,683	\$ 5,253,950	\$ 4,667,114	\$ 49,055,194
Michigan transportation fund bonds	8,811,416	7,465,086	16,480,393	17,080,252
Special assessment bonds	2,700,000	2,550,000	2,400,000	2,250,000
County issued bonds	<u>775,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Total	18,064,099	15,419,036	23,547,507	68,385,446
Business Type Activities:				
General obligation bonds	34,264,780	33,071,724	31,831,025	53,263,196
Special assessment bonds	2,548,452	4,098,344	4,054,112	3,884,347
County state revolving loan funds	<u>11,703,389</u>	<u>17,592,684</u>	<u>20,725,947</u>	<u>22,126,394</u>
Total	48,516,621	54,762,752	56,611,084	79,273,937
Total debt of the government	<u>\$ 66,580,720</u>	<u>\$ 70,181,788</u>	<u>\$ 80,158,591</u>	<u>\$ 147,659,383</u>
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	2.12%	2.23%	2.55%	4.70%
Total Population	129,699	129,699	129,699	129,699
Total debt per capita	513.35	541.11	618.04	1,138.48

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2023

As of June 30,					
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 63,190,000	\$ 60,335,000	\$ 84,852,623	\$ 80,975,911	\$ 76,866,655	\$ 72,517,518
23,180,000	20,845,000	19,129,213	36,003,953	50,878,548	47,300,615
2,100,000	1,950,000	1,800,000	1,600,000	1,400,000	1,200,000
-	-	-	-	-	-
88,470,000	83,130,000	105,781,836	118,579,864	129,145,203	121,018,133
48,741,669	46,797,853	51,344,551	78,695,342	87,839,833	83,760,738
2,258,379	1,962,402	1,983,169	1,844,015	1,704,561	1,565,415
21,072,504	19,973,656	18,860,521	18,485,695	17,320,226	15,754,110
72,072,552	68,733,911	72,188,241	99,025,052	106,864,620	101,080,263
\$ 160,542,552	\$ 151,863,911	\$ 177,970,077	\$ 217,604,916	\$ 236,009,823	\$ 222,098,396
\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000	\$ 3,140,402,000
5.11%	4.84%	5.67%	6.93%	7.52%	7.07%
129,699	129,699	129,699	132,438	134,346	134,346
1,237.81	1,170.90	1,372.18	1,643.07	1,756.73	1,653.18

City of Sterling Heights, Michigan

	As of June 30,			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Calculation of debt limit:				
State equalized valuation	\$ 4,349,484,972	\$ 4,570,734,306	\$ 4,919,824,700	\$ 5,013,602,527
10% of taxable value	434,948,497	457,073,431	491,982,470	501,360,253
Calculation of debt subject to limit:				
Total debt	54,877,331	52,589,104	59,432,644	125,532,989
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	8,535,000	7,205,000	15,995,000	16,595,000
Special Assessment Bonds	2,700,000	2,550,000	2,400,000	2,250,000
MID District Special Assessments	2,548,452	2,449,227	2,468,817	2,182,194
OMID District Special Assessments	<u>100</u>	<u>1,649,117</u>	<u>1,585,295</u>	<u>1,520,333</u>
net debt subject to limit	41,093,779	38,735,760	36,983,532	102,985,462
Legal debt margin	393,854,718	418,337,671	454,998,938	398,374,791
Net debt subject to limit as % of debt limit	9.45%	8.47%	7.52%	20.54%

(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, 2023

As of June 30,					
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 5,261,715,125	\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616	\$ 6,490,425,650	\$ 6,760,163,400
526,171,513	546,162,472	585,180,908	621,166,762	649,042,565	676,016,340
139,470,048	131,890,255	159,109,556	199,119,221	218,689,597	206,344,286
23,180,000	20,845,000	19,129,213	36,003,953	50,878,548	47,300,615
2,100,000	1,950,000	1,800,000	1,600,000	1,400,000	1,200,000
2,258,379	1,962,402	1,983,169	1,844,015	1,704,561	1,565,415
<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>	<u>1,096,372</u>
110,477,437	105,747,002	134,880,843	158,426,723	163,534,898	155,181,884
415,694,076	440,415,470	450,300,065	462,740,039	485,507,667	520,834,456
21.00%	19.36%	23.05%	25.50%	25.20%	22.96%

Pledged Revenue Coverage

Last Ten Fiscal Years

June 30, 2023

Limited Tax Obligation Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2023	7,558,373	4,365,000	3,422,925	7,787,925	0.971
Michigan Transportation Fund Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
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
2023	7,654,996	3,399,000	1,422,049	4,821,049	1.588
Special Assessment Bonds					
Fiscal Year Ended	Collections (1)	Debt Service			Coverage (1)
		Principal	Interest	Total	
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
2023	133,876	200,000	56,450	256,450	0.522

(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, 2023

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					
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%
2023	134,346	40.44	86.4%	26.7%	31,335	4,209,732	51,615	64,833	3.4%

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

June 30, 2023

Population			Income and Benefit Characteristics	
2020 U.S. Census	134,346		Household Income	Number of Households
2010 U.S. Census	129,699		Less than \$14,999	3,584
2000 U.S. Census	124,471		\$15,000 - \$34,999	7,691
1990 U.S. Census	117,810		\$35,000 - \$49,999	6,682
			\$50,000 - \$74,999	9,379
			\$75,000 - \$99,999	7,837
			\$100,000 or more	15,956
Housing Tenure			Households:	Number
Types	2010	2000	With earnings	39,958
Owner occupied	37,685	36,584	With Social Security income	17,724
Renter occupied	11,766	9,735	With retirement income	12,517
Vacant:			With supplemental security income	3,538
Seasonal/Migrant	128	148	With cash public assistance income	1,764
Other vacant units	2,611	1,080	With food stamps/SNAP benefits	6,304
Total	52,190	47,547		
Household Characteristics			Labor Characteristics	
Types	2010	2000	By Occupation:	Number of Employees
With seniors 65+	14,229	10,252	Management, professional, and related	25,336
Without seniors	35,222	36,067	Service	10,574
Two or more without children	21,007	19,041	Sales and office	14,923
Live alone, over 65	5,316	3,915	Natural resources, construction, and maintenance	4,177
Live alone, under 65	7,791	7,245	Production, transportation, and material moving	10,640
With children	15,337	16,118	Total	65,650
Total households	49,451	46,319	By Industry:	
			Agriculture, forestry, fishing and hunting, and mining	125
			Construction	2,802
			Manufacturing	14,260
			Wholesale trade	1,557
			Retail trade	9,174
			Transportation, warehousing, and utilities	3,455
			Information	860
			Finance, insurance, real estate, rental, and leasing	3,522
			Professional, scientific, management, administrative, and waste management services	5,836
			Educational, health, and social services	12,432
			Arts, entertainment, recreation, accommodation, and food services	6,385
			Other professional and related services	3,165
			Public administration	2,077
			Total	65,650
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, 2023

Company Name	Product/Service	Year Ended June 30, 2023			Year Ended June 30, 2014		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Stellantis	Automotive assembly and stamping	9,061	1	13.80%	3,000	1	4.88%
Ford Motor Company	Automotive axles and transmissions	4,180	2	6.37%	2,300	2	3.74%
General Dynamics	Defense-related manufacturing	3,170	3	4.83%	1,900	4	3.09%
Utica Community Schools	Education	2,300	4	3.50%	1,150	5	1.87%
Beaumont Health	Healthcare	1,299	5	1.98%			
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	6	1.52%	1,000	6	1.63%
Mayco International/Stonebridge Industries	Automotive plastics	750	7	1.14%			
BAE Systems	Defense Technology	600	8	0.91%	-		
Metalsa Structural Products	Automotive Parts	583	9	0.89%			
Walmart Stores	Retail	550	10	0.84%	-		
Lakeside Associates	Retail Shopping Center	-			2,000	3	3.26%
Warren Consolidated Schools	Education	-			790	7	1.29%
Henry Ford Health System	Healthcare	-			600	8	0.98%
U.S. Farathane Corporation	Paints and finishes	-			600	9	0.98%
Miliken Milwork, Inc.	Wooden and stainless steel doors and stairs	-			580	10	0.94%
	Ten largest employers	23,493		35.79%	13,920		22.66%
	Other employers	42,157		64.21%	47,517		77.34%
	Total employment	65,650			61,437		

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, 2023

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government											
Election Data											
	Registered voters	88,164	87,576	86,465	88,520	84,781	86,629	90,254	98,915	99,390	101,557
	Voters at polls	21,322	26,444	8,178	41,578	8,130	35,160	8,798	29,532	7,134	31,506
	Absentee ballots	8,966	11,862	8,475	16,443	8,221	14,232	9,105	40,672	12,517	21,052
	Percent voting	34.35%	43.74%	19.00%	65.55%	19.29%	57.02%	19.84%	70.97%	19.77%	51.75%
41A District Court											
Court Cases											
	Civil	2,550	2,652	2,566	2,612	3,021	3,180	2,467	2,709	2,401	2,296
	Criminal	3,813	4,279	3,644	3,321	3,825	4,018	3,057	3,226	1,407	5,175
	Landlord and tenant	2,491	2,223	2,161	1,932	1,971	2,164	1,538	1,069	2,111	2,806
	Small claims	400	333	386	393	340	282	175	100	130	208
	Traffic	22,550	25,887	31,584	31,445	26,847	27,350	18,567	13,417	18,393	24,534
Public Safety											
Police Protection											
	Adult arrests	3,113	3,882	3,919	3,612	3,290	3,411	2,529	1,018	1,888	2,454
	Civil infractions	20,535	27,031	30,780	26,088	22,994	23,990	15,510	9,095	15,121	21,210
	Group A offenses (1)	2,926	2,885	2,871	2,782	3,078	3,210	2,800	2,987	3,486	4,047
	Group B offenses (2)	2,306	2,867	3,235	2,917	3,467	4,090	3,877	4,515	4,803	5,041
	Injury accidents	860	952	1,300	1,265	899	925	710	653	787	792
	Juvenile arrests	190	219	212	116	99	88	57	31	38	7
	OUIL arrests	183	204	169	138	157	120	141	116	165	249
	Parking violations	1,298	1,282	1,333	1,468	1,116	1,326	1,097	462	2,291	3,106
	Property damage	3,488	3,625	3,638	3,825	3,915	3,680	2,946	2,599	3,436	3,436
	Private property damage	741	700	644	531	323	197	184	193	218	240
	Total traffic violations	24,142	31,777	35,610	30,678	26,521	27,986	18,528	10,034	19,459	27,204
Fire Protection											
	Emergency alarms answered	12,451	13,588	14,293	14,805	15,930	15,795	15,683	16,170	18,130	17,832
	Fire inspections conducted	878	863	1,232	1,688	1,146	1,235	1,937	2,113	2,141	2,126
	Inspection violations issued	1,020	945	2,433	24,722	2,500	2,319	3,050	3,483	2,913	1,186
	Medical emergencies	9,435	10,253	10,753	11,025	11,808	11,856	11,644	12,993	13,957	13,509
	Training hours completed	24,994	26,086	24,359	32,116	35,002	43,780	40,687	42,538	42,159	40,596
Recreation and Culture											
Parks and Recreation											
	Adult athletics attendance	21,967	19,006	17,914	21,291	20,051	18,728	18,942	13,865	12,407	12,637
	Instructional rec. attendance	20,344	23,566	23,916	22,903	27,143	29,802	17,980	12,506	26,276	31,099
	Nature program attendance	17,170	15,079	16,187	15,753	18,085	16,020	9,999	5,521	9,531	13,522
	50th Activity program attendance	100,026	97,769	101,770	101,825	108,155	101,055	91,619	33,880	85,208	94,095
	Special event attendance	46,379	80,680	114,295	93,327	112,833	120,118	124,280	55,071	178,894	160,439
	Adaptive recreation program attendance	8,395	8,847	8,460	7,568	7,523	7,135	4,990	2,355	2,978	3,483
	Summer playground attendance	13,053	12,765	10,353	12,182	11,254	8,776	6,674	1,374	6,649	8,133
Library											
	Outreach Visits	-	-	-	-	-	130	130	305	421	490
	Total Room Usage	1,183	1,463	1,528	1,587	1,668	1,600	1,126	16	2,361	2,375
	In-house materials usage	82,304	60,279	54,742	39,714	32,590	33,526	18,710	-	14,103	22,313
	Interlibrary loan requests	86,950	80,545	78,015	71,796	69,323	68,940	54,225	71,081	57,795	46,509
	Interlibrary loans - Lent	79,360	72,109	70,606	62,818	61,479	61,875	49,901	69,814	59,758	45,243
	Items circulated	536,485	536,038	548,414	536,321	565,478	632,157	492,674	347,536	460,384	457,800
	Library visits	384,063	376,007	385,398	314,813	241,302	223,577	149,962	43,040	114,189	162,525
	Electronic Database Usage	-	-	-	-	-	125,076	100,896	109,077	89,002	8,326
	Program attendance	15,196	16,322	20,209	23,208	27,721	32,751	63,867	33,198	14,733	12,945
	Reference transactions	68,052	65,368	65,587	64,893	59,864	54,365	42,828	50,613	44,940	47,617
	Registered borrowers	49,863	48,490	47,334	46,498	66,043	64,449	62,882	65,530	64,287	63,861
Water and Sewer Services											
	Customers: (3)										
	Residential	35,155	35,223	35,319	35,419	35,494	35,539	35,599	34,970	36,738	39,910
	Commercial/Industrial	4,280	4,274	4,297	4,270	4,320	4,333	4,340	4,358	2,871	3,010
	Water (in thousand cubic feet):										
	Purchased from Detroit	614,039	603,378	636,215	615,045	580,053	584,634	571,473	657,886	590,785	584,935
	Sold to residents	618,799	602,994	590,426	629,333	591,358	587,317	555,329	620,625	579,482	498,532
	Rates (per thousand):										
	1,000 CU. FT.	\$ 48.52	\$ 55.37	\$ 62.59	\$ 71.79	\$ 74.75	\$ 77.20	\$ 81.22	79.10	83.10	85.70
	Next 2,000 CU.FT.	48.52	55.37	62.59	71.79	74.75	77.20	81.22	79.10	83.10	85.70
	Over 3,000 CU.FT.	53.13	60.53	68.26	78.11	81.51	84.39	88.78	92.10	102.00	102.80
	Sewer only - Per billing	65.00	70.00	80.00	85.00	87.00	89.00	91.00	93.00	95.00	32.34

(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, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	53	54	49	51	45	52	52	57	57
Vehicles - Unmarked	54	65	56	57	58	58	62	62	62	62
Fire Protection										
Stations	5	5	5	5	5	5	5	5	5	5
Vehicles - Extinguishment	16	16	16	21	21	23	23	23	23	24
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	288	288	288	289	290	290
Sidewalks	612	614	615	617	618	620	628	639	640	640
Bridges	11	11	11	11	11	11	11	11	11	11
Buildings	2	2	2	2	2	1	1	1	1	1
Street lights	2,530	2,535	2,535	2,535	2,535	2,535	2,535	2,535	2,535	2,535
Vehicles - Snow plows	21	21	25	25	25	23	23	23	23	23
Water and Sewer Services										
Fire hydrants	7,270	7,281	7,292	7,305	7,317	7,429	7,428	7,428	7,454	7,455
Miles of water mains	576	576	667	667	667	667	667	667	667	667
Miles of sanitary sewers	430	430	430	430	475	475	475	475	475	475
Recreation and Culture										
Parks and Recreation										
Acres	820	820	820	820	820	820	820	821	821	821
Developed parks	28	28	28	28	28	228	28	28	28	28
Buildings	3	3	3	3	3	3	3	3	3	3
Library										
Book collections	195,656	196,437	196,019	190,166	186,932	185,922	172,302	177,874	174,994	154,651
Other collections (1)	37,848	57,623	53,447	64,638	71,715	143,464	147,271	149,168	181,113	193,944
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles - Library van	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, 2023

Fiscal Year Ended June 30	Residential				
	New Construction		Additions/Improvements		Total Residential
	Number	Value	Number	Value	
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
2023	74	34,099,939	1,236	568,316	34,668,255

Fiscal Year Ended June 30	Commercial				
	New Construction		Additions/Improvements		Total Commercial
	Number	Value	Number	Value	
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
2023	10	14,475,834	99	20,276,906	34,752,740

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, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General government	57	60	61	57	63	65	67	72	79	88
41A District Court	37	39	39	41	41	42	43	44	44	45
Public safety:										
Police	222	203	203	202	206	206	206	214	215	218
Fire	86	88	88	88	104	104	106	112	115	113
Public works:										
City development	26	28	29	31	28	31	32	36	36	39
Public works	31	34	34	35	35	19	19	20	20	21
Street services	21	25	24	24	24	28	28	31	31	31
Engineering	9	9	9	9	9	9	9	10	10	10
Recreation and culture:										
Parks and recreation	10	11	12	10	15	17	17	18	18	20
Library	37	38	38	38	38	39	39	41	39	39
Water and sewer	35	35	36	36	40	46	47	51	49	49
Total	571	570	573	571	603	606	613	649	656	673

Source: City of Sterling Heights

Continuing Disclosures

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

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

City of Sterling Heights, Michigan

State-shared Revenue

**Last Ten Fiscal Years
June 30, 2023**

<u>Fiscal Year Ended June 30</u>	<u>Modified Accrual Basis</u>	<u>Accrual Basis of Accounting</u>
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
2023	15,867,244	15,581,280

Source: City of Sterling Heights

City of Sterling Heights, Michigan

Gas and Weight Taxes

Last Ten Fiscal Years

June 30, 2023

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax
	Major Roads	Local Roads	(Act 51) Receipts
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
2023	11,168,764	4,141,227	15,309,991

Source: City of Sterling Heights

Name	Contract Expiration Date	Actual Number of Employees Covered	
		Full Time	Part Time
Union Employees			
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	70	33*
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)	6/30/2026	50	11
Court Clerical AFSCME, Local 1884, Council 25	6/30/2025	19	7
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2026	20	-
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2025	14	-
Executive Employees Sterling Heights Executive Group	6/30/2025	9	-
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



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