



CITY OF
**Sterling
Heights**
MICHIGAN

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

2023-2024



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CITY OF STERLING HEIGHTS, MICHIGAN

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INTRODUCTORY SECTION

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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 17, 2024

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, 2024 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 Rehmann Robson LLC, 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 55,316 households and 4,898 commercial and industrial businesses. According to the 2020 census, the official population for the City increased 3.6 percent to 134,346. Sterling Heights remains the fourth largest populated city in Michigan. At the end of the fiscal year, the City had a 4.7 percent unemployment rate as compared to a Macomb County rate of 4.9 percent, a statewide rate of 4.1 percent, and a national average of 4.1 percent.

The City continues to invest in infrastructure and quality of life assets. American Rescue Plan Act funds were used to construct a new 2.5 mile hike/bike trail along the ITC Corridor and the City's first Community Garden was approved and will include an interactive butterfly house. This investment continues to pay dividends for Sterling Heights residents, contributing to a 9% increase in city-wide assessed value in 2024. 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 \$40.8 million or 32.8% 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.

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 \$4.1 million in dedicated funding for neighborhood street repairs and \$8.6 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 *Re* creating Recreation millage. This millage provides dedicated funds for park improvements and repairs, as well as funds to operate and maintain the new facilities.

Building on the above successes, city leadership initiated Visioning 2040, engaging residents and businesses to frame a clear vision and guiding principles for the future. The Visioning 2040 strategic plan resulted in the proposal of the Pathway to *Play and Preservation* millage, which was passed by the voters in November 2024. This millage will help shape the future of our City by funding important quality of life initiatives such as greenspace preservation, reforestation, sidewalk completion, as well as continued park development and the construction of an indoor pickleball complex.

Although the passage of these 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 (up to maximum of 5%) under State law (Proposal A). For the first time in recent history, taxable values have risen the maximum of 5% for two years in a row, although the actual inflation rate was much higher, which has impacted the cost of everything from supplies to contractual services and most significantly, labor. Recently settled contracts include significant increases to wages necessary for the City to remain competitive in attracting and retaining a highly qualified workforce.

Funding for long-term retirement liabilities also remains a significant ongoing expenditure. For the fiscal year 2024/25 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 68.9%. 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.

To ensure the City's operating financial position remains strong despite these challenges, the City continues to rely on its five-year financial plan to make financial adjustments, as needed. The plan enables administration to project fund balance given various assumptions based on changes in major revenue and expenditures.

This 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

Many organizational accomplishments were realized over the past year including:

- The Look No Further campaign was launched to highlight the entrepreneurial business climate in the City and the high quality of life offered to residents.
- Sterling Heights is playing its role in addressing climate change by implementing its award-winning Sustainability Plan, which includes increasing the City's below average tree canopy, providing funding for the City's first ever Community Garden, increasing pathways across the city, implementing a City Fleet EV Pilot program, completion of Green House Gas emission assessment to determine how best to reduce GHGs, and implementation of a Universal Curbside Recycling program to eliminate reusable material from the waste stream consuming and contaminating landfills.
- The City is continuing massive investments in infrastructure including water and sewer improvements, along with major road improvements. Over a seven-year period over a half of billion dollars in road improvements have been completed. Major road improvements have included M-59, Mound, and Van Dyke to name just a few. This past year, funding was secured to resurface Moravian and reconstruct Clinton River Road between Hayes and Canal. Engineering for this \$10 million Clinton River Road project will be completed this year.
- The City also launched a major City-wide traffic calming study mainly focused on neighborhood roadways. The City is doing all that it can to slow traffic to ensure roadways are safe for motorists and pedestrians.
- Sterling Heights continues to be ranked as one of the safest cities in the country due in large part to superior Police and Fire services. The City's community-oriented policing practices have helped keep crime rates low. In addition, the City is continuing to implement best in class Emergency Medical Services by becoming the first community in Macomb County to pilot Medical Priority Dispatching. This service will protect short response times for life threatening medical 911 calls through the categorization and prioritization of EMS incidents.
- Having a safe community also requires having model programs to address homelessness, food poverty, drug and alcohol abuse, hoarding, and other mental illnesses. Sterling Heights has been on the cutting edge with award winning programs like our Quick Response Team, Sobriety Court, Drug Free Coalition, Hope Not Handcuffs, and the Safe Homes Task Force.
- The City's expanding social worker positions have proven to be invaluable to these proactive programs. While these efforts are impressive, they are not enough to address the overwhelming need in the community. As such, the City Council approved funding for a comprehensive Community Mental Wellness Strategic Plan. This plan will better identify long-term trends and outline additional resources needed to address the challenges.

- Having a diverse workforce ensures the city can attract and retain top talent. But that alone is not enough in today's highly competitive workforce where labor shortages are proving to be an ongoing challenge. The City's enhanced Internship program has helped increase awareness of local government career opportunities while providing access to rising stars as prospects for employment in Sterling Heights. The City's program included 20 interns across many departmental disciplines last year and we plan to continue this successful program.
- Long term planning has played an important role in the City's commitment to prosperity. The five-year Master Plan underway will ensure that future development is harmonious with surrounding property while addressing changing market conditions, vacancies and blight. Longer range plans like Visioning 2040 will enable the residents to determine the community they would like to see in the future. Visioning 2030, developed ten years ago, has resulted in transformative changes in the City and Visioning 2040 has the potential to continue this unprecedented prosperity for the next ten years and beyond.

Major Initiatives for July 1, 2024 and Thereafter

- ✓ The City will continue to implement the ARPA Action Plan approved by City Council ensuring that all required deadlines are met. Projects included in the fiscal year 2024/25 budget include the Community Garden, the development of the bike/hike trail along the ITC Corridor, and the reconstruction of the Lakeside Island bridge.
- ✓ 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 continue the 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 2040 plan while continuing to maintain reserves at the level necessary to successfully weather any future economic downturn.
- ✓ The City will continue to work with the owners and developers of Lakeside Mall to move forward this transformational redevelopment including Planned Unit Development approval, the creation of a Corridor Improvement Authority, and assistance in the application for additional funding through available through transformational brownfield legislation.
- ✓ 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 2025, including planned resurfacings of 17 and 18 Mile Roads, and the full reconstruction of Clinton River Road. This \$10.5 million project will be financed with federal grant proceeds.

- ✓ 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.
- ✓ Due to the recent passage of the Pathway to Play and Preservation Millage, the City will invest in transformational projects beginning in the fiscal year 2025/2026 budget. These projects will include increasing residential tree canopy, open space preservation, sidewalk repair and gap projects, significant improvements at Red Run and Rotary parks, and the construction of an indoor pickleball complex.

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* 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, 2023. 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 36 consecutive years (fiscal years 1988-2023). We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Annual Comprehensive Financial Report was made possible by the efficient and dedicated service of the entire staff of the Office of Financial Services. We wish to express our sincere appreciation to each of them and to various employees from other offices for their cooperation and assistance. Appreciation is also expressed to the Mayor and City Council for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Mark D. Vanderpool
City Manager



Jennifer L. Varney
Finance and Budget Director

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Presented to

**City of Sterling Heights
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

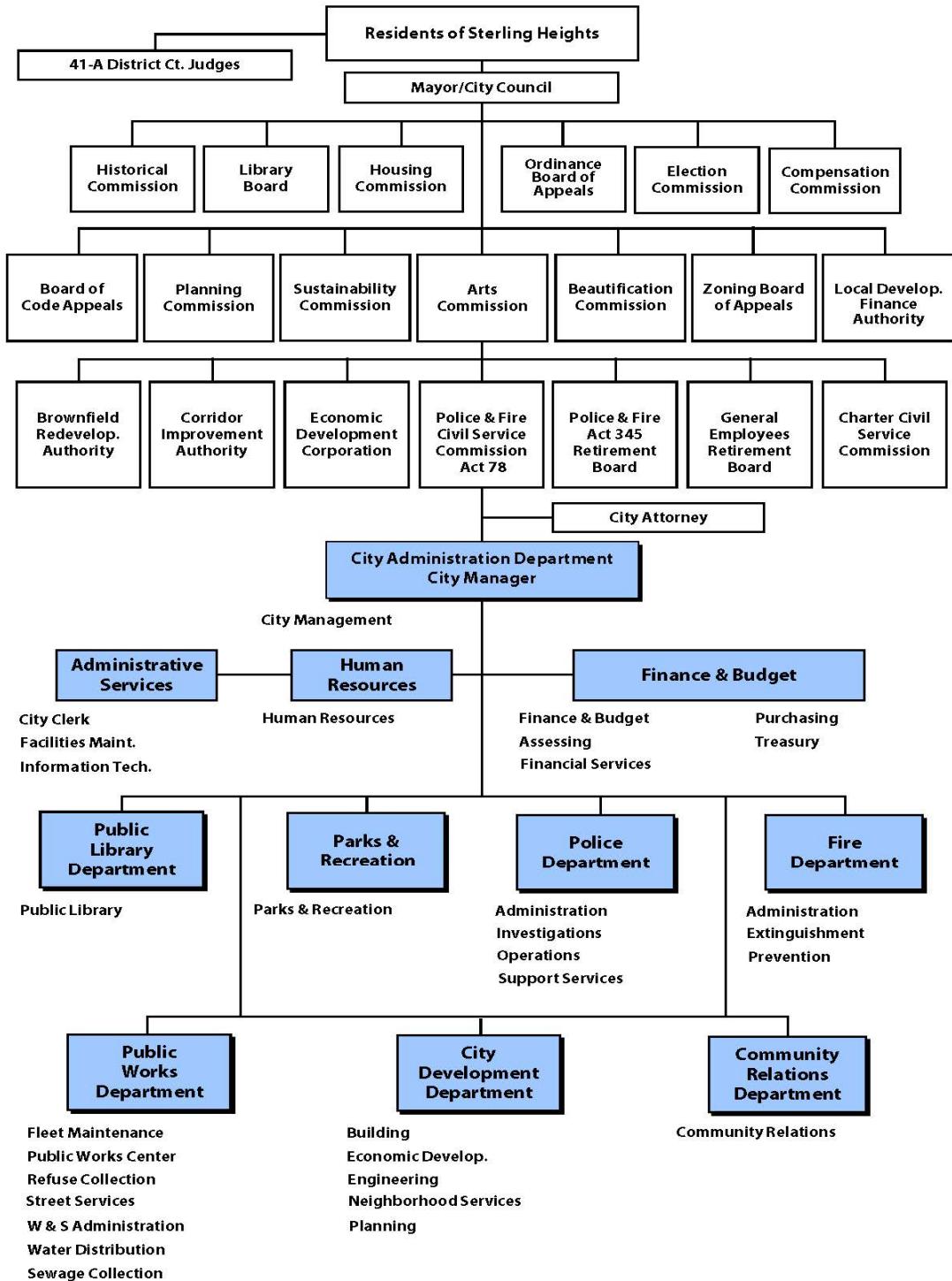
Christopher P. Monill

Executive Director/CEO

CITY OF STERLING HEIGHTS, MICHIGAN

Organization Chart

As of June 30, 2024



CITY OF STERLING HEIGHTS, MICHIGAN

Principal Officials

As of June 30, 2024

City Manager	Mark D. Vanderpool
Assistant City Manager	Jeffery Bahorski
Assistant City Manager	Dale Dwojakowski
Assistant City Planner	Shawn Keenan
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	Jia Hang
Community Relations Director	Melanie D. Davis
Controller	Jason Denton
Facilities Maintenance Manager	Todd Macovis
Finance and Budget Director	Jennifer L. Varney
Fire Chief	Kevin Edmond
Human Resources Director	Kate Baldwin
Information Technology Director	Steve Deon
Parks and Recreation Director	Kyle Langlois
Interim Police Chief	Kenneth Pappas
Public Library Director	Tammy L. Turgeon
Public Works Director	Michael Moore
Purchasing Manager	Erik Skurda

CITY OF STERLING HEIGHTS, MICHIGAN

Fund Organization Chart

Governmental Funds	
General*	Special Revenue
	Major Streets
	Local Streets
	Parks and Recreation
	Indigent Defense
	Public Safety Forfeiture
	Community Development Block Grant
	Opioid Settlement
	Refuse/Recycling
	American Rescue Plan Act*
Debt Service	
Capital Projects	
Limited Tax General Obligation	General Improvements
General Drain	Facility Improvements
Voted Tax General Obligation	Clinton River Restoration
Road Bond Debt Retirement	Land and Water Conservation
	Road Bond Construction
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	
Fiduciary Funds	
Corridor Improvement Authority	
Local Development Finance Authority	
Economic Development Authority	
Brownfield Redevelopment Authority	

* Major funds under GASB No. 34

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 17, 2024

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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and the major special revenue fund 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 Independent Auditors' 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.



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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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed 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 who 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.

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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules are 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, statistical, and continuing disclosure sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or 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, under separate cover, our report dated December 17, 2024, 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, and 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.

A handwritten signature in black ink that reads "Lehman Lohman LLC". The signature is fluid and cursive, with "Lehman" on the top line and "Lohman LLC" on the bottom line.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the City of Sterling Heights, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal and is intended to serve as an introduction to the City's basic financial statements.

Financial Highlights

· Total net position	\$ 268,749,042
· Change in total net position	40,384,631
· Net position, governmental activities	135,139,847
· Change in total net position, governmental activities	38,466,024
· Net position, business-type activities	133,609,195
· Change in total net position, business-type activities	1,918,607
· Fund balances, governmental funds	82,351,642
· Change in fund balances, governmental funds	2,350,501
· Unassigned fund balance, general fund	39,756,411
· Change in fund balance, general fund	5,353,566

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Both the government-wide and major fund perspectives allow the user to address relevant questions, broaden a basis for comparison, and enhance the City's accountability.

Government-wide Financial 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 presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest on long-term debt).

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 Corridor Improvement Authority, the Local Development Finance Authority, the Economic Development Corporation, and the Brownfield Redevelopment 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. The Building Authority had no activity in the current fiscal year.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

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 General and special revenue 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 the custodial funds.

Notes to Financial Statements. 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. The combining and individual fund financial statements and schedules are presented immediately following the required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

Government-wide 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, 2024 and 2023:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 128,841,892	\$ 126,820,374	\$ 44,586,375	\$ 46,243,255	\$ 173,428,267	\$ 173,063,629
Capital assets, net	388,569,729	372,174,575	207,751,172	204,555,268	596,320,901	576,729,843
Total assets	517,411,621	498,994,949	252,337,547	250,798,523	769,749,168	749,793,472
Deferred outflows of resources	10,452,770	22,391,430	656,841	1,721,534	11,109,611	24,112,964
Long-term liabilities	344,766,812	369,574,886	108,872,987	113,103,393	453,639,799	482,678,279
Other liabilities	33,300,609	34,113,203	9,300,269	6,083,594	42,600,878	40,196,797
Total liabilities	378,067,421	403,688,089	118,173,256	119,186,987	496,240,677	522,875,076
Deferred inflows of resources	14,657,123	21,024,467	1,211,937	1,642,482	15,869,060	22,666,949
Net position:						
Net investment in capital assets	278,232,574	264,368,326	117,064,499	112,001,593	395,297,073	376,369,919
Restricted	28,484,366	10,614,288	12,413,205	13,156,905	40,897,571	23,771,193
Unrestricted (deficit)	(171,577,093)	(178,308,791)	4,131,491	6,532,090	(167,445,602)	(171,776,701)
Total net position	\$ 135,139,847	\$ 96,673,823	\$ 133,609,195	\$ 131,690,588	\$ 268,749,042	\$ 228,364,411

The City as a Whole

The City's overall net position increased by 17.7% from last year, growing from \$228.4 million to \$268.7 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 decrease in the unfunded post-retirement benefit liability also contributed.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$38.5 million in net position during fiscal year 2024. As noted above, this is primarily due to investments in roads, facilities, vehicles, and equipment. A reduction in the net pension and OPEB liabilities due to increased rates of return also contributed to the net position gain. As of June 30, 2024, 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 \$171.6 million. This represents a decrease of \$6.7 million compared to June 30, 2023. 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

The business-type activities experienced an increase in net position of \$1.9 million, primarily due to investments in water and sewer mains and a reduction in post-retirement liabilities.

	Change in Net Position							
	Governmental Activities		Business-type Activities		Total			
	2024	2023	2024	2023	2024	2023		
Program revenues:								
Charges for services	\$ 25,280,073	\$ 18,449,599	\$ 56,129,351	\$ 57,508,595	\$ 81,409,424	\$ 75,958,194		
Operating grants	26,224,329	15,877,906	-	-	26,224,329	15,877,906		
Capital grants	4,272,552	20,576,994	3,716,754	10,567,931	7,989,306	31,144,925		
General revenues:								
Property taxes	87,715,017	81,474,109	-	-	87,715,017	81,474,109		
Intergovernmental	15,685,869	16,490,679	-	-	15,685,869	16,490,679		
Investment earnings	6,355,569	1,851,094	1,425,139	559,190	7,780,708	2,410,284		
Other	4,502,875	4,895,708	92,785	-	4,595,660	4,895,708		
Total revenues	170,036,284	159,616,089	61,364,029	68,635,716	231,400,313	228,251,805		
Expenses:								
General government	9,880,105	17,901,375	-	-	9,880,105	17,901,375		
41A District Court	4,632,788	4,332,387	-	-	4,632,788	4,332,387		
Public safety	69,089,402	70,551,306	-	-	69,089,402	70,551,306		
Public works	31,434,521	24,441,304	-	-	31,434,521	24,441,304		
Recreation and culture	13,375,798	11,876,111	-	-	13,375,798	11,876,111		
Interest on long-term liabilities	3,157,646	3,519,661	-	-	3,157,646	3,519,661		
Water and sewer	-	-	59,445,422	58,799,172	59,445,422	58,799,172		
Total expenses	131,570,260	132,622,144	59,445,422	58,799,172	191,015,682	191,421,316		
Change in net position	38,466,024	26,993,945	1,918,607	9,836,544	40,384,631	36,830,489		
Net position:								
Beginning of year	96,673,823	69,679,878	131,690,588	121,854,044	228,364,411	191,533,922		
End of year	\$ 135,139,847	\$ 96,673,823	\$ 133,609,195	\$ 131,690,588	\$ 268,749,042	\$ 228,364,411		

Financial Analysis of Individual Funds

The fund financial statements provide detailed information on the most significant funds. The City's major governmental funds for 2024 include the General Fund and the American Rescue Plan Act Fund. The City's major enterprise fund for 2024 was the Water and Sewer Fund.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

General Fund

During the current fiscal year the fund balance of the City's General Fund increased by \$5,353,566, or 15.1% to \$40,817,040.

General Fund revenue increased by approximately \$4.3 million (3.4%) compared to the prior year to \$129.8 million. Many factors contributed to the increase, including the following:

- Higher property taxes of \$4.7 million resulting from an overall 7.1% increase in taxable value (5% due to inflation and the remainder due to growth and development). This is offset by \$4.7 million of refuse taxes in the prior year. Refuse tax is now recorded in the Refuse/Recycling Special Revenue Fund.
- Additional grant revenue of \$1.8 million primarily due to the receipt of FEMA COVID grant revenue of \$735,000 and \$1 million toward a total \$3 million grant for the Lakeside development.
- Increased investment Income of \$3.1 million due to the higher interest rate environment and the recognition of unrealized investment gains.
- These increases were partially offset by lower building permit revenue and lower ordinance fines.

General Fund expenditures totaled \$107.3 million, which is an increase of \$1.4 million, or 1.3%, compared to the prior year. Many of the factors contributed to the increase, including the following:

- Labor costs increased \$4.6 million primarily due to increases in contractual wages, health insurance, and overtime.
- Additional grant funded expenditure of \$1 million related to the Lakeside redevelopment project.
- These increases were partially offset by \$4.5 million in rubbish removal costs in the prior year, now recorded in the Refuse/Recycling Special Revenue Fund.

American Rescue Plan Act Fund

The American Rescue Plan Act ("ARPA") 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, and eligible expenditures must be obligated by calendar year-end 2024 and expended by calendar year-end 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 \$3.4 million were incurred during 2024. Expenditures that were made during the fiscal year include the following projects: Plumbrook Road Resurfacing, Enhanced Sidewalk Program, Neighborhood Street Tree Planting, and the Home Improvement Assistance Program. As of June 30, 2024, a total of \$10.1 million of ARPA funds have been obligated and expended. As revenue is recognized when expenditures are incurred, the fund balance of \$999,748 consists of investment income and will be used as additional funding toward approved ARPA projects.

Water and Sewer Fund

Unrestricted net position of the water and sewer system at the end of the year was \$4,131,491, with a total net position of \$133,609,195. Net position increased \$1,918,607. The increase in net position was primarily due to investments in capital assets, partially offset by lower sales revenue due to weather.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, City administration and 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 2024. Final budgeted expenditures and transfers out were \$3.1 million, or 2.5%, higher than the original budget primarily due to:

- A budgeted grant expenditure of \$3 million toward the Lakeside redevelopment.
- An increase in general liability and health insurance funding of \$2 million due to higher than expected claims.
- A \$4.5 million transfer to the Facilities Improvement Fund toward the future renovation of Fire Station #5.
- Partially offset by the transfer of the \$6.3 million refuse budget to the Refuse/Recycling Special Revenue Fund.

These additional expenditures were primarily funded with revenue received from Tier III personal property tax reimbursements.

Final budgeted revenue was \$3.4 million, or 2.7%, higher than the original budget due additional grant revenue of \$4.2 million, Tier III Personal Property Tax Reimbursements of \$4.5 million, and additional interest revenue of \$1.4 Million. This additional revenue was offset by \$6.3 million of budgeted refuse tax revenue that was moved to the Refuse/Recycling Special Revenue Fund.

At year end, actual General Fund expenditures were 96.5% of the budgeted amount, or \$3.9 million under budget. General Fund revenue was 100.8% of the budget amount, or \$1,045,614 over budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the City had \$596.3 million invested 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. Capital assets increased \$20.0 million during the year. The increase is primarily due to major road improvements, including Mound Road, Plumbrook Road, and Metro Parkway.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 47,284,201	\$ 47,131,712	\$ 64,871	\$ 64,871	\$ 47,349,072	\$ 47,196,583
Construction in progress	72,773,026	47,099,616	29,865,732	19,854,499	102,638,758	66,954,115
Works of art	623,047	623,047	-	-	623,047	623,047
Buildings and improvements	80,265,384	82,963,102	220,379	229,495	80,485,763	83,192,597
Land improvements	40,414,302	41,690,443	-	-	40,414,302	41,690,443
Equipment	17,959,172	16,895,069	12,251,512	13,046,843	30,210,684	29,941,912
Furnishings and fixtures	2,238,750	2,359,139	-	-	2,238,750	2,359,139
Infrastructure	127,011,847	133,412,447	165,348,678	171,359,560	292,360,525	304,772,007
Total	\$ 388,569,729	\$ 372,174,575	\$ 207,751,172	\$ 204,555,268	\$ 596,320,901	\$ 576,729,843

Additional information on the City's capital assets can be found in notes to the financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

Long-term Debt

In May 2024, as part of a normal annual credit review, S&P affirmed the City's 'AA' credit rating. S&P noted the City's growing tax base, strong reserves, strong financial management, and manageable debt load when affirming the rating. 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 2024 totaled \$12.5 million. Outstanding bonds payable and related premium totaled \$211.5 million at June 30, 2024.

The City's business-type activities issued bonds in fiscal year 2024 of \$3,165,350. This represented the City's portion of a bond issued by the Oakland Macomb Interceptor Drainage District (OMIDD) for the rehabilitation of the North Interceptor East Arm and Northeast Sewage Pumping Station.

Years Ended	Net Debt Outstanding (Direct and Indirect)	Ratio of Net Debt Outstanding to Total State Equalized Value	Net Debt Outstanding Per Capita
2024	\$ 149,282,567	2.02	\$ 1,111
2023	155,181,884	2.30	1,155
2022	163,534,898	2.25	1,217

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Conditions and Outlook

The following economic factors currently affect the City and were considered in developing the 2024/2025 fiscal year budget:

General Fund

General Fund Revenue

General Fund budgeted revenue is expected to be \$125.7 million for fiscal year 2024/2025. This is an increase of \$6.4 million (5.3%) compared to the fiscal year 2023/2024 budget, excluding refuse revenue that were moved to the Refuse/Recycling special revenue fund in 2023/2024.

Property Taxes

The City's overall property tax assessments are expected to increase by 7.2% due to a 5% inflationary increase and an additional 2.2% 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 0.7864 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 increase slightly to a total of 16.5823 mills. The increase is primarily due to a higher refuse millage resulting from a new contract that includes cart collection and universal curbside recycling.

The City's tax rate remains lower than 46% of all cities in the state and one of the lowest of any city in Macomb County. For 2024, the City's tax rate was 5.05 mills below the average of all cities in the county. For the 2024 tax year, the average homeowner's city tax bill is \$1,631 annually for all city services, about \$136 per month.

The City's non-tax General Fund revenue is expected to remain relatively stable seeing inflationary increases across most sources.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

General Fund Expenditures

General Fund budgeted expenditures are \$125.6 million for fiscal year 2025. This is an increase of \$5.6 million (4.7%) compared to the fiscal year 2023/2024 budget, excluding refuse expenditures that were moved to the Refuse/Recycling special revenue fund in 2023/2024. The increase is primarily due to increases in contractual wages and benefits and increases to general liability and other insurance.

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 \$40.8 million, or 32.8% of General Fund expenditures and transfers out. The 2024/2025 amended budget includes a use of \$1.2 million of fund balance primarily for one-time expenditures related to settled labor contracts. By following the City's long-term financial plan, the City has been able to weather the financial storm caused by the pandemic and avoided compromising its superior AA bond rating, which saves hundreds of thousands of dollars in annual interest costs.

Road Funding

The City continued to prioritize road reconstruction in 2024 by investing over \$21 million in major and local road reconstruction. This investment continues in the fiscal year 2024/2025 budget, which includes an additional \$15.3 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 \$4.3 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. Nearly 75% of the expenditures in the Water and Sewer Fund are directly related to the costs passed on by these two entities.

For fiscal year 2024/2025, the GLWA increased rates by 3.06%, and Macomb County Public Works increased rates by 3%. These cost increases plus a continued decline in usage resulted in a 5.9% 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 \$76 per month for the average household.

Future Actions Needed for 2025 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. Much of the City's success in the past decade can be attributed to the successful implementation of the Visioning 2030 plan that was adopted in 2014. In 2024, City leaders, in collaboration with residents, business, and other stakeholders updated and adopted the Visioning 2040 plan in an effort to continue planning for a prosperous and sustainable future. This effort culminated with the passage of the Pathway to Play and Preservation millage in November 2024. This millage focuses on sustainability and placemaking projects, including creating and maintaining pathways and walkways, preserving open space, reforesting the community, and enhancing parks.

Due to the City's cost-cutting efforts, the City is better positioned than many communities. Regularly updating the City's financial forecast allows 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 46% 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. And through additional voter approved millages such as Recreating Recreation and the recently approved Pathways to Play and Preservation millage, the City is able to continue to invest in placemaking initiative that make Sterling Heights an ideal community to live and work.

CITY OF STERLING HEIGHTS, MICHIGAN

Management's Discussion and Analysis

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 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.

BASIC FINANCIAL STATEMENTS

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CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Net Position

June 30, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 30,888,947	\$ 750,621	\$ 31,639,568	\$ 4,901,371
Investments	58,327,973	18,614,961	76,942,934	-
Receivables	17,179,209	11,288,417	28,467,626	95,945
Other assets	9,843,241	1,519,171	11,362,412	339,511
Restricted assets, cash and investments	12,602,522	12,413,205	25,015,727	-
Capital assets not being depreciated	120,680,274	29,930,603	150,610,877	1,218,591
Capital assets being depreciated, net	267,889,455	177,820,569	445,710,024	5,367,655
Total assets	517,411,621	252,337,547	769,749,168	11,923,073
Deferred outflows of resources				
Deferred charge on refunding	1,174	190,699	191,873	-
Deferred pension amounts	8,274,820	340,178	8,614,998	-
Deferred other postemployment benefit amounts	2,176,776	125,964	2,302,740	-
Total deferred outflows of resources	10,452,770	656,841	11,109,611	-
Liabilities				
Accounts payable and accrued liabilities	12,659,061	7,627,544	20,286,605	859,000
Cash bonds and deposits	6,656,544	6,219	6,662,763	53,520
Unearned revenue	13,985,004	1,666,506	15,651,510	902,512
Bonds, notes and other long-term liabilities:				
Due within one year	9,012,261	5,936,055	14,948,316	-
Due in more than one year	109,012,830	92,588,528	201,601,358	-
Net pension liability (due in more than one year)	184,154,360	7,883,995	192,038,355	-
Net other postemployment benefit liability (due in more than one year)	42,587,361	2,464,409	45,051,770	-
Total liabilities	378,067,421	118,173,256	496,240,677	1,815,032
Deferred inflows of resources				
Deferred benefit on refunding	-	478,174	478,174	-
Deferred pension amounts	389,434	-	389,434	-
Deferred other postemployment benefit amounts	12,680,131	733,763	13,413,894	-
Deferred lease amounts	1,587,558	-	1,587,558	-
Total deferred inflows of resources	14,657,123	1,211,937	15,869,060	-
Net position				
Net investment in capital assets	278,232,574	117,064,499	395,297,073	6,586,246
Restricted for:				
Roads	14,048,904	-	14,048,904	-
Public safety	9,557,070	-	9,557,070	-
Public works	1,158,474	-	1,158,474	-
Recreation and culture	548,934	-	548,934	-
Capital projects	3,170,984	-	3,170,984	-
County drains	-	12,413,205	12,413,205	-
Unrestricted (deficit)	(171,577,093)	4,131,491	(167,445,602)	3,521,795
Total net position	\$ 135,139,847	\$ 133,609,195	\$ 268,749,042	\$ 10,108,041

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 9,880,105	\$ 5,864,894	\$ 11,648,766	\$ 3,682,376	\$ 11,315,931
41A District Court	4,632,788	2,531,270	524,179	-	(1,577,339)
Public safety	69,089,402	6,270,468	1,604,277	115,353	(61,099,304)
Public works	31,434,521	9,260,797	11,619,579	474,823	(10,079,322)
Recreation and culture	13,375,798	1,352,644	827,528	-	(11,195,626)
Interest on long-term liabilities	3,157,646	-	-	-	(3,157,646)
Total governmental activities	<u>131,570,260</u>	<u>25,280,073</u>	<u>26,224,329</u>	<u>4,272,552</u>	<u>(75,793,306)</u>
Business-type activities:					
Water and sewer	59,445,422	56,129,351	-	3,716,754	400,683
Total primary government	<u><u>\$ 191,015,682</u></u>	<u><u>\$ 81,409,424</u></u>	<u><u>\$ 26,224,329</u></u>	<u><u>\$ 7,989,306</u></u>	<u><u>\$ (75,392,623)</u></u>
Component units					
Corridor Improvement Authority	\$ 43,630	\$ -	\$ -	\$ -	\$ (43,630)
Local Development Finance Authority	1,704,761	-	162,824	-	(1,541,937)
Economic Development Authority	36,859	-	-	-	(36,859)
Brownfield Redevelopment Authority	722,070	-	-	-	(722,070)
Total component units	<u><u>\$ 2,507,320</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,824</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,344,496)</u></u>

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (75,793,306)	\$ 400,683	\$ (75,392,623)	\$ (2,344,496)
General revenues:				
Property taxes	87,715,017	-	87,715,017	2,732,555
Unrestricted state shared revenues	15,685,869	-	15,685,869	-
Unrestricted investment earnings	6,355,569	1,425,139	7,780,708	261,989
Gain on sale of capital assets	-	92,785	92,785	-
Cable franchise fees	1,763,682	-	1,763,682	-
Other revenue	2,739,193	-	2,739,193	296,543
Total general revenues	114,259,330	1,517,924	115,777,254	3,291,087
Change in net position	38,466,024	1,918,607	40,384,631	946,591
Net position, beginning of year	96,673,823	131,690,588	228,364,411	9,161,450
Net position, end of year	<u>\$ 135,139,847</u>	<u>\$ 133,609,195</u>	<u>\$ 268,749,042</u>	<u>\$ 10,108,041</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2024

	General	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,007,800	\$ -	\$ 19,882,261	\$ 28,890,061
Investments	41,865,774	-	16,462,199	58,327,973
Restricted assets, cash and investments	-	10,884,997	1,717,525	12,602,522
Receivables:				
Special assessment	-	-	589,018	589,018
Accounts	1,219,837	-	400	1,220,237
Accrued interest	327,278	5,436	117,386	450,100
Leases	1,748,365	-	-	1,748,365
Due from other governmental units	3,390,559	-	3,705,387	7,095,946
Opioid settlement	-	-	4,900,942	4,900,942
Loans	-	-	1,168,067	1,168,067
Due from other funds	32,454	-	-	32,454
Prepays and other assets	136,453	91,000	5,290,289	5,517,742
Inventories	924,176	-	-	924,176
Total assets	<u>\$ 58,652,696</u>	<u>\$ 10,981,433</u>	<u>\$ 53,833,474</u>	<u>\$ 123,467,603</u>
Liabilities				
Accounts payable	\$ 3,479,980	\$ 378,106	\$ 2,518,926	\$ 6,377,012
Accrued and other liabilities	2,303,439	-	257,916	2,561,355
Due to other governmental units	149,929	-	-	149,929
Due to other funds	-	-	32,454	32,454
Cash bonds and deposits	6,260,667	-	395,877	6,656,544
Unearned revenue	651,412	9,603,579	3,730,013	13,985,004
Total liabilities	<u>12,845,427</u>	<u>9,981,685</u>	<u>6,935,186</u>	<u>29,762,298</u>
Deferred inflows of resources				
Unavailable revenue	3,402,671	-	6,363,434	9,766,105
Deferred lease amounts	1,587,558	-	-	1,587,558
Total deferred inflows of resources	<u>4,990,229</u>	<u>-</u>	<u>6,363,434</u>	<u>11,353,663</u>
Fund balances				
Nonspendable	1,060,629	91,000	5,290,289	6,441,918
Restricted	-	-	20,977,982	20,977,982
Committed	-	-	35,325	35,325
Assigned	-	908,748	14,231,258	15,140,006
Unassigned	39,756,411	-	-	39,756,411
Total fund balances	<u>40,817,040</u>	<u>999,748</u>	<u>40,534,854</u>	<u>82,351,642</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 58,652,696</u>	<u>\$ 10,981,433</u>	<u>\$ 53,833,474</u>	<u>\$ 123,467,603</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Fund balances for governmental funds	\$ 82,351,642
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	120,680,274
Capital assets being depreciated, net	267,889,455
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred outflows in the governmental funds, and thus are not included in fund balance.	
Deferred long-term receivables	9,766,105
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of internal service fund	2,757,193
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued interest on bonds	(921,215)
Bonds, notes and other long-term liabilities	(107,756,000)
Unamortized bond premiums	(5,477,196)
Deferred charge on refunding	1,174
Compensated absences	(4,791,895)
Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.	
Net pension liability	(184,154,360)
Deferred outflows related to the net pension liability	8,274,820
Deferred inflows related to the net pension liability	(389,434)
Net other postemployment benefit liability	(42,587,361)
Deferred outflows related to the net other postemployment benefit liability	2,176,776
Deferred inflows related to the net other postemployment benefit liability	<u>(12,680,131)</u>
Net position of governmental activities	<u>\$ 135,139,847</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 72,487,300	\$ -	\$ 15,227,717	\$ 87,715,017
Special assessments	-	-	162,491	162,491
Intergovernmental:				
Federal sources	1,946,077	3,390,439	1,809,152	7,145,668
State sources	27,004,696	-	18,618,337	45,623,033
Local	792	-	507,658	508,450
Charges for services	15,166,409	-	2,118,215	17,284,624
Fines and forfeitures	2,087,493	-	-	2,087,493
Licenses and permits	3,713,920	-	-	3,713,920
Interest and rentals	5,442,786	551,207	1,743,368	7,737,361
Other revenue	1,983,201	-	755,992	2,739,193
Total revenues	129,832,674	3,941,646	40,942,930	174,717,250
Expenditures				
Current:				
General government	15,730,448	447,011	3,850	16,181,309
41A district court	4,017,565	-	406,984	4,424,549
Public safety	67,619,007	-	413,190	68,032,197
Public works	14,125,784	51,900	10,949,915	25,127,599
General expenditures	2,723,566	-	-	2,723,566
Recreation and culture	2,838,260	-	7,024,631	9,862,891
Debt service:				
Principal payments	-	-	7,045,000	7,045,000
Interest and paying agent fees	-	-	3,967,983	3,967,983
Capital outlay	224,549	2,891,527	31,994,180	35,110,256
Total expenditures	107,279,179	3,390,438	61,805,733	172,475,350
Revenues over (under) expenditures	22,553,495	551,208	(20,862,803)	2,241,900
Other financing sources (uses)				
Proceeds on sale of capital assets	108,601	-	-	108,601
Transfers in	-	-	22,109,960	22,109,960
Transfers out	(17,308,530)	-	(4,801,430)	(22,109,960)
Total other financing sources (uses)	(17,199,929)	-	17,308,530	108,601
Net change in fund balances	5,353,566	551,208	(3,554,273)	2,350,501
Fund balances, beginning of year	35,463,474	448,540	44,089,127	80,001,141
Fund balances, end of year	\$ 40,817,040	\$ 999,748	\$ 40,534,854	\$ 82,351,642

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ 2,350,501
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased/constructed	34,999,289
Depreciation expense	(18,120,635)
Loss on sale of capital assets	(374,899)
Proceeds on sale of capital assets	(108,601)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in deferred long-term receivables	(4,844,334)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on bonds and other long-term liabilities	7,045,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable, bond premium and deferred charge on refunding on bonds, notes and other long-term liabilities	810,337
Change in employee costs (pension, OPEB and compensated absences)	16,628,607

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Operating loss of the internal service funds	(82,609)
Investment income of the internal service funds	<u>163,368</u>

Change in net position of governmental activities	<u>\$ 38,466,024</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 78,076,600	\$ 71,816,810	\$ 72,487,300	\$ 670,490
Intergovernmental:				
Federal sources	425,550	1,886,520	1,946,077	59,557
State sources	21,685,730	29,115,650	27,004,696	(2,110,954)
Local	-	-	792	792
Charges for services	14,650,940	14,797,930	15,166,409	368,479
Fines and forfeitures	2,271,500	2,038,500	2,087,493	48,993
Licenses and permits:				
Cable franchise fees	1,944,000	1,800,000	1,763,682	(36,318)
Licenses and permits	2,560,430	2,017,300	1,950,238	(67,062)
Interest and rentals:				
Investment earnings	800,000	2,250,000	3,897,626	1,647,626
Rental income	1,686,640	1,561,840	1,545,160	(16,680)
Other revenue	<u>1,246,550</u>	<u>1,502,510</u>	<u>1,983,201</u>	<u>480,691</u>
Total revenues	125,347,940	128,787,060	129,832,674	1,045,614
Expenditures				
Current:				
General government:				
City administration	323,200	316,900	307,732	(9,168)
Chief executive (manager, supervisor)	4,874,460	4,632,560	4,366,396	(266,164)
Finance/Accounting/Budget department	4,469,410	4,323,210	4,162,361	(160,849)
Purchasing	1,588,870	1,503,100	1,455,193	(47,907)
Building and grounds	2,513,190	2,523,710	2,456,694	(67,016)
Human resources/personnel	947,770	953,070	876,769	(76,301)
Community relations	<u>1,959,330</u>	<u>2,260,700</u>	<u>2,105,303</u>	<u>(155,397)</u>
Total general government	<u>16,676,230</u>	<u>16,513,250</u>	<u>15,730,448</u>	<u>(782,802)</u>
41A district court	<u>3,980,530</u>	<u>3,990,390</u>	<u>4,017,565</u>	<u>27,175</u>
Public safety:				
Police	40,925,950	41,377,260	41,290,354	(86,906)
Fire	<u>25,320,630</u>	<u>26,624,710</u>	<u>26,328,653</u>	<u>(296,057)</u>
Total public safety	<u>66,246,580</u>	<u>68,001,970</u>	<u>67,619,007</u>	<u>(382,963)</u>

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Public works:				
Public works	\$ 10,189,430	\$ 13,182,820	\$ 10,736,958	\$ (2,445,862)
Refuse collection	6,266,270	-	-	-
City development	3,567,400	3,527,000	3,388,826	(138,174)
Total public works	<u>20,023,100</u>	<u>16,709,820</u>	<u>14,125,784</u>	<u>(2,584,036)</u>
General expenditures	<u>2,576,950</u>	<u>2,896,900</u>	<u>2,723,566</u>	<u>(173,334)</u>
Recreation and culture - Library	<u>2,870,520</u>	<u>2,876,040</u>	<u>2,838,260</u>	<u>(37,780)</u>
Capital outlay	<u>225,350</u>	<u>225,350</u>	<u>224,549</u>	<u>(801)</u>
Total expenditures	<u>112,599,260</u>	<u>111,213,720</u>	<u>107,279,179</u>	<u>(3,934,541)</u>
Revenues over expenditures	<u>12,748,680</u>	<u>17,573,340</u>	<u>22,553,495</u>	<u>4,980,155</u>
Other financing sources (uses)				
Proceeds on sale of capital assets	75,000	100,000	108,601	8,601
Transfers out	<u>(12,808,530)</u>	<u>(17,308,530)</u>	<u>(17,308,530)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,733,530)</u>	<u>(17,208,530)</u>	<u>(17,199,929)</u>	<u>8,601</u>
Net change in fund balance	15,150	364,810	5,353,566	4,988,756
Fund balance, beginning of year	<u>35,463,474</u>	<u>35,463,474</u>	<u>35,463,474</u>	<u>-</u>
Fund balance, end of year	<u>\$ 35,478,624</u>	<u>\$ 35,828,284</u>	<u>\$ 40,817,040</u>	<u>\$ 4,988,756</u>

concluded

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - American Rescue Plan Act

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental - federal sources	\$ 584,200	\$ 12,994,020	\$ 3,390,439	\$ (9,603,581)
Interest and rentals	-	380,000	551,207	171,207
Total revenues	<u>584,200</u>	<u>13,374,020</u>	<u>3,941,646</u>	<u>(9,432,374)</u>
Expenditures				
Current:				
General government	530,000	760,290	447,011	(313,279)
Public works	54,200	54,200	51,900	(2,300)
Capital outlay	-	12,592,640	2,891,527	(9,701,113)
Total expenditures	<u>584,200</u>	<u>13,407,130</u>	<u>3,390,438</u>	<u>(10,016,692)</u>
Net change in fund balance	-	(33,110)	551,208	584,318
Fund balance, beginning of year	<u>448,540</u>	<u>448,540</u>	<u>448,540</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 448,540</u></u>	<u><u>\$ 415,430</u></u>	<u><u>\$ 999,748</u></u>	<u><u>\$ 584,318</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2024

	Business-type Activities	Governmental Activities
	Water and Sewer	Self-Insurance Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 750,621	\$ 1,998,886
Investments	18,614,961	-
Receivables:		
Accounts	11,153,639	-
Accrued interest	134,778	6,534
Prepaids and other assets	966,047	3,401,323
Inventories	553,124	-
Total current assets	32,173,170	5,406,743
Noncurrent assets:		
Restricted assets, cash and investments	12,413,205	-
Capital assets not being depreciated	29,930,603	-
Capital assets being depreciated, net	177,820,569	-
Total noncurrent assets	220,164,377	-
Total assets	252,337,547	5,406,743
Deferred outflows of resources		
Deferred charge on refunding	190,699	-
Deferred pension amounts	340,178	-
Deferred other postemployment benefit amounts	125,964	-
Total deferred outflows of resources	656,841	-

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2024

	Business-type Activities	Governmental Activities
	Water and Sewer	Self-Insurance Internal Service Fund
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,937,225	\$ 82,407
Accrued and other liabilities	690,319	-
Cash bonds and deposits	6,219	-
Unearned revenue	1,666,506	-
Bonds, notes and other long-term liabilities, current portion	5,813,753	-
Compensated absences, current portion	122,302	-
Total current liabilities	<u>15,236,324</u>	<u>82,407</u>
Noncurrent liabilities:		
Provision for claims	-	2,567,143
Bonds, notes and other long-term liabilities, net of current portion	92,460,684	-
Compensated absences, net of current portion	127,844	-
Net pension liability	7,883,995	-
Net other postemployment benefit liability	2,464,409	-
Total noncurrent liabilities	<u>102,936,932</u>	<u>2,567,143</u>
Total liabilities	<u>118,173,256</u>	<u>2,649,550</u>
Deferred inflows of resources		
Deferred benefit on refunding	478,174	-
Deferred other postemployment benefit amounts	<u>733,763</u>	<u>-</u>
Total deferred inflows of resources	<u>1,211,937</u>	<u>-</u>
Net position		
Net investment in capital assets	117,064,499	-
Restricted - County drains	12,413,205	-
Unrestricted	<u>4,131,491</u>	<u>2,757,193</u>
Total net position	<u>\$ 133,609,195</u>	<u>\$ 2,757,193</u>

concluded

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Water and Sewer	Self-Insurance Internal Service Fund
Operating revenues		
Water sales	\$ 21,755,000	\$ -
Sewage disposal charges	33,161,549	-
Service charges	570,414	-
City contributions	-	11,177,238
Other	642,388	689,494
Total operating revenues	56,129,351	11,866,732
Operating expenses		
Salaries and benefits	5,264,289	-
Water purchases	16,267,123	-
Sewage disposal services	21,908,524	-
Materials and supplies	286,186	-
Repairs and maintenance	1,242,504	-
Building and equipment rental	446,248	-
Contractual services	1,183,968	-
Administrative expenses	61,187	823,602
Other services and charges	2,379,300	-
Insurance charges and claims	250,000	11,125,739
Depreciation	7,320,985	-
Total operating expenses	56,610,314	11,949,341
Operating loss	(480,963)	(82,609)
Nonoperating revenues (expenses)		
Investment income	1,425,139	163,368
Interest expense	(2,835,108)	-
Gain on sale of capital assets	92,785	-
Total nonoperating revenues (expenses)	(1,317,184)	163,368
Income (loss) before capital contributions	(1,798,147)	80,759
Capital contributions	3,716,754	-
Change in net position	1,918,607	80,759
Net position, beginning of year	131,690,588	2,676,434
Net position, end of year	\$ 133,609,195	\$ 2,757,193

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Water and Sewer	Self-Insurance Internal Service Fund
Cash flows from operating activities		
Receipts from customers	\$ 57,714,321	\$ -
Payments for interfund services and reimbursements	-	11,177,238
Other operating receipts	642,388	689,494
Payments to vendors	(42,484,735)	(14,008,571)
Payments to employees	(5,939,884)	-
Net cash provided by (used in) operating activities	9,932,090	(2,141,839)
Cash flows from capital and related financing activities		
Purchase of capital assets	(10,516,889)	-
Issuance of bonds payable	3,165,350	-
Issuance of premium on other long-term liabilities	47,708	-
Principal paid on bonds payable	(5,491,887)	-
Interest paid on bonds payable	(3,424,513)	-
Capital contributions	3,716,754	-
Proceeds from sale of capital assets	92,785	-
Net cash provided by (used in) capital and related financing activities	(12,410,692)	-
Cash flows from investing activities		
Interest received on investments	1,394,785	216,558
Purchase of investment securities	(1,398,276)	-
Proceeds from sale of investment securities	-	2,900,385
Net cash provided by (used in) investing activities	(3,491)	3,116,943
Net change in cash and investments	(2,482,093)	975,104
Cash and investments balances, beginning of year	3,232,714	1,023,782
Cash and investments balances, end of year	\$ 750,621	\$ 1,998,886

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2024

Business-type Activities	Governmental Activities
Water and Sewer	Self-Insurance Internal Service Fund

Reconciliation of operating loss

to net cash provided by (used in)

operating activities:

Operating loss	\$ (480,963)	\$ (82,609)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	7,320,985	-
Changes in assets and liabilities:		
Receivables	705,428	-
Prepays and other assets	(26,840)	(3,401,323)
Inventories	(75,171)	896,083
Accounts payable	1,642,316	(76,426)
Accrued and other liabilities	(57,557)	-
Cash bonds and deposits	6,219	-
Unearned revenue	1,515,711	-
Provision for claims	-	522,436
Compensated absences	(3,309)	-
Net pension liability	(711,074)	-
Deferred outflows of resources related to the net pension liability	633,086	-
Net other postemployment benefits liability	(600,202)	-
Deferred outflows of resources related to the net other postemployment liability	414,310	-
Deferred inflows of resources related to the net other postemployment liability	(350,849)	-
Net cash provided by (used in) operating activities	\$ 9,932,090	\$ (2,141,839)

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2024

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 10,402,376	\$ -
Investments, at fair value:		
Municipal bonds	119,966	-
Government securities	43,319,437	-
Mutual funds	70,435,646	-
Common and preferred stock	324,716,516	-
Corporate bonds	24,824,074	-
Private real estate	44,323,482	-
Hedge funds	9,040,131	-
Receivables	3,294	-
Total assets	<u>527,184,922</u>	-
Liabilities		
Accounts payable	1,359,634	-
Accrued and other liabilities	49,600	-
Provision for claims	1,514,668	-
Total liabilities	<u>2,923,902</u>	-
Net position		
Restricted for:		
Pension benefits	353,855,470	-
Other postemployment benefits	170,405,550	-
Total net position	<u>\$ 524,261,020</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2024

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Contributions:		
Employer	\$ 26,989,027	\$ -
Plan members	3,406,841	-
Employee service purchases	289,054	-
Total contributions	<u>30,684,922</u>	<u>-</u>
Investment earnings:		
Net change in fair value of investments	39,375,920	-
Interest	274,985	-
Dividends	13,584,717	-
Total investment income	<u>53,235,622</u>	<u>-</u>
Less: Investment expenses	(3,038,555)	-
Net investment income	<u>50,197,067</u>	<u>-</u>
Taxes collected for other governments	-	149,902,831
Court fees collected for other governments	<u>-</u>	<u>982,481</u>
Total additions	<u>80,881,989</u>	<u>150,885,312</u>
Deductions		
Benefit payments	51,925,906	-
Refund of contributions	1,616,165	-
Administrative expenses	105,675	-
Payments of taxes to other governments	-	149,902,831
Court fees distributed to other governments	<u>-</u>	<u>1,066,483</u>
Total deductions	<u>53,647,746</u>	<u>150,969,314</u>
Change in net position	<u>27,234,243</u>	<u>(84,002)</u>
Net position, beginning of year	497,026,777	84,002
Net position, end of year	<u>\$ 524,261,020</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total
Assets					
Cash and cash equivalents	\$ 1,282,119	\$ 2,854,950	\$ 2,239	\$ 762,063	\$ 4,901,371
Receivables	5,494	87,175	10	3,266	95,945
Other assets	339,511	-	-	-	339,511
Capital assets not being depreciated	-	1,218,591	-	-	1,218,591
Capital assets being depreciated, net	-	5,367,655	-	-	5,367,655
Total assets	1,627,124	9,528,371	2,249	765,329	11,923,073
Liabilities					
Accounts payable	22,508	116,922	-	719,570	859,000
Cash bonds and deposits	-	53,520	-	-	53,520
Unearned revenue	-	902,512	-	-	902,512
Total liabilities	22,508	1,072,954	-	719,570	1,815,032
Net position					
Investment in capital assets	-	6,586,246	-	-	6,586,246
Unrestricted	1,604,616	1,869,171	2,249	45,759	3,521,795
Total net position	\$ 1,604,616	\$ 8,455,417	\$ 2,249	\$ 45,759	\$ 10,108,041

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total
Expenses					
Corridor Improvement Authority	\$ 43,630	\$ -	\$ -	\$ -	\$ 43,630
Local Development Finance Authority	-	1,704,761	-	-	1,704,761
Economic Development Authority	-	-	36,859	-	36,859
Brownfield Redevelopment Authority	-	-	-	722,070	722,070
Total expenses	43,630	1,704,761	36,859	722,070	2,507,320
Program revenues					
Operating grants and contributions	-	162,824	-	-	162,824
Net expense	(43,630)	(1,541,937)	(36,859)	(722,070)	(2,344,496)
General revenues					
Property taxes	309,460	1,701,026	-	722,069	2,732,555
Unrestricted investment earnings	72,276	151,969	903	36,841	261,989
Other revenue	-	296,543	-	-	296,543
Total general revenues	381,736	2,149,538	903	758,910	3,291,087
Change in net position	338,106	607,601	(35,956)	36,840	946,591
Net position, beginning of year	1,266,510	7,847,816	38,205	8,919	9,161,450
Net position, end of year	\$ 1,604,616	\$ 8,455,417	\$ 2,249	\$ 45,759	\$ 10,108,041

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

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. The Building Authority had no activity during the current fiscal year.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

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.

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.

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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.

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.

Retiree Medical Benefits Plan. The Retiree Medical Benefits 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.

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 are reported as separate columns in the fund financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following funds as major governmental funds:

The *General Fund* is the government's primary operating fund. 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.

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.

Additionally, the City reports the following 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 other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

The *debt service funds* are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

The *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.

The *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.

The *Tax Receiving custodial fund* collects taxes on behalf of all the taxing authorities (state, county, school district, and various others) and remits the taxes to each authority.

The *District Court custodial fund* accounts for assets held by the City as an agent for individuals, organizations, and other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues 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 revenues of the enterprise funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position are assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Cash and Cash Equivalents

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Due To/From Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year-end, balances of interfund accounts receivable or payable have been recorded.

Other Assets

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

The Water and Sewer Fund and the General Improvements Capital Project Fund have restricted assets consisting of amounts on deposit at external governments being held for construction, maintenance, or debt service. The Water and Sewer Fund restricted assets are held by Oakland County, Michigan in a construction fund maintained on behalf of the City for improvements to the Oakland-Macomb Interceptor Drainage District. The General Improvements Fund restricted assets are 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. Additionally, the American Rescue Plan Act Fund has restricted assets that are restricted to be used on allowable grant specific expenditures.

Leases

The City is a lessor for a noncancelable lease 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 governmental 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 prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate 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 is composed of fixed payments from the lessee.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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

Capital Assets and Depreciation

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 \$5,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	Years
Buildings	50
Building Improvements	25
Land improvements	10-30
Equipment	5-20
Furnishings and fixtures	10-15
Infrastructure	20-40
Water and sewer mains	50

Deferred Outflows 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. The City reports deferred outflows of resources related to pension and other postemployment benefit liabilities as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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.

Deferred Inflows of Resources

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 deferred inflows of resources related to its pension and other postemployment benefit liabilities. The governmental funds also report unavailable revenues, which arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the City reports a deferred benefit on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Finally, the statements of net position and governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor 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. Unassigned fund balance is the residual classification for the General Fund. In other funds, the unassigned classification should be only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Designated Net Position

The Water and Sewer enterprise fund has \$2,540,000 designated net position included in unrestricted net position that is designated for capital improvements.

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 2024 taxable valuation of the City totaled \$5,371,572,929, on which taxes levied consisted of 9.4940 mills for operating purposes, 1.1632 mills for refuse collection, 2.4109 mills for police and fire pension, 2.3859 mills for safe streets, and 0.9260 mills for parks and recreation. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue.

Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit plans, and pension and other postemployment benefit expenses, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the 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.

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 and special revenue 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 and special revenue 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 actual revenue and expenditures, including budget variances, for the General Fund and special revenue funds are presented.

Excess of Expenditures Over Appropriations in Budgeted Funds

For the year ended June 30, 2024, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
41A district court	\$ 3,990,390	\$ 4,017,565	\$ 27,175

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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. The City accounts for this activity in the General Fund. 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, 2023	<u>\$ (11,021,099)</u>
Current year permit revenue	1,804,458
Less: related expenses	<u>(3,630,418)</u>
Current year shortfall	<u>(1,825,960)</u>
Cumulative shortfall at June 30, 2024	<u>\$ (12,847,059)</u>

3. DEPOSITS AND INVESTMENTS

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

The investment policy adopted by the City Council in accordance with the Public Act 20 of 1948, as amended, authorizes investments in U.S. Treasurys, U.S. agencies and instrumentalities (date-specific maturities only), 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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.

At year-end the City's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government	Component Units	Total
Statement of net position:			
Cash and cash equivalents	\$ 31,639,568	\$ 4,901,371	\$ 36,540,939
Investments	76,942,934	-	76,942,934
Restricted assets	25,015,727	-	25,015,727
Statement of fiduciary net position:			
Cash and cash equivalents	10,402,376	-	10,402,376
Investments	516,779,252	-	516,779,252
	<u>\$ 660,779,857</u>	<u>\$ 4,901,371</u>	<u>\$ 665,681,228</u>

Deposits and investments

Bank deposits (checking and savings accounts, certificates of deposit, money market accounts)	\$ 43,492,337
Investments:	
City investment pool	91,261,022
General Employees' Retirement System	105,768,531
Police and Fire Retirement System	241,507,095
Retiree Medical Benefits	169,503,626
Restricted cash held with Oakland County	12,413,205
Restricted cash held with Macomb County	1,717,525
Cash on hand	<u>17,887</u>
Total	<u>\$ 665,681,228</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The City's weighted average maturity dates for bond mutual funds are disclosed below:

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

Investment	Fair Value	Weighted Average Maturity (Years)
<i>City investment pool:</i>		
U.S. treasuries	\$ 2,981,790	0.16
U.S. government agencies	65,553,068	1.60
Commercial paper	18,844,715	0.13
Municipal bonds	2,232,314	2.51
Michigan CLASS	1,649,135	N/A
<i>General Employees' Retirement System:</i>		
U.S. treasuries	3,869,568	8.81
U.S. government agencies	4,942,278	6.48
Corporate bonds	6,107,692	4.99
<i>Police and Fire Retirement System:</i>		
U.S. treasuries	9,014,674	10.69
U.S. government agencies	12,211,049	6.70
Corporate bonds	9,645,122	4.78
Municipal bonds	119,966	11.07
<i>Retiree Medical Benefits:</i>		
U.S. treasuries	5,969,371	12.81
U.S. government agencies	7,312,497	6.51
Corporate bonds	9,071,260	5.05

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of June 30, 2024, \$33,601,997 of the City's bank balance of \$34,851,997 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. As of June 30, 2024, the City's investments consisted of equities, mutual funds, government obligations and other assets. For 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's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2024, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

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:

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Investment	Fair Value	Rating	Rating Organization
<i>City investment pool:</i>			
U.S. treasuries	\$ 2,981,790	AA+	S&P
U.S. government agencies	65,553,068	AA+	S&P
Commercial paper	18,844,715	A1	S&P
Municipal bonds	2,232,314	AA+	S&P
Michigan CLASS	1,649,135	AAA	S&P
<i>General Employees' Retirement System:</i>			
U.S. treasuries	3,869,568	AA+	S&P
U.S. government agencies	4,942,278	AA+	S&P
Corporate bonds	260,706	AAA	S&P
Corporate bonds	388,863	AA+ to AA-	S&P
Corporate bonds	1,416,258	A+ to A-	S&P
Corporate bonds	3,172,620	BBB+ to BBB-	S&P
Corporate bonds	773,722	BB+ to BB-	S&P
Corporate bonds	95,523	B	S&P
<i>Police and Fire Retirement System:</i>			
U.S. treasuries	9,014,674	AA+	S&P
U.S. government agencies	12,211,049	AA+	S&P
Corporate bonds	147,082	AAA	S&P
Corporate bonds	446,577	AAA	Moody's
Corporate bonds	109,280	AA+ to AA-	S&P
Corporate bonds	30,215	Aa1	Moody's
Corporate bonds	40,136	Aa2	Moody's
Corporate bonds	344,166	AA+ to AA-	S&P
Corporate bonds	3,146,173	A+ to A-	S&P
Corporate bonds	4,120,551	BBB+ to BBB-	S&P
Corporate bonds	288,360	BB+ to BB-	S&P
Corporate bonds	329,518	B+ to B-	S&P
Corporate bonds	246,199	CCC to CCC+	S&P
Corporate bonds	35,810	CC	S&P
Corporate bonds	12,451	C	S&P
Corporate bonds	130,860	Caa2	Moody's
Corporate bonds	217,744	Not Rated	N/A
Municipal bonds	25,468	AAA	S&P
Municipal bonds	94,498	AA+ to AA	S&P
<i>Retiree Medical Benefits:</i>			
U.S. treasuries	5,969,371	AA+	S&P
U.S. government agencies	7,312,497	AA+	S&P
Corporate bonds	411,178	AAA	S&P
Corporate bonds	570,500	AA+ to AA-	S&P
Corporate bonds	1,979,509	A+ to A-	S&P
Corporate bonds	4,744,434	BBB+ to BBB-	S&P
Corporate bonds	1,215,532	BB+ TO BB-	S&P
Corporate bonds	150,107	B+	S&P

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy places a 15 percent limit on the amount it may invest in any one issuer. No issuer held greater than 15 percent of investments as of June 30, 2024.

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 percent of total pension system investments. No investments exceed 5 percent of total pension system investments as of June 30, 2024.

Both pension systems include exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the General Employees' Retirement System and Police and Fire Retirement System are protected from foreign currency risk through the use of American Depository Receipts (ADRs).

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

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

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

The City had the following recurring fair value measurements as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
<i>City investment pool:</i>				
U.S. treasuries	\$ -	\$ 2,981,790	\$ -	\$ 2,981,790
U.S. government agencies	-	65,553,068	-	65,553,068
Commercial paper	-	18,844,715	-	18,844,715
Municipal bonds	-	2,232,314	-	2,232,314
<i>General Employees' Retirement System:</i>				
Equities	67,738,494	-	-	67,738,494
Private real estate	-	8,301,234	-	8,301,234
U.S. treasuries	-	3,869,568	-	3,869,568
U.S. government agencies	-	4,942,278	-	4,942,278
Corporate bonds	-	6,107,692	-	6,107,692
<i>Police and Fire Retirement System:</i>				
Equities	143,782,464	-	-	143,782,464
Private real estate	-	23,136,466	-	23,136,466
U.S. treasuries	-	9,014,674	-	9,014,674
U.S. government agencies	-	12,211,049	-	12,211,049
Corporate bonds	-	9,645,122	-	9,645,122
Municipal bonds	-	119,966	-	119,966
<i>Retiree Medical Benefits:</i>				
Equities	113,195,558	-	-	113,195,558
Private real estate	-	12,885,782	-	12,885,782
U.S. treasuries	-	5,969,371	-	5,969,371
U.S. government agencies	-	7,312,497	-	7,312,497
Corporate bonds	-	9,071,260	-	9,071,260
Total investments at fair value	\$ 324,716,516	\$ 202,198,846	\$ -	\$ 526,915,362
Investments measured at NAV				
Michigan CLASS investment pool				1,649,135
Hedge funds				9,040,131
Mutual funds:				
Western Asset Management				21,773,327
Other				48,662,319
Total investments measured at NAV				\$ 81,124,912
Total investments				\$ 608,040,274

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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, 2024, 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	\$ 1,649,135	\$ -	N/A	None
Hedge funds	9,040,131	-	Quarterly	45-95 days
Mutual funds:				
Western Asset Management	21,773,327	-	N/A	None
Other	<u>48,662,319</u>	<u>-</u>	<u>N/A</u>	<u>None</u>
Total	<u>\$ 81,124,912</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 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

The Western Asset Management 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.

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.

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

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND UNAVAILABLE REVENUE

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Special assessments	\$ 589,018	\$ -	\$ -
Accounts	1,220,237	11,153,639	74,829
Accrued interest	456,634	134,778	21,116
Leases	1,748,365	-	-
Due from other government units	7,095,946	-	-
Opioid settlement	4,900,942	-	-
Loans	1,168,067	-	-
	<u>\$ 17,179,209</u>	<u>\$ 11,288,417</u>	<u>\$ 95,945</u>

Of the amounts reported for receivables above the following amounts are not expected to be collected within one year:

	Governmental Activities
Special assessments	\$ 439,942
Leases	1,526,490
Opioid settlement	4,383,729
Loans	1,168,067
	<u>\$ 7,518,228</u>

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 \$1,168,067 at June 30, 2024 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.

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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

Governmental Funds	
State-shared revenue - Unavailable	\$ 2,692,945
Special assessments - Unavailable	439,942
Opioid settlement - Unavailable	4,900,942
Other revenue - Unavailable	<u>1,732,276</u>
	<u><u>\$ 9,766,105</u></u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2024, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 32,454	\$ -
Nonmajor governmental funds	<u>-</u>	<u>32,454</u>
	<u><u>\$ 32,454</u></u>	<u><u>\$ 32,454</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. All interfund balances are expected to be collected within one year.

Interfund transfers between the funds within the primary government were as follows:

	Transfers In
Transfers Out	
General fund	\$ 17,308,530
Nonmajor governmental funds	<u>4,801,430</u>
	<u><u>\$ 22,109,960</u></u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

During the year, 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.

6. CAPITAL ASSETS

Primary Government

Capital asset activity of the City's primary government was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 47,131,712	\$ 152,489	\$ -	\$ -	\$ 47,284,201
Construction in progress	47,099,616	29,062,445	(365,359)	(3,023,676)	72,773,026
Works of art	623,047	-	-	-	623,047
	<u>94,854,375</u>	<u>29,214,934</u>	<u>(365,359)</u>	<u>(3,023,676)</u>	<u>120,680,274</u>
Capital assets, being depreciated:					
Buildings and improvements	111,402,600	826,941	-	214,696	112,444,237
Land improvements	52,828,829	433,134	-	36,176	53,298,139
Equipment	48,700,767	4,319,712	(2,102,911)	682,449	51,600,017
Furnishings and fixtures	3,589,792	75,076	(10,207)	-	3,654,661
Infrastructure	358,891,205	129,492	-	2,090,355	361,111,052
	<u>575,413,193</u>	<u>5,784,355</u>	<u>(2,113,118)</u>	<u>3,023,676</u>	<u>582,108,106</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,439,498)	(3,739,355)	-	-	(32,178,853)
Land improvements	(11,138,386)	(1,745,451)	-	-	(12,883,837)
Equipment	(31,805,698)	(3,820,006)	1,984,859	-	(33,640,845)
Furnishings and fixtures	(1,230,653)	(195,376)	10,118	-	(1,415,911)
Infrastructure	(225,478,758)	(8,620,447)	-	-	(234,099,205)
	<u>(298,092,993)</u>	<u>(18,120,635)</u>	<u>1,994,977</u>	<u>-</u>	<u>(314,218,651)</u>
Total capital assets being depreciated, net	<u>277,320,200</u>	<u>(12,336,280)</u>	<u>(118,141)</u>	<u>3,023,676</u>	<u>267,889,455</u>
Governmental activities					
capital assets, net	\$ 372,174,575	\$ 16,878,654	\$ (483,500)	\$ -	\$ 388,569,729

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	19,854,499	10,110,424	-	(99,191)	29,865,732
	<u>19,919,370</u>	<u>10,110,424</u>	<u>-</u>	<u>(99,191)</u>	<u>29,930,603</u>
Capital assets, being depreciated:					
Buildings and improvements	362,373	-	-	-	362,373
Equipment	19,096,975	381,805	(217,151)	99,191	19,360,820
Water and sewer lines	342,653,636	24,660	-	-	342,678,296
	<u>362,112,984</u>	<u>406,465</u>	<u>(217,151)</u>	<u>99,191</u>	<u>362,401,489</u>
Less accumulated depreciation for:					
Buildings and improvements	(132,878)	(9,116)	-	-	(141,994)
Equipment	(6,050,132)	(1,276,327)	217,151	-	(7,109,308)
Water and sewer lines	(171,294,076)	(6,035,542)	-	-	(177,329,618)
	<u>(177,477,086)</u>	<u>(7,320,985)</u>	<u>217,151</u>	<u>-</u>	<u>(184,580,920)</u>
Total capital assets being depreciated, net	<u>184,635,898</u>	<u>(6,914,520)</u>	<u>-</u>	<u>99,191</u>	<u>177,820,569</u>
Business-type activities capital assets, net	<u>\$ 204,555,268</u>	<u>\$ 3,195,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,751,172</u>

Construction in progress includes \$21,692,986 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2024 was as follows:

Discretely presented component unit - Local Development Finance Authority

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit - LDFA					
Capital assets, not being depreciated:					
Land	\$ 1,209,203	\$ -	\$ -	\$ -	\$ 1,209,203
Construction in progress	807,564	6,388	(33,054)	(774,510)	6,388
Works of art	3,000	-	-	-	3,000
	<u>2,019,767</u>	<u>6,388</u>	<u>(33,054)</u>	<u>(774,510)</u>	<u>1,218,591</u>
Capital assets, being depreciated:					
Buildings and improvements	4,964,434	81,980	-	384,460	5,430,874
Roads	-	437,600	-	386,375	823,975
Equipment	439,961	-	-	3,675	443,636
	<u>5,404,395</u>	<u>519,580</u>	<u>-</u>	<u>774,510</u>	<u>6,698,485</u>
Less accumulated depreciation for:					
Buildings and improvements	(981,912)	(179,910)	-	-	(1,161,822)
Roads	-	(10,300)	-	-	(10,300)
Equipment	(108,012)	(50,696)	-	-	(158,708)
	<u>(1,089,924)</u>	<u>(240,906)</u>	<u>-</u>	<u>-</u>	<u>(1,330,830)</u>
Total capital assets being depreciated, net	<u>4,314,471</u>	<u>278,674</u>	<u>-</u>	<u>774,510</u>	<u>5,367,655</u>
Component unit - LDFA capital assets, net	\$ 6,334,238	\$ 285,062	\$ (33,054)	\$ -	\$ 6,586,246

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Depreciation expense was charged to functions/programs as follows:

Depreciation of governmental activities

General government	\$ 415,953
41A District Court	246,526
Public safety	3,425,593
Public works	10,797,264
Recreation and culture	<u>3,235,299</u>

Total depreciation expense - governmental activities

\$ 18,120,635

Depreciation of business-type activities

Water and sewer	<u>\$ 7,320,985</u>
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Depreciation of component unit activities

Local Development Finance Authority	<u>\$ 240,906</u>
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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
Governmental activities	\$ 59,801,752	\$ 12,067,967
Business-type activities	<u>8,539,906</u>	<u>1,298,549</u>
Total construction and other contracts	<u>\$ 68,341,658</u>	<u>\$ 13,366,516</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

7. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, noted and other long-term liabilities debt at June 30, 2024, is comprised of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ 114,801,000	\$ -	\$ (7,045,000)	\$ 107,756,000	\$ 7,305,000
Unamortized premium	6,217,134	-	(739,938)	5,477,196	794,174
Compensated absences	4,942,593	869,214	(1,019,912)	4,791,895	913,087
Total governmental activities	\$ 125,960,727	\$ 869,214	\$ (8,804,850)	\$ 118,025,091	\$ 9,012,261
Business-type Activities					
Direct borrowings and direct placements	\$ 93,706,447	\$ 3,165,350	\$ (5,491,887)	\$ 91,379,910	\$ 5,284,365
Unamortized premium	7,373,817	47,708	(526,998)	6,894,527	529,388
Compensated absences	253,455	95,871	(99,180)	250,146	122,302
Total business-type activities	\$ 101,333,719	\$ 3,308,929	\$ (6,118,065)	\$ 98,524,583	\$ 5,936,055

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Governmental activities - bonds payable

2008 Special Assessment Limited Tax Bonds; \$3,260,000 at issuance; payable in annual installments of \$100,000 to \$200,000; interest payable semi-annually at 3.50 to 4.50% through July 2028	\$ 1,000,000
2016 Michigan Transportation Fund Bonds; \$9,630,000 at issuance; payable in annual installments of \$520,000 to \$785,000; interest payable semi-annually at 2.00 to 3.00% through April 2031	5,025,000
2017 Capital Improvement Bonds; \$42,135,000 at issuance; payable in annual installments of \$1,590,000 to \$2,905,000; interest payable semi-annually at 3.00 to 5.00% through April 2037	31,090,000
2017 Michigan Transportation Fund Bonds; \$2,075,000 at issuance; payable in annual installments of \$110,000 to \$175,000; interest payable semi-annually at 2.00 to 3.00% through April 2032	1,235,000
2018 Capital Improvement Bonds; \$19,390,000 at issuance; payable in annual installments of \$715,000 to \$1,330,000; interest payable semi-annually at 3.00 to 5.00% through April 2038	15,125,000
2018 Michigan Transportation Fund Bonds; \$8,200,000 at issuance; payable in annual installments of \$470,000 to \$655,000; interest payable semi-annually at 2.625 to 5.00% through April 2033	5,255,000
2019 Capital Improvement Bonds; \$22,840,000 at issuance; payable in annual installments of \$775,000 to \$1,530,000; interest payable semi-annually at 3.00 to 5.00% through April 2039	18,670,000
2020 Michigan Transportation Refunding Bonds; \$973,000 at issuance; payable in annual installments of \$163,000 to \$209,000; interest payable semi-annually at 1.08% through October 2025	396,000
2021 Michigan Transportation Fund Bonds; \$18,000,000 at issuance; payable in annual installments of \$1,040,000 to \$1,375,000; interest payable semi-annually at 2.00% through April 2036	14,815,000
2022 Michigan Transportation Fund Bonds; \$16,850,000 at issuance; payable in annual installments of \$825,000 to \$1,470,000; interest payable semi-annually at 3.375 to 5.000% through April 2037	15,145,000
Total governmental activities	<u>\$ 107,756,000</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Business-type activities - direct bonds and direct placements

State Revolving Fund Loans (Michigan Municipal Finance Authority)

Special assessment Roll No. 1 Series 2010A (Segment 1 - ARRA funding); \$4,299,957 at issuance; payable in annual installments of \$167,539 to \$269,613; interest payable semi-annually at 2.50% through April 2031	\$ 1,754,546
Special assessment Roll No. 1 Series 2011A (Segment 2); \$5,168,777 at issuance; payable in annual installments of \$202,457 to \$322,922; interest payable semi-annually at 2.50% through October 2033	2,901,238
Special assessment Roll No. 1 Series 2013A (Segment 3); \$11,278,994 at issuance; payable in annual installments of \$502,135 to \$676,151; interest payable semi-annually at 2.0% through October 2034	6,751,119
Special assessment Roll No. 1 Series 2015A (MIDD Project #5624-01); \$1,151,536 at issuance; payable in annual installments of \$45,435 to \$72,059; interest payable semi-annually at 2.5% through October 2034	558,513
2015 Oakland-Macomb Interceptor Drainage District SAW Loan; \$3,298,735 at issuance; payable in annual installments of \$128,219 to \$207,871; interest payable semi-annually at 2.5% through April 2036	2,171,963
County drain contract obligations	
2010 North Gratiot Interceptor Drainage District; \$252,751 at issuance, payable in annual installments of \$4,842 to \$14,526; interest payable semi-annually at 4.35 to 6.35% through April 2035	135,576
2014A Sewer Lining Repairs; \$1,649,117 at issuance, payable in annual installments of \$63,822 to \$108,270; interest payable semi-annually at 2.00 to 3.125% through October 2034	1,018,874
2015 North Gratiot Interceptor Drainage District Refunding Bonds; \$2,067,205 at issuance, payable in annual installments of \$85,170 to \$136,881; interest payable semi-annually at 3.75 to 5.00% through May 2033	1,188,125
2017A MID Drainage District; \$19,085,935 at issuance, payable in annual installments of \$353,972 to \$1,261,919; interest payable semi-annually at 3.00 to 5.00% through May 2042	15,825,579
2017A MID Drainage District Refunding; \$18,532,248 at issuance, payable in annual installments of \$783,998 to \$1,492,530; interest payable semi-annually at 3.00 to 5.00% through May 2035	13,066,625

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

2019 OMID Drainage District Refunding; \$743,703 at issuance, payable in annual installments of \$45,348 to \$82,451; interest payable semi-annually at 1.85% through April 2030	\$ 451,005
2019 OMID Drainage District Bonds; \$2,502,606 at issuance, payable in annual installments of \$230,788 to \$1,060,181; interest payable semi-annually at 1.55% through October 2025	480,808
2020 MID Drainage District Refunding (Clinton Pump Station); \$4,942,287 at issuance, payable in annual installments of \$336,206 to \$600,375; interest payable semi-annually at 5.00% through May 2031	3,482,175
2020A Oakland-Macomb Interceptor Drainage District; \$15,432,144 at issuance, payable in annual installments of \$262,979 to \$1,082,934; interest payable semi-annually at 2.00 to 5.00% through July 2040	13,985,087
2020B Oakland-Macomb Interceptor Drainage District; \$3,165,350 at issuance, payable in annual installments of \$96,673 to \$232,015; interest payable semi-annually at 4.00% through July 2043	3,068,677
2021 Capital Improvement Bonds; \$15,000,000 at issuance, payable in annual installments of \$615,000 to \$900,000; interest payable semi-annually at 2.00 to 2.125% through April 2041	13,115,000
2022 Capital Improvement Bonds; \$12,270,000 at issuance, payable in annual installments of \$400,000 to \$875,000; interest payable semi-annually at 3.75 to 5.00% through April 2042	<u>11,425,000</u>
Total business-type activities	<u>\$ 91,379,910</u>
	concluded

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Bonds Payable		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 7,305,000	\$ 3,679,532	\$ 5,284,365	\$ 3,298,666
2026	7,586,000	3,379,043	5,709,520	3,099,781
2027	7,690,000	3,066,585	5,664,961	2,882,806
2028	8,000,000	2,751,073	5,903,403	2,659,060
2029	8,295,000	2,459,136	6,135,172	2,424,729
2030-2034	41,150,000	8,130,097	31,203,647	8,451,028
2035-2039	27,730,000	2,065,982	21,612,873	3,734,792
2040-2044	-	-	9,865,969	729,861
	<u>\$ 107,756,000</u>	<u>\$ 25,531,448</u>	<u>\$ 91,379,910</u>	<u>\$ 27,280,723</u>

During 2016, the Macomb Interceptor Drain Drainage District (MIDD Project #5624-01) was approved for \$3,675,000 of loans through the Michigan State Revolving Fund ("SRF") 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, 2024 is \$558,513.

During 2020, the Macomb Interceptor Drain Drainage District (Project #5659-03) was approved for \$26,000,000 of loans through the SRF, of which \$8,036,105 was anticipated as the City's share. One disbursement, City's share of \$774,555, has been completed, since that disbursement the City has made principal and interest payments have been made to cover this disbursement. The City currently has no outstanding amount due on this loan, but has available \$7,261,550 to be able to drawn.

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 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.

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

8. LEASES

Lessor - The City is involved in seven agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2024 was \$186,338.

Asset Type	Remaining Term of Agreements
Land for cell towers	2-27 years

9. RISK MANAGEMENT

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

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

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

Property and Liability

Prior to participating in the Authority, the City purchased reinsurance through an international insurance brokerage firm.

The City estimates, based on past experience, that \$1,022,240 will be paid for all claims reported to date and \$291,984 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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, 2024. At January 1, 1990, the City became self-insured for short-term disability.

It is estimated, based on past experience, that \$22,715 will be paid for all claims reported to date and \$976,102 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, 2024. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2024, it was estimated, based on past experience, that \$254,102 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 reported liability for the past two fiscal years are as follows:

	Property and Liability	Workers' Compensation	Health	Retiree Medical Benefit Trust	Total
Estimated liability, June 30, 2022	\$ 1,127,603	\$ 131,195	\$ 770,005	\$ 630,964	\$ 2,659,767
Estimated claims incurred	744,704	280,274	7,327,590	9,464,232	17,816,800
Claim payments	(881,592)	(266,598)	(7,188,474)	(9,126,903)	(17,463,567)
Estimated liability, June 30, 2023	990,715	144,871	909,121	968,293	3,013,000
Estimated claims incurred	1,141,263	320,870	7,388,821	11,117,813	19,968,767
Claim payments	(817,754)	(211,639)	(7,299,125)	(10,571,438)	(18,899,956)
Estimated liability, June 30, 2024	<u>\$ 1,314,224</u>	<u>\$ 254,102</u>	<u>\$ 998,817</u>	<u>\$ 1,514,668</u>	<u>\$ 4,081,811</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

10. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

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

	Plan Net Position			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 1,965,905	\$ 5,742,494	\$ 2,693,977	\$ 10,402,376
Investments:				
Municipal bonds	-	119,966	-	119,966
Government securities	8,811,846	21,225,723	13,281,868	43,319,437
Mutual funds	12,800,347	39,227,957	18,407,342	70,435,646
Common and preferred stock	67,738,494	143,782,464	113,195,558	324,716,516
Corporate bonds	6,107,692	9,645,122	9,071,260	24,824,074
Private real estate	8,301,234	23,136,466	12,885,782	44,323,482
Hedge funds	2,008,918	4,369,397	2,661,816	9,040,131
Receivables	-	-	3,294	3,294
Total assets	107,734,436	247,249,589	172,200,897	527,184,922
Liabilities				
Accounts payable	131,963	996,592	231,079	1,359,634
Accrued and other liabilities	-	-	49,600	49,600
Provisions for claims	-	-	1,514,668	1,514,668
Total liabilities	131,963	996,592	1,795,347	2,923,902
Net position				
Restricted for:				
Pension benefits	107,602,473	246,252,997	-	353,855,470
Other postemployment benefits	-	-	170,405,550	170,405,550
Total net position	\$ 107,602,473	\$ 246,252,997	\$ 170,405,550	\$ 524,261,020

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

	Changes in Plan Net Position			
	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Contributions:				
Employer	\$ 4,570,650	\$ 13,917,727	\$ 8,500,650	\$ 26,989,027
Plan members	393,715	2,707,465	305,661	3,406,841
Employee service purchases	-	289,054	-	289,054
Total contributions	<u>4,964,365</u>	<u>16,914,246</u>	<u>8,806,311</u>	<u>30,684,922</u>
Investment earnings:				
Net change in fair value of investments	7,197,725	17,658,210	14,519,985	39,375,920
Interest	48,075	168,856	58,054	274,985
Dividends	<u>3,074,103</u>	<u>5,958,989</u>	<u>4,551,625</u>	<u>13,584,717</u>
Total investment income	<u>10,319,903</u>	<u>23,786,055</u>	<u>19,129,664</u>	<u>53,235,622</u>
Less: investment expense	<u>(591,875)</u>	<u>(1,517,705)</u>	<u>(928,975)</u>	<u>(3,038,555)</u>
Net investment income	<u>9,728,028</u>	<u>22,268,350</u>	<u>18,200,689</u>	<u>50,197,067</u>
Total additions	<u>14,692,393</u>	<u>39,182,596</u>	<u>27,007,000</u>	<u>80,881,989</u>
Deductions				
Benefit payments	11,541,210	27,380,880	13,003,816	51,925,906
Refund of contributions	93,474	1,522,691	-	1,616,165
Administrative expenses	-	105,675	-	105,675
Total deductions	<u>11,634,684</u>	<u>29,009,246</u>	<u>13,003,816</u>	<u>53,647,746</u>
Change in net position	<u>3,057,709</u>	<u>10,173,350</u>	<u>14,003,184</u>	<u>27,234,243</u>
Net position, beginning of year	<u>104,544,764</u>	<u>236,079,647</u>	<u>156,402,366</u>	<u>497,026,777</u>
Net position, end of year	<u>\$ 107,602,473</u>	<u>\$ 246,252,997</u>	<u>\$ 170,405,550</u>	<u>\$ 524,261,020</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

11. PENSION PLANS

Plan Description

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

General Employees' Retirement System

GERS provides pensions for certain active permanent full-time general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan is closed to new members.

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.

Benefits Provided. The GERS and the PFRS 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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.

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

Membership. At June 30, 2024 valuation date, plan membership consisted of the following:

	General Employees' Retirement System	Police and Fire Retirement System
Inactive employees or beneficiaries currently receiving benefits	356	417
Inactive employees entitled to but not receiving benefits	17	34
Active employees	54	238
Total members	<u>427</u>	<u>689</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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, 2024, the active member contributions were \$393,715 and 8.2 percent of covered payroll for GERS and \$2,707,465 and 10.1 percent for PFRS. The City's contributions were \$4,570,650 and 94.9 percent of covered payroll for GERS and \$13,917,727 and 52.1 percent for PFRS, respectively.

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.

The balances of the reserve accounts at June 30, 2024 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 119,488,390	\$ 100,746,130
Employee reserve	6,856,343	6,856,343
PFRS		
Retiree reserve	279,521,268	220,618,062
Employee reserve	25,634,935	25,634,935

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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, 2024, the plan has \$26,781,727 accumulated in DROP accounts.

Net Pension Liability. The City's net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent (GERS); 2.25 percent (PFRS)
Salary increases	3.0-10.75 percent (GERS); 3.0-20.10 percent (PFRS), including inflation
Investment rate of return	7.15 percent (GERS); 7.25 percent (PFRS), net of investment expense,
Mortality rates	Healthy Pre-Retirement (GERS): The Pub-2010, Amount-Weighted, General Employee Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Healthy Post-Retirement (GERS): The Pub-2010, Amount-Weighted, General Healthy Retiree Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Disability Retirement(GERS): The Pub-2010, Amount-Weighted, General Disabled Retiree Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Healthy Pre-Retirement (PFRS): The Pub-2010, Amount-Weighted, Safety, Employee, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale MP-2019. Healthy Post-Retirement (PFRS): The Pub-2010, Amount-Weighted, Safety, Healthy Retiree, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale MP-2019. Disability Retirement(PFRS): The Pub-2010, Amount-Weighted, Safety, Disabled Retiree, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, are summarized in the following tables:

Asset Class (GERS)	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Large cap growth equities	7.70%	6.09%	0.47%
Large cap value equities	7.70%	6.34%	0.49%
Large cap core equities	7.60%	5.78%	0.44%
Small/mid cap equities	15.00%	6.89%	1.03%
International equities	20.00%	5.69%	1.14%
Emerging markets	5.50%	7.41%	0.41%
Real estate	2.00%	4.55%	0.09%
Fixed income	20.00%	1.79%	0.36%
Alternative investments	14.50%	3.96%	0.57%
	100.00%		5.00%
Inflation			2.50%
Risk adjustments			-0.35%
Investment rate of return			7.15%

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Asset Class (PFRS)	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Large cap growth equities	7.70%	6.09%	0.47%
Large cap value equities	7.70%	6.34%	0.49%
Large cap core equities	7.60%	5.78%	0.44%
Small/mid cap equities	15.00%	6.89%	1.03%
International equities	20.00%	5.69%	1.14%
Emerging markets	5.50%	7.41%	0.41%
Real estate	2.00%	4.55%	0.09%
Fixed income	20.00%	1.79%	0.36%
Alternative investments	<u>14.50%</u>	3.96%	<u>0.57%</u>
	<u>100.00%</u>		<u>5.00%</u>
Inflation			2.50%
Risk adjustments			<u>-0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for GERS and 7.25% for PFRS. The projection of cash flows used to determine the discount rate assumed that plan member 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 member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Annual Money-weighted Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.58 percent (GERS) and 9.46 percent (PFRS). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

General Employees' Retirement System

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 148,969,117	\$ 104,544,764	\$ 44,424,353
Changes for the year:			
Service cost	706,604	-	706,604
Interest	10,260,613	-	10,260,613
Differences between expected and actual experience	48,718	-	48,718
Employer contributions	-	4,570,650	(4,570,650)
Employee contributions	-	393,715	(393,715)
Net investment income	-	9,728,028	(9,728,028)
Benefit payments, including refunds of employee contributions	(11,634,684)	(11,634,684)	-
Net changes	(618,749)	3,057,709	(3,676,458)
Balances at June 30, 2024	\$ 148,350,368	\$ 107,602,473	\$ 40,747,895

The plan fiduciary net position as a percentage of the total pension liability is 72.5 percent.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Police and Fire Retirement System

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 388,793,615	\$ 236,079,647	\$ 152,713,968
Changes for the year:			
Service cost	5,851,202	-	5,851,202
Interest	27,351,888	-	27,351,888
Differences between expected and actual experience	4,450,323	-	4,450,323
Employer contributions	-	13,917,727	(13,917,727)
Employee contributions	-	2,707,465	(2,707,465)
Employee service purchases	-	289,054	(289,054)
Net investment income	-	22,268,350	(22,268,350)
Benefit payments, including refunds of employee contributions	(28,903,571)	(28,903,571)	-
Administrative expense	-	(105,675)	105,675
Net changes	<u>8,749,842</u>	<u>10,173,350</u>	<u>(1,423,508)</u>
Balances at June 30, 2024	\$ 397,543,457	\$ 246,252,997	\$ 151,290,460

The plan fiduciary net position as a percentage of the total pension liability is 61.9 percent.

General Employees' Retirement System	\$ 40,747,895
Police and Fire Retirement System	<u>151,290,460</u>
Total net pension liability	<u>\$ 192,038,355</u>

The City's net pension liability is presented in the government-wide statement of net position as follows:

Governmental activities	\$ 184,154,360
Business-type activities	<u>7,883,995</u>
Total net pension liability	<u>\$ 192,038,355</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.15 percent for GERS and 7.25 percent for PFRS, 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 (6.15/6.25 percent) or 1-percentage-point higher (8.15/8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate (7.25%)	1% Increase
City's GERS net pension liability	\$ 55,347,743	\$ 40,747,895	\$ 28,294,471
City's PFRS net pension liability	<u>193,618,344</u>	<u>151,290,460</u>	<u>116,053,827</u>
	<u><u>\$ 248,966,087</u></u>	<u><u>\$ 192,038,355</u></u>	<u><u>\$ 144,348,298</u></u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 10.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2024, the City recognized pension expense of \$4,166,329 for GERS and \$14,159,442 for PFRS. At June 30, 2024, the City reported deferred outflows of resources related to pensions from the following sources:

General Employees' Retirement System

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,758,207</u>

Police and Fire Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 4,973,513	\$ 389,434	\$ 4,584,079
Net difference between projected and actual earnings on pension plan investments	<u>1,883,278</u>	-	<u>1,883,278</u>
Total	\$ 6,856,791	\$ 389,434	\$ 6,467,357

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

The City's deferred outflows of resources related to pensions is presented in the government-wide statement of net position as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Governmental activities	\$ 8,274,820	\$ 389,434	\$ 7,885,386
Business-type activities	340,178	-	340,178
Total	\$ 8,614,998	\$ 389,434	\$ 8,225,564

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

Year Ended June 30,	General Employees' Retirement System	Police and Fire Retirement System
2025	\$ (517,060)	\$ (1,035,839)
2026	4,030,792	10,032,715
2027	(1,257,216)	(2,044,979)
2028	(498,309)	(484,540)
Total	\$ 1,758,207	\$ 6,467,357

Payable to the Pension Plan. At June 30, 2024, the City had no amount payable to the pension plan.

The net pension 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

12. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB 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 the 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. At June 30, 2022 (the date of the most recent actuarial report), the following members were covered by the benefit terms:

Retirees and beneficiaries	660
Active and DROP plan members	<u>437</u>
Total membership	<u>1,097</u>

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, 2024, the City's contribution was \$8,500,650. DROP plan members are required to contribute 5 percent of gross wages.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2024.

Actuarial Assumptions. The total OPEB liability in the June 30, 2022 valuation was determined using the following actuarial assumptions, applied consistently to all periods included in the measurement, unless otherwise specified:

Inflation	No explicit price inflation used
Salary increases	3.0% to 20.10%, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based tables that are specific to the type of eligibility condition
Healthcare cost trend rate	Non-Medicare: 7.50% gradually decreasing to an ultimate trend rate of 3.50%; Medicare: 6.25% gradually decreasing to an ultimate trend rate of 3.50%
Mortality rates	General: The Pub-2010, Amount-Weighted, General Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Police/Fire: The Pub-2010, Amount-Weighted, Safety, Employee, Male and Female tables, and future mortality improvements projected using scale MP-2019.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2022 for general members and June 30, 2016 through June 30, 2019 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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Large capitalization equities	23.00%	5.24%	1.21%
Small/middle capitalization equities	10.50%	6.37%	0.67%
International equities	20.00%	6.07%	1.21%
Emerging markets	7.50%	8.02%	0.60%
Real estate	7.00%	4.75%	0.33%
Fixed income	20.00%	1.32%	0.26%
Hedge funds	3.00%	3.31%	0.10%
Infrastructure	5.00%	5.59%	0.28%
Private equity	4.00%	9.81%	0.39%
	<u>100.00%</u>		5.05%
Risk adjustments			2.20%
Investment rate of return			7.25%

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.

Annual Money-weighted Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 11.49 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	<u>\$ 212,447,151</u>	<u>\$ 156,402,366</u>	<u>\$ 56,044,785</u>
Changes for the year:			
Service cost	1,430,773	-	1,430,773
Interest on total OPEB liability	15,007,986	-	15,007,986
Differences between expected and actual experience	(764,597)	-	(764,597)
Employer contributions	-	8,500,650	(8,500,650)
Employee contributions	-	305,661	(305,661)
Net investment income	-	18,200,689	(18,200,689)
Benefit payments	(13,003,816)	(13,003,816)	-
Other changes	339,823	-	339,823
Net changes	<u>3,010,169</u>	<u>14,003,184</u>	<u>(10,993,015)</u>
Balances at June 30, 2024	<u>\$ 215,457,320</u>	<u>\$ 170,405,550</u>	<u>\$ 45,051,770</u>

The Plan's fiduciary net position represents 79.09 percent of the total OPEB liability.

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is provided in Note 10.

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% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net OPEB liability	\$ 68,316,974	\$ 45,051,770	\$ 25,545,370

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.50 percent to 3.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50% Decreasing to 2.50%)	Healthcare Cost Trend Rates (7.50% Decreasing to 3.50%)	1% Increase (8.50% Decreasing to 4.50%)
City's net OPEB liability	\$ 21,630,736	\$ 45,051,770	\$ 72,947,901

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

For the year ended June 30, 2024, the City recognized an OPEB benefit of \$1,335,926. At June 30, 2024, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 10,742,941	\$ (10,742,941)
Changes in assumptions	2,302,740	38,957	2,263,783
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>2,631,996</u>	<u>(2,631,996)</u>
Total	\$ 2,302,740	\$ 13,413,894	\$ (11,111,154)

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

Year Ended June 30,	Amount
2025	\$ (6,701,691)
2026	1,531,057
2027	(4,465,736)
2028	<u>(1,474,784)</u>
Total	<u>\$ (11,111,154)</u>

Payable to the OPEB Plan. At June 30, 2024, the City had no amount payable to the OPEB plan.

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.

CITY OF STERLING HEIGHTS, MICHIGAN

■ Notes to Financial Statements

13. 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 7.0 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 \$895,294 during the current year, and employees contributed \$779,036.

14. 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.

15. 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, 2024, the City abated \$848,383 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepays and other assets	\$ 136,453	\$ 91,000	\$ 5,290,289	\$ 5,517,742
Inventories	924,176	-	-	924,176
	<u>1,060,629</u>	<u>91,000</u>	<u>5,290,289</u>	<u>6,441,918</u>
Restricted				
Street construction and maintenance	-	-	11,738,423	11,738,423
Public safety	-	-	3,148,505	3,148,505
Opioid	-	-	1,507,623	1,507,623
Public works	-	-	684,859	684,859
Capital improvements	-	-	3,581,753	3,581,753
Debt service	-	-	316,819	316,819
	<u>-</u>	<u>-</u>	<u>20,977,982</u>	<u>20,977,982</u>
Committed				
Land and water conservation	-	-	35,325	35,325
	<u>-</u>	<u>-</u>	<u>35,325</u>	<u>35,325</u>
Assigned				
Parks and recreation	-	-	1,035,391	1,035,391
Debt service	-	-	2,826	2,826
Grants	-	908,748	-	908,748
Capital improvements	-	-	13,193,041	13,193,041
	<u>-</u>	<u>908,748</u>	<u>14,231,258</u>	<u>15,140,006</u>
Unassigned				
	<u>39,756,411</u>	<u>-</u>	<u>-</u>	<u>39,756,411</u>
Total fund balance	\$ 40,817,040	\$ 999,748	\$ 40,534,854	\$ 82,351,642

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 120,680,274	\$ 29,930,603	\$ 1,218,591
Capital assets being depreciated, net	<u>267,889,455</u>	<u>177,820,569</u>	<u>5,367,655</u>
	<u>388,569,729</u>	<u>207,751,172</u>	<u>6,586,246</u>
Related debt:			
Bonds payable	107,756,000	91,379,910	-
Unspent bond proceeds	(3,421,454)	(7,875,239)	
Bond premium	5,477,196	6,894,527	-
Deferred charge on refunding	(1,174)	(190,699)	-
Deferred benefit on refunding	-	478,174	-
Construction related payables	<u>526,587</u>	<u>-</u>	<u>-</u>
	<u>110,337,155</u>	<u>90,686,673</u>	<u>-</u>
Net investment in capital assets	\$ 278,232,574	\$ 117,064,499	\$ 6,586,246

18. OPIOID SETTLEMENT

The City is part of a \$21 billion nationwide settlement reached in July 2021 to resolve all Opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors: McKesson, Cardinal Health, and AmerisourceBergen (Distributors), and a \$5 billion nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (Janssen). The term of the settlement varies by entity; however, the City expects to receive eighteen (18) installments from the Distributors with the first two installments being paid early in 2023 and the remaining 16 installments expected to be made annually beginning in 2024. Additionally, the City expects to receive eleven (11) installments from Janssen with the first five installments being paid early in 2023 and the remaining installments expected to be made annually beginning in 2026. The City is currently allocated approximately 0.192% of the total State of Michigan local unit settlement and the total amount of the settlement is expected to be \$2,878,103 and \$664,243 from the Distributors and Janssen, respectively.

In 2022, additional settlements with pharmacies and manufacturers were announced, including CVS, Walgreens, Walmart, Allergan, and Teva, and the associated state-subdivision agreement was finalized in 2023. In 2023, additional settlements with Mallinckrodt and Meijer were announced. The term of the settlement varies by pharmacy and manufacturer; however, the City expects to receive installment payments beginning in 2024. The total amount of these settlements is expected to be \$2,807,817. Additional settlements with other pharmacies and manufacturers may be forthcoming as well. However, as of June 30, 2024, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

The receivable for the various settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2024 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2024 is \$4,900,942.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
Change in total pension liability					
Service cost	\$ 706,604	\$ 804,749	\$ 857,788	\$ 848,617	\$ 926,654
Interest	10,260,613	10,446,617	10,192,021	10,363,444	10,340,464
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	48,718	(1,976,159)	1,750,581	(286,885)	867,442
Changes in assumptions	-	-	4,717,863	3,292,370	-
Benefit payments, including refunds of member contributions	(11,634,684)	(12,020,508)	(11,909,081)	(11,734,502)	(11,843,768)
Net change in total pension liability	<u>(618,749)</u>	<u>(2,745,301)</u>	<u>5,609,172</u>	<u>2,483,044</u>	<u>290,792</u>
Total pension liability, beginning	<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>
Total pension liability, ending	<u>148,350,368</u>	<u>148,969,117</u>	<u>151,714,418</u>	<u>146,105,246</u>	<u>143,622,202</u>
Change in plan fiduciary net position					
Contributions - employer	4,570,650	4,048,820	4,533,280	4,029,741	3,778,317
Contributions - member	393,715	491,498	460,224	490,970	505,668
Net investment income (loss)	9,728,028	10,767,070	(17,574,042)	30,177,513	1,399,063
Benefit payments, including refunds of member contributions	(11,634,684)	(12,020,508)	(11,909,081)	(11,734,502)	(11,843,768)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>3,057,709</u>	<u>3,286,880</u>	<u>(24,489,619)</u>	<u>22,963,722</u>	<u>(6,160,720)</u>
Plan fiduciary net position, beginning	<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>
Plan fiduciary net position, ending	<u>107,602,473</u>	<u>104,544,764</u>	<u>101,257,884</u>	<u>125,747,503</u>	<u>102,783,781</u>
City's net pension liability, ending	<u>\$ 40,747,895</u>	<u>\$ 44,424,353</u>	<u>\$ 50,456,534</u>	<u>\$ 20,357,743</u>	<u>\$ 40,838,421</u>
Plan fiduciary net position as a percentage of the total pension liability	72.53%	70.18%	66.74%	86.07%	71.57%
Covered payroll	\$ 4,818,246	\$ 4,980,818	\$ 5,492,708	\$ 5,767,428	\$ 5,994,428
City's net pension liability as a percentage of covered payroll	845.70%	891.91%	918.61%	352.98%	681.27%

See notes to required supplementary information.

Fiscal Year Ended June 30,

2019	2018	2017	2016	2015
\$ 923,068	\$ 1,011,294	\$ 1,033,145	\$ 999,822	\$ 1,059,741
10,310,982	10,259,718	10,194,909	10,251,133	10,094,749
-	-	21,315	468,337	-
722,498	782,654	(790,128)	(220,359)	1,896,980
-	-	6,023,738	3,043,452	-
<u>(11,286,739)</u>	<u>(11,365,307)</u>	<u>(11,080,749)</u>	<u>(11,221,254)</u>	<u>(10,912,153)</u>
669,809	688,359	5,402,230	3,321,131	2,139,317
<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>
<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>
 3,612,060	 3,265,820	 2,648,960	 2,768,790	 2,610,080
529,015	555,471	583,975	619,418	712,397
5,813,306	7,578,055	11,402,709	(288,329)	3,903,536
 (11,286,739)	 (11,365,307)	 (11,080,749)	 (11,221,254)	 (10,912,153)
<u>4,897</u>	<u>-</u>	<u>-</u>	<u>20,441</u>	<u>-</u>
<u>(1,327,461)</u>	<u>34,039</u>	<u>3,554,895</u>	<u>(8,100,934)</u>	<u>(3,686,140)</u>
<u>110,271,962</u>	<u>110,237,923</u>	<u>106,683,028</u>	<u>114,783,962</u>	<u>118,470,102</u>
<u>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>\$ 34,386,909</u>	<u>\$ 32,389,639</u>	<u>\$ 31,735,319</u>	<u>\$ 29,887,984</u>	<u>\$ 18,465,919</u>

76.01% 77.30% 77.65% 78.12% 86.14%

\$ 6,380,656 \$ 6,204,481 \$ 7,420,404 \$ 7,491,549 \$ 8,903,144

538.92% 522.04% 427.68% 398.96% 207.41%

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2015	\$ 2,610,080	\$ 2,610,080	\$ -	\$ 8,903,144	29.3%
2016	2,768,790	2,768,790	-	7,491,549	37.0%
2017	2,648,960	2,648,960	-	7,420,404	35.7%
2018	3,265,820	3,265,820	-	6,204,481	52.6%
2019	3,612,060	3,612,060	-	6,380,656	56.6%
2020	3,768,403	3,778,317	(9,914)	5,994,428	63.0%
2021	4,029,741	4,029,741	-	5,767,945	69.9%
2022	4,516,276	4,533,280	(17,004)	5,492,708	82.5%
2023	4,048,369	4,048,820	(451)	4,980,818	81.3%
2024	4,569,791	4,570,650	(859)	4,818,246	94.9%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

■ Required Supplementary Information

General Employees' Retirement System
Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	3.40%
2016	-0.24%
2017	11.08%
2018	7.16%
2019	5.39%
2020	1.33%
2021	30.30%
2022	-14.34%
2023	10.99%
2024	9.58%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

General Employees' Retirement System

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.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	June 30, 2022 (for determination of employer contributions for the 2023 fiscal year)
Notes	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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

General Employees' Retirement System

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar amount, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.5% - 10.75% including inflation
Investment rate of return	7.15%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2022 valuation pursuant to an experience study of the period 2016-2021.
Mortality	Healthy Pre-Retirement: The Pub-2010, Amount-Weighted, General Employee Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Healthy Post-Retirement: The Pub-2010, Amount-Weighted, General Healthy Retiree Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Disability Retirement: The Pub-2010, Amount-Weighted, General Disabled Retiree Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010.

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021	2020
Change in total pension liability					
Service cost	\$ 5,851,202	\$ 5,418,565	\$ 5,249,370	\$ 4,849,101	\$ 4,765,180
Interest	27,351,888	26,731,488	26,322,454	25,557,497	24,559,781
Changes of benefit terms	-	1,608,259	-	810,864	-
Differences between expected and actual experience	4,450,323	2,193,181	(1,240,342)	2,557,466	(2,197,579)
Changes in assumptions	-	-	-	-	(1,324,741)
Benefit payments, including refunds of member contributions	(28,903,571)	(26,317,533)	(23,230,948)	(23,616,915)	(22,746,754)
Net change in total pension liability	<u>8,749,842</u>	<u>9,633,960</u>	<u>7,100,534</u>	<u>10,158,013</u>	<u>3,055,887</u>
Total pension liability, beginning	<u>388,793,615</u>	<u>379,159,655</u>	<u>372,059,121</u>	<u>361,901,108</u>	<u>358,845,221</u>
Total pension liability, ending	<u>397,543,457</u>	<u>388,793,615</u>	<u>379,159,655</u>	<u>372,059,121</u>	<u>361,901,108</u>
Change in plan fiduciary net position					
Contributions - employer	13,917,727	13,520,242	13,738,932	11,969,319	9,830,873
Contributions - member	2,707,465	2,857,797	2,244,516	1,949,272	1,993,395
Employee service purchases	289,054	-	-	-	-
Net investment income (loss)	22,268,350	26,308,790	(40,828,197)	70,313,859	8,329,773
Benefit payments, including refunds of member contributions	(28,903,571)	(26,317,533)	(23,230,948)	(23,616,915)	(22,746,754)
Other	-	-	-	-	-
Administrative expense	(105,675)	-	(106,405)	(98,801)	(101,257)
Net change in plan fiduciary net position	<u>10,173,350</u>	<u>16,369,296</u>	<u>(48,182,102)</u>	<u>60,516,734</u>	<u>(2,693,970)</u>
Plan fiduciary net position, beginning	<u>236,079,647</u>	<u>219,710,351</u>	<u>267,892,453</u>	<u>207,375,719</u>	<u>210,069,689</u>
Plan fiduciary net position, ending	<u>246,252,997</u>	<u>236,079,647</u>	<u>219,710,351</u>	<u>267,892,453</u>	<u>207,375,719</u>
City's net pension liability, ending	<u>\$ 151,290,460</u>	<u>\$ 152,713,968</u>	<u>\$ 159,449,304</u>	<u>\$ 104,166,668</u>	<u>\$ 154,525,389</u>
Plan fiduciary net position as a percentage of the total pension liability	61.94%	60.72%	57.95%	72.00%	57.30%
Covered payroll	\$ 26,733,173	\$ 25,229,061	\$ 23,945,932	\$ 23,391,529	\$ 22,575,989
City's net pension liability as a percentage of covered payroll	565.93%	605.31%	665.87%	445.32%	684.47%

See notes to required supplementary information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year Ended June 30,					
2019	2018	2017	2016	2015	
\$ 4,116,668	\$ 3,380,879	\$ 3,118,370	\$ 4,566,392	\$ 3,745,877	
24,500,149	23,166,857	23,330,680	21,627,043	20,597,428	
-	-	-	-	-	
2,866,838	2,689,692	(2,688,374)	4,075,015	5,363,325	
21,949,498	14,170,036	6,757,450	(60,488,228)	23,250,473	
(23,083,898)	(24,296,503)	(22,414,879)	(19,003,317)	(18,772,663)	
30,349,255	19,110,961	8,103,247	(49,223,095)	34,184,440	
<u>328,495,966</u>	<u>309,385,005</u>	<u>301,281,758</u>	<u>350,504,853</u>	<u>316,320,413</u>	
<u>358,845,221</u>	<u>328,495,966</u>	<u>309,385,005</u>	<u>301,281,758</u>	<u>350,504,853</u>	
 10,103,803	 8,297,370	 7,994,747	 7,986,312	 7,953,970	
1,857,374	2,038,119	1,660,858	1,538,401	1,297,931	
-	-	-	-	-	
14,613,943	19,084,405	22,479,683	(1,776,431)	9,106,541	
(23,083,898)	(24,296,503)	(22,414,879)	(19,003,316)	(18,772,663)	
-	(259,392)	-	76,413	53,294	
(61,225)	(6,503)	(53,973)	(64,145)	(51,574)	
3,429,997	4,857,496	9,666,436	(11,242,766)	(412,501)	
<u>206,639,692</u>	<u>201,782,196</u>	<u>192,115,760</u>	<u>203,358,526</u>	<u>203,771,027</u>	
<u>210,069,689</u>	<u>206,639,692</u>	<u>201,782,196</u>	<u>192,115,760</u>	<u>203,358,526</u>	
<u><u>\$ 148,775,532</u></u>	<u><u>\$ 121,856,274</u></u>	<u><u>\$ 107,602,809</u></u>	<u><u>\$ 109,165,998</u></u>	<u><u>\$ 147,146,327</u></u>	
 58.54%	 62.90%	 65.22%	 63.77%	 58.02%	
\$ 22,859,153	\$ 21,549,009	\$ 19,778,423	\$ 19,321,315	\$ 16,589,288	
 650.84%	 565.48%	 544.04%	 565.00%	 887.00%	

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2015	\$ 7,953,970	\$ 7,953,970	\$ -	\$ 16,589,288	47.9%
2016	7,986,312	7,986,312	-	19,321,315	41.3%
2017	7,994,747	7,994,747	-	19,778,423	40.4%
2018	8,297,370	8,297,370	-	21,549,009	38.5%
2019	9,091,402	10,103,803	(1,012,401)	22,859,153	44.2%
2020	9,813,390	9,830,873	(17,483)	22,575,989	43.5%
2021	11,969,088	11,969,319	(231)	23,391,529	51.2%
2022	13,738,932	13,738,932	-	23,945,932	57.4%
2023	13,520,242	13,520,242	-	25,229,061	53.6%
2024	13,917,727	13,917,727	-	26,733,173	52.1%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

■ Required Supplementary Information

Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	4.90%
2016	-0.40%
2017	12.70%
2018	10.22%
2019	7.15%
2020	3.96%
2021	34.20%
2022	-15.29%
2023	12.05%
2024	9.46%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

Police and Fire Retirement System

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.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

Police and Fire Retirement System

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	June 30, 2022 (for determination of employer contributions for the 2024 fiscal year)
Notes	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 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	19 years
Asset valuation method	5-year smooth fair value
Inflation	2.25%
Salary increases	3.00% - 20.10% including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy Pre-Retirement: The Pub-2010, Amount-Weighted, Safety, Employee, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale MP-2019. Healthy Post-Retirement: The Pub-2010, Amount-Weighted, Safety, Healthy Retiree, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale MP-2019. Disability Retirement(PFRS): The Pub-2010, Amount-Weighted, Safety, Disabled Retiree, Male and Female Mortality Tables, with a base year of 2010 and future mortality improvements projected using scale MP-2019.

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

Retiree Medical Benefits Trust

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ended June 30,			
	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 1,430,773	\$ 1,702,998	\$ 1,556,117	\$ 1,618,774
Interest	15,007,986	15,450,129	14,907,440	16,148,111
Difference between expected and actual experience	(764,597)	(11,063,555)	(2,936,786)	(27,706,806)
Changes in assumptions	-	(70,989)	2,921,151	11,868,794
Benefit payments, including refunds	(13,003,816)	(11,310,509)	(10,343,761)	(9,805,884)
Other changes	339,823	110,842	-	(812,847)
Net change in total OPEB liability	<u>3,010,169</u>	<u>(5,181,084)</u>	<u>6,104,161</u>	<u>(8,689,858)</u>
Total OPEB liability, beginning of year	<u>212,447,151</u>	<u>217,628,235</u>	<u>211,524,074</u>	<u>220,213,932</u>
Total OPEB liability, end of year	<u>215,457,320</u>	<u>212,447,151</u>	<u>217,628,235</u>	<u>211,524,074</u>
Plan fiduciary net position				
Employer contributions	8,500,650	9,002,320	9,299,990	10,500,000
Member contributions	305,661	326,848	279,572	85,276
Net investment income (loss)	18,200,689	19,077,267	(25,160,896)	41,525,017
Benefit payments, including refunds	(13,003,816)	(11,310,509)	(10,343,761)	(9,805,884)
Other	-	-	(110,844)	-
Net change in plan fiduciary net position	<u>14,003,184</u>	<u>17,095,926</u>	<u>(26,035,939)</u>	<u>42,304,409</u>
Plan fiduciary net position, beginning of year	<u>156,402,366</u>	<u>139,306,440</u>	<u>165,342,379</u>	<u>123,037,970</u>
Plan fiduciary net position, end of year	<u>170,405,550</u>	<u>156,402,366</u>	<u>139,306,440</u>	<u>165,342,379</u>
Net OPEB liability	<u><u>\$ 45,051,770</u></u>	<u><u>\$ 56,044,785</u></u>	<u><u>\$ 78,321,795</u></u>	<u><u>\$ 46,181,695</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	79.09%	73.62%	64.01%	78.17%
Covered payroll	\$ 23,065,894	\$ 23,908,123	\$ 25,216,929	\$ 26,600,457
Net OPEB liability as a percentage of covered payroll	195.32%	234.42%	310.59%	173.61%

See notes to required supplementary information.

Fiscal Year Ended June 30,

Fiscal Year Ended June 30,			
2020	2019	2018	2017
\$ 1,678,922	\$ 1,719,869	\$ 1,882,705	\$ 2,001,128
15,511,460	14,979,531	14,695,533	14,177,069
(1,942,968)	(5,425,052)	(3,926,583)	(380,735)
3,381,580	5,723,906	-	5,411,956
(9,602,980)	(9,824,162)	(8,212,223)	(8,447,897)
469,199	-	-	-
<u>9,495,213</u>	<u>7,174,092</u>	<u>4,439,432</u>	<u>12,761,521</u>
<u>210,718,719</u>	<u>203,544,627</u>	<u>199,105,195</u>	<u>186,343,674</u>
<u>220,213,932</u>	<u>210,718,719</u>	<u>203,544,627</u>	<u>199,105,195</u>
 11,500,000	 11,452,950	 11,452,950	 11,452,950
65,649	200,196	174,683	12,822
1,088,614	6,082,507	7,950,032	11,360,581
(9,602,980)	(9,824,162)	(8,752,335)	(8,447,897)
-	-	-	10,572
<u>3,051,283</u>	<u>7,911,491</u>	<u>10,825,330</u>	<u>14,389,028</u>
<u>119,986,687</u>	<u>112,075,196</u>	<u>101,249,866</u>	<u>86,860,838</u>
<u>123,037,970</u>	<u>119,986,687</u>	<u>112,075,196</u>	<u>101,249,866</u>
<u>\$ 97,175,962</u>	<u>\$ 90,732,032</u>	<u>\$ 91,469,431</u>	<u>\$ 97,855,329</u>
 55.87%	 56.94%	 55.06%	 50.85%
 \$ 24,904,864	 \$ 27,050,738	 \$ 27,014,605	 \$ 28,386,397
 390.19%	 335.41%	 338.59%	 344.73%

CITY OF STERLING HEIGHTS, MICHIGAN

Required Supplementary Information

Retiree Medical Benefits Trust

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as Percentage of Covered Payroll
2015	\$ 12,334,370	\$ 12,334,370	\$ -	\$ 35,567,006	34.7%
2016	11,572,635	12,584,830	(1,012,195)	35,568,006	35.4%
2017	11,452,950	11,452,950	-	28,386,397	40.3%
2018	10,637,102	11,452,950	(815,848)	27,014,605	42.4%
2019	10,553,939	11,452,950	(899,011)	27,050,738	42.3%
2020	10,551,592	11,500,000	(948,408)	24,904,864	46.2%
2021	10,468,129	10,500,000	(31,871)	26,600,457	39.5%
2022	8,269,618	9,299,990	(1,030,372)	25,216,929	36.9%
2023	8,088,229	9,002,320	(914,091)	23,908,123	37.7%
2024	7,428,955	8,500,650	(1,071,695)	23,065,894	36.9%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

■ Required Supplementary Information

Retiree Medical Benefits Trust

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2017	12.86%
2018	7.77%
2019	5.65%
2020	0.51%
2021	34.37%
2022	-15.24%
2023	13.68%
2024	11.49%

See notes to required supplementary information.

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

Retiree Medical Benefits Trust

Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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).

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

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

CITY OF STERLING HEIGHTS, MICHIGAN

Notes to Required Supplementary Information

Retiree Medical Benefits Trust

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	June 30, 2022
Notes	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	20 years
Asset valuation method	5-year smoothed fair value
Inflation	No explicit price inflation assumption used
Investment rate of return	7.25%, 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: The Pub-2010, Amount-Weighted, General Mortality Tables, with future mortality improvements projected using the fully generational MP-2021 projection scale with a base year of 2010. Police/Fire: The Pub-2010, Amount-Weighted, Safety, Employee, Male and Female tables, and future mortality improvements projected using scale MP-2019.
Health care trend rates	Non-Medicare: 7.50% gradually decreasing to an ultimate trend rate of 3.50%; Medicare: 6.25% gradually decreasing to an ultimate trend rate of 3.50%
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs.

Notes to Schedule of Investment Returns

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			
	Major Streets	Local Streets	Parks and Recreation	Indigent Defense
Assets				
Cash and cash equivalents	\$ 1,669,807	\$ 3,156,799	\$ 2,187,937	\$ 415,404
Investments	5,645,820	-	-	-
Restricted assets, cash and investments	-	-	-	-
Receivables:				
Special assessment	-	33,252	-	-
Accounts	400	-	-	-
Accrued interest	12,393	7,789	8,698	1,788
Due from other governmental units	1,930,318	681,563	539,794	-
Opioid settlement	-	-	-	-
Loans	-	-	-	-
Prepays and other assets	2,279,604	-	-	-
Total assets	\$ 11,538,342	\$ 3,879,403	\$ 2,736,429	\$ 417,192
Liabilities				
Accounts payable	\$ 861,361	\$ 183,003	\$ 427,688	\$ 73,171
Accrued and other liabilities	154	14,625	224,416	-
Due to other funds	-	-	-	-
Cash bonds and deposits	55,107	254,191	-	-
Unearned revenue	400	-	500,000	344,021
Total liabilities	917,022	451,819	1,152,104	417,192
Deferred inflows of resources				
Unavailable revenue	-	30,877	548,934	-
Fund balances				
Nonspendable	2,279,604	-	-	-
Restricted	8,341,716	3,396,707	-	-
Committed	-	-	-	-
Assigned	-	-	1,035,391	-
Total fund balances	10,621,320	3,396,707	1,035,391	-
Total liabilities, deferred inflows of resources and fund balances	\$ 11,538,342	\$ 3,879,403	\$ 2,736,429	\$ 417,192

Special Revenue Funds						Debt Service Funds		
Public Safety Forfeiture	Community Development Block Grant	Opioid Settlement	Refuse/Recycling	Limited Tax GO Debt	General Drain Debt			
\$ 3,161,530	\$ -	\$ 1,501,190	\$ 1,338,275	\$ 2,814	\$ 3,631			
-	-	-	-	-	-			
-	-	-	-	-	-			
-	-	-	-	-	-			
9,111	-	6,433	1,585	12	16			
-	80,097	-	473,615	-	-			
-	-	4,900,942	-	-	-			
-	1,168,067	-	-	-	-			
-	-	-	-	-	-			
<u>\$ 3,170,641</u>	<u>\$ 1,248,164</u>	<u>\$ 6,408,565</u>	<u>\$ 1,813,475</u>	<u>\$ 2,826</u>	<u>\$ 3,647</u>			
\$ 22,136	\$ 44,447	\$ -	\$ 655,001	\$ -	\$ -			
-	-	-	-	-	-			
-	32,454	-	-	-	-			
-	3,196	-	-	-	-			
-	1,168,067	-	-	-	-			
<u>22,136</u>	<u>1,248,164</u>	<u>-</u>	<u>655,001</u>	<u>-</u>	<u>-</u>			
-	-	4,900,942	473,615	-	-			
3,148,505	-	1,507,623	684,859	-	3,647			
-	-	-	-	-	-			
-	-	-	-	2,826	-			
<u>3,148,505</u>	<u>-</u>	<u>1,507,623</u>	<u>684,859</u>	<u>2,826</u>	<u>3,647</u>			
<u>\$ 3,170,641</u>	<u>\$ 1,248,164</u>	<u>\$ 6,408,565</u>	<u>\$ 1,813,475</u>	<u>\$ 2,826</u>	<u>\$ 3,647</u>			

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2024

	Debt Service Funds		Capital Projects Funds	
	Voted Tax GO Debt	Road Bond Debt Retirement	General Improvements	Facility Improvements
Assets				
Cash and cash equivalents	\$ 73,529	\$ 94,624	\$ 5,403,727	\$ 499,537
Investments	-	-	4,946,459	3,912,240
Restricted assets, cash and investments	-	-	1,717,525	-
Receivables:				
Special assessment	-	458,722	97,044	-
Accounts	-	-	-	-
Accrued interest	295	30,906	33,286	1,733
Due from other governmental units	-	-	-	-
Opioid settlement	-	-	-	-
Loans	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 73,824	\$ 584,252	\$ 12,198,041	\$ 4,413,510
Liabilities				
Accounts payable	\$ 737	\$ -	\$ 251,382	\$ -
Accrued and other liabilities	125	-	18,596	-
Due to other funds	-	-	-	-
Cash bonds and deposits	-	-	70,110	-
Unearned revenue	-	-	1,717,525	-
Total liabilities	862	-	2,057,613	-
Deferred inflows of resources				
Unavailable revenue	-	344,042	65,024	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	72,962	240,210	1,308,783	-
Committed	-	-	-	-
Assigned	-	-	8,766,621	4,413,510
Total fund balances	72,962	240,210	10,075,404	4,413,510
Total liabilities, deferred inflows of resources and fund balances	\$ 73,824	\$ 584,252	\$ 12,198,041	\$ 4,413,510

Capital Projects Funds				
Clinton River Restoration	Land and Water Conservation	Road Bond Construction	Total Nonmajor Governmental Funds	
\$ 12,910	\$ 48,389	\$ 312,158	\$ 19,882,261	
-	-	1,957,680	16,462,199	
-	-	-	1,717,525	
-	-	-	589,018	
-	-	-	400	
-	209	3,132	117,386	
-	-	-	3,705,387	
-	-	-	4,900,942	
-	-	-	1,168,067	
-	-	3,010,685	5,290,289	
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\$ 12,910	\$ 48,598	\$ 5,283,655	\$ 53,833,474	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 2,518,926	
-	-	-	257,916	
-	-	-	32,454	
-	13,273	-	395,877	
-	-	-	3,730,013	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	13,273	-	6,935,186	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	6,363,434	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	3,010,685	5,290,289	
-	-	2,272,970	20,977,982	
-	35,325	-	35,325	
12,910	-	-	14,231,258	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
12,910	35,325	5,283,655	40,534,854	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 12,910	\$ 48,598	\$ 5,283,655	\$ 53,833,474	

concluded.

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			
	Major Streets	Local Streets	Parks and Recreation	Indigent Defense
Revenues				
Taxes	\$ -	\$ 4,079,856	\$ 4,939,057	\$ -
Special assessments	-	2,415	-	-
Intergovernmental:				
Federal sources	-	-	2,155	-
State sources	11,803,454	4,802,814	601,189	387,007
Local sources	-	-	-	-
Charges for services	-	-	1,250,253	-
Interest and rentals	296,414	139,090	182,590	19,977
Other	374,816	42,757	99,820	-
Total revenues	12,474,684	9,066,932	7,075,064	406,984
Expenditures				
Current:				
General government	-	-	-	-
41A District court	-	-	-	406,984
Public safety	-	-	-	-
Public works	2,373,500	2,250,012	-	-
Recreation and culture	-	-	7,024,631	-
Debt service:				
Principal payments	-	-	1,775,000	-
Interest and paying agent fees	-	-	1,227,088	-
Capital outlay	10,200,898	4,849,266	113,603	-
Total expenditures	12,574,398	7,099,278	10,140,322	406,984
Revenues over (under) expenditures	(99,714)	1,967,654	(3,065,258)	-
Other financing sources (uses)				
Transfers in	1,000,000	-	3,256,170	-
Transfers out	(4,801,430)	-	-	-
Total other financing sources (uses)	(3,801,430)	-	3,256,170	-
Net change in fund balances	(3,901,144)	1,967,654	190,912	-
Fund balances, beginning of year	14,522,464	1,429,053	844,479	-
Fund balances, end of year	\$ 10,621,320	\$ 3,396,707	\$ 1,035,391	\$ -

Special Revenue Funds				Debt Service Funds		
Public Safety Forfeiture	Community Development Block Grant	Opioid Settlement	Refuse/Recycling	Limited Tax GO Debt	General Drain Debt	
\$ -	\$ -	\$ -	\$ 6,200,802	\$ -	\$ 443	
-	-	-	-	-	-	
909,234	638,661	-	-	-	-	
611,637	-	-	370,076	-	-	
-	-	-	-	-	-	
-	-	843,427	24,535	-	-	
156,385	-	48,424	2,716	2,506	195	
361	-	-	-	-	-	
<u>1,677,617</u>	<u>638,661</u>	<u>891,851</u>	<u>6,598,129</u>	<u>2,506</u>	<u>638</u>	
-	-	-	-	1,000	-	
-	-	-	-	-	-	
413,190	-	-	-	-	-	
-	413,133	-	5,913,270	-	-	
-	-	-	-	-	-	
-	-	-	-	1,680,000	-	
-	-	-	-	1,281,357	-	
<u>437,998</u>	<u>225,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>851,188</u>	<u>638,661</u>	<u>-</u>	<u>5,913,270</u>	<u>2,962,357</u>	<u>-</u>	
<u>826,429</u>	<u>-</u>	<u>891,851</u>	<u>684,859</u>	<u>(2,959,851)</u>	<u>638</u>	
-	-	-	-	2,962,360	-	
-	-	-	-	-	-	
-	-	-	-	2,962,360	-	
826,429	-	891,851	684,859	2,509	638	
2,322,076	-	615,772	-	317	3,009	
<u>\$ 3,148,505</u>	<u>\$ -</u>	<u>\$ 1,507,623</u>	<u>\$ 684,859</u>	<u>\$ 2,826</u>	<u>\$ 3,647</u>	

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CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Debt Service Funds		Capital Projects Funds	
	Voted Tax GO Debt	Road Bond Debt Retirement	General Improvements	Facility Improvements
Revenues				
Taxes	\$ 7,559	\$ -	\$ -	\$ -
Special assessments	-	114,678	45,398	-
Intergovernmental:				
Federal sources	-	-	259,102	-
State sources	42,160	-	-	-
Local sources	-	-	507,658	-
Charges for services	-	-	-	-
Interest and rentals	3,261	15,081	503,232	(86,490)
Other	-	29,461	208,777	-
Total revenues	52,980	159,220	1,524,167	(86,490)
Expenditures				
Current:				
General government	-	2,850	-	-
41A District court	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal payments	-	3,590,000	-	-
Interest and paying agent fees	-	1,459,538	-	-
Capital outlay	-	-	6,265,506	-
Total expenditures	-	5,052,388	6,265,506	-
Revenues over (under) expenditures	52,980	(4,893,168)	(4,741,339)	(86,490)
Other financing sources (uses)				
Transfers in	-	4,801,430	5,590,000	4,500,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	4,801,430	5,590,000	4,500,000
Net change in fund balances	52,980	(91,738)	848,661	4,413,510
Fund balances, beginning of year	19,982	331,948	9,226,743	-
Fund balances, end of year	\$ 72,962	\$ 240,210	\$ 10,075,404	\$ 4,413,510

Capital Projects Funds				
Clinton River Restoration	Land and Water Conservation	Road Bond Construction	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 15,227,717	
				162,491
				1,809,152
				18,618,337
				507,658
				2,118,215
	2,864	457,123	1,743,368	
				755,992
	2,864	457,123	40,942,930	
				3,850
				406,984
				413,190
				10,949,915
				7,024,631
				7,045,000
				3,967,983
		9,901,381	31,994,180	
		9,901,381	61,805,733	
	2,864	(9,444,258)	(20,862,803)	
				22,109,960
				(4,801,430)
				17,308,530
	2,864	(9,444,258)	(3,554,273)	
12,910	32,461	14,727,913	44,089,127	
\$ 12,910	\$ 35,325	\$ 5,283,655	\$ 40,534,854	

concluded.

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental - state sources	\$ 11,555,450	\$ 11,855,000	\$ 11,803,454	\$ (51,546)
Interest and rentals	103,850	185,000	296,414	111,414
Other	309,000	309,000	374,816	65,816
Total revenues	11,968,300	12,349,000	12,474,684	125,684
Expenditures				
Current -				
Public works	2,820,880	2,702,370	2,373,500	(328,870)
Capital outlay	4,760,000	16,952,440	10,200,898	(6,751,542)
Total expenditures	7,580,880	19,654,810	12,574,398	(7,080,412)
Revenues over (under) expenditures	4,387,420	(7,305,810)	(99,714)	7,206,096
Other financing sources (uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(4,801,430)	(4,801,430)	(4,801,430)	-
Total other financing sources (uses)	(3,801,430)	(3,801,430)	(3,801,430)	-
Net change in fund balance	585,990	(11,107,240)	(3,901,144)	7,206,096
Fund balance, beginning of year	14,522,464	14,522,464	14,522,464	-
Fund balance, end of year	\$ 15,108,454	\$ 3,415,224	\$ 10,621,320	\$ 7,206,096

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,055,560	\$ 4,038,520	\$ 4,079,856	\$ 41,336
Special assessments	2,380	2,380	2,415	35
Intergovernmental - state sources	4,551,940	4,688,960	4,802,814	113,854
Interest and rentals	15,000	135,000	139,090	4,090
Other	53,120	53,120	42,757	(10,363)
Total revenues	8,678,000	8,917,980	9,066,932	148,952
Expenditures				
Current -				
Public works	2,477,130	3,753,840	2,250,012	(1,503,828)
Capital outlay	6,180,000	5,610,190	4,849,266	(760,924)
Total expenditures	8,657,130	9,364,030	7,099,278	(2,264,752)
Net change in fund balance	20,870	(446,050)	1,967,654	2,413,704
Fund balance, beginning of year	1,429,053	1,429,053	1,429,053	-
Fund balance, end of year	\$ 1,449,923	\$ 983,003	\$ 3,396,707	\$ 2,413,704

The accompanying notes are an integral part of these financial statements.

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Parks and Recreation Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 4,918,040	\$ 4,888,770	\$ 4,939,057	\$ 50,287
Intergovernmental:				
Federal sources	-	-	2,155	2,155
State sources	581,670	858,830	601,189	(257,641)
Charges for services	1,337,760	1,300,710	1,250,253	(50,457)
Interest and rentals	50,000	200,000	182,590	(17,410)
Other	75,700	75,700	99,820	24,120
Total revenues	6,963,170	7,324,010	7,075,064	(248,946)
Expenditures				
Current -				
Recreation and culture	6,989,460	7,119,730	7,024,631	(95,099)
Debt service:				
Principal payments	1,775,000	1,775,000	1,775,000	-
Interest and paying agent fees	1,227,090	1,227,090	1,227,088	(2)
Capital outlay	100,000	120,400	113,603	(6,797)
Total expenditures	10,091,550	10,242,220	10,140,322	(101,898)
Revenues under expenditures	(3,128,380)	(2,918,210)	(3,065,258)	(147,048)
Other financing sources				
Transfers in	3,256,170	3,256,170	3,256,170	-
Net change in fund balance	127,790	337,960	190,912	(147,048)
Fund balance, beginning of year	844,479	844,479	844,479	-
Fund balance, end of year	\$ 972,269	\$ 1,182,439	\$ 1,035,391	\$ (147,048)

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Indigent Defense Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental - state sources	\$ 511,830	\$ 799,790	\$ 387,007	\$ (412,783)
Interest and rentals	<u>-</u>	<u>-</u>	<u>19,977</u>	<u>19,977</u>
Total revenues	511,830	799,790	406,984	(392,806)
Expenditures				
Current -				
41A District court	<u>511,830</u>	<u>799,790</u>	<u>406,984</u>	<u>(392,806)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Public Safety Forfeiture Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal sources	\$ -	\$ 806,890	\$ 909,234	\$ 102,344
State sources	18,900	434,950	611,637	176,687
Interest and rentals	-	122,260	156,385	34,125
Other	-	320	361	41
Total revenues	18,900	1,364,420	1,677,617	313,197
Expenditures				
Current -				
Public safety	336,140	880,930	413,190	(467,740)
Capital outlay	354,680	737,970	437,998	(299,972)
Total expenditures	690,820	1,618,900	851,188	(767,712)
Net change in fund balance	(671,920)	(254,480)	826,429	1,080,909
Fund balance, beginning of year	2,322,076	2,322,076	2,322,076	-
Fund balance, end of year	\$ 1,650,156	\$ 2,067,596	\$ 3,148,505	\$ 1,080,909

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Development Block Grant Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental - federal grants	\$ 921,180	\$ 1,318,230	\$ 638,661	\$ (679,569)
Expenditures				
Current -				
Public works	508,180	654,170	413,133	(241,037)
Capital outlay	413,000	664,060	225,528	(438,532)
Total expenditures	<u>921,180</u>	<u>1,318,230</u>	<u>638,661</u>	<u>(679,569)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Opioid Settlement Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 125,000	\$ 125,000	\$ 843,427	\$ 718,427
Interest and rentals	-	-	48,424	48,424
Total revenues	125,000	125,000	891,851	766,851
Expenditures				
Current -				
Public safety	125,000	125,000	-	(125,000)
Net change in fund balance	-	-	891,851	891,851
Fund balance, beginning of year	615,772	615,772	615,772	-
Fund balance, end of year	\$ 615,772	\$ 615,772	\$ 1,507,623	\$ 891,851

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Refuse/Recycling Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ 6,161,020	\$ 6,200,802	\$ 39,782
Intergovernmental:				
State sources	-	370,070	370,076	6
Local sources	-	1,191,500	-	(1,191,500)
Charges for services	-	22,000	24,535	2,535
Interest and rentals	-	-	2,716	2,716
Total revenues	-	7,744,590	6,598,129	(1,146,461)
Expenditures				
Current -				
Public works	-	6,296,220	5,913,270	(382,950)
Net change in fund balance	-	1,448,370	684,859	(763,511)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 1,448,370	\$ 684,859	\$ (763,511)

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

June 30, 2024

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Assets				
Cash and cash equivalents	\$ 1,965,905	\$ 5,742,494	\$ 2,693,977	\$ 10,402,376
Investments:				
Municipal bonds	-	119,966	-	119,966
Government securities	8,811,846	21,225,723	13,281,868	43,319,437
Mutual funds	12,800,347	39,227,957	18,407,342	70,435,646
Common and preferred stock	67,738,494	143,782,464	113,195,558	324,716,516
Corporate bonds	6,107,692	9,645,122	9,071,260	24,824,074
Private real estate	8,301,234	23,136,466	12,885,782	44,323,482
Hedge funds	2,008,918	4,369,397	2,661,816	9,040,131
Receivables	-	-	3,294	3,294
Total assets	<u>107,734,436</u>	<u>247,249,589</u>	<u>172,200,897</u>	<u>527,184,922</u>
Liabilities				
Accounts payable	131,963	996,592	231,079	1,359,634
Accrued and other liabilities	-	-	49,600	49,600
Provisions for claims	-	-	1,514,668	1,514,668
Total liabilities	<u>131,963</u>	<u>996,592</u>	<u>1,795,347</u>	<u>2,923,902</u>
Net position				
Restricted for:				
Pension	107,602,473	246,252,997	-	353,855,470
Other postemployment benefits	-	-	170,405,550	170,405,550
Total net position	<u>\$ 107,602,473</u>	<u>\$ 246,252,997</u>	<u>\$ 170,405,550</u>	<u>\$ 524,261,020</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

For the Year Ended June 30, 2024

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Additions				
Contributions:				
Employer	\$ 4,570,650	\$ 13,917,727	\$ 8,500,650	\$ 26,989,027
Plan members	393,715	2,707,465	305,661	3,406,841
Employee service purchases	-	289,054	-	289,054
Total contributions	<u>4,964,365</u>	<u>16,914,246</u>	<u>8,806,311</u>	<u>30,684,922</u>
Investment earnings:				
Net change in fair value of investments	7,197,725	17,658,210	14,519,985	39,375,920
Interest	48,075	168,856	58,054	274,985
Dividends	3,074,103	5,958,989	4,551,625	13,584,717
Total investment income	<u>10,319,903</u>	<u>23,786,055</u>	<u>19,129,664</u>	<u>53,235,622</u>
Less investment expenses	(591,875)	(1,517,705)	(928,975)	(3,038,555)
Net investment income	<u>9,728,028</u>	<u>22,268,350</u>	<u>18,200,689</u>	<u>50,197,067</u>
Total additions	<u>14,692,393</u>	<u>39,182,596</u>	<u>27,007,000</u>	<u>80,881,989</u>
Deductions				
Benefit payments	11,541,210	27,380,880	13,003,816	51,925,906
Refunds of contributions	93,474	1,522,691	-	1,616,165
Administrative expenses	-	105,675	-	105,675
Total deductions	<u>11,634,684</u>	<u>29,009,246</u>	<u>13,003,816</u>	<u>53,647,746</u>
Change in net position				
Net position, beginning of year	3,057,709	10,173,350	14,003,184	27,234,243
Net position, end of year	<u>104,544,764</u>	<u>236,079,647</u>	<u>156,402,366</u>	<u>497,026,777</u>
	<u>\$ 107,602,473</u>	<u>\$ 246,252,997</u>	<u>\$ 170,405,550</u>	<u>\$ 524,261,020</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2024

	Tax Receiving	District Court	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Net position			
Restricted for individuals, organizations and other governments	\$ -	\$ -	\$ -

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended June 30, 2024

	Tax Receiving	District Court	Total
Additions			
Taxes collected for other governments	\$ 149,902,831	\$ -	\$ 149,902,831
Court fees collected for other governments	<u>-</u>	<u>982,481</u>	<u>982,481</u>
Total additions	<u>149,902,831</u>	<u>982,481</u>	<u>150,885,312</u>
Deductions			
Payments of taxes to other governments	149,902,831	-	149,902,831
Court fees distributed to other governments	<u>-</u>	<u>1,066,483</u>	<u>1,066,483</u>
Total deductions	<u>149,902,831</u>	<u>1,066,483</u>	<u>150,969,314</u>
Change in net position	<u>-</u>	<u>(84,002)</u>	<u>(84,002)</u>
Net position, beginning of year	<u>-</u>	<u>84,002</u>	<u>84,002</u>
Net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Balance Sheet

Component Units
June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total Component Units
Assets					
Cash and cash equivalents	\$ 1,282,119	\$ 2,854,950	\$ 2,239	\$ 762,063	\$ 4,901,371
Receivables:					
Accounts	-	74,829	-	-	74,829
Accrued interest	5,494	12,346	10	3,266	21,116
Prepays and other assets	43,711	-	-	-	43,711
Inventories	295,800	-	-	-	295,800
Total assets	\$ 1,627,124	\$ 2,942,125	\$ 2,249	\$ 765,329	\$ 5,336,827
Liabilities					
Accounts payable	\$ 22,508	\$ 116,922	\$ -	\$ 719,570	\$ 859,000
Cash bonds and deposits	-	53,520	-	-	53,520
Unearned revenue	-	902,512	-	-	902,512
Total liabilities	22,508	1,072,954	-	719,570	1,815,032
Fund balances					
Nonspendable	339,511	-	-	-	339,511
Unassigned	1,265,105	1,869,171	2,249	45,759	3,182,284
Total fund balances	1,604,616	1,869,171	2,249	45,759	3,521,795
Total liabilities and fund balances	\$ 1,627,124	\$ 2,942,125	\$ 2,249	\$ 765,329	\$ 5,336,827

CITY OF STERLING HEIGHTS, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
 to Net Position of Governmental Activities
 Component Units
 June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total Component Units
Fund balances for component units	\$ 1,604,616	\$ 1,869,171	\$ 2,249	\$ 45,759	\$ 3,521,795
Amounts reported for <i>component units</i> in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.					
Capital assets not being depreciated	-	1,218,591	-	-	1,218,591
Capital assets, net of accumulated depreciation	<u>-</u>	<u>5,367,655</u>	<u>-</u>	<u>-</u>	<u>5,367,655</u>
Net position for component units	\$ 1,604,616	\$ 8,455,417	\$ 2,249	\$ 45,759	\$ 10,108,041

CITY OF STERLING HEIGHTS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total Component Units
Revenues					
Taxes	\$ 309,460	\$ 1,701,026	\$ -	\$ 722,069	\$ 2,732,555
Intergovernmental - state sources	-	162,824	-	-	162,824
Investment income	72,276	151,969	903	36,841	261,989
Other revenue	-	296,543	-	-	296,543
Total revenues	381,736	2,312,362	903	758,910	3,453,911
Expenditures					
Current -					
Community and economic development	43,630	1,956,769	36,859	722,070	2,759,328
Change in fund balances	338,106	355,593	(35,956)	36,840	694,583
Fund balances, beginning of year	1,266,510	1,513,578	38,205	8,919	2,827,212
Fund balances, end of year	\$ 1,604,616	\$ 1,869,171	\$ 2,249	\$ 45,759	\$ 3,521,795

CITY OF STERLING HEIGHTS, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Component Units
For the Year Ended June 30, 2024

	Corridor Improvement Authority	Local Development Finance Authority	Economic Development Authority	Brownfield Redevelopment Authority	Total Component Units
Net change in fund balances - component units	\$ 338,106	\$ 355,593	\$ (35,956)	\$ 36,840	\$ 694,583
Amounts reported for <i>component units</i> in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures.					
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.					
Capital assets purchased/constructed	-	525,968	-	-	525,968
Depreciation expense	-	(240,906)	-	-	(240,906)
Loss on disposal of capital assets	-	(33,054)	-	-	(33,054)
Change in net position of component units	<u>\$ 338,106</u>	<u>\$ 607,601</u>	<u>\$ (35,956)</u>	<u>\$ 36,840</u>	<u>\$ 946,591</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Corridor Improvement Authority

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 310,950	\$ 310,950	\$ 309,460	\$ (1,490)
Investment income	<u>10,000</u>	<u>10,000</u>	<u>72,276</u>	<u>62,276</u>
Total revenues	320,950	320,950	381,736	60,786
Expenditures				
Current -				
Community and economic development	<u>40,000</u>	<u>97,740</u>	<u>43,630</u>	<u>(54,110)</u>
Net change in fund balance	280,950	223,210	338,106	114,896
Fund balance, beginning of year	<u>1,266,510</u>	<u>1,266,510</u>	<u>1,266,510</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,547,460</u>	<u>\$ 1,489,720</u>	<u>\$ 1,604,616</u>	<u>\$ 114,896</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Development Finance Authority

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,659,600	\$ 1,701,030	\$ 1,701,026	\$ (4)
Investment income	20,000	130,000	151,969	21,969
Intergovernmental - state sources	-	600,000	162,824	(437,176)
Intergovernmental - local sources	120,000	120,000	-	(120,000)
Other revenue	195,000	300,000	296,543	(3,457)
Total revenues	1,994,600	2,851,030	2,312,362	(538,668)
Expenditures				
Current -				
Community and economic development	2,005,650	3,276,210	1,956,769	(1,319,441)
Net change in fund balance	(11,050)	(425,180)	355,593	780,773
Fund balance, beginning of year	1,513,578	1,513,578	1,513,578	-
Fund balance, end of year	\$ 1,502,528	\$ 1,088,398	\$ 1,869,171	\$ 780,773

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Economic Development Authority

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment income	\$ -	\$ -	\$ 903	\$ 903
Expenditures				
Current -				
Community and economic development	<u>36,860</u>	<u>36,860</u>	<u>36,859</u>	<u>(1)</u>
Net change in fund balance	(36,860)	(36,860)	(35,956)	904
Fund balance, beginning of year	<u>38,205</u>	<u>38,205</u>	<u>38,205</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,345</u>	<u>\$ 1,345</u>	<u>\$ 2,249</u>	<u>\$ 904</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Brownfield Redevelopment Authority

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 719,390	\$ 722,070	\$ 722,069	\$ (1)
Investment income	-	35,000	36,841	1,841
Total revenues	719,390	757,070	758,910	1,840
Expenditures				
Current -				
Community and economic development	719,390	722,070	722,070	-
Net change in fund balance	-	35,000	36,840	1,840
Fund balance, beginning of year	8,919	8,919	8,919	-
Fund balance, end of year	\$ 8,919	\$ 43,919	\$ 45,759	\$ 1,840

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STATISTICAL SECTION

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CITY OF STERLING HEIGHTS, MICHIGAN

Statistical Section Table of Contents

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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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.	154
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	164
Debt Capacity These schedules contain trend 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.	170
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 and to help make comparisons over time and with other governments.	180
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.	183

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.

CITY OF STERLING HEIGHTS, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2015	2016	2017	2018 (1)
Governmental Activities				
Net investment in capital assets	\$ 166,305,991	\$ 172,609,179	\$ 141,192,833	\$ 193,873,282
Restricted	9,687,600	8,325,564	52,219,283	10,222,676
Unrestricted (deficit)	<u>(107,150,997)</u>	<u>(110,411,191)</u>	<u>(114,623,816)</u>	<u>(203,205,414)</u>
Total governmental activities net position	<u><u>\$ 68,842,594</u></u>	<u><u>\$ 70,523,552</u></u>	<u><u>\$ 78,788,300</u></u>	<u><u>\$ 890,544</u></u>
Business Type Activities				
Net investment in capital assets	\$ 118,109,220	\$ 119,117,466	\$ 109,551,411	\$ 113,751,804
Restricted	10,521,601	1,307,099	10,193,185	3,008,771
Unrestricted	<u>9,948,067</u>	<u>14,617,172</u>	<u>12,974,017</u>	<u>7,879,223</u>
Total business-type activities net position	<u><u>\$ 138,578,888</u></u>	<u><u>\$ 135,041,737</u></u>	<u><u>\$ 132,718,613</u></u>	<u><u>\$ 124,639,798</u></u>
Primary government				
Net investment in capital assets	\$ 284,415,211	\$ 291,726,645	\$ 250,744,244	\$ 307,625,086
Restricted	20,209,201	9,632,663	62,412,468	13,231,447
Unrestricted (deficit)	<u>(97,202,930)</u>	<u>(95,794,019)</u>	<u>(101,649,799)</u>	<u>(195,326,191)</u>
Total primary government	<u><u>\$ 207,421,482</u></u>	<u><u>\$ 205,565,289</u></u>	<u><u>\$ 211,506,913</u></u>	<u><u>\$ 125,530,342</u></u>

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

UNAUDITED

Fiscal Year Ended June 30,					
2019	2020	2021	2022	2023	2024
\$ 207,285,272	\$ 233,489,857	\$ 247,550,798	\$ 252,451,250	\$ 264,033,525	\$ 278,232,574
17,743,175	11,579,485	12,414,891	17,539,690	14,209,089	28,484,366
(200,071,465)	(209,465,303)	(194,211,633)	(200,311,062)	(181,568,791)	(171,577,093)
<u>\$ 24,956,982</u>	<u>\$ 35,604,039</u>	<u>\$ 65,754,056</u>	<u>\$ 69,679,878</u>	<u>\$ 96,673,823</u>	<u>\$ 135,139,847</u>
\$ 113,701,480	\$ 111,234,487	\$ 100,816,622	\$ 106,623,230	\$ 112,111,579	\$ 117,064,499
2,459,517	3,816,286	16,102,118	9,184,883	13,156,905	12,413,205
6,537,347	4,555,149	7,761,073	6,045,931	6,422,104	4,131,491
<u>\$ 122,698,344</u>	<u>\$ 119,605,922</u>	<u>\$ 124,679,813</u>	<u>\$ 121,854,044</u>	<u>\$ 131,690,588</u>	<u>\$ 133,609,195</u>
\$ 320,986,752	\$ 344,724,344	\$ 348,367,420	\$ 359,074,480	\$ 376,145,104	\$ 395,297,073
20,202,692	15,395,771	28,517,009	26,724,573	27,365,994	40,897,571
(193,534,118)	(204,910,154)	(186,450,560)	(194,265,131)	(175,146,687)	(167,445,602)
<u>\$ 147,655,326</u>	<u>\$ 155,209,961</u>	<u>\$ 190,433,869</u>	<u>\$ 191,533,922</u>	<u>\$ 228,364,411</u>	<u>\$ 268,749,042</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2015	2016	2017	2018
Expenses				
Governmental activities:				
General government	\$ 6,200,880	\$ 7,351,777	\$ 8,060,141	\$ 7,267,842
District Court	3,351,422	3,877,503	4,126,604	3,728,890
Public safety	61,063,426	55,117,055	55,632,517	54,397,264
Public works	24,385,159	28,014,220	26,282,093	29,961,490
Recreation and culture	4,892,593	5,735,889	6,624,266	6,343,690
Interest on long-term liabilities	603,500	514,247	675,198	2,496,423
Total governmental activities expenses	<u>100,496,980</u>	<u>100,610,691</u>	<u>101,400,819</u>	<u>104,195,599</u>
Business-type activities - Water and sewer	<u>44,886,232</u>	<u>49,351,047</u>	<u>52,082,635</u>	<u>55,599,159</u>
Total primary government expenses	<u>145,383,212</u>	<u>149,961,738</u>	<u>153,483,454</u>	<u>159,794,758</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	3,760,720	3,227,800	3,441,658	2,378,747
41A District Court	2,368,667	2,692,034	2,604,583	2,908,337
Public safety	1,562,339	1,633,571	1,656,530	2,679,269
Public works	2,936,122	3,189,189	3,596,813	3,443,958
Recreation and culture	760,007	733,620	752,883	574,725
Total charges for services	<u>11,387,855</u>	<u>11,476,214</u>	<u>12,052,467</u>	<u>11,985,036</u>
Operating grants and contributions	3,566,906	4,048,708	6,618,802	9,931,126
Capital grants and contributions	8,129,304	8,553,786	16,135,905	14,316,813
Total governmental activities program revenue	<u>23,084,065</u>	<u>24,078,708</u>	<u>34,807,174</u>	<u>36,232,975</u>
Business-type activities:				
Charges for services	36,020,248	40,026,642	45,917,303	50,589,347
Operating grants and contributions	602,738	96,712	-	559,609
Capital grants and contributions	1,954,700	5,014,380	3,906,683	3,100,357
Total business-type activities program revenue	<u>38,577,686</u>	<u>45,137,734</u>	<u>49,823,986</u>	<u>54,249,313</u>
Total primary government program revenues	<u>61,661,751</u>	<u>69,216,442</u>	<u>84,631,160</u>	<u>90,482,288</u>
General revenues:				
Governmental activities:				
Property taxes	62,231,352	64,036,721	60,946,929	66,282,454
State-shared revenues	10,785,806	10,694,421	11,259,947	11,784,623
Investment earnings	630,068	886,403	71,918	1,454,230
Cable franchise fees	-	-	-	2,414,752
Other revenue	2,533,069	2,595,396	2,579,599	1,883,080
Total governmental activities	<u>76,180,295</u>	<u>78,212,941</u>	<u>74,858,393</u>	<u>83,819,139</u>
Business-type activities:				
Investment earnings	635,502	676,162	(64,475)	35,247
Gain on sale of capital assets	-	-	-	-
Total business-type activities	<u>635,502</u>	<u>676,162</u>	<u>(64,475)</u>	<u>35,247</u>
Total primary government general revenue	<u>76,815,797</u>	<u>78,889,103</u>	<u>74,793,918</u>	<u>83,854,386</u>
Change in net position				
Governmental activities	(1,232,620)	1,680,958	8,264,748	15,856,515
Business-type activities	(5,673,044)	(3,537,151)	(2,323,124)	(1,314,599)
Total primary government	<u>\$ (6,905,664)</u>	<u>\$ (1,856,193)</u>	<u>\$ 5,941,624</u>	<u>\$ 14,541,916</u>

UNAUDITED

Fiscal Year Ended June 30,						
2019	2020	2021	2022	2023	2024	
\$ 14,396,969	\$ 16,349,557	\$ 14,487,942	\$ 16,824,449	\$ 17,901,375	\$ 9,880,105	
3,762,089	4,103,248	3,351,572	4,780,581	4,332,387	4,632,788	
58,518,653	65,604,864	56,874,610	72,686,196	70,551,104	69,089,402	
21,642,326	21,430,495	20,805,200	26,530,983	24,441,506	31,434,521	
7,411,196	8,860,964	9,603,947	11,704,479	11,876,111	13,375,798	
3,628,285	3,540,056	3,305,989	3,283,639	3,519,661	3,157,646	
109,359,518	119,889,184	108,429,260	135,810,327	132,622,144	131,570,260	
54,411,558	56,529,468	54,962,880	58,964,138	58,799,172	59,445,422	
163,771,076	176,418,652	163,392,140	194,774,465	191,421,316	191,015,682	
2,538,972	2,516,764	2,785,584	3,031,456	3,249,159	5,864,894	
3,079,738	1,890,130	1,452,870	1,940,087	2,797,889	2,531,270	
4,730,272	4,580,155	4,052,332	4,642,445	8,322,955	6,270,468	
3,359,102	3,260,383	3,046,608	3,444,596	2,841,568	9,260,797	
862,525	628,802	611,981	1,026,152	1,238,028	1,352,644	
14,570,609	12,876,234	11,949,375	14,084,736	18,449,599	25,280,073	
11,315,298	10,376,070	16,793,437	12,138,713	15,877,906	26,224,329	
14,537,254	15,244,980	15,668,776	17,341,628	20,576,994	4,272,552	
40,423,161	38,497,284	44,411,588	43,565,077	54,904,499	55,776,954	
49,231,779	50,351,649	58,984,621	54,238,528	57,508,595	56,129,351	
565,149	875,241	-	-	-	-	
1,986,596	1,871,557	994,297	1,954,602	10,567,931	3,716,754	
51,783,524	53,098,447	59,978,918	56,193,130	68,076,526	59,846,105	
92,206,685	91,595,731	104,390,506	99,758,207	122,981,025	115,623,059	
72,772,592	72,130,241	74,319,939	78,406,913	81,474,109	87,715,017	
12,162,566	12,677,603	14,499,046	16,288,653	16,490,679	15,685,869	
3,176,376	2,220,455	762,914	(2,626,093)	1,851,094	6,355,569	
2,329,624	2,227,827	2,218,739	2,114,490	1,982,585	1,763,682	
2,561,637	2,782,831	2,367,051	1,987,109	2,913,123	2,739,193	
93,002,795	92,038,957	94,167,689	96,171,072	104,711,590	114,259,330	
686,580	338,599	57,853	(54,761)	559,190	1,425,139	
-	-	-	-	-	92,785	
686,580	338,599	57,853	(54,761)	559,190	1,517,924	
93,689,375	92,377,556	94,225,542	96,116,311	105,270,780	115,777,254	
24,066,438	10,647,057	30,150,017	3,925,822	26,993,945	38,466,024	
(1,941,454)	(3,092,422)	5,073,891	(2,825,769)	9,836,544	1,918,607	
\$ 22,124,984	\$ 7,554,635	\$ 35,223,908	\$ 1,100,053	\$ 36,830,489	\$ 40,384,631	

CITY OF STERLING HEIGHTS, MICHIGAN

■ Fund Balances – Governmental Funds

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2015	2016	2017	2018
General Fund				
Nonspendable	\$ 580,872	\$ 735,358	\$ 829,129	\$ 563,361
Assigned	4,457,140	5,095,500	5,076,900	-
Unassigned	<u>2,501,722</u>	<u>5,564,011</u>	<u>11,360,580</u>	<u>24,150,393</u>
Total general fund	<u>7,539,734</u>	<u>11,394,869</u>	<u>17,266,609</u>	<u>24,713,754</u>
All other governmental funds				
Nonspendable	222,835	2,009,754	610,377	695,486
Restricted	5,391,767	10,514,620	54,501,560	62,149,539
Committed	85,588	623,435	374,420	190,436
Assigned	<u>1,630,427</u>	<u>1,732,331</u>	<u>1,499,058</u>	<u>3,852,870</u>
Total all other governmental funds	<u>7,330,617</u>	<u>14,880,140</u>	<u>56,985,415</u>	<u>66,888,331</u>
Total governmental funds	<u><u>\$ 14,870,351</u></u>	<u><u>\$ 26,275,009</u></u>	<u><u>\$ 74,252,024</u></u>	<u><u>\$ 91,602,085</u></u>

UNAUDITED

Fiscal Year Ended June 30,					
2019	2020	2021	2022	2023	2024
\$ 565,524	\$ 664,405	\$ 946,960	\$ 1,061,097	\$ 1,120,070	\$ 1,060,629
<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>39,756,411</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>	<u>40,817,040</u>
3,499,383	5,640,822	5,755,462	7,702,210	6,844,462	5,381,289
40,105,715	29,549,254	27,451,676	33,377,957	28,607,525	20,977,982
161,907	159,899	31,283	31,283	32,461	35,325
<u>9,738,175</u>	<u>5,356,141</u>	<u>5,798,047</u>	<u>6,069,478</u>	<u>9,053,219</u>	<u>15,140,006</u>
<u>53,505,180</u>	<u>40,706,116</u>	<u>39,036,468</u>	<u>47,180,928</u>	<u>44,537,667</u>	<u>41,534,602</u>
<u>\$ 80,389,093</u>	<u>\$ 70,620,544</u>	<u>\$ 71,285,641</u>	<u>\$ 80,055,234</u>	<u>\$ 80,001,141</u>	<u>\$ 82,351,642</u>

CITY OF STERLING HEIGHTS, MICHIGAN

Changes in Fund Balances – Governmental Funds

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2015	2016	2017	2018
Revenues				
Taxes	\$ 62,231,352	\$ 64,036,721	\$ 60,946,929	\$ 66,282,454
Special assessments	212,828	201,579	199,092	222,250
Federal sources	1,456,596	1,990,255	6,300,698	4,122,227
State and local sources	21,054,148	21,279,925	27,584,764	31,365,436
Charges for services	10,085,731	9,719,467	9,842,019	12,373,661
Fines and forfeitures	2,567,229	3,057,417	2,944,500	2,384,499
Licenses and permits (excluding cable)	1,800,968	2,149,069	2,568,909	2,648,068
Investment income (loss)	247,437	426,998	112,450	1,120,683
Rental income	1,829,381	1,578,977	1,488,753	1,630,951
Cable revenue	2,533,069	2,595,396	2,579,599	2,414,752
Other	1,414,282	1,960,041	1,568,519	1,866,109
Total revenues	105,433,021	108,995,845	116,136,232	126,431,090
Expenditures				
Current:				
General government	7,803,567	8,154,052	8,300,238	9,118,455
41A District Court	3,087,262	3,223,740	3,242,874	3,309,841
Public safety	49,752,772	49,704,157	48,646,567	50,311,362
Public works	21,450,688	20,929,934	20,869,103	23,165,358
General expenditures	1,119,452	1,027,555	1,164,656	1,845,158
Recreation and culture	4,189,468	4,393,760	7,664,887	4,805,997
Debt service principal	2,620,000	1,725,000	2,280,000	4,100,000
Debt service interest	628,563	545,331	700,971	2,025,489
Capital outlay	14,388,416	19,122,277	22,513,996	39,333,835
Total expenditures	105,040,188	108,825,806	115,383,292	138,015,495
Revenues over (under) expenditures	392,833	170,039	752,940	(11,584,405)
Other financing sources (uses)				
Issuance of bond, notes and other long-term liabilities	198,633	9,630,000	47,315,000	27,590,000
Premium or discount on debt issuance	-	254,555	2,902,577	1,302,812
Proceeds on sale of capital assets	-	-	80,363	41,655
Transfers in	13,594,435	10,797,379	10,180,735	10,588,025
Transfers out	(10,494,435)	(9,447,315)	(10,180,735)	(10,588,025)
Total other financing sources (uses)	3,298,633	11,234,619	50,297,940	28,934,467
Net change in fund balances	\$ 3,691,466	\$ 11,404,658	\$ 51,050,880	\$ 17,350,062
Debt service as a percentage of noncapital expenditures	3.58%	2.53%	3.21%	6.23%

UNAUDITED

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Fiscal Year Ended June 30,						
2019	2020	2021	2022	2023	2024	
\$ 72,759,327	\$ 72,179,599	\$ 74,402,654	\$ 78,406,913	\$ 81,474,109	\$ 87,715,017	
263,804	126,507	119,427	151,788	148,520	162,491	
2,356,723	2,713,283	8,277,635	4,452,146	7,773,120	7,145,668	
34,699,398	36,310,073	37,924,816	40,764,798	44,377,240	46,131,483	
14,938,523	14,298,086	13,657,617	14,569,479	15,939,463	17,284,624	
2,517,198	1,540,704	1,079,803	1,678,277	2,469,429	2,087,493	
2,629,072	2,562,476	2,344,498	2,572,200	2,443,600	1,950,238	
3,382,059	2,045,963	671,876	(2,582,927)	1,764,819	6,192,201	
1,552,811	1,498,761	1,640,887	1,746,415	1,565,433	1,545,160	
2,329,624	2,227,827	2,218,739	2,114,490	1,982,585	1,763,682	
2,510,236	2,792,592	2,426,826	1,871,711	3,525,346	2,739,193	
<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>	<u>174,717,250</u>	
11,087,713	12,485,728	12,753,975	14,177,083	16,224,085	16,181,309	
3,480,346	3,646,569	3,569,512	3,959,102	4,042,861	4,424,549	
54,426,486	55,657,071	59,704,317	62,044,521	64,490,069	68,032,197	
21,359,651	20,507,719	21,707,991	22,276,474	22,372,141	25,127,599	
1,589,904	2,369,508	2,922,963	3,411,578	2,700,717	2,723,566	
6,159,499	7,039,735	7,153,046	7,782,054	8,784,166	9,862,891	
5,340,000	6,462,520	5,535,000	6,803,000	7,464,000	7,045,000	
3,109,779	3,574,278	3,638,619	3,760,843	4,162,943	3,967,983	
44,685,871	62,799,049	45,291,490	30,724,425	33,399,832	35,110,256	
<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>	<u>172,475,350</u>	
(11,300,474)	(36,246,306)	(17,512,135)	(9,193,790)	(177,150)	2,241,900	
-	24,919,316	18,973,000	16,850,000	-	-	
-	-	702,899	1,036,153	-	-	
87,482	17,875	41,899	77,230	123,057	108,601	
23,133,990	17,627,275	19,940,070	17,012,684	22,252,546	22,109,960	
(23,133,990)	(17,627,275)	(19,940,070)	(17,012,684)	(22,252,546)	(22,109,960)	
<u>87,482</u>	<u>24,937,191</u>	<u>19,717,798</u>	<u>17,963,383</u>	<u>123,057</u>	<u>108,601</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>	<u>\$ 2,350,501</u>	

7.99% 8.98% 7.79% 8.50% 9.07% 8.01%

CITY OF STERLING HEIGHTS, MICHIGAN

General Government Tax Revenue by Source

Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Fund Property Taxes					Total
	Operating	Refuse (1)	Police and Fire Retirement System	Safe Streets		
2015	\$ 38,380,857	\$ 4,615,657	\$ 7,905,424	\$ 6,969,239	\$ 57,871,177	
2016	40,154,336	4,786,968	7,992,154	7,121,201	60,054,659	
2017	38,159,793	4,418,198	7,914,369	6,786,371	57,278,731	
2018	39,003,553	4,425,923	8,251,737	6,916,401	58,597,614	
2019	44,404,945	4,407,310	9,011,570	7,102,036	64,925,861	
2020	42,343,466	4,454,516	9,780,505	7,400,807	63,979,294	
2021	42,719,547	4,416,896	11,220,782	7,580,766	65,937,991	
2022	44,817,855	4,654,346	12,866,281	7,748,836	70,087,318	
2023	47,287,467	4,705,616	12,556,551	8,071,382	72,621,016	
2024 (2)	50,549,495	-	12,847,034	8,608,416	72,004,945	

Source: City Treasurer's Office

(1) During the fiscal year ended June 30, 2024 refuse taxes were recognized in the Refuse/Recycling special revenue fund.

(2) Tax revenue excludes adjustment for Michigan personal tax exemption for eligible manufacturing personal property.

2018-19 BUDGET										
GENERAL FUND BUDGET										
PROPERTY TAXES										
2018-19 BUDGET										
GENERAL FUND BUDGET										

Local Roads Property Taxes	Parks and Recreation Property Taxes	Refuse /Recycling Property Taxes	Debt Service Funds Property Taxes						Total All Property Taxes
			Safe Streets	Recreating Recreation	Refuse	General Drain	Voted Tax General Obligation	Total	
\$ 3,271,161	\$ -	\$ -	\$ 658,448	\$ 430,566	\$ 1,089,014	\$ 62,231,352			
3,344,947	-	-	164,288	472,828	637,116	64,036,722			
3,201,818	-	-	2,297	464,084	466,381	60,946,930			
3,258,923	3,965,701	-	1,052	459,166	460,218	66,282,456			
3,330,120	4,032,610	-	688	413,759	414,447	72,703,038			
3,479,548	4,228,073	-	628	492,057	492,685	72,179,600			
3,564,606	4,331,004	-	607	506,343	506,950	74,340,551			
3,631,075	4,402,377	-	615	549,205	549,820	78,670,590			
3,795,529	4,600,110	-	619	551,550	552,169	81,568,824			
4,055,322	4,917,738	6,161,022	601	1,488	2,089	87,141,116			

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CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Property Tax Levies and Collections

Last Ten Fiscal Years

Tax Year	Year Ended June 30,	Total Levy (1)	Current Collections	Percent Collected	Delinquent Collections (2)	Total Tax Collections	Percent of Levy Collected
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	99.27%
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%	1,130,940	82,321,218	99.54%
2023	2024	87,988,683	86,220,931	97.99%	1,519,001	87,739,932	99.72%
2024	2025	95,140,418	(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

■ Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year (Tax Year)	City Direct Rates								Total
	Operating (1)	Refuse	Police and Fire Retirement System	Drain Debt Service	Public Improvement Debt Service	Safe Streets	Recreating Recreation		
2015 (2014)									
Homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	
Non-homestead	9.3701	1.1267	1.9238	0.1605	0.1047	2.5000	0.0000	15.1858	
2016 (2015)									
Homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	
Non-homestead	9.4909	1.1424	1.9026	0.0377	0.1122	2.5000	0.0000	15.1858	
2017 (2016)									
Homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	
Non-homestead	9.4856	1.1062	1.9788	0.0000	0.1152	2.5000	0.0000	15.1858	
2018 (2017)									
Homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	
Non-homestead	9.4940	1.0827	2.0124	0.0000	0.1114	2.4853	0.9700	16.1558	
2019 (2018)									
Homestead	10.4940	1.0420	2.1279	0.0000	0.0971	2.4678	0.9516	17.1804	
Non-homestead	10.4940	1.0420	2.1279	0.0000	0.0971	2.4678	0.9516	17.1804	
2020 (2019)									
Homestead	9.4940	1.0038	2.1984	0.0000	0.1096	2.4505	0.9506	16.2069	
Non-homestead	9.4940	1.0038	2.1984	0.0000	0.1096	2.4505	0.9506	16.2069	
2021 (2020)									
Homestead	9.3106	0.9639	2.4441	0.0000	0.1097	2.4343	0.9443	16.2069	
Non-homestead	9.3106	0.9639	2.4441	0.0000	0.1097	2.4343	0.9443	16.2069	
2022 (2021)									
Homestead	9.4940	0.9877	2.7240	0.0000	0.1150	2.4157	0.9378	16.6742	
Non-homestead	9.4940	0.9877	2.7240	0.0000	0.1150	2.4157	0.9378	16.6742	
2023 (2022)									
Homestead	9.4940	0.9468	2.5189	0.0000	0.1096	2.3850	0.9257	16.3800	
Non-homestead	9.4940	0.9468	2.5189	0.0000	0.1096	2.3850	0.9257	16.3800	
2024 (2023)									
Homestead	9.4940	1.1632	2.4109	0.0000	0.0000	2.3859	0.9260	16.3800	
Non-homestead	9.4940	1.1632	2.4109	0.0000	0.0000	2.3859	0.9260	16.3800	

(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.

Overlapping Rates								
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	
2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	0.0000	
2.9430	1.5262	0.2146	1.0000	0.1000	0.0400	0.2000	0.0000	
2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	0.0000	
2.9430	1.5302	0.2146	1.0000	0.1000	0.0400	0.2000	0.0000	
2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	0.0000	
2.9355	1.4212	0.2146	0.9974	0.0997	0.0398	0.1994	0.0000	
2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	0.0000	
2.9146	1.4034	0.2140	0.9903	0.0989	0.0682	0.1979	0.0000	
2.8945	1.4640	0.2129	1.0000	0.0985	0.0676	0.1965	0.0000	
2.8945	1.4640	0.2129	1.0000	0.0985	0.0676	0.1965	0.0000	
2.8744	1.4531	0.2117	0.9926	0.0977	0.0674	0.1950	0.0000	
2.8744	1.4531	0.2117	0.9926	0.0977	0.0674	0.1950	0.0000	
4.7296	1.4387	0.2104	0.9827	0.0967	0.0667	0.1930	0.0990	
4.7296	1.4387	0.2104	0.9827	0.0967	0.0667	0.1930	0.0990	
4.6845	1.4247	0.2089	0.9731	0.0957	0.0660	0.1911	0.0000	
4.6845	1.4247	0.2089	0.9731	0.0957	0.0660	0.1911	0.0000	
4.6300	1.4077	0.2070	0.9500	0.0945	0.0652	0.1956	0.0000	
4.6300	1.4077	0.2070	0.9500	0.0945	0.0652	0.1956	0.0000	
4.7100	1.4077	0.2070	0.9500	0.0945	0.0690	0.1956	0.0000	
4.7100	1.4077	0.2070	0.9500	0.0945	0.0690	0.1956	0.0000	

continued...

CITY OF STERLING HEIGHTS, MICHIGAN

■ Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year (Tax Year)	Overlapping Rates									
	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	Debt	
2015 (2014)										
Homestead	4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	7.1603	3.6000	
Non-homestead	4.5685	0.0050	6.0000	17.9316	3.8500	6.0000	18.0000	0.0000	3.6000	
2016 (2015)										
Homestead	4.5685	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7766	3.9200	
Non-homestead	4.5685	0.0050	6.0000	17.9082	3.8500	6.0000	18.0000	0.0000	3.9200	
2017 (2016)										
Homestead	4.5566	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.7914	4.8700	
Non-homestead	4.5566	0.0050	6.0000	17.6968	3.8500	6.0000	17.8182	0.0000	4.8700	
2018 (2017)										
Homestead	4.5242	0.0050	6.0000	0.0000	3.8500	6.0000	0.0000	6.5091	4.8700	
Non-homestead	4.5242	0.0050	6.0000	17.5676	3.8500	6.0000	17.7487	0.0000	4.8700	
2019 (2018)										
Homestead	4.4925	0.0050	6.0000	0.0000	3.7600	6.0000	0.0000	6.1678	4.7800	
Non-homestead	4.4925	0.0050	6.0000	17.3128	3.7600	6.0000	18.0000	0.0000	4.7800	
2020 (2019)										
Homestead	4.4592	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.7931	4.7800	
Non-homestead	4.4592	0.0000	6.0000	17.1621	3.5000	6.0000	17.9463	5.7931	4.7800	
2021 (2020)										
Homestead	4.4150	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.3583	4.7800	
Non-homestead	4.4150	0.0000	6.0000	16.9183	3.5000	6.0000	17.9463	0.0000	4.7800	
2022 (2021)										
Homestead	4.3721	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	5.0652	4.7800	
Non-homestead	4.3721	0.0000	6.0000	16.9183	3.5000	6.0000	17.8296	0.0000	4.7800	
2023 (2022)										
Homestead	4.3200	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	2.6824	4.7800	
Non-homestead	4.3200	0.0000	6.0000	16.7508	3.5000	6.0000	17.6120	2.6824	4.7800	
2024 (2023)										
Homestead	4.3200	0.0000	6.0000	0.0000	3.5000	6.0000	0.0000	3.4464	4.7800	
Non-homestead	4.3200	0.0000	6.0000	18.0000	3.5000	6.0000	17.6120	0.0000	4.7800	

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**Total Direct and Overlapping
Rates by Resident's School
District**

Utica Community	Warren Consolidated
--------------------	------------------------

35.6331 42.5434
53.5647 53.3831

35.6371 42.4837
53.5453 53.7071

35.5050 43.3164
53.2018 54.3432

36.4223 43.9514
53.9899 55.1910

37.3719 44.5597
54.6847 56.3919

36.0580 43.1311
53.2201 55.2843

37.9387 44.5770
54.8570 57.1650

38.1903 44.5355
55.1086 57.2999

37.7500 41.7124
54.5008 59.3244

37.8338 42.5602
55.8338 56.7258

concluded.

CITY OF STERLING HEIGHTS, MICHIGAN

Assessed Taxable Values

Last Ten Fiscal Years

	2015	2016	2017	2018
State Equalized Value				
SEV equivalent	\$ 4,421,529,781	\$ 4,796,034,350	\$ 4,949,191,377	\$ 5,200,275,450
IFT exemption	149,204,525	123,790,350	64,411,150	61,439,675
Total State Equalized Value	\$ 4,570,734,306	\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125
Taxable Value (by class)				
Real property	\$ 3,564,635,642	\$ 3,665,393,466	\$ 3,737,558,043	\$ 3,855,214,582
Personal property	714,092,150	670,143,500	366,173,450	327,166,100
Total Taxable Value (by class)	\$ 4,278,727,792	\$ 4,335,536,966	\$ 4,103,731,493	\$ 4,182,380,682
Taxable Value (by type)				
Residential	\$ 2,640,642,487	\$ 2,717,724,673	\$ 2,777,714,820	\$ 2,863,163,811
Commercial	558,328,319	574,872,887	594,885,971	612,549,438
Industrial	296,637,552	305,821,724	314,006,932	317,662,123
Personal property	488,607,400	494,865,700	289,981,650	270,324,150
IFT real and personal property	294,512,034	242,251,982	127,142,120	118,681,160
Total	4,278,727,792	4,335,536,966	4,103,731,493	4,182,380,682
Less exempt property	(147,256,017)	(121,125,991)	(63,571,060)	(59,340,580)
Total Taxable Value (by type)	\$ 4,131,471,775	\$ 4,214,410,975	\$ 4,040,160,433	\$ 4,123,040,102
Total direct tax rate (1)	\$ 15.1858	\$ 15.1858	\$ 15.1858	\$ 16.1558
Total taxable value as a percentage of SEV equivalent	90.39%	85.66%	80.58%	77.49%
Total taxable value as a percentage of total value	96.56%	97.21%	98.45%	98.84%

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

Source: City of Sterling Heights, Assessor's Office

UNAUDITED

2019	2020	2021	2022	2023	2024
\$ 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	\$ 7,310,585,590 64,550,550
<u>\$ 5,461,624,715</u>	<u>\$ 5,851,809,075</u>	<u>\$ 6,211,667,616</u>	<u>\$ 6,490,425,650</u>	<u>\$ 6,760,163,400</u>	<u>\$ 7,375,136,140</u>
\$ 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	\$ 5,185,909,481 243,973,490
<u>\$ 4,322,383,000</u>	<u>\$ 4,549,791,489</u>	<u>\$ 4,709,579,045</u>	<u>\$ 4,882,886,911</u>	<u>\$ 5,106,063,111</u>	<u>\$ 5,429,882,971</u>
\$ 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	\$ 3,831,414,153 787,430,304 450,444,941 243,973,490 116,620,083
4,322,383,000 (49,994,857)	4,549,791,489 (49,921,736)	4,709,579,045 (48,684,179)	4,882,886,911 (58,199,332)	5,106,063,111 (57,368,781)	5,429,882,971 (58,310,042)
<u>\$ 4,272,388,143</u>	<u>\$ 4,499,869,753</u>	<u>\$ 4,660,894,866</u>	<u>\$ 4,824,687,579</u>	<u>\$ 5,048,694,330</u>	<u>\$ 5,371,572,929</u>
\$ 17.1804	\$ 16.2069	\$ 16.2069	\$ 16.6742	\$ 16.3800	\$ 16.3800
78.23%	76.90%	75.03%	74.34%	74.68%	72.83%
98.84%	98.90%	98.97%	98.81%	98.88%	98.93%

CITY OF STERLING HEIGHTS, MICHIGAN

Principal Property Taxpayers (Major Taxpayers)

Current Year and Ten Years Ago

Company Name	Product/Service	Year Ended June 30, 2024			Percent of Total City Taxable Value
		Taxable Value	Rank		
DTE Energy	Public electric utility	\$ 60,811,218	1		1.13%
Stellantis(FCA US LLC/ Chrysler Group LLC)	Automotive assembly and stamping	55,381,040	2		1.03%
Consumer Energy	Public utility for gas	49,150,898	3		0.92%
Ford Motor Company	Automotive manufacturing and drive shafts	29,704,044	4		0.55%
International Transmission	Automotive	17,860,786	5		0.33%
Comcast Cable	Cable communications	17,590,961	6		0.33%
Liberty Park Commerce Center, LLC	Industrial facilities	17,259,045	7		0.32%
Chalk Spade Investments (USA)	Investments	15,223,446	8		0.28%
General Dynamics	Defense-related	14,136,393	9		0.26%
BAE Systems	Defense Technology	13,687,741	10		0.25%
Detroit Media PArtnership	Printing plant - Newspapers				
Lakeside Associates	Retail shopping center				
NJT Enterprises	Retail Shopping center				
		290,805,572			5.41%
	Other taxpayers	5,080,767,357			
	Total taxable value	\$ 5,371,572,929			

Source: City of Sterling Heights, Assessor's Office

UNAUDITED

Year Ended June 30, 2015			
Taxable Value	Rank	Percent of Total City Taxable Value	
\$ 36,651,629	3	0.68%	
195,484,696	1	3.64%	
14,001,242	8	0.26%	
155,857,079	2	2.90%	
16,501,429	7	0.31%	
26,113,625	4	0.49%	
10,136,975	10	0.19%	
25,985,129	5	0.48%	
22,563,877	6	0.42%	
<u>13,703,200</u>	<u>9</u>	<u>0.26%</u>	
<u>516,998,881</u>		<u><u>9.62%</u></u>	
<u><u>3,614,472,894</u></u>			
<u><u>\$ 4,131,471,775</u></u>			

CITY OF STERLING HEIGHTS, MICHIGAN

■ Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

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	County Issued Bonds	
2015	\$ 5,253,950	\$ 150,000	\$ (18,201)	\$ -	\$ 33,071,724	
2016	4,667,114	-	(28,263)	-	35,885,137	
2017	46,135,000	-	(63,338)	-	50,299,962	
2018	63,190,000	-	(92,722)	-	48,741,669	
2019	60,335,000	-	(57,046)	-	46,797,853	
2020	84,852,623	-	(31,437)	-	51,344,551	
2021	96,347,571	-	(4,968)	15,371,660	65,167,696	
2022	76,866,655	-	(11,118)	27,638,357	61,906,037	
2023	72,517,518	-	(25,458)	26,513,260	57,247,478	
2024	68,517,431	-	-	25,420,319	57,363,691	

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.

(2) United States Census Bureau - 2010/2020 Census and 2010 American Community Survey One Year Estimates

UNAUDITED

2018					
Total Primary Government		Percentage of Estimated Total Taxable Value of Property (1)	Population (2)	Per Capita	
\$	38,457,473	0.9356%	129,699	\$	296.51
	40,523,988	0.9653%	129,699		312.45
	96,371,624	0.2388%	129,699		743.04
	111,838,947	0.2621%	129,699		862.30
	107,075,807	0.2506%	129,699		825.57
	136,165,737	0.3026%	129,699		1,049.86
	161,240,299	0.3459%	132,438		1,217.48
	166,399,931	0.3449%	134,346		1,238.59
	156,252,798	0.3095%	134,346		1,163.06
	151,301,441	0.2817%	134,346		1,126.21

CITY OF STERLING HEIGHTS, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities					Business-type Activities
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	County-issued Bonds	General Obligation Bonds	
2015	\$ 5,253,950	\$ 7,465,086	\$ 2,550,000	\$ 150,000	\$ -	-
2016	4,667,114	16,480,393	2,400,000	-	-	-
2017	46,135,000	16,595,000	2,250,000	-	-	-
2018	63,190,000	23,180,000	2,100,000	-	-	-
2019	60,335,000	20,845,000	1,950,000	-	-	-
2020	84,852,623	19,129,213	1,800,000	-	-	-
2021	80,975,911	36,003,953	1,600,000	-	15,371,660	-
2022	76,866,655	50,878,548	1,400,000	-	27,638,357	-
2023	72,517,518	47,300,615	1,200,000	-	26,513,260	-
2024	68,517,431	43,715,765	1,000,000	-	25,420,319	-

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.

Business-type Activities								
County Issued								
General Obligation Bonds	Special Assessment Bonds	County State Revolving Loan Funds	Total Primary Government	Percentage of Personal Income (1)		Population	Per Capita	
\$ 33,071,724	\$ 4,098,344	\$ 17,592,684	\$ 70,181,788	2.23%	129,699	\$ 541.11		
31,831,025	4,054,112	20,725,947	80,158,591	2.55%	129,699	618.04		
46,597,435	3,702,527	22,126,394	137,406,356	4.38%	129,699	1,059.42		
48,741,669	2,258,379	21,072,504	160,542,552	5.11%	129,699	1,237.81		
46,797,853	1,962,402	19,973,656	151,863,911	4.84%	129,699	1,170.90		
51,344,551	1,983,169	18,860,521	177,970,077	5.67%	129,699	1,372.18		
63,323,681	1,844,015	18,485,695	219,178,930	6.98%	132,438	1,689.90		
60,201,476	1,704,561	17,320,226	236,009,823	5.61%	134,346	1,756.73		
57,247,478	1,565,415	15,754,110	222,098,396	5.28%	134,346	1,653.18		
57,363,691	1,424,711	14,065,716	211,507,633	5.02%	134,346	1,574.35		

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CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

■ Direct and Overlapping Governmental Activities Debt

June 30, 2024

Direct Debt

General Obligation Bonds

05/09/17	Limited Tax	\$ 32,521,423
05/22/18	Limited Tax	15,766,522
08/22/19	Limited Tax	<u>20,229,486</u> \$ 68,517,431

Michigan Transportation Fund Bonds

04/05/16	MTF Bonds, Series 2016	5,184,216
05/09/17	MTF Bonds, Series 2017	1,253,491
05/22/18	MTF Bonds, Series 2018	5,461,737
10/28/20	MTF Bonds, Series 2020	396,000
03/10/21	MTF Bonds, Series 2021	15,377,319
05/18/22	MTF Bonds, Series 2022	<u>16,043,002</u> 43,715,765

Special Assessment Bonds

08/03/08	Improvements	<u>1,000,000</u>
----------	--------------	------------------

Total direct debt outstanding	113,233,196
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Less:

MTF Bonds	43,715,765
Special Assessment Bonds	<u>1,000,000</u> 44,715,765

Net direct and indirect debt outstanding	<u>68,517,431</u>
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Overlapping Debt

Municipality

Net Tax Supported Debt

City allocation		
Utica Community School District	252,985,000	35.28%
Warren Consolidated School District	210,250,000	45.21%
Macomb Intermediate School District	92,145,000	14.78%
Macomb County at large	216,557,490	15.10% <u>32,700,181</u>

Total overlapping debt	<u>230,626,345</u>
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Net direct and indirect debt outstanding and overlapping debt	<u>\$ 299,143,776</u>
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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

Ratios of Outstanding Debt

Last Ten Fiscal Years

	As of June 30,			
	2015	2016	2017	2018
Governmental Activities:				
General obligation bonds	\$ 5,253,950	\$ 4,667,114	\$ 49,055,194	\$ 63,190,000
Michigan transportation fund bonds	7,465,086	16,480,393	17,080,252	23,180,000
Special assessment bonds	2,550,000	2,400,000	2,250,000	2,100,000
County issued bonds	150,000	-	-	-
	<u>15,419,036</u>	<u>23,547,507</u>	<u>68,385,446</u>	<u>88,470,000</u>
Business-type Activities:				
General obligation bonds	33,071,724	31,831,025	53,263,196	48,741,669
Special assessment bonds	4,098,344	4,054,112	3,884,347	2,258,379
County state revolving loan funds	17,592,684	20,725,947	22,126,394	21,072,504
	<u>54,762,752</u>	<u>56,611,084</u>	<u>79,273,937</u>	<u>72,072,552</u>
Total debt of the government	<u>\$ 70,181,788</u>	<u>\$ 80,158,591</u>	<u>\$ 147,659,383</u>	<u>\$ 160,542,552</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	2.23%	2.55%	4.70%	5.11%
Total Population	129,699	129,699	129,699	129,699
Total debt per capita	\$ 541.11	\$ 618.04	\$ 1,138.48	\$ 1,237.81

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As of June 30,					
2019	2020	2021	2022	2023	2024
\$ 60,335,000	\$ 84,852,623	\$ 80,975,911	\$ 76,866,655	\$ 72,517,518	\$ 68,517,431
20,845,000	19,129,213	36,003,953	50,878,548	47,300,615	43,715,765
1,950,000	1,800,000	1,600,000	1,400,000	1,200,000	1,000,000
-	-	-	-	-	-
<u>83,130,000</u>	<u>105,781,836</u>	<u>118,579,864</u>	<u>129,145,203</u>	<u>121,018,133</u>	<u>113,233,196</u>
46,797,853	51,344,551	78,695,342	87,839,833	83,760,738	82,784,010
1,962,402	1,983,169	1,844,015	1,704,561	1,565,415	1,424,711
<u>19,973,656</u>	<u>18,860,521</u>	<u>18,485,695</u>	<u>17,320,226</u>	<u>15,754,110</u>	<u>14,065,716</u>
<u>68,733,911</u>	<u>72,188,241</u>	<u>99,025,052</u>	<u>106,864,620</u>	<u>101,080,263</u>	<u>98,274,437</u>
<u>\$ 151,863,911</u>	<u>\$ 177,970,077</u>	<u>\$ 217,604,916</u>	<u>\$ 236,009,823</u>	<u>\$ 222,098,396</u>	<u>\$ 211,507,633</u>
\$ 3,140,402,000	\$ 3,140,402,000	\$ 4,056,708,000	\$ 4,209,732,000	\$ 4,209,732,000	\$ 4,209,732,000
4.84%	5.67%	5.36%	5.61%	5.28%	5.02%
129,699	129,699	132,438	134,346	134,346	134,346
\$ 1,170.90	\$ 1,372.18	\$ 1,643.07	\$ 1,756.73	\$ 1,653.18	\$ 1,574.35

CITY OF STERLING HEIGHTS, MICHIGAN

Legal Debt Margin

Last Ten Fiscal Years

	As of June 30,			
	2015	2016	2017	2018
Calculation of debt limit:				
State equalized valuation	\$ 4,570,734,306	\$ 4,919,824,700	\$ 5,013,602,527	\$ 5,261,715,125
10% of taxable value	<u>457,073,431</u>	<u>491,982,470</u>	<u>501,360,253</u>	<u>526,171,513</u>
Calculation of debt subject to limit:				
Total debt	52,589,104	59,432,644	125,532,989	139,470,048
Less: debt not subject to limit:				
Michigan Transportation Fund Bonds	7,205,000	15,995,000	16,595,000	23,180,000
Special Assessment Bonds	2,550,000	2,400,000	2,250,000	2,100,000
MID District Special Assessments	2,449,227	2,468,817	2,182,194	2,258,379
OMID District Special Assessments	<u>1,649,117</u>	<u>1,585,295</u>	<u>1,520,333</u>	<u>1,454,232</u>
Net debt subject to limit	<u>38,735,760</u>	<u>36,983,532</u>	<u>102,985,462</u>	<u>110,477,437</u>
Legal debt margin	<u>\$ 418,337,671</u>	<u>\$ 454,998,938</u>	<u>\$ 398,374,791</u>	<u>\$ 415,694,076</u>
Net debt subject to limit as % of debt limit	8.47%	7.52%	20.54%	21.00%

(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

UNAUDITED

As of June 30,					
2019	2020	2021	2022	2023	2024
\$ 5,461,624,715	\$ 5,851,809,075	\$ 6,211,667,616	\$ 6,490,425,650	\$ 6,760,163,400	\$ 7,375,136,140
546,162,472	585,180,908	621,166,762	649,042,565	676,016,340	737,513,614
131,890,255	159,109,556	199,119,221	218,689,597	206,344,286	197,441,917
20,845,000	19,129,213	36,003,953	50,878,548	47,300,615	43,715,765
1,950,000	1,800,000	1,600,000	1,400,000	1,200,000	1,000,000
1,962,402	1,983,169	1,844,015	1,704,561	1,565,415	1,424,711
1,385,851	1,316,331	1,244,530	1,171,590	1,096,372	1,018,874
105,747,002	134,880,843	158,426,723	163,534,898	155,181,884	150,282,567
\$ 440,415,470	\$ 450,300,065	\$ 462,740,039	\$ 485,507,667	\$ 520,834,456	\$ 587,231,047
19.36%	23.05%	25.50%	25.20%	22.96%	20.38%

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CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Pledged Revenue Coverage

Last Ten Fiscal Years

Limited Tax Obligation Bonds - Governmental Activities

Debt Service

Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage
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
2024	7,901,722	3,455,000	2,508,445	5,963,445	1.325

Michigan Transportation Fund Bonds - Governmental Activities

Debt Service

Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage
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	2,362,275	2.881
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
2024	7,848,952	3,390,000	1,411,389	4,801,389	1.635

Special Assessment Bonds - Governmental Activities

Debt Service

Fiscal Year Ended	Collections (1)	Principal	Interest	Total	Coverage (1)
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
2024	114,678	200,000	48,150	248,150	0.462

(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

CITY OF STERLING HEIGHTS, MICHIGAN

Demographic and Economic Statistics

Last Ten Fiscal Years

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)
			High School Graduate or Higher	Bachelor's Degree or Higher		
2015	129,699	40-44	86.4%	22.9%	\$ 24,213	\$ 3,140,402
2016	129,699	40-44	86.4%	22.9%	24,213	3,140,402
2017	129,699	40-44	86.4%	22.9%	24,213	3,140,402
2018	129,699	40-44	86.4%	22.9%	24,213	3,140,402
2019	129,699	40-44	86.4%	22.9%	24,213	3,140,402
2020	129,699	40-44	86.4%	22.9%	24,213	3,140,402
2021	132,438	40-44	86.4%	26.7%	30,631	4,056,708
2022	134,346	40-44	86.4%	26.7%	31,335	4,209,732
2023	134,346	40-44	86.4%	26.7%	31,335	4,209,732
2024	134,346	40-44	87.7%	30.8%	31,335	4,209,732

Sources:

(1) United States Census Bureau - 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 and Budget

UNAUDITED

Number of Households (1)	Median Household Income (1)	Unemployment Rate (3)/(4)
-----------------------------	-----------------------------	------------------------------

49,576	\$ 53,390	7.0%
49,576	53,390	4.6%
49,576	53,390	3.4%
49,576	53,390	3.9%
49,576	53,390	4.2%
49,576	53,390	17.5%
51,615	64,833	4.3%
51,615	64,833	4.1%
51,615	64,833	3.4%
51,615	64,833	4.1%

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CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Miscellaneous Demographics

June 30, 2024

Income and Benefit Characteristics						
Population U.S Census		Household Income	Number of Households	Households		Number
2020	134,346	Less than \$14,999	3,499	With earnings		39,656
2010	129,699	\$15,000 - \$34,999	7,289	With Social Security income		17,335
2000	124,471	\$35,000 - \$49,999	5,918	With retirement income		12,609
1990	117,810	\$50,000 - \$74,999	8,635	With supplemental security income		3,424
		\$75,000 - \$99,999	7,081	With cash public assistance income		1,741
		\$100,000 or more	18,567	With food stamps/SNAP benefits		6,507
Housing Tenure						
Types		2020	2010	By Occupation:		Employees
Owner occupied		37,874	37,685			
Renter occupied		13,641	11,766	Management, professional, and related		25,931
Vacant:				Service		9,688
Seasonal/Migrant		139	128	Sales and office		14,042
Other vacant units		1,601	2,611	Natural resources, construction, and maintenance		4,042
Total		<u>53,255</u>	<u>52,190</u>	Production, transportation, and material moving		<u>10,845</u>
				Total		<u>64,548</u>
Household Characteristics						
Types		2020	2010	By Industry:		Employees
With seniors 65+		18,119	14,229	Manufacturing		14,454
Without seniors		33,396	35,222	Educational, health, and social services		12,818
Two or more without children		23,360	21,007	Retail trade		8,368
Live alone, over 65		6,501	5,316	Professional, scientific, management, administrative, and waste management services		5,713
Live alone, under 65		7,619	7,791	Arts, entertainment, recreation, accommodation, and food services		5,529
With children		<u>14,035</u>	<u>15,337</u>	Transportation, warehousing, and utilities		3,642
Total households		<u>51,515</u>	<u>49,451</u>	Finance, insurance, real estate, rental, and leasing		<u>3,591</u>
				Other professional and related services		3,158
				Construction		2,859
				Public administration		2,114
				Wholesale trade		1,201
				Information		870
				Agriculture, forestry, fishing and hunting, and mining		231
				Total		<u>64,548</u>
Age Statistics						
Years		2020	2010			
Under 5		5.1%	5.5%			
5 to 19		16.8%	18.7%			
20 to 24		6.2%	6.3%			
25 to 44		25.2%	25.8%			
45 to 64		27.2%	28.5%			
Over 64		19.6%	15.2%			

Source: United States Census Bureau - 2010/2020 Census and 2020 American Community Survey Five Year Estimates

CITY OF STERLING HEIGHTS, MICHIGAN

Principal Employers (Major Employers)

Current Year and Ten Years Ago

Company Name	Product/Service	Year Ended June 30, 2024		
		Employees	Rank	Total City Employment
Stellantis(FCA USLLC/ Chrysler Group LLC)	Automotive assembly and stamping	7,821	1	12.12%
General Dynamics	Defense-related manufacturing	7,300	2	11.31%
Ford Motor Company	Automotive axles and transmissions	3,835	3	5.94%
America's Back Office	HR Solutions	3,500	4	5.42%
Conti LLC	Automotive Parts	2,500	5	3.87%
Utica Community Schools	Education	2,300	6	3.56%
21 Century Newspapers	Newspaper Publishing	1,500	7	2.32%
Beaumont Health	Healthcare	1,299	8	2.01%
Detroit Media Partnership	Printing plant - Newspapers (3)	1,000	9	1.55%
Mayco International/Stonebridge Industries	Automotive plastics	950	10	1.47%
Lakeside Associates	Retail Shopping Center			
Kuka Systems Corporation	Metalworking machinery and robotic systems			
Warren Consolidated Schools	Education			
U.S. Farathane Corporation	Paints and finishes			
		32,005		49.57%
	Other employers	32,543		
	Total employment	64,548		

Source: City of Sterling Heights, Economic Development Office

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Year Ended June 30, 2015		
Employees	Rank	Total City Employment
4,000	1	6.61%
2,000	3	3.30%
3,600	2	5.95%
1,150	5	1.90%
1,000	6	1.65%
600	10	0.99%
2,000	4	3.30%
1,000	7	1.65%
790	8	1.31%
750	9	1.24%
<u>16,890</u>		<u>27.91%</u>
<u>43,626</u>		
<u><u>60,516</u></u>		

CITY OF STERLING HEIGHTS, MICHIGAN

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
General Government				
Election Data				
Registered voters	87,576	86,465	88,520	84,781
Voters at polls	26,444	8,178	41,578	8,130
Absentee ballots	11,862	8,475	16,443	8,221
Percent voting	43.74%	19.00%	65.55%	19.29%
41A District Court				
Court Cases				
Civil	2,652	2,566	2,612	3,021
Criminal	4,279	3,644	3,321	3,825
Landlord and tenant	2,223	2,161	1,932	1,971
Small claims	333	386	393	340
Traffic	25,887	31,584	31,445	26,847
Public Safety				
Police Protection				
Adult arrests	3,882	3,919	3,612	3,290
Civil infractions	27,031	30,780	26,088	22,994
Group A offenses (1)	2,885	2,871	2,782	3,078
Group B offenses (2)	2,867	3,235	2,917	3,467
Injury accidents	952	1,300	1,265	899
Juvenile arrests	219	212	116	99
OUIL arrests	204	169	138	157
Parking violations	1,282	1,333	1,468	1,116
Property damage	3,625	3,638	3,825	3,915
Private property damage	700	644	531	323
Total traffic violations	31,777	35,610	30,678	26,521
Fire Protection				
Emergency alarms answered	13,588	14,293	14,805	15,930
Fire inspections conducted	863	1,232	1,688	1,146
Inspection violations issued	945	2,433	24,722	2,500
Medical emergencies	10,253	10,753	11,025	11,808
Training hours completed	26,086	24,359	32,116	35,002
Recreation and Culture				
Parks and Recreation				
Adult athletics attendance	19,006	17,914	21,291	20,051
Instructional recreation attendance	23,566	23,916	22,903	27,143
Nature program attendance	15,079	16,187	15,753	18,085
50th activity program attendance	97,769	101,770	101,825	108,155
Special event attendance	80,680	114,295	93,327	112,833
Adaptive recreation program attendance	8,847	8,460	7,568	7,523
Summer playground attendance	12,765	10,353	12,182	11,254

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Fiscal Year					
2019	2020	2021	2022	2023	2024
86,629	90,254	98,915	99,390	101,557	108,488
35,160	8,798	29,532	7,134	31,506	N/A
14,232	9,105	40,672	12,517	21,052	N/A
57.02%	19.84%	70.97%	19.77%	51.75%	0.00%
3,180	2,467	2,709	2,401	2,296	3,327
4,018	3,057	3,226	1,407	5,175	2,838
2,164	1,538	1,069	2,111	2,806	2,875
282	175	100	130	208	250
27,350	18,567	13,417	18,393	24,534	19,388
3,411	2,529	1,018	1,888	2,454	2,507
23,990	15,510	9,095	15,121	21,210	17,314
3,210	2,800	2,987	3,486	4,047	3,776
4,090	3,877	4,515	4,803	5,041	5,079
925	710	653	787	792	815
88	57	31	38	7	5
120	141	116	165	249	278
1,326	1,097	462	2,291	3,106	1,433
3,680	2,946	2,599	3,436	3,436	2,930
197	184	193	218	240	207
27,986	18,528	10,034	19,459	27,204	21,884
15,795	15,683	16,170	18,130	17,832	17,657
1,235	1,937	2,113	2,141	2,126	2,100
2,319	3,050	3,483	2,913	1,186	1,954
11,856	11,644	12,993	13,957	13,509	13,563
43,780	40,687	42,538	42,159	40,596	33,448
18,728	18,942	13,865	12,407	12,637	13,021
29,802	17,980	12,506	26,276	31,099	40,576
16,020	9,999	5,521	9,531	13,522	12,915
101,055	91,619	33,880	85,208	94,095	110,986
120,118	124,280	55,071	178,894	160,439	145,636
7,135	4,990	2,355	2,978	3,483	5,000
8,776	6,674	1,374	6,649	8,133	7,960

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CITY OF STERLING HEIGHTS, MICHIGAN

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Library				
Outreach visits	-	-	-	-
Total room usage	1,463	1,528	1,587	1,668
In-house materials usage	60,279	54,742	39,714	32,590
Interlibrary loan requests	80,545	78,015	71,796	69,323
Interlibrary loans - Lent	72,109	70,606	62,818	61,479
Items circulated	536,038	548,414	536,321	565,478
Library visits	376,007	385,398	314,813	241,302
Electronic database usage	-	-	-	-
Program attendance	16,322	20,209	23,208	27,721
Reference transactions	65,368	65,587	64,893	59,864
Registered borrowers	48,490	47,334	46,498	66,043
Water and Sewer Services				
Customers: (3)				
Residential	35,223	35,319	35,419	35,494
Commercial/Industrial	4,274	4,297	4,270	4,320
Water (in thousand cubic feet):				
Purchased from Detroit	603,378	636,215	615,045	580,053
Sold to residents	602,994	590,426	629,333	591,358
Rates (per thousand):				
1,000 CU. FT.	\$ 55.37	\$ 62.59	\$ 71.79	\$ 74.75
Next 2,000 CU.FT.	55.37	62.59	71.79	74.75
Over 3,000 CU.FT.	60.53	68.26	78.11	81.51
Sewer only - Per billing	70.00	80.00	85.00	87.00

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

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

N/A - Not available

Source: City of Sterling Heights

UNAUDITED

Fiscal Year					
2019	2020	2021	2022	2023	2024
130	130	305	421	490	484
1,600	1,126	16	2,361	2,375	3,697
33,526	18,710	-	14,103	22,313	35,080
68,940	54,225	71,081	57,795	46,509	40,406
61,875	49,901	69,814	59,758	45,243	37,788
632,157	492,674	347,536	460,384	457,800	486,722
223,577	149,962	43,040	114,189	162,525	179,222
125,076	100,896	109,077	89,002	8,326	13,824
32,751	63,867	33,198	14,733	12,945	18,747
54,365	42,828	50,613	44,940	47,617	47,550
64,449	62,882	65,530	64,287	63,861	70,608
35,539	35,599	34,970	36,738	39,910	39,727
4,333	4,340	4,358	2,871	3,010	2,814
584,634	571,473	657,886	590,785	584,935	562,863
587,317	555,329	620,625	579,482	498,532	558,297
\$ 77.20	\$ 81.22	\$ 79.10	\$ 83.10	\$ 85.70	\$ 90.60
77.20	81.22	79.10	83.10	85.70	90.60
84.39	88.78	92.10	102.00	102.80	111.40
89.00	91.00	93.00	95.00	32.34	33.00

concluded

CITY OF STERLING HEIGHTS, MICHIGAN

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
General Government				
Buildings				
City Center Commons	1	1	1	1
41A District Court	1	1	1	1
Public Safety				
Police Protection				
Stations	1	1	1	1
Vehicles - Marked	53	54	49	51
Vehicles - Unmarked	65	56	57	58
Fire Protection				
Stations	5	5	5	5
Vehicles - Extinguishment	16	16	21	21
Public Works				
Streets and Sidewalks				
Miles of City:				
Primary streets	63	63	63	63
Secondary streets	286	286	286	288
Sidewalks	614	615	617	618
Bridges	11	11	11	11
Buildings	2	2	2	2
Street lights	2,535	2,535	2,535	2,535
Vehicles - Snow plows	21	25	25	25
Water and Sewer Services				
Fire hydrants	7,281	7,292	7,305	7,317
Miles of water mains	576	667	667	667
Miles of sanitary sewers	430	430	430	475
Recreation and Culture				
Parks and Recreation				
Acres	820	820	820	820
Developed parks	28	28	28	28
Buildings	3	3	3	3
Library				
Book collections	196,437	196,019	190,166	186,932
Other collections (1)	57,623	53,447	64,638	71,715
Buildings	1	1	1	1
Vehicles - Library van	1	1	1	1

(1) Includes art prints, audio/video cassettes, compact discs, posters, puppets, software discs, etc.

Source: City of Sterling Heights

UNAUDITED

Fiscal Year					
2019	2020	2021	2022	2023	2024
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
45	52	52	57	57	57
58	62	62	62	62	62
5	5	5	5	5	5
23	23	23	23	24	24
63	63	63	63	63	63
288	288	289	290	290	290
620	628	639	640	640	641
11	11	11	11	11	11
1	1	1	1	1	1
2,535	2,535	2,535	2,535	2,535	2,535
23	23	23	23	23	23
7,429	7,428	7,428	7,454	7,455	7,455
667	667	667	667	667	667
475	475	475	475	475	475
820	820	821	821	821	821
228	28	28	28	28	28
3	3	3	3	3	3
185,922	172,302	177,874	174,994	154,651	147,953
143,464	147,271	149,168	181,113	193,944	217,737
1	1	1	1	1	1
1	1	1	-	-	-

CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Building Permits at Market Value

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential						Total Residential	
	New Construction		Additions/ Improvements		Number	Value		
	Number	Value	Number	Value				
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	
2024	59	18,580,198	998	2,256,772			20,836,970	

Fiscal Year Ended June 30,	Commercial						Total Commercial	
	New Construction		Additions/ Improvements		Number	Value		
	Number	Value	Number	Value				
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	
2024	12	35,013,682	236	20,803,405			55,817,087	

Source: City of Sterling Heights, Office of Building Services

CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

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

Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	60	61	57	63	65	67	72	79	88	89
41A District Court	39	39	41	41	42	43	44	44	45	44
Public safety:										
Police	203	203	202	206	206	206	214	215	218	220
Fire	88	88	88	104	104	106	112	115	113	115
Public works:										
City development	28	29	31	28	31	32	36	36	39	42
Public works	34	34	35	35	19	19	20	20	21	21
Street services	25	24	24	24	28	28	31	31	31	26
Engineering	9	9	9	9	9	9	10	10	10	10
Recreation and culture:										
Parks and recreation	11	12	10	15	17	17	18	18	20	22
Library	38	38	38	38	39	39	41	39	39	40
Water and sewer	35	36	36	40	46	47	51	49	49	49
Total	570	573	571	603	606	613	649	656	673	678

Source: City of Sterling Heights

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CONTINUING DISCLOSURES

CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

State-Shared Revenue

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Modified Accrual Basis of Accounting	Accrual Basis of Accounting
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
2024	15,685,869	15,911,923

Source: City of Sterling Heights

CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Gas and Weight Taxes

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Type of Street		Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Roads	
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	10,706,768	3,972,053	14,678,821
2023	11,168,764	4,141,227	15,309,991
2024	11,446,946	4,250,958	15,697,904

Source: City of Sterling Heights

CITY OF STERLING HEIGHTS, MICHIGAN

UNAUDITED

Labor Agreements

June 30, 2024

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	107	-
Technical/Office Employees Michigan Association of Public Employees (MAPE)	6/30/2025	74	30*
Department of Public Works Field Employees Teamsters, Local 214	6/30/2027	60	-
Police Command Officers Sterling Heights Police Command Officers Association	6/30/2026	37	-
Professional and Technical Employees Michigan Association of Public Employees (MAPE)	6/30/2026	55	13
Court Clerical AFSCME, Local 1884, Council 25	6/30/2025	20	3
Police Clerical Employees Michigan Association of Police (MAP)	6/30/2026	21	-
Supervisory Employees Michigan Association of Public Employees (MAPE)	6/30/2025	15	-
Executive Employees Sterling Heights Executive Group	6/30/2025	7	-
Department of Public Works Supervisors AFSCME, Local 1917, Council 25	6/30/2027	9	-

Nonunion Employees

41A District Court Administration	N/A	11	-
41A District Court Judges	N/A	3	-
Ordinance Employees	N/A	3	-

* Includes 12 part-time employees that are excluded from the part-time limit.

Source: City of Sterling Heights, Office of City Management