

CENTER LINE, MICHIGAN



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

City of Center Line, Michigan
Comprehensive Annual Financial Report
June 30, 2016

Prepared by:
Treasurer's Office
Mark Knapp
Director of Finance/Treasurer

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Municipal Offices
Robert Binson,
Mayor

Dennis E. Champine,
City Manager/City Clerk

December 27, 2016

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, 2016.

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 Fiat-Chrysler Automobiles (FCA), as well as Whitlam Label Company. Mopar makes performance

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automotive parts for the full line of FCA 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 authority's goal is to create and develop ideas on moving the downtown development district forward, to help draw new commercial businesses and residents from three different generations, baby-boomers, x-ers and millennials. Furthermore, new DDA development regulations will require that all tax revenues captured by the authority shall be invested within the DDA district within one fiscal year of capturing of affected tax revenues, resulting in more aggressive investments by the authority.

The past year's accomplishments for the DDA include, but are not limited to: 1. Zoning Code updated and approved to create four primary development districts within the DDA Development District, they are: B-1A, City Center Redevelopment District; B-1B, Van Dyke Corridor District; B-2, Ten Mile Corridor District, and CC, Community Center District. The City Center Redevelopment District is designed to strengthen the public right-of-way space; create an orderly and cohesive visual image; foster a business-friendly redevelopment climate; encourage pedestrian use; and connect to the adjacent neighborhoods. Broader limits on land usage allow flexibility in determining the proper mix of residence and business types. The Van Dyke Corridor District is designed to cater to the needs of a larger consumer population with a greater reliance on passerby traffic. This district also considers mixed use, mass transit, pedestrian accessibility, and connections to the adjacent neighborhoods important to long-term viability. The Ten Mile Corridor District established to provide sites for more diversified business types incompatible with pedestrian traffic and is often located so as to serve the passerby traffic. This district is further intended to provide opportunities for automobile-related businesses, uses that generate large traffic volumes or require substantial off-street parking facilities, and other uses incompatible with the pedestrian-oriented character and scale. The Community Center District is designed to provide sites for a variety of high-intensity office, multiple-residential, retail and service establishments which occupy prime frontages at the intersection of major thoroughfares.

The CC community center district is further intended to provide for combining high-rise office, high-rise multiple-dwelling, and retail uses in a planned development, and to encourage innovations and variety in type, design and arrangement of such uses.

Additionally, the DDA approved final plans for Gateway Signage in which will be constructed at the major entries of the city, and will highlight the new tagline for the City of Center Line, “Small-town Lifestyle in the Heart of Metro-Detroit”.

Many of the vacated commercial uses within the DDA District have now been occupied by diverse uses, including two new developments planned for 2017. Additionally, DDA design standards will encourage new developments to include “Green Infrastructure” which will reduce the storm water impact on the city’s storm water infrastructure

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 5-1 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 6-6, or other supplementary information (for non-major funds), starting on page 6-8.

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. The City of Center Line will pursue more aggressively all grant opportunities in an effort to supplement tax revenues for the improvement of facilities, equipment and services as the city moves forward.

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. With the newly added Crest Ford automobile dealership, and the recently committed \$84 million investment by newcomer Sodect USA (Big Three supplier) in the community’s industrial corridor, the community may as early as fiscal year 2018 experience a significant increase in taxable value, and resulting tax revenue.

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 of Center Line Independence Festival and Fireworks, 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.

Strict enforcement of residential property maintenance codes and blighted properties has resulted in a 2.5% increase in owner occupied homes, and a 3.5% drop in vacancies throughout the city. The City continues to target all generations to consider Center Line as their home, where they can live, work and play in peace and tranquility. With the improvements in the Downtown District, these achievements will continue through the 2017/2018 calendar years.

Finally, the city administration has worked diligently to pursue grants and financial support from the business community through donations to create big impact services, such as its newly established K-9 unit and the hiring of three additional public safety officers.

Historically, blue collar factory workers and their families have called Center Line their home. Today, Center Line is economically very diverse, yet 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 \$4 million in the past three fiscal years. This figure represents approximately 15.1% 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 2017 through 2019. 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.

The triennial budget established 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 \$381,000 more in contributions to the city's OPEB Investment Trust over that time period.

The budget also includes the city's four-year capital improvement plan, which will fund \$772,600 in capital improvements like four new public safety vehicles, a dump truck with salter and a heavy rescue truck.

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 major enhancements for fiscal year 2015, to include receipt of an Assistance to Firefighters Grant which allowed for the purchase of fire appliances, turn-out gear and hoses for fire trucks. Furthermore, the city has been awarded a Storm Water, Asset Management and Wastewater (SAW) Grant in the amount of \$868,680.00, which will require a \$96,520.00 match, to develop storm-water asset management plan and a storm-water management plan, which began in the Spring of 2016 and runs through Fall 2017.

For fiscal year 2016, the city spent \$551,161 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. Approximately \$153,000 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 continue replacement of obsolete or heavily aged assets, including appliances, turnout gear and hoses for the fire trucks. Furthermore, Public Safety Training facilities continue to be updated to allow for that department to improve training of both Public Safety Officers and On-Call Firefighters.

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, 2015. This was the fourth 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 and the support from the audit staff in this transitional period. 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,

A handwritten signature in black ink, appearing to read "D. Champine".

Dennis E. Champine
City Manager and Clerk

A handwritten signature in black ink, appearing to read "Mark Knapp".

Mark Knapp
Director of Finance and Treasurer



2015

Government Finance Officers Association

Certificate of
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Presented to

**City of Center Line
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Center Line
List of Elected and Appointed Officials
June 30, 2016

City Council

Robert Binson, Mayor

Ron Lapham, Mayor Pro-Tem

Nick Chakur, Council Member

Mary Hafner, Council Member

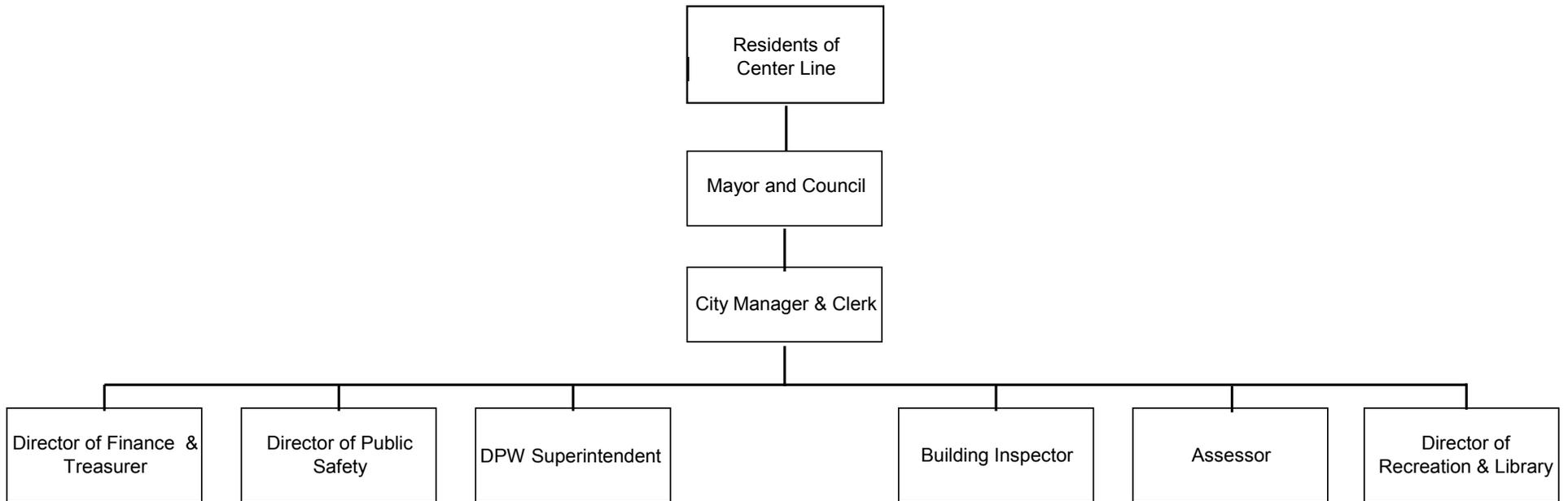
James Reid, Council Member

Other Officers and Officials

Dennis Champine, City Manager and Clerk

Mark Knapp, Director of Finance and Treasurer

**City of Center Line
Organizational Chart
June 30, 2016**



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, 2016, 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, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Other Post Employment Benefit schedules, Police and Fire Pension Plan schedules, and the Municipal Employees Retirement System schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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, 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, other than the prior year information, 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 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 December 27, 2016 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

December 27, 2016

City of Center Line
Management's Discussion and Analysis
June 30, 2016

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, 2016. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 2 – 1 of this report, our letter of transmittal on pages 1 – 1 through 1 – 6, 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 and deferred inflows, were \$2,136,523 at the close of 2016 (excluding component units). This is a decrease of \$298,069 or 12.2% compared to 2015.
- Governmental activities net position was \$(12,543,001) for 2016. This is a decrease of \$1,440,985 or 13.0% compared to 2015.
- Business-type activities net position was \$14,679,524. This is an increase of \$1,142,916 or 8.4% compared to 2015.
- Component unit net position was \$663,930. This is a decrease of \$24,529 or 3.5% compared to 2015.

Fund Level:

- At the close of the fiscal year, the City of Center Line's governmental funds reported a combined ending fund balance of \$2,484,631, a decrease of \$203,025 or 7.55% compared to 2015. Of this amount, \$136,971 was classified as nonspendable, \$988,267 was classified as restricted, and \$1,359,393 was classified as unassigned. The decrease in fund balance reflects increased expenses in the capital improvement fund, primarily as a result construction on and purchasing of capital equipment and capital projects. The capital improvement fund experienced a fund balance decrease of \$189,964.
- The General Fund's overall fund balance decreased \$110,155 from 2015. A significant factor in the fund balance decrease was the increase in the City's voluntary contribution to its other postemployment benefits investment trust.

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 \$516,650 with a net decrease of \$127,036 from the prior year.
- The total long-term debt for the primary government (business-type activities) was \$7,069,875 with a decrease of \$1,102,085 from the prior year.

City of Center Line
Management's Discussion and Analysis
June 30, 2016

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's 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.

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 4-1) 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 4-3) 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.

City of Center Line
Management's Discussion and Analysis
June 30, 2016

- ***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 4-6 and 4-9 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.

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 4-4, 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

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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), *Debt Service Funds* (used to report debt tax millage collections and payment of long term debt), 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 4-16, Statement of Changes in Fiduciary Net Position on page 4-17, and Schedule of Changes in Assets and Liabilities beginning on page 6-14. 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.

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 4-18 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. It also includes required schedules for both of the city's pension systems as well as the city's other postemployment benefits (OPEB) plan.

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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 \$2,136,523 at the end of this fiscal year's operations. The net position of the governmental activities was \$(12,543,001); the net position of business-type activities was \$14,679,524.

Net Position as of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 3,141,641	\$ 3,259,555	\$ 3,364,158	\$ 3,055,100	\$ 6,505,799	\$ 6,314,655
Capital assets	3,857,071	3,743,039	19,038,554	19,156,170	22,895,625	22,899,209
Total assets	<u>6,998,712</u>	<u>7,002,594</u>	<u>22,402,712</u>	<u>22,211,270</u>	<u>29,401,424</u>	<u>29,213,864</u>
Deferred Outflows of Resources						
Deferred Charges	<u>2,271,115</u>	<u>799,116</u>	<u>175,953</u>	<u>184,277</u>	<u>2,447,068</u>	<u>983,393</u>
Total assets and deferred outflows	<u>9,269,827</u>	<u>7,801,710</u>	<u>22,578,665</u>	<u>22,395,547</u>	<u>31,848,492</u>	<u>30,197,257</u>
Liabilities						
Current	1,209,646	1,100,092	1,561,824	1,420,242	2,771,470	2,520,334
Noncurrent	<u>20,403,519</u>	<u>17,791,467</u>	<u>6,337,317</u>	<u>7,438,697</u>	<u>26,740,836</u>	<u>25,230,164</u>
Total liabilities	21,613,165	18,891,559	7,899,141	8,858,939	29,512,306	27,750,498
Deferred Inflows of Resources						
Deferred inflows	<u>199,663</u>	<u>12,167</u>	<u>-</u>	<u>-</u>	<u>199,663</u>	<u>12,167</u>
Total liabilities and deferred inflows	<u>21,812,828</u>	<u>18,903,726</u>	<u>7,899,141</u>	<u>8,858,939</u>	<u>29,711,969</u>	<u>27,762,665</u>
Net Position						
Net investment						
in capital assets	3,455,142	3,213,195	12,093,992	11,150,437	15,549,134	14,363,632
Restricted	1,128,801	1,127,272	-	-	1,128,801	1,127,272
Unrestricted	<u>(17,126,944)</u>	<u>(15,442,483)</u>	<u>2,585,532</u>	<u>2,386,171</u>	<u>(14,541,412)</u>	<u>(13,056,312)</u>
Total net position	<u>\$ (12,543,001)</u>	<u>\$ (11,102,016)</u>	<u>\$ 14,679,524</u>	<u>\$ 13,536,608</u>	<u>\$ 2,136,523</u>	<u>\$ 2,434,592</u>

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Changes in Net Position for the Fiscal Year Ended June 30, 2016 and 2015

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the City of Center Line's net position changed between fiscal years 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenue:						
Charges for services	\$ 1,028,910	\$ 1,012,264	\$ 2,838,539	\$ 2,959,928	\$ 3,867,449	\$ 3,972,192
Operating grants and contributions	631,460	609,303	-	-	631,460	609,303
Capital grants and contributions	588,132	51,817	-	35,589	588,132	87,406
General revenues:						
Property taxes	6,243,618	6,201,812	-	-	6,243,618	6,201,812
Payment in lieu of taxes	107,089	103,430	-	-	107,089	103,430
State-shared revenue	964,936	877,455	-	-	964,936	877,455
Cable franchise fees	153,219	146,812	-	-	153,219	146,812
Investment and rent earnings	20,673	26,865	1,430	1,813	22,103	28,678
Miscellaneous	56,043	134,150	-	-	56,043	134,150
Total revenues	9,794,080	9,163,908	2,839,969	2,997,330	12,634,049	12,161,238
Expenses						
General government	2,475,375	1,903,319	-	-	2,475,375	1,903,319
Public safety	5,362,279	4,383,322	-	-	5,362,279	4,383,322
Public works	1,662,827	1,491,621	-	-	1,662,827	1,491,621
Community and economic development	4,484	16,991	-	-	4,484	16,991
Recreation and cultural	618,943	576,844	-	-	618,943	576,844
Water and sewer	-	-	2,792,209	2,933,992	2,792,209	2,933,992
Solid waste disposal	-	-	-	-	-	-
Interest on long-term debt	16,001	20,119	-	-	16,001	20,119
Total expenses	10,139,909	8,392,216	2,792,209	2,933,992	12,932,118	11,326,208
Excess revenues over (under) expenses before transfers	(345,829)	771,692	47,760	63,338	(298,069)	835,030
Transfers	(1,095,156)	(1,090,247)	1,095,156	1,090,247	-	-
Change in net position	(1,440,985)	(318,555)	1,142,916	1,153,585	(298,069)	835,030
Net position (deficit), beginning of year	(11,102,016)	15,750	13,536,608	12,723,312	2,434,592	12,739,062
Prior period adjustment - GASB 68	-	(10,799,211)	-	(340,289)	-	(11,139,500)
Net position (deficit), end of year	\$ (12,543,001)	\$ (11,102,016)	\$ 14,679,524	\$ 13,536,608	\$ 2,136,523	\$ 2,434,592

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Governmental Activities:

Fiscal year 2016 results showed a decrease in net position of \$1,440,985. The ending net deficit for governmental activities was \$(12,543,001). Of the total governmental activities' net deficit, \$3,455,142 represents the net investment in capital assets, \$1,128,801 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 \$(17,126,944) is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 63.7%, charges for services at 10.5%, and state shared revenue at 9.9%. These figures are relatively consistent with prior fiscal periods.

Expenses:

Public safety was the largest governmental activity with \$5.36 million spent of the \$10.14 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 by \$978,957, which was partially due to increases in the cost of pension and retiree healthcare costs.

General government is the second largest governmental activity, expending just over \$2.48 million. This includes administration, elections and other legislative expenses, district court costs, as well as utility costs associated with municipal buildings. This expenditure increased when compared to the prior fiscal period because of increases in the cost of pension and retiree healthcare costs.

Public works is the third largest governmental activity, expending \$1.66 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. Public works expenses increased by \$171,206. This expenditure also increased mainly due to the cost of pension and retiree healthcare costs.

Business-type Activities:

Fiscal year 2016 results showed an increase in net position of \$1,142,916. The ending net position for business-type activities was \$14,679,524. 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.

Of the total \$14.68 million of net position in the business-type activities, \$2.59 million is reported as unrestricted, and \$12.09 million is the net investment in capital assets.

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

As the City of Center Line completed fiscal year 2016, its governmental funds reported *combined* fund balances of \$2,484,631. The net changes are summarized in the following chart:

	General Fund	Public Safety Fund	Debt Service Fund	Nonmajor Governmental Funds
Fund Balance 6/30/16	\$ 1,571,873	\$ 290,417	\$ 12,080	\$ 610,261
Fund Balance 6/30/15	\$ 1,682,028	\$ 289,293	\$ 12,907	\$ 703,428
Net Change	\$ (110,155)	\$ 1,124	\$ (827)	\$ (93,167)

The General Fund balance decreased by \$110,155. This is primarily due to an increase in the amount of to the city's voluntary contributions to the other postemployment benefits investment trust.

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 \$1.18 million in 2016, the Public Safety Fund still had a funding shortfall of roughly \$925,000, 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 \$290,417, of which \$254,372 was restricted for retiree healthcare benefits, and \$36,045 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 of \$12,080. The entire balance was restricted for future debt service payments.

Nonmajor governmental funds saw a decrease in fund balance of \$93,167. The most significant funds impacting this change was a decrease was the Capital Improvement Fund of \$189,964 which was partially offset by an increase in the Major Street Fund of \$179,328. The Capital Improvement Fund expended \$494,584 in the current fiscal period for planned projects budgeted as part of the city's five-year capital improvement plan.

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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, 2016, the General Fund reported a fund balance of \$1,571,873. This amount is a decrease of \$110,155 from the fund balance of \$1,682,028 reported as of June 30, 2015. Of the total fund balance, \$99,765 is nonspendable and \$1,472,108 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 \$4,676,772; \$77,261 over the final amended budget. The overage was the result of unexpected revenues derived from sale of fixed assets as well as building and permit revenues in excess of budgeted figures.

The City of Center Line's expenditures and other financing uses totaled \$4,786,927; \$288,057 less than the final amended budget. Several departments at the city completed the fiscal year with expenditures significantly under approved budget levels.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2016, the City of Center Line had invested \$3,857,071 and \$19,038,554 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Accumulated depreciation was \$5,152,163 for the governmental activities and \$7,567,952 for the business-type activities. Depreciation charges for the fiscal year totaled \$224,023 for the governmental activities and \$403,299 for the business-type activities.

For more detailed information related to capital assets, refer to Note 6 of the notes 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, 2016.

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,471,164	\$ -	\$ 1,471,164
Construction in progress	-	262,278	262,278
Buildings and Improvements, net	1,174,108	612,815	1,786,923
Machinery and Equipment, net	733,815	551,039	1,284,854
Land Improvements, net	477,984	-	477,984
Sewer System, net	-	17,612,422	17,612,422
	<hr/>	<hr/>	<hr/>
Capital assets, net	\$ 3,857,071	\$ 19,038,554	\$ 22,895,625

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Long-term Debt - As of June 30, 2016, the City of Center Line had \$7,586,525 in bonds and compensated absences outstanding. Of this amount, \$7,471,804 is bonds and \$114,721 is compensated absences. This level of net obligation is \$1,229,121 less than the obligation recorded as of June 30, 2015. For more detailed information related to long-term debt, refer to Note 8 to the financial statements.

Outstanding Debt as of June 30, 2016:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Governmental Activities				
Bonds	\$ 529,844	\$ -	\$ 127,915	\$ 401,929
Compensated absences	<u>113,842</u>	<u>185,327</u>	<u>184,448</u>	<u>114,721</u>
Total Governmental Activities	643,686	185,327	312,363	516,650
Total Business-Type Activities - Bonds	<u>8,171,960</u>	<u>-</u>	<u>1,102,085</u>	<u>7,069,875</u>
Total Primary Government	<u>\$ 8,815,646</u>	<u>\$ 185,327</u>	<u>\$ 1,414,448</u>	<u>\$ 7,586,525</u>
Debt Limit (10% of SEV)				\$ 17,465,473
Available Statutory Debt Limit				\$ 12,647,600

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, 2016, net of adjustments, was \$174 million; therefore, the City of Center Line's debt limitation was \$17.4 million. The City of Center Line remains below its legal debt limit by approximately \$12.6 million. The city's computation of the legal debt limit is shown in the statistical section of this report.

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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.

While taxable values at the city have begun to increase, the long-term impact of Proposal A and the Headlee Amendment are clear. The city is critically under-staffed, has substantial capital improvement needs, and is mired in millions of dollars of unfunded pension and retiree healthcare benefit obligations. Years of underfunding as a result of permanently lost tax revenues and state shared revenues are a key driver of these deficiencies.

Accelerated Funding of Pension and Healthcare Liabilities

To address the aforementioned unfunded pension and retiree 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 fiscal years 2013, 2014, 2015, and 2016, the city contributed amounts in excess of the annual required contribution in an attempt to increase the funded level of the plan.

On July 1, 2014, the city began 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.

To date, the city is on pace to achieve the fully funded goal in a shorter period of time than 20 years. This is because of council actions taken in August 2015, which authorized a one-time payment of \$500,000 from the general fund to the Municipal Employees' Retirement System (MERS) to 'catch-up' the city's funding ratio.

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.

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.

City of Center Line
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 712,504	\$ 1,285,415	\$ 1,997,919	\$ 207,935
Investments	2,220,619	1,287,461	3,508,080	394,041
Receivables				
Taxes	8,201	-	8,201	-
Customers	116,389	696,294	812,683	11
Special assessments	113,238	-	113,238	-
Accrued interest and other	79,817	-	79,817	-
Due from other units of government	293,868	-	293,868	-
Prepaid items	136,971	5,117	142,088	-
Investment in joint venture	(539,966)	-	(539,966)	-
Total current assets	<u>3,141,641</u>	<u>3,274,287</u>	<u>6,415,928</u>	<u>601,987</u>
Noncurrent assets				
Other postemployment benefit asset	-	89,871	89,871	-
Capital assets not being depreciated	1,471,164	262,278	1,733,442	4,500
Capital assets, net of accumulated depreciation	2,385,907	18,776,276	21,162,183	60,689
Total noncurrent assets	<u>3,857,071</u>	<u>19,128,425</u>	<u>22,985,496</u>	<u>65,189</u>
Total assets	<u>6,998,712</u>	<u>22,402,712</u>	<u>29,401,424</u>	<u>667,176</u>
Deferred Outflows of Resources				
Deferred charges, net of amortization	-	125,313	125,313	-
Deferred amount relating to net pension liability - MERS	523,537	50,640	574,177	-
Deferred amount relating to net pension liability - Police and Fire Pension	1,747,578	-	1,747,578	-
Total deferred outflows of resources	<u>2,271,115</u>	<u>175,953</u>	<u>2,447,068</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>9,269,827</u>	<u>22,578,665</u>	<u>31,848,492</u>	<u>667,176</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 592,241	\$ 410,064	\$ 1,002,305	\$ 2,858
Checks written against future deposits	319,810	-	319,810	-
Accrued and other liabilities	144,230	41,402	185,632	388
Due to fiduciary fund	3,000	-	3,000	-
Unearned revenue	12,042	-	12,042	-
Debt due within one year	138,323	1,110,358	1,248,681	-
Total current liabilities	<u>1,209,646</u>	<u>1,561,824</u>	<u>2,771,470</u>	<u>3,246</u>
Noncurrent liabilities				
Debt due in more than one year	378,327	5,959,517	6,337,844	-
Other postemployment benefit obligations	6,070,765	-	6,070,765	-
Net pension liability - MERS	3,947,202	377,800	4,325,002	-
Net pension liability - Police and Fire Pension	10,007,225	-	10,007,225	-
Total noncurrent liabilities	<u>20,403,519</u>	<u>6,337,317</u>	<u>26,740,836</u>	<u>-</u>
Total liabilities	<u>21,613,165</u>	<u>7,899,141</u>	<u>29,512,306</u>	<u>3,246</u>
Deferred Inflows of Resources				
Deferred amount on net pension liability - Police and Fire Pension	<u>199,663</u>	<u>-</u>	<u>199,663</u>	<u>-</u>
Net Position				
Net investment in capital assets	3,455,142	12,093,992	15,549,134	-
Restricted for				
Capital projects	11,542	-	11,542	-
Drug law enforcement	10,351	-	10,351	-
Fringe benefits and insurances	99,765	-	99,765	-
Debt service	12,007	-	12,007	-
Other post employment benefits	254,372	-	254,372	-
Public safety	39,681	-	39,681	-
Streets	701,083	-	701,083	-
Unrestricted (deficit)	<u>(17,126,944)</u>	<u>2,585,532</u>	<u>(14,541,412)</u>	<u>663,930</u>
Total net position	<u>\$ (12,543,001)</u>	<u>\$ 14,679,524</u>	<u>\$ 2,136,523</u>	<u>\$ 663,930</u>

See Accompanying Notes to the Financial Statements

**City of Center Line
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 2,475,375	\$ 727,053	\$ 22,386	\$ -	\$ (1,725,936)	\$ -	\$ (1,725,936)	\$ -
Public safety	5,362,279	111,626	33,846	275,811	(4,940,996)	-	(4,940,996)	-
Public works	1,662,827	113,238	560,798	147,339	(841,452)	-	(841,452)	-
Community and economic development	4,484	-	-	164,982	160,498	-	160,498	-
Recreation and culture	618,943	76,993	14,430	-	(527,520)	-	(527,520)	-
Interest and fiscal charges on long-term debt	16,001	-	-	-	(16,001)	-	(16,001)	-
Total governmental activities	10,139,909	1,028,910	631,460	588,132	(7,891,407)	-	(7,891,407)	-
Business-type activities								
Water and sewer	2,463,863	2,563,999	-	-	-	100,136	100,136	-
Solid waste disposal	328,346	274,540	-	-	-	(53,806)	(53,806)	-
Total business-type activities	2,792,209	2,838,539	-	-	-	46,330	46,330	-
Total primary government	\$ 12,932,118	\$ 3,867,449	\$ 631,460	\$ 588,132	(7,891,407)	46,330	(7,845,077)	-
Component unit								
Downtown Development Authority	\$ 36,897	\$ 2,500	\$ 3,583	\$ -				(30,814)
General revenues								
Property taxes					6,243,618	-	6,243,618	5,847
Payment in lieu of taxes					107,089	-	107,089	-
State-shared revenue					964,936	-	964,936	-
Cable franchise fees					153,219	-	153,219	-
Investment and rent earnings					20,673	1,430	22,103	438
Miscellaneous					56,043	-	56,043	-
Transfers					(1,095,156)	1,095,156	-	-
Total general revenues and transfers					6,450,422	1,096,586	7,547,008	6,285
Change in net position					(1,440,985)	1,142,916	(298,069)	(24,529)
Net position - beginning of year					(11,102,016)	13,536,608	2,434,592	688,459
Net position - end of year					\$ (12,543,001)	\$ 14,679,524	\$ 2,136,523	\$ 663,930

See Accompanying Notes to the Financial Statements

**City of Center Line
Governmental Funds
Balance Sheet
June 30, 2016**

	General	Special Revenue Fund Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 386,308	\$ -	\$ 14,933	\$ 311,263	\$ 712,504
Investments	1,258,145	496,257	-	466,217	2,220,619
Receivables					
Taxes	945	4,422	2,834	-	8,201
Customers	51,242	16,411	-	48,736	116,389
Special assessments	-	-	-	113,238	113,238
Accrued interest and other	33	-	-	-	33
Due from other units of government	195,387	-	-	98,481	293,868
Due from other funds	79,784	-	-	-	79,784
Prepaid items	99,765	36,045	-	1,161	136,971
Total assets	\$ 2,071,609	\$ 553,135	\$ 17,767	\$ 1,039,096	\$ 3,681,607

See Accompanying Notes to the Financial Statements

**City of Center Line
Governmental Funds
Balance Sheet
June 30, 2016**

	General	Special Revenue Fund Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities					
Accounts payable	\$ 414,960	\$ 39,691	\$ 3,357	\$ 134,233	\$ 592,241
Checks written against future deposits	-	139,042	-	180,768	319,810
Accrued and other liabilities	63,882	77,349	-	596	141,827
Due to other funds	-	3,000	-	-	3,000
Unearned revenue	12,042	-	-	-	12,042
Total liabilities	490,884	259,082	3,357	315,597	1,068,920
Deferred Inflows of Resources					
Delinquent tax receivables	4,513	3,636	2,330	-	10,479
Delinquent special assessments receivable	-	-	-	113,238	113,238
Delinquent blight receivables	4,339	-	-	-	4,339
Total deferred inflows of resources	8,852	3,636	2,330	113,238	128,056
Fund Balances					
Non-spendable					
Prepaid items	99,765	36,045	-	1,161	136,971
Restricted for					
Other post employment benefits	-	254,372	-	-	254,372
Debt service	-	-	12,080	-	12,080
Streets	-	-	-	699,922	699,922
Capital projects	-	-	-	11,542	11,542
Drug law enforcement	-	-	-	10,351	10,351
Unassigned (deficit)	1,472,108	-	-	(112,715)	1,359,393
Total fund balances	1,571,873	290,417	12,080	610,261	2,484,631
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,071,609	\$ 553,135	\$ 17,767	\$ 1,039,096	\$ 3,681,607

See Accompanying Notes to the Financial Statements

**City of Center Line
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016**

Total fund balances for governmental funds	\$ 2,484,631
Total net position for governmental activities in the statement of net position is different because:	
Investment in joint ventures are not included as an asset in the governmental funds.	(539,966)
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	2,385,907
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	1,471,164
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	128,056
Deferred outflows (inflows) or resources.	
Deferred inflows of resources resulting from net pension liability - Police and Fire Pension	(199,663)
Deferred outflows of resources resulting from net pension liability - Police and Fire Pension	1,747,578
Deferred outflows of resources resulting from net pension liability - MERS	523,537
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds and loans payable	(401,929)
Accrued interest	(2,403)
Compensated absences	(114,721)
Net other post employment obligation	(6,070,765)
Net pension liability - MERS	(3,947,202)
Net pension liability - Police and Fire Pension	<u>(10,007,225)</u>
Net position of governmental activities	<u>\$ (12,543,001)</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General	Special Revenue Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Public Safety	Debt Service		
Revenues					
Taxes	\$ 2,459,229	\$ 2,545,440	\$ 1,238,949	\$ -	\$ 6,243,618
Licenses and permits	213,089	-	-	-	213,089
Intergovernmental					
Federal grants	22,386	645	-	440,148	463,179
State-shared revenue	964,936	-	-	-	964,936
Other state grants	124,483	33,846	-	560,798	719,127
Charges for services	414,888	20,524	-	-	435,412
Fines and forfeitures	417,337	2,800	-	3,203	423,340
Interest income	18,225	551	-	1,897	20,673
Special assessments	-	-	-	144,375	144,375
Other revenue	21,392	9,894	-	1,000	32,286
Total revenues	<u>4,655,965</u>	<u>2,613,700</u>	<u>1,238,949</u>	<u>1,151,421</u>	<u>9,660,035</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special Revenue Fund			Nonmajor Governmental Funds	Total Governmental Funds
	General	Public Safety	Debt Service		
Expenditures					
Current					
General government	\$ 1,920,450	\$ -	\$ -	\$ -	\$ 1,920,450
Public safety	215,289	3,523,564	-	-	3,738,853
Public works	1,045,689	-	-	368,820	1,414,509
Community and economic development	3,732	-	-	-	3,732
Recreation and culture	544,207	-	-	-	544,207
Other functions	-	-	-	432,912	432,912
Capital outlay	42,692	13,884	-	494,584	551,160
Debt service					
OPEB employer contributions	38,268	-	-	-	38,268
Principal retirement	-	-	127,915	-	127,915
Interest and fiscal charges	-	-	16,705	-	16,705
	<u>3,810,327</u>	<u>3,537,448</u>	<u>144,620</u>	<u>1,296,316</u>	<u>8,788,711</u>
Excess (deficiency) of revenues over expenditures	<u>845,638</u>	<u>(923,748)</u>	<u>1,094,329</u>	<u>(144,895)</u>	<u>871,324</u>
Other financing sources (uses)					
Transfers in	-	924,872	-	225,428	1,150,300
Transfers out	(976,600)	-	(1,095,156)	(173,700)	(2,245,456)
Sale of fixed assets	20,807	-	-	-	20,807
	<u>(955,793)</u>	<u>924,872</u>	<u>(1,095,156)</u>	<u>51,728</u>	<u>(1,074,349)</u>
Net change in fund balance	(110,155)	1,124	(827)	(93,167)	(203,025)
Fund balance - beginning of year	<u>1,682,028</u>	<u>289,293</u>	<u>12,907</u>	<u>703,428</u>	<u>2,687,656</u>
Fund balance - end of year	<u>\$ 1,571,873</u>	<u>\$ 290,417</u>	<u>\$ 12,080</u>	<u>\$ 610,261</u>	<u>\$ 2,484,631</u>

See Accompanying Notes to the Financial Statements

**City of Center Line
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

Net change in fund balances - total governmental funds	\$ (203,025)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(224,023)
Capital outlay	338,055
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	113,238
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	704
Compensated absences	(879)
Joint venture	(156,689)
Net other post employment obligation	(743,036)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability - MERS	(143,613)
Net change in the deferred outflows of resources related to the net pension liability - MERS	334,832
Net change in net pension liability - Police and Fire Pension	(1,834,135)
Net change in the deferred outflows of resources related to the net pension liability - Police and Fire Pension	1,137,167
Net change in the deferred inflows of resources related to the net pension liability - Police and Fire Pension	(187,496)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	127,915
Change in net position of governmental activities	\$ (1,440,985)

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Net Position
June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,237,839	\$ 47,576	\$ 1,285,415
Investments	1,215,285	72,176	1,287,461
Receivables			
Customers	619,595	76,699	696,294
Prepaid items	5,117	-	5,117
	<u>3,077,836</u>	<u>196,451</u>	<u>3,274,287</u>
Total current assets			
Noncurrent assets			
Other postemployment benefit asset	89,871	-	89,871
Capital assets, net of accumulated depreciation	18,776,276	-	18,776,276
Capital assets not being depreciated	262,278	-	262,278
	<u>19,128,425</u>	<u>-</u>	<u>19,128,425</u>
Total noncurrent assets			
	<u>19,128,425</u>	<u>-</u>	<u>19,128,425</u>
Total assets	22,206,261	196,451	22,402,712
Deferred Outflows of Resources			
Deferred charges, net of amortization	125,313	-	125,313
Deferred amount relating to net pension liability - MERS	50,640	-	50,640
	<u>50,640</u>	<u>-</u>	<u>50,640</u>
Total assets and deferred outflows of resources	<u>22,382,214</u>	<u>196,451</u>	<u>22,578,665</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Net Position
June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 386,966	\$ 23,098	\$ 410,064
Accrued and other liabilities	41,402	-	41,402
Current portion of long-term debt	1,110,358	-	1,110,358
Total current liabilities	<u>1,538,726</u>	<u>23,098</u>	<u>1,561,824</u>
Noncurrent liabilities			
Net pension liability	377,800	-	377,800
Long-term debt net of current portion	5,959,517	-	5,959,517
Total noncurrent liabilities	<u>6,337,317</u>	<u>-</u>	<u>6,337,317</u>
Total liabilities	<u>7,876,043</u>	<u>23,098</u>	<u>7,899,141</u>
Net Position			
Net investment in capital assets	12,093,992	-	12,093,992
Unrestricted	2,412,179	173,353	2,585,532
Total net position	<u>\$ 14,506,171</u>	<u>\$ 173,353</u>	<u>\$ 14,679,524</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Operating revenue			
Customer fees	\$ 2,563,999	\$ 274,540	\$ 2,838,539
Operating expenses			
Cost of water and sewage disposal	1,325,115	-	1,325,115
Cost of solid waste disposal	-	328,346	328,346
Personnel services	254,328	-	254,328
Utilities	23,076	-	23,076
Repairs and maintenance	80,107	-	80,107
Professional services	97,624	-	97,624
Operating supplies	21,274	-	21,274
Other expenses	3,956	-	3,956
Depreciation	403,299	-	403,299
 Total operating expenses	 <u>2,208,779</u>	 <u>328,346</u>	 <u>2,537,125</u>
 Operating income (loss)	 <u>355,220</u>	 <u>(53,806)</u>	 <u>301,414</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Nonoperating revenue (expenses)			
Interest income	\$ 1,350	\$ 80	\$ 1,430
Bond discount and deferred charges	(40,914)	-	(40,914)
Paying agent fees	(647)	-	(647)
Interest expense	(213,523)	-	(213,523)
 Total nonoperating revenues (expenses)	 (253,734)	 80	 (253,654)
 Income (loss) before transfers	 101,486	 (53,726)	 47,760
 Transfers in	 1,095,156	 -	 1,095,156
 Change in net position	 1,196,642	 (53,726)	 1,142,916
 Net position - beginning of year	 13,309,529	 227,079	 13,536,608
 Net position - end of year	 <u>\$ 14,506,171</u>	 <u>\$ 173,353</u>	 <u>\$ 14,679,524</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,513,529	\$ 275,781	\$ 2,789,310
Payments to suppliers	(1,439,961)	(328,633)	(1,768,594)
Payments to employees and employee trusts	(254,328)	-	(254,328)
Net cash provided (used) by operating activities	<u>819,240</u>	<u>(52,852)</u>	<u>766,388</u>
Cash flows from capital and related financing activities			
Purchases/construction of capital assets	(285,683)	-	(285,683)
Principal and interest paid on long-term debt	(1,316,255)	-	(1,316,255)
Transfer from other funds	1,095,156	-	1,095,156
Net cash provided (used) by capital and related financing activities	<u>(506,782)</u>	<u>-</u>	<u>(506,782)</u>
Cash flows from investing activities			
Purchase of long term certificates of deposit	-	(78)	(78)
Purchases of investments	(1,317)	-	(1,317)
Interest received	1,350	80	1,430
Net cash provided (used) by investing activities	<u>33</u>	<u>2</u>	<u>35</u>
Net change in cash and cash equivalents	312,491	(52,850)	259,641
Cash and cash equivalents - beginning of year	<u>925,348</u>	<u>100,426</u>	<u>1,025,774</u>
Cash and cash equivalents - end of year	<u>\$ 1,237,839</u>	<u>\$ 47,576</u>	<u>\$ 1,285,415</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 355,220	\$ (53,806)	\$ 301,414
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	403,299	-	403,299
Noncash portion of deferred outflows related to net pension liability	13,979	-	13,979
Changes in assets and liabilities			
Receivables (net)	(50,470)	(4,682)	(55,152)
Due from other units of government	-	5,923	5,923
Prepaid items	1,206	-	1,206
Deferred outflows of resources	(32,590)	-	(32,590)
Accounts payable	132,628	(287)	132,341
Accrued and other liabilities	(4,032)	-	(4,032)
 Net cash provided (used) by operating activities	 <u>\$ 819,240</u>	 <u>\$ (52,852)</u>	 <u>\$ 766,388</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 790,136	\$ 37,438
Accounts receivable	-	3,587
Investments		
U.S. Treasury securities	613,987	-
Federal agency securities	1,103,862	-
Sovereign securities	39,638	-
Common and preferred stocks	11,444,291	-
Corporate bonds and notes	1,215,795	-
Alternative investments	116,585	-
Receivables		
Accrued interest	20,430	-
Due from other funds	<u>3,000</u>	<u>-</u>
Total assets	<u>15,347,724</u>	<u>\$ 41,025</u>
Liabilities		
Accounts payable	45,596	13,133
Due to other funds	79,784	-
Due to others	<u>-</u>	<u>27,892</u>
Total liabilities	<u>125,380</u>	<u>\$ 41,025</u>
Net Position		
Held in trust for pension benefits and other employee benefits	<u>\$ 15,222,344</u>	

See Accompanying Notes to the Financial Statements

**City of Center Line
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016**

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Contributions	
Employer	\$ 1,961,317
Plan members	<u>97,630</u>
Total contributions	<u>2,058,947</u>
Investment earnings	
Interest and dividends	361,302
Change in market value	<u>(403,240)</u>
Total investment earnings (losses)	(41,938)
Less investment expense	<u>123,956</u>
Net investment earnings (losses)	<u>(165,894)</u>
Total additions	<u>1,893,053</u>
Deductions	
Benefits	2,190,059
Administrative expenses	<u>29,355</u>
Total deductions	<u>2,219,414</u>
Change in net position	(326,361)
Net position - beginning of year	<u>15,548,705</u>
Net position - end of year	<u>\$ 15,222,344</u>

See Accompanying Notes to the Financial Statements

City of Center Line
Notes to the Financial Statements
June 30, 2016

Note 1 - 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.

Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the government-wide financial statements include the financial data of the City's Downtown Development Authority. This unit is reported

in a separate column to emphasize that it is legally separate from the City. The nine (9) members of the Governing Board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the June 30, 2016 annual financial statements.

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

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 \$(539,966) 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.

City of Center Line
Notes to the Financial Statements
June 30, 2016

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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

City of Center Line
Notes to the Financial Statements
June 30, 2016

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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.

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 government reports the following major proprietary funds:

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

Additionally, the government reports the following:

The Trust Funds 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 Agency Funds 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the solid waste funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the solid waste funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Center Line
Notes to the Financial Statements
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Assets, Liabilities, and Net Position or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Investments include U.S. government securities, corporate bonds (both domestic and foreign) and certificates of deposits with maturities of six months – Certificate of Deposit Account Registry Service (CDARS).

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.
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.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Property Taxes – All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each July 1st and December 1st on the taxable valuation of property as of the preceding December 31st. Summer and winter taxes are payable without penalty through August 31st and February 28th, respectively.

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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	\$	154,787,802
Millage Type	Milliage Levied	Tax Levied
City operating	14.6630	\$ 2,269,654
Debt Service	7.8655	1,217,483
Police and fire pension	8.6218	1,334,549
Public safety operating	7.5000	1,160,908
 Total	 38.6503	 \$ 5,982,594

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in more than one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

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The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Sewer system	70 years
Land Improvements	20 years
Building, additions and improvements	50 years
Machinery and equipment	5 to 20 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions and Other Post Employment Benefit (OPEB) Costs – The city offers both pension and retiree healthcare benefits to retirees. 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 the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee

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contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. 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.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

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.

Fund equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council has delegated this authority to the Director of Finance/Treasurer who has the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance

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for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the*

Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

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Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance by no later than the first week in June in accordance with the City Charter.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Encumbrance accounting is employed in all governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not 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.

Excess of Expenditures Over Appropriations

The City had the following expenditures over appropriations:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Transfers out	\$ 945,872	\$ 976,600	\$ 30,728
Public Safety Fund	3,585,559	3,523,564	61,995
Local Street Fund			
Transfers out	-	104,050	104,050

City of Center Line
Notes to the Financial Statements
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Government-Wide Deficits

The Government has an unrestricted net position deficit for Government-Wide activities in the amount of (\$17,126,944) as of June 30, 2016.

Note 3 - Deposits and Investments

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 712,504	\$ 2,220,619	\$ 2,933,123
Business-type activities	<u>1,285,415</u>	<u>1,287,461</u>	<u>2,572,876</u>
Total	1,997,919	3,508,080	5,505,999
Fiduciary funds	827,574	14,417,573	15,245,147
Component unit	<u>207,935</u>	<u>394,041</u>	<u>601,976</u>
Total	<u>\$ 3,033,428</u>	<u>\$ 18,319,694</u>	<u>\$ 21,353,122</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit <90 days)	\$ 1,996,019	\$ 827,574	\$ 207,935	\$ 3,031,528
Investments in securities, mutual funds and similar vehicles	3,508,080	14,417,573	394,041	18,319,694
Petty cash and cash on hand	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>1,900</u>
	<u>\$ 5,505,999</u>	<u>\$ 15,245,147</u>	<u>\$ 601,976</u>	<u>\$ 21,353,122</u>

Interest rate risk – As outlined in footnote 1, the City has a formal investment policy to manage its exposure to fair value losses from changes in interest rates, other than commercial paper which can only be purchased with a 270-day maturity.

City of Center Line
Notes to the Financial Statements
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As of year end, the government had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
CDARS	\$ 3,902,121	N/A
Police and Fire Retirement Systems		
U.S. Treasury securities	419,776	18.01
Federal Agency securities	776,028	24.43
Sovereign securities	30,102	.94
Corporate bonds	8,645,947	8.01
Common and preferred stock	862,842	N/A
OPEB Investment Trust Fund		
U.S. Treasury securities	194,211	17.24
Federal Agency securities	327,834	23.14
Corporate bonds	352,953	7.66
Sovereign securities	9,536	.48
Alternative investments	116,585	N/A
Common and preferred stock	<u>2,798,344</u>	N/A
	<u>\$ 18,436,279</u>	

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment

vehicles that are legal for direct investment by local units of government in Michigan.

The 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.

As of the year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Rating	Rating Organization
Police and Fire Retirement Systems		
U.S. Treasury securities	AAA	Moody's
Federal Agency securities	AAA	Moody's
Sovereign securities	A3	Moody's
Corporate bonds	Aa1 to Ba2	Moody's
OPEB Investment Trust Fund		
U.S. Treasury securities	AAA	Moody's
Federal Agency securities	AAA	Moody's
Corporate bonds	A1 to Ba2	Moody's
Sovereign securities	A3	Moody's
Alternative investments	N/A	N/A
Common and preferred stock	N/A	N/A

Concentration of credit risk – 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 – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for

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custodial credit risk. As of yearend, \$1,750,055 or 27% of deposits, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury, Federal Agency, and Sovereign securities of \$ 2,211,340 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$ 8,937,802 are valued using quoted market prices (Level 1 inputs).
- Common and preferred stock of \$ 3,385,016 are valued using quoted market prices (Level 1 inputs).

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue is as follows:

Primary government	
Other revenue	<u>\$ 12,042</u>

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Note 6 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,471,164	\$ -	\$ -	\$ 1,471,164
Construction-in-progress	407,437	-	407,437	-
Total capital assets not being depreciated	<u>1,878,601</u>	<u>-</u>	<u>407,437</u>	<u>1,471,164</u>
Capital assets being depreciated				
Land improvements	669,737	405,441	-	1,075,178
Buildings, additions and improvements	2,447,680	30,994	-	2,478,674
Machinery and equipment	3,675,161	309,057	-	3,984,218
Total capital assets being depreciated	<u>6,792,578</u>	<u>745,492</u>	<u>-</u>	<u>7,538,070</u>
Less accumulated depreciation for				
Land improvements	568,834	28,360	-	597,194
Buildings, additions and improvements	1,259,286	45,280	-	1,304,566
Machinery and equipment	3,100,020	150,383	-	3,250,403
Total accumulated depreciation	<u>4,928,140</u>	<u>224,023</u>	<u>-</u>	<u>5,152,163</u>
Net capital assets being depreciated	<u>1,864,438</u>	<u>521,469</u>	<u>-</u>	<u>2,385,907</u>
Governmental activities capital assets, net	<u>\$ 3,743,039</u>	<u>\$ 521,469</u>	<u>\$ 407,437</u>	<u>\$ 3,857,071</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 20,948	\$ 241,330	\$ -	\$ 262,278
Capital assets being depreciated				
Buildings, additions and improvements	1,502,990	-	-	1,502,990
Machinery and equipment	1,608,083	34,985	-	1,643,068
Sewer system	23,188,802	9,368	-	23,198,170
Total capital assets being depreciated	<u>26,299,875</u>	<u>44,353</u>	<u>-</u>	<u>26,344,228</u>
Less accumulated depreciation for				
Buildings, additions and improvements	866,461	23,714	-	890,175
Machinery and equipment	1,029,921	62,108	-	1,092,029
Sewer system	5,268,271	317,477	-	5,585,748
Total accumulated depreciation	<u>7,164,653</u>	<u>403,299</u>	<u>-</u>	<u>7,567,952</u>
Net capital assets being depreciated	<u>19,135,222</u>	<u>(358,946)</u>	<u>-</u>	<u>18,776,276</u>
Business-type capital assets, net	<u>\$ 19,156,170</u>	<u>\$ (117,616)</u>	<u>\$ -</u>	<u>\$ 19,038,554</u>

Capital assets activity of the component unit for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Capital assets being depreciated				
Buildings, additions and improvements	36,650	-	-	36,650
Machinery and equipment	29,576	-	-	29,576
Total capital assets being depreciated	<u>66,226</u>	<u>-</u>	<u>-</u>	<u>66,226</u>
Less accumulated depreciation for				
Buildings, additions and improvements	367	732	-	1,099
Machinery and equipment	1,479	2,959	-	4,438
Total accumulated depreciation	<u>1,846</u>	<u>3,691</u>	<u>-</u>	<u>5,537</u>
Net capital assets being depreciated	<u>64,380</u>	<u>(3,691)</u>	<u>-</u>	<u>60,689</u>
Component unit capital assets, net	<u>\$ 68,880</u>	<u>\$ (3,691)</u>	<u>\$ -</u>	<u>\$ 65,189</u>

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

Governmental activities

General government	\$ 48,457
Public safety	71,364
Public works	33,795
Community and economic development	540
Recreation and culture	<u>69,867</u>

Total governmental activities 224,023

Business-type activities

Water and sewer	<u>403,299</u>
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Total primary government \$ 627,322

Total component unit \$ 3,691

The transfers to the Public Safety Fund and the non-major governmental funds 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 non-major governmental funds from other non-major governmental funds were to fund general operations as allowed by state law.

Note 7 - Interfund Transfers

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Non-Major Funds	\$ 51,728
General Fund	Public Safety Fund	924,872
Non-Major Funds	Non-Major Funds	173,700
Debt Service Fund	Water & Sewer Fund	<u>1,095,156</u>
		<u>\$ 2,245,456</u>

City of Center Line
Notes to the Financial Statements
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Note 8 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the general fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds									
General obligation bonds									
2004 Refunding Bonds	\$ 1,490,000	2019	3.40% - 3.80%	\$91,368 - \$109,642	\$ 529,844	\$ -	\$ 127,915	\$ 401,929	\$ 109,642
Compensated absences					113,842	185,327	184,448	114,721	28,681
Total governmental activities					<u>\$ 643,686</u>	<u>\$ 185,327</u>	<u>\$ 312,363</u>	<u>\$ 516,650</u>	<u>\$ 138,323</u>
Business-type activities									
Bonds									
Unlimited tax general obligation bonds									
2004 Refunding Bonds	\$ 3,810,000	2019	3.40% - 3.80%	\$233,632 - \$280,358	\$ 1,355,109	\$ -	\$ 327,085	\$ 1,028,024	\$ 280,358
2011 Refunding Bonds	4,005,000	2019	3.00% - 4.00%	\$275,000 - \$655,000	2,720,000	-	550,000	2,170,000	600,000
Limited tax general obligation bonds									
State Revolving Fund (SRF) Wastewater									
2009 Issue	5,153,851	2030	2.50%	\$230,000 - \$321,581	4,096,851	-	225,000	3,871,851	230,000
Total business-type activities					<u>\$ 8,171,960</u>	<u>\$ -</u>	<u>\$ 1,102,085</u>	<u>\$ 7,069,875</u>	<u>\$ 1,110,358</u>

City of Center Line
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	91,277	1,736	93,013	763,632	88,860	852,492
2021	-	-	-	260,000	72,546	332,546
2022 - 2026	-	-	-	1,400,000	261,980	1,661,980
2027 - 2030	-	-	-	1,241,895	78,435	1,320,330
	<u>\$ 401,929</u>	<u>\$ 28,280</u>	<u>\$ 430,209</u>	<u>\$ 7,069,875</u>	<u>\$ 962,509</u>	<u>\$ 8,032,384</u>

Unamortized deferred charges activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unamortized deferred charges	\$ 166,227	\$ -	\$ (40,914)	\$ 125,313

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, 2016, bonds due and payable April 1, 2016, through April 1, 2019, for the 1998B Unlimited Tax General Obligation Bonds in the amount of \$1,100,000; and bonds due and payable October 1, 2015, through October 1, 2019, for the 2002 Unlimited Tax General Obligation Bonds in the amount of \$1,025,000 are considered defeased.

Note 9 - Risk Management

The government 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.

City of Center Line
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Note 10 - Employee Retirement and Benefit Systems

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, 2015, the date of the most recent actuarial valuation, membership consisted of 45 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 16 current active employees. The plan was rolled forward for a measurement date of June 30, 2016.

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, 2016 were \$762,803.

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, 2016 the plan's legally required reserves consist of the following:

Reserve for employee's contributions	\$ 1,518,525
Reserve for retired benefit payments	9,642,511

City of Center Line
Notes to the Financial Statements
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Net Pension Liability – The city’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2015 using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00% - 7.00% Including inflation
Investment rate of return	7.00% Net 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, 2015 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, 2016 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%	8.7%
International equity	16%	10.6%
Small cap equity	19%	8.2%
Fixed income	30%	3.4%
	<u>100%</u>	

A single discount rate of 5.80 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 2.85 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 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2050, and the municipal bond rate was applied to all benefit payments after that date.

City of Center Line
Notes to the Financial Statements
June 30, 2016

Changes in net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Changes for the year			
Service cost	\$ 385,388	\$ -	\$ 385,388
Interest	1,236,145	-	1,236,145
Differences between expected and actual experience	(376,286)	-	(376,286)
Changes in actuarial assumptions	1,318,862	-	1,318,862
Employer contributions	-	762,803	(762,803)
Employee contributions	-	97,630	(97,630)
Net investment loss	-	(112,012)	112,012
Benefit payments, including refunds of employee contributions	(1,126,594)	(1,126,594)	-
Administrative expenses	-	(18,447)	18,447
 Net changes	 1,437,515	 (396,620)	 1,834,135
Beginning balances	<u>19,745,919</u>	<u>11,572,829</u>	<u>8,173,090</u>
Ending balances	<u>\$ 21,183,434</u>	<u>\$ 11,176,209</u>	<u>\$ 10,007,225</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 5.80 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:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 23,832,038	\$ 21,183,434	\$ 18,993,723
Fiduciary net position	<u>11,176,209</u>	<u>11,176,209</u>	<u>11,176,209</u>
 Net pension liability	 <u>\$ 12,655,829</u>	 <u>\$ 10,007,225</u>	 <u>\$ 7,817,514</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2016, the employer recognized pension expense of \$762,803. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ -	\$ (199,663)	\$ (199,663)
Differences in assumptions	764,646	-	764,646
Excess investment returns	<u>982,932</u>	<u>-</u>	<u>982,932</u>
 Total	 <u>\$ 1,747,578</u>	 <u>\$ (199,663)</u>	 <u>\$ 1,547,915</u>

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

Year ended	
2017	\$ 791,272
2018	307,381
2019	266,833
2020	<u>182,429</u>
	<u>\$ 1,547,915</u>

Payable to the System – At June 30, 2016, the city reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Agent Defined Benefit Pension Plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945

City of Center Line
Notes to the Financial Statements
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and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 1.50% to 2.50%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Final average compensation is calculated based on 3 to 5 years. Member contributions range from 3% to 8%.

Employees covered by benefit terms – At the December 31, 2015 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	43
Inactive employees entitled to, but not yet receiving benefits	6
Active employees	<u>13</u>
	<u>62</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are 0% based on annual payroll for open divisions. Divisions that are closed to new employees have an annual employer contribution amount range of 30.87% to 64.07%.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75%; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Mortality rates used were based on a 50% male and 50% female blend of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables..

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

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The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%
	<u>100.0%</u>	

Discount rate – The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The schedule of changes in the net pension liability is as follows:

Total Pension Liability	
Service cost	\$ 66,362
Interest on the total pension liability	608,928
Experience differences	(101,580)
Changes in actuarial assumptions	340,210
Other changes	19,029
Benefit payments and refunds	<u>(703,281)</u>
Net change in total pension liability	229,668
Total pension liability - beginning	<u>7,930,060</u>
Total pension liability - ending (a)	<u>\$ 8,159,728</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 802,782
Employee contributions	28,415
Pension plan net investment (loss)	(47,844)
Benefit payments and refunds	(703,281)
Pension plan administrative expense	<u>(7,995)</u>
Net change in plan fiduciary net position	72,077
Plan fiduciary net position - beginning	<u>3,762,649</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,834,726</u>
Net pension liability (a-b)	<u>\$ 4,325,002</u>
Plan fiduciary net position as a percentage of total pension liability	47.00%

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June 30, 2016

See Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
Total pension liability	\$ 8,925,491	\$ 8,159,728	\$ 7,504,006
Fiduciary net position	<u>3,834,726</u>	<u>3,834,726</u>	<u>3,834,726</u>
 Net pension liability	 <u>\$ 5,090,765</u>	 <u>\$ 4,325,002</u>	 <u>\$ 3,669,280</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2016, the employer recognized pension expense of \$802,782. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>	<u>Total to Amortize</u>
Excess investment returns	\$ 324,642	\$ -	\$ 324,642	\$ 324,642
Differences in experience	-	(50,790)	(50,790)	(50,790)
Differences in assumptions	170,105	-	170,105	170,105
Contributions subsequent to the measurement date*	<u>130,220</u>	<u>-</u>	<u>130,220</u>	<u>-</u>
 Total	 <u>\$ 624,967</u>	 <u>\$ (50,790)</u>	 <u>\$ 574,177</u>	 <u>\$ 443,957</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the following fiscal year.

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

<u>Year ended,</u>	
2017	\$ 203,952
2018	84,637
2019	84,636
2020	<u>70,732</u>
	<u>\$ 443,957</u>

Note 11 - Deferred 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 \$5,000 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 \$23,654 during the current year.

Note 12 - 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 benefits” 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

City of Center Line
Notes to the Financial Statements
June 30, 2016

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, 2016, the City has performed an actuarial valuation as of December 31, 2014 that has been used to calculate the annual required contribution (ARC) for fiscal year 2016. 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, 2016, as well as a five year summary of OPEB obligations are summarized as follows:

Annual required contribution	\$ 2,006,712
Interest on net OPEB obligation	314,272
Adjustment to annual required contribution	<u>(379,434)</u>
Annual OPEB cost	1,941,550
Contribution made	<u>(1,198,514)</u>
Increase in net OPEB obligation	743,036
Net OPEB obligation, beginning of year	<u>5,237,858</u>
Net OPEB obligation, end of year	<u><u>\$ 5,980,894</u></u>

Governmental activities other postemployment benefit obligations	\$ 6,070,765
Business-type activities other postemployment asset	<u>(89,871)</u>
	<u><u>\$ 5,980,894</u></u>

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Cost	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/2011	6/30/2011	\$ 3,282,569	\$ 3,237,294	36.8%	37.4%	\$ 4,752,588
6/30/2012	6/30/2011	3,378,740	3,297,009	29.9%	30.7%	7,037,889
6/30/2013	12/31/2012	1,798,022	1,723,753	163.7%	170.7%	5,819,047
6/30/2014	12/31/2012	1,805,094	1,738,427	103.5%	107.5%	5,688,793
6/30/2015	12/31/2014	1,809,685	1,744,511	121.3%	125.8%	5,237,858
6/30/2016	12/31/2014	2,006,712	1,941,550	59.7%	61.7%	5,980,894

City of Center Line
Notes to the Financial Statements
June 30, 2016

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

Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (Percent) (a / b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ 53,666	\$ 50,901,576	\$ 50,847,910	0.1%	\$ 2,043,991	2487.7%
6/30/2011	54,183	46,314,469	46,260,286	0.1%	1,876,172	2465.7%
12/31/2012	798,676	24,456,624	23,657,948	3.3%	1,606,742	1472.4%
12/31/2014	3,330,297	23,270,422	19,940,125	14.3%	1,488,288	1339.8%

In the December 31, 2014 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.

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.

Actuarial accrued liabilities (AAL)	\$ 23,270,422
Actuarial value of plan assets	<u>3,330,297</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 19,940,125</u>
Funded ratio	14.3%

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.

City of Center Line
Notes to the Financial Statements
June 30, 2016

Note 13 - 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, 2015	\$ (1,100,193)
Revenues	
Building permits	24,249
Electrical permits	22,120
Heating permits	9,810
Plumbing permits	7,020
	63,199
Expenditures	
Direct costs	(151,220)
Estimated indirect costs	(15,122)
	(166,342)
Excess of expenditures over revenues	(103,143)
Cumulative Shortfall - June 30, 2016	\$ (1,203,336)

Note 14 - 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	\$ 1,307,790
Undesignated	1,104,390
Total unrestricted net position	\$ 2,412,179

City of Center Line
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Property taxes	\$ 2,462,013	\$ 2,463,378	\$ 2,459,229	\$ (4,149)
Licenses and permits	172,900	172,900	213,089	40,189
Intergovernmental				
Federal sources	20,000	20,000	22,386	2,386
State sources	909,128	953,510	964,936	11,426
State grants	115,750	115,750	124,483	8,733
Charges for services	419,184	433,947	414,888	(19,059)
Fines and forfeitures	412,700	413,200	417,337	4,137
Interest and rents	22,560	22,560	18,225	(4,335)
Other revenue	3,456	3,456	21,392	17,936
	<u>4,537,691</u>	<u>4,598,701</u>	<u>4,655,965</u>	<u>57,264</u>
Total revenues				

City of Center Line
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Expenditures				
Current				
General government				
Legislative	\$ 20,000	\$ 21,188	\$ 17,470	\$ 3,718
City treasurer	232,678	320,918	307,443	13,475
City assessor	100,963	128,013	126,583	1,430
City manager and clerk	516,349	640,049	580,598	59,451
Other general government	375,015	428,515	371,588	56,927
37th District Court	476,050	563,240	516,768	46,472
Total general government	<u>1,721,055</u>	<u>2,101,923</u>	<u>1,920,450</u>	<u>181,473</u>
Public safety				
Protective inspection	<u>218,163</u>	<u>245,213</u>	<u>215,289</u>	<u>29,924</u>
Public works				
Department of public works	<u>938,829</u>	<u>1,123,779</u>	<u>1,045,689</u>	<u>78,090</u>
Community and economic development				
City tax reversion program	<u>6,600</u>	<u>6,600</u>	<u>3,732</u>	<u>2,868</u>

City of Center Line
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Recreation and culture				
Library	\$ 231,000	\$ 243,250	\$ 225,462	\$ 17,788
Recreation department	<u>285,810</u>	<u>323,210</u>	<u>318,745</u>	<u>4,465</u>
Total recreation and culture	<u>516,810</u>	<u>566,460</u>	<u>544,207</u>	<u>22,253</u>
Debt service				
OPEB employer contributions	<u>64,575</u>	<u>38,268</u>	<u>38,268</u>	<u>-</u>
Capital outlay	<u>44,850</u>	<u>46,869</u>	<u>42,692</u>	<u>4,177</u>
Total expenditures	<u>3,510,882</u>	<u>4,129,112</u>	<u>3,810,327</u>	<u>318,785</u>
Excess of revenues over expenditures	1,026,809	469,589	845,638	376,049
Other financing sources (uses)				
Sale of fixed assets	-	810	20,807	19,997
Transfers out	<u>(1,001,106)</u>	<u>(945,872)</u>	<u>(976,600)</u>	<u>(30,728)</u>
Total other financing sources (uses)	<u>(1,001,106)</u>	<u>(945,062)</u>	<u>(955,793)</u>	<u>(10,731)</u>
Net change in fund balance	25,703	(475,473)	(110,155)	365,318
Fund balance - beginning of year	<u>1,682,028</u>	<u>1,682,028</u>	<u>1,682,028</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,707,731</u>	<u>\$ 1,206,555</u>	<u>\$ 1,571,873</u>	<u>\$ 365,318</u>

City of Center Line
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 2,547,010	\$ 2,549,010	\$ 2,545,440	\$ (3,570)
Intergovernmental				
Federal sources	-	650	645	(5)
State sources	25,500	20,100	33,846	13,746
Local sources	3,500	3,500	-	(3,500)
Charges for services	12,000	19,200	20,524	1,324
Fines and forfeitures	2,040	2,040	2,800	760
Interest income	500	500	551	51
Other revenue	1,000	9,253	9,894	641
	<u>2,591,550</u>	<u>2,604,253</u>	<u>2,613,700</u>	<u>9,447</u>
Expenditures				
Current				
Public safety	3,629,941	3,585,559	3,523,564	61,995
Capital outlay	3,500	5,647	13,884	(8,237)
	<u>3,633,441</u>	<u>3,591,206</u>	<u>3,537,448</u>	<u>53,758</u>
Deficiency of revenues over expenditures	(1,041,891)	(986,953)	(923,748)	63,205
Other financing sources				
Transfers in	980,106	924,872	924,872	-
Net change in fund balance	(61,785)	(62,081)	1,124	63,205
Fund balance - beginning of year	289,293	289,293	289,293	-
Fund balance - end of year	<u>\$ 227,508</u>	<u>\$ 227,212</u>	<u>\$ 290,417</u>	<u>\$ 63,205</u>

City of Center Line
Required Supplementary Information
Schedule of Funding Progress - Other Post Employment Benefits
June 30, 2016

Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b -a)	Funded Ratio (Percent) (a / b)	Covered payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ 53,666	\$ 50,901,576	\$ 50,847,910	0.1%	\$ 2,043,991	2487.7%
6/30/2011	54,183	46,314,469	46,260,286	0.1%	1,876,172	2465.7%
12/31/2012	798,676	24,456,624	23,657,948	3.3%	1,606,742	1472.4%
12/31/2014	3,330,297	23,270,422	19,940,125	14.3%	1,488,288	1339.8%

City of Center Line
Required Supplementary Information
Schedule of Employer Contributions - Other Post Employment Benefits
June 30, 2016

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	Net OPEB Obligation
6/30/2010	7/1/2009	\$ 3,869,666	\$ 3,869,666	29.6%	29.6%	\$ 2,724,869
6/30/2011	6/30/2011	3,282,569	3,237,294	36.8%	37.4%	4,752,588
6/30/2012	6/30/2011	3,378,740	3,297,009	29.9%	30.7%	7,037,889
6/30/2013	12/31/2012	1,798,022	1,723,753	163.7%	170.7%	5,819,047
6/30/2014	12/31/2012	1,805,094	1,738,427	103.5%	107.5%	5,688,793
6/30/2015	12/31/2014	1,809,685	1,744,511	121.3%	125.8%	5,237,858
6/30/2016	12/31/2014	2,006,712	1,941,550	59.7%	61.7%	5,980,894

The information presented above was determined as part of the valuations at the date incurred. Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Valuation cost method	Entry level
Amortization method	Years of service
Amortization period	30 years, closed basis
Asset valuation method	30-year smoothed market
Valuation assumptions:	
Investment rate of return	6%
Healthcare trend rate	9% initially, reduced by decrements to a rate of 4% after ten years
Inflation rate assumption:	4%

City of Center Line
Required Supplementary Information
Police and Fire Pension
Schedule of Employer Contributions
June 30, 2016

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2007	\$ 351,503	\$ 351,503	-	\$ 1,582,773	22.21%
6/30/2008	364,782	364,782	-	1,659,373	21.98%
6/30/2009	343,957	343,957	-	1,421,544	24.20%
6/30/2010	363,684	363,684	-	1,427,346	25.48%
6/30/2011	419,293	419,293	-	1,266,638	33.10%
6/30/2012	474,935	474,935	-	1,347,450	35.25%
6/30/2013	548,854	548,854	-	1,231,942	44.55%
6/30/2014	674,807	674,807	-	1,358,765	49.66%
6/30/2015	645,816	645,816	-	1,299,233	49.71%
6/30/2016	762,803	762,803	-	1,179,987	64.65%

Note: 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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level percent of payroll open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Price inflation	3.00%
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. Last updated for the 2013 valuation pursuant to an experience study of the period 2008-12
Mortality	RP-2000 Mortality Table projected to 2020 with scale BB

City of Center Line
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2016

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2006	\$ 133,361	\$ 133,361	\$ -	\$ 1,108,723	12.03%
12/31/2007	149,164	149,164	-	1,067,864	13.97%
12/31/2008	151,890	151,890	-	1,078,448	14.08%
12/31/2009	145,214	145,214	-	874,864	16.60%
12/31/2010	138,044	138,044	-	720,085	19.17%
12/31/2011	133,912	133,912	-	738,236	18.14%
12/31/2012	145,089	145,089	-	587,297	24.70%
12/31/2013	151,787	151,787	-	585,503	25.92%
12/31/2014	210,643	240,720	30,077	585,777	41.09%
12/31/2015	187,938	802,782	614,844	572,812	140.15%

Note: 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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	18
Asset valuation method	10-year smoothed value of assets
Inflation	3-4%
Salary increases	4.50%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group Annuity Mortality Table of 50% male and 50% female blend

City of Center Line
Required Supplementary Information
Police and Fire Pension
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 385,388	\$ 379,840	\$ 377,733
Interest on the total pension liability	1,236,145	1,218,219	1,191,568
Difference between expected and actual experience of the total net pension liability	(376,286)	(20,907)	-
Changes in actuarial assumptions	1,318,862	468,737	-
Benefit payments and refunds	<u>(1,126,594)</u>	<u>(1,135,840)</u>	<u>(1,197,251)</u>
Net change in total pension liability	1,437,515	910,049	372,050
Total pension liability - beginning	<u>19,745,919</u>	<u>18,835,870</u>	<u>18,463,820</u>
Total pension liability - ending (a)	<u>\$ 21,183,434</u>	<u>\$ 19,745,919</u>	<u>\$ 18,835,870</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 762,803	\$ 645,816	\$ 674,807
Employee contributions	97,630	97,835	96,770
Pension plan net investment income (loss)	(112,012)	376,382	1,817,098
Benefit payments and refunds	(1,126,594)	(1,135,840)	(1,197,251)
Pension plan administrative expense	<u>(18,447)</u>	<u>(26,493)</u>	<u>(32,642)</u>
Net change in plan fiduciary net position	(396,620)	(42,300)	1,358,782
Plan fiduciary net position - beginning	<u>11,572,829</u>	<u>11,615,129</u>	<u>10,256,347</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,176,209</u>	<u>\$ 11,572,829</u>	<u>\$ 11,615,129</u>
Net pension liability (a) - (b)	<u>\$ 10,007,225</u>	<u>\$ 8,173,090</u>	<u>\$ 7,220,741</u>
Plan fiduciary net position as a percentage of total pension liability	52.76%	58.61%	61.66%
Covered employee payroll	\$ 1,179,987	\$ 1,299,233	\$ 1,358,765
Net pension liability as a percentage of covered employee payroll	848.08%	629.07%	531.42%

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Center Line
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 66,362	\$ 67,811
Interest on the total pension liability	608,928	629,467
Experience differences	(101,580)	-
Changes in actuarial assumptions	340,210	-
Other changes	19,029	-
Benefit payments and refunds	<u>(703,281)</u>	<u>(726,436)</u>
Net change in total pension liability	229,668	(29,158)
Total pension liability - beginning	<u>7,930,060</u>	<u>7,959,218</u>
Total pension liability - ending (a)	<u>\$ 8,159,728</u>	<u>\$ 7,930,060</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 802,781	\$ 240,722
Employee contributions	28,415	45,812
Pension plan net investment income (loss)	(47,843)	239,620
Benefit payments and refunds	(703,281)	(726,436)
Pension plan administrative expense	<u>(7,995)</u>	<u>(8,683)</u>
Net change in plan fiduciary net position	72,077	(208,965)
Plan fiduciary net position - beginning	<u>3,762,649</u>	<u>3,971,614</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,834,726</u>	<u>\$ 3,762,649</u>
Net pension liability (a-b)	<u>\$ 4,325,002</u>	<u>\$ 4,167,411</u>
Plan fiduciary net position as a percentage of total pension liability	47.00%	47.45%
Covered employee payroll	\$ 572,812	\$ 585,777
Net pension liability as a percentage of covered employee payroll	755.05%	711.43%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Center Line
Required Supplementary Information
Police and Fire Pension
Schedule of Employers' Net Pension Liability
June 30, 2016

<u>Fiscal year ending 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 % of covered payroll</u>
2014	\$ 18,835,870	\$ 11,615,129	\$ 7,220,741	61.66%	\$ 1,358,765	531.42%
2015	19,745,919	11,572,829	8,173,090	58.61%	1,299,233	629.07%
2016	21,183,434	11,176,209	10,007,225	52.76%	1,179,987	848.08%

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Center Line
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employers' Net Pension Liability
June 30, 2016

<u>Fiscal year ending 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 % of covered payroll</u>
2015	\$ 7,930,060	\$ 3,762,649	\$ 4,167,411	47.45%	\$ 585,777	711.43%
2016	8,159,728	3,834,726	4,325,002	47.00%	572,812	755.05%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Center Line
Required Supplementary Information
Police and Fire Defined Benefit Pension Plan
Schedule of Investment Returns
June 30, 2016

<u>Fiscal year</u> <u>ending June 30,</u>	<u>Annual</u> <u>Return % (1)</u>
2014	17.69
2015	3.05
2016	(1.14)

Notes:

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

City of Center Line
Nonmajor Governmental Funds
Fund Descriptions
June 30, 2016

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.

CDBG Fund – This fund accounts for all Community Development Block Grants (CDBG) revenues and program-eligible expenditures.

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.

Special Assessments Fund – This fund accounts for special assessment collections and the expenditures of those funds on specific projects for which special assessments have been levied.

**City of Center Line
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Major Street	Local Street	Drug Law Enforcement	CDBG Fund	Capital Improvements	Special Assessments Fund	
Assets							
Cash and cash equivalents	\$ 271,190	\$ 29,722	\$ 10,351	\$ -	\$ -	\$ -	\$ 311,263
Investments	203,263	98,705	-	-	164,249	-	466,217
Receivables							
Customers	6	3	-	-	48,727	-	48,736
Special assessments	-	-	-	-	-	113,238	113,238
Due from other units of government	57,336	41,145	-	-	-	-	98,481
Prepaid items	445	716	-	-	-	-	1,161
 Total assets	 <u>\$ 532,240</u>	 <u>\$ 170,291</u>	 <u>\$ 10,351</u>	 <u>\$ -</u>	 <u>\$ 212,976</u>	 <u>\$ 113,238</u>	 <u>\$ 1,039,096</u>

**City of Center Line
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Major Street	Local Street	Drug Law Enforcement	CDBG Fund	Capital Improvements	Special Assessments Fund	
Liabilities							
Accounts payable	\$ 630	\$ 222	\$ -	\$ -	\$ 112,360	\$ 21,021	\$ 134,233
Checks written against future deposits	-	-	-	-	89,074	91,694	180,768
Accrued and other liabilities	388	208	-	-	-	-	596
Total liabilities	<u>1,018</u>	<u>430</u>	<u>-</u>	<u>-</u>	<u>201,434</u>	<u>112,715</u>	<u>315,597</u>
Deferred inflows of resources							
Special assessment receivable	-	-	-	-	-	113,238	113,238
Fund Balances							
Non-spendable							
Prepaid items	445	716	-	-	-	-	1,161
Restricted for							
Streets	530,777	169,145	-	-	-	-	699,922
Drug law enforcement	-	-	10,351	-	-	-	10,351
Capital projects	-	-	-	-	11,542	-	11,542
Unassigned (deficit)	-	-	-	-	-	(112,715)	(112,715)
Total fund balances	<u>531,222</u>	<u>169,861</u>	<u>10,351</u>	<u>-</u>	<u>11,542</u>	<u>(112,715)</u>	<u>610,261</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 532,240</u>	<u>\$ 170,291</u>	<u>\$ 10,351</u>	<u>\$ -</u>	<u>\$ 212,976</u>	<u>\$ 113,238</u>	<u>\$ 1,039,096</u>

City of Center Line
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Major Street	Local Street	Drug Law Enforcement	CDBG Fund	Capital Improvements	Special Assessments Fund	
Revenues							
Federal sources	\$ -	\$ -	\$ -	\$ 164,982	\$ 275,166	\$ -	\$ 440,148
State sources	348,643	212,155	-	-	-	-	560,798
Fines and forfeitures	-	-	3,203	-	-	-	3,203
Interest income	226	110	-	-	183	1,378	1,897
Special assessments	-	-	-	-	-	144,375	144,375
Other revenue	-	-	-	-	1,000	-	1,000
	<u>348,869</u>	<u>212,265</u>	<u>3,203</u>	<u>164,982</u>	<u>276,349</u>	<u>145,753</u>	<u>1,151,421</u>
Total revenues							

City of Center Line
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Major Street	Local Street	Drug Law Enforcement	CDBG Fund	Capital Improvements	Special Assessments Fund	
Expenditures							
Current							
Public works	\$ 99,891	\$ 94,140	\$ -	\$ 174,789	\$ -	\$ -	\$ 368,820
Other functions	-	-	-	-	-	432,912	432,912
Capital outlay	-	-	-	-	494,584	-	494,584
Total expenditures	<u>99,891</u>	<u>94,140</u>	<u>-</u>	<u>174,789</u>	<u>494,584</u>	<u>432,912</u>	<u>1,296,316</u>
Excess (deficiency) of revenues over expenditures	<u>248,978</u>	<u>118,125</u>	<u>3,203</u>	<u>(9,807)</u>	<u>(218,235)</u>	<u>(287,159)</u>	<u>(144,895)</u>
Other financing sources (uses)							
Transfers in	-	-	-	9,807	28,271	187,350	225,428
Transfers out	<u>(69,650)</u>	<u>(104,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,700)</u>
Total other financing sources (uses)	<u>(69,650)</u>	<u>(104,050)</u>	<u>-</u>	<u>9,807</u>	<u>28,271</u>	<u>187,350</u>	<u>51,728</u>
Net change in fund balance	179,328	14,075	3,203	-	(189,964)	(99,809)	(93,167)
Fund balance - beginning of year (deficit)	<u>351,894</u>	<u>155,786</u>	<u>7,148</u>	<u>-</u>	<u>201,506</u>	<u>(12,906)</u>	<u>703,428</u>
Fund balance - end of year (deficit)	<u>\$ 531,222</u>	<u>\$ 169,861</u>	<u>\$ 10,351</u>	<u>\$ -</u>	<u>\$ 11,542</u>	<u>\$ (112,715)</u>	<u>\$ 610,261</u>

City of Center Line
Other Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Other state grants	\$ 329,652	\$ 329,652	\$ 348,643	\$ 18,991
Local contributions	5,000	-	-	-
Interest income	250	250	226	(24)
	<u>334,902</u>	<u>329,902</u>	<u>348,869</u>	<u>18,967</u>
Total revenues				
Expenditures				
Current				
Public works				
Highways and streets				
Street maintenance	143,579	151,499	34,991	116,508
Winter maintenance	27,069	27,069	17,062	10,007
Traffic service maintenance	15,659	15,659	13,979	1,680
Administrative	32,200	32,200	33,859	(1,659)
	<u>218,507</u>	<u>226,427</u>	<u>99,891</u>	<u>126,536</u>
Total expenditures				
Excess of revenues over expenditures	116,395	103,475	248,978	145,503
Other financing uses				
Transfers out	(164,500)	(164,500)	(69,650)	94,850
Net change in fund balance	(48,105)	(61,025)	179,328	240,353
Fund balance - beginning of year	351,894	351,894	351,894	-
Fund balance - end of year	<u>\$ 303,789</u>	<u>\$ 290,869</u>	<u>\$ 531,222</u>	<u>\$ 240,353</u>

City of Center Line
Other Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Other state grants	\$ 131,432	\$ 204,569	\$ 212,155	\$ 7,586
Interest income	300	300	110	(190)
Total revenues	<u>131,732</u>	<u>204,869</u>	<u>212,265</u>	<u>7,396</u>
Expenditures				
Current				
Public works				
Highways and streets				
Street maintenance	116,587	126,907	49,660	77,247
Winter maintenance	41,041	41,041	22,315	18,726
Traffic service maintenance	5,440	5,440	9,340	(3,900)
Administrative	<u>13,000</u>	<u>13,000</u>	<u>12,825</u>	<u>175</u>
Total expenditures	<u>176,068</u>	<u>186,388</u>	<u>94,140</u>	<u>92,248</u>
Excess (deficiency) of revenues over expenditures	(44,336)	18,481	118,125	99,644
Other financing sources (uses)				
Transfers in	164,500	164,500	-	(164,500)
Transfers out	<u>-</u>	<u>-</u>	<u>(104,050)</u>	<u>(104,050)</u>
Net change in fund balance	120,164	182,981	14,075	(168,906)
Fund balance - beginning of year	<u>155,786</u>	<u>155,786</u>	<u>155,786</u>	<u>-</u>
Fund balance - end of year	<u>\$ 275,950</u>	<u>\$ 338,767</u>	<u>\$ 169,861</u>	<u>\$ (168,906)</u>

City of Center Line
Other Supplementary Information
Budgetary Comparison Schedule
Drug Law Enforcement Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 3,203	\$ 3,203
Excess (deficiency) of revenues over expenditures	-	-	3,203	3,203
Net change in fund balance	-	-	3,203	3,203
Fund balance - beginning of year	7,148	7,148	7,148	-
Fund balance - end of year	\$ 7,148	\$ 7,148	\$ 10,351	\$ 3,203

City of Center Line
Other Supplementary Information
Budgetary Comparison Schedule
CDBG Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Federal grants	\$ -	\$ 8,250	\$ 164,982	\$ 156,732
Transfers in	-	-	9,807	9,807
Total revenues	-	8,250	174,789	166,539
Expenditures				
Current				
Public works	-	189,712	174,789	(14,923)
Net change in fund balance	-	(181,462)	-	181,462
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year (deficit)	\$ -	\$ (181,462)	\$ -	\$ 181,462

**City of Center Line
Fiduciary and Agency Funds
Fund Descriptions
June 30, 2016**

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
Other Supplementary Information
Combining Statement of Fiduciary Net Position - Fiduciary Trust Funds
June 30, 2016

	Police and Fire Retirement System	OPEB Investment Trust	Total
Assets			
Cash and cash equivalents	\$ 526,334	\$ 263,802	\$ 790,136
Investments			
U.S. Treasury securities	419,776	194,211	613,987
Federal agency securities	776,028	327,834	1,103,862
Sovereign securities	30,102	9,536	39,638
Common and preferred stocks	8,645,947	2,798,344	11,444,291
Corporate bonds and notes	862,842	352,953	1,215,795
Alternatives	-	116,585	116,585
Due from other funds	3,000	-	3,000
Accrued interest	15,174	5,256	20,430
	<u>11,279,203</u>	<u>4,068,521</u>	<u>15,347,724</u>
Liabilities			
Accounts payable	38,383	7,213	45,596
Due to other funds	79,784	-	79,784
	<u>118,167</u>	<u>7,213</u>	<u>125,380</u>
Net Position			
Restricted - Held in trust for pension benefits and other employee benefits	<u>\$ 11,161,036</u>	<u>\$ 4,061,308</u>	<u>\$ 15,222,344</u>

City of Center Line
Other Supplementary Information
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Trust Funds
For the Year Ended June 30, 2016

	Police and Fire Retirement System	OPEB Investment Trust	Total
Additions			
Contributions			
Employer	\$ 762,803	\$ 1,198,514	\$ 1,961,317
Plan members	97,630	-	97,630
Total contributions	<u>860,433</u>	<u>1,198,514</u>	<u>2,058,947</u>
Investment earnings			
Interest and dividends	262,482	98,820	361,302
Change in fair value	(295,519)	(107,721)	(403,240)
Investment expenses	<u>(93,214)</u>	<u>(30,742)</u>	<u>(123,956)</u>
Total investment losses	<u>(126,251)</u>	<u>(39,643)</u>	<u>(165,894)</u>
Total additions	<u>734,182</u>	<u>1,158,871</u>	<u>1,893,053</u>
Deductions			
Benefit payments	1,126,594	1,063,465	2,190,059
Administrative expenses	<u>19,381</u>	<u>9,974</u>	<u>29,355</u>
Total deductions	<u>1,145,975</u>	<u>1,073,439</u>	<u>2,219,414</u>
Change in net position	(411,793)	85,432	(326,361)
Net position - beginning of year	<u>11,572,829</u>	<u>3,975,876</u>	<u>15,548,705</u>
Net position - end of year	<u>\$ 11,161,036</u>	<u>\$ 4,061,308</u>	<u>\$ 15,222,344</u>

City of Center Line
Other Supplementary Information
Combining Statement of Fiduciary Net Position - Agency Funds
June 30, 2016

	<u>Trust and Agency</u>	<u>Current Tax Collections Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 37,438	\$ -	\$ 37,438
Accounts receivable	<u>3,587</u>	<u>-</u>	<u>3,587</u>
Total assets	<u>\$ 41,025</u>	<u>\$ -</u>	<u>\$ 41,025</u>
Liabilities			
Accounts payable	13,133	-	13,133
Due to others	<u>27,892</u>	<u>-</u>	<u>27,892</u>
Total liabilities	<u>\$ 41,025</u>	<u>\$ -</u>	<u>\$ 41,025</u>

City of Center Line
Other Supplementary Information
Statement of Changes in Assets and Liabilities - Trust and Agency Funds
June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and cash equivalents	\$ 44,895	\$ 82,750	\$ 90,207	\$ 37,438
Accounts receivable	-	3,587	-	3,587
Total Assets	<u>\$ 44,895</u>	<u>\$ 86,337</u>	<u>\$ 90,207</u>	<u>\$ 41,025</u>
Liabilities				
Accounts payable	\$ -	\$ 103,811	\$ 90,678	\$ 13,133
Due to others				
Beautification commission	4,314	1,490	1,686	4,118
Adult softball league	5,779	5,160	5,160	5,779
Annual fireworks donations	19,794	38,365	50,368	7,791
General purpose donations	132	4	108	28
Employee christmas committee	1,532	2,270	2,781	1,021
Center Line friends of the fire truck	819	4,360	4,969	210
Building and city certification bonds	<u>12,525</u>	<u>33,500</u>	<u>37,080</u>	<u>8,945</u>
Total due to others	<u>44,895</u>	<u>85,149</u>	<u>102,152</u>	<u>27,892</u>
Total Liabilities	<u>\$ 44,895</u>	<u>\$ 188,960</u>	<u>\$ 192,830</u>	<u>\$ 41,025</u>

City of Center Line
Other Supplementary Information
Statement of Changes in Assets and Liabilities - Current Year Tax Collections
June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and cash equivalents	\$ 23,863	\$ 5,794,779	\$ 5,818,642	\$ -
Liabilities				
Due to other governmental units				
State of Michigan	23,974	1,013,659	1,037,633	-
Macomb County	-	705,367	705,367	-
Macomb Intermediate School District	(111)	447,223	447,112	-
Macomb Community College	-	462,592	462,592	-
Macomb County Zoological Authority	-	15,095	15,095	-
Macomb County Arts Authority	-	29,921	29,921	-
Huron Clinton Metropolitan Authority	-	32,441	32,441	-
Suburban Mobility Authority for Regional Transportation	-	150,489	150,489	-
Center Line School District	-	2,792,328	2,792,328	-
Van Dyke School District	-	102,612	102,612	-
Due to others	-	43,052	43,052	-
	<u>\$ 23,863</u>	<u>\$ 5,794,779</u>	<u>\$ 5,818,642</u>	<u>\$ -</u>

**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, 2016, 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 December 27, 2016.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

City of Center Line's Response to Findings

City of Center Line's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Center Line's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 27, 2016

City of Center Line
Schedule of Findings and Responses
June 30, 2016

2016-001 – Material Weakness – Audit Adjustments

Specific requirement: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: Material journal entries were proposed by the auditors to properly account for various financial statement amounts. These misstatements were not detected by the City's internal control over financial reporting.

Cause: Material journal entries were not detected by the City's internal control over financial reporting. Account reconciliations were not performed in a timely manner.

Effect: Had the journal entries not been recorded, the financial statements would have been materially misstated. The material adjustments created an unassigned deficit in the Special Assessments Fund.

Recommendation: We recommend the City take steps to ensure that all accounts are reconciled in a timely manner and that material journal entries are identified and recorded. This will help ensure the City Council's decisions are based on accurate financial information.

Views of responsible officials: Management believes these entries were oversights and is in agreement with the proposed audit adjustments.

Corrective action plan: See page 7-4.



MUNICIPAL OFFICES

Robert Binson
Mayor
Ronald Lapham
Mayor Pro Tem
Nicholas Chakur
Council Member
Mary Hafner
Council Member
James Reid
Council Member

Dennis E. Champine
City Manager/Clerk

December 27, 2016

RE: Corrective Action Plan, 2016 Fiscal Year Audit Finding, Material Adjustments After Commencement of Audit

There were several areas that required updated schedules and adjustments after the audit commenced. Most were the result of new staff becoming familiar with processes and procedures and management of integrated software programs.

Staff is just completing working through a full annual cycle of budgeting, financial reporting, revenue collection and expense management and is now aware the of time commitment necessary to manage workflow on a timely basis.

It is management's opinion that completion of this learning cycle and a proper dedication of personnel resources from this point forward will eliminate the need for material adjustments to draft financial statements in subsequent fiscal periods.

Sincerely,

Mark Knapp
Finance Director/Treasurer

City of Center Line
Statistical Information and Continuing Disclosure Contents
June 30, 2016

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
Changes in Net Position
Fund Balances of Governmental Funds
*Changes in Fund Balances of Governmental Funds

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)
*Property Tax Rates – Direct and Overlapping Governments
*Principal Property Taxpayers (Major Taxpayers)
*Property Tax Levies and Collections

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
Ratios of Net General Bonded Debt Outstanding
*Direct and Overlapping Governmental Activities Debt
*Legal Debt Margin
Historical Legal Debt Margins
Pledged Revenue Coverage

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
*Concentration of Workforce

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
Operating Indicators by Function
Capital Asset Statistics by Function

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

City of Center Line
Statistical Information and Continuing Disclosure Contents
June 30, 2016

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
Gas and Weight Taxes
Labor Agreements

City of Center Line
Net Position by Component
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment										
in capital assets										
Restricted	\$ 2,540,370	\$ 2,579,033	\$ 2,603,244	\$ 2,572,197	\$ 2,577,136	\$ 2,643,560	\$ 2,739,216	\$ 2,870,870	\$ 3,213,195	\$ 3,455,142
Unrestricted	1,290,866	1,157,734	399,834	825,140	518,739	796,542	881,325	730,445	1,127,272	1,128,801
	<u>1,157,946</u>	<u>1,213,636</u>	<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>(15,442,483)</u>	<u>(17,126,944)</u>
Total governmental activities net position	<u>\$ 4,989,182</u>	<u>\$ 4,950,403</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>	<u>\$ (11,102,016)</u>	<u>\$ (12,543,001)</u>
Business-type activities										
Net investment										
in capital assets										
Restricted	\$ 3,575,831	\$ 3,980,136	\$ 6,628,046	\$ 8,993,368	\$ 9,286,864	\$ 9,773,323	\$ 10,024,386	\$ 10,512,445	\$ 11,150,437	\$ 12,093,992
Unrestricted	277,336	216,601	82,551	53,622	25,903	-	-	-	-	-
	<u>354,963</u>	<u>103,351</u>	<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>2,386,171</u>	<u>2,585,532</u>
Total business-type activities net position	<u>\$ 4,208,130</u>	<u>\$ 4,300,088</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>	<u>\$ 13,536,608</u>	<u>\$ 14,679,524</u>
Primary government										
Net investment										
in capital assets										
Restricted	\$ 6,116,201	\$ 6,559,169	\$ 9,231,290	\$ 11,565,565	\$ 11,864,000	\$ 12,416,883	\$ 12,763,602	\$ 13,383,315	\$ 14,363,632	\$ 15,549,134
Unrestricted	1,568,202	1,374,335	482,385	878,762	544,642	796,542	881,325	730,445	1,127,272	1,128,801
	<u>1,512,909</u>	<u>1,316,987</u>	<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>(13,056,312)</u>	<u>(14,541,412)</u>
Total primary government net position	<u>\$ 9,197,312</u>	<u>\$ 9,250,491</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>	<u>\$ 2,434,592</u>	<u>\$ 2,136,523</u>

Notes:

Source: City of Center Line Basic Financial Statements.

**City of Center Line
Changes in Net Position
2007-2016
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
General government	\$ 1,785,361	\$ 1,813,174	\$ 1,745,929	\$ 1,771,562	\$ 2,111,183	\$ 3,153,088	\$ 2,132,772	\$ 1,824,390	\$ 1,903,319	\$ 2,475,375
Public safety	3,821,420	3,831,197	3,823,534	5,038,403	4,773,589	4,321,094	3,927,324	4,275,183	4,383,322	5,362,279
Public works	1,463,503	1,546,382	1,600,611	1,507,733	1,809,474	1,453,464	1,172,768	1,485,370	1,491,621	1,662,827
Community and economic development	-	-	-	-	-	84,166	140,796	48,029	16,991	4,484
Recreation and culture	677,994	715,316	807,391	886,287	826,127	745,228	532,596	499,914	576,844	618,943
Interest on long-term debt	69,744	68,257	65,432	53,102	42,866	30,267	27,286	23,873	20,119	16,001
Total governmental activities expenses	7,818,022	7,974,326	8,042,897	9,257,087	9,563,239	9,787,307	7,933,542	8,156,759	8,392,216	10,139,909
Business-type activities										
Water and sewer	3,377,769	2,928,603	2,495,624	2,420,366	2,621,762	2,923,094	2,905,293	2,783,563	2,600,683	2,463,863
Solid waste disposal	272,747	312,631	304,988	296,570	294,384	313,225	306,917	297,779	333,309	328,346
Total business-type activities expenses	3,650,516	3,241,234	2,800,612	2,716,936	2,916,146	3,236,319	3,212,210	3,081,342	2,933,992	2,792,209
Total primary government expenses	\$ 11,468,538	\$ 11,215,560	\$ 10,843,509	\$ 11,974,023	\$ 12,479,385	\$ 13,023,626	\$ 11,145,752	\$ 11,238,101	\$ 11,326,208	\$ 12,932,118

City of Center Line
Changes in Net Position
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental activities										
Charges for services										
District court	\$ 563,347	\$ 505,867	\$ 407,074	\$ 393,814	\$ 389,462	\$ 380,363	\$ 361,731	\$ 409,774	\$ 349,034	\$ 322,581
Public safety	131,168	151,959	96,122	127,976	120,992	164,371	217,342	193,706	152,503	111,626
Parks and recreation	38,814	51,053	109,034	36,636	90,080	132,131	86,824	70,713	74,420	76,993
Other activities	79,928	88,080	89,622	114,046	179,569	314,941	399,051	350,255	436,307	517,710
Operating grants and contributions	603,819	579,491	512,524	445,665	801,719	535,260	552,424	591,402	609,303	631,460
Capital grants and contributions	88,513	86,756	173,100	413	86,756	657,881	212,552	240,082	51,817	588,132
Total governmental activities program revenues	1,505,589	1,463,206	1,387,476	1,118,550	1,668,578	2,184,947	1,829,924	1,855,932	1,673,384	2,248,502
Business-type activities										
Charges for services										
Water and sewer	1,882,613	2,150,173	2,301,408	2,547,962	3,308,091	2,907,143	2,640,675	2,718,718	2,683,775	2,563,999
Solid waste disposal	228,483	225,778	207,626	236,900	295,366	319,694	343,837	363,796	276,153	274,540
Capital grants and contributions	-	-	1,929,082	1,689,247	-	-	-	-	35,589	-
Total business-type activities program revenues	2,111,096	2,375,951	4,438,116	4,474,109	3,603,457	3,226,837	2,984,512	3,082,514	2,995,517	2,838,539
Total primary government program revenues	\$ 3,616,685	\$ 3,839,157	\$ 5,825,592	\$ 5,592,659	\$ 5,272,035	\$ 5,411,784	\$ 4,814,436	\$ 4,938,446	\$ 4,668,901	\$ 5,087,041
Net (Expenses) Revenue										
Governmental activities	\$ (6,312,433)	\$ (6,511,120)	\$ (6,655,421)	\$ (8,138,537)	\$ (7,894,661)	\$ (7,602,360)	\$ (6,103,618)	\$ (6,300,827)	\$ (6,718,832)	\$ (7,891,407)
Business-type activities	(1,539,420)	(865,283)	1,637,504	1,757,173	687,311	(9,482)	(227,698)	1,172	61,525	46,330
Total primary government net (expense) revenue	\$ (7,851,853)	\$ (7,376,403)	\$ (5,017,917)	\$ (6,381,364)	\$ (7,207,350)	\$ (7,611,842)	\$ (6,331,316)	\$ (6,299,655)	\$ (6,657,307)	\$ (7,845,077)

City of Center Line
Changes in Net Position
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues										
Governmental activities										
Taxes	\$ 6,159,702	\$ 6,028,915	\$ 5,534,760	\$ 6,101,227	\$ 5,285,060	\$ 5,954,228	\$ 6,648,366	\$ 5,734,767	\$ 6,201,812	\$ 6,243,618
Payment in lieu of taxes	-	-	-	-	-	89,117	97,160	100,919	103,430	107,089
State shared revenue	1,001,323	998,627	964,912	858,193	858,193	805,267	835,099	860,367	877,455	964,936
Sale of tax reversion properties	-	-	-	-	-	79,335	152,053	-	146,812	153,219
Cable franchise fees	88,508	127,618	119,734	151,916	132,088	138,814	180,558	134,177	26,865	20,673
Investment earnings	128,892	165,774	89,962	18,311	18,585	8,807	19,470	25,389	-	-
Miscellaneous	45,120	99,391	223,215	110,928	124,932	287,644	349,911	124,454	134,150	56,043
Income from joint venture	(3,056)	(20,938)	(5,068)	2,800	285,519	-	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(849,065)	(927,046)	(860,214)	(848,750)	(913,955)	(596,141)	(888,330)	(1,025,145)	(1,090,247)	(1,095,156)
Total governmental activities general revenues	6,571,424	6,472,341	6,067,301	6,394,625	5,790,422	6,767,071	7,394,287	5,954,928	6,400,277	6,450,422
Business-type activities										
Investment earnings	64,250	30,195	68,397	20,177	65,157	2,055	1,942	1,888	1,813	1,430
Transfers	849,065	927,046	860,214	848,750	913,955	596,141	888,330	1,025,145	1,090,247	1,095,156
Total business-type activities general revenues	913,315	957,241	928,611	868,927	979,112	598,196	890,272	1,027,033	1,092,060	1,096,586
Total primary government general revenues	\$ 7,484,739	\$ 7,429,582	\$ 6,995,912	\$ 7,263,552	\$ 6,769,534	\$ 7,365,267	\$ 8,284,559	\$ 6,981,961	\$ 7,492,337	\$ 7,547,008
Change in Net Assets										
Governmental activities	\$ 60,304	\$ (183,080)	\$ (2,071,236)	\$ (1,500,036)	\$ (1,811,938)	\$ (835,289)	\$ 1,290,669	\$ (345,899)	\$ (318,555)	\$ (1,440,985)
Business-type activities	48,032	2,594,745	2,685,784	1,556,238	969,630	588,714	662,574	1,028,205	1,153,585	1,142,916
Total primary government	\$ 108,336	\$ 2,411,665	\$ 614,548	\$ 56,202	\$ (842,308)	\$ (246,575)	\$ 1,953,243	\$ 682,306	\$ 835,030	\$ (298,069)

Notes:

Source: City of Center Line Basic Financial Statements.

City of Center Line
Fund Balances of Governmental Funds
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 863,595	\$ 816,201	\$ 241,435	\$ 407,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	702,584	812,463	867,773	1,189,518	-	-	-	-	-	-
Nonspendable	-	-	-	-	260,272	76,574	95,183	186,607	110,003	99,765
Restricted	-	-	-	-	194,375	-	-	-	-	-
Assigned	-	-	-	-	-	-	132,214	924,750	500,000	-
Unassigned	-	-	-	-	524,305	1,874,994	1,600,000	1,026,998	1,072,025	1,472,108
Total General Fund	<u>\$ 1,566,179</u>	<u>\$ 1,628,664</u>	<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>	<u>\$ 1,682,028</u>	<u>\$ 1,571,873</u>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 406,669	\$ 362,807	\$ 370,295	\$ 608,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	44,913	45,299	45,598	45,626	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	63,352	75,077	68,256	37,206
Restricted	-	-	-	-	237,608	386,085	881,325	551,751	754,041	988,267
Assigned	-	-	-	-	-	397,354	677,347	525,594	196,237	-
Unassigned (deficit)	-	-	-	-	-	-	-	-	(12,906)	(112,715)
Total all other governmental funds	<u>\$ 451,582</u>	<u>\$ 408,106</u>	<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>	<u>\$ 1,005,628</u>	<u>\$ 912,758</u>

Notes:

The City implemented GASB Statement No. 54 in fiscal year 2011 which changed the classification of fund balances.

Source: City of Center Line Basic Financial Statements.

City of Center Line
Changes in Fund Balances of Governmental Funds
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 6,254,261	\$ 6,115,672	\$ 5,643,376	\$ 6,068,121	\$ 5,442,454	\$ 6,006,033	\$ 6,755,369	\$ 5,868,080	\$ 6,190,604	\$ 6,243,618
Licenses and permits	229,564	234,143	186,456	248,059	200,814	224,892	220,323	225,279	264,124	213,089
Intergovernmental	1,583,097	1,588,046	1,472,091	1,291,701	1,665,284	2,077,125	1,704,418	1,792,770	1,666,699	2,147,242
Charges for services	591,050	558,510	590,262	492,318	447,578	514,051	421,712	468,445	441,536	435,412
Fines and forfeits	-	-	-	-	-	477,934	391,183	439,387	457,656	423,340
Interest and rents	128,892	165,774	89,962	18,311	18,585	8,807	19,469	25,392	26,865	20,673
Other revenue	512,907	485,699	634,413	413,230	512,339	470,865	594,277	197,543	106,744	176,661
Total revenues	9,299,771	9,147,844	8,616,560	8,531,740	8,287,054	9,779,707	10,106,751	9,016,896	9,154,228	9,660,035
Expenditures										
General government	2,031,617	1,959,636	1,882,594	1,500,432	1,893,487	2,262,143	1,858,617	1,379,978	1,637,766	1,920,450
Public safety	3,711,179	3,754,299	3,738,654	3,488,192	3,512,973	3,260,722	3,443,977	3,675,967	3,585,910	3,738,853
Public works	1,520,536	1,501,631	1,498,581	1,030,688	1,481,128	1,111,931	1,124,804	1,426,297	1,275,473	1,414,509
Community and economic development	-	-	-	-	-	84,166	140,796	8,604	8,115	3,732
Recreation and cultural	648,062	699,268	757,714	627,239	615,007	545,785	471,955	425,004	478,694	544,207
Other functions	-	-	-	-	-	-	-	-	21,883	432,912
Capital outlay	295	92	178,755	3,696	-	139,769	221,437	457,247	583,141	551,160
Debt service										
Principal	194,352	218,954	275,201	252,596	253,607	225,511	1,213,927	752,807	1,100,316	166,183
Interest and fiscal charges	67,622	67,909	59,652	53,680	44,042	35,092	28,494	24,491	20,756	16,705
Total expenditures	8,173,663	8,201,789	8,391,151	6,956,523	7,800,244	7,665,119	8,504,007	8,150,395	8,712,054	8,788,711
Excess of revenues over (under) expenditures	1,126,108	946,055	225,409	1,575,217	486,810	2,114,588	1,602,744	866,501	442,174	871,324

City of Center Line
Changes in Fund Balances of Governmental Funds
2007-2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other financing sources (uses)										
Proceeds from borrowing	126,694	-	123,136	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	44,952	20,807
Transfers in	82,000	154,000	126,122	-	148,000	1,247,535	1,455,702	1,029,037	1,119,986	1,150,300
Transfers out	(931,065)	(1,081,046)	(986,336)	(848,750)	(1,061,955)	(1,843,676)	(2,344,032)	(2,054,182)	(2,210,233)	(2,245,456)
Total other financing sources (uses)	(722,371)	(927,046)	(737,078)	(848,750)	(913,955)	(596,141)	(888,330)	(1,025,145)	(1,045,295)	(1,074,349)
Net change in fund balances	\$ 403,737	\$ 19,009	\$ (511,669)	\$ 726,467	\$ (427,145)	\$ 1,518,447	\$ 714,414	\$ (158,644)	\$ (603,121)	\$ (203,025)
Debt service as a percentage of noncapital expenditures⁽¹⁾	3.49%	3.29%	3.55%	4.08%	4.42%	3.82%	2.07%	1.83%	1.71%	1.80%

Notes:

Source: City of Center Line Basic Financial Statements.

(1) 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.

City of Center Line
Assessed Taxable Values (History of Property Values)
2007-2016
(Unaudited)

Fiscal Year (Tax Year)	Property				Value	Personal Property as a Percentage of Total Value	Taxable Value as a Percentage of SEV	Total Direct Tax Rate
	Residential	Commercial	Industrial	Personal Property	Total			
2007 (2006)								
SEV	155,551,333	55,716,680	37,409,230	50,423,794	299,101,037	16.86%		
Taxable	121,242,818	45,065,647	34,538,578	50,423,794	251,270,837	20.07%	84.01%	23.2657
2008 (2007)								
SEV	155,052,559	55,818,590	37,080,030	45,921,179	293,872,358	15.63%		
Taxable	126,060,118	45,471,258	35,166,578	45,921,179	252,619,133	18.18%	85.96%	22.6223
2009 (2008)								
SEV	139,756,545	51,087,016	33,830,400	44,529,203	269,203,164	16.54%		
Taxable	125,189,922	46,802,599	33,785,958	44,529,203	250,307,682	17.79%	92.98%	21.2329
2010 (2009)								
SEV	115,978,652	51,665,092	35,223,770	41,200,224	244,067,738	16.88%		
Taxable	114,266,596	49,167,957	35,170,471	41,200,224	239,805,248	17.18%	98.25%	23.8266
2011 (2010)								
SEV	95,402,279	51,053,302	31,985,320	35,444,185	213,885,086	16.57%		
Taxable	95,266,415	49,562,686	31,895,955	35,444,185	212,169,241	16.71%	99.20%	24.9025
2012 (2011)								
SEV	81,087,524	45,991,740	24,387,950	33,194,661	184,661,875	17.98%		
Taxable	81,031,376	45,879,627	24,317,636	33,190,835	184,419,474	18.00%	99.87%	31.7022
2013 (2012)								
SEV	70,045,360	46,094,940	21,713,872	32,458,965	170,313,137	19.06%		
Taxable	69,920,547	46,059,316	21,556,583	32,358,965	169,895,411	19.05%	99.75%	38.3328
2014 (2013)								
SEV	61,516,172	40,138,230	18,196,905	32,621,015	152,472,322	21.39%		
Taxable	61,447,720	39,845,790	18,028,366	32,621,015	151,942,891	21.47%	99.65%	37.5025
2015 (2014)								
SEV	63,906,365	42,923,630	18,450,668	31,322,042	156,602,705	20.00%		
Taxable	62,448,378	39,967,473	18,103,296	31,322,042	151,841,189	20.63%	96.96%	39.1266
2016 (2015)								
SEV	70,246,205	46,901,170	18,619,330	32,010,530	167,777,235	19.08%		
Taxable	64,001,760	41,927,671	18,260,204	32,006,711	156,196,346	20.49%	93.10%	38.6503

Notes:

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

City of Center Line
Property Tax Rates - Direct And Overlapping Governments
(Per \$1,000 of Taxable Value)
2007-2016
(Unaudited)

Fiscal Year (Tax Year)	City Direct Rates				Overlapping					Rates					Total Direct and Overlapping Rates by Resident's School District		
	General	Debt	Police and Fire Pension	Public Safety ⁽¹⁾	Total	Center Line Public Schools	Van Dyke Public Schools	Macomb County Intermediate School District	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
2007 (2006)																	
Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	22.1022	11.9906	2.9430	1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	54.7422	44.6306
Non-Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	26.0000	29.9906	2.9430	1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	58.6400	62.6306
2008 (2007)																	
Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	21.8022	11.9906	2.9430	1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	53.7988	43.9872
Non-Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	25.7000	29.9906	2.9430	1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	57.6966	61.9872
2009 (2008)																	
Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	16.6028	14.3906	2.9430	1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	47.3500	45.1378
Non-Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	25.6000	32.3906	2.9430	1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	56.3472	63.1378
2010 (2009)																	
Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	17.9406	14.8406	2.9430	1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	51.6495	48.5495
Non-Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	25.6000	32.8406	2.9430	1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	59.3089	66.5495
2011 (2010)																	
Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	20.4645	14.9906	2.9430	1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	55.2493	49.7754
Non-Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	25.8000	32.9906	2.9430	1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	60.5848	67.7754
2012 (2011)																	
Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	20.7758	13.0000	2.9430	1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	62.5103	54.7345
Non-Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	25.9000	31.0000	2.9430	1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	67.6345	72.7345
2013 (2012)																	
Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	25.3354	13.0000	2.9430	1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	73.9005	61.5651
Non-Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	26.8000	31.0000	2.9430	1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	75.3651	79.5651
2014 (2013)																	
Homestead	14.6630	7.2330	8.1065	7.5000	37.5025	25.5854	13.0000	2.9430	1.5312	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	73.2802	60.6948
Non-Homestead	14.6630	7.2330	8.1065	7.5000	37.5025	27.0500	31.0000	2.9430	1.5312	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	74.7448	78.6948
2015 (2014)																	
Homestead	14.6630	7.7817	9.1819	7.5000	39.1266	25.5854	15.2300	2.9430	1.5262	4.5735	0.2146	1.0000	0.1000	0.2000	0.0400	75.3093	64.9539
Non-Homestead	14.6630	7.7817	9.1819	7.5000	39.1266	27.0500	33.2300	2.9430	1.5262	4.5735	0.2146	1.0000	0.1000	0.2000	0.0400	76.7739	82.9539
2016 (2015)																	
Homestead	14.6630	7.8655	8.6218	7.5000	38.6503	25.5854	15.2300	2.9430	1.5302	4.5685	0.2146	1.0000	0.1000	0.2000	0.0400	74.8320	64.4766
Non-Homestead	14.6630	7.8655	8.6218	7.5000	38.6503	27.0500	33.2300	2.9430	1.5302	4.5685	0.2146	1.0000	0.1000	0.2000	0.0400	76.2966	82.4766

Notes:

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

**City of Center Line
Principal Taxpayers
June 30, 2016 and 2007
(Unaudited)**

Company Name	Product/Service	Year Ended June 30, 2016			Year Ended June 30, 2007		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Chrysler / FCA LLC	Automotive	\$ 16,201,890	1	10.37	\$ 30,529,065	1	12.04
AZ Automotive Corporation	Automotive	13,621,128	2	8.72	17,780,061	2	7.01
WICO Metal Products	Automotive	4,948,781	3	3.17	4,243,113	4	1.67
Kramer Homes Co-Op	Housing	4,714,621	4	3.02	7,101,606	3	2.80
Whitlam Label Company	Automotive	4,357,692	5	2.79	3,812,737	7	1.50
ERC Properties LLC	Automotive Sales	3,742,851	6	2.40	3,958,563	6	1.56
International Transmission	Automotive	2,613,690	7	1.67	-	-	-
Father Murray Nursing, LLC	Nursing Home	2,182,164	8	1.40	-	-	-
Consumers Energy	Utilities	1,835,740	9	1.18	-	-	-
Lawrence Park Housing	Housing	1,822,230	10	1.17	-	-	-
Center Line Park Towers	Housing	-	-	-	3,965,000	5	1.56
BAE Manufacturing	Automotive	-	-	-	3,038,517	8	1.20
Amurcon Management Services	Housing	-	-	-	2,713,337	9	1.07
Binson's Hospital Supplies	Healthcare	-	-	-	2,197,730	10	0.87
	Ten largest taxpayers	56,040,787		35.88	79,339,729		31.30
	Other taxpayers	100,155,559			174,128,838		
	Total taxable value	\$ 156,196,346			\$ 253,468,567		

Note:

Source: City Treasurer's Office

City of Center Line
Property Tax Levies and Collections
2007-2016
(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			
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%
2015 (2014)	5,941,029	5,709,082	96.10%	227,346	5,936,428	99.92%
2016 (2015)	5,982,595	5,727,092	95.73%	247,697	5,974,789	99.87%

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.

Source: City Treasurer's Office

City of Center Line
Ratios of Outstanding Debt By Type
2007 - 2016
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁵⁾	Governmental Activities ⁽²⁾			Business-	Type Activities ⁽²⁾			Total Primary Government	Net Debt to Assessed Value	Net Debt Per Capita	Percentage of Personal Income Per Capita
			General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreements	General Obligation Bonds	Revenue Bonds	Installment Purchase Agreements					
2007	8,531 ⁽³⁾	299,101,037	1,305,826	425,000	279,011	8,758,842	115,000	133,112	11,016,791	3.68%	1,291.38	6.20%	
2008	8,531 ⁽³⁾	293,872,358	1,246,775	340,000	204,086	8,228,793	95,000	371,539	10,486,193	3.57%	1,229.19	5.90%	
2009	8,531 ⁽³⁾	269,203,164	1,159,623	255,000	228,118	7,726,332	75,000	248,480	9,692,553	3.60%	1,136.16	5.46%	
2010	8,531 ⁽³⁾	244,067,738	1,071,066	170,000	151,356	11,389,697	50,000	165,653	12,997,772	5.33%	1,523.59	7.32%	
2011	8,257 ⁽⁴⁾	213,885,086	979,700	85,000	73,725	11,297,869	25,000	82,826	12,544,120	5.86%	1,519.21	7.30%	
2012	8,257 ⁽⁴⁾	186,993,509	888,287	-	24,627	10,513,092	-	-	11,426,006	6.11%	1,383.80	6.54%	
2013	8,257 ⁽⁴⁾	173,048,141	768,806	-	-	10,207,998	-	-	10,976,804	6.34%	1,329.39	6.66%	
2014	8,257 ⁽⁴⁾	158,024,012	649,325	-	-	9,237,479	-	-	9,886,804	6.26%	1,197.38	6.13%	
2015	8,257 ⁽⁴⁾	161,974,013	529,844	-	-	8,171,960	-	-	8,701,804	5.37%	1,053.87	N/A ⁽¹⁾	
2016	8,257 ⁽⁴⁾	174,654,727	402,019	-	-	7,069,832	-	-	7,471,851	4.28%	904.91	N/A ⁽¹⁾	

(1) Per capita income data for 2015 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

City of Center Line
Ratios of Net General Bonded Debt Outstanding
2007-2016
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value of Property ⁽⁷⁾</u>	<u>General Obligation Bonds ⁽¹⁾⁽³⁾⁽⁴⁾</u>	<u>Bonded Debt Service Funds Available ⁽²⁾⁽³⁾</u>	<u>Net General Bonded Debt</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2007	8,531 ⁽⁵⁾	299,101,037	10,064,668	586,520	9,478,148	1.18%	390.07
2008	8,531 ⁽⁵⁾	293,872,358	9,475,568	595,180	8,880,388	1.77%	610.69
2009	8,531 ⁽⁵⁾	269,203,164	8,885,955	9,600	8,876,355	3.30%	1,040.48
2010	8,531 ⁽⁵⁾	244,067,738	12,460,763	7,778	12,452,985	5.10%	1,459.73
2011	8,257 ⁽⁶⁾	213,885,086	12,277,569	7,297	12,270,272	5.74%	1,486.04
2012	8,257 ⁽⁶⁾	186,993,509	11,401,379	-	11,401,379	6.10%	1,380.81
2013	8,257 ⁽⁶⁾	173,048,141	10,976,804	104,306	10,872,498	6.28%	1,316.76
2014	8,257 ⁽⁶⁾	158,024,012	9,886,804	34,084	9,852,720	6.23%	1,193.26
2015	8,257 ⁽⁶⁾	161,974,013	8,701,804	12,907	8,688,897	5.36%	1,052.31
2016	8,257 ⁽⁶⁾	174,654,727	7,069,832	12,080	7,057,752	4.04%	854.76

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

City of Center Line
Direct and Overlapping Governmental Activities Debt
June 30, 2016
(Unaudited)

DIRECT DEBT OUTSTANDING ⁽²⁾			
Unlimited Tax General Obligation Bonds			
2004 Refunding Bonds (Governmental Portion)		\$	402,019
TOTAL DIRECT DEBT OUTSTANDING			\$ 402,019
Overlapping Debt			
34.60% ⁽¹⁾ Center Line Public School District ⁽³⁾	\$	12,965,000	\$ 4,485,890
2.14% ⁽¹⁾ Van Dyke Public School District ⁽⁴⁾		56,045,000	1,199,363
0.62% ⁽¹⁾ Macomb County at large ⁽⁵⁾		335,609,509	2,080,779
0.62% ⁽¹⁾ Macomb Community College ⁽⁴⁾		3,020,000	18,724
TOTAL OVERLAPPING DEBT OUTSTANDING			7,784,756
TOTAL DIRECT AND OVERLAPPING DEBT OUTSTANDING			\$ 8,186,775

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, 2015
- (4) Source: Audit report dated June 30, 2016
- (5) Source: Audit report dated December 31, 2015

City of Center Line
Computation of Legal Debt Margin
June 30, 2016
(Unaudited)

Valuation for debt limit		
2015 state equalized value		
Real property	\$ 136,848,805	
Personal property	<u>31,327,022</u>	
Total 2015 state equalized value		\$ 168,175,827
Industrial facilities adjusted to state equalized equivalent		<u>6,478,900</u>
Total valuation for debt limit		<u><u>\$ 174,654,727</u></u>
Debt limit		
10% of state equalized value and equivalent		\$ 17,465,473
Amount of debt applicable to debt limit		
Total bonded debt	\$ 8,701,804	
Less:		
Amount available in debt service funds	12,080	
State Revolving Fund (SRF) Wastewater Bonds	<u>3,871,851</u>	
Total amount of debt applicable to debt limit		<u>4,817,873</u>
Legal debt margin		<u><u>\$ 12,647,600</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 Margin
2007-2016
(Unaudited)**

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Net Applicable Debt</u>	<u>Legal Debt Margin</u>	<u>Ratio</u>
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%
2015	16,197,401	4,592,046	11,605,355	28.35%
2016	17,465,473	4,817,873	12,647,600	27.59%

Note:

Source: City of Center Line Treasurer's office.

**City of Center Line
Pledged Revenue Coverage
2007-2016
(Unaudited)**

Fiscal Year Ended	Limited Tax Obligation Bonds ⁽¹⁾					Coverage
	Collections	Debt Service		Total		
		Principal	Interest			
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%	
2015	327,921	220,000	107,922	327,922	100.00%	
2016	327,421	225,000	102,421	327,421	100.00%	

Fiscal Year Ended	Revenue Bonds ⁽³⁾					Coverage
	Collections	Debt Service		Total		
		Principal	Interest			
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%	

Fiscal Year Ended	Special Assessment Bonds ⁽³⁾					Coverage ⁽²⁾
	Collections ⁽²⁾	Debt Service		Total		
		Principal	Interest			
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.
Source: City of Center Line Basic Financial Statements.

**City of Center Line
Demographic Statistics
2007-2016
(Unaudited)**

Fiscal Year	Population	Personal Income	Personal Income Per Capita ⁽²⁾	Unemployment Rate ⁽⁶⁾
2007	8,531 ⁽³⁾	\$ 177,658,075	\$ 20,825	7.3%
2008	8,531 ⁽³⁾	177,658,075	20,825	8.3%
2009	8,531 ⁽³⁾	177,658,075	20,825	18.3%
2010	8,531 ⁽³⁾	177,658,075	20,825	14.1%
2011	8,257 ⁽⁴⁾	171,952,025	20,825	12.3%
2012	8,257 ⁽⁴⁾	174,759,405	21,165	10.5%
2013	8,257 ⁽⁴⁾	164,751,921	19,953	10.5%
2014	8,257 ⁽⁴⁾	161,366,551	19,543	8.6%
2015	8,257 ⁽⁵⁾	170,476,800	20,490	5.4%
2016	8,320 ⁽⁵⁾	- ⁽¹⁾	- ⁽¹⁾	5.6%

Notes:

- (1) Personal income data for fiscal year 2016 is not readily available
- (2) Source: United States Census Bureau American Community Survey Five Year Estimates
- (3) Source: 2000 Census Report
- (4) Source: 2010 Census Report
- (5) Source: 2015 Census Bureau Estimate
- (6) Source: Michigan Department of Technology, Management & Budget, Unemployment Statistics for Macomb County

**City of Center Line
Concentration of Workforce
June 30, 2016 and 2007
(Unaudited)**

Industry	2016		2007	
	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce
Professional and Business Services	409,000	20.38%	367,200	18.42%
Trade, Transportation, and Utilities	364,100	18.13%	366,800	18.40%
Education and Health Services	311,300	15.51%	277,800	13.93%
Manufacturing	243,200	12.12%	251,800	12.63%
Government	182,500	9.09%	231,200	11.59%
Leisure and Hospitality	206,800	10.30%	192,300	9.64%
Financial Activities	114,300	5.69%	112,200	5.63%
Other Services	77,900	3.88%	89,000	4.46%
Mining, Logging, and Construction	70,300	3.50%	75,500	3.79%
Information	27,900	1.39%	30,200	1.51%
Total	<u>2,007,300</u>	<u>99.99%</u>	<u>1,994,000</u>	<u>100.00%</u>

Notes:

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

(2) Source: Bureau of Labor Statistics

http://stats.bls.gov/eag/eag.mi_detroit_msa.htm

City of Center Line
Full Time City Employees By Function
2007-2016
(Unaudited)

Function	Full-time Employees			as of June 30						
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	8	7	7	4	5	5	5	5	4	7
Public safety										
Sworn officers and dispatchers	30	29	28	25	22	20	22	22	21	21
Building inspection	1	1	1	1	1	1	1	1	1	1
Public works	10	9	9	9	8	6	5	5	5	5
Recreation and culture	4	4	4	3	3	2	-	1	1	1
Total	53	50	49	42	39	34	33	34	32	35

Note:

Source: City of Center Line Treasurer's Office.

City of Center Line
Operating Indicators By Function
2007-2016
(Unaudited)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Public safety⁽⁴⁾											
Physical arrests	869	747	551	455	286	576	396	418	496	-	(1)
Parking violations	151	112	116	117	64	52	101	89	106	-	(1)
Traffic violations	7,898	6,915	5,179	4,609	3,193	2,853	3,022	3,712	3,902	-	(1)
Emergency fire responses	60	80	83	211	242	256	358	298	1,251	-	(1)
Public works⁽⁵⁾											
Average daily water consumption and sewer treatment (gallons)	1,096,438	513,151	691,780	641,644	730,411	734,521	719,810	710,000	-	-	(1)
Peak daily water consumption (gallons)	-	1,170,000	1,460,000	1,060,000	1,100,000	1,170,000	1,000,000	1,020,000	-	-	(1)
Water rates											
Per 1,000 cubic feet	\$ 17.1700	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 28.3542	\$ 27.4144	(2)
Per 1,000 gallons ⁽³⁾	\$ 2.2953	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.7904	\$ 3.6447	(2)
Sewer rates											
Per 1,000 cubic feet	\$ 26.7400	\$ 44.0929	\$ 41.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 47.6958	\$ 46.2588	(2)
Per 1,000 gallons ⁽³⁾	\$ 3.5746	\$ 5.8944	\$ 5.4933	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 6.3760	\$ 6.1839	(2)
Garbage/Solid Waste rate	\$ 7.5000	\$ 7.5000	\$ 7.5000	\$ 9.0000	\$ 11.0000	\$ 12.0000	\$ 12.0000	\$ 12.0000	\$ 9.1000	\$ 9.1000	(2)
Recreation and culture⁽⁶⁾											
Volumes in library collection	37,849	39,062	43,167	42,169	40,408	51,444	56,086	53,098	48,157	52,532	(2)
Volumes borrowed from library	43,672	45,373	44,510	44,351	42,550	39,697	38,789	36,484	45,671	43,839	(2)

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) Source: City of Center Line Public Safety Director.
 - (5) Source: City of Center Line Public Works Director.
 - (6) Source: City of Center Line Library Director.
- 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.

City of Center Line
Capital Asset Statistics By Function
2007-2016
(Unaudited)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety ⁽¹⁾										
Police protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Public works ⁽²⁾										
Streets (miles)										
Primary streets	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81	6.81
Secondary streets	18.47	18.47	18.47	18.47	18.47	18.47	18.47	18.47	18.47	18.47
Traffic signals	12	12	12	12	11	11	11	11	11	11
Water										
Mains (miles)	33.81	33.81	33.81	33.81	33.81	33.81	33.81	33.81	33.81	33.81
Fire hydrants	356	356	356	356	356	356	356	356	356	356
Storage capacity (gallons)	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560
Sewer										
Sanitary sewers (miles)	29.55	29.55	29.55	29.55	29.55	29.55	29.55	29.55	29.55	29.55
Storm sewers (miles)	26.54	26.54	26.54	26.54	26.54	26.54	26.54	26.54	26.54	26.54
Recreation and culture ⁽³⁾										
Parks (acres)	30	30	30	30	30	30	30	30	30	30
Playgrounds	4	4	4	4	4	4	4	4	4	4
Pavilions	4	4	4	4	4	4	4	4	4	4
Softball and baseball fields	6	6	6	6	6	6	5	5	5	5

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.

City of Center Line
Continuing Disclosure - State Shared Revenue
2007-2016
(Unaudited)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
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
2015	877,455
2016	876,850

Notes:

Source: City of Center Line Treasurer's office.

City of Center Line
Continuing Disclosure - Gas and Weight Taxes
2007-2016
(Unaudited)

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Streets	Local Streets	
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
2015	330,874	131,921	462,795
2016	348,643	175,596	524,239

Notes:

Source: City of Center Line Treasurer's office.

City of Center Line
Continuing Disclosure - Labor Agreements
(Unaudited)

Name	Contract Expiration Date	Actual Number of Employees Covered
UNION EMPLOYEES		
Clerical / Office Employees Governmental Employees Labor Council (GELC)	2/2/2021	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	16
NON-UNION EMPLOYEES		
Chief Building Inspector	N/A	1
City Finance Director and Treasurer	N/A	1
Deputy Treasurer	N/A	1
City Manager and Clerk	N/A	1
Executive Secretary / Deputy Clerk	N/A	1
Human Resources Director	N/A	1
Parks and Recreation / Library Director	N/A	1
Public Safety Director	N/A	1
Public Works Superintendent	N/A	1

Note:

Source: City of Center Line Treasurer's office.



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December 27, 2016

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

We have completed our audit of the financial statements of the governmental activities, 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, 2016, and have issued our report dated December 27, 2016. 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 following appendices to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the City during the audit and 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, 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 4, 2016. 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 used by the City are described in Note 1 of the financial statements. The Government has adopted Governmental Accounting Standards Board Statements (GASBS) No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. GASB No. 72, 76, and 79 are effective July 1, 2015, and GASB 82 is effective for years beginning July 1, 2016, however, early implementation is encouraged. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. Statement 76 identifies the hierarchy of generally accepted accounting principles. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. 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 financial statements 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 most sensitive estimates affecting City of Center Line's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Other post-employment benefits. The estimate is derived from a calculation including factors such as: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

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

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The City is evaluating the impact the above GASB's will have on its financial reporting.

Regulatory and Other Updates

Cybersecurity and data backup best practices

The City's data is critically important. There are millions of ways data can be compromised. It is vitally important that all employees have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event an organization's information is targeted by malware or a phishing attack. An organization's vital information is always a moment away from being compromised. Encouraging and educating employees to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between an organization surviving a cyber-attack or going under. Every organization should know the answer to two questions when looking at data backup solutions.

1. How long can my organization survive a network outage?
 Many organizations assume that they are properly backing up their network but how often are those backups tested? Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.
2. Does our organization understand the difference between a backup and disaster recovery?
 Management often assumes that simply backing up files is “good enough”. Backing up files is something all organizations should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all company data in the event of a disaster is another.

Difficulties Encountered in Performing the Audit

We encountered delays in management providing timely audit information necessary to perform the audit. In addition, a significant quantity of journal entries were required which caused additional time spent to rework certain audit areas.

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. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

Fund Name	Governmental Funds				Enterprise Funds	
	Major Funds	Major Funds	Major Funds	Non-Major Funds	Major Fund	Non-Major Funds
	General	Public Safety	Debit Service	Major Street Local Street Drug Law Enforcement CDBG Capital Improvements Special Assessment Fund	Water and Sewer	Solid Waste
Net change in fund balance per City's records at start of audit	\$ 758,931	\$ (873,032)	\$ (827)	\$ (103,455)	\$ 1,342,974	\$ (48,532)
Subsequent adjustments	(874,294)	874,156	-	123,526	(146,332)	(5,194)
Net change in fund balance per audited financial statements	<u>\$ (115,363)</u>	<u>\$ 1,124</u>	<u>\$ (827)</u>	<u>\$ 20,071</u>	<u>\$ 1,196,642</u>	<u>\$ (53,726)</u>
Final fund balance as of June 30, 2016	1,306,368	290,417	12,080	183,005	14,506,171	173,353
Adjustments as a % of fund balance	-67%	301%	0%	67%	-1%	-3%

There were no uncorrected misstatements that were more than trivial.

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 are pleased to 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.

Other Reports

Other information that is required to be reported to you is included in the: 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*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, municipal employees retirement system schedules, other post-employment benefit schedules, and budgetary comparison information, we 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.

Report on Other Supplementary Information

With respect to the supplementary information accompanying the financial statements, other than list of Elected and Appointed Officials, 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.

Comprehensive Annual Financial Report

The City's audited financial statements are included in their comprehensive annual financial report. Our responsibility for the other information contained in the comprehensive annual financial report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate the other information contained in the introductory section and statistical section. However, we read the other information and considered whether such information, or manner of its presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, appearing in the financial statements

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of City of Center Line as of and for the year ended June 30, 2016, we considered City of Center Line's internal control over financial reporting (internal control) as a basis for designing our audit procedures 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated December 27, 2016, on the financial statements of City of Center Line. Our comments and recommendations regarding those matters are:

Compensated Absences

As a part of our audit, we review the calculation of the compensated absence accrual as well as the clerical accuracy of the reports and spreadsheet containing the calculations. While reviewing compensated absence balances, we noted several employees carried a balance over the maximum amount allowed by the City's policy. This issue was due to improper oversight of the policy.

We recommend that compensated absence balances are closely monitored in the future to ensure adherence to the City's maximum balance policy.

Timely Bank Reconciliations

As part of the internal control process, accounts should be reconciled on a timely basis. We noted that certain bank reconciliations were not performed and reviewed on a timely basis.

We recommend that monthly reconciliations of pertinent accounts be completed prior to the end of the following month. In addition, we recommend that all reconciliations be reviewed by someone who is not involved in the reconciliation process. This review should be documented with initialing and dating of the reconciliation. The reconciliation process helps to detect any errors or fraud that may have occurred within an account as well as provide City Council with pertinent cash flow information. Accurate bank balances are necessary for decision making as well as planning for the future.