

Center Line, Michigan



Comprehensive Annual Financial Report
June 30, 2014

CITY OF CENTER LINE, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2014

**Prepared by:
Treasurer's Office**

**Stephen R. Adair, II, CGFM
Director of Finance / Treasurer**

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City of Center Line

Comprehensive Annual Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
GFOA Certificate of Achievement	v
List of City Officials	vi
Organizational Chart	vii
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
	viii-x
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	xi-xx
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2-3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Position - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	12
Notes to Financial Statements	13-33
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	34-35
Public Safety Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	36
Police and Fire Defined Benefit Pension Plan	
Schedule of Changes in Net Pension Liability and Related Ratios	37
Schedule of Net Pension Liability	38
Schedule of Contributions	39
Schedule of Investment Returns	40
Notes to Required Supplementary Information	41
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds - Fund Descriptions	42
Combining Balance Sheet - Nonmajor Governmental Funds	43-44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	45-46

City of Center Line

Comprehensive Annual Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION - CONCLUDED	
OTHER SUPPLEMENTARY INFORMATION - CONCLUDED	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	47-49
Fiduciary and Agency Funds - Fund Descriptions	50
Combining Statement of Fiduciary Net Position - Fiduciary Trust Funds	51
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Trust Funds	52
Combining Statement of Assets and Liabilities - Agency Funds	53
Statement of Changes in Assets and Liabilities - Agency Funds	54-55
STATISTICAL AND CONTINUING DISCLOSURE SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Statistical and Continuing Disclosure Section Contents	56-57
Statistical Information	
Financial Trends	
Net Position by Component	58-59
Changes in Net Position	60-63
Fund Balances of Governmental Funds	64-65
Changes in Fund Balances of Governmental Funds	66-67
Revenue Capacity	
Assessed Taxable Values (History of Property Values)	68-69
Property Tax Rates - Direct and Overlapping Governments	70-71
Principal Property Taxpayers (Major Taxpayers)	72
Property Tax Levies and Collections	73
Debt Capacity	
Ratios of Outstanding Debt by Type	74-75
Ratios of Net General Bonded Debt Outstanding	76-77
Direct and Overlapping Governmental Activities Debt	78
Legal Debt Margin	79
Historical Legal Debt Margins	80
Pledged Revenue Coverage	81
Demographic and Economic Information	
Demographic Statistics	82
Concentration of Workforce	83
Operating Information	
Full-time City Government Employees by Function	84-85
Operating Indicators by Function	86-87
Capital Asset Statistics by Function	88-89
Continuing Disclosure	
State Shared Revenue	90
Gas and Weight Taxes (Act 51)	90
Labor Agreements	91

INTRODUCTORY SECTION



Municipal Offices
David W. Hanselman
Mayor

John B. Michrina
City Manager

October 27, 2014

The Honorable Mayor and
Members of the City Council
City of Center Line
Center Line, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the Comprehensive Annual Financial Report for the City of Center Line, Michigan for the fiscal year ended June 30, 2014.

This report is published to provide the city council, city staff, our residents, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the city. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 Center Line's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of Center Line is a second ring suburb of the metropolitan Detroit region, located in Macomb County, Michigan, and has a population of approximately 8,300. The city is located ten miles north of downtown Detroit and is centrally located along U.S. Interstate 696 and just one mile from U.S. Interstate 75, making the city an ideal location for industry and commerce. Among the city's most famous manufacturing businesses is Mopar world headquarters, a subsidiary of Chrysler Group, LLC, as well as Whitlam Label Company. Mopar makes performance automotive parts for the full line of Chrysler vehicles. Whitlam Label Company is a major worldwide supplier of all vehicle information stickers found on nearly every major vehicle line in the United States and internationally.

Center Line is a home rule city with a city manager/council form of government. The city has five city council members who are selected at large for overlapping four (4) year terms. The council enacts local ordinances, determines policies, and adopts the annual budget. The council appoints the city manager/clerk, public safety director, and city finance director/treasurer. The Basic Financial Statements of the city include all government activities, organizations and functions for which the city is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The city provides a full range of municipal services including public safety protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services.

The component unit included in the city's financial report is the Downtown Development Authority (the authority). The authority is legally defined and included in sections of the financial reports as appropriate. The authority was formed to allow greater opportunities to improve the central business district through tax capture and grant funding.

The annual budget serves as the foundation for the City of Center Line's financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 34 as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 36, or other supplementary information (for nonmajor funds), starting on page 47.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Center Line operates.

Local Economy

The City of Center Line boasts a strong industrial base, founded on the region's iconic motor vehicle industry. Also of note is the city's business district along Van Dyke Avenue, also known as Michigan Highway 53. The avenue boasts many businesses that have called Center Line home for generations. Binson's Home Health Care Supplies, a well-known business with stores throughout metropolitan Detroit, began with a single store in Center Line. Ed Rinke Chevy, Buick, and GMC has been a staple along Van Dyke Avenue for generations.

Center Line's business community is steeped in history and deeply intertwined with the automotive industry, but what truly makes Center Line special is its residents. Despite being part of a large metropolitan region, Center Line is the kind of city where everyone knows their neighbors and where community involvement is typical, not the exception. Whether it be the city's annual fireworks show, the high school football games at Memorial Park each fall, the city's annual open house, or the Beautification Committee out in the community planting flowers, there is usually something going on in Center Line that connects people and provides a sanctuary from the sometimes hectic, fast-paced world outside the city's limits.

Historically, blue collar factory workers and their families have called Center Line their home. Today, Center Line is still deeply rooted in the tradition of being a community that provides a safe, friendly place to call home. Whether it be an apartment, multi-family home, assisted-living housing, or a traditional home, Center Line has a wide variety of properties from which potential residents can choose.

Long-term Financial Planning

Each February, city management presents a five year financial forecast, which aids the council in developing long-term budgetary goals. For the five year financial forecast presented in February 2014, city management continued to recommend that the city make aggressive contributions towards its other post-employment benefits (OPEB) obligation. As the forecast showed, annual employee legacy costs are projected to rise to approximately 32% of total city expenditures by fiscal year 2018.

On June 30, 2013, council established the OPEB Investment Trust Fund and committed that year and each fiscal year since to make voluntary contributions to the fund, which as of the date of this report has increased the funding of the Trust by \$2.8 million in the past two fiscal years. This figure represents approximately 11.2 percent of the current OPEB liability. The aggressive funding plan is key to the city's long-term fiscal stability as the projected investment income from the principal invested today will be used in future years to supplement the general fund budget when legacy costs become otherwise insurmountable.

MAJOR INITIATIVES

Triennial Budget

The city developed a triennial budget covering fiscal years 2015 through 2017. The budget was passed at the department level in the General Fund and at the fund level for all other funds. While council only has legal authority to adopt one fiscal year of the budget, the purpose of the triennial budget is truly to allow council, city management, and the public to better understand the long-term financial implications of immediate-term financial decisions. City departments were asked to review all operations and to prioritize potential future capital projects during the budget process.

As a result of months of hard work, the city not only passed its first triennial budget, but it also established many significant financial, strategic, and operational goals that will impact the city for years to come. While providing the General Fund with a stable outlook over the next three fiscal years, the triennial budget also calls for nearly \$770,000 more in contributions to the city's OPEB Investment Trust over that time period.

The budget also includes the city's five year capital improvement plan, which will fund \$768,000 in capital improvements like a new municipal parking lot, five new public safety vehicles, and energy efficiency upgrades at the city's recreation and library buildings. The best part? The capital improvement fund will require only \$130,000 more in already-budgeted funding in order to be fully-funded, which means no financing, and no taxpayer money lost to interest expenses.

Settlement of Public Safety Contracts

The city was able to settle with unions representing public safety command officers, patrol officers, and dispatchers on June 30, 2014. City management and union leadership worked together to meet most of both sides' goals for the negotiation. As the unions represents the city's largest population of employees, settling the contracts before the former contract expired was a significant victory for both the city and the unions. The new contracts took effect July 1, 2014 and will expire on June 30, 2018.

Elimination of Post-Employment Healthcare for Most Current and All Future Employees

Like many communities, the City of Center Line has learned the true cost of legacy benefits like retiree health care insurance. While the decisions of the past cannot and should not be un-done, the city has worked with all the unions of the city as well as all non-union personnel and as of the fiscal year ended June 30, 2014, no new employees hired at the City of Center Line will receive post-employment healthcare benefits. This factor combined with the city's contributions to the OPEB Investment Trust will help to reduce the OPEB liability in subsequent years.

Capital Projects and Equipment Purchases

The city continued to replace equipment and upgrade information systems in all departments.

As part of the fiscal year 2013 budget, the city established a five year capital improvement plan in order to address aging equipment, vehicles, buildings, and other infrastructure. The development of the five year capital improvement plan focused on both the essential needs of the city in order to provide core services to its residents and businesses as well as the funding sources to achieve the financing requirements of the projects. The plan had only minor enhancements for fiscal year 2014, but focused on upgrading information systems for the recreation department as well as the building department.

For fiscal year 2014, the city spent \$457,247 on capital outlay, which continued the trend of city management to update or replace obsolete software, replace aging public safety vehicles, and bring operations across the city into the 21st century via technology upgrades. Almost half of the total capital outlays were spent using federal grant funds from the Assistance to Firefighters Grant as issued by the Federal Emergency Management Agency (FEMA). This allowed the public safety department to replace many obsolete or heavily aged assets, including turnout gear and hoses for the fire trucks.

OTHER INFORMATION

SEC Disclosure under Rule 15c2-12

Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities undertake to provide certain annual financial information to various information repositories. In recognition that a CAFR is an appropriate disclosure document for providing information useful to existing and potential investors in the secondary market, and in order to meet our obligation to provide periodic disclosure for the secondary market as required by Rule 15c2-12, the City of Center Line has elected to include in this CAFR tables providing quantitative data on those activities which require such disclosure. Those tables can be found in the statistical section of the CAFR.

Independent Audit

The city charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the city by independent certified public accountants selected by the city council. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments that publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Center Line for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the second consecutive year the city has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire city hall staff. We also wish to express our sincere appreciation to city department heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the city council for their interest and support in planning and conducting the financial operation of the city in a responsible and progressive manner.

Respectfully submitted,



John B. Michrina, ICMA-CM
City Manager and Clerk



Stephen R. Adair, II, CGFM
Director of Finance and Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Center Line
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Center Line
Comprehensive Annual Financial Report
Year Ended June 30, 2014

LIST OF CITY OFFICIALS

CITY COUNCIL

David Hanselman, Mayor

Robert Binson, Mayor Pro-Tem

Nicholas Chakur

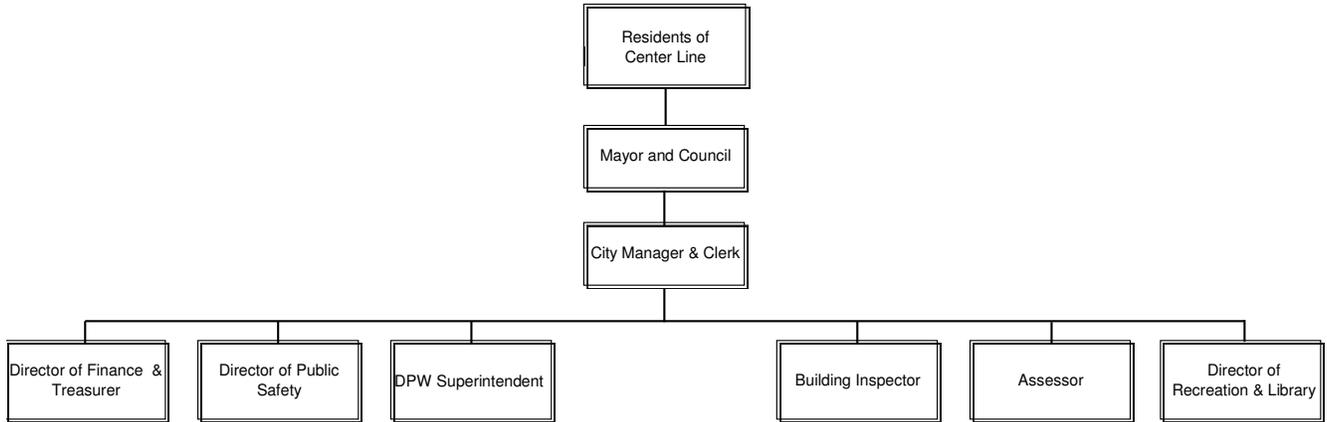
Mary Hafner

Ronald Lapham

CITY MANAGER AND CLERK
John B. Michrina, ICMA-CM

DIRECTOR OF FINANCE AND TREASURER
Stephen R. Adair, II, CGFM

City of Center Line
Organizational Chart
2013 - 2014



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FINANCIAL SECTION

Independent Auditors' Report

City Council and Management
City of Center Line
Center Line, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center Line, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center Line, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Line's basic financial statements. The introductory section, list of elected and appointed officials, statistical section and other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, list of elected and appointed officials and statistical section, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014 on our consideration of the City of Center Line'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Center Line's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 27, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The following is a discussion and analysis of the City of Center Line's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2014. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page viii of this report, our letter of transmittal on pages i through iv, and with the City of Center Line's financial statements, which follow this section. This discussion provides comparisons with the previous fiscal year as required by the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position or the amount assets and deferred outflows exceeded liabilities, were \$12,739,062 at the close of 2014 (excluding component units). This is an increase of \$682,306 or 5.66% compared to 2013.
- Governmental activities net position was \$15,750 for 2014. This is a decrease of \$345,899 or 95.64% compared to 2013.
- Business-type activities net position was \$12,723,312. This is an increase of \$1,028,205 or 8.79% compared to 2013.
- Component unit net position was \$716,536. This is a decrease of \$13,316 or 1.82% compared to 2013.

Fund Level:

- At the close of the fiscal year, the City of Center Line's governmental funds reported a combined ending fund balance of \$3,290,777, a decrease of \$158,644 or 4.60% compared to 2013. Of this amount, \$261,684 was classified as nonspendable, \$551,751 was classified as restricted, \$1,450,344 was classified as assigned, and \$1,026,998 was classified as unassigned. The decrease in fund balance reflects increased expenses in the major and local street funds as a result of the city's 2014 road repair and replacement program.
- The General Fund's overall fund balance increased \$310,958 over 2013. A significant factor in the fund balance increase was the result of lower than expected expenditures related to the district court. Additionally, the city sold properties held for sale in the fiscal period, which increased fund balance by \$80,891.

Capital and Long-term Debt Activities:

- The primary government (governmental activities) issued no new debt for the fiscal year.
- The total long-term debt for the primary government (governmental activities) was \$761,377 with a net decrease of \$117,691 from the prior year.
- The total long-term debt for the primary government (business-type activities) was \$9,237,479 with a decrease of \$970,519 from the prior year.
- The City of Center Line has \$10,266,532, or 65 percent, of its authorized legal debt limit available for use.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of Center Line consists of the following components: 1) *Independent Auditors Report*; 2) *Management' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds, budget to actual comparisons for all nonmajor governmental funds, and combining financial statements for all fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Government-wide Financial Statements (Reporting the City of Center Line as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City of Center Line as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of Center Line, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 1) presents all of the City of Center Line's assets and deferred outflows, less liabilities and deferred inflows, the difference of which is known as "net position". Over time, increases or decreases in net position measure whether the City of Center Line's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of Center Line's net position changed during the current fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of Center Line's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of Center Line's general government departments such as public safety, the city council, public works, recreation and library programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, Drug Enforcement, and Tax Reversion Rehabilitation programs.
- **Business-type Activities** - These activities operate like private businesses. The City of Center Line charges fees to recover the cost of the services provided. The City of Center Line's Water & Sewer Fund and the Solid Waste Disposal Fund are examples of such activities.
- **Discretely Presented Component Unit** – The Downtown Development Authority is a Discretely Presented Component Unit and is a legally separate organization for which the City of Center Line's City Council appoints the authority's board and there is a degree of financial accountability to the City of Center Line.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 7 present reconciliations between the two statement types. The following summarizes the most common impacts of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

In addition, it should be noted that the government-wide financial statements include the net value of the City of Center Line's general capital assets such as buildings, land, equipment, improvements, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City of Center Line's Major Funds)

The fund financial statements, which begin on page 4, provide information on the City of Center Line's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of Center Line uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by grant agreements. Funds are also utilized to track specific operations; these include the enterprise funds, which include the Water & Sewer Fund as well as the Solid Waste Disposal Fund.

The *basic financial statements* report major funds as defined by the Governmental Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Center Line include the General Fund, Public Safety Fund, Debt Service Fund, and the Water & Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of Center Line includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of Center Line funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of Center Line's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Center Line's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), and *Capital Projects Funds* (used to report major capital acquisitions and construction).
- **Proprietary Funds** - Services for which the City of Center Line charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The City has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public, such as the Water & Sewer Fund and the Solid Waste Disposal Fund.
- **Fiduciary Funds** - The City of Center Line acts as a trustee or fiduciary in certain instances. The City of Center Line fiduciary activities are reported in separate statements of Fiduciary Net Position on page 11, Statement of Changes in Fiduciary Net Position on page 12, and Schedule of Changes in Assets and Liabilities beginning on page 54. These funds are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of Center Line to fund its operations.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue funds as well as the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Net Pension Liability, Schedule of Contributions, and Schedule of Investment Returns for the Police and Fire Defined Benefit Pension Plan.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY OF CENTER LINE AS A WHOLE

As previously stated, the City of Center Line's combined net position was \$12,739,062 at the end of this fiscal year's operations. The net position of the governmental activities was \$15,750; the net position of business-type activities was \$12,723,312.

Net Position as of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 3,644,872	\$ 4,219,804	\$ 2,536,342	\$ 1,967,450	\$ 6,181,214	\$ 6,187,254
Capital assets	3,520,195	3,508,022	19,632,654	20,074,200	23,152,849	23,582,222
Total assets	7,165,067	7,727,826	22,168,996	22,041,650	29,334,063	29,769,476
Deferred Outflows of Resources						
Deferred Charges	-	-	207,141	248,055	207,141	248,055
Liabilities						
Current	756,770	725,238	1,480,865	1,357,119	2,237,635	2,082,357
Noncurrent	6,392,547	6,640,939	8,171,960	9,237,479	14,564,507	15,878,418
Total liabilities	7,149,317	7,366,177	9,652,825	10,594,598	16,802,142	17,960,775
Net Position						
Net investment in capital assets	2,870,870	2,739,216	10,512,445	10,024,386	13,383,315	12,763,602
Restricted	730,445	881,643	-	-	730,445	881,643
Unrestricted	(3,585,565)	(3,259,210)	2,210,867	1,670,721	(1,374,698)	(1,588,489)
Total net position	\$ 15,750	\$ 361,649	\$ 12,723,312	\$ 11,695,107	\$ 12,739,062	\$ 12,056,756

The increase of \$682,306 from 2013 to 2014 in total primary government net position was mainly the result of water and sewer fund net position increasing as the city continues to save funds for future capital improvements to the water and sewer system. City management has designated \$724,163 of the net position in the water and sewer fund for the funding of future capital improvements.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Changes in Net Position for the Fiscal Year Ended June 30, 2014 and 2013

The condensed financial information below was derived from the government-wide Statement of Activities and reflects how the City of Center Line's net position changed between fiscal years 2013 and 2014:

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenue:						
Charges for services	\$ 1,024,448	\$ 1,064,948	\$ 3,082,514	\$ 2,984,512	\$ 4,106,962	\$ 4,049,460
Operating grants and contributions	591,402	552,424	-	-	591,402	552,424
Capital grants and contributions	240,082	212,552	-	-	240,082	212,552
General revenues:						
Property taxes	5,734,767	6,648,366	-	-	5,734,767	6,648,366
State Revenue Sharing	860,367	835,099	-	-	860,367	835,099
Investment earnings	25,389	19,470	1,888	1,942	27,277	21,412
Miscellaneous	359,550	779,682	-	-	359,550	779,682
Total revenues	8,836,005	10,112,541	3,084,402	2,986,454	11,920,407	13,098,995
Expenses						
General government	1,824,390	2,132,772	-	-	1,824,390	2,132,772
Public safety	4,275,183	3,927,324	-	-	4,275,183	3,927,324
Public works	1,485,370	1,172,768	-	-	1,485,370	1,172,768
Community and economic development	48,029	140,796	-	-	48,029	140,796
Recreation and cultural	499,914	532,596	-	-	499,914	532,596
Water and sewer	-	-	2,783,563	2,905,293	2,783,563	2,905,293
Solid waste disposal	-	-	297,779	306,917	297,779	306,917
Interest on long-term debt	23,873	27,286	-	-	23,873	27,286
Total expenses	8,156,759	7,933,542	3,081,342	3,212,210	11,238,101	11,145,752
Excess revenues over (under) expenses before transfers	679,246	2,178,999	3,060	(225,756)	682,306	1,953,243
Transfers	(1,025,145)	(888,330)	1,025,145	888,330	-0-	-0-
Change in net position	(345,899)	1,290,669	1,028,205	662,574	682,306	1,953,243
Net position (deficit), beginning of year	361,649	(929,020)	11,695,107	11,032,533	12,056,756	10,103,513
Net position (deficit), end of year	\$ 15,750	\$ 361,649	\$12,723,312	\$11,695,107	\$12,739,062	\$12,056,756

Governmental Activities:

The result of fiscal year 2014 governmental activity was a decrease of \$345,899 in net position to \$15,750. Of the total governmental activities' net position, \$2,870,870 represents the net investment in capital assets, \$730,445 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of Center Line's government. The remaining net deficit position of \$(3,585,565) is listed as unrestricted, having no legal commitment.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Revenues:

The three largest revenue categories were property taxes at 64.9%, charges for services at 11.6%, and state shared revenue at 9.7%. These figures are consistent with prior fiscal periods and reflect the increase in state shared revenues as well as the drop in tax revenues for the city during the current fiscal period.

Expenses:

Public safety was the largest governmental activity with \$4.3 million spent of the \$8.1 million total expenditures. Public safety costs include expenses associated with current public safety operations, capital costs, and retiree medical benefits. Also included is the city's annual obligation to the Police and Fire Retirement System, which is determined by an outside actuarial valuation each year. Public safety expenses increased due to capital expenses as a result of the city obtaining an Assistance to Firefighters Grant from the Federal Emergency Management Agency (FEMA) during the current fiscal period.

General government is the second largest governmental activity, expending just over \$1.8 million. This includes administration, elections and other legislative expenses, district court costs, as well as utility costs associated with municipal buildings. This expenditure fell from prior year because of lower district court costs in the current fiscal period.

Public works is the third largest governmental activity, expending \$1.5 million. Public works expenses include routine maintenance of city structures and parking lots, major and local street repair and replacement projects, as well as state trunk line maintenance expenses. There was an increase in public works expenses in the current fiscal period due to construction costs associated with the city's planned road construction work.

Business-type Activities:

Net position in business-type activities increased by \$1,028,205 during fiscal year 2014. The result exceeded the previous year's net position increase of \$662,574. The increase was mainly due to the transfer into the Water and Sewer Fund as a result of increased debt service obligations, which were paid by the Water and Sewer Fund with the transfer proceeds. Additionally, the increase was due in part to the Water and Sewer Fund's 3% increase in charges for services as a result of higher industrial waste charges (IWC) levied in the current fiscal period.

Of the total \$12.7 million of net position in the business-type activities, \$2.2 million is reported as unrestricted, and \$10.5 million is the net investment in capital assets. City management has designated \$724,163 of the unrestricted net position to be used for future water and sewer system capital projects.

FINANCIAL ANALYSIS OF THE CITY OF CENTER LINE'S MAJOR AND NONMAJOR FUNDS

As the City of Center Line completed fiscal year 2014, its governmental funds reported *combined* fund balances of \$3,290,777. The net changes are summarized in the following chart:

	General Fund	Public Safety Fund	Debt Service Fund	Nonmajor Governmental Funds
Fund Balance 6/30/14	\$ 2,138,355	\$ 205,071	\$ 34,084	\$ 913,267
Fund Balance 6/30/13	\$ 1,827,397	\$ 328,343	\$ 104,306	\$ 1,189,375
Net Change	\$ 310,958	\$ (123,272)	\$ (70,222)	\$ (276,108)

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The General Fund balance increased by \$310,958. This is primarily due to significantly less than budgeted district court costs and sales of city-owned property which occurred during the fiscal period. Additionally, the city experienced increases in state shared revenues and better than expected collections of personal property taxes, all of which increased revenues.

In accordance with state statutes, the city established the Public Safety Fund in 2012 in order to properly account for the Public Safety Millage. While the millage did raise approximately \$1.14 million in 2013, the Public Safety Fund still had a funding shortfall of \$866,739, which was covered by the city's operating millage via a transfer of the shortfall between the two funds. The fund ended the year with a fund balance of \$205,071, of which \$130,779 was restricted for retiree healthcare benefits, and \$74,292 of which were nonspendable.

In order to create more transparent financial reporting, the city established the Debt Service Fund in 2013 to account for debt service millage revenues and associated debt service principal and interest apart from the General Fund. The fund is self-sustaining as the debt service millage is levied each year in order to collect an amount equal to debt service payments due for that fiscal year. The fund ended the year with a fund balance, the entire balance of which was restricted for future debt service payments.

Nonmajor governmental funds saw a decrease in fund balance of \$276,108. The most significant funds impacting this decrease were the Local Streets Fund and the Capital Improvement Fund. The Local Streets Fund saw decreases due to capital costs associated with the city's road construction and improvement program as well as operating costs associated with a worse than typical winter. The Local Streets Fund experienced a net change in fund balance of \$(143,485). The Capital Improvement Fund expended over \$368,000 in the current fiscal period for planned projects budgeted as part of the city's five-year capital improvement plan. The Capital Improvement Fund experienced a net change in fund balance of \$(146,102) in the current fiscal period.

General Fund:

The General Fund is the chief operating fund of the City of Center Line. Unless otherwise required by statute, contractual agreement, or Council policy, all City of Center Line revenues and expenditures are recorded in the General Fund. As of June 30, 2014, the General Fund reported a fund balance of \$2,138,355. This amount is an increase of \$310,958 from the fund balance of \$1,827,397 reported as of June 30, 2013. Of the total fund balance, \$186,607 is nonspendable, \$924,750 is assigned, and \$1,026,998 is unassigned.

General Fund Budgetary Highlights:

The City of Center Line's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$4,644,970; \$92,080 over the final amended budget. The overage was the result of higher than initially expected state shared revenues as well as a sale of city-owned property which occurred after the final amendment to the city's budget occurred.

The City of Center Line's expenditures and other financing uses totaled \$4,334,012; \$543,747 less than the final amended budget. Several departments at the city completed the fiscal year with expenditures significantly under approved budget levels.

The 37th District Court was under budget by \$152,189. This was because of lower than estimated court costs. The allocation methodology of allocated costs between the City of Center Line and the City of Warren are based on the percentage of case load between the two cities as of June 30 each year. Since the City of Center Line is typically only responsible for somewhere between 5 to 8 percent of the \$5.8 million district court budget on a year-to-year basis, the percentage can cause the city's amount to vary significantly from year-to-year, which causes annual issues with the city's budget.

The city's public works department was under budget by \$122,096, which was mainly due to a vacancy of a full-time position for the majority of the fiscal year as well as lower than budgeted retiree healthcare costs.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The city's other general government costs were under budget by \$78,827, which was mainly due to a budgeted master plan project which was still in progress as of the fiscal year end.

Finally, the city's protective inspection (building) department was under budget by \$42,389. The operating result was due to the following causes: (a) the city's rodent control program completed the fiscal year with lower than expected costs, and (b) a blight inspector position was vacant for the majority of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2014, the City of Center Line had invested \$3,520,195 and \$19,542,783 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Accumulated depreciation was \$4,687,598 for the governmental activities and \$6,747,811 for the business-type activities. Depreciation charges for the fiscal year totaled \$251,009 for the governmental activities and \$441,546 for the business-type activities.

Significant additions to capital assets during the year included the purchase of a police squad car, fire equipment, which included a washer and extractor for contaminated fire gear, software purchases, two new commercial air conditioning roof units for the library, and additions to the library book collection. For more detailed information related to capital assets, refer to Note D to the financial statements.

The summary of capital assets below shows the net capital assets for both governmental and business-type activities as of June 30, 2014.

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,481,164	\$ -	\$ 1,481,164
Construction in progress	21,028	-	21,028
Buildings and Improvements, net	1,219,116	662,095	1,881,211
Machinery and Equipment, net	677,020	628,889	1,305,909
Land Improvements, net	121,867	-	121,867
Water and Sewer System, net	-	18,251,799	18,251,799
Capital assets, net	<u>\$ 3,520,195</u>	<u>\$ 19,542,783</u>	<u>\$ 23,062,978</u>

Long-term Debt - As of June 30, 2014, the City of Center Line had \$9,998,856 in bonds and compensated absences outstanding. Of this amount, \$9,886,804 is bonds and \$110,052 is compensated absences. This level of net obligation is \$1,088,210 less than the obligation recorded as of June 30, 2014. For more detailed information related to long-term debt, refer to Note E to the financial statements

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Outstanding Debt as of June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Governmental Activities				
Bonds	\$ 768,806	\$ -	\$ 119,481	\$ 649,325
Compensated absences	110,262	148,593	146,803	112,052
Total Governmental Activities	879,068	148,593	266,284	761,377
Total Business-Type Activities - Bonds	10,207,998	-	970,519	9,237,479
Total Primary Government	\$ 11,087,066	\$ 148,593	\$ 1,236,803	\$ 9,998,856
Debt Limit (10% of SEV)				\$ 15,802,401
Available Statutory Debt Limit				\$ 10,266,532

Limitations on Debt:

State statute limits the City of Center Line's debt obligations to 10 percent of the current state equalized value (SEV), net of certain adjustments. The City of Center Line's SEV as of June 30, 2013, net of adjustments, was \$158 million; therefore, the City of Center Line's debt limitation was \$15.8 million. The City of Center Line remains below its legal debt limit by approximately \$10.3 million. The city's computation of the legal debt limit is shown in the statistical section of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

State-wide Tax and Revenue Sharing Policies

The State of Michigan's economic conditions, while improving at the state level and in the private sector, are still challenging at the local government level. This is mainly due to taxable value declines in previous years that will effectively never be recovered because of state statutes, such as Proposal A and the Headlee Amendment. While the city benefited from increases in State shared revenues and Act 51 transportation funding in the current fiscal period, both taxable values and state-sourced revenues have decreased significantly over the last ten years.

The effect of this decline has been a staggering increase in existing tax rates that are variable in nature, such as debt millages and public safety retirement millages. Even worse, communities across the state are not only cutting services and staffing levels, but are also asking residents to approve extra operating millages to do what communities used to be able to do with operating revenues and state-sourced revenues, such as public safety operations, library operations, and even road repairs.

The ultimate result of the Proposal A and Headlee legislation is evident: increased tax rates and significant cuts to city services, none of which is in the best interest of those the legislation and proposal was written to protect.

Significant Flooding Event

On August 11, 2014, Southeast Michigan experienced a significant flooding event. On September 25, 2014, a major disaster declaration was made by the Federal Emergency Management Agency (FEMA), which included the City of Center Line within the geographical region covered. Private property loss was approximately \$2.7 million while the city lost approximately \$100,000. Both property owners and the city are in the process of applying for grants from FEMA as of the audit opinion date.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Accelerated Funding of Pension and Healthcare Liabilities

Beginning in fiscal year 2013, the city began making accelerated contributions to the city's newly-established investment trust fund for other post-employment benefits (OPEB). In both fiscal years 2013 and 2014, the city contributed amounts in excess of the annual required contribution in an attempt to increase the funded level of the plan.

As of July 1, 2014, the city has begun to make accelerated contributions to its non-public safety defined benefit pension plans. Working with personnel from the Municipal Employees' Retirement System (MERS), city management recommended and city council approved a plan that is projected to fully fund the city's non-public safety defined benefit pension plans over the next 20 years.

For future fiscal periods, the impact of the city's current accelerated contributions to both the OPEB and pension plans will be a key part to the city's chances of maintaining a stable financial position in the face of ever-increasing medical and pension costs.

City of Center Line Five Year Outlook

In addition to the above topics, the passage of Proposal 1 by the general electorate in August 2014 will have a significant positive impact on the city's overall revenues beginning in 2017. While the city was projected to lose about \$186,000 based on the original public acts 397 through 408 of 2012, an amendment to those public acts provided for what will ultimately be an increase in the amount of reimbursement. Under the amended acts, the reimbursement could be as high as 100% of all personal property tax revenue lost as a result of the personal property tax reforms.

City management is currently developing new projections of both tax revenues and state-sourced revenues in light of the significant change to the law as a result of the August decision by voters. On a preliminary basis and for the purpose of this report, city management believes the impact will be significant and will result in a large increase over originally projected revenues for fiscal year 2017 and beyond.

CONTACTING THE CITY OF CENTER LINE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Center Line's finances and to demonstrate the City of Center Line's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Center Line Treasurer's Office at (586) 757-6800 or via email: sadair@centerline.gov.

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BASIC FINANCIAL STATEMENTS

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City of Center Line

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,297,108	\$ 1,623,406	\$ 4,920,514	\$ 718,093
Receivables				
Accounts	67,281	-	67,281	-
Property taxes	32,608	-	32,608	-
Customers	-	908,232	908,232	-
Other governmental units	253,229	-	253,229	418
Due from others	13,432	-	13,432	-
Assets held for sale	79,246	-	79,246	-
Prepays	182,438	4,704	187,142	-
Investment in joint ventures	(280,470)	-	(280,470)	-
Total current assets	3,644,872	2,536,342	6,181,214	718,511
Noncurrent assets				
Other postemployment benefit asset	-	89,871	89,871	-
Capital assets not being depreciated	1,502,192	-	1,502,192	-
Capital assets, net of accumulated depreciation	2,018,003	19,542,783	21,560,786	-
Total noncurrent assets	3,520,195	19,632,654	23,152,849	-0-
TOTAL ASSETS	7,165,067	22,168,996	29,334,063	718,511
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges, net of amortization	-	207,141	207,141	-
LIABILITIES				
Current liabilities				
Accounts payable	444,915	364,697	809,612	1,888
Accrued liabilities	119,816	8,146	127,962	87
Accrued interest payable	3,744	42,503	46,247	-
Unearned revenue	40,801	-	40,801	-
Current portion of compensated absences	28,013	-	28,013	-
Current portion of long-term debt	119,481	1,065,519	1,185,000	-
Total current liabilities	756,770	1,480,865	2,237,635	1,975
Noncurrent liabilities				
Noncurrent portion of compensated absences	84,039	-	84,039	-
Noncurrent portion of long-term debt	529,844	8,171,960	8,701,804	-
Other postemployment benefit obligations	5,778,664	-	5,778,664	-
Total noncurrent liabilities	6,392,547	8,171,960	14,564,507	-0-
TOTAL LIABILITIES	7,149,317	9,652,825	16,802,142	1,975
NET POSITION				
Net investment in capital assets	2,870,870	10,512,445	13,383,315	-
Restricted for:				
Capital projects	5,651	-	5,651	-
Drug law enforcement	5,008	-	5,008	-
Fringe benefits and insurances	107,361	-	107,361	-
General obligation debt service	30,340	-	30,340	-
Postemployment benefits	130,779	-	130,779	-
Public safety	74,292	-	74,292	-
Streets	377,014	-	377,014	-
Unrestricted (deficit)	(3,585,565)	2,210,867	(1,374,698)	716,536
TOTAL NET POSITION	\$ 15,750	\$ 12,723,312	\$ 12,739,062	\$ 716,536

See accompanying notes to the financial statements.

City of Center Line
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,824,390	\$ 760,029	\$ 21,386	\$ -
Public safety	4,275,183	193,706	59,041	219,078
Public works	1,485,370	-	501,305	14,494
Community and economic development	48,029	-	-	6,510
Recreation and culture	499,914	70,713	9,670	-
Interest on long-term debt	23,873	-	-	-
Total governmental activities	<u>8,156,759</u>	<u>1,024,448</u>	<u>591,402</u>	<u>240,082</u>
Business-type activities				
Water and sewer	2,783,563	2,718,718	-	-
Solid waste disposal	297,779	363,796	-	-
Total business-type activities	<u>3,081,342</u>	<u>3,082,514</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,238,101</u>	<u>\$ 4,106,962</u>	<u>\$ 591,402</u>	<u>\$ 240,082</u>
Component unit				
Downtown Development Authority	<u>\$ 14,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
Property taxes
Payment in lieu of taxes - unrestricted
State shared revenues - unrestricted
Cable franchise fees - unrestricted
Investment and rent earnings
Miscellaneous

Total general revenues

Transfers

CHANGE IN NET POSITION

Net position, beginning of the year

Net position, end of the year

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (1,042,975)	\$ -	\$ (1,042,975)	\$ -
(3,803,358)	-	(3,803,358)	-
(969,571)	-	(969,571)	-
(41,519)	-	(41,519)	-
(419,531)	-	(419,531)	-
(23,873)	-	(23,873)	-
(6,300,827)	-0-	(6,300,827)	-0-
-	(64,845)	(64,845)	-
-	66,017	66,017	-
-	1,172	1,172	-0-
(6,300,827)	1,172	(6,299,655)	-0-
-	-	-	(14,715)
5,734,767	-	5,734,767	529
100,919	-	100,919	-
860,367	-	860,367	-
134,177	-	134,177	-
25,389	1,888	27,277	870
124,454	-	124,454	-
6,980,073	1,888	6,981,961	1,399
(1,025,145)	1,025,145	-0-	-
(345,899)	1,028,205	682,306	(13,316)
361,649	11,695,107	12,056,756	729,852
\$ 15,750	\$ 12,723,312	\$ 12,739,062	\$ 716,536

City of Center Line

Governmental Funds

BALANCE SHEET

June 30, 2014

	General	Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,099,770	\$ 237,746	\$ 38,066	\$ 921,526	\$ 3,297,108
Receivables					
Accounts	66,054	1,227	-	-	67,281
Taxes	28,816	2,591	1,201	-	32,608
Other governmental units	176,881	1,743	-	74,605	253,229
Due from others	-	13,432	-	-	13,432
Assets held for sale	79,246	-	-	-	79,246
Prepays	107,361	74,292	-	785	182,438
TOTAL ASSETS	\$ 2,558,128	\$ 331,031	\$ 39,267	\$ 996,916	\$ 3,925,342
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	324,897	38,404	4,042	77,572	444,915
Accrued and other liabilities	57,237	62,153	-	426	119,816
Unearned revenue					
Parks and recreation revenues	2,040	-	-	-	2,040
Public safety grant revenues	-	22,942	-	5,651	28,593
County drain pass through revenues	10,168	-	-	-	10,168
TOTAL LIABILITIES	394,342	123,499	4,042	83,649	605,532
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Delinquent tax receivables	19,381	2,461	1,141	-	22,983
Delinquent blight receivables	6,050	-	-	-	6,050
TOTAL DEFERRED INFLOWS OF RESOURCES	25,431	2,461	1,141	-0-	29,033
FUND BALANCES					
Nonspendable	186,607	74,292	-	785	261,684
Restricted	-	130,779	34,084	386,888	551,751
Assigned	924,750	-	-	525,594	1,450,344
Unassigned	1,026,998	-	-	-	1,026,998
TOTAL FUND BALANCES	2,138,355	205,071	34,084	913,267	3,290,777
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,558,128	\$ 331,031	\$ 39,267	\$ 996,916	\$ 3,925,342

See accompanying notes to the financial statements.

City of Center Line

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - governmental funds		\$ 3,290,777
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		3,520,195
Investment in joint ventures are not included as an asset in the governmental funds		(280,470)
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		
Unavailable revenues		29,033
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds and loans payable	\$ 649,325	
Accrued interest payable	3,744	
Compensated absences	112,052	
Other postemployment benefit obligations	<u>5,778,664</u>	
		<u>(6,543,785)</u>
Net position of governmental activities		<u><u>\$ 15,750</u></u>

See accompanying notes to the financial statements.

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City of Center Line

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General	Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,392,750	\$ 2,376,596	\$ 1,098,734	\$ -	\$ 5,868,080
Licenses and permits	225,279	-	-	-	225,279
Intergovernmental	1,006,836	62,841	-	723,093	1,792,770
Charges for services	446,887	21,558	-	-	468,445
Fines and forfeits	425,444	2,444	-	11,499	439,387
Interest and rents	23,218	897	161	1,116	25,392
Other revenue	124,556	71,858	-	1,129	197,543
TOTAL REVENUES	4,644,970	2,536,194	1,098,895	736,837	9,016,896
EXPENDITURES					
Current					
General government	1,379,978	-	-	-	1,379,978
Public safety	187,016	3,488,951	-	-	3,675,967
Public works	791,502	-	-	634,795	1,426,297
Community and economic development	8,604	-	-	-	8,604
Recreation and culture	425,004	-	-	-	425,004
Debt service	633,326	-	143,972	-	777,298
Capital outlay	41,843	37,254	-	378,150	457,247
TOTAL EXPENDITURES	3,467,273	3,526,205	143,972	1,012,945	8,150,395
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,177,697	(990,011)	954,923	(276,108)	866,501
OTHER FINANCING SOURCES (USES)					
Transfers in	-	866,739	-	162,298	1,029,037
Transfers out	(866,739)	-	(1,025,145)	(162,298)	(2,054,182)
TOTAL OTHER FINANCING SOURCES (USES)	(866,739)	866,739	(1,025,145)	-0-	(1,025,145)
NET CHANGE IN FUND BALANCES	310,958	(123,272)	(70,222)	(276,108)	(158,644)
Fund balances, beginning of year	1,827,397	328,343	104,306	1,189,375	3,449,421
Fund balances, end of year	<u>\$ 2,138,355</u>	<u>\$ 205,071</u>	<u>\$ 34,084</u>	<u>\$ 913,267</u>	<u>\$ 3,290,777</u>

See accompanying notes to the financial statements.

City of Center Line

RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (158,644)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 263,182	
Depreciation expense	<u>(251,009)</u>	
		12,173

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. In the current period these amounts consist of:

Change in unavailable revenues	(137,689)
--------------------------------	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 119,481

Some items 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. These activities consist of:

Decrease in accrued interest payable	618	
Increase in compensated absences	(1,790)	
Decrease in joint venture investment	(310,302)	
Decrease in other postemployment benefit obligations	<u>130,254</u>	
		<u>(181,220)</u>

Change in net position of governmental activities \$ (345,899)

City of Center Line

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2014

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,464,576	\$ 158,830	\$ 1,623,406
Accounts receivable	796,356	111,876	908,232
Prepaid expenses	4,704	-	4,704
Total current assets	2,265,636	270,706	2,536,342
Noncurrent assets			
Other postemployment benefit asset	89,871	-	89,871
Capital assets, net of accumulated depreciation	19,542,783	-	19,542,783
Total noncurrent assets	19,632,654	-	19,632,654
TOTAL ASSETS	21,898,290	270,706	22,168,996
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	207,141	-	207,141
LIABILITIES			
Current liabilities			
Accounts payable	342,510	22,187	364,697
Accrued liabilities	8,146	-	8,146
Accrued interest payable	42,503	-	42,503
Current portion of long-term debt	1,065,519	-	1,065,519
Total current liabilities	1,458,678	22,187	1,480,865
Noncurrent liabilities			
Noncurrent portion of long-term debt	8,171,960	-	8,171,960
TOTAL LIABILITIES	9,630,638	22,187	9,652,825
NET POSITION			
Net investment in capital assets	10,512,445	-	10,512,445
Unrestricted	1,962,348	248,519	2,210,867
TOTAL NET POSITION	\$ 12,474,793	\$ 248,519	\$ 12,723,312

See accompanying notes to the financial statements.

City of Center Line

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2014

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
OPERATING REVENUES			
Charges for services	\$ 2,718,718	\$ 363,796	\$ 3,082,514
OPERATING EXPENSES			
Cost of water and sewage disposal	1,411,057	-	1,411,057
Cost of solid waste disposal	-	273,014	273,014
Salaries and fringe benefits	274,744	-	274,744
Utilities	24,997	-	24,997
Repairs and maintenance	106,662	-	106,662
Professional services	126,829	24,765	151,594
Operating supplies	85,266	-	85,266
Vehicle expenses	4,867	-	4,867
Other	403	-	403
Depreciation	441,546	-	441,546
TOTAL OPERATING EXPENSES	2,476,371	297,779	2,774,150
OPERATING INCOME	242,347	66,017	308,364
NONOPERATING REVENUES (EXPENSES)			
Interest earned	1,745	143	1,888
Interest expense	(265,652)	-	(265,652)
Bond discount and deferred charges	(40,914)	-	(40,914)
Paying agent fees	(626)	-	(626)
TOTAL NONOPERATING REVENUES (EXPENSES)	(305,447)	143	(305,304)
NET INCOME (LOSS) BEFORE TRANSFERS	(63,100)	66,160	3,060
TRANSFERS IN	1,025,145	-	1,025,145
CHANGE IN NET POSITION	962,045	66,160	1,028,205
Net position, beginning of year	11,512,748	182,359	11,695,107
Net position, end of year	\$ 12,474,793	\$ 248,519	\$ 12,723,312

See accompanying notes to the financial statements.

City of Center Line

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,593,706	\$ 355,045	\$ 2,948,751
Payments to suppliers for water supply, sewage disposal, and waste disposal	(1,753,121)	(276,427)	(2,029,548)
Payments to employees and employee trusts	(269,120)	-	(269,120)
NET CASH PROVIDED BY OPERATING ACTIVITIES	571,465	78,618	650,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on long-term debt	(1,240,145)	-	(1,240,145)
Paying agent fees	(626)	-	(626)
Transfers from other funds	1,025,145	-	1,025,145
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(215,626)	-0-	(215,626)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,745	143	1,888
NET INCREASE IN CASH AND CASH EQUIVALENTS	357,584	78,761	436,345
Cash and cash equivalents, beginning of year	1,106,992	80,069	1,187,061
Cash and cash equivalents, end of year	\$ 1,464,576	\$ 158,830	\$ 1,623,406
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 242,347	\$ 66,017	\$ 308,364
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	441,546	-	441,546
Change in:			
Receivables	(125,012)	(8,751)	(133,763)
Prepays	1,216	-	1,216
Accounts payable	5,744	21,352	27,096
Accrued and other liabilities	5,624	-	5,624
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 571,465	\$ 78,618	\$ 650,083

See accompanying notes to the financial statements.

City of Center Line

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Fiduciary Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,156,079	\$ 226,255
Investments		
U.S. Treasury securities	799,490	-
Federal agency securities	685,686	-
Common and preferred stocks	11,486,289	-
Corporate bonds and notes	312,563	-
Contributions receivable	3,806	-
Accrued interest receivable	9,974	-
Prepaid expense	6,620	-
	<u>\$ 14,460,507</u>	<u>\$ 226,255</u>
TOTAL ASSETS		
	<u>\$ 14,460,507</u>	<u>\$ 226,255</u>
Accounts payable	\$ 6,746	\$ -
Due to other governmental units	-	168,665
Due to others	-	57,590
	<u>6,746</u>	<u>226,255</u>
TOTAL LIABILITIES		
	<u>6,746</u>	<u>\$ 226,255</u>
NET POSITION		
Held in Trust for Pension and Other Employee Benefits	<u>\$ 14,453,761</u>	

See accompanying notes to the financial statements.

City of Center Line

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income (loss):	
Interest and dividends	\$ 306,211
Net increase in fair value of investments	1,876,604
Investment-related expenses	<u>(112,572)</u>
Net investment income (loss)	2,070,243
Contributions:	
Employer	2,543,488
Employee	<u>96,770</u>
Total contributions	<u>2,640,258</u>
Total additions - Net	<u>4,710,501</u>
DEDUCTIONS	
Benefit payments	2,340,920
Administrative expenses	<u>43,791</u>
Total deductions	<u>2,384,711</u>
Net Change	2,325,790
Assets Held in Trust for Pension and Other Employee Benefits - Beginning of Year	<u>12,127,971</u>
Assets Held in Trust for Pension and Other Employee Benefits - End of Year	<u><u>\$ 14,453,761</u></u>

See accompanying notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Center Line is a second ring suburb of the metropolitan Detroit region, located in Macomb County, Michigan, and has a population of approximately 8,300. Center Line is a home rule city with a city manager/council form of government. The city is located ten (10) miles north of downtown Detroit and is centrally located along U.S. Interstate 696 and just one (1) mile from U.S. Interstate 75, making the city an ideal location for industry and commerce.

The city has five city council members who are selected at large for overlapping four (4) year terms. The council appoints the city manager/clerk, public safety director, and city finance director/treasurer.

The financial statements of the city have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The city's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of the City of Center Line (primary government) and its component unit, the entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. The component unit is included in the city's audited financial statements and is not audited separately.

2. Joint Venture

The city participates in the following activities which are considered to be joint ventures in relation to the city, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

South Macomb Disposal Authority – The city is a member of the South Macomb Disposal Authority (the authority), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Eastpointe, Roseville, St. Clair Shores, and Warren, Michigan. The city appoints one member to the joint venture's governing board, which then approves the annual budget. The city's net equity interest in the authority's operating reserve totaling \$(280,470) is recorded within the governmental activities column of the statement of net position.

Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan.

37th District Court, State of Michigan – The city is a member of the 37th District Court, State of Michigan, which provides services to the residents of the cities of Center Line and Warren. As of the most recent financial statements available, the District Court has no equity. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Complete financial statements for the 37th District Court, State of Michigan can be obtained from the administrative offices at 8300 Common Road, Warren, Michigan.

3. Discretely Presented Component Unit

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, consisting of eleven (11) individuals, is selected by the city council. In addition, the DDA's budget is subject to approval by the city council. The DDA does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

The city has an Economic Development Corporation and a Building Authority; however, these entities had no financial activity during the year.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, except for interfund services provided and used, interfund activity has been eliminated in the preparation of 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.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the city's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

- a. The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Public Safety Fund is used to account for the public safety tax collections that are legally restricted to expenditures for the purpose of public safety operations and public safety retirement costs.
- c. The Debt Service Fund is used to account for the general obligation debt millage tax collections as well as the associated principal and interest debt service payments paid from the millage collections.

The city reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

Additionally, the city reports trust funds to account for the activities of the employee benefit plans, which accumulate resources for pension and other post-employment benefits obligations to qualified employees. The city's trust funds are the Police and Fire Retirement System Fund and the OPEB Investment Trust Fund.

The city also reports agency funds to account for assets held by the city as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The city's agency funds are the Trust and Agency Fund and the Current Tax Collections Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current net position.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unearned or unavailable revenue. Significant revenues susceptible to accrual are certain intergovernmental revenues and certain charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

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 are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/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.

7. Budgets and Budgetary Accounting

The annual budget is prepared by the city administration and adopted by the city council and has been prepared in accordance with GAAP. Subsequent amendments are approved by the city council. Unexpended appropriations lapse at year end. Encumbrance accounting is employed in all primary government and component unit funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assignment of fund balances and do not constitute expenditures or liabilities because the goods or services have not yet been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations are considered spent when goods are received or services are rendered.

During the year, the budget was amended in a legally permissible manner. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

The city manager presents the preliminary budget to city council by no later than April and the final budget is legally adopted, in compliance with the city charter, by no later than the first week in June in order to commence on the first day of July.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, certificates of deposit, and investment trust fund accounts. The cash equivalents are recorded at cost, which approximates market value.

Investments include U.S. government securities and corporate bonds (both domestic and foreign). All investments are stated at market value.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the city from various fines and forfeits, and taxes levied that have not been collected.

10. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or federal government for various payments and grants.

11. Property Tax

The City of Center Line bills and collects its own property taxes and taxes for other governmental units. The city's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Property Tax - concluded

Property taxes are levied by the City of Center Line on July 1 and December 1 and are payable without penalty through August 31 and February 28, respectively. The July 1 levy is composed of the county's levy, the State Education Tax assessment, half of school district, intermediate school district, and community college levies, and the all city millages and assessments.

The December 1 levy is composed of second half school, intermediate school district, and community college taxes; the zoological society, art authority, veterans, SMART bus, HCMA, and county drain debt taxes, as well as any unpaid July 1 city levies. All real property taxes not paid to the city by March 1 are turned over to the Macomb County Treasurer for collection. The Macomb County Treasurer remits settlement payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are also remitted to the Macomb County Treasurer. Delinquent personal property taxes are then collected by the Macomb County Treasurer, who transmits any successful collections back to the city. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The city is permitted by state statute to levy taxes up to 25 mills (\$25 per \$1,000 of assessed valuation) for general governmental services other than the payment of debt service. The city is also permitted to levy additional mills specifically designated for police and fire pension, and public safety operations.

Current year ad valorem tax collections can be summarized as follows:

Ad valorem taxable value	\$	151,942,891
<u>Millage Type</u>	<u>Millage Levied</u>	<u>Tax Levied</u>
City operating	14.6630	\$ 2,227,938
Debt service	7.2330	1,099,003
Police and fire pension	8.1065	1,231,725
Public safety operating	<u>7.5000</u>	<u>1,139,572</u>
Totals	<u>37.5025</u>	<u>\$ 5,698,238</u>

12. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments are recorded as expenditures proportionally over the period that services are provided (consumption method).

13. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Capital Assets - concluded

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Utility systems	70 years
Land improvements	20 years
Building and improvements	50 years
Machinery and equipment	5 - 20 years

14. Deferred Outflows/Inflows and Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds financial statement of net position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The city has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds financial statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent property taxes, and from delinquent city blight fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

15. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

16. Interfund Transactions

During the course of normal operations, the city has numerous transactions between funds, including expenditures and transfers of resources to construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

17. Long-Term Obligations - concluded

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Pension and Other Postemployment Benefit (OPEB) Costs

The city offers both pension and retiree healthcare benefits to retirees. The city receives an actuarial-based calculation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the city reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

19. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

20. Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Center Line's highest level of decision-making authority is the city council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, city council has not delegated this authority and as the governing board of the city, is charged with assigning amounts to specific purposes.

For the classification of fund balances, the City of Center Line considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City of Center Line considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

21. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the city is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this state under the laws of this state or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the state under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Police and Fire Retirement System Fund and OPEB Investment Trust Fund are also authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, certain real estate investments, and certain other specified investment vehicles.

The city has designated two banks for the deposit of its funds. The investment policy adopted by the board has authorized investments in accordance with Public Act 196 of 1997. The city's deposits are in accordance with statutory requirements.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. At year end, 26 percent of the city's bank deposits (checking accounts) were uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the city evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The city's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the city had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Police and Fire Retirement System:		
U.S. Treasury securities	\$ 609,841	7.72
Federal agency securities	609,578	22.96
Corporate bonds	312,563	9.76
Common and preferred stock	9,717,042	N/A
OPEB Investment Trust Fund:		
U.S. Treasury securities	189,649	7.12
Federal agency securities	76,108	26.91
Common and preferred stock	1,769,247	N/A
	<u>\$ 13,284,028</u>	

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The city's investment policy does not further limit its investment choices. As of the year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Police and Fire Retirement System:			
Federal agency securities	\$ 609,578	Aaa	Moody's
Corporate bonds	312,563	Aa1 to Baa2	Moody's
Common stock	9,717,042	N/A	
OPEB Investment Trust Fund:			
Federal agency securities	76,108	Aaa	Moody's
Common and preferred stock	<u>1,769,247</u>	N/A	
	<u>\$ 12,484,538</u>		

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business type funds have been eliminated.

Transfers to the Public Safety Fund from:	
General Fund	<u>\$ 866,739</u>
Transfers to the Water and Sewer Fund from:	
Debt Service Fund	<u>\$ 1,025,145</u>
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 162,298</u>

The transfers to the Public Safety Fund from the General Fund were for operating costs in excess of public safety tax levies. The transfers to the Water and Sewer Fund from the Debt Service Fund were for debt payments. The transfers to the nonmajor governmental funds from other nonmajor governmental funds were to fund general operations as allowed by state law.

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D: CAPITAL ASSETS

Capital asset activity of the primary government was as follows:

Governmental activities	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,445,365	\$ 35,799	\$ -	\$ 1,481,164
Construction in progress	-	21,028	-	21,028
Total capital assets not being depreciated	1,445,365	56,827	-0-	1,502,192
Capital assets being depreciated:				
Building and improvements	2,396,916	38,100	-	2,435,016
Machinery and equipment	3,621,101	153,064	173,317	3,600,848
Land improvements	654,546	15,191	-	669,737
Subtotal	6,672,563	206,355	173,317	6,705,601
Accumulated depreciation:				
Building and improvements	1,171,583	44,317	-	1,215,900
Machinery and equipment	2,911,184	185,961	173,317	2,923,828
Land improvements	527,139	20,731	-	547,870
Subtotal	4,609,906	251,009	173,317	4,687,598
Net capital assets being depreciated	2,062,657	(44,654)	-0-	2,018,003
Net capital assets	<u>\$ 3,508,022</u>	<u>\$ 12,173</u>	<u>\$ -0-</u>	<u>\$ 3,520,195</u>
Business-type activities				
Capital assets being depreciated:				
Utility system	\$ 23,188,801	\$ -	\$ -	\$ 23,188,801
Building and improvements	1,502,990	-	-	1,502,990
Machinery and equipment	1,598,803	-	-	1,598,803
Subtotal	26,290,594	-0-	-0-	26,290,594
Accumulated depreciation				
Utility system	4,604,916	332,086	-	4,937,002
Building and improvements	815,328	25,567	-	840,895
Machinery and equipment	886,021	83,893	-	969,914
Subtotal	6,306,265	441,546	-0-	6,747,811
Net capital assets	<u>\$ 19,984,329</u>	<u>\$ (441,546)</u>	<u>\$ -0-</u>	<u>\$ 19,542,783</u>

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D: CAPITAL ASSETS - CONCLUDED

Depreciation expense was charged to the following governmental activities:

General government	\$ 45,583
Public safety	73,627
Public works	62,622
Recreation and culture	68,796
Community and Economic Development	<u>381</u>
Total governmental activities	<u>\$ 251,009</u>

NOTE E: LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities							
Unlimited Tax General Obligation Bonds:							
2004 Refunding Bonds							
Amount of issue - \$1,490,000	3.20% -	\$91,368 -					
Maturing through 2020	3.80%	\$127,915	\$ 768,806	\$ -	\$ 119,481	\$ 649,325	\$ 119,481
Compensated absences - General Fund obligations			<u>110,262</u>	<u>148,593</u>	<u>146,803</u>	<u>112,052</u>	<u>28,013</u>
Total governmental activities			<u>\$ 879,068</u>	<u>\$ 148,593</u>	<u>\$ 266,284</u>	<u>\$ 761,377</u>	<u>\$ 147,494</u>
Business-type Activities							
Unlimited Tax General Obligation Bonds:							
2004 Refunding Bonds							
Amount of issue - \$3,810,000	3.20% -	\$233,632 -					
Maturing through 2020	3.80%	\$327,085	1,966,147	-	305,519	1,660,628	305,519
2011 Refunding Bonds							
Amount of issue - \$4,005,000	2.00% -	\$275,000 -					
Maturing through 2020	4.00%	\$655,000	3,710,000	-	450,000	3,260,000	540,000
State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:							
2010 Issue							
Amount of issue - \$5,277,000		\$220,000 -					
Maturing through 2030	2.50%	\$321,581	4,531,851	-	215,000	4,316,851	220,000
Total business-type activities			<u>\$ 10,207,998</u>	<u>\$ -</u>	<u>\$ 970,519</u>	<u>\$ 9,237,479</u>	<u>\$ 1,065,519</u>

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: LONG-TERM DEBT - CONCLUDED

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 119,481	\$ 20,554	\$ 140,035	\$ 1,065,519	\$ 244,728	\$ 1,310,247
2016	127,915	16,531	144,446	1,102,085	218,043	1,320,128
2017	109,642	12,557	122,199	1,110,358	187,755	1,298,113
2018	108,236	8,799	117,035	1,156,764	153,795	1,310,559
2019	92,774	5,188	97,962	1,137,226	119,138	1,256,364
2020-2024	91,277	1,736	93,014	1,843,632	339,419	2,183,051
2025-2029	-	-	-	1,500,000	154,355	1,654,355
2030	-	-	-	321,895	8,046	329,940
Total	<u>\$ 649,325</u>	<u>\$ 65,365</u>	<u>\$ 714,691</u>	<u>\$ 9,237,479</u>	<u>\$ 1,425,279</u>	<u>\$10,662,757</u>

Unamortized deferred charges activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unamortized deferred charges	<u>\$ (248,055)</u>	<u>\$ -</u>	<u>\$ (40,914)</u>	<u>\$ (207,141)</u>

Advance Refunding

On August 23, 2011, the city defeased the 1998B Water and Sewer Bonds which were due and payable April 1, 1999 through April 1, 2019, and the 2002 Water and Sewer Bonds, which were due and payable October 1, 2003, through October 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The city issued 2011 General Obligation Unlimited Tax Refunding Bonds in the amount of \$4,005,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the city's financial statements.

At June 30, 2014, bonds due and payable April 1, 2015, through April 1, 2019, for the 1998B Unlimited Tax General Obligation Bonds in the amount of \$1,700,000; and bonds due and payable October 1, 2014, through October 1, 2019, for the 2002 Unlimited Tax General Obligation Bonds in the amount of \$1,450,000 are considered defeased.

NOTE F: 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 has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Risk Pool for claims relating to property loss, torts, errors and omissions, and workers' compensation claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Center Line Police and Fire Retirement System (the system) is the administrator of a single-employer defined benefit pension plan that covers public safety employees of the city. Public Act 345 of 1937 grants the authority to establish and amend the benefit terms to the board of trustees of the system. The system does not issue a separate financial report.

At December 31, 2013, the date of the most recent actuarial valuation, membership consisted of 46 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 17 current active employees.

The system provides retirement, death, disability, and health benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated as 2.5 percent of the employee's 3 year average final compensation (AFC) times the first 25 years of service plus 1 percent of AFC times years of service in excess of 25 years. Members hired before September 12, 2011 may elect annuity withdrawal at retirement. All employees with 25 years of service are eligible to retire at age 55. Employees hired before September 12, 2011, may retire at any age provided they have accumulated 20 years of service. All employees are eligible for non-duty disability benefits after 5 years of service and for duty-related disability benefits upon hire. Non-duty disability benefits are equal to 1.5 percent of AFC times years of service until age 55, at which time the benefit is the same as service retirement pension. Duty disability to age 55 or 25 years of service is equal to 50 percent of AFC, after which the benefit converts to the same benefit as a service retirement pension with additional service credit from the date of disability.

The system does not provide any cost-of-living adjustments to retirement benefits.

The obligation to contribute to and maintain the system was established by city ordinances and state statute (P.A. 345 of 1937) and requires employee contributions ranging from 7.25 percent to 9.25 percent based on hiring date and employee rank. The city is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The contributions recognized by the system from the city during the year ended June 30, 2014 were \$647,807.

Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the system has been determined on the same basis as they are reported by the city. 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.

As of June 30, 2014 the plan's legally required reserves consist of the following:

Reserve for employee's contributions	\$ 1,368,587
Reserve for retired benefit payments	10,246,542

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Liability

The city's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2013 using the following actuarial assumptions applied to all periods included in the measurement:

Inflation		4.00 %	
Salary increases	4.00 %	7.00 %	including inflation
Investment rate of return		7.00 %	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected to 2020 with scale BB. The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period of 2008 – 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Projected Rate of Return</u>
Large cap equity	35%	8%
International equity	16%	8%
Small/Mid cap equity	19%	8%
Fixed income	<u>30%</u>	4%
	<u>100%</u>	

A single discount rate of 6.60 percent was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.00 percent and municipal bond rate of 4.29 percent. The projection of cash flows used to determine this single discount rate assumed that plan member 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 and future contributions was projected to be sufficient to finance the benefit payments through 2052. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2052, and the municipal bond rate was applied to all benefit payments after that date.

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN - CONCLUDED

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Opening balances	\$ 18,463,820	\$ 10,256,347	\$ 8,207,473
Changes for the year			
Service cost	377,733	-	377,733
Interest	1,191,568	-	1,191,568
Employer contributions	-	674,807	(674,807)
Employee contributions	-	96,770	(96,770)
Net investment income	-	1,817,098	(1,817,098)
Benefit payments, including refunds of employee contributions	(1,197,251)	(1,197,251)	-0-
Administrative expenses	-	(32,642)	32,642
Net changes	<u>372,050</u>	<u>1,358,782</u>	<u>(986,732)</u>
Closing balances	<u>\$ 18,835,870</u>	<u>\$ 11,615,129</u>	<u>\$ 7,220,741</u>

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.60 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	<u>1% Decrease 5.60%</u>	<u>Current Single Rate 6.60%</u>	<u>1% Increase 7.60%</u>
Total pension liability	\$ 21,106,331	\$ 18,835,870	\$ 16,947,569
Plan fiduciary net position	<u>11,615,129</u>	<u>11,615,129</u>	<u>11,615,129</u>
Net pension liability	<u>\$ 9,491,202</u>	<u>\$ 7,220,741</u>	<u>\$ 5,332,440</u>

Payable to the System

At June 30, 2014, the city reported a payable of \$3,806 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2014.

NOTE H: AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

The city participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all city employees except for those in the public safety department and newly hired non-union full-time employees. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN - CONCLUDED

Plan Description - concluded

The MERS issues a publically available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the city's bargaining units and requires a contribution from covered employees ranging from 5 percent to 8 percent of gross wages.

Annual Pension Cost and Net Pension Obligation

For the year ended June 30, 2014, the city's annual pension cost of \$165,477 was equal to the required and actual contribution.

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increase of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent to 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The amortization period is 25 years.

Three-year Trend Information

Trend information for the three most recently issued actuarial valuations as well as well as annual pension cost trend information is presented as follows:

	Year Ended June 30,		
	2014	2013	2012
Annual pension cost (APC)	\$ 165,477	\$ 145,938	\$ 141,448
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

	Year Ended December 31,		
	2013	2012	2011
Actuarial value of assets	\$ 4,217,216	\$ 4,535,385	\$ 4,924,063
Actuarial accrued liability (AAL) (entry age)	8,128,552	8,135,128	8,155,364
Unfunded AAL (UAAL)	3,911,336	3,599,743	3,231,301
Funded ratio	51.9%	55.8%	60.4%
Covered payroll	585,503	587,297	738,596
UAAL as a percentage of covered payroll	668.0%	612.9%	437.5%

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: DEFINED CONTRIBUTION PENSION PLAN

The city provides pension benefits to all new non-union full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate as of their date of employment. As established by city council, the city contributes \$3,000 annually to each eligible employee. There are no required employee contributions. The city's contributions to the employees' accounts including investment earnings are fully vested when contributed by the city. In accordance with the plan requirements, the city contributed \$6,000 during the current year.

NOTE J: POSTEMPLOYMENT BENEFITS

Plan Description

The city provides retiree healthcare benefits to eligible employees upon retirement, in accordance with labor contracts. This benefit is referred to as an "other postemployment benefit" or "OPEB".

Currently, the plan covers 21 active employees and 74 retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The city purchases Medicare supplemental insurance for retirees eligible for Medicare. This is a single employer defined benefit plan administered by the city. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the city.

Funding Policy

Currently, no contributions are required by the participants. Retiree healthcare costs are currently recognized when paid by the city on a "pay-as-you-go" basis. The city has no obligation to make contributions in advance of when the insurance premiums are due for payment, but does contribute to the OPEB Investment Trust Fund based on amounts designated as surplus fund balances in the General Fund at the conclusion of each fiscal year. Additionally, the city by policy pays 100% of the portion of the annual required contribution allocated to the Water and Sewer Fund. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due.

Funding Progress

For the year ended June 30, 2014, the city has performed an actuarial valuation as of December 31, 2012 that will be used to determine the annual required contribution for the fiscal years 2013, 2014, and 2015.

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE J: POSTEMPLOYMENT BENEFITS - CONTINUED

Funding Progress - concluded

The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding for the year ended June 30, 2014, as well as a five year summary of OPEB obligations are summarized as follows:

Annual required contribution	\$ 1,805,094
Interest on prior year's net OPEB obligation	349,143
Less: Adjustment to the annual required contribution	<u>(415,810)</u>
Annual OPEB cost	1,738,427
Amounts contributed	<u>(1,868,681)</u>
Decrease in net OPEB obligation	(130,254)
OPEB obligation - July 1, 2013	<u>5,819,047</u>
OPEB obligation - June 30, 2014	<u><u>\$ 5,688,793</u></u>

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/14	12/31/12	\$ 1,805,094	\$ 1,738,427	103.5%	107.5%	\$ 5,688,793
6/30/13	12/31/12	1,798,022	1,723,753	163.7%	170.7%	5,819,047
6/30/12	6/30/11	3,378,740	3,297,009	29.9%	30.7%	7,037,889
6/30/11	6/30/11	3,282,569	3,237,294	36.8%	37.4%	4,752,588
6/30/10	7/1/09	3,869,666	3,869,666	29.6%	29.6%	2,724,869

The funding progress of the plan is as follows for the three most recently completed valuation reports:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/12	\$ 798,676	\$ 24,456,624	\$ 23,657,948	3.3%	\$ 1,606,742	1472.4%
6/30/11	54,183	46,314,469	46,260,286	0.1%	1,876,172	2487.7%
7/1/09	53,666	50,901,576	50,847,910	0.1%	2,043,991	2465.7%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE J: POSTEMPLOYMENT BENEFITS - CONCLUDED

Actuarial Methods and Assumptions - concluded

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 discount rate, which is the expected long-term investment returns on assets expected to be used to fund the liability and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. The inflation rate assumption was 4 percent. The unfunded AAL will be amortized on a closed basis over 30 years.

NOTE K: ASSETS HELD FOR SALE

Each year, Macomb County offers the city the opportunity to purchase real properties located within the city which have not paid their real property taxes for three consecutive tax years. The city has the option of either purchasing the properties or allowing the county to auction the properties. As of June 30, 2014, the estimated market value of these properties is \$79,246.

NOTE L: STATE CONSTRUCTION CODE FEES

The city oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity is as follows:

CUMULATIVE SHORTFALL - July 1, 2013		\$ (1,040,483)
REVENUES		
Building permits	\$ 61,573	
Electrical permits	14,350	
Heating permits	8,740	
Plumbing permits	9,505	94,168
EXPENDITURES		
Direct costs	\$ (121,097)	
Estimated indirect costs	(12,110)	(133,207)
EXCESS OF EXPENDITURES OVER REVENUES		(39,039)
CUMULATIVE SHORTFALL - June 30, 2014		<u>\$ (1,079,522)</u>

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

The following schedule details fund balance classifications for the City of Center Line:

	General Fund	Public Safety Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
FUND BALANCES					
Nonspendable for:					
Prepays	\$ 107,361	\$ 74,292	\$ -	\$ 785	\$ 182,438
Assets held for sale	79,246			-	79,246
Restricted for:					
Drug law enforcement	-	-	-	5,008	5,008
Streets	-	-	-	376,229	376,229
Postemployment benefits	-	130,779	-	-	130,779
Debt service	-	-	34,084	-	34,084
Public safety equipment	-	-	-	5,651	5,651
Assigned to:					
Budgeted future use of fund balance	434,919	-	-	-	434,919
Subsequent OPEB contribution based on 2014 operating results	489,831	-	-	-	489,831
Capital projects	-	-	-	525,594	525,594
Unassigned	1,026,998	-	-	-	1,026,998
TOTAL FUND BALANCES	\$ 2,138,355	\$ 205,071	\$ 34,084	\$ 913,267	\$ 3,290,777

See Note A for the city's policies regarding fund balance classifications.

NOTE N: WATER AND SEWER FUND UNRESTRICTED NET POSITION

The following is a summary of the unrestricted net position for the Water and Sewer Fund with management's designation:

<u>Designated purpose</u>	
Capital improvement	\$ 724,163
Undesignated	<u>1,238,185</u>
Total unrestricted net position	<u>\$ 1,962,348</u>

NOTE O: MICHIGAN PERSONAL PROPERTY TAX REFORM REPORTING REQUIREMENT

As required by Michigan Public Acts 397 through 408 of 2012, all municipalities must report certain information regarding the funding of essential services as a footnote on their fiscal year 2014 comprehensive annual financial report. In compliance with this law, the city reports 22.2% of general revenues, or \$924,135, was used to fund essential services during the city's fiscal year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE P: SUBSEQUENT EVENTS

On August 11, 2014, Southeast Michigan experienced a significant flooding event. On September 25, 2014, a major disaster declaration was made by the Federal Emergency Management Agency (FEMA), which included the City of Center Line within the geographical region covered. Private property losses as of the audit opinion date of this report are approximately \$2.7 million. Additionally, the city experienced losses to road infrastructure, and loss of and damage to public safety emergency response equipment. The city also incurred costs due to emergency refuse disposal and incurred significant public safety personnel overtime costs as a result of the disaster. The city has estimated losses of approximately \$100,000, net of insurance proceeds.

City management has begun the process of reporting these losses with FEMA in order to obtain grants to cover the majority of this un-budgeted additional cost, but no funds have been formally obligated from FEMA as of the audit opinion date.

NOTE Q: CHANGES IN ACCOUNTING PRINCIPLE

GASB Statement No. 67, *Financial Reporting for Pension Plans* was implemented during the current year. Statement 67 changed how the city calculates the total pension liability for the city's pension plans.

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The city is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 68 is effective for the year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. The city is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 69 is effective for the year ending June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Statement 71, improves accounting and financial reporting by addressing an issue in Statement 68, *Accounting and Financial Reporting of Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement by employers and non-employer contributing entities. Statement 71 should be applied simultaneously with the provisions of Statement 68. The city is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 71 is effective for the year ending June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

City of Center Line

General Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,337,630	\$ 2,346,679	\$ 2,392,750	\$ 46,071
Licenses and permits	154,000	234,500	225,279	(9,221)
Intergovernmental				
Federal sources	37,500	43,500	27,386	(16,114)
State sources	913,558	937,163	979,450	42,287
Charges for services	569,930	560,680	446,887	(113,793)
Fines and forfeits	292,500	367,500	425,444	57,944
Interest and rents	22,150	22,150	23,218	1,068
Other revenue	65,000	40,718	124,556	83,838
TOTAL REVENUES	4,392,268	4,552,890	4,644,970	92,080
EXPENDITURES				
Current				
General government				
Legislative	18,600	19,831	16,113	3,718
City treasurer	198,829	197,629	186,188	11,441
City assessor	96,440	99,424	98,908	516
City manager and clerk	349,760	349,264	324,104	25,160
Other general government	572,306	459,631	380,804	78,827
District court	356,050	526,050	373,861	152,189
Public safety				
Protective inspection	173,405	229,405	187,016	42,389
Public works				
Department of public works	902,185	913,598	791,502	122,096
Community and economic development				
City tax reversion program	21,000	23,017	8,604	14,413
Recreation and culture				
Library	205,056	205,847	188,417	17,430
Recreation department	249,616	257,698	236,587	21,111
Debt service				
OPEB employer contributions	450,000	633,326	633,326	-0-
Capital outlay	32,500	51,029	41,843	9,186
TOTAL EXPENDITURES	3,625,747	3,965,749	3,467,273	498,476
EXCESS OF REVENUES OVER EXPENDITURES	766,521	587,141	1,177,697	590,556

City of Center Line

General Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (898,735)	\$ (912,010)	\$ (866,739)	\$ 45,271
NET CHANGE IN FUND BALANCE	(132,214)	(324,869)	310,958	635,827
Fund balance, beginning of year	1,827,397	1,827,397	1,827,397	-0-
Fund balance, end of year	<u>\$ 1,695,183</u>	<u>\$ 1,502,528</u>	<u>\$ 2,138,355</u>	<u>\$ 635,827</u>

City of Center Line

Public Safety Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 2,355,457	\$ 2,388,029	\$ 2,376,596	\$ (11,433)
Intergovernmental				
Federal	-	588	3,800	3,212
State	10,300	15,605	37,390	21,785
Local	8,000	21,700	21,651	(49)
Charges for services	18,000	12,510	21,558	9,048
Fines and forfeits	1,750	4,108	2,444	(1,664)
Interest	150	1,000	897	(103)
Other revenue	1,100	71,979	71,858	(121)
TOTAL REVENUES	2,394,757	2,515,519	2,536,194	20,675
EXPENDITURES				
Current				
Public safety	3,467,232	3,512,346	3,488,951	23,395
Capital outlay	5,000	37,260	37,254	6
TOTAL EXPENDITURES	3,472,232	3,549,606	3,526,205	23,401
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,077,475)	(1,034,087)	(990,011)	44,076
OTHER FINANCING SOURCES				
Transfers in	898,735	912,010	866,739	(45,271)
NET CHANGE IN FUND BALANCE	(178,740)	(122,077)	(123,272)	(1,195)
Fund balance, beginning of year	328,343	328,343	328,343	-0-
Fund balance, end of year	<u>\$ 149,603</u>	<u>\$ 206,266</u>	<u>\$ 205,071</u>	<u>\$ (1,195)</u>

City of Center Line

Police and Fire Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended June 30, 2014

TOTAL PENSION LIABILITY	
Service cost	\$ 377,733
Interest on the total pension liability	1,191,568
Benefit payments and refunds	<u>(1,197,251)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	372,050
Total pension liability - beginning	<u>18,463,820</u>
Total pension liability - ending (a)	<u><u>\$ 18,835,870</u></u>
PLAN FIDUCIARY NET POSITION	
Employer contributions	\$ 674,807
Employee contributions	96,770
Pension plan net investment income	1,817,098
Benefit payments and refunds	(1,197,251)
Pension plan administrative expense	<u>(32,642)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,358,782
Plan fiduciary net position - beginning	<u>10,256,347</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,615,129</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 7,220,741</u></u>
Plan fiduciary net position as a percentage of total pension liability	61.66%
Covered employee payroll	1,358,765
Net pension liability as a percentage of covered employee payroll	531.42%

City of Center Line

Police and Fire Defined Benefit Pension Plan

SCHEDULE OF NET PENSION LIABILITY

Year Ended June 30, 2014

<u>Fiscal Year Ended June 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 18,835,870	\$ 11,615,129	\$ 7,220,741	61.66%	\$ 1,358,765	531.42%

City of Center Line

Police and Fire Defined Benefit Pension Plan

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30, 2014

<u>Fiscal Year Ended June 30,</u>	<u>Annual Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 674,807	\$ 674,807	\$ -	\$ 1,358,765	49.66
2013	548,854	548,854	-	1,231,942	44.55
2012	474,935	474,935	-	1,347,450	35.25
2011	419,293	419,293	-	1,266,638	33.10
2010	363,684	363,684	-	1,427,346	25.48
2009	343,957	343,957	-	1,421,544	24.20
2008	364,782	364,782	-	1,659,373	21.98
2007	351,503	351,503	-	1,582,773	22.21
2006	329,399	329,399	-	1,713,914	19.22
2005	153,524	153,524	-	1,747,459	8.79

City of Center Line
Police and Fire Defined Benefit Pension Plan
SCHEDULE OF INVESTMENT RETURNS
Year Ended June 30, 2014

<u>Fiscal Year Ended June 30,</u>	<u>Annual Return %⁽¹⁾</u>
2014	17.69

NOTES:

(1) Annual money-weighted rate of return, net of investment expenses

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

NOTE A: POLICE AND FIRE DEFINED BENEFIT PENSION PLAN

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of changes in net pension liability and related ratios presents information about the amount of total benefits promised to plan members (the total pension liability), the amount of funds legally restricted for the purpose of paying the benefits promised to plan members (the plan fiduciary net position), and finally, the difference between these two figures, which is expressed as net pension liability.

The accompanying schedule of contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the annual determined contribution, an amount that is actuarially determined. The schedule also relates the amounts contributed to the percentage of covered payroll.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial valuation:

Frequency	Annual
Latest date	December 31, 2013
Basis for contribution	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Wage inflation	4.00%
Salary increases	4.00% to 7.00% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition*.
Mortality	RP-2000 Mortality Table projected to 2020 with scale BB.

* Experience was last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012.

OTHER SUPPLEMENTARY INFORMATION

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**Nonmajor Governmental Funds
Fund Descriptions**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to record the proceeds associated with specific revenues that are legally restricted and committed for specific purposes.

Major Street – The Major Street Fund accounts for revenues received from the State of Michigan for the city's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Local Street – The Local Street Fund accounts for revenues received from the State of Michigan for the city's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Drug Law Enforcement – This fund accounts for all revenues received by the city for drug forfeiture activities, which finance the city drug law enforcement program activities and related public safety activities.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital purchases, such as vehicles, structural replacements, and major repairs which are not financed by proprietary funds. Capital projects are funded primarily by surplus fund balance transfers from the general fund.

Capital Improvement – This fund accounts for funds received and expended for capital improvement to city owned properties and infrastructure.

City of Center Line
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2014

	Special Revenue Funds		
	Major Street	Local Street	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 325,067	\$ -	\$ 6,658
Due from other governmental units	53,336	21,269	-
Prepays	280	505	-
TOTAL ASSETS	\$ 378,683	\$ 21,774	\$ 6,658
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,533	\$ 12,484	\$ 1,650
Other accrued liabilities	116	310	-
Unearned revenue - public safety grant funds	-	-	-
TOTAL LIABILITIES	10,649	12,794	1,650
FUND BALANCES			
Nonspendable	280	505	-
Restricted	367,754	8,475	5,008
Assigned	-	-	-
TOTAL FUND BALANCES	368,034	8,980	5,008
TOTAL LIABILITIES AND FUND BALANCES	\$ 378,683	\$ 21,774	\$ 6,658

<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Capital Improvement</u>	
\$ 589,801	\$ 921,526
-	74,605
-	785
<u>\$ 589,801</u>	<u>\$ 996,916</u>
\$ 52,905	\$ 77,572
-	426
<u>5,651</u>	<u>5,651</u>
58,556	83,649
-	785
5,651	386,888
<u>525,594</u>	<u>525,594</u>
531,245	913,267
<u>\$ 589,801</u>	<u>\$ 996,916</u>

City of Center Line

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	Special Revenue Funds		
	Major Street	Local Street	Drug Law Enforcement
REVENUES			
Intergovernmental			
Federal sources	\$ -	\$ -	\$ -
State sources	329,120	172,185	-
Local sources	-	-	-
Fines and forfeits	-	-	11,499
Interest	175	177	10
Other revenue	1,085	44	-
TOTAL REVENUES	330,380	172,406	11,509
EXPENDITURES			
Current			
Public works	156,874	477,921	-
Capital Outlay	-	-	9,238
TOTAL EXPENDITURES	156,874	477,921	9,238
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	173,506	(305,515)	2,271
OTHER FINANCING SOURCES (USES)			
Transfers in	-	162,030	-
Transfers out	(162,030)	-	(268)
TOTAL OTHER FINANCING SOURCES (USES)	(162,030)	162,030	(268)
NET CHANGE IN FUND BALANCES	11,476	(143,485)	2,003
Fund balances, beginning of year	356,558	152,465	3,005
Fund balances, end of year	<u>\$ 368,034</u>	<u>\$ 8,980</u>	<u>\$ 5,008</u>

<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Capital Improvement</u>	
\$ 215,278	\$ 215,278
-	501,305
6,510	6,510
-	11,499
754	1,116
-	1,129
<u>222,542</u>	<u>736,837</u>
-	634,795
<u>368,912</u>	<u>378,150</u>
<u>368,912</u>	<u>1,012,945</u>
(146,370)	(276,108)
268	162,298
<u>-</u>	<u>(162,298)</u>
<u>268</u>	<u>-0-</u>
(146,102)	(276,108)
<u>677,347</u>	<u>1,189,375</u>
<u>\$ 531,245</u>	<u>\$ 913,267</u>

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2014

Major Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 305,000	\$ 305,000	\$ 324,066	\$ 19,066
Metro act fees	-	-	5,054	5,054
Interest	-	300	175	(125)
Other revenue	-	1,084	1,085	1
	<u>305,000</u>	<u>306,384</u>	<u>330,380</u>	<u>23,996</u>
EXPENDITURES				
Current				
Public works				
Highways and streets				
Street maintenance	333,130	157,587	89,034	68,553
Winter maintenance	58,815	53,441	22,013	31,428
Traffic service maintenance	11,000	16,012	15,327	685
Administrative	30,500	30,500	30,500	-0-
	<u>433,445</u>	<u>257,540</u>	<u>156,874</u>	<u>100,666</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(128,445)	48,844	173,506	124,662
OTHER FINANCING SOURCES				
Transfers out	(142,870)	(323,004)	(162,030)	160,974
	<u>(271,315)</u>	<u>(274,160)</u>	<u>11,476</u>	<u>285,636</u>
NET CHANGE IN FUND BALANCE	(271,315)	(274,160)	11,476	285,636
Fund balance, beginning of year	356,558	356,558	356,558	-0-
Fund balance, end of year	<u>\$ 85,243</u>	<u>\$ 82,398</u>	<u>\$ 368,034</u>	<u>\$ 285,636</u>

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2014

Local Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 123,000	\$ 123,000	\$ 129,188	\$ 6,188
State local agency distribution	-	-	27,835	27,835
Metro act fees	-	-	15,162	15,162
Interest	-	30	177	147
Other revenue	-	44	44	-0-
TOTAL REVENUES	123,000	123,074	172,406	49,332
EXPENDITURES				
Current				
Public works				
Highways and streets				
Street maintenance	262,250	442,276	422,355	19,921
Winter maintenance	40,725	44,530	38,993	5,537
Traffic service maintenance	10,595	11,319	4,273	7,046
Administrative	12,300	12,300	12,300	-0-
TOTAL EXPENDITURES	325,870	510,425	477,921	32,504
EXCESS OF REVENUES (UNDER) EXPENDITURES	(202,870)	(387,351)	(305,515)	81,836
OTHER FINANCING SOURCES				
Transfers in	142,870	323,004	162,030	(160,974)
NET CHANGE IN FUND BALANCE	(60,000)	(64,347)	(143,485)	(79,138)
Fund balance, beginning of year	152,465	152,465	152,465	-0-
Fund balance, end of year	<u>\$ 92,465</u>	<u>\$ 88,118</u>	<u>\$ 8,980</u>	<u>\$ (79,138)</u>

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2014

Drug Law Enforcement Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeits	\$ 5,000	\$ 10,667	\$ 11,499	\$ 832
Interest	-	-	10	10
TOTAL REVENUES	5,000	10,667	11,509	842
EXPENDITURES - Capital Outlay	5,000	10,399	9,238	1,161
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	268	2,271	2,003
OTHER FINANCING USES				
Transfers Out	-	(268)	(268)	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	2,003	2,003
Fund balance, beginning of year	3,005	3,005	3,005	-0-
Fund balance, end of year	\$ 3,005	\$ 3,005	\$ 5,008	\$ 2,003

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Fiduciary and Agency Funds Fund Descriptions

Fiduciary Funds account for assets held by the city in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Police and Fire Retirement System – This fund accounts for the city's Police and Fire Retirement System as administered under Michigan Public Act 345 of 1937, as amended. All pension investments and pension-related business, such as the collection of employee and employer contributions as well as monthly pension benefit payments, is recorded in this fund.

OPEB Investment Trust Fund – The Other Postemployment Benefits (OPEB) Investment Trust Fund was established to account for monies restricted for future health care payments for the city's retirees. The fund was established as an irrevocable trust per guidelines established by Governmental Accounting Standards Board Statement No. 45 via a declaration of trust dated June, 30, 2013. All investment activity and benefit payment activity is recorded in this fund.

Trust and Agency – This fund accounts for monies held on behalf of special events, committees, and city-ran programs holding funds that are not the property of the city.

Current Tax Collections – This fund accounts for current tax collections. All current tax monies collected by the city are receipted into this fund and later distributed to other funds or other governmental units.

City of Center Line

Fiduciary Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

Year Ended June 30, 2014

	Police and Fire Retirement System	OPEB Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 353,411	\$ 802,668	\$ 1,156,079
Investments			
U.S. Treasury securities	609,841	189,649	799,490
Federal agency securities	609,578	76,108	685,686
Common and preferred stocks	9,717,042	1,769,247	11,486,289
Corporate bonds and notes	312,563	-	312,563
Contributions receivable	3,806	-	3,806
Accrued interest receivable	9,014	960	9,974
Prepaid expense	6,620	-	6,620
	<u>11,621,875</u>	<u>2,838,632</u>	<u>14,460,507</u>
Total assets			
LIABILITIES - Accounts payable	<u>6,746</u>	<u>-</u>	<u>6,746</u>
NET POSITION			
Assets Held in Trust for Pension and other Employee Benefits	<u>\$ 11,615,129</u>	<u>\$ 2,838,632</u>	<u>\$ 14,453,761</u>

City of Center Line

Fiduciary Trust Funds

COMBINING STATEMENT CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	Police and Fire Retirement System	OPEB Investment Trust	Total
ADDITIONS			
Investment income (loss):			
Interest and dividends	\$ 263,793	\$ 42,418	\$ 306,211
Net increase in fair value of investments	1,649,373	227,231	1,876,604
Investment-related expenses	<u>(96,068)</u>	<u>(16,504)</u>	<u>(112,572)</u>
Net investment income (loss)	1,817,098	253,145	2,070,243
Contributions:			
Employer	674,807	1,868,681	2,543,488
Employee	<u>96,770</u>	<u>-</u>	<u>96,770</u>
Total contributions	<u>771,577</u>	<u>1,868,681</u>	<u>2,640,258</u>
Total additions - Net	<u>2,588,675</u>	<u>2,121,826</u>	<u>4,710,501</u>
DEDUCTIONS			
Benefit payments	1,197,251	1,143,669	2,340,920
Administrative expenses	<u>32,642</u>	<u>11,149</u>	<u>43,791</u>
Total deductions	<u>1,229,893</u>	<u>1,154,818</u>	<u>2,384,711</u>
Net Increase (Decrease)	1,358,782	967,008	2,325,790
Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>10,256,347</u>	<u>1,871,624</u>	<u>12,127,971</u>
Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 11,615,129</u>	<u>\$ 2,838,632</u>	<u>\$ 14,453,761</u>

City of Center Line

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014

	<u>Trust and Agency Fund</u>	<u>Current Tax Collections Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 49,350	\$ 176,905	\$ 226,255
LIABILITIES			
Due to other governmental units	-	168,665	168,665
Due to others	49,350	8,240	57,590
TOTAL LIABILITIES	<u>\$ 49,350</u>	<u>\$ 176,905</u>	<u>\$ 226,255</u>

City of Center Line

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2014

Trust and Agency Fund

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalents	<u>\$ 31,149</u>	<u>\$ 107,574</u>	<u>\$ 89,373</u>	<u>\$ 49,350</u>
LIABILITIES				
Due to others				
Beautification commission	4,116	2,317	1,469	4,964
Adult softball league	7,160	5,340	6,941	5,559
Annual fireworks donations	8,360	13,750	7,505	14,605
General purpose donations	78	2,900	1,952	1,026
Employee Christmas committee	2,082	372	1,808	646
Center Line Friends of the Fire Truck	-	10,350	10,000	350
Consignment ticket sales	378	1,248	1,626	-0-
Building and city certification bonds	8,975	61,600	48,375	22,200
Restitution pass thru payments	-	9,697	9,697	-0-
TOTAL LIABILITIES	<u>\$ 31,149</u>	<u>\$ 107,574</u>	<u>\$ 89,373</u>	<u>\$ 49,350</u>

City of Center Line

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2014

Current Year Tax Collections

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	\$ -0-	\$ 5,333,168	\$ 5,156,263	\$ 176,905
LIABILITIES				
Due to other governmental units				
State of Michigan	-	153,188	24,395	128,793
Macomb County	-	1,448,857	1,434,890	13,967
Macomb Intermediate School District	-	442,665	433,788	8,877
Macomb Community College	-	230,131	225,498	4,633
Macomb County Zoological Authority	-	14,986	14,642	344
Macomb County Arts Authority	-	29,361	29,017	344
Huron Clinton Metropolitan Authority	-	32,124	31,436	688
Suburban Mobility Authority for Regional Transportation	-	88,351	86,450	1,901
Center Line School District	-	2,810,561	2,801,443	9,118
Van Dyke School District	-	62,998	62,998	-0-
Downtown Development Authority	-	529	529	-0-
Due to others	-	19,417	11,177	8,240
TOTAL LIABILITIES	\$ -0-	\$ 5,333,168	\$ 5,156,263	\$ 176,905

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**STATISTICAL INFORMATION AND
CONTINUING DISCLOSURE SECTION
(UNAUDITED)**

City of Center Line

Statistical Information and Continuing Disclosure Contents

STATISTICAL INFORMATION

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the city. It is designed to provide a broader and more complete understanding of the city and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Net Position by Component	58-59
Changes in Net Position	60-63
Fund Balances of Governmental Funds	64-65
*Changes in Fund Balances of Governmental Funds	66-67

Revenue Capacity

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

*Assessed Taxable Values (History of Property Values)	68-69
*Property Tax Rates – Direct and Overlapping Governments	70-71
*Principal Property Taxpayers (Major Taxpayers)	72
*Property Tax Levies and Collections	73

Debt Capacity

These schedules present 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.

Ratios of Outstanding Debt by Type	74-75
Ratios of Net General Bonded Debt Outstanding	76-77
*Direct and Overlapping Governmental Activities Debt	78
*Legal Debt Margin	79
Historical Legal Debt Margins	80
Pledged Revenue Coverage	81

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Demographic Statistics	82
*Concentration of Workforce	83

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.

Full-time City Government Employees by Function	84-85
Operating Indicators by Function	86-87
Capital Asset Statistics by Function	88-89

* Indicates schedules included in statistical information that fulfill continuing disclosure requirements.

CONTINUING DISCLOSURE

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

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

State-shared Revenue	90
Gas and Weight Taxes	90
Labor Agreements	91

City of Center Line

NET POSITION BY COMPONENT

2005-2014
(Unaudited)

	Fiscal			
	2005	2006	2007	2008
Governmental activities				
Net investment				
in capital assets	\$ 2,641,510	\$ 2,599,806	\$ 2,540,370	\$ 2,579,033
Restricted	941,544	1,090,668	1,290,866	1,157,734
Unrestricted	1,023,050	1,039,717	1,157,946	1,213,636
Total governmental activities net position	<u>\$ 4,606,104</u>	<u>\$ 4,730,191</u>	<u>\$ 4,989,182</u>	<u>\$ 4,950,403</u>
Business-type activities				
Net investment				
in capital assets	\$ 2,821,815	\$ 3,154,984	\$ 3,575,831	\$ 3,980,136
Restricted	206,732	224,623	277,336	216,601
Unrestricted	1,968,737	1,454,628	354,963	103,351
Total business-type activities net position	<u>\$ 4,997,284</u>	<u>\$ 4,834,235</u>	<u>\$ 4,208,130</u>	<u>\$ 4,300,088</u>
Primary government				
Net investment				
in capital assets	\$ 5,463,325	\$ 5,754,790	\$ 6,116,201	\$ 6,559,169
Restricted	1,148,276	1,315,291	1,568,202	1,374,335
Unrestricted	2,991,787	2,494,345	1,512,909	1,316,987
Total primary government net position	<u>\$ 9,603,388</u>	<u>\$ 9,564,426</u>	<u>\$ 9,197,312</u>	<u>\$ 9,250,491</u>

Notes:

(1) Source: City of Center Line Basic Financial Statements.

Year					
2009	2010	2011	2012	2013	2014
\$ 2,603,244	\$ 2,572,197	\$ 2,577,136	\$ 2,643,560	\$ 2,739,216	\$ 2,870,870
399,834	825,140	518,739	796,542	881,325	730,445
<u>1,359,205</u>	<u>(778,966)</u>	<u>(3,189,606)</u>	<u>(4,369,122)</u>	<u>(3,258,892)</u>	<u>(3,585,565)</u>
<u>\$ 4,362,283</u>	<u>\$ 2,618,371</u>	<u>\$ (93,731)</u>	<u>\$ (929,020)</u>	<u>\$ 361,649</u>	<u>\$ 15,750</u>
\$ 6,628,046	\$ 8,993,368	\$ 9,286,864	\$ 9,773,323	\$ 10,024,386	\$ 10,512,445
82,551	53,622	25,903	-	-	-
<u>155,606</u>	<u>445,313</u>	<u>1,845,959</u>	<u>1,259,210</u>	<u>1,670,721</u>	<u>2,210,867</u>
<u>\$ 6,866,203</u>	<u>\$ 9,492,303</u>	<u>\$ 11,158,726</u>	<u>\$ 11,032,533</u>	<u>\$ 11,695,107</u>	<u>\$ 12,723,312</u>
\$ 9,231,290	\$ 11,565,565	\$ 11,864,000	\$ 12,416,883	\$ 12,763,602	\$ 13,383,315
482,385	878,762	544,642	796,542	881,325	730,445
<u>1,514,811</u>	<u>(333,653)</u>	<u>(1,343,647)</u>	<u>(3,109,912)</u>	<u>(1,588,171)</u>	<u>(1,374,698)</u>
<u>\$ 11,228,486</u>	<u>\$ 12,110,674</u>	<u>\$ 11,064,995</u>	<u>\$ 10,103,513</u>	<u>\$ 12,056,756</u>	<u>\$ 12,739,062</u>

City of Center Line

CHANGES IN NET POSITION

2005-2014
(Unaudited)

	Fiscal			
	2005	2006	2007	2008
Expenses				
Governmental activities				
General government	\$ 1,720,001	\$ 1,737,426	\$ 1,785,361	\$ 1,813,174
Public safety	3,460,329	3,740,349	3,821,420	3,831,197
Public works	1,407,486	1,387,622	1,463,503	1,546,382
Community and economic development	-	-	-	-
Recreation and culture	686,449	662,496	677,994	715,316
Interest on long-term debt	51,564	72,655	69,744	68,257
Total governmental activities expenses	<u>7,325,829</u>	<u>7,600,548</u>	<u>7,818,022</u>	<u>7,974,326</u>
Business-type activities				
Water and sewer	2,676,355	3,055,652	3,377,769	2,928,603
Solid waste disposal	263,336	274,606	272,747	312,631
Total business-type activities expenses	<u>2,939,691</u>	<u>3,330,258</u>	<u>3,650,516</u>	<u>3,241,234</u>
Total primary government expenses	<u>\$ 10,265,520</u>	<u>\$ 10,930,806</u>	<u>\$ 11,468,538</u>	<u>\$ 11,215,560</u>
Program Revenues				
Governmental activities				
Charges for services				
District court	\$ 576,517	\$ 606,087	\$ 563,347	\$ 505,867
Public safety	134,108	185,670	131,168	151,959
Parks and recreation	49,836	42,707	38,814	51,053
Other activities	72,538	91,658	79,928	88,080
Operating grants and contributions	601,235	656,005	603,819	579,491
Capital grants and contributions	88,767	86,988	88,513	86,756
Total governmental activities program revenues	<u>1,523,001</u>	<u>1,669,115</u>	<u>1,505,589</u>	<u>1,463,206</u>
Business-type activities				
Charges for services				
Water and sewer	1,788,449	1,924,095	1,882,613	2,150,173
Solid waste disposal	283,506	239,692	228,483	225,778
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>2,071,955</u>	<u>2,163,787</u>	<u>2,111,096</u>	<u>2,375,951</u>
Total primary government program revenues	<u>\$ 3,594,956</u>	<u>\$ 3,832,902</u>	<u>\$ 3,616,685</u>	<u>\$ 3,839,157</u>
Net (Expenses) Revenue				
Governmental activities	\$ (5,802,828)	\$ (5,931,433)	\$ (6,312,433)	\$ (6,511,120)
Business-type activities	<u>(867,736)</u>	<u>(1,166,471)</u>	<u>(1,539,420)</u>	<u>(865,283)</u>
Total primary government net (expense) revenue	<u>\$ (6,670,564)</u>	<u>\$ (7,097,904)</u>	<u>\$ (7,851,853)</u>	<u>\$ (7,376,403)</u>

Year					
2009	2010	2011	2012	2013	2014
\$ 1,745,929	\$ 1,771,562	\$ 2,111,183	\$ 3,153,088	\$ 2,132,772	\$ 1,824,390
3,823,534	5,038,403	4,773,589	4,321,094	3,927,324	4,275,183
1,600,611	1,507,733	1,809,474	1,453,464	1,172,768	1,485,370
-	-	-	84,166	140,796	48,029
807,391	886,287	826,127	745,228	532,596	499,914
65,432	53,102	42,866	30,267	27,286	23,873
<u>8,042,897</u>	<u>9,257,087</u>	<u>9,563,239</u>	<u>9,787,307</u>	<u>7,933,542</u>	<u>8,156,759</u>
2,495,624	2,420,366	2,621,762	2,923,094	2,905,293	2,783,563
304,988	296,570	294,384	313,225	306,917	297,779
<u>2,800,612</u>	<u>2,716,936</u>	<u>2,916,146</u>	<u>3,236,319</u>	<u>3,212,210</u>	<u>3,081,342</u>
<u>\$ 10,843,509</u>	<u>\$ 11,974,023</u>	<u>\$ 12,479,385</u>	<u>\$ 13,023,626</u>	<u>\$ 11,145,752</u>	<u>\$ 11,238,101</u>
\$ 407,074	\$ 393,814	\$ 389,462	\$ 380,363	\$ 361,731	\$ 409,774
96,122	127,976	120,992	164,371	217,342	193,706
109,034	36,636	90,080	132,131	86,824	70,713
89,622	114,046	179,569	314,941	399,051	350,255
512,524	445,665	801,719	535,260	552,424	591,402
173,100	413	86,756	657,881	212,552	240,082
<u>1,387,476</u>	<u>1,118,550</u>	<u>1,668,578</u>	<u>2,184,947</u>	<u>1,829,924</u>	<u>1,855,932</u>
2,301,408	2,547,962	3,308,091	2,907,143	2,640,675	2,718,718
207,626	236,900	295,366	319,694	343,837	363,796
<u>1,929,082</u>	<u>1,689,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,438,116</u>	<u>4,474,109</u>	<u>3,603,457</u>	<u>3,226,837</u>	<u>2,984,512</u>	<u>3,082,514</u>
<u>\$ 5,825,592</u>	<u>\$ 5,592,659</u>	<u>\$ 5,272,035</u>	<u>\$ 5,411,784</u>	<u>\$ 4,814,436</u>	<u>\$ 4,938,446</u>
\$ (6,655,421)	\$ (8,138,537)	\$ (7,894,661)	\$ (7,602,360)	\$ (6,103,618)	\$ (6,300,827)
1,637,504	1,757,173	687,311	(9,482)	(227,698)	1,172
<u>\$ (5,017,917)</u>	<u>\$ (6,381,364)</u>	<u>\$ (7,207,350)</u>	<u>\$ (7,611,842)</u>	<u>\$ (6,331,316)</u>	<u>\$ (6,299,655)</u>

CONTINUED

City of Center Line

CHANGES IN NET POSITION - CONCLUDED

2005-2014
(Unaudited)

	Fiscal			
	2005	2006	2007	2008
General Revenues				
Governmental activities				
Taxes	\$ 5,098,809	\$ 5,682,436	\$ 6,159,702	\$ 6,028,915
Payment in lieu of taxes	-	-	-	-
State shared revenue	1,038,233	1,027,807	1,001,323	998,627
Sale of tax reversion properties	-	-	-	-
Cable franchise fees	74,591	76,108	88,508	127,618
Investment earnings	80,024	129,631	128,892	165,774
Miscellaneous	40,750	94,208	45,120	99,391
Income from joint venture	550	(19,161)	(3,056)	(20,938)
Gain (loss) on sale of capital assets	15,600	(19,959)	-	-
Transfers	(860,424)	(915,550)	(849,065)	(927,046)
Total governmental activities general revenues	5,488,133	6,055,520	6,571,424	6,472,341
Business-type activities				
Investment earnings	45,293	87,872	64,250	30,195
Transfers	860,424	915,550	849,065	927,046
Total business-type activities general revenues	905,717	1,003,422	913,315	957,241
Total primary government general revenues	\$ 6,393,850	\$ 7,058,942	\$ 7,484,739	\$ 7,429,582
Change in Net Assets				
Governmental activities	\$ (443,300)	\$ (256,913)	\$ 60,304	\$ (183,080)
Business-type activities	(260,754)	(535,998)	48,032	2,594,745
Total primary government	\$ (704,054)	\$ (792,911)	\$ 108,336	\$ 2,411,665

Notes:

(1) Source: City of Center Line Basic Financial Statements.

Year					
2009	2010	2011	2012	2013	2014
\$ 5,534,760	\$ 6,101,227	\$ 5,285,060	\$ 5,954,228	\$ 6,648,366	\$ 5,734,767
-	-	-	89,117	97,160	100,919
964,912	858,193	858,193	805,267	835,099	860,367
-	-	-	79,335	152,053	-
119,734	151,916	132,088	138,814	180,558	134,177
89,962	18,311	18,585	8,807	19,470	25,389
223,215	110,928	124,932	287,644	349,911	124,454
(5,068)	2,800	285,519	-	-	-
-	-	-	-	-	-
<u>(860,214)</u>	<u>(848,750)</u>	<u>(913,955)</u>	<u>(596,141)</u>	<u>(888,330)</u>	<u>(1,025,145)</u>
<u>6,067,301</u>	<u>6,394,625</u>	<u>5,790,422</u>	<u>6,767,071</u>	<u>7,394,287</u>	<u>5,954,928</u>
68,397	20,177	65,157	2,055	1,942	1,888
<u>860,214</u>	<u>848,750</u>	<u>913,955</u>	<u>596,141</u>	<u>888,330</u>	<u>1,025,145</u>
<u>928,611</u>	<u>868,927</u>	<u>979,112</u>	<u>598,196</u>	<u>890,272</u>	<u>1,027,033</u>
<u>\$ 6,995,912</u>	<u>\$ 7,263,552</u>	<u>\$ 6,769,534</u>	<u>\$ 7,365,267</u>	<u>\$ 8,284,559</u>	<u>\$ 6,981,961</u>
\$ (2,071,236)	\$ (1,500,036)	\$ (1,811,938)	\$ (835,289)	\$ 1,290,669	\$ (345,899)
<u>2,685,784</u>	<u>1,556,238</u>	<u>969,630</u>	<u>588,714</u>	<u>662,574</u>	<u>1,028,205</u>
<u>\$ 614,548</u>	<u>\$ 56,202</u>	<u>\$ (842,308)</u>	<u>\$ (246,575)</u>	<u>\$ 1,953,243</u>	<u>\$ 682,306</u>

City of Center Line

FUND BALANCES

GOVERNMENTAL FUNDS

2005-2014
(Unaudited)

	Fiscal			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 249,764	\$ 488,478	\$ 863,595	\$ 816,201
Unreserved	597,406	624,208	702,584	812,463
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 847,170</u>	<u>\$ 1,112,686</u>	<u>\$ 1,566,179</u>	<u>\$ 1,628,664</u>
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 434,872	\$ 456,130	\$ 406,669	\$ 362,807
Capital projects funds	75,054	45,208	44,913	45,299
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 509,926</u>	<u>\$ 501,338</u>	<u>\$ 451,582</u>	<u>\$ 408,106</u>

Notes:

- (1) The City implemented GASB Statement No. 54 in fiscal year 2011 which changed the classification of fund balances.
- (2) Source: City of Center Line Basic Financial Statements.

Year					
2009	2010	2011 ⁽¹⁾	2012	2013	2014
\$ 241,435	\$ 407,601	\$ -	\$ -	\$ -	\$ -
867,773	1,189,518	-	-	-	-
-	-	260,272	76,574	95,183	186,607
-	-	194,375	-	-	-
-	-	-	-	132,214	924,750
-	-	524,305	1,874,994	1,600,000	1,026,998
<u>\$ 1,109,208</u>	<u>\$ 1,597,119</u>	<u>\$ 978,952</u>	<u>\$ 1,951,568</u>	<u>\$ 1,827,397</u>	<u>\$ 2,138,355</u>
\$ 370,295	\$ 608,823	\$ -	\$ -	\$ -	\$ -
45,598	45,626	-	-	-	-
-	-	-	-	63,352	75,077
-	-	237,608	386,085	881,325	551,751
-	-	-	397,354	677,347	525,594
<u>\$ 415,893</u>	<u>\$ 654,449</u>	<u>\$ 237,608</u>	<u>\$ 783,439</u>	<u>\$ 1,622,024</u>	<u>\$ 1,152,422</u>

City of Center Line

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2005-2014
(Unaudited)

	Fiscal			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 5,255,859	\$ 5,760,559	\$ 6,254,261	\$ 6,115,672
Licenses and permits	183,931	226,821	229,564	234,143
Intergovernmental	1,631,023	1,710,696	1,583,097	1,588,046
Charges for services	602,470	662,842	591,050	558,510
Fines and forfeits	-	-	-	-
Interest and rents	80,024	129,631	128,892	165,774
Other revenue	435,296	441,775	512,907	485,699
Total revenues	<u>8,188,603</u>	<u>8,932,324</u>	<u>9,299,771</u>	<u>9,147,844</u>
Expenditures				
General government	1,808,017	1,863,630	2,031,617	1,959,636
Public safety	3,319,273	3,655,648	3,711,179	3,754,299
Public works	1,193,619	1,475,443	1,520,536	1,501,631
Community and economic development	-	-	-	-
Recreation and cultural	606,818	596,996	648,062	699,268
Capital outlay	236,022	35,902	295	92
Debt service				
Principal	277,303	199,081	194,352	218,954
Interest and fiscal charges	80,451	67,128	67,622	67,909
Total expenditures	<u>7,521,503</u>	<u>7,893,828</u>	<u>8,173,663</u>	<u>8,201,789</u>
Excess of revenues over (under) expenditures	667,100	1,038,496	1,126,108	946,055
Other financing sources (uses)				
Proceeds from borrowing	113,494	133,982	126,694	-
Transfers in	118,788	83,521	82,000	154,000
Transfers out	<u>(979,212)</u>	<u>(999,071)</u>	<u>(931,065)</u>	<u>(1,081,046)</u>
Total other financing sources (uses)	<u>(746,930)</u>	<u>(781,568)</u>	<u>(722,371)</u>	<u>(927,046)</u>
Net change in fund balances	<u>\$ (79,830)</u>	<u>\$ 256,928</u>	<u>\$ 403,737</u>	<u>\$ 19,009</u>
Debt service as a percentage of noncapital expenditures ⁽²⁾	4.69%	4.83%	3.49%	3.29%

Notes:

(1) Source: City of Center Line Basic Financial Statements.

(2) For purposes of the calculation of debt service as a percentage of noncapital expenditures, debt service does not include contributions to the OPEB investment trust.

	Year					
	2009	2010	2011	2012	2013	2014
\$	5,643,376	\$ 6,068,121	\$ 5,442,454	\$ 6,006,033	\$ 6,755,369	\$ 5,868,080
	186,456	248,059	200,814	224,892	220,323	225,279
	1,472,091	1,291,701	1,665,284	2,077,125	1,704,418	1,792,770
	590,262	492,318	447,578	514,051	421,712	468,445
	-	-	-	477,934	391,183	439,387
	89,962	18,311	18,585	8,807	19,469	25,392
	634,413	413,230	512,339	470,865	594,277	197,543
	<u>8,616,560</u>	<u>8,531,740</u>	<u>8,287,054</u>	<u>9,779,707</u>	<u>10,106,751</u>	<u>9,016,896</u>
	1,882,594	1,500,432	1,893,487	2,262,143	1,858,617	1,379,978
	3,738,654	3,488,192	3,512,973	3,260,722	3,443,977	3,675,967
	1,498,581	1,030,688	1,481,128	1,111,931	1,124,804	1,426,297
	-	-	-	84,166	140,796	8,604
	757,714	627,239	615,007	545,785	471,955	425,004
	178,755	3,696	-	139,769	221,437	457,247
	275,201	252,596	253,607	225,511	1,213,927	752,807
	59,652	53,680	44,042	35,092	28,494	24,491
	<u>8,391,151</u>	<u>6,956,523</u>	<u>7,800,244</u>	<u>7,665,119</u>	<u>8,504,007</u>	<u>8,150,395</u>
	225,409	1,575,217	486,810	2,114,588	1,602,744	866,501
	123,136	-	-	-	-	-
	126,122	-	148,000	1,247,535	1,455,702	1,029,037
	(986,336)	(848,750)	(1,061,955)	(1,843,676)	(2,344,032)	(2,054,182)
	<u>(737,078)</u>	<u>(848,750)</u>	<u>(913,955)</u>	<u>(596,141)</u>	<u>(888,330)</u>	<u>(1,025,145)</u>
\$	<u>(511,669)</u>	<u>\$ 726,467</u>	<u>\$ (427,145)</u>	<u>\$ 1,518,447</u>	<u>\$ 714,414</u>	<u>\$ (158,644)</u>
	3.55%	4.08%	4.42%	3.82%	2.07%	1.83%

City of Center Line

ASSESSED TAXABLE VALUES (HISTORY OF PROPERTY VALUES)

2005-2014
(Unaudited)

Fiscal Year (Tax Year)	Property			
	Residential	Commercial	Industrial	Personal Property
2005 (2004)				
SEV	\$ 145,314,780	\$ 55,816,580	\$ 37,264,570	\$ 48,972,024
Taxable	110,821,131	45,130,184	33,073,718	48,972,024
2006 (2005)				
SEV	150,142,898	57,428,140	37,155,590	48,021,446
Taxable	115,352,701	46,119,383	33,577,035	48,021,446
2007 (2006)				
SEV	155,551,333	55,716,680	37,409,230	50,423,794
Taxable	121,242,818	45,065,647	34,538,578	50,423,794
2008 (2007)				
SEV	155,052,559	55,818,590	37,080,030	45,921,179
Taxable	126,060,118	45,471,258	35,166,578	45,921,179
2009 (2008)				
SEV	139,756,545	51,087,016	33,830,400	44,529,203
Taxable	125,189,922	46,802,599	33,785,958	44,529,203
2010 (2009)				
SEV	115,978,652	51,665,092	35,223,770	41,200,224
Taxable	114,266,596	49,167,957	35,170,471	41,200,224
2011 (2010)				
SEV	95,402,279	51,053,302	31,985,320	35,444,185
Taxable	95,266,415	49,562,686	31,895,955	35,444,185
2012 (2011)				
SEV	81,087,524	45,991,740	24,387,950	33,194,661
Taxable	81,031,376	45,879,627	24,317,636	33,190,835
2013 (2012)				
SEV	70,045,360	46,094,940	21,713,872	32,458,965
Taxable	69,920,547	46,059,316	21,556,583	32,358,965
2014 (2013)				
SEV	61,516,172	40,138,230	18,196,905	32,621,015
Taxable	61,447,720	39,845,790	18,028,366	32,621,015

Notes:

- (1) SEV is the state equalized value or assessed value
- (2) Tax rates are per \$1,000 of taxable value.
- (3) Taxable value is equal to approximately 50% of actual market value.
- (4) Source: Treasurer's tax settlement reports.

<u>Value</u>	<u>Personal Property as a Percentage of Total Value</u>	<u>Taxable Value as a Percentage of SEV</u>	<u>Total Direct Tax Rate</u>
<u>Total</u>			
\$ 287,367,954	17.04%		
237,997,057	20.58%	82.82%	21.2997
292,748,074	16.40%		
243,070,565	19.76%	83.03%	23.1496
299,101,037	16.86%		
251,270,837	20.07%	84.01%	23.2657
293,872,358	15.63%		
252,619,133	18.18%	85.96%	22.6223
269,203,164	16.54%		
250,307,682	17.79%	92.98%	21.2329
244,067,738	16.88%		
239,805,248	17.18%	98.25%	23.8266
213,885,086	16.57%		
212,169,241	16.71%	99.20%	24.9025
184,661,875	17.98%		
184,419,474	18.00%	99.87%	31.7022
170,313,137	19.06%		
169,895,411	19.05%	99.75%	38.3328
152,472,322	21.39%		
151,942,891	21.47%	99.65%	37.5025

City of Center Line

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

2005-2014
(Unaudited)

Fiscal Year (Tax Year)	City Direct Rates					Overlapping		
	General	Debt	Police and Fire Pension	Public Safety ⁽²⁾	Total	Center Line Public Schools	Van Dyke Public Schools	Macomb County Intermediate School District
2005 (2004)								
Homestead	14.6630	4.3530	2.2837	0.0000	21.2997	24.5354	13.7600	2.9615
Non-Homestead	14.6630	4.3530	2.2837	0.0000	21.2997	26.0000	31.7600	2.9615
2006 (2005)								
Homestead	14.6630	5.3261	3.1605	0.0000	23.1496	23.5778	13.7600	2.9430
Non-Homestead	14.6630	5.3261	3.1605	0.0000	23.1496	26.0000	31.7600	2.9430
2007 (2006)								
Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	22.1022	11.9906	2.9430
Non-Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	26.0000	29.9906	2.9430
2008 (2007)								
Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	21.8022	11.9906	2.9430
Non-Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	25.7000	29.9906	2.9430
2009 (2008)								
Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	16.6028	14.3906	2.9430
Non-Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	25.6000	32.3906	2.9430
2010 (2009)								
Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	17.9406	14.8406	2.9430
Non-Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	25.6000	32.8406	2.9430
2011 (2010)								
Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	20.4645	14.9906	2.9430
Non-Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	25.8000	32.9906	2.9430
2012 (2011)								
Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	20.7758	13.0000	2.9430
Non-Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	25.9000	31.0000	2.9430
2013 (2012)								
Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	25.3354	13.0000	2.9430
Non-Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	26.8000	31.0000	2.9430
2014 (2013)								
Homestead	14.6630	7.2330	8.1065	7.5000	37.5025	25.5854	13.0000	2.9430
Non-Homestead	14.6630	7.2330	8.1065	7.5000	37.5025	27.0500	31.0000	2.9430

Notes:

- (1) Table in mills
- (2) The Public Safety millage was passed by election in August 2011, to be levied annually for ten years beginning in fiscal year 2012
- (3) Source: Final Tax Roll from the City Treasurer's Office

Total Direct and Overlapping
Rates by Resident's
School District

Rates								
Macomb County Community College	Macomb County	Huron/Clinton Metro Authority	S.M.A.R.T.	County Zoo Authority	County Art Authority	Veterans Operations	Center Line Public Schools	Van Dyke Public Schools
1.5002	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	55.3160	44.5406
1.5002	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	56.7806	62.5406
1.4212	4.2058	0.2146	0.5912	0.0000	0.0000	0.0000	56.1032	46.2854
1.4212	4.2058	0.2146	0.5912	0.0000	0.0000	0.0000	58.5254	64.2854
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	54.7422	44.6306
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	58.6400	62.6306
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	53.7988	43.9872
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	57.6966	61.9872
1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	47.3500	45.1378
1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	56.3472	63.1378
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	51.6495	48.5495
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	59.3089	66.5495
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	55.2493	49.7754
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	60.5848	67.7754
1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	62.5103	54.7345
1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	67.6345	72.7345
1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	73.9005	61.5651
1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	75.3651	79.5651
1.5312	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	73.2802	60.6948
1.5312	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	74.7448	78.6948

City of Center Line

PRINCIPAL PROPERTY TAXPAYERS (MAJOR TAXPAYERS)

June 30, 2014 and 2005
(Unaudited)

Company Name	Product/Service	Year Ended June 30, 2014			Year Ended June 30, 2005		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Chrysler Group, LLC	Automotive	\$ 15,554,122	1	10.24	\$ 33,665,415	1	14.15
AZ Automotive Corporation	Automotive	12,887,101	2	8.48	15,986,184	2	6.72
WICO Metal Products	Automotive	4,702,382	3	3.01	-	-	-
Kramer Homes Co-Op	Housing	4,573,127	4	1.38	5,006,380	3	2.10
International Transmission	Automotive	2,768,055	5	3.09	-	-	-
Edgar Rinke	Car Sales	2,531,833	6	1.41	4,047,696	4	1.70
Father Murray Nursing, LLC	Nursing Home	2,136,740	7	1.67	-	-	-
Whitlam Label Company	Automotive	2,093,632	8	1.82	1,992,395	9	0.84
Lawrence Park Housing	Housing	1,765,290	9	1.16	-	-	-
Detroit Edison Company	Utilities	1,558,671	10	1.03	2,125,768	7	0.89
Center Line Park Towers	Housing	-	-	-	3,182,232	5	1.34
BAE Manufacturing	Automotive	-	-	-	2,600,205	6	1.09
Amurcon Management Services	Housing	-	-	-	2,104,340	8	0.88
Binson's Hospital Supplies	Healthcare	-	-	-	1,568,299	10	0.66
	Ten largest taxpayers	50,570,953		33.28	72,278,914		30.37
	Other taxpayers	101,371,938			165,718,143		
	Total taxable value	\$ 151,942,891			\$ 237,997,057		

Note:

(1) Source: City Treasurer's Office

City of Center Line

PROPERTY TAX LEVIES AND COLLECTIONS

2005-2014
(Unaudited)

Fiscal Year (Tax Year)	Total Tax Levy ⁽¹⁾	Collected Within the Fiscal Year of the Levy		Subsequent Collection of Delinquent Taxes	Total Collections to Date	Percent Collected ⁽²⁾
		Amount	Percentage			
2005 (2004)	\$ 5,069,266	\$ 4,904,638	96.75%	\$ 148,223	\$ 5,052,861	99.68%
2006 (2005)	5,626,986	5,437,183	96.63%	179,267	5,616,450	99.81%
2007 (2006)	5,845,992	5,591,424	95.65%	229,094	5,820,518	99.56%
2008 (2007)	5,714,826	5,402,103	94.53%	291,689	5,693,792	99.63%
2009 (2008)	5,314,758	5,083,864	95.66%	221,820	5,305,684	99.83%
2010 (2009)	5,713,744	5,352,645	93.68%	338,734	5,691,379	99.61%
2011 (2010)	5,283,545	5,010,318	94.83%	257,534	5,267,852	99.70%
2012 (2011)	5,846,503	5,556,146	95.03%	273,530	5,829,676	99.71%
2013 (2012)	6,512,567	6,177,943	94.86%	326,495	6,504,438	99.88%
2014 (2013)	5,698,238	5,464,284	95.89%	227,243	5,691,527	99.88%

Notes:

- (1) Includes ad valorem operational, debt, pension, and public safety taxes, but does not include penalty and interest on late payment of taxes.
- (2) Macomb County pays the City of Center Line the full amount of the delinquent real property taxes upon settlement in March of each year. Generally, amounts not collected represent personal property taxes outstanding.
- (3) Source: City Treasurer's Office

City of Center Line

RATIOS OF OUTSTANDING DEBT BY TYPE

2005-2014
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁵⁾	Governmental Activities ⁽²⁾			Business-
			General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreements	General Obligation Bonds
2005	8,531 ⁽³⁾	\$ 287,367,954	\$ 1,449,238	\$ 595,000	\$ 90,707	\$ 9,699,096
2006	8,531 ⁽³⁾	292,748,074	1,363,472	510,000	201,901	9,205,529
2007	8,531 ⁽³⁾	299,101,037	1,305,826	425,000	279,011	8,758,842
2008	8,531 ⁽³⁾	293,872,358	1,246,775	340,000	204,086	8,228,793
2009	8,531 ⁽³⁾	269,203,164	1,159,623	255,000	228,118	7,726,332
2010	8,531 ⁽³⁾	244,067,738	1,071,066	170,000	151,356	11,389,697
2011	8,257 ⁽⁴⁾	213,885,086	979,700	85,000	73,725	11,297,869
2012	8,257 ⁽⁴⁾	186,993,509	888,287	-	24,627	10,513,092
2013	8,257 ⁽⁴⁾	173,048,141	768,806	-	-	10,207,998
2014	8,257 ⁽⁴⁾	158,024,012	649,325	-	-	9,237,479

Notes:

- (1) Per capita income data for 2013 and 2014 is not readily available.
- (2) Source: City of Center Line Notes to the Financial Statements.
- (3) Source: 2000 Census Report
- (4) Source: 2010 Census Report
- (5) Source: Assessor's equalization reports

<u>Type Activities⁽²⁾</u>		<u>Total Primary Government</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>	<u>Percentage of Personal Income Per Capita</u>
<u>Revenue Bonds</u>	<u>Installment Purchase Agreements</u>				
\$ 150,000	\$ 162,489	\$12,146,530	4.23%	\$ 1,423.81	3.80%
135,000	121,978	11,537,880	3.94%	1,352.47	3.54%
115,000	133,112	11,016,791	3.68%	1,291.38	3.28%
95,000	371,539	10,486,193	3.57%	1,229.19	3.09%
75,000	248,480	9,692,553	3.60%	1,136.16	3.03%
50,000	165,653	12,997,772	5.33%	1,523.59	3.97%
25,000	82,826	12,544,120	5.86%	1,519.21	3.73%
-	-	11,426,006	6.11%	1,383.80	3.27%
-	-	10,976,804	6.34%	1,329.39	N/A ⁽¹⁾
-	-	9,886,804	6.26%	1,197.38	N/A ⁽¹⁾

City of Center Line

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

2005-2014
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value of Property</u> ⁽⁷⁾	<u>General Obligation Bonds</u> ⁽¹⁾⁽³⁾⁽⁴⁾	<u>Bonded Debt Service Funds Available</u> ⁽²⁾⁽³⁾
2005	8,531 ⁽⁵⁾	\$ 287,367,954	\$ 11,148,334	\$ 12,009
2006	8,531 ⁽⁵⁾	292,748,074	10,569,001	236,380
2007	8,531 ⁽⁵⁾	299,101,037	10,064,668	586,520
2008	8,531 ⁽⁵⁾	293,872,358	9,475,568	595,180
2009	8,531 ⁽⁵⁾	269,203,164	8,885,955	9,600
2010	8,531 ⁽⁵⁾	244,067,738	12,460,763	7,778
2011	8,257 ⁽⁶⁾	213,885,086	12,277,569	7,297
2012	8,257 ⁽⁶⁾	186,993,509	11,401,379	-
2013	8,257 ⁽⁶⁾	173,048,141	10,976,804	104,306
2014	8,257 ⁽⁶⁾	158,024,012	9,886,804	34,084

Notes:

- (1) Amount does not include special assessment debt.
- (2) Amount does not include funds available for retirement of special assessment debt.
- (3) Source: City of Center Line Notes to the Financial Statements.
- (4) Amount includes both governmental and business-type activity general obligation debt.
- (5) Source: 2000 Census report
- (6) Source: 2010 Census report
- (7) Source: Assessor's equalization reports

<u>Net General Bonded Debt</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
\$11,136,325	1.18%	\$ 345.85
10,332,621	1.29%	413.20
9,478,148	1.18%	390.07
8,880,388	1.77%	610.69
8,876,355	3.30%	1,040.48
12,452,985	5.10%	1,459.73
12,270,272	5.74%	1,486.04
11,401,379	6.10%	1,380.81
10,872,498	6.28%	1,316.76
9,852,720	6.23%	1,193.26

City of Center Line

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2014
(Unaudited)

DIRECT DEBT OUTSTANDING⁽²⁾

Unlimited Tax General Obligation Bonds		
2004 Refunding Bonds (Governmental Portion)	\$	649,325
2011 Refunding Bonds		<u>3,260,000</u>

TOTAL DIRECT DEBT OUTSTANDING \$ 3,909,325

Overlapping Debt

36.36%	⁽¹⁾ Center Line Public School District ⁽³⁾	\$ 14,655,000	\$ 5,328,558
5.09%	⁽¹⁾ Van Dyke Public School District ⁽⁴⁾	63,629,081	3,238,720
0.64%	⁽¹⁾ Macomb County at large ⁽⁵⁾	299,423,041	1,916,307
0.64%	⁽¹⁾ Macomb Community College ⁽⁴⁾	8,910,942	<u>57,030</u>

TOTAL OVERLAPPING DEBT OUTSTANDING 10,540,615

TOTAL DIRECT AND OVERLAPPING DEBT OUTSTANDING \$ 14,449,940

Notes:

- (1) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.
- (2) Source: City of Center Line Notes to the Financial Statements
- (3) Source: Audit report dated June 30, 2014
- (4) Source: Audit report dated June 30, 2013
- (5) Source: Audit report dated December 31, 2013

City of Center Line

LEGAL DEBT MARGIN

June 30, 2014
(Unaudited)

Valuation for debt limit		
2013 state equalized value		
Real property	\$ 120,790,197	
Personal property	<u>32,627,493</u>	
Total 2013 state equalized value		\$ 153,417,690
Industrial facilities adjusted to state equalized equivalent		<u>4,606,322</u>
Total valuation for debt limit		<u><u>\$ 158,024,012</u></u>
Debt limit		
10% of state equalized value and equivalent		\$ 15,802,401
Amount of debt applicable to debt limit		
Total bonded debt	\$ 9,886,804	
Less:		
Amount available in debt service funds	34,084	
State Revolving Fund (SRF) Wastewater Bonds	<u>4,316,851</u>	
Total amount of debt applicable to debt limit		<u>5,535,869</u>
Legal debt margin		<u><u>\$ 10,266,532</u></u>

Note:

Bonds which are not required to be included in this computation of net indebtedness, according to Public Act 279 of 1909, as amended, are:

- A. Special assessment bonds
- B. Mortgage bonds
- C. Motor vehicle highway fund bonds
- D. Revenue bonds
- E. Bonds issued, or contracts or assessment obligation, incurred to comply with an order of the Water Resources Commission or a court of competent jurisdiction.
- F. Other obligations incurred for water supply, sewage, and drainage or refuse disposal projects necessary to protect the public health by abating pollution.

City of Center Line

HISTORICAL LEGAL DEBT MARGINS

2005-2014
(Unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Net Applicable Debt</u>	<u>Legal Debt Margin</u>	<u>Ratio</u>
2005	\$ 28,861,795	\$ 11,148,334	\$ 17,713,461	38.63%
2006	29,399,807	10,569,001	18,830,806	35.95%
2007	30,035,103	10,064,668	19,970,435	33.51%
2008	29,512,235	9,475,568	20,036,667	32.11%
2009	27,045,316	8,885,995	18,159,321	32.86%
2010	24,531,773	8,091,665	16,440,108	32.98%
2011	21,513,508	7,597,334	13,916,174	35.31%
2012	18,792,230	6,875,984	11,916,246	36.59%
2013	17,362,837	6,340,647	11,022,190	36.52%
2014	15,802,401	5,535,869	10,266,532	35.03%

Note:

(1) Source: City of Center Line Treasurer's office.

City of Center Line

PLEDGED REVENUE COVERAGE

2005-2014
(Unaudited)

Limited Tax Obligation Bonds⁽¹⁾

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ -	\$ -	\$ 32,338	\$ 32,338	0.00%
2011	353,557	207,000	114,219	321,219	110.07%
2012	327,598	210,000	117,598	327,598	100.00%
2013	319,904	205,000	114,904	319,904	100.00%
2014	328,296	215,000	113,296	328,296	100.00%

Revenue Bonds⁽³⁾

Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2005	\$ 26,323	\$ 15,000	\$ 11,323	\$ 26,323	100.00%
2006	25,258	15,000	10,258	25,258	100.00%
2007	29,011	20,000	9,011	29,011	100.00%
2008	27,581	20,000	7,581	27,581	100.00%
2009	26,146	20,000	6,146	26,146	100.00%
2010	29,526	25,000	4,526	29,526	100.00%
2011	27,719	25,000	2,719	27,719	100.00%
2012	25,906	25,000	906	25,906	100.00%

Special Assessment Bonds⁽³⁾

Fiscal Year Ended	Collections ⁽²⁾	Debt Service			Coverage ⁽²⁾
		Principal	Interest	Total	
2005	\$ 88,767	\$ 85,000	\$ 24,501	\$ 109,501	81.07%
2006	86,988	85,000	21,739	106,739	81.50%
2007	88,513	85,000	18,891	103,891	85.20%
2008	86,745	85,000	15,831	100,831	86.03%
2009	173,100	85,000	12,538	97,538	177.47%
2010	413	85,000	9,074	94,074	0.44%
2011	86,756	85,000	5,504	90,504	95.86%
2012	86,756	85,000	1,849	86,849	99.89%

Notes:

(1) No limited tax obligation bonds were issued by the city prior to fiscal year 2010.

(2) 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.

(3) The city did not hold any outstanding revenue bonds or special assessment bonds after fiscal year 2012.

(4) Source: City of Center Line Basic Financial Statements.

City of Center Line

DEMOGRAPHIC STATISTICS

2005-2014
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Income Per Capita⁽²⁾⁽⁵⁾</u>	<u>Unemployment Rate⁽⁶⁾</u>
2005	8,531 ⁽³⁾	165,858,171	37,431	7.6%
2006	8,531 ⁽³⁾	168,610,712	38,236	7.3%
2007	8,531 ⁽³⁾	172,585,922	39,429	7.9%
2008	8,531 ⁽³⁾	172,461,932	39,742	8.6%
2009	8,531 ⁽³⁾	161,922,364	37,554	16.4%
2010	8,531 ⁽³⁾	164,684,648	38,372	14.0%
2011	8,257 ⁽⁴⁾	174,844,195	40,776	12.4%
2012	8,257 ⁽⁴⁾	181,388,447	42,261	10.8%
2013	8,257 ⁽⁴⁾	- ⁽¹⁾	- ⁽¹⁾	10.1%
2014	8,257 ⁽⁴⁾	- ⁽¹⁾	- ⁽¹⁾	9.2%

Notes:

- (1) Data for 2013 and 2014 is not readily available.
- (2) Personal income per capita and unemployment rates are presented for the Detroit, Livonia, Warren metropolitan area.
- (3) Source: 2000 Census Report
- (4) Source: 2010 Census Report
- (5) Source: Bureau of Economic Analysis: Regional Economic Accounts
- (6) Source: Bureau of Labor Statistics

City of Center Line

CONCENTRATION OF WORKFORCE

June 30, 2014 and 2005
(Unaudited)

Industry	2014		2005	
	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce
Professional and Business Services	365,300	19.26%	375,700	18.13%
Trade, Transportation, and Utilities	355,900	18.75%	380,800	18.37%
Education and Health Services	298,500	15.74%	263,400	12.71%
Manufacturing	238,400	12.57%	290,700	14.03%
Government	187,000	9.86%	238,000	11.48%
Leisure and Hospitality	186,200	9.82%	192,700	9.30%
Financial Activities	98,300	5.18%	118,100	5.70%
Other Services	77,000	4.06%	91,700	4.42%
Mining, Logging, and Construction	62,900	3.32%	89,900	4.34%
Information	27,400	1.44%	31,600	1.52%
Total	1,896,900	100.00%	2,072,600	100.00%

Notes:

(1) Number of jobs is presented for the Detroit, Livonia, Warren metropolitan area.

(2) Source: Bureau of Labor Statistics

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City of Center Line

FULL TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

2005-2014
(Unaudited)

Function	Full-time Employees			
	2005	2006	2007	2008
General government	9	9	8	7
Public safety				
Sworn officers and dispatchers	30	30	30	29
Building inspection	1	1	1	1
Public works	10	10	10	9
Recreation and culture	5	4	4	4
Total	55	54	53	50

Note:

(1) Source: City of Center Line Treasurer's Office.

as of June 30

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
7	4	5	5	5	5
28	25	22	20	22	22
1	1	1	1	1	1
9	9	8	6	5	5
<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>1</u>
<u>49</u>	<u>42</u>	<u>39</u>	<u>34</u>	<u>33</u>	<u>34</u>

City of Center Line

OPERATING INDICATORS BY FUNCTION

2005-2014
(Unaudited)

Function	2005	2006	2007	2008
Public safety⁽⁵⁾				
Physical arrests	1,070	938	869	747
Parking violations	138	106	151	112
Traffic violations	9,480	7,535	7,898	6,915
Emergency fire responses	70	77	60	80
Public works⁽⁶⁾				
Average daily water consumption and sewer treatment (gallons)	-	-	1,096,438	513,151
Peak daily water consumption (gallons)	-	-	-	(4) 1,170,000
Water rates				
Per 1,000 cubic feet	\$ 15.7800	\$ 16.3600	\$ 17.1700	\$ 26.8031
Per 1,000 gallons ⁽³⁾	N/A	\$ 2.1870	\$ 2.2953	\$ 3.5831
Sewer rates				
Per 1,000 cubic feet	\$ 23.3800	\$ 23.9700	\$ 26.7400	\$ 44.0929
Per 1,000 gallons ⁽³⁾	N/A	\$ 3.2040	\$ 3.5746	\$ 5.8944
Garbage/Solid Waste rate	\$ 7.7500	\$ 7.7500	\$ 7.5000	\$ 7.5000
Recreation and culture⁽⁷⁾				
Volumes in library collection	34,877	35,402	37,849	39,062
Volumes borrowed from library	47,207	43,465	43,672	45,373

Notes:

- (1) Water and public safety data are reported on a calendar year basis.
- (2) Library and utility rate data are reported on a fiscal year basis.
- (3) All meters reported in cubic feet prior to 2006.
- (4) Average daily water consumption and peak daily water consumption figures were not readily available prior to 2006 and 2007 respectively. 2011 peak figure was estimated due to malfunctioning city meter.
- (5) Source: City of Center Line Public Safety Director.
- (6) Source: City of Center Line Public Works Director.
- (7) Source: City of Center Line Library Director.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
551	455	286	576	396	-	(1)
116	117	64	52	101	-	(1)
5,179	4,609	3,193	2,853	3,022	-	(1)
83	211	242	256	358	-	(1)
691,780	641,644	730,411	734,521	719,810	-	(1)
1,460,000	1,060,000	1,100,000	1,170,000	1,000,000	-	(1)
\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	(2)
\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	(2)
\$ 41.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	(2)
\$ 5.4933	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 5.8944	(2)
\$ 7.5000	\$ 9.0000	\$ 11.0000	\$ 12.0000	\$ 12.0000	\$ 12.0000	(2)
43,167	42,169	40,408	51,444	56,086	53,098	(2)
44,510	44,351	42,550	39,697	38,789	36,484	(2)

City of Center Line

CAPITAL ASSET STATISTICS BY FUNCTION

2005-2014
(Unaudited)

Function	2005	2006	2007	2008
Public safety ⁽¹⁾				
Police protection				
Number of stations	1	1	1	1
Fire protection				
Number of stations	1	1	1	1
Public works ⁽²⁾				
Streets (miles)				
Primary streets	6.81	6.81	6.81	6.81
Secondary streets	18.47	18.47	18.47	18.47
Traffic signals	12	12	12	12
Water				
Mains (miles)	33.81	33.81	33.81	33.81
Fire hydrants	356	356	356	356
Storage capacity (gallons)	2,345,560	2,345,560	2,345,560	2,345,560
Sewer				
Sanitary sewers (miles)	29.55	29.55	29.55	29.55
Storm sewers (miles)	26.54	26.54	26.54	26.54
Recreation and culture ⁽³⁾				
Parks (acres)	30	30	30	30
Playgrounds	4	4	4	4
Pavilions	4	4	4	4
Softball and baseball fields	6	6	6	6

Notes:

(1) Source: City of Center Line Public Safety Director.

(2) Source: City of Center Line Public Works Director.

(3) Source: City of Center Line Recreation Director.

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
1	1	1	1	1	1
6.81	6.81	6.81	6.81	6.81	6.81
18.47	18.47	18.47	18.47	18.47	18.47
12	12	11	11	11	11
33.81	33.81	33.81	33.81	33.81	33.81
356	356	356	356	356	356
2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560
29.55	29.55	29.55	29.55	29.55	29.55
26.54	26.54	26.54	26.54	26.54	26.54
30	30	30	30	30	30
4	4	4	4	4	4
4	4	4	4	4	4
6	6	6	6	5	5

City of Center Line

STATE-SHARED REVENUES AND
GAS AND WEIGHT TAXES

2005-2014
(Unaudited)

STATE-SHARED REVENUES

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2005	\$ 1,034,840
2006	1,027,807
2007	1,001,323
2008	998,627
2009	964,912
2010	858,193
2011	858,193
2012	805,267
2013	835,099
2014	860,367

GAS AND WEIGHT TAXES (ACT 51)

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Streets</u>	<u>Local Streets</u>	
2005	\$ 329,409	\$ 132,202	\$ 461,611
2006	318,084	127,655	445,739
2007	317,254	127,233	444,487
2008	312,123	125,391	437,514
2009	325,585	130,609	456,194
2010	294,997	118,341	413,338
2011	299,371	120,116	419,487
2012	313,205	121,715	434,920
2013	314,299	125,225	439,524
2014	324,066	129,188	453,254

Note:

(1) Source: City of Center Line Treasurer's Office

City of Center Line
 LABOR AGREEMENTS
 (Unaudited)

<u>Name</u>	<u>Contract Expiration Date</u>	<u>Actual Number of Employees Covered</u>
UNION EMPLOYEES		
Clerical / Office Employees Governmental Employees Labor Council (GELC)	2/29/2016	2
Department of Public Works Employees American Federation of State, County, and Municipal Employees (AFSCME), Council 25, Local 1103	2/28/2018	4
Public Safety Command Officers Command Officers Association of Michigan (COAM)	6/30/2018	4
Public Safety Patrol Officers and Dispatchers Police Officers Association of Michigan (POAM)	6/30/2018	17
NON-UNION EMPLOYEES		
Chief Building Inspector	N/A	1
City Finance Director and Treasurer	N/A	1
City Manager and Clerk	N/A	1
Executive Secretary / Deputy Clerk	N/A	1
Parks and Recreation / Library Director	N/A	1
Public Safety Director	N/A	1
Public Works Superintendent	N/A	1

Note:

(1) Source: City of Center Line Treasurer's office.



3023 Davenport Ave.
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

October 27, 2014

Management and the City Council
City of Center Line
7070 East Ten Mile Rd.
Center Line, MI 48015-1100

We have completed our audit of the financial statements of the City of Center Line as of and for the year ended June 30, 2014 and have issued our report dated October 27, 2014. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We discussed these matters with various personnel in the City during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the City Council, and others within the City, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the City during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The City's most significant estimates in the financial statements are the useful lives of its capital assets and the other post-employment benefits. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service. The factors used in management's estimate of other post-employment benefits calculation include: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation. We have evaluated management's estimates in these areas and the process used for making the accounting estimates, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements. We feel the estimates have been properly recorded and evaluated by management.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

Management has determined that the effects of the uncorrected misstatement below is immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Revenue in the general fund was understated by \$12,462 due to an uncorrected misstatement of deferred revenue that was not received within 60 days in the prior year, but booked as revenue in the prior year.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Report on Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



3023 Davenport Ave.
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Appendix II

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditors' Report

Management and the City Council
City of Center Line

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 City of Center Line as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Center Line's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Center Line's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Center Line's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Center Line's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Center Line's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Saginaw, MI
October 27, 2014