

Comprehensive Annual Financial Report

City of Novi, Michigan

*Fiscal Year Ended June 30, 2014*

This report was prepared by the City of Novi Finance Department.

City of Novi, Michigan  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2014

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City of Novi, Michigan  
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 Fiscal Year Ended June 30, 2014

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October 27, 2014

Honorable Mayor Robert Gatt  
Members of the City Council  
Citizens of the City of Novi, Michigan

**CITY COUNCIL**

**Mayor**  
Bob Gatt

**Mayor Pro Tem**  
Dave Staudt

Gwen Markham

Andrew Mutch

Justin Fischer

Wayne Wrobel

Laura Marie Casey

**City Manager**  
Peter Auger

**City Clerk**  
Maryanne Cornelius

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi for the fiscal year ended June 30, 2014. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (GAAP) require 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's MD&A can be found immediately following the report of independent auditors.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties in the integrity of the recordkeeping and financial reporting of local units of government.

**Profile of the Government**

The City of Novi, incorporated in 1969, is strategically located in the southwestern portion of vibrant Oakland County. Located just 30 miles northwest of downtown Detroit, the City serves over 55,000 residents (per the 2010 national census) and encompasses an area of approximately 32 square miles. Novi is considered a choice community in which to live and work. A dynamic, growing community, Novi offers an abundance of rolling, wooded acreage, which provides a unique natural backdrop for residential, commercial and industrial land development. Novi is well-connected to highway, rail, and air transportation routes offering outstanding accessibility to the rest of the world.

Businesses can also count on an abundance of county and regional resources for help with creating new business opportunities, securing financing, improving technological business expertise, and learning to do business abroad. Novi's quality of life stems from its successful balance of residential and commercial tax base. The City's commitment to economic development has evolved to include a web site ([InvestNovi.org](http://InvestNovi.org)), devoted entirely to attracting new and retaining existing businesses. This site informs potential business investors and celebrates existing businesses' successes. In its effort to maintain open relationships with businesses and residents, Novi maintains a comprehensive web site at [cityofnovi.org](http://cityofnovi.org).

**City of Novi**  
45175 W. Ten Mile  
Road  
Novi, Michigan 48375  
248.347.0460  
248.347.0577 fax

[cityofnovi.org](http://cityofnovi.org)

The City of Novi operates under the Council-Manager form of government. Policy-making and legislative authority are vested in City Council which is presided over by the Mayor, who is elected for a two-year term. The six other Council members are elected for four-year overlapping terms. The City Manager is appointed by City Council. This official heads the administrative branch of city government and directs all city operations, projects and programs.

The City provides a full range of municipal services including police and fire protection; public services, parks, recreational and cultural activities; building inspection; code enforcement and planning and development. In addition to general government activities, the activities of the Economic Development Corporation are reported as a separate component unit of the City. Component units are legally separate entities for which the primary government is financially accountable.

The City of Novi prepares budgets in accordance with the Michigan Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended. Under the direction of the City Manager, the Finance Director prepares an initial projection of revenue for the next fiscal year. Spending priorities are then established based upon the City's financial policies and mandated requirements. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot exceed the appropriated amount) is established by function and category. It takes a five-vote majority to adopt and amend the budget.

## **Factors Affecting Financial Condition**

**Local Economy** – Standard & Poor's, which provides credit ratings and other financial analysis, affirmed the City of Novi's high quality rating on general obligation bonds as AA+ in 2012. Standard & Poor's defines an AA+ rating as "having excellent financial security and being highly safe." This rating places Novi in an elite group of communities throughout the country. Standard & Poor's notes that "Novi has realized strong residential and retail development within the past decade. The city has several malls, a successful convention center, and several hotels within its commercial base, all of which contribute to a retail sales per capita level at 216% of the national average. In addition, income levels are very strong, in our opinion, as indicated by median household effective buying income at 150% of the national average."

Novi is also proud of its strong economic climate and offers a diverse mix of business opportunities spanning from the automotive market like MTU and Kistler Automotive to software developer Autodesk and highest rated provider of on-site wellness programs Summit Health, as well as alternative energy firms like Leidos and Novi Energy. Within the City of Novi, there are many good stories that aid in the overall quality of economic development. Some of these milestones include:

- Novi conducted its first ever business survey last year. The 2013 Novi Business Survey provided business owners and managers the opportunity to evaluate the quality of life and business in the City of Novi, as well as aspects of City services and local government performance. Eight in 10 survey respondents rated the overall economic climate in Novi as excellent or good in 2013, and a similar proportion rated Novi as an excellent or good place to do business.

- Novi was celebrated as a “four star”, top performing community for the fourth consecutive year for fostering entrepreneurial growth and economic development in an annual eCities program by researchers at the iLabs, University of Michigan-Dearborn’s Center for Innovation Research.
- Fujitsu Ten, a manufacturer of automotive navigation and control systems, moved their North American Headquarters to Novi in March 2014. The newly-built tech center boasts a hybrid use of space supporting advance technology, quality, testing, and general office functions. The company brought along 90 employees with plans to increase to 150 employees by the end of 2014.
- Critical Signal Technologies (CST), an innovator of medical alert technology; moved their headquarters to Novi in October 2013. The company has 120 employees in the new facility, with plans for growth over the next few years.
- Aramco Services, a Saudi Arabian oil and gas company, built a state of the art research and development center. The 62,000 square-foot research center focuses on engine-fuel systems and development and employs professionals with advanced degrees in engineering and science.

Novi remains strong with a diverse tax mix of residential, manufacturing, office, service and technology, and retail-recreational centers and continues to provide a stable environment to attract new investment within Novi. Novi remains on sound financial footing despite the prevailing tough economic conditions because of continued focus on core strategies and investments within our community that have produced sound financial results and satisfied citizen perceptions (National Citizen Survey).

**Fund Balance Policy** – The City follows the City Council’s adopted, by resolution, fund balance/reserve policy. The policy establishes a reserve to pay for expenditures, states the City will attempt to obtain additional revenue sources to ensure a balanced budget and aggressively collect revenue, establishes user charges and fees at a level to take into account the cost of providing the service, maintain a level of reserves to comply with terms and conditions of debt instruments, and review fund balance/reserves annually during the budget process. In addition, in the event the level of expenditures exceeds the estimated appropriations, the City will create a plan to replenish fund balance/reserves within three years by controlling operating expenditures, adjusting operations and/or dedicating excess or specific revenue sources. The policy establishes a minimum reserve as a percentage of budgeted expenditures of 18-22% in the General Fund, 10-20% individually and collectively amongst the three road funds, 12-22% for Parks and Recreation, and varying reserves for the remaining special revenue funds dependent on the funds’ yearly activity and capital needs.

**Long-term Financial Planning** – The 2010 Census reports Novi’s population at 55,224, which is a 16.5% increase from the 2000 Census population of 47,386. The 2010 Census data is required to be used for the constitutional portion of State-shared Revenue distributions beginning in mid-2011. A constitutional portion is distributed to cities, villages and townships based on a community’s population and cannot be eliminated without a vote of the people. For the fiscal year ended June 30, 2014, Novi’s reliance on revenue sharing payments represents 13.9% of total General Fund revenues, or \$4,170,809. Novi’s revenue sharing distribution increased by 2% or \$96,220 from the prior fiscal year.

Public Act 152 (PA 152, also known as Senate Bill 7), the “Publicly Funded Health Insurance Contribution Act” was signed into law on September 24, 2011. This Act limits a public employer’s cost for employee provided health care benefits and provides for an 80/20 cost sharing agreement. The Novi City Council on September 26, 2011, adopted an 80/20 cost sharing resolution and for employee groups not covered under a collective bargaining agreement prior to September 15, 2011 or active in Act 312 Arbitration, the 80/20 cost sharing requirement became effective January 1, 2012. The following table represents current employee contributions by group:

- 20% of insurance premiums – Police Officers, Fire Fighters, MAPE, Administrative and Library.
- 20% of insurance premiums – Police Clerks (increased to 20% on January 1, 2013 per agreement).
- 10% of insurance premiums – Police Command Officers (increased to 20% on July 1, 2013).
- 3.5 % of Base Salary – Dispatchers.

The City of Novi has made great strides over the past twenty years in both managing and reducing debt while recognizing savings from refunded/called debt activities. *For the fiscal year ended June 30, 2014, **debt obligations were reduced by \$4,695,000 from the prior fiscal year.** Total direct debt at June 30, 2014 was \$37,695,000*

**Awards** – The Government Finance Officers Association (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Novi for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the sixteenth year that the City of Novi has received this prestigious award.

**Acknowledgements** – The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks to the independent auditing firm of Andrews Hooper Pavlik PLC and to the Mayor and City Council members as well as City Manager, Peter Auger, and the Assistant City Manager, Victor Cardenas, for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Carl Johnson  
Finance Director/Treasurer



Sabrina Lilla  
Senior Financial Analyst



Government Finance Officers Association

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

Presented to

**City of Novi  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**



Executive Director/CEO

# Mayor and City Council

Office of the City Manager



Federal,  
State,  
County  
Government

## Organizational Chart

Citizens

Volunteer Boards  
& Commissions

### Public Services

#### Engineering

- \* City Construction Project Design & Inspection
- \* Capital Improvement Program
- \* Private Development Site Plan Review - Infrastructure
- \* Right - of - Way permits
- \* Infrastructure Asset Management

#### Field Operations

- \* Road & Drain Maintenance
- \* Ice & Snow Removal
- \* Recycling Center

#### Forestry

#### Fleet Maintenance

#### Water & Sewer

- \* Sanitary Sewer Operations & Maintenance
- \* Water System Operations & Maintenance
- \* Watershed Stewardship
- \* Rouge River Liaison

State of Michigan  
Department of  
Environmental  
Quality

Road Commission for  
Oakland County

Michigan Department of  
Transportation

State of Michigan  
Department of  
Natural Resources

Federal  
Bureau of  
Investigation

Michigan  
State  
Police

# nurture

# operate

# value

# invest

**Parks, Recreation & Cultural Services - Programs**

- \* Recreation
- \* Older Adults
- \* Meadowbrook Commons/Ice Arena
- \* Novi Ice Arena
- \* Arts & Community Festivals

Civic  
Organizations

Schools

**Library**  
novilibrary.org

**Parks, Recreation & Cultural Field Services (through DPS)**

- \* Park Maintenance
- \* Park Development

**City Clerk**  
**Human Resources**

**Assessing Finance/Treasury Purchasing**

**Information Technology Geographic Information Facility Operations**

Private Sector  
Investments

Detroit Regional  
Chamber of  
Commerce

Automation  
Alley

**Neighborhood & Business Relations**  
cityofnovi.org  
InvestNovi.org

- \* Communications
- \* Community Relations
- \* Civic Engagement
- \* Business Attraction/Retention/Expansion
- \* Community Television
- \* Employee Engagement
- \* Novi Youth Council

Homeowner  
Associations

**Community Development**

- \* Long-Range Planning
- \* Private Development Site Plan Review
- \* Environmental Planning
- \* Master Plan and Zoning
- \* Soil Erosion and Sedimentation Control
- \* Building Plan Review, Inspections and Permits
- \* Ordinance Enforcement

**Public Safety**

**Administration**

- \* Police & Fire
- \* Records
- \* Emergency 911 Center

**Police**

- \* Preventative Patrol
- \* Criminal Investigations
- \* Crime Prevention & Citizen Engagement

**Fire**

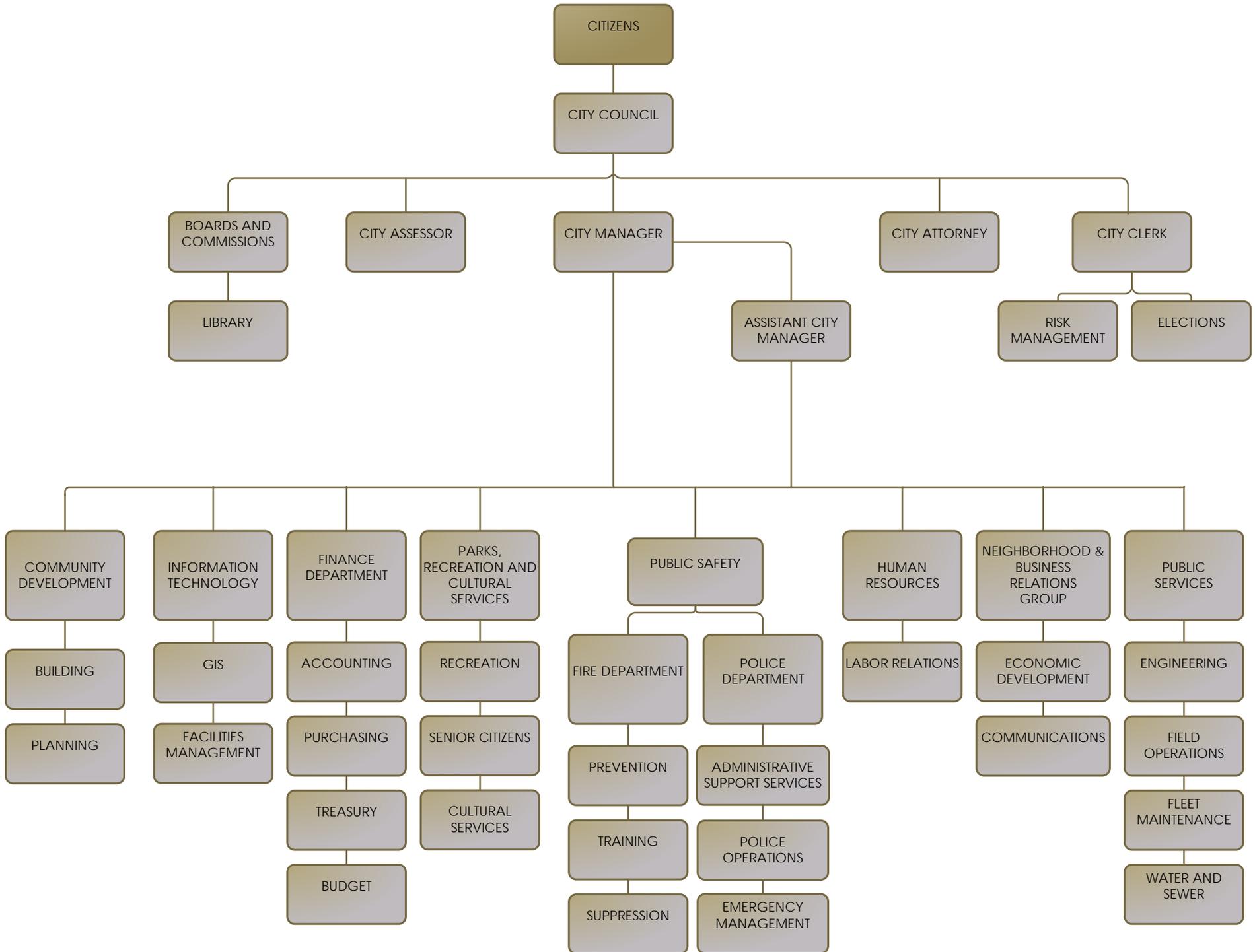
- \* Emergency Medical Services Response
- \* Fire Prevention/Inspections
- \* Fire Suppression
- \* Citizen Engagement

**Emergency Preparedness & Management**

- \* CERT
- \* Citizen Engagement

Michigan  
Economic  
Development  
Corp

Courts



City of Novi, Michigan  
List of Principal Officials  
June 30, 2014

<u>Title</u>	<u>Name</u>
City Manager	Peter Auger
Assistant City Manager	Victor Cardenas
Assessor	David G. Lemmon
Deputy Assessor	Kay Shafii
City Clerk	Maryanne Cornelius
Deputy City Clerk	Cortney A. Hanson
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Water and Sewer Asset Manager	Scott Rosselle
Water and Sewer Senior Engineer	Timothy D. Kuhns
Water and Sewer Financial Services Manager	Michael Andrews
Director of Public Services/City Engineer	Robert F. Hayes
Roadway Asset Manager	Gerald P. Tremblay
Engineering Manager	Brian Coburn
Field Operation Senior Manager	Matthew T. Wiktorowski
Analyst Planner	Becky C. Arold
Director of Information Technology/Facilities Operations	Robert L. Petty
GIS Manager	Keri Blough
Director of Economic Development	Lauren Royston
Community Development Director	Charles S. Boulard
Community Development Deputy Director	Barbara E. McBeth
Building Official	Tom Walsh
Parks, Recreation and Cultural Services Director	Jeff Muck
Older Adult Services Manager	Karen Kapchonick
Director of Public Safety	David E. Molloy
Assistant Police Chief	Jerrod S. Hart
Assistant Police Chief	Victor C.M. Lauria
Director of Emergency Medical Services and Fire Operations	Jeffery R. Johnson
Analyst Planner	Patricia A. Cauchi
Library Director	Julie E. Farkas
Finance Director/Treasurer	Carl Johnson
Senior Budget Analyst	Jessica Dorey
Senior Financial Analyst	Sabrina Lilla
Purchasing Manager	Susan J. Morianti
Assistant City Treasurer	Debra Peck

City of Novi, Michigan  
Fund Organization Chart

**Governmental Funds**

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
2002 Limited Tax Debt 2008 Library Construction Debt 2010 Refunding Debt 12 Mile Road Debt	Major Street Local Street Municipal Street Police and Fire Parks, Recreation, and Cultural Services Tree Fund Drain Revenue Contributions and Donations Forfeiture Library Walker Library West Oak Street Lighting West Lake Drive Street Lighting Town Center Street Street Lighting
<u>Capital Projects Funds</u>	
Special Assessment Revolving Street Improvement	
<u>Permanent Funds</u>	
Drain Perpetual Maintenance	

**Proprietary Fund - Enterprise Funds**

Ice Arena Water and Sewer Senior Housing
--

**Fiduciary Funds**

<u>Pension and Other Employee Benefit Trust Fund</u>	<u>Agency</u>
Retiree Health Care Benefits	Agency

**Component Unit**

Economic Development Corporation
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## Report of Independent Auditors

To the City Council  
City of Novi, Michigan

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 City'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 City'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Correction of Error***

As discussed in Note 15 to the financial statements, certain errors resulting in the understatement of amounts previously reported as liabilities were discovered by management during the current year. Accordingly, an adjustment has been made to restate net position as of June 30, 2013 to correct the error. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information (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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi, Michigan's basic financial statements. The introductory section, other supplementary information (identified in the table of contents), and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the City of Novi, Michigan'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 Novi, Michigan's internal control over financial reporting and compliance.

*Andrews Hooper Paulik PLC*

Auburn Hills, Michigan  
October 27, 2014

# City of Novi, Michigan

## Management's Discussion and Analysis

The City of Novi, Michigan's (City) discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2014. The information presented here should be read in conjunction with our letter of transmittal, the financial statements, and notes to the financial statements that follow.

### Financial Highlights

- \* Total assets related to the City's governmental activities exceeded liabilities at June 30, 2014 by \$160,846,520.
- \* Investment in capital assets (net of depreciation and related debt) accounts for over half of this amount, with a value of \$113,868,196.
- \* Of the remaining net position, \$11,737,797 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- \* Net position related to the City's governmental activities increased by \$1,012,754, or .6% during fiscal year 2013-2014. As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$44,730,544. Fund balance of the General Fund totaled \$9,490,017 at June 30, 2014, an increase of \$678,453 in comparison with the prior year. Of the General Fund amount, \$9,203,448 is unassigned, which represents 30% of fiscal year 2014 budgeted annual expenditures.
- \* Total debt obligations were **reduced by \$4,695,000** from the prior year. Total direct debt at June 30, 2014, was \$37,695,000.

### Overview of the Financial Statements

This discussion and analysis provides an introduction and overview to the City's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects, and trends necessary for understanding the full context of the financial condition of the City.

**Basic Financial Statements** – The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

**Government-wide Financial Statements** – Government-wide financial statements provide readers with a broad overview of the City's finances in a manner similar to a private sector business, distinguishing functions of Novi that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").

## City of Novi, Michigan Management's Discussion and Analysis (continued)

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business and presents a longer-term view of the City's finances. Over time, increases or decreases in net position can serve as one indicator of the financial position of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The statement of activities presents information showing how the City's net position changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding. All changes in net position are reported using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. Items such as deferred special assessments and earned but unused employee leave time will be included in the statement of activities as revenue and expense, even though the cash flows associated with these items will be recognized in future fiscal periods.

In accordance with GASB No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statements No. 14*, the City has identified certain entities as component units in the government-wide financial statements. By virtue of its authority to exercise influence over their operations, the City has included the financial statements of the Economic Development Corporation, which is a discretely presented component unit within the government-wide financial statements. In addition, the Building Authority is included as a blended component unit.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Novi, Michigan, like other state and local governments, establishes funds for compliance with finance-related legal requirements. All of the funds of the City fall into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported functions. Proprietary funds account for a government's business-type activities; where all or part of the costs of activities are supported by fees and charges that are paid by those who benefit from the activities. Fiduciary funds account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

**Governmental Funds** – The City of Novi maintains 22 individual governmental funds. The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund and Municipal Street Fund. These funds are considered major funds as of June 30, 2014. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the other supplementary information section of this report.

## City of Novi, Michigan Management's Discussion and Analysis (continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year; this information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the measurement focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The government-wide statements give readers a better understanding of the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund within the required supplementary information. Budgetary comparisons for other nonmajor Special Revenue Funds are presented within the other supplementary section of the report.

**Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, ice arena, and senior housing activities. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the proprietary fund statement of net position to the business-type column on the government-wide statement of net position, the total net position agrees and, therefore, needs no reconciliation.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund, the Ice Arena Fund, and the Senior Housing Fund.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund. The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Government-wide Financial Analysis**

**Statement of Net Position** – As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded total liabilities by \$337,891,547 at the close of June 30, 2014. The following table shows, in a condensed format, the net position as of June 30, 2014 and 2013.

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current assets	\$ 52,027,278	\$ 48,187,569	\$ 66,740,849	\$ 56,516,193	\$ 118,768,127	\$ 104,703,762
Noncurrent assets:						
Restricted assets	1,918,139	6,310,369	1,136,154	7,001,295	3,054,293	13,311,664
Capital assets	135,638,196	136,831,222	132,014,327	134,181,844	267,652,523	271,013,066
Other	790,943	668,508	37,684	35,029	828,627	703,537
Total assets	190,374,556	191,997,668	199,929,014	197,734,361	390,303,570	389,732,029
<b>Deferred outflows of resources</b>	71,418	-	806,567	-	877,985	-
Total assets and deferred outflows of resources	190,445,974	191,997,668	200,735,581	197,734,361	391,181,555	389,732,029
<b>Liabilities</b>						
Current liabilities	10,375,146	9,976,850	9,070,554	9,170,800 (1)	19,445,700	19,545,946
Long-term liabilities	19,224,308	22,187,052	14,620,000	15,021,960	33,844,308	37,209,012
Total liabilities	29,599,454	32,163,902	23,690,554	24,192,760 (1)	53,290,008	56,356,662
<b>Net Position</b>						
Invested in capital assets-						
net of related debt	113,868,196	111,718,349	116,089,327	117,914,884	229,957,523	229,633,233
Restricted	35,240,527	37,289,012	1,136,154	7,001,295	36,376,681	44,290,307
Unrestricted	11,737,797	10,826,405	59,819,546	48,625,422 (1)	71,557,343	59,451,827
Total net position	\$160,846,520	\$159,833,766	\$177,045,027	\$173,541,601 (1)	\$337,891,547	\$333,375,367

(1) Restated as discussed in Note 15 to the financial statements

Over 68% of the City's net position reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position related to governmental activities of \$11,737,797 represents the amount that may be used to meet the City's ongoing obligations.

**Changes in Net Position** – The City's total net position increased by \$4,516,180 during the fiscal year. Governmental activities increased net position by \$1,012,754, which represents 22% of the total growth in net position for the City. The unrestricted portion of net position related to governmental activities increased by \$911,374 while restricted net position declined by \$2,048,485. In keeping with the City Council goal to improve the City's infrastructure, the Engineering Division completed nine capital infrastructure projects during the 2013 construction season, and worked with the Road Commission for Oakland County to substantially complete the Eight Mile Road Rehabilitation between Beck Road and Napier Road. Staff also worked with Wayne County to complete the Eight Mile Rehabilitation between Meadowbrook and Center Street.

## City of Novi, Michigan Management's Discussion and Analysis (continued)

The 2013 Neighborhood Road Program followed the City's Asset Management approach for pavements that was established in 2009. Roads in this program were addressed with rehabilitation methods such as panel replacements, joint repairs, cold milling, HMA overlay, a slurry seal coating, and discrete full-depth reconstruction, to allow more efficient application of available road funds to maximize the length of road to be improved. A total of 7.32 miles of City streets were improved.

Capital preventative maintenance on Meadowbrook Road was performed during the 2013 construction season. The rehabilitation treatment method for this program involved saw-cutting, removal and replacement of the existing concrete joints and panels which were heaved, broken or opened-up. A total of 0.85 miles of Meadowbrook Road as well as the approaches to Glyme and Penton Rise were improved by this project.

The Novi Police Department and Civic Center underwent parking lot improvements as well as sidewalk ramp improvements.

Additional street/pathway projects include: improvements to the Novi Road/Old Novi Road/Sandstone Drive intersection traffic signal, a 10 foot wide asphalt regional pathway through the Medilodge site and within the ITC property connecting 11 Mile Road to Providence Hospital, and an 1,800 feet pathway and ADA compliance walk along the west side of Novi Road to fill all gaps between Nine Mile Road and Ten Mile Road.

The City of Novi received a Michigan Natural Resource Trust Fund development grant to develop Pavilion Shore Park. This project constructed the first two phases of the approved park concept plan and includes: new concrete sidewalks, native plantings and shoreline restoration, landscaping, stone retaining wall and stone terraces at the lake edge, irrigation, electrical service, parking lot lighting, boardwalk, parking lot, and associated earthwork, and utilities.

The preliminary design of a ground storage water tank is underway to be constructed near 12 Mile Road and West Park Drive. The water storage tank would allow Novi to become a maximum day bulk water customer (rather than a peak hour customer) to decrease the overall unit costs from Detroit Water & Sewerage Department.

Business-type activities increased net position by \$3,503,426, which represents 78% of the total growth in net position for the City. The majority of the increase is a result of \$486,651 of an unrealized gain on investments in the current year compared to unrealized loss of \$1,161,185 in fiscal year 2013 in the Water and Sewer Fund.

City of Novi, Michigan  
Management's Discussion and Analysis (continued)

Key elements of this net position increase are shown in the following table:

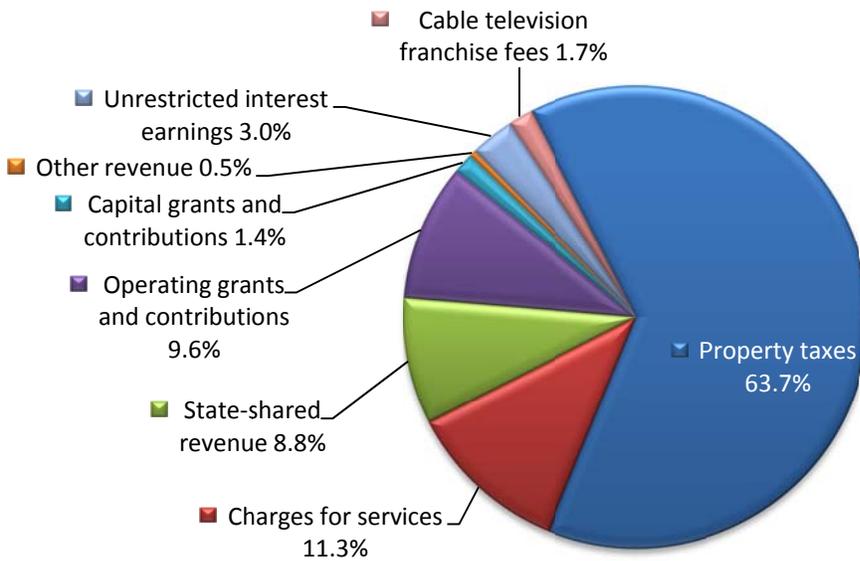
	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 5,337,940	\$ 5,551,757	\$25,800,124	\$ 26,471,905	\$ 31,136,348	\$ 32,023,662
Operating grants and contributions	4,525,924	3,897,155	-	-	4,525,924	3,897,155
Capital grants and contributions	651,597	1,197,870	2,905,677	3,383,087	3,557,274	4,580,957
General revenue:						
Property taxes	30,059,401	29,620,564	-	-	30,059,401	29,620,564
State-shared revenue	4,170,809	4,074,589	-	-	4,170,809	4,074,589
Unrestricted interest earnings	1,436,616	(770,389)	1,118,857	(885,154)	2,555,473	(1,655,543)
Cable television franchise fees	801,256	991,272	-	-	801,256	991,272
Other revenue	216,711	529,928	-	-	216,711	529,928
Total revenue	47,200,254	45,092,746	29,824,658	28,969,838	77,023,196	74,062,584
<b>Expenses</b>						
General government	6,378,078	6,943,746	-	-	6,378,078	6,943,746
Public safety	17,216,678	16,191,890	-	-	17,216,678	16,191,890
Public works	12,455,654	11,741,414	-	-	12,455,654	11,741,414
Community and economic development	3,072,448	2,699,301	-	-	3,072,448	2,699,301
Recreation and culture	6,100,940	5,730,397	-	-	6,099,224	5,730,397
Interest on long-term debt	963,702	1,059,437	-	-	963,702	1,059,437
Water and sewer	-	-	23,001,139	24,025,098	23,001,139	24,025,098
Ice arena	-	-	1,771,615	1,919,478	1,771,615	1,919,478
Senior housing	-	-	1,548,478	1,537,409	1,548,478	1,537,409
Total expenses	46,187,500	44,366,185	26,321,232	27,481,985	72,507,016	71,848,170
<b>Change in Net Position</b>	1,012,754	726,561	3,503,426	1,487,853	4,516,180	2,214,414
<b>Net Position as restated –</b>						
Beginning of year	159,833,766	159,107,205	173,541,601	172,053,748 (1)	333,375,367	331,160,953
<b>Net Position – End of year</b>	<b>\$160,846,520</b>	<b>\$159,833,766</b>	<b>\$177,045,027</b>	<b>\$173,541,601</b>	<b>\$337,891,547</b>	<b>\$333,375,367</b>

(1) Restated as discussed in Note 15 to the financial statements

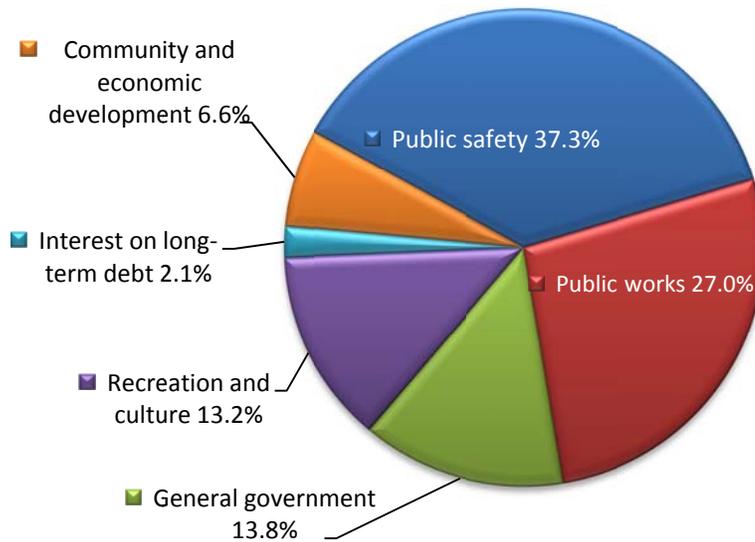
City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Governmental Activities** – Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 22.3% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.

**Revenue by Source - Governmental Activities**



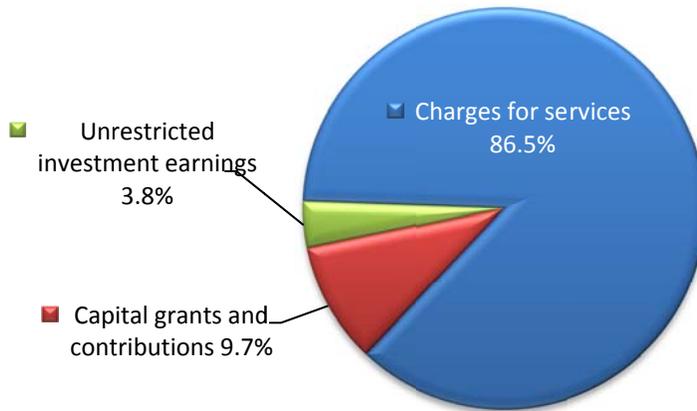
**Expenses by Activity - Governmental Activities**



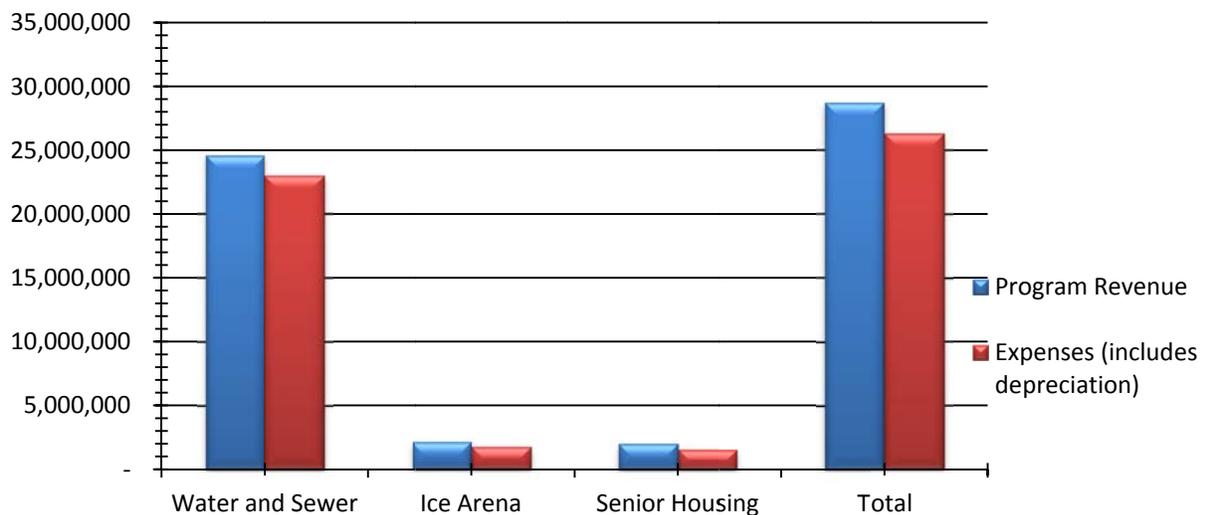
City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Business-type Activities** – Business-type activities increased net position by \$3,503,426. Approximately \$2 million of the increase is due to an increase in actual interest and an unrealized gain on investments in the current year compared to a large unrealized loss in the prior year. In addition, the City business-type activities had approximately \$1.16 million lower operating expenditures in the current year than in the prior year.

**Revenue by Source - Business-type Activities**



**Expenses and Program Revenue - Business-type Activities**



# City of Novi, Michigan

## Management's Discussion and Analysis (continued)

### Financial Analysis of the City's Funds

**Governmental Funds** – The City has 22 governmental funds, categorized into four fund types. Each fund type has a unique purpose. Two funds are classified as major funds for the purpose of this report, based on criteria set forth by the Governmental Accounting Standards Board. Those funds are the General Fund and the 12 Mile Road SAD Debt Fund.

As of June 30, 2014, the governmental funds of the City reported a combined fund balance of \$44,730,544, an increase of \$685,521 in comparison with the prior year. The majority of this total amount, or \$35,527,096, is considered nonspendable, restricted, or assigned for specific purposes, which includes road construction and maintenance, storm water systems, assessments, debt service, library operations, police and fire operations, etc. Fund balance of the General Fund totaled \$9,490,017 at June 30, 2014, an increase of \$678,453 in comparison with the prior year. Of this amount, \$9,203,448 is unassigned, which represents 30% of fiscal year 2014 budgeted annual expenditures.

**Proprietary Funds** – Unrestricted net position increased \$11,194,124 from the prior year, or 17%.

### General Fund Budgetary Highlights

The City had favorable budget results for the fiscal year ended June 30, 2014. In total, **revenues were greater than amended budget estimates for the year by \$570,611, or 1.9%**, primarily a result of the following:

- o Unrealized gain on investments was higher than expected by \$113,211. **GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools**, requires Governmental entities to report investments at fair value. All investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement.
- o Actual recognized interest earnings were higher than expected by \$189,215.
- o Landscape inspections were \$115,182 greater than budget due to the City working to close out old escrow balances. The work on the inspection fees being held was earned in prior years; however, the City did not recognize the revenue at that time.

Actual expenditures as of June 30, 2014 were **under budget by \$1,543,042 or 5.0%**. This is a result of approximately \$445,000 of fiscal year 2014 budgeted expenditures (of which a majority are capital outlay projections) that will be requested to be rolled over into fiscal year 2015. The remaining noncapital expenditures were under budget by \$1,097,832 or 3.7% of actual expenditures. Many of the individual General Fund departments of the City had savings; however, the savings cannot be attributed to any one particular line item or category of spending.

City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Capital Asset and Debt Administration**

**Capital Assets** – The City's investment in capital assets, including construction in progress, for its governmental and business-type activities as of June 30, 2014 totals \$267,652,523 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Land	\$ 27,261,537	\$ 27,157,126	\$ 2,508,855	\$ 2,351,797	\$ 29,770,392	\$ 29,508,923
Buildings and improvements	29,121,486	29,742,419	14,431,099	15,027,245	43,552,585	44,769,664
Machinery and equipment and library books	5,974,501	5,974,327	831,535	882,928	6,806,036	6,857,255
Infrastructure	70,881,935	73,957,350	113,975,468	112,253,083	184,857,403	186,210,433
Construction in progress	2,398,737	-	267,370	3,666,791	2,666,107	3,666,791
Total	<u>\$ 135,638,196</u>	<u>\$ 136,831,222</u>	<u>\$132,014,327</u>	<u>\$ 134,181,844</u>	<u>\$267,652,523</u>	<u>\$ 271,013,066</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

**Long-term Debt** – The following table is a comparison of the summary information for the fiscal years ended June 30, 2014 and 2013:

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$19,020,000	\$ 20,947,873	\$ -	\$ -	\$19,020,000	\$ 20,947,873
Special assessment debt with government commitment	2,750,000	4,165,000	630,000	805,000	3,380,000	4,970,000
Building authority bonds	-	-	15,295,000	15,461,960	15,295,000	15,461,960
Total	<u>\$21,770,000</u>	<u>\$ 25,112,873</u>	<u>\$ 15,925,000</u>	<u>\$ 16,266,960</u>	<u>\$37,695,000</u>	<u>\$ 41,379,833</u>

Additional information on the City's long-term debt can be found in Note 7 of this report.

City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Economic Factors and Next Year's Budgets and Rates**

The budget plan, as originally approved in the fiscal year 2014-2015 budget, has General Fund expenditures greater than annual revenues by \$661,639 for FY 2014-2015; however, this is a savings from prior year and the City remains within our targeted fund balance.

City of Novi General Fund

Description	Estimated 2013-14	Budget 2014-15
Annual Revenue (including transfers from Police & Fire Fund)	<u>\$ 29,448,962</u>	<u>\$ 30,510,701</u>
Annual Expenditures (excluding transfers out, service improvement requests, & capital outlay)	30,353,265	29,835,995
Transfers out to other funds	250,000	588,000
One-time capital items, service improvements, etc.	-	-
Total Expenditures	<u>\$ 30,603,265</u>	<u>\$ 30,423,995</u>

Note: Source – 2014-15 Annual Budget Document. Budget 2014-15 Annual Revenue does not include appropriation from fund balance.

The State-shared Revenue projections for 2014-2015 are based on the State's estimate. The 2010 Census has resulted in an increase for the City, as a result of the impact of an increase in population on the formula for the constitutional portion of this revenue. The Police and Fire Fund transfer covers some personnel, operating, and capital costs. The 2014-2015 transfer is \$5,300,000 which has stayed consistent with fiscal year 2013-2014.

The 2014 approved tax millage rate has remained at 10.2 mills. Novi voters approved a charter amendment in August 2012 to increase the millage amount for specific street and highway improvement purposes from 1.0 mills (which has been reduced by the Headlee Amendment to .7719 mills) to 1.5 mills beginning with the 2013 levy.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Novi, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the finance department, City of Novi, 45175 W. Ten Mile Road, Novi, MI 48375. You may also visit our website at [www.cityofnovi.org](http://www.cityofnovi.org) or contact the finance department directly at 248-347-0465.

City of Novi, Michigan  
Statement of Net Position  
June 30, 2014

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 17,650,220	\$ 18,553,986	\$ 36,204,206	\$ 18,828
Investments (Note 2)	28,807,734	43,572,901	72,380,635	-
Accounts receivable:				
Other governmental units	1,337,924	-	1,337,924	-
Water and sewer billings	-	4,235,359	4,235,359	-
Taxes	12,863	137,088	149,951	-
Special assessments restricted	3,658,415	-	3,658,415	-
Other	546,207	144,061	690,268	-
Prepaid items and other assets	13,915	-	13,915	35,000
Inventory	-	97,454	97,454	-
Restricted assets (Note 4)	1,918,139	1,136,154	3,054,293	-
Other postemployment benefits asset (Note 12)	790,943	37,684	828,627	-
Capital assets - net (Note 5):				
Depreciable	105,977,922	129,238,102	235,216,024	-
Nondepreciable	29,660,274	2,776,225	32,436,499	-
Total assets	190,374,556	199,929,014	390,303,570	53,828
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	71,418	806,567	877,985	-
Total deferred outflows of resources	71,418	806,567	877,985	-
<b>Liabilities</b>				
Accounts payable	3,205,532	3,739,096	6,944,628	-
Accrued and other liabilities	2,459,185	2,871,453	5,330,638	-
Due to other governmental units	-	983,651	983,651	-
Unearned revenue (Note 6)	54,016	2,033	56,049	-
Receipts refundable	-	109,247	109,247	-
Noncurrent liabilities:				
Bonds payable (Note 7):				
Due within one year	3,505,000	1,305,000	4,810,000	-
Due in more than one year	18,265,000	14,620,000	32,885,000	-
Employee compensated absences (Note 1):				
Due within one year	985,504	60,074	1,045,578	-
Due in more than one year	959,308	-	959,308	-
Claims and judgments due within one year (Note 8)	165,909	-	165,909	-
Total liabilities	29,599,454	23,690,554	53,290,008	-
<b>Net Position</b>				
Net investment in capital assets	113,868,196	116,089,327	229,957,523	-
Restricted:				
Streets and highways	5,439,981	-	5,439,981	-
Drains	11,629,249	-	11,629,249	-
Debt service	212,251	-	212,251	-
Special assessments	90,030	1,136,154	1,226,184	-
Police and fire	2,754,278	-	2,754,278	-
Federal forfeitures	436,312	-	436,312	-
Parks, recreation, and cultural services	895,244	-	895,244	-
Library	1,845,976	-	1,845,976	-
Donations	1,827,893	-	1,827,893	-
Tree fund	1,578,060	-	1,578,060	-
Street improvement	4,747,892	-	4,747,892	-
Infrastructure improvements	3,783,361	-	3,783,361	-
Unrestricted	11,737,797	59,819,546	71,557,343	53,828
Total net position	\$ 160,846,520	\$ 177,045,027	\$ 337,891,547	\$ 53,828

The notes to financial statements are an integral part of this statement.

City of Novi, Michigan  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,378,078	\$ 443,006	\$ -	\$ 193,920
Public safety	17,216,678	1,198,711	476,559	-
Public works	12,455,654	174,175	3,849,158	128,614
Community and economic development	3,072,448	1,930,036	-	-
Recreation and culture	6,100,940	1,592,012	200,207	329,063
Interest and fiscal charges	963,702	-	-	-
Total governmental activities	46,187,500	5,337,940	4,525,924	651,597
Business-type activities:				
Water and sewer	23,001,139	21,663,401	-	2,905,677
Ice arena	1,771,615	2,143,962	-	-
Senior housing	1,548,478	1,992,761	-	-
Total business-type activities	26,321,232	25,800,124	-	2,905,677
Total primary government	\$ 72,508,732	\$ 31,138,064	\$ 4,525,924	\$ 3,557,274
Component unit - Economic Development Corporation	\$ 220	\$ -	\$ -	\$ -

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
Statement of Activities (continued)

Net (Expenses) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Unit- Economic Development Corporation	
\$ (5,741,152)	\$ -	\$ (5,741,152)	\$ -	
(15,541,408)	-	(15,541,408)	-	
(8,303,707)	-	(8,303,707)	-	
(1,142,412)	-	(1,142,412)	-	
(3,979,658)	-	(3,979,658)	-	
(963,702)	-	(963,702)	-	
(35,672,039)	-	(35,672,039)	-	
-	1,567,939	1,567,939	-	
-	372,347	372,347	-	
-	444,283	444,283	-	
-	2,384,569	2,384,569	-	
(35,672,039)	2,384,569	(33,287,470)	-	
-	-	-	(220)	
General revenue:				
Property taxes	30,059,401	-	30,059,401	-
State-shared revenue (unrestricted)	4,170,809	-	4,170,809	-
Interest income (unrestricted)	977,005	622,902	1,599,907	28
Unrealized gain on investments	459,611	495,955	955,566	-
Cable television franchise fees (unrestricted)	801,256	-	801,256	-
Miscellaneous revenue	216,711	-	216,711	-
Total general revenue	36,684,793	1,118,857	37,803,650	28
<b>Change in Net Position</b>	1,012,754	3,503,426	4,516,180	(192)
Net Position - Beginning of year, as restated	159,833,766	173,541,601	333,375,367	54,020
Net Position - End of year	\$ 160,846,520	\$ 177,045,027	\$ 337,891,547	\$ 53,828

The notes to financial statements are an integral part of this statement.

City of Novi, Michigan  
Governmental Funds  
Balance Sheet  
June 30, 2014

	General Fund	12 Mile Road SAD Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 3,682,428	\$ -	\$ 13,967,792	\$ 17,650,220
Investments (Note 2)	7,429,750	-	21,377,984	28,807,734
Accounts receivable:				
Other governmental units	721,422	-	616,502	1,337,924
Taxes	12,863	-	-	12,863
Special assessments restricted (Note 4)	-	3,411,304	64,545	3,475,849
Other	438,588	-	107,619	546,207
Prepaid items	13,915	-	-	13,915
Restricted assets (Note 4)	-	-	1,918,139	1,918,139
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 12,298,966	\$ 3,411,304	\$ 38,052,581	\$ 53,762,851
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,258,806	\$ -	\$ 1,946,726	\$ 3,205,532
Accrued and other liabilities	1,512,943	-	722,892	2,235,835
Unearned revenue	37,200	-	16,816	54,016
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,808,949	-	2,686,434	5,495,383
<b>Deferred Inflows of Resources</b>				
Special assessments (Note 6)	-	3,411,304	83,045	3,494,349
Grant and program revenue	-	-	42,575	42,575
Total deferred inflows of resources	<hr/>	<hr/>	<hr/>	<hr/>
	-	3,411,304	125,620	3,536,924
<b>Fund Balances</b>				
Nonspendable:				
Prepaid items	13,915	-	-	13,915
Restricted:				
Contributions and donations (Note 4)	-	-	1,827,893	1,827,893
Road construction and maintenance	-	-	5,439,981	5,439,981
Cash and investments restricted for special assessments (Note 4)	-	-	90,030	90,030
Storm water systems	-	-	11,629,249	11,629,249
Debt service	-	-	212,251	212,251
Parks, recreation, and cultural services	-	-	895,244	895,244
Library	-	-	1,845,976	1,845,976
Tree replacement and maintenance	-	-	1,578,060	1,578,060
Law enforcement programs	-	-	436,312	436,312
PEG access support fees	272,654	-	-	272,654
Police and fire operations	-	-	2,754,278	2,754,278
Street improvement	-	-	4,747,892	4,747,892
Infrastructure improvements	-	-	3,783,361	3,783,361
Unassigned	9,203,448	-	-	9,203,448
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	9,490,017	-	35,240,527	44,730,544
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows and resources, and fund balances	\$ 12,298,966	\$ 3,411,304	\$ 38,052,581	\$ 53,762,851

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2014

**Total Fund Balances for Governmental Funds** \$ 44,730,544

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	135,638,196
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures (including \$182,566 of accrued interest on special assessments)	3,719,490
Other postemployment benefits assets are not financial resources and are not reported in the funds	790,943
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(21,770,000)
Compensated absences are not due and payable in the current period and are not reported in the funds	(1,944,812)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(165,909)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	(223,350)
Gains on refunding are not reported in the governmental funds, whereas they are reported as a deferred outflow and amortized in the statement of net position	71,418

<b>Net Position of Governmental Activities</b>	<u><u>\$ 160,846,520</u></u>
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City of Novi, Michigan  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
For the Fiscal Year ended June 30, 2014

	General Fund	12 Mile Road SAD Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Taxes	\$ 14,881,067	\$ -	\$ 15,178,334	\$ 30,059,401
Licenses, permits, and charges for services	3,848,403	-	-	3,848,403
Federal grants	60,832	-	87,923	148,755
State sources	4,184,420	-	3,929,789	8,114,209
Special assessments collected	-	1,646,861	31,209	1,678,070
Fines and forfeitures	512,437	-	542,223	1,054,660
Interest income	393,215	143,811	431,817	968,843
Unrealized gain on investments	163,211	70,482	289,254	522,947
Recreational programs	-	-	1,360,141	1,360,141
Gifts and donations	-	-	42,406	42,406
Other revenue	642,940	-	717,600	1,360,540
<b>Total revenue</b>	<b>\$ 24,686,525</b>	<b>\$ 1,861,154</b>	<b>\$ 22,610,696</b>	<b>\$ 49,158,375</b>
<b>Expenditures</b>				
Current services:				
City council	10,911	-	-	10,911
City manager	399,885	-	-	399,885
Finance	649,156	-	-	649,156
Information technology	864,178	-	-	864,178
Assessing	800,480	-	-	800,480
City attorney	375,926	-	-	375,926
City clerk	491,137	-	-	491,137
Treasury	285,976	-	-	285,976
Facility operations	919,912	-	-	919,912
Human resources	423,452	-	-	423,452
Neighborhood and business relations group	846,432	-	-	846,432
General administration	1,592,980	-	3,100	1,596,080
Public safety - Police department	11,665,073	-	81,902	11,746,975
Public safety - Fire department	5,110,195	-	-	5,110,195
Community development - Building division	1,554,167	-	-	1,554,167
Community development - Planning division	586,948	-	-	586,948
Department of public services	2,472,052	-	488,518	2,960,570
Construction	-	-	3,652,031	3,652,031
Street maintenance	-	-	3,616,794	3,616,794
Drain maintenance	-	-	426,799	426,799
Recreational programs	-	-	2,345,313	2,345,313
Library programs	-	-	2,843,791	2,843,791
Capital outlay	-	-	1,555,065	1,555,065
Debt service:				
Principal	-	1,415,000	2,035,000	3,450,000
Interest and other	-	103,725	856,956	960,681
<b>Total expenditures</b>	<b>29,048,860</b>	<b>1,518,725</b>	<b>17,905,269</b>	<b>48,472,854</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>\$ (4,362,335)</b>	<b>\$ 342,429</b>	<b>\$ 4,705,427</b>	<b>\$ 685,521</b>

The notes to financial statements are an integral part of this statement.

City of Novi, Michigan  
 Governmental Funds  
 Statement of Revenue, Expenditures, and Changes in Fund Balances  
 (continued)

	General Fund	12 Mile Road SAD Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 3)	\$ 5,300,000	\$ -	\$ 8,458,461	\$ 13,758,461
Transfers out (Note 3)	(259,212)	(342,429)	(13,156,820)	(13,758,461)
Total other financing sources (uses)	5,040,788	(342,429)	(4,698,359)	-
<b>Net Change in Fund Balances</b>	678,453	-	7,068	685,521
<b>Fund Balances - Beginning of year</b>	8,811,564	-	35,233,458	44,045,022
<b>Fund Balances - End of year</b>	\$ 9,490,017	\$ -	\$ 35,240,526	\$ 44,730,543

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
 Reconciliation of the Statement of Revenue, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ 685,521

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

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

Capital outlay:	7,596,838
Gain on disposal of capital assets:	(26,832)
Depreciation expense:	(8,889,136)
In kind donation:	126,104

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(2,057,392)
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Governmental funds do not report contributions to other postemployment benefits as an asset; in the statement of activities, contributions in excess of the actuarial recommended contribution are recorded as an asset	122,435
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Repayment of bond principal is recorded as an expenditure in the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability)	3,450,000
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Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(197,548)
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Estimated general liability is recorded when paid in the governmental funds	205,785
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Interest accrued on long-term debt is an expenditure in the statement of activities, but not in the governmental funds	32,688
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Amortization on deferred charges on refinancing is recorded in the statement of activities but not in the governmental funds	(35,709)
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<b>Change in Net Position of Governmental Activities</b>	\$ 1,012,754
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City of Novi, Michigan  
Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 17,143,643	\$ 647,929	\$ 762,414	\$ 18,553,986
Investments (Note 2)	41,256,613	1,300,000	1,016,288	43,572,901
Accounts receivable:				
Water and sewer billing	4,235,359	-	-	4,235,359
Taxes	137,088	-	-	137,088
Other	112,883	29,123	2,055	144,061
Inventory	90,136	7,318	-	97,454
Other postemployment benefits asset (Note 12)	37,684	-	-	37,684
Total current assets	63,013,406	1,984,370	1,780,757	66,778,533
Noncurrent assets:				
Restricted assets (Note 4)	1,136,154	-	-	1,136,154
Capital assets - net (Note 5)	115,106,335	6,072,671	10,835,321	132,014,327
Total noncurrent assets	116,242,489	6,072,671	10,835,321	133,150,481
Total assets	179,255,895	8,057,041	12,616,078	199,929,014
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	-	265,617	540,950	806,567
Total deferred outflows of resources	-	265,617	540,950	806,567
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,678,255	40,052	20,789	3,739,096
Accrued and other liabilities	2,587,631	69,651	274,245	2,931,527
Due to other governmental units	983,651	-	-	983,651
Unearned revenue	-	-	2,033	2,033
Receipts refundable	109,247	-	-	109,247
Current portion of long-term liabilities (Note 7)	175,000	425,000	705,000	1,305,000
Total current liabilities	7,533,784	534,703	1,002,067	9,070,554
Noncurrent liabilities - long-term debt (Note 7)	455,000	4,420,000	9,745,000	14,620,000
Total liabilities	7,988,784	4,954,703	10,747,067	23,690,554
<b>Net Position</b>				
Net investment in capital assets	114,476,335	1,227,671	385,321	116,089,327
Restricted for:				
Special assessments	1,136,154	-	-	1,136,154
Unrestricted	55,654,622	2,140,284	2,024,640	59,819,546
Total net position	\$ 171,267,111	\$ 3,367,955	\$ 2,409,961	\$ 177,045,027

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Funds
<b>Operating Revenue</b>				
Water sales	\$ 10,862,067	\$ -	\$ -	\$ 10,862,067
Sewer service charges	10,272,258	-	-	10,272,258
Concession sales	-	126,687	-	126,687
Rentals and other charges for services	-	1,919,787	1,991,086	3,910,873
Penalties	168,138	-	-	168,138
Inspection fees	18,180	-	-	18,180
Installation charges	332,922	-	-	332,922
Miscellaneous revenue	9,836	97,488	1,675	108,999
	<hr/>			
Total operating revenue	21,663,401	2,143,962	1,992,761	25,800,124
<b>Operating Expenses</b>				
Cost of water	8,857,566	-	-	8,857,566
Cost of sewage disposal	7,838,405	-	-	7,838,405
Cost of goods sold	-	70,679	-	70,679
Salaries and fringe benefits	1,116,293	-	-	1,116,293
Contractual services	91,672	541,135	281,523	914,330
Management contract	-	104,613	54,936	159,549
Municipal service charges	365,270	-	-	365,270
Depreciation	3,728,914	195,551	370,163	4,294,628
Repairs and maintenance	336,389	172,771	167,874	677,034
Utilities	54,145	257,143	118,855	430,143
Insurance	20,282	9,854	21,839	51,975
Office supplies	23,428	8,320	12,837	44,585
Advertising	-	12,178	3,695	15,873
Professional services	130,209	10,660	3,330	144,199
Operating supplies	21,653	26,891	6,257	54,801
Installation expenses	324,583	-	-	324,583
Vehicle expenses	36,730	-	-	36,730
Education and training	7,334	1,350	1,293	9,977
Recreational programs	-	107,998	-	107,998
Miscellaneous expenses	23,196	2,109	826	26,131
	<hr/>			
Total operating expenses	22,976,069	1,521,252	1,043,428	25,540,749
	<hr/>			
<b>Operating (Loss) Income</b>	\$ (1,312,668)	\$ 622,710	\$ 949,333	\$ 259,375

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Position (continued)

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Funds
<b>Nonoperating income (expense)</b>				
Interest earned	\$ 601,094	\$ 8,464	\$ 13,344	\$ 622,902
Unrealized gain on investments	486,651	254	9,050	495,955
Interest and other expense	(25,070)	(250,363)	(505,050)	(780,483)
Total nonoperating income (expense)	1,062,675	(241,645)	(482,656)	338,374
<b>(Loss) income</b> - before capital contributions	(249,993)	381,065	466,677	597,749
<b>Capital contributions</b>				
Donated water and sewer lines	1,552,739	-	-	1,552,739
Customer assessments - tap fees	1,352,938	-	-	1,352,938
Total capital contributions	2,905,677	-	-	2,905,677
<b>Change in Net Position</b>	2,655,684	381,065	466,677	3,503,426
Net Position - Beginning of year, as restated	168,611,427	2,986,890	1,943,284	173,541,601
Net Position - End of year	\$ 171,267,111	\$ 3,367,955	\$ 2,409,961	\$ 177,045,027

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 22,306,440	\$ 2,154,092	\$ 1,991,473	\$ 26,452,005
Payments to suppliers	(15,699,715)	(1,354,034)	(682,607)	(17,736,356)
Payments to employees	(1,116,293)	-	-	(1,116,293)
Payments to other governmental units	(15,637)	-	-	(15,637)
Net cash provided by operating activities	5,474,795	800,058	1,308,866	7,583,719
<b>Cash Flows from Capital and Related Financing Activities</b>				
Collection of customer assessments (principal and interest)	1,352,938	-	-	1,352,938
Purchase of capital assets	(540,252)	(21,639)	(12,480)	(574,371)
Principal and interest paid on capital debt	(200,070)	(603,801)	(1,125,139)	(1,929,010)
Net cash provided by (used in) capital and related financing activities	612,616	(625,440)	(1,137,619)	(1,150,443)
<b>Cash Flows from Investing Activities</b>				
Interest on investments	601,094	8,464	13,344	622,902
Restricted assets - special assessment receivable	303,012	-	-	303,012
Purchase of investments	(37,707,835)	(1,300,485)	(1,008,982)	(40,017,302)
Net cash used in investing activities	(36,803,729)	(1,292,021)	(995,638)	(39,091,388)
<b>Net Decrease in Cash and Cash Equivalents</b>	(30,716,318)	(1,117,403)	(824,391)	(32,658,112)
<b>Cash and Cash Equivalents - Beginning of year</b>	47,859,961	1,765,332	1,586,805	51,212,098
<b>Cash and Cash Equivalents - End of year</b>	\$ 17,143,643	\$ 647,929	\$ 762,414	\$ 18,553,986
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (1,312,668)	\$ 622,710	\$ 949,333	\$ 259,375
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	3,728,914	195,551	370,163	4,294,628
Changes in assets and liabilities:				
Receivables	643,039	10,130	(1,288)	651,881
Inventory	38,619	367	-	38,986
Other postemployment benefits asset	(2,655)	-	-	(2,655)
Accounts payable	(122,971)	(35,084)	(19,391)	(177,446)
Accrued and other liabilities	2,534,792	6,384	10,049	2,551,225
Due to other governmental units	(15,637)	-	-	(15,637)
Receipts refundable	(16,638)	-	-	(16,638)
Net cash provided by operating activities	\$ 5,474,795	\$ 800,058	\$ 1,308,866	\$ 7,583,719

**Non-cash Investing, Capital, and Financing Activities** - During the year ended June 30, 2014, developers constructed water and sewer lines with an estimated value of \$1,552,739 and donated them to the City's Water and Sewer Enterprise Fund. During the year ended June 30, 2014, the City's proprietary funds had a net unrealized gain on investments equivalents of \$495,955

City of Novi, Michigan  
 Fiduciary Funds  
 Statement of Net Position  
 June 30, 2014

	Postemployment Benefits - Retiree Health Care	
	Benefits Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 240,329	\$ 1,343,350
Investments	23,243,404	9,850,895
Other	-	2,741
Total assets	23,483,733	\$ 11,196,986
<b>Liabilities</b>		
Due to builders and developers	-	\$ 11,196,986
Total liabilities	-	\$ 11,196,986
<b>Net Position</b> - Held in trust for pension and other employee benefits	\$ 23,483,733	

*The notes to financial statements are an integral part of this statement.*

City of Novi, Michigan  
 Fiduciary Funds  
 Statement of Changes in Net Position  
 For the Fiscal Year Ended June 30, 2014

	<b>Postemployment Benefits - Retiree Health Care Benefits Trust Fund</b>
<b>Additions</b>	
Net investment gain	\$ 3,355,171
Contributions - employer	1,493,087
Retiree drug subsidy	4,162
	4,852,420
<b>Deductions</b> - Healthcare insurance premiums	659,978
	4,192,442
<b>Change in Net Position</b>	
Net Position - Beginning of year	19,291,291
	\$ 23,483,733
	\$ 23,483,733

City of Novi, Michigan  
Notes to Financial Statements  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the City of Novi (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

**Reporting Entity**

The City is governed by an elected seven-member City Council. As required by GAAP, these financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Discretely Presented Component Unit** – The Economic Development Corporation of the City of Novi (Corporation) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body is selected by the City Council. The City also has the ability to impose its will on the Corporation. The Corporation is reported within the component unit column in the government wide financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. A separate financial report for the Corporation may be obtained from the finance department located at the City of Novi Civic Center, 45175 W. Ten Mile Road, Novi, MI 48375.

**Blended Component Unit** – The City of Novi Building Authority is governed by a commission that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance the City's ice arena and senior housing projects.

**Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

**12 Mile Road SAD Debt Fund** – The 12 Mile Road SAD Debt Fund is a debt service fund used to maintain and enhance 12 Mile Road. It received its revenue from a special assessment.

The City reports the following major proprietary funds:

**Water and Sewer Fund** – The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

**Ice Arena Fund** – The Ice Arena Fund accounts for the City's two-sheet arena.

**Senior Housing Fund** – The Senior Housing Fund accounts for the 175-unit senior housing project, financed using the Building Authority approach.

Additionally, the City reports the following fiduciary fund types:

**Retiree Health Care Benefits Trust Fund** – The Retiree Health Care Benefits Fund accounts for medical benefits provided to retirees.

**Agency Fund** – The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. It primarily holds deposits from builders and developers and tax remittances due to schools and other governmental units.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements (continued)**

**Agency Fund (continued)**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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,

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

expenditures relating to debt service, compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, state-shared revenue (which is unrestricted), and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The proprietary funds and the Retiree Health Care Benefits Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance**

**Cash and Investments** – Cash and investments include amounts in demand deposits, time deposits, U.S. governmental securities, interlocal agreements, bank investment pools, and mutual funds. Investments are reported at fair value, based on quoted market prices.

**Cash Equivalents** – For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – The City has classified as restricted assets those amounts due from contributions and donations, special assessment contracts with property owners for water and sewer system, road construction, drain improvements, and related debt payments due to the restricted nature of these funds once they are received.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

**Capital Assets (continued)**

Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Roads, sidewalks, bridges, and nonmotorized improvements	25 to 30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and building improvements	35 to 40 years
Machinery and equipment	4 to 10 years
Library books	10 years

**Deferred Outflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources relating to refunding of debt at June 30, 2014 of \$877,985.

**Deferred Inflows of Resources** – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from grant revenue, charges for services and special assessments receivable which are unavailable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Balance Policies** – The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the City Council for a particular

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

**Fund Balance Policies (continued)**

purpose. The use of committed funds would be approved by City Council through a formal resolution.

Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has not adopted a policy transferring the authority to assign fund balance, and therefore, that responsibility remains with the City Council.

The City Council adopted a Fund Balance Reserve Policy in January 2011. As part of the policy, the City Council has agreed to maintain the City's General Fund fund balance to pay for expenditures as a result of unforeseen emergencies or for shortfalls caused by revenue declines. For the General Fund, the reserve will be maintained at an amount that represents approximately 18-22% of the proposed budgeted expenditures for the following year. The City of Novi reserve policies are based on sound fiscal principles designed to maintain adequate fund balance levels which are an important component of the City's financial strength. The City will seek to maintain a diversified and stable revenue system to shelter itself from short-run fluctuations in any one revenue source and will establish all user charges and fees at a level consistent with the cost of providing such services.

**Revenues and Expenditures/Expenses**

**Program Revenues** – Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Property Tax Revenue** – Properties are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls. The County Tax Revolving Fund reimburses the City for the real property portion of these taxes and assumes collection responsibilities. An estimated liability for outstanding tax cases based on (a) recent experience as a percentage for smaller claims, and (b) specific estimates on larger claims is calculated each year and is recorded as an accrued liability. At June 30, 2014, the City has recorded potential property losses of \$793,492.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Revenues and Expenditures/Expenses (continued)**

**Property Tax Revenue (continued)**

The 2013 taxable valuation of the City totaled approximately \$2.97 billion and is used for the July 1, 2013 tax bills; this resulted in property tax revenue (net of all adjustments; excluding prior year chargebacks) as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	5.0182	\$ 14,861,059
Police and fire supplemental millage	1.4282	4,229,444
Parks and recreation operations	0.3857	1,142,131
Library operations	0.7719	2,285,843
Drain maintenance operations	0.1057	312,926
Street maintenance operations	1.5000	4,442,130
Debt levies for streets, library, and refunding debt	0.9903	2,932,789

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits up to the maximum caps. All vacation 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 for employee terminations as of year-end. The City has discontinued the accrual of sick leave days for administrative employees and Michigan Association of Public Employees (MAPE).

The City’s liability for compensated absences at June 30, 2014 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Due within one year	\$ 985,504	\$ 60,074	\$ 1,045,578
Due in more than one year	959,308	-	959,308
Total compensated absences	\$ 1,944,812	\$ 60,074	\$ 2,004,886

Changes in the liability for compensated absences are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities	\$ 1,747,264	\$ 2,144,351	\$ (1,946,803)	\$ 1,944,812
Business-type activities	40,459	70,765	(51,150)	60,074
Total compensated absences	\$ 1,787,723	\$ 2,215,116	\$ (1,997,953)	\$ 2,004,886

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Revenues and Expenditures/Expenses (continued)**

**Proprietary Funds Operating and Nonoperating Revenues and Expenses** – 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 Water and Sewer Fund, Ice Arena Fund, and Senior Housing Fund are charges to customers for sales and services. Operating expenses for enterprise 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.

**Pension and Other Postemployment Benefit (OPEB) Costs** – The City offers both pension and healthcare benefits to retirees. The City receives an actuarial valuation 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 year balance, if any.

**Budgetary Information** – Annual budgets are adopted for the General Fund and all special revenue funds. All annual appropriations lapse at year-end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level. Comparisons to budget are presented as required by U.S. GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with U.S. GAAP, with certain exceptions.

**Note 2 – Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers’ acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or 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.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 2 – Deposits and Investments (continued)**

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

	<b>Carrying Amount</b>
Government-wide financial statement captions:	
Primary government:	
Cash and cash equivalents	\$ 36,204,206
Investments	72,380,635
Restricted cash	417,870
Restricted investments	1,500,269
Component unit:	
Cash and cash equivalents	18,828
Fiduciary fund:	
Cash and cash equivalents	1,583,679
Investments	33,094,299
	\$ 145,199,786

The breakdown between deposits and investments is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 38,219,528
Investments	106,975,203
Cash on hand	5,055
	\$ 145,199,786

The Retiree Health Care Benefits Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt, or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 2 – Deposits and Investments (continued)**

The City has approved 28 banks and other financial service institutions for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk of deposits. At year-end, the City had \$37,269,159 of bank deposits (certificates of deposit, checking, savings, and money market accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. At year-end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Government-wide – U.S. government and agency securities	\$ 11,721,070	Counterparty
Retiree Health Care Benefits Trust Fund – U.S. government and agency securities	9,914,155	Counterparty

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 2 – Deposits and Investments (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can be purchased with a maximum 270-day maturity. At year-end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government-wide:		
U.S. government and agency securities:		
Federal Farm Credit Bureau	\$ 22,672,277	4.5 years
Fannie Mae	11,721,070	4.1 years
Federal Home Loan Banks	27,882,188	6.8 years
Freddie Mac	2,002,400	4 years
Retiree Health Care Benefits Trust Fund:		
U.S. government and agency securities:		
T-Notes	\$ 1,512,788	4.6 years
Federal Home Loan Mortgage Corporation	658,177	6.2 years
Fannie Mae	641,371	1.5 years

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
U.S. government and agency securities	\$ 64,242,169	AA+	S&P
Bank investment pool:			
MBIA	534,000	AAA	S&P
Local government investment pool	10,740,478		Not rated
Retiree Health Care Benefits Trust Fund:			
U.S. government and agency securities	2,812,339	AA+	S&P

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 2 – Deposits and Investments (continued)**

**Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issuer. The City has more than 5% of its investments in the following:

Government-wide – U.S. government agencies:	
Fannie Mae	16.19%
Federal Home Loan Bank	38.52%
Federal Farm Credit Bank Bureau	31.30%
 Retiree Health Care Benefits Fund – T-Notes	 6.50%

**Note 3 – Interfund Receivables, Payables, and Transfers**

The following is a summary of the interfund transfers for the year ended June 30, 2014:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 5,300,000
Transfer from Major Street Fund to Local Street Fund	320,000
Transfer from Municipal Street Fund to Local Street Fund	2,704,000
Transfer from Major Street to Street Improvement Fund	893,000
Transfer from Local Street to Street Improvement Fund	1,779,000
Transfer from Municipal Street Fund to Major Street Fund	79,730
Transfer from Municipal Street Fund to Street Improvement Fund	2,075,400
Transfer from Twelve Mile Road SAD D/S Fund to Municipal Street Fund	342,429
Transfer from General Fund to fund programs in the Parks, Recreation, and Cultural Services Fund	259,212
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	5,690
Total interfund transfers	<u>\$ 13,758,461</u>

**Note 4 – Restricted Assets and Reserves**

**Governmental Activities**

The following is the detail of the governmental restricted assets at June 30, 2014:

Special Revenue Funds:	
Cash and investments restricted for special assessments	\$ 91,149
Cash and investments restricted for contributions and donations*	1,826,990
Special assessments receivable	<u>3,475,849</u>
Total Special Revenue Funds	<u>\$ 5,393,988</u>

\* Includes \$1,589,858 restricted for the Walker Library Fund and \$237,132 restricted for the Fuerst Estate Gift for older adult facilities.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 4 – Restricted Assets and Reserves (continued)**

**Business-type Activities**

Specific assets of the business-type activities have been restricted by special assessment contracts with property owners for water and sewer system construction and related debt payments.

The following is the detail of the business-type activities restricted assets at June 30, 2014:

Special assessments receivable	\$ 1,136,154
Net position restricted in Water and Sewer Fund	\$ 1,136,154

**Note 5 – Capital Assets**

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 27,157,126	\$ 104,411	\$ -	\$ 27,261,537
Construction in progress	-	2,398,737	-	2,398,737
Subtotal	27,157,126	2,503,148	-	29,660,274
Capital assets being depreciated:				
Roads	120,108,088	2,602,289	794,549	121,915,828
Non-motorized pathway Improvements	6,532,396	194,981	6,739	6,720,638
Bridges	2,145,421	-	-	2,145,421
Drains	18,245,354	61,994	929,663	17,377,685
Buildings and improvements	44,159,809	508,827	-	44,668,636
Machinery and equipment	12,393,656	1,495,375	378,186	13,510,845
Library books	3,625,707	356,328	253,304	3,728,731
Subtotal	207,210,431	5,219,794	2,362,441	210,067,784
Accumulated depreciation:				
Roads	60,145,479	4,863,900	794,549	64,214,830
Non-motorized pathway Improvements	2,382,353	267,025	6,739	2,642,639
Bridges	892,841	83,851	-	976,692
Drains	9,653,236	719,903	929,663	9,443,476
Buildings and improvements	14,417,390	1,129,760	-	15,547,150
Machinery and equipment	8,191,760	1,639,369	351,354	9,479,775
Library books	1,853,276	185,328	253,304	1,785,300
Subtotal	97,536,335	8,889,136	2,335,609	104,089,862
Net capital assets being depreciated	109,674,096	(3,669,342)	26,832	105,977,922
Net capital assets	\$ 136,831,222	\$(1,166,194)	\$ 26,832	\$ 135,638,196

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 5 – Capital Assets (continued)**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,351,797	\$ 157,058	\$ -	\$ 2,508,855
Construction in progress	3,666,791	216,814	3,616,235	267,370
Subtotal	6,018,588	373,872	3,616,235	2,776,225
Capital assets being depreciated:				
Water and sewer distribution systems	173,169,355	5,281,880	-	178,451,235
Buildings and building improvements	23,447,348	11,900	-	23,459,248
Machinery and equipment	2,661,334	75,694	434,228	2,302,800
Subtotal	199,278,037	5,369,474	434,228	204,213,283
Accumulated depreciation:				
Water and sewer distribution systems	60,916,272	3,559,495	-	64,475,767
Buildings and building improvements	8,420,103	608,046	-	9,028,149
Machinery and equipment	1,707,156	198,337	434,228	1,471,265
Subtotal	71,043,531	4,365,878	434,228	74,975,181
Net capital assets being depreciated	128,234,506	1,003,596	-	129,238,102
Net capital assets	\$ 134,253,094	\$ 1,377,468	\$ 3,616,235	\$ 132,014,327

Depreciation expense was charged to programs of the primary government as follows for the year ended June 30, 2014:

Governmental activities:	
General government	\$ 263,824
Public safety	1,063,048
Public works	6,388,998
Community and economic development	43,490
Recreation and culture	1,129,776
Total governmental activities	<u>\$ 8,889,136</u>
Business-type activities:	
Water and sewer	\$ 3,728,914
Ice arena	266,801
Senior housing	370,163
Total business-type activities	<u>\$ 4,365,878</u>

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 5 – Capital Assets (continued)**

**Construction Commitments**

The City has active construction projects as of June 30, 2014. At year-end, the City's commitments with contractors are as follows:

	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Street construction	\$ 1,356,603	\$ 2,013,732
Sidewalks and pathways	299,243	432,753
Detention basins	5,025	8,275
Park improvements	1,986,057	370,558
Intersection and traffic signal	2,828	344,022
Ice arena	-	177,827
Water and sewer	124,160	35,460
Total	\$ 3,773,916	\$ 3,382,627

**Note 6 – Deferred Inflows**

Governmental funds report deferred inflows in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report deferred inflows in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows are as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
Special assessments:			
Twelve Mile Road	\$ 3,411,304	\$ -	\$ 3,411,304
West Lake Drive paving	64,545	-	64,545
Street lighting and other			
Assessments	51,505	-	51,505
Recreation fees and other	9,570	54,016	63,586
Total	\$ 3,536,924	\$ 54,016	\$ 3,590,940

**Note 7 – Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 7 – Long-term Debt (continued)**

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General Obligation Bonds:							
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017							
	4.00% -	\$ 595,000 -					
	5.00%	\$ 730,000	\$ 3,300,000	\$ -	\$ (595,000)	\$ 2,705,000	\$ 625,000
2008 Unlimited Tax Library Bonds:							
Amount of issue - \$16,000,000							
Maturing through 2027							
	3.50% -	\$ 250,000 -					
	4.50%	\$1,750,000	14,750,000	-	(500,000)	14,250,000	500,000
2010 Unlimited Tax Refunding Bonds:							
Amount of Issue - \$4,895,000							
Maturing through 2015							
	3.00% -	\$ 15,000 -					
	5.00%	\$1,075,000	3,005,000	-	(940,000)	2,065,000	990,000
Special Assessment Bonds:							
2012 Special Assessment Limited Tax Bonds:							
Amount of issue - \$4,165,000							
Maturing through 2018							
	3.00%	\$1,300,000 - \$1,415,000	4,165,000	-	(1,415,000)	2,750,000	1,390,000
Total governmental activities			<u>\$25,220,000</u>	<u>\$ -</u>	<u>\$(3,450,000)</u>	<u>\$21,770,000</u>	<u>\$3,505,000</u>

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
Special Assessment Bonds:							
2003 Special Assessment Limited Tax Bonds:							
Amount of Issue - \$2,330,000							
Maturing through 2017							
	3.50% -	\$150,000 -					
	4.00%	\$175,000	\$ 805,000	\$ -	\$ (175,000)	\$ 630,000	\$ 175,000
Building Authority Bonds:							
2004 Ice Arena Refunding Bonds:							
Amount of issue - \$7,630,000							
Maturing through 2024							
	4.00% -	\$380,000 -					
	4.65%	\$560,000	5,225,000	-	(380,000)	4,845,000	425,000
2005 Senior Housing Facility Bonds:							
Amount of issue - \$9,920,000							
Maturing through 2025							
	3.75% -	\$ 75,000 -					
	5.00%	\$1,100,000	9,420,000	-	(75,000)	9,345,000	80,000
2010 Senior Housing Refunding Bonds:							
Amount of Issue - \$2,970,000							
Maturing through 2015							
	2.00% -	\$ 480,000 -					
	2.75%	\$625,000	1,720,000	-	(615,000)	1,105,000	625,000
Total business-type activities			<u>\$17,170,000</u>	<u>\$ -</u>	<u>\$(1,245,000)</u>	<u>\$15,925,000</u>	<u>\$ 1,305,000</u>

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 7 – Long-term Debt (continued)**

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 3,505,000	\$ 832,544	\$ 4,337,544	\$ 1,305,000	\$ 651,534	\$ 1,956,534
2016	3,590,000	712,625	4,302,625	1,295,000	606,649	1,901,649
2017	1,445,000	620,319	2,065,319	1,390,000	553,221	1,943,221
2018	1,480,000	552,913	2,032,913	1,420,000	493,190	1,913,190
2019	750,000	503,750	1,253,750	1,325,000	436,046	1,761,046
2020-2024	5,000,000	1,918,438	6,918,438	7,035,000	1,307,468	8,342,468
2025-2028	6,000,000	564,688	6,564,688	2,155,000	93,633	2,248,633
Total	<u>\$21,770,000</u>	<u>\$ 5,705,277</u>	<u>\$27,475,277</u>	<u>\$15,925,000</u>	<u>\$ 4,141,741</u>	<u>\$20,066,741</u>

**Bond Refunding – Subsequent Event Note**

In October 2014, the City refunded the outstanding balance of the 2004 Building Authority Ice Arena Refunding Bonds totaling \$4,845,000. The 2014 Refunding Bonds are limited tax general obligation bonds in the amount of \$4,905,000.

**Note 8 – Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims, property and casualty claims and for vehicle and contractor equipment damage. The City participates in the Michigan Municipal League (MML) risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. This includes estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 8 – Risk Management (continued)**

Changes in the estimated liability for the past two fiscal years were as follows:

	2014	2013
Estimated liability – beginning of year	\$ 371,694	\$ 246,842
Estimated claims incurred, including changes in estimates	420,178	356,544
Claim payments	(625,963)	(231,692)
Estimated liability – end of year	\$ 165,909	\$ 371,694

**Note 9 – 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. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2013		\$ (1,735,649)
Current year building permit revenue		1,698,238
Related expenses:		
Direct costs	\$ (1,543,768)	
Estimated indirect costs	(201,554)	
Total construction code expenses	(1,745,322)	
Cumulative shortfall at June 30, 2014		\$ (1,782,733)

**Note 10 – Defined Benefit Pension Plan**

**Plan Description**

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. 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 the system at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The authority to contribute to and maintain the system for these employees was established by negotiation with the City’s collective bargaining units, as well as administrative employees, and requires employee contributions of 2.43% to 9.24% from 100.00% of the covered or eligible employees.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 10 – Defined Benefit Pension Plan (continued)**

**Annual Pension Cost**

For the year ended June 30, 2014, the City's annual pension cost of \$2,475,532 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected wage inflation assumption of 4.5%, and (c) an increase based on an age-related scale to reflect merit, longevity, and promotional pay increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll expense based on division over 17 – 27 years. The City has six divisions that are closed to new hires because new hires in the divisions are covered by the defined contribution plan (Note 11). Therefore, the amortization periods used for those divisions are closed, while the other divisions have open amortization periods.

**Three-year Trend Information**

	Fiscal Year Ended June 30		
	2012	2013	2014
Annual pension cost (APC)	\$ 2,380,929	\$ 2,144,511	\$ 2,475,532
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

	Actuarial Valuation as of December 31		
	2011	2012	2013
Actuarial value of assets	\$ 52,224,449	\$ 54,675,949	\$ 57,148,575
Actuarial accrued liability (AAL)			
(entry age normal cost method)	75,776,713	79,305,462	84,025,899
Unfunded AAL (UAAL)	23,552,264	24,629,513	26,877,324
Funded ratio	69%	69%	68%
Covered payroll	13,511,225	12,338,686	11,995,155
UAAL as a percentage of covered payroll	174%	200%	224%

**Note 11 – Defined Contribution Plan Description**

Effective May 1, 2006, December 1, 2006, July 1, 2007, June 1, 2009, September 1, 2011, and October 1, 2011, all new administrative, MAPE, library, full-time firefighter employees, dispatchers, and police clerks, respectively, will participate in the MERS Defined Contribution (DC) program. Administrative employees hired prior to May 1, 2006 had the irrevocable option to transfer from the Defined Benefit (DB) program to the DC program on December 1, 2006. MAPE employees hired prior to December 1, 2006 had an irrevocable option to transfer from the DB program to the DC program on June 1, 2007. The City and each member contribute a percentage of eligible earnings to an individual account established for each participant. The contributions are made as follows:

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 11 – Defined Contribution Plan Description (continued)**

<b>Employee Group</b>	<b>City Contribution Rate</b>	<b>Employee Contribution Rate</b>
Administrative/MAPE	8%	3%
Dispatch/Fire	10%	6%
Police Clerks	8%	6%
Library	6%	3%

All contributions are remitted to a third-party plan administrator. The DC plan maintains a schedule of vesting, with the participants becoming fully vested upon completion of seven years of continuous service. The contribution requirements of plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and MERS plan provisions. There were 67 members participating in the DC plan as of June 30, 2014. During the year ended June 30, 2014, the City contributed \$295,763 to the DC plan.

**Note 12 – Other Postemployment Benefits (OPEB)**

**Plan Description**

The City provides healthcare benefits to most full-time employees upon retirement. Currently, 79 retirees are eligible and 62 are receiving benefits. The City includes pre-Medicare retirees and their spouses in its insured healthcare plan. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This healthcare benefit plan is closed to all administrative employees hired after May 1, 2006, MAPE employees hired after December 1, 2006, full-time firefighter employees hired after June 1, 2009, dispatchers hired after September 1, 2011, police clerks hired after October 1, 2011, and POLC employees hired after April 1, 2012. These employees are enrolled into an individual Retiree Health Care Savings Account.

The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy**

The collective bargaining units require a contribution by the participant for 20% of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2014, the City made payments for postemployment health benefit premiums of approximately \$17,773 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$659,978 paid out of the Retiree Health Care Benefits Trust Fund for individuals retiring after June 30, 1994. The City also contributed another \$1,493,087 to the Retiree Health Care Benefits Trust Fund to pre-fund future retiree healthcare benefits. The Retiree Health Care Benefits Trust Fund has a net position of \$23,483,733 as of June 30, 2014 which is 106% of the July 1, 2013 actuarial accrued liability of \$23,188,007.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 12 – Other Postemployment Benefits (OPEB) (continued)**

**Funding Progress**

For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2011. 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years. The following table shows the components of the City's OPEB cost for the year, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation:

Annual required contribution (recommended)	\$ 1,393,087
Interest on net OPEB asset	(56,283)
Adjustment to annual required contribution	<u>63,403</u>
Annual OPEB cost (expense)	1,400,207
Contributions made	<u>1,525,297</u>
Increase in net OPEB asset	125,090
Net OPEB asset – beginning of year	<u>703,537</u>
Net OPEB asset – end of year *	<u><u>\$ 828,627</u></u>

\* Included in the net OPEB asset is \$790,943 related to governmental activities and \$37,684 related to business-type activities.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current and prior two years were as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Annual OPEB cost	\$ 1,501,001	\$ 1,403,357	\$ 1,400,207
Percentage contributed	106%	116%	108 %
Net OPEB asset	471,270	703,537	828,627

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of July 1, 2011:	
Actuarial value of assets	\$ 19,292,291
Actuarial accrued liability (AAL)	23,188,007
Unfunded AAL (UAAL)	3,895,716
Funded ratio	83.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 12 – Other Postemployment Benefits (OPEB) (continued)**

**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. The schedule of funding progress above presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the individual entry-age normal cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.0% after 10 years. Both rates included a 4.5% inflation assumption. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar amount over a period of 24 years.

**Note 13 – Joint Venture**

The City participates in the Southwest Oakland Cable Commission (Cable Commission) with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5.0% of the total cable television charges from the cable television company as franchise fees and a 1.0% PEG fee. The Cable Commission retains 3.0% of these fees and submits the additional 3.0% to the City. Financial information of the Cable Commission as of June 30, 2014 can be obtained from the Cable Commission administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (Authority). The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of South Lyon. The City appoints one member to the Authority's governing board, which then approves the annual budget. The Authority receives its operating revenue from member contributions and miscellaneous income. The financial

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 13 – Joint Venture (continued)**

information of the Authority as of June 30, 2014 can be obtained from the Authority's administrative offices at 20000 West 8 Mile Road, Southfield, Michigan.

For both joint ventures, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

**Note 14 – Upcoming Reporting Changes**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 14 – Upcoming Reporting Changes (continued)**

employer's prior fiscal year (the measurement date), consistently applied from period to period.

The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability—that is, changes in the total pension liability and in the pension plan's fiduciary net position.

This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. Projected earnings on the pension plan's investments also are required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions.

Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

In governmental fund financial statements, a net pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

The Statement requires that notes to financial statements of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also should disclose the following information:

- For the current year, sources of changes in the net pension liability

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 14 – Upcoming Reporting Changes (continued)**

- Significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies.
- The date of the actuarial valuation used to determine the total pension liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the pension plan, and information about the purchase of allocated insurance contracts, if any.

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net pension liability.
- The components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

If the contributions of a single or agent employer are actuarially determined, the employer should present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. If the contributions of a single or agent employer are not actuarially determined but are established in statute or by contract, the employer should present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the pension plan, and related ratios.

Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, should be presented as notes to required supplementary information. In addition, the employer should explain factors that significantly affect trends in the amounts reported in the schedules, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

An employer whose employees are provided with defined contribution pensions is required to recognize pension expense for the amount of contributions to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. A change in the pension liability is required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to a defined contribution pension plan. In governmental fund financial statements, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to a pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 14 – Upcoming Reporting Changes (continued)**

available financial resources. Notes to financial statements of an employer with a defined contribution plan should include descriptive information about the pension plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.

The City will implement Statement No. 68 beginning with the fiscal year ended June 30, 2015 and it is expected to have a material impact on the City.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The City will implement Statement No. 69 beginning with the fiscal year ending June 30, 2015 and it is not expected to have a material impact on the City.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 14 – Upcoming Reporting Changes (continued)**

to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The City will implement Statement No. 70 beginning with the fiscal year ended June 30, 2015 and it is not expected to have a material impact on the City.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after

City of Novi, Michigan  
Notes to Financial Statements (continued)

**Note 14 – Upcoming Reporting Changes (continued)**

the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The City will implement Statement No. 71 beginning with the fiscal year ending June 30, 2015 and it is expected to have a material impact on the City.

**Note 15 – Restatement of Beginning Balances**

During 2014, the City identified additional liabilities from water and sewer monitoring agreements which related to prior years. The result is the net position in the Water and Sewer Fund at June 30, 2013 was restated from \$171,111,427 to \$168,611,427 and a liability of \$2,500,000 was recorded. In addition, the City reclassified four Special Assessment Funds that were consolidated within the Municipal Street Fund into separate funds. The West Oak Street Lighting Fund, West Lake Drive Street Lighting Fund, Town Center Street Lighting Fund, and 12 Mile Road SAD Debt Fund were reclassified and had no effect on beginning fund balance. The Drain Perpetual Maintenance Fund was also reclassified from a special revenue fund to a permanent fund.

Required Supplementary Information

City of Novi, Michigan  
 Other Postemployment Benefits Schedule of  
 Funding Progress and Employer Contributions  
 Historical Trend Information - Unaudited

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio
July 1, 2009	9,091,537	19,936,733	(10,845,196)	45.6%
2011	14,924,821	24,313,035	(9,388,214)	61.4%
2013	19,292,291	23,188,007	(3,895,716)	83.2%

**Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percent Contributed
2012	1,498,004	106.6%
2013	1,399,119	116.9%
2014	1,393,087	108.9%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (July 1, 2013) follows:

Actuarial cost method	Individual entry-age normal cost
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	Actuarial value of assets is set equal to reported market value
Actuarial assumptions:	
Investment return	7.5%
Valuation health care cost trend rate	9.0% in 2014, grading to 4.0% in 10 years

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
<b>Taxes:</b>				
Current property taxes	\$ 14,853,900	\$ 14,864,088	\$ 14,881,067	\$ 16,979
Total taxes	14,853,900	14,864,088	14,881,067	16,979
<b>Licenses, Permits, and Charges for Services</b>	3,368,620	3,637,036	3,848,403	211,367
<b>Federal Grants</b>	56,340	61,340	60,832	(508)
<b>State Sources:</b>				
State-shared revenue	4,188,918	4,178,000	4,170,809	(7,191)
Police training grant	25,000	25,000	13,611	(11,389)
Total state sources	4,213,918	4,203,000	4,184,420	(18,580)
<b>Fines and Forfeitures</b>	486,000	490,000	512,437	22,437
<b>Interest Income</b>	204,000	204,000	393,215	189,215
<b>Unrealized gain on investments</b>	-	50,000	163,211	113,211
<b>Other Revenue</b>	734,270	606,450	642,940	36,490
<b>Transfers In</b>	5,961,639	5,300,000	5,300,000	-
Total revenue	29,878,687	29,415,914	29,986,525	570,611
<b>Expenditures</b>				
<b>City Council:</b>				
Personal services	4,746	4,746	3,994	752
Other services and charges	8,500	8,500	6,917	1,583
Total city council	13,246	13,246	10,911	2,335
<b>City Manager:</b>				
Personal services	422,170	394,366	381,991	12,375
Supplies	425	1,075	898	177
Other services and charges	44,925	25,884	16,996	8,888
Total city manager	467,520	421,325	399,885	21,440
<b>Finance Department:</b>				
Personal services	672,252	535,381	503,705	31,676
Other services and charges	103,414	145,654	125,910	19,744
Capital outlay	-	19,541	19,541	-
Total finance department	775,666	700,576	649,156	51,420

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Information Technology:</b>				
Personal services	\$ 592,641	\$ 592,641	\$ 588,844	\$ 3,797
Supplies	28,670	30,170	29,120	1,050
Other services and charges	115,502	107,802	81,690	26,112
Capital outlay	169,552	169,552	164,524	5,028
Total information technology	906,365	900,165	864,178	35,987
<b>Assessing:</b>				
Personal services	466,549	455,057	447,699	7,358
Supplies	11,700	12,350	12,305	45
Other services and charges	329,562	349,412	340,476	8,936
Total assessing	807,811	816,819	800,480	16,339
<b>City Attorney - Other services and charges</b>	382,000	382,000	375,926	6,074
<b>City Clerk:</b>				
Personal services	470,687	449,620	429,337	20,283
Supplies	16,000	20,000	21,600	(1,600)
Other services and charges	66,190	66,190	40,200	25,990
Total city clerk	552,877	535,810	491,137	44,673
<b>Treasury:</b>				
Personal services	238,199	222,949	217,631	5,318
Supplies	25,500	25,500	23,597	1,903
Other services and charges	54,027	53,707	44,748	8,959
Total treasury	317,726	302,156	285,976	16,180
<b>Facility Operations:</b>				
Personal services	286,896	301,896	302,424	(528)
Supplies	22,800	22,800	17,079	5,721
Other services and charges	430,150	454,427	430,307	24,120
Capital outlay	268,732	538,836	170,102	368,734
Total facility operations	1,008,578	1,317,959	919,912	398,047
<b>Human Resources:</b>				
Personal services	374,519	374,119	367,793	6,326
Other services and charges	67,000	93,150	55,659	37,491
Total human resources	441,519	467,269	423,452	43,817

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Neighborhood and Business Relations Group:</b>				
Personal services	\$ 439,247	\$ 411,347	\$ 396,165	\$ 15,182
Supplies	10,700	10,500	9,175	1,325
Other services and charges	500,619	486,469	434,806	51,663
Capital outlay	-	6,290	6,286	4
Total neighborhood and business relations group	950,566	914,606	846,432	68,174
<b>General Administration:</b>				
Personal services	1,353,000	887,813	820,383	67,430
Supplies	57,500	54,000	40,213	13,787
Other services and charges	451,500	612,650	595,874	16,776
Capital outlay	10,000	151,765	136,510	15,255
Total general administration	1,872,000	1,706,228	1,592,980	113,248
<b>Public Safety - Police Department:</b>				
Personal services	10,522,714	10,332,250	10,235,191	97,059
Supplies	298,150	333,658	321,444	12,214
Other services and charges	1,008,580	1,095,204	1,010,823	84,381
Capital outlay	64,430	102,830	97,615	5,215
Total public safety - police department	11,893,874	11,863,942	11,665,073	198,869
<b>Public Safety - Fire Department:</b>				
Personal services	4,043,274	3,961,624	3,847,427	114,197
Supplies	133,620	133,620	121,974	11,646
Other services and charges	534,901	582,714	530,838	51,876
Capital outlay	95,675	637,396	609,956	27,440
Total public safety - fire department	4,807,470	5,315,354	5,110,195	205,159
<b>Community Development - Building Division:</b>				
Personal services	1,329,868	1,386,968	1,381,995	4,973
Supplies	39,000	33,700	26,673	7,027
Other services and charges	100,051	103,951	99,506	4,445
Capital outlay	51,000	51,000	45,993	5,007
Total community development - building division	1,519,919	1,575,619	1,554,167	21,452
<b>Community Development - Planning Division:</b>				
Personal services	477,326	485,326	472,715	12,611
Supplies	9,100	9,100	4,937	4,163
Other services and charges	112,532	145,527	109,296	36,231
Total community development - planning division	598,958	639,953	586,948	53,005

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Department of Public Services:</b>				
Personal services	\$ 3,301,513	\$ 3,316,594	\$ 3,264,872	\$ 51,722
Supplies	114,900	132,572	120,045	12,527
Other services and charges	926,699	1,280,916	1,206,802	74,114
Capital outlay	189,000	642,981	532,004	110,977
Allocated to other operations	(2,219,520)	(2,654,188)	(2,651,671)	(2,517)
Total department of public services	2,312,592	2,718,875	2,472,052	246,823
<b>Transfers Out</b>	250,000	259,212	259,212	-
Total expenditures	29,878,687	30,851,114	29,308,072	1,543,042
<b>Net Change in Fund Balance</b>	-	(1,435,200)	678,453	2,113,653
<b>Fund Balance - Beginning of year</b>	8,811,564	8,811,564	8,811,564	-
<b>Fund Balance - End of year</b>	\$ 8,811,564	\$ 7,376,364	\$ 9,490,017	\$ 2,113,653

City of Novi, Michigan  
Note to Required Supplementary Information  
Year Ended June 30, 2014

**Note – Basis of Budgeting**

The City adopts a formal budget for the General Fund and all Special Revenue Funds. All department heads submit spending requests to the City Manager so that a budget may be prepared. Before the third Monday in April, the proposed budget is submitted to the City Council for review. Public hearings are held and a final budget is adopted no later than the third Monday in May. Adoption of the budget requires approval of five votes of the seven-member City Council. The City Council must approve any budget amendments.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is presented as required supplementary information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor funds is presented as other supplementary information.

The budget is adopted by category within activity (i.e., personal services, supplies, other services and charges, and capital outlay within each department). Although spending estimates are produced for each line item, budgetary control is exercised at this category level. Expenditures at this level must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers have been included in the "revenue" and "expenditure" categories, rather than as "other financing sources (uses)."

Excess of Expenditures Over Appropriations in Budgeted Funds – The City's total actual expenditures for the General Fund were less than total budgeted expenditures by approximately 5%. During the year, the City incurred expenditures that were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year. There were no significant budget overruns in the current year requiring disclosure.

## Other Supplementary Information

City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds					
	Major Street Fund	Local Street Fund	Municipal Street Fund	Police and Fire Fund	Tree Fund	Parks, Recreation, and Cultural Services Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 726,519	\$ 1,036,761	\$ 643,511	\$ -	\$ 599,835	\$ 901,728
Investments	-	-	3,858,249	2,829,534	1,188,708	500,530
Accounts receivable:						
Other governmental units	419,597	150,286	-	-	-	46,619
Other	19,706	-	28,176	5,757	2,817	17,910
Special assessment receivable restricted	-	-	64,545	-	-	-
Restricted assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,165,822</b>	<b>\$ 1,187,047</b>	<b>\$ 4,594,481</b>	<b>\$ 2,835,291</b>	<b>\$ 1,791,360</b>	<b>\$ 1,466,787</b>
<b>Liabilities, Deferred Inflows and Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 569,320	\$ 272,677	\$ 356,797	\$ 673	\$ 44,266	\$ 430,689
Accrued and other liabilities	-	-	225,530	80,340	169,034	81,463
Unearned revenue	-	-	-	-	-	16,816
<b>Total liabilities</b>	<b>569,320</b>	<b>272,677</b>	<b>582,327</b>	<b>81,013</b>	<b>213,300</b>	<b>528,968</b>
<b>Deferred Inflows of Resources</b>						
Special assessments	-	-	83,045	-	-	-
Grant and program revenue	-	-	-	-	-	42,575
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>83,045</b>	<b>-</b>	<b>-</b>	<b>42,575</b>
<b>Fund Balances</b>						
<b>Restricted:</b>						
Contributions and donations	-	-	-	-	-	-
Road construction and maintenance	596,502	914,370	3,929,109	-	-	-
Cash and investments restricted for special assessments	-	-	-	-	-	-
Storm water systems	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Parks, recreation and cultural services	-	-	-	-	-	895,244
Library	-	-	-	-	-	-
Tree replacement and maintenance	-	-	-	-	1,578,060	-
Law enforcement programs	-	-	-	-	-	-
Police and fire operations	-	-	-	2,754,278	-	-
Street improvement	-	-	-	-	-	-
Infrastructure improvements	-	-	-	-	-	-
<b>Total fund balances</b>	<b>596,502</b>	<b>914,370</b>	<b>3,929,109</b>	<b>2,754,278</b>	<b>1,578,060</b>	<b>895,244</b>
<b>Total liabilities, deferred inflows and resources, and fund balances</b>	<b>\$ 1,165,822</b>	<b>\$ 1,187,047</b>	<b>\$ 4,594,481</b>	<b>\$ 2,835,291</b>	<b>\$ 1,791,360</b>	<b>\$ 1,466,787</b>

City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds (continued)

Special Revenue Funds								
Drain Revenue Fund	Contributions and Donations Fund	Forfeiture Fund	Library Fund	Walker Library Fund	West Oak Street Lighting Fund	West Lake Drive Street Lighting Fund	Town Center Street Lighting Fund	
\$ 1,535,436	\$ -	\$ 624,129	\$ 276,350	\$ -	\$ -	\$ -	\$ -	-
3,798,977	-	-	1,723,721	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,609	-	-	2,447	2,251	-	-	-	-
-	-	-	-	-	-	-	-	-
-	237,132	-	-	1,589,858	60,796	2,585	-	27,768
<b>\$ 5,343,022</b>	<b>\$ 237,132</b>	<b>\$ 624,129</b>	<b>\$ 2,002,518</b>	<b>\$ 1,592,109</b>	<b>\$ 60,796</b>	<b>\$ 2,585</b>	<b>\$ -</b>	<b>\$ 27,768</b>
\$ 24,684	\$ -	\$ 187,817	\$ 57,147	\$ 1,348	\$ 668	\$ 266	\$ -	185
13,072	-	-	99,395	-	-	-	-	-
-	-	-	-	-	-	-	-	-
37,756	-	187,817	156,542	1,348	668	266	-	185
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	237,132	-	-	1,590,761	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	60,128	2,319	-	27,583
5,305,266	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,845,976	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	436,312	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,305,266	237,132	436,312	1,845,976	1,590,761	60,128	2,319	-	27,583
<b>\$ 5,343,022</b>	<b>\$ 237,132</b>	<b>\$ 624,129</b>	<b>\$ 2,002,518</b>	<b>\$ 1,592,109</b>	<b>\$ 60,796</b>	<b>\$ 2,585</b>	<b>\$ -</b>	<b>\$ 27,768</b>

City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds (continued)

	Debt Service Funds		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	2010 Refunding Debt Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 141,586	\$ 77,982	\$ 46,930
Investments	-	-	-
Accounts receivable:			
Other governmental units	-	-	-
Other	-	-	-
Special assessments receivable restricted	-	-	-
Restricted assets	-	-	-
<b>Total assets</b>	<b>\$ 141,586</b>	<b>\$ 77,982</b>	<b>\$ 46,930</b>
<b>Liabilities, Deferred Inflows and Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 93	\$ 96
Accrued and other liabilities	14,175	19,635	20,248
Unearned revenue	-	-	-
<b>Total liabilities</b>	<b>14,175</b>	<b>19,728</b>	<b>20,344</b>
<b>Deferred inflows of resources</b>			
Special assessments	-	-	-
Grant and program revenue	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Restricted:			
Contributions and donations	-	-	-
Road construction and maintenance	-	-	-
Cash and investments restricted for special assessments	-	-	-
Storm water systems	-	-	-
Debt service	127,411	58,254	26,586
Parks, recreation, and cultural services	-	-	-
Library	-	-	-
Tree replacement and maintenance	-	-	-
Law enforcement programs	-	-	-
Police and fire operations	-	-	-
Street improvement	-	-	-
Infrastructure improvements	-	-	-
<b>Total fund balances</b>	<b>127,411</b>	<b>58,254</b>	<b>26,586</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 141,586</b>	<b>\$ 77,982</b>	<b>\$ 46,930</b>

City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds (continued)

Capital Project Funds		Permanent Fund		
Special Assessment Revolving Fund	Street Improvement Fund	Drain Perpetual Maintenance Fund	Total Nonmajor Governmental Funds	
\$ 2,200,787	\$ 4,747,892	\$ 408,346	\$	13,967,792
1,579,360	-	5,898,905	\$	21,377,984
-	-	-		616,502
3,214	-	16,732		107,619
-	-	-		64,545
-	-	-		1,918,139
<u>\$ 3,783,361</u>	<u>\$ 4,747,892</u>	<u>\$ 6,323,983</u>	<u>\$</u>	<u>38,052,581</u>
-	-	-	\$	1,946,726
-	-	-	\$	722,892
-	-	-	\$	16,816
-	-	-		2,686,434
-	-	-		83,045
-	-	-		42,575
-	-	-		125,620
-	-	-		1,827,893
-	-	-		5,439,981
-	-	-		90,030
-	-	6,323,983		11,629,249
-	-	-		212,251
-	-	-		895,244
-	-	-		1,845,976
-	-	-		1,578,060
-	-	-		436,312
-	-	-		2,754,278
-	4,747,892	-		4,747,892
3,783,361	-	-		3,783,361
<u>3,783,361</u>	<u>4,747,892</u>	<u>6,323,983</u>		<u>35,240,527</u>
<u>\$ 3,783,361</u>	<u>\$ 4,747,892</u>	<u>\$ 6,323,983</u>	<u>\$</u>	<u>38,052,581</u>

City of Novi, Michigan  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds					
	Major Street Fund	Local Street Fund	Municipal Street Fund	Police and Fire Fund	Tree Fund	Parks, Recreation, and Cultural Services Fund
<b>Revenue</b>						
Taxes	\$ -	\$ -	\$ 4,293,742	\$ 4,211,853	\$ -	\$ 1,137,385
Federal grants	-	-	-	-	-	87,923
State sources	2,725,842	968,895	-	-	-	204,949
Special assessments collected	-	-	12,909	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	4,208	5,329	45,125	70,057	27,016	6,344
Unrealized gain (loss) on investments	75	75	-	60,900	16,683	530
Recreational programs	-	-	-	-	-	1,360,141
Gifts and donations	-	-	-	-	-	20,000
Other revenue	618	14,935	397,497	-	200,207	23,027
<b>Total revenue</b>	<b>2,730,743</b>	<b>989,234</b>	<b>4,749,273</b>	<b>4,342,810</b>	<b>243,906</b>	<b>2,840,299</b>
<b>Expenditures</b>						
General administration	510	510	1,720	-	-	-
Construction	987,767	1,748,294	855,887	-	-	-
Street maintenance	1,701,769	1,449,656	465,369	-	-	-
Drain maintenance	-	-	-	-	-	-
Recreational programs	-	-	-	-	-	2,344,276
Library programs	-	-	-	-	-	-
Public safety - police department	-	-	-	-	-	-
Department of public service	-	-	-	-	-	-
Capital outlay	-	-	-	-	151,807	1,148,879
Debt service:						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,690,046</b>	<b>3,198,460</b>	<b>1,322,976</b>	<b>-</b>	<b>151,807</b>	<b>3,493,155</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>40,697</b>	<b>(2,209,226)</b>	<b>3,426,297</b>	<b>4,342,810</b>	<b>92,099</b>	<b>(652,856)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	79,730	3,024,000	342,429	-	-	264,902
Transfers out	(1,213,000)	(1,779,000)	(4,859,130)	(5,300,000)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,133,270)</b>	<b>1,245,000</b>	<b>(4,516,701)</b>	<b>(5,300,000)</b>	<b>-</b>	<b>264,902</b>
<b>Net Change in Fund Balances</b>	<b>(1,092,573)</b>	<b>(964,226)</b>	<b>(1,090,404)</b>	<b>(957,190)</b>	<b>92,099</b>	<b>(387,954)</b>
<b>Fund Balances as restated - Beginning of year</b>	<b>1,689,075</b>	<b>1,878,596</b>	<b>5,019,513</b>	<b>3,711,468</b>	<b>1,485,961</b>	<b>1,283,198</b>
<b>Fund Balances - End of year</b>	<b>\$ 596,502</b>	<b>\$ 914,370</b>	<b>\$ 3,929,109</b>	<b>\$ 2,754,278</b>	<b>\$ 1,578,060</b>	<b>\$ 895,244</b>

City of Novi, Michigan  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (continued)

Special Revenue Funds								
Drain Revenue Fund	Contributions and Donations Fund	Forfeiture Fund	Library Fund	Walker Library Fund	West Oak Street Lighting Fund	West Lake Drive Street Lighting Fund	Town Center Street Lighting Fund	
\$ 315,772	\$ -	\$ -	\$ 2,276,337	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	30,103	-	-	-	-	-
-	-	-	-	-	-	3,300	-	15,000
-	-	394,040	148,183	-	-	-	-	-
77,798	1,218	1,804	42,598	33,850	87	5	-	57
75,137	(443)	212	17,240	17,261	-	-	-	-
-	-	-	-	-	-	-	-	-
-	3,831	-	5,044	13,531	-	-	-	-
9,700	-	-	64,716	-	-	-	-	6,900
478,407	4,606	396,056	2,584,221	64,642	87	3,305	-	21,957
-	-	-	-	-	-	-	-	-
60,083	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
426,799	-	-	-	-	-	-	-	-
-	1,037	-	-	-	-	-	-	-
-	-	-	2,817,622	26,169	-	-	-	-
-	1,218	80,684	-	-	-	-	-	-
-	-	-	-	-	9,895	2,914	-	475,709
-	-	220,464	33,915	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
486,882	2,255	301,148	2,851,537	26,169	9,895	2,914	-	475,709
(8,475)	2,351	94,908	(267,316)	38,473	(9,808)	391	-	(453,752)
-	-	-	-	-	-	-	-	-
-	(5,690)	-	-	-	-	-	-	-
-	(5,690)	-	-	-	-	-	-	-
(8,475)	(3,339)	94,908	(267,316)	38,473	(9,808)	391	-	(453,752)
5,313,741	240,471	341,404	2,113,292	1,552,288	69,936	1,928	-	481,335
\$ 5,305,266	\$ 237,132	\$ 436,312	\$ 1,845,976	\$ 1,590,761	\$ 60,128	\$ 2,319	\$ -	\$ 27,583

City of Novi, Michigan  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (continued)

	<b>Debt Service Funds</b>		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	2010 Refunding Debt Fund
<b>Revenue</b>			
Taxes	\$ 780,143	\$ 1,134,065	\$ 1,029,037
Federal grants	-	-	-
State sources	-	-	-
Fines and forfeitures	-	-	-
Interest income	247	301	75
Unrealized gain (loss) on investments	-	-	-
Recreational programs	-	-	-
Gifts and donations	-	-	-
Special assessment collected	-	-	-
Other revenue	-	-	-
<b>Total revenue</b>	<b>780,390</b>	<b>1,134,366</b>	<b>1,029,112</b>
<b>Expenditures</b>			
General administration	-	-	-
Construction	-	-	-
Street maintenance	-	-	-
Drain maintenance	-	-	-
Recreational programs	-	-	-
Library programs	-	-	-
Public safety - police department	-	-	-
Department of public services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	595,000	500,000	940,000
Interest and other	154,548	624,360	78,048
<b>Total expenditures</b>	<b>749,548</b>	<b>1,124,360</b>	<b>1,018,048</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>30,842</b>	<b>10,006</b>	<b>11,064</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>30,842</b>	<b>10,006</b>	<b>11,064</b>
<b>Fund Balances as restated - Beginning of year</b>	<b>96,569</b>	<b>48,248</b>	<b>15,522</b>
<b>Fund Balances - End of year</b>	<b>\$ 127,411</b>	<b>\$ 58,254</b>	<b>\$ 26,586</b>

City of Novi, Michigan  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (continued)

Capital Projects Funds		Permanent Fund		
Special Assessment Revolving Fund	Street Improvement Fund	Drain Perpetual Maintenance Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	15,178,334
-	-	-	-	87,923
-	-	-	-	3,929,789
-	-	-	-	542,223
40,102	492	75,104	-	431,817
22,290	-	79,294	-	289,254
-	-	-	-	1,360,141
-	-	-	-	42,406
-	-	-	-	31,209
-	-	-	-	717,600
62,392	492	154,398	-	22,610,696
360	-	-	-	3,100
-	-	-	-	3,652,031
-	-	-	-	3,616,794
-	-	-	-	426,799
-	-	-	-	2,345,313
-	-	-	-	2,843,791
-	-	-	-	81,902
-	-	-	-	488,518
-	-	-	-	1,555,065
-	-	-	-	2,035,000
-	-	-	-	856,956
360	-	-	-	17,905,269
62,032	492	154,398	-	4,705,427
-	4,747,400	-	-	8,458,461
-	-	-	-	(13,156,820)
-	4,747,400	-	-	(4,698,359)
62,032	4,747,892	154,398	-	7,068
3,721,329	-	6,169,585	-	35,233,459
\$ 3,783,361	\$ 4,747,892	\$ 6,323,983	\$ -	\$ 35,240,527

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2014

**Special Revenue - Major Street Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 2,454,400	\$ 2,681,686	\$ 2,725,842	\$ 44,156
Interest income	1,500	2,000	4,208	2,208
Unrealized gain on investments	-	2,000	75	(1,925)
Other revenue	-	1,000	618	(382)
Transfers in	730,990	79,730	79,730	-
Total revenue	3,186,890	2,766,416	2,810,473	44,057
<b>Expenditures</b>				
General administration	510	510	510	-
Construction	1,345,930	1,032,814	987,767	45,047
Routine and capital preventive maintenance	825,000	955,729	911,168	44,561
Traffic services	270,000	299,593	257,090	42,503
Winter maintenance	270,000	533,494	533,511	(17)
Transfers out	475,450	1,213,000	1,213,000	-
Total expenditures	3,186,890	4,035,140	3,903,046	132,094
<b>Net Change in Fund Balance</b>	-	(1,268,724)	(1,092,573)	176,151
<b>Fund Balance - Beginning of year</b>	1,689,075	1,689,075	1,689,075	-
<b>Fund Balance - End of year</b>	\$ 1,689,075	\$ 420,351	\$ 596,502	\$ 176,151

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Local Street Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 873,000	\$ 964,059	\$ 968,895	\$ 4,836
Interest income	800	2,000	5,329	3,329
Unrealized gain on investments	-	1,000	75	(925)
Other revenue	-	14,500	14,935	435
Transfers in	2,994,450	3,024,000	3,024,000	-
Total revenue	3,868,250	4,005,559	4,013,234	7,675
<b>Expenditures</b>				
General administration	510	510	510	-
Construction	2,712,320	1,861,894	1,748,294	113,600
Routine and capital preventive maintenance	905,000	1,210,309	957,242	253,067
Traffic services	164,500	115,667	108,964	6,703
Winter maintenance	257,250	382,250	383,450	(1,200)
Transfers out	-	1,779,000	1,779,000	-
Total expenditures	4,039,580	5,349,630	4,977,460	372,170
<b>Net Change in Fund Balance</b>	(171,330)	(1,344,071)	(964,226)	379,845
<b>Fund Balance - Beginning of year</b>	1,878,596	1,878,596	1,878,596	-
<b>Fund Balance - End of year</b>	\$ 1,707,266	\$ 534,525	\$ 914,370	\$ 379,845

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Municipal Street Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Property taxes	\$ 4,380,000	\$ 4,266,358	\$ 4,293,742	\$ 27,384
Interest income	14,850	16,850	45,125	28,275
Unrealized gain on investments	-	2,000	-	(2,000)
Special assessments levied	14,140	14,140	12,909	(1,231)
Other revenue	223,390	388,719	397,497	8,778
Transfer in	337,517	-	342,429	342,429
<b>Total revenue</b>	<b>4,969,897</b>	<b>4,688,067</b>	<b>5,091,702</b>	<b>403,635</b>
<b>Expenditures</b>				
General administration	1,720	1,720	1,720	-
Construction	1,424,143	969,872	855,887	113,985
Street maintenance	350,000	536,026	465,369	70,657
Transfers out	2,519,000	4,859,130	4,859,130	-
<b>Total expenditures</b>	<b>4,294,863</b>	<b>6,366,748</b>	<b>6,182,106</b>	<b>184,642</b>
<b>Net Change in Fund Balance</b>	<b>675,034</b>	<b>(1,678,681)</b>	<b>(1,090,404)</b>	<b>588,277</b>
<b>Fund Balance as restated - Beginning of year</b>	<b>5,019,513</b>	<b>5,019,513</b>	<b>5,019,513</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 5,694,547</b>	<b>\$ 3,340,832</b>	<b>\$ 3,929,109</b>	<b>\$ 588,277</b>

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Police and Fire Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Property taxes	\$ 4,170,000	\$ 4,209,189	\$ 4,211,853	\$ 2,664
Interest income	23,000	33,000	70,057	37,057
Unrealized gain on investments	-	30,000	60,900	30,900
Total revenue	4,193,000	4,272,189	4,342,810	70,621
<b>Expenditures - Transfers out</b>	5,300,000	5,300,000	5,300,000	-
<b>Net Change in Fund Balance</b>	(1,107,000)	(1,027,811)	(957,190)	70,621
<b>Fund Balance - Beginning of year</b>	3,711,468	3,711,468	3,711,468	-
<b>Fund Balance - End of year</b>	\$ 2,604,468	\$ 2,683,657	\$ 2,754,278	\$ 70,621

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Tree Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 10,650	\$ 15,650	\$ 27,016	\$ 11,366
Unrealized gain on investments	-	4,915	16,683	11,768
Tree fund	75,000	125,000	182,157	57,157
Tree fund maintenance	2,000	22,000	18,050	(3,950)
Total revenue	87,650	167,565	243,906	76,341
<b>Expenditures - Tree plantings and maintenance</b>				
	87,650	167,565	151,807	15,758
<b>Net Change in Fund Balance</b>	-	-	92,099	92,099
<b>Fund Balance - Beginning of year</b>	1,485,961	1,485,961	1,485,961	-
<b>Fund Balance - End of year</b>	\$ 1,485,961	\$ 1,485,961	\$ 1,578,060	\$ 92,099

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Parks, Recreation, and Cultural Services Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 1,126,000	\$ 1,135,400	\$ 1,137,385	\$ 1,985
Federal grants	85,920	85,920	87,923	2,003
State sources	-	204,948	204,949	1
Interest income	5,000	5,000	6,344	1,344
Unrealized gain on investments	-	-	530	530
Program revenue	1,010,860	1,112,326	1,156,064	43,738
Older adults program revenue	202,284	206,284	204,077	(2,207)
Gifts and donations	-	-	20,000	20,000
Other revenue	5,000	8,350	23,027	14,677
Transfers in	250,000	262,212	264,902	2,690
<b>Total revenue</b>	<b>2,685,064</b>	<b>3,020,440</b>	<b>3,105,201</b>	<b>84,761</b>
<b>Expenditures</b>				
Personal services	857,717	909,113	868,673	40,440
Supplies	46,480	46,480	26,530	19,950
Other services and charges	1,495,096	1,429,105	1,449,073	(19,968)
Capital outlay	393,005	1,457,303	1,148,879	308,424
<b>Total expenditures</b>	<b>2,792,298</b>	<b>3,842,001</b>	<b>3,493,155</b>	<b>348,846</b>
<b>Net Change in Fund Balance</b>	<b>(107,234)</b>	<b>(821,561)</b>	<b>(387,954)</b>	<b>433,607</b>
<b>Fund Balance - Beginning of year</b>	<b>1,283,198</b>	<b>1,283,198</b>	<b>1,283,198</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,175,964</b>	<b>\$ 461,637</b>	<b>\$ 895,244</b>	<b>\$ 433,607</b>

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Drain Revenue Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 309,000	\$ 313,968	\$ 315,772	\$ 1,804
Interest income	30,000	30,000	77,798	47,798
Unrealized gain on investments	-	20,000	75,137	55,137
Other revenue	10,000	10,000	9,700	(300)
Total revenue	349,000	373,968	478,407	104,439
<b>Expenditures</b>				
Construction	36,700	318,147	60,083	258,064
Drain maintenance	687,700	990,714	426,799	563,915
Total expenditures	724,400	1,308,861	486,882	821,979
<b>Net Change in Fund Balance</b>	(375,400)	(934,893)	(8,475)	(926,418)
<b>Fund Balance - Beginning of year</b>	5,313,741	5,313,741	5,313,741	-
<b>Fund Balance - End of year</b>	\$ 4,938,341	\$ 4,378,848	\$ 5,305,266	\$ (926,418)

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Contributions and Donations Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 200	\$ 1,200	\$ 1,218	\$ 18
Unrealized gain (loss) on investments	-	-	(443)	(443)
Gifts and donations	-	4,350	3,831	(519)
Total revenue	200	5,550	4,606	(944)
<b>Expenditures</b>				
Other	-	2,350	2,255	95
Transfers out	-	3,000	5,690	(2,690)
Total expenditures	-	5,350	7,945	(2,595)
<b>Net Change in Fund Balance</b>	200	200	(3,339)	(3,539)
<b>Fund Balance - Beginning of year</b>	240,471	240,471	240,471	-
<b>Fund Balance - End of year</b>	\$ 240,671	\$ 240,671	\$ 237,132	\$ (3,539)

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Forfeiture Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State forfeiture funds	\$ 10,000	\$ 10,467	\$ 10,468	\$ 1
Federal forfeiture funds	20,000	379,728	379,641	(87)
Local forfeiture funds	1,000	3,957	3,931	(26)
Interest income	500	500	2,016	1,516
Total revenue	31,500	394,652	396,056	1,404
<b>Expenditures</b>				
Supplies	15,000	15,000	6,865	8,135
Other services and charges	34,910	76,695	73,819	2,876
Capital outlay	221,900	220,780	220,464	316
Total expenditures	271,810	312,475	301,148	11,327
<b>Net Change in Fund Balance</b>	(240,310)	82,177	94,908	12,731
<b>Fund Balance - Beginning of year</b>	341,404	341,404	341,404	-
<b>Fund Balance - End of year</b>	\$ 101,094	\$ 423,581	\$ 436,312	\$ 12,731

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Library Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 2,254,000	\$ 2,254,000	\$ 2,276,337	\$ 22,337
State sources	20,000	20,000	30,103	10,103
Fines and forfeitures	144,500	146,540	148,183	1,643
Interest income	25,000	25,000	42,598	17,598
Unrealized gain on investments	-	-	17,240	17,240
Other revenue	50,100	54,987	69,760	14,773
Total revenue	2,493,600	2,500,527	2,584,221	83,694
<b>Expenditures</b>				
Personal services	1,913,300	1,875,300	1,860,413	14,887
Supplies	578,900	578,700	511,492	67,208
Other services and charges	438,700	473,908	445,717	28,191
Capital outlay	43,800	43,800	33,915	9,885
Total expenditures	2,974,700	2,971,708	2,851,537	120,171
<b>Net Change in Fund Balance</b>	(481,100)	(471,181)	(267,316)	203,865
<b>Fund Balance - Beginning of year</b>	2,113,292	2,113,292	2,113,292	-
<b>Fund Balance - End of year</b>	\$ 1,632,192	\$ 1,642,111	\$ 1,845,976	\$ 203,865

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Walker Library Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ -	\$ 19,365	\$ 33,850	\$ 14,485
Unrealized gain on investments	-	-	17,261	17,261
Gifts and donations	-	20,635	13,531	(7,104)
Total revenue	-	40,000	64,642	24,642
<b>Expenditures - Library programs</b>	-	40,000	26,169	13,831
<b>Net Change in Fund Balance</b>	-	-	38,473	38,473
<b>Fund Balance - Beginning of year</b>	1,552,288	1,552,288	1,552,288	-
<b>Fund Balance - End of year</b>	\$ 1,552,288	\$ 1,552,288	\$ 1,590,761	\$ 38,473

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - West Oak Street Lighting Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ -	\$ 100	\$ 87	\$ (13)
Unrealized gain on investments	-	-	-	-
Special assessments collected	-	-	-	-
Other revenue	-	-	-	-
Total revenue	-	100	87	(13)
<b>Expenditures - Other</b>	-	12,000	9,895	2,105
<b>Net Change in Fund Balance</b>	-	(11,900)	(9,808)	2,092
<b>Fund Balance as restated - Beginning of year</b>	69,936	69,936	69,936	-
<b>Fund Balance - End of year</b>	\$ 69,936	\$ 58,036	\$ 60,128	\$ 2,092

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - West Lake Drive Street Lighting Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ -	\$ -	\$ 5	\$ 5
Special assessments collected	-	-	3,300	3,300
Total revenue	-	-	3,305	3,305
<b>Expenditures - Other</b>	-	3,300	2,914	386
<b>Net Change in Fund Balance</b>	-	(3,300)	391	3,691
<b>Fund Balance as restated</b> - Beginning of year	1,928	1,928	1,928	-
<b>Fund Balance</b> - End of year	\$ 1,928	\$ (1,372)	\$ 2,319	\$ 3,691

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (continued)

**Special Revenue - Town Center Street Street Lighting Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ -	\$ 100	\$ 57	\$ (43)
Special assessments collected	-	15,000	15,000	-
Other revenue	-	6,900	6,900	-
Total revenue	-	22,000	21,957	(43)
<b>Expenditures - Other</b>	-	480,000	475,709	4,291
<b>Net Change in Fund Balance</b>	-	(458,000)	(453,752)	4,248
<b>Fund Balance as restated - Beginning of year</b>	481,335	481,335	481,335	-
<b>Fund Balance - End of year</b>	\$ 481,335	\$ 23,335	\$ 27,583	\$ 4,248

City of Novi, Michigan  
Statement of Changes in Assets and Liabilities  
Agency Fund  
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 11,057,200	\$ 130,406,994	\$ (140,120,844)	\$ 1,343,350
Investments	-	9,986,940	(136,045)	9,850,895
Other	-	6,013	(3,272)	2,741
Due from other governmental units	18,164	-	(18,164)	-
Total assets	<u>\$ 11,075,364</u>	<u>\$ 140,399,947</u>	<u>\$ (140,278,325)</u>	<u>\$ 11,196,986</u>
<b>Liabilities</b>				
Due to builders and developers	\$ 11,057,200	\$ 7,610,663	\$ (7,470,877)	\$ 11,196,986
Due to schools and other governmental units	18,164	127,069,947	(127,088,111)	-
Total liabilities	<u>\$ 11,075,364</u>	<u>\$ 134,680,610</u>	<u>\$ (134,558,988)</u>	<u>\$ 11,196,986</u>

City of Novi, Michigan  
Statement of Net Position and Balance Sheet  
Economic Development Corporation Component Unit  
June 30, 2014

	<b>Operating Fund - Modified</b>			<b>Statement of Net Position</b>
	<b>Accrual</b>	<b>Basis</b>	<b>Adjustments</b>	
<b>Assets</b>				
Cash and cash equivalents	\$	18,828	\$ -	\$ 18,828
Other asset		35,000	-	35,000
Total assets	\$	53,828	\$ -	\$ 53,828
<b>Fund Balance/Net Position</b>				
Restricted for noncurrent asset	\$	35,000	\$ (35,000)	\$ -
Unassigned		18,828	(18,828)	-
Total fund balance	\$	53,828		
<b>Net Position - Unrestricted</b>			\$ 53,828	\$ 53,828

City of Novi, Michigan  
Statement of Activities and Revenues, Expenditures,  
and Changes in Fund Balances  
Economic Development Corporation Component Unit  
For the Fiscal Year Ended June 30, 2014

	<b>Operating Fund - Modified Accrual Basis</b>	<b>Statement of Activities</b>	
<b>Revenue</b> - Interest income	\$ 28	\$ 28	
<b>Expenditures</b> - Other	220	220	
<b>Change in Fund Balance/Net Position</b>	(192)	(192)	
<b>Fund Balance/Net Position - July 1, 2013</b>	54,020	54,020	
<b>Fund Balance/Net Position - June 30, 2014</b>	\$ 53,828	\$ 53,828	

City of Novi, Michigan  
Schedule of Indebtedness  
June 30, 2014

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding June 30	
				2014	2013
<b>Governmental activities</b>					
General Obligation Bonds:					
2002 Street and Refunding Bonds					
Amount of issue - \$24,720,000					
	4.000	10/1/2013	\$ 595,000	\$ -	\$ 595,000
	5.250	10/1/2014	625,000	625,000	625,000
	5.250	10/1/2015	655,000	655,000	655,000
	5.250	10/1/2016	695,000	695,000	695,000
	5.250	10/1/2017	730,000	730,000	730,000
		Total		<u>\$ 2,705,000</u>	<u>\$ 3,300,000</u>
2008 Unlimited Tax Library Bonds					
Amount of issue - \$16,000,000					
	3.500	10/1/2013	\$ 500,000	\$ -	\$ 500,000
	3.500	10/1/2014	500,000	500,000	500,000
	3.750	10/1/2015	500,000	500,000	500,000
	4.000	10/1/2016	750,000	750,000	750,000
	4.000	10/1/2017	750,000	750,000	750,000
	4.000	10/1/2018	750,000	750,000	750,000
	4.000	10/1/2019	750,000	750,000	750,000
	5.000	10/1/2020	1,000,000	1,000,000	1,000,000
	5.000	10/1/2021	1,000,000	1,000,000	1,000,000
	4.250	10/1/2022	1,000,000	1,000,000	1,000,000
	4.250	10/1/2023	1,250,000	1,250,000	1,250,000
	4.250	10/1/2024	1,250,000	1,250,000	1,250,000
	4.375	10/1/2025	1,500,000	1,500,000	1,500,000
	4.375	10/1/2026	1,500,000	1,500,000	1,500,000
	4.500	10/1/2027	1,750,000	1,750,000	1,750,000
		Total		<u>\$ 14,250,000</u>	<u>\$ 14,750,000</u>
2010 Unlimited Tax Refunding Bonds					
Amount of issue - \$4,895,000					
	4.500	10/1/2013	\$ 940,000	\$ -	\$ 940,000
	5.000	10/1/2014	990,000	990,000	990,000
	3.000	10/1/2015	1,075,000	1,075,000	1,075,000
		Total		<u>\$ 2,065,000</u>	<u>\$ 3,005,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2014	2013
<b>Governmental activities (continued)</b>					
Special Assessment Bonds:					
2012 Special Assessment Limited Tax Bonds					
Amount of issue - \$4,165,000					
	4.750	10/1/2013	\$ 1,415,000	\$ -	\$ 1,415,000
	4.750	10/1/2014	1,390,000	1,390,000	1,390,000
	4.750	10/1/2015	1,360,000	1,360,000	1,360,000
		Total		<u>\$ 2,750,000</u>	<u>\$ 4,165,000</u>
		Total governmental activities		<u>\$ 21,770,000</u>	<u>\$ 25,220,000</u>
<b>Business-type activities</b>					
Special Assessment Bonds:					
2003 Special Assessment Limited Tax Bonds					
Amount of issue - \$2,330,000					
	3.375	10/1/2013	\$ 175,000	\$ -	\$ 175,000
	3.500	10/1/2014	175,000	175,000	175,000
	3.625	10/1/2015	155,000	155,000	155,000
	3.750	10/1/2016	150,000	150,000	150,000
	4.000	10/1/2017	150,000	150,000	150,000
		Total		<u>\$ 630,000</u>	<u>\$ 805,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2014	2013
<b>Business-type activities (continued)</b>					
Building Authority Bonds:					
2004 Ice Arena Refunding Bonds:					
Amount of issue - \$7,630,000					
	4.000	6/1/2014	\$ 380,000	\$ -	\$ 380,000
	4.000	6/1/2015	425,000	425,000	425,000
	4.000	6/1/2016	420,000	420,000	420,000
	4.000	6/1/2017	465,000	465,000	465,000
	4.125	6/1/2018	460,000	460,000	460,000
	4.500	6/1/2019	480,000	480,000	480,000
	4.300	6/1/2020	500,000	500,000	500,000
	4.400	6/1/2021	500,000	500,000	500,000
	4.500	6/1/2022	520,000	520,000	520,000
	4.600	6/1/2023	515,000	515,000	515,000
	4.650	6/1/2024	560,000	560,000	560,000
		Total		<u>\$ 4,845,000</u>	<u>\$ 5,225,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2014	2013
<b>Business-type activities (continued)</b>					
Building Authority Bonds (continued):					
2005 Senior Housing Facility Bonds					
Amount of issue - \$9,920,000					
	3.750	10/1/2013	\$ 75,000	\$ -	\$ 75,000
	4.000	10/1/2014	80,000	80,000	80,000
	5.000	10/1/2015	240,000	240,000	240,000
	4.750	10/1/2016	775,000	775,000	775,000
	4.250	10/1/2017	810,000	810,000	810,000
	4.250	10/1/2018	845,000	845,000	845,000
	4.250	10/1/2019	850,000	850,000	850,000
	4.250	10/1/2020	840,000	840,000	840,000
	4.125	10/1/2021	850,000	850,000	850,000
	4.200	10/1/2022	885,000	885,000	885,000
	4.250	10/1/2023	1,015,000	1,015,000	1,015,000
	4.300	10/1/2024	1,055,000	1,055,000	1,055,000
	4.300	10/1/2025	1,100,000	1,100,000	1,100,000
		Total		\$ 9,345,000	\$ 9,420,000
2010 Senior Housing Refunding Bonds					
Amount of issue - \$2,970,000					
	2.000	10/1/2013	\$ 615,000	\$ -	\$ 615,000
	2.000	10/1/2014	625,000	625,000	625,000
	2.500	10/1/2015	480,000	480,000	480,000
		Total		\$ 1,105,000	\$ 1,720,000
Total business-type activities				\$ 15,925,000	\$ 17,170,000

## Statistical Section

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

The statistical section is organized into the following main categories:

**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.

**Revenue Capacity** – These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

**Debt Capacity** – These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographics 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.

**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.

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**Sources** - Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Novi, Michigan  
Net Position by Component  
Last Ten Fiscal Years

	June 30				
	2005	2006	2007	2008	2009
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 62,204,015	\$ 71,209,178	\$ 75,202,275	\$ 84,846,486	\$ 95,693,089
Restricted	41,242,642	41,981,032	48,704,895	44,064,821	43,593,310
Unrestricted	6,876,193	9,181,892	9,883,457	12,277,054	9,610,719
Total net position	\$ 110,322,850	\$ 122,372,102	\$ 133,790,627	\$ 141,188,361	\$ 148,897,118
<b>Business-type Activities</b>					
Net investment in capital assets	\$ 101,580,364	\$ 120,125,526	\$ 121,256,602	\$ 122,696,571	\$ 123,683,939
Restricted	10,763,974	9,233,967	9,539,969	9,253,056	8,680,849
Unrestricted	41,133,126	34,712,819	37,833,568	38,374,456	39,788,349
Total net position	\$ 153,477,464	\$ 164,072,312	\$ 168,630,139	\$ 170,324,083	\$ 172,153,137
<b>Primary Government in Total</b>					
Net investment in capital assets	\$ 163,784,379	\$ 191,334,704	\$ 196,458,877	\$ 207,543,057	\$ 219,377,028
Restricted	52,006,616	51,214,999	58,244,864	53,317,877	52,274,159
Unrestricted	48,009,319	43,894,711	47,717,025	50,651,510	49,399,068
Total net position	\$ 263,800,314	\$ 286,444,414	\$ 302,420,766	\$ 311,512,444	\$ 321,050,255

Source: City's annual financial statements

City of Novi, Michigan  
 Net Position by Component  
 Last Ten Fiscal Years (continued)

		June 30				
		2010	2011	2012	2013	2014
\$	98,921,906	\$ 101,958,721	\$ 106,988,589	\$ 111,718,349	\$ 113,868,196	
	45,653,695	42,916,961	41,427,834	37,289,012	31,457,166	
	8,329,201	12,295,232	10,690,782	10,826,405	15,521,158	
\$	152,904,802	\$ 157,170,914	\$ 159,107,205	\$ 159,833,766	\$ 160,846,520	
\$	122,111,095	\$ 120,045,947	\$ 117,789,163	\$ 117,914,884	\$ 116,089,327	
	8,429,638	8,175,188	7,494,295	7,001,295	1,136,154	
	42,387,922	45,978,922	49,270,297	51,125,429	59,819,546	
\$	172,928,655	\$ 174,200,057	\$ 174,553,755	\$ 176,041,608	\$ 177,045,027	
\$	221,033,001	\$ 222,004,668	\$ 224,777,752	\$ 229,633,233	\$ 229,957,523	
	54,083,333	51,092,149	48,922,129	44,290,307	32,593,320	
	50,717,123	58,274,154	59,961,079	61,951,834	75,340,704	
\$	325,833,457	\$ 331,370,971	\$ 333,660,960	\$ 335,875,374	\$ 337,891,547	

City of Novi, Michigan  
Changes in Net Position  
Governmental Activities  
Last Ten Fiscal Years

	June 30				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
General government	\$ 5,842,870	\$ 6,984,091	\$ 7,596,971	\$ 8,527,694	\$ 6,857,555
Public safety	16,168,230	17,394,448	18,364,779	20,006,508	19,619,207
Public works	9,168,248	9,247,149	9,718,720	9,993,071	10,898,774
Community and economic development	663,232	629,371	976,357	774,299	1,277,239
Recreation and culture	5,020,595	5,893,891	5,427,777	5,412,373	5,389,349
Interest and fiscal charges	2,926,353	2,691,960	2,293,205	2,221,714	2,343,833
<b>Total expenses</b>	<b>39,789,528</b>	<b>42,840,910</b>	<b>44,377,809</b>	<b>46,935,659</b>	<b>46,385,957</b>
<b>Program Revenue</b>					
Charges for services:					
Public safety	2,849,549	3,197,692	3,893,549	2,688,989	1,486,140
Recreation and culture	1,174,776	1,157,091	1,072,208	1,212,573	1,132,512
Other activities	997,257	815,190	695,444	424,270	309,179
<b>Total charges for services</b>	<b>5,021,582</b>	<b>5,169,973</b>	<b>5,661,201</b>	<b>4,325,832</b>	<b>2,927,831</b>
Operating grants and contributions	4,406,610	6,989,196	6,462,178	3,271,673	3,915,138
Capital grants and contributions	2,171,125	2,287,153	1,051,753	1,023,837	1,882,357
<b>Total program revenue</b>	<b>11,599,317</b>	<b>14,446,322</b>	<b>13,175,132</b>	<b>8,621,342</b>	<b>8,725,326</b>
<b>Net (Expense)</b>	<b>(28,190,211)</b>	<b>(28,394,588)</b>	<b>(31,202,677)</b>	<b>(38,314,317)</b>	<b>(37,660,631)</b>
<b>General Revenue</b>					
Property taxes	30,565,158	32,741,087	34,954,183	37,030,496	37,776,272
State-shared revenue (unrestricted)	3,756,453	3,728,482	3,613,152	3,613,152	3,425,882
Interest income (unrestricted)	1,357,939	2,706,553	3,556,170	3,604,198	2,375,074
Unrealized gain (loss) on cash equivalents	-	-	-	-	-
Cabel television franchise fees (unrestricted)	280,416	301,318	335,863	352,197	422,430
Miscellaneous revenue	691,558	966,400	855,834	1,112,008	1,369,730
<b>Total general revenue</b>	<b>36,651,524</b>	<b>40,443,840</b>	<b>43,315,202</b>	<b>45,712,051</b>	<b>45,369,388</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>(694,000)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 8,461,313</b>	<b>\$ 12,049,252</b>	<b>\$ 11,418,525</b>	<b>\$ 7,397,734</b>	<b>\$ 7,708,757</b>

Note: Interest income (unrestricted) also includes unrealized gains or losses on investments.

Source: City's annual financial statements

City of Novi, Michigan  
 Changes in Net Position  
 Governmental Activities (continued)  
 Last Ten Fiscal Years

June 30				
2010	2011	2012	2013	2014
\$ 6,404,820	\$ 6,315,571	\$ 6,610,466	\$ 6,943,746	\$ 6,378,078
18,735,448	18,331,488	16,793,073	16,191,890	17,216,678
9,831,873	11,548,677	10,729,285	11,741,414	12,455,654
1,317,373	1,241,411	2,617,585	2,699,301	3,072,448
7,719,230	5,151,212	5,595,861	5,730,397	6,100,940
1,780,848	1,759,340	1,453,161	1,059,437	963,702
45,789,592	44,347,699	43,799,431	44,366,185	46,187,500
1,780,059	2,438,917	3,181,849	3,186,862	1,198,711
1,210,039	1,300,084	1,422,483	1,655,335	1,592,012
208,442	611,929	548,787	709,560	2,547,217
3,198,540	4,350,930	5,153,119	5,551,757	5,337,940
3,391,897	3,620,833	3,511,329	3,897,155	4,525,924
1,070,050	2,176,263	804,764	1,197,870	651,597
7,660,487	10,148,026	9,469,212	10,646,782	10,515,461
(38,129,105)	(34,199,673)	(34,330,219)	(33,719,403)	(35,672,039)
37,137,888	32,550,375	30,183,881	29,620,564	30,059,401
3,046,979	3,725,690	3,990,693	4,074,589	4,170,809
593,064	626,449	881,869	(770,389)	977,005
-	-	-	-	459,611
535,804	601,350	722,065	991,272	801,256
823,054	961,921	466,110	529,928	216,711
42,136,789	38,465,785	36,244,618	34,445,964	36,684,793
-	-	21,892	-	-
\$ 4,007,684	\$ 4,266,112	\$ 1,936,291	\$ 726,561	\$ 1,012,754

City of Novi, Michigan  
Changes in Net Position  
Business-type Activities  
Last Ten Fiscal Years

	June 30				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
Water and sewer	\$ 16,771,488	\$ 17,669,658	\$ 17,283,267	\$ 18,816,944	\$ 18,216,338
Ice arena	1,734,652	1,736,197	1,719,682	1,785,941	1,755,459
Senior housing	1,798,915	1,662,803	1,829,283	1,829,889	1,736,707
Total expenses	20,305,055	21,068,658	20,832,232	22,432,774	21,708,504
<b>Program Revenue</b>					
Charges for services:					
Water and sewer	12,382,451	14,413,573	14,156,642	15,842,032	16,460,328
Ice arena	1,736,504	1,948,994	1,953,805	2,096,064	2,020,838
Senior housing	1,717,479	1,750,117	1,781,596	1,821,871	1,801,742
Total charges for services	15,836,434	18,112,684	17,892,043	19,759,967	20,282,908
Capital grants and contributions	10,305,554	11,439,392	4,429,990	3,417,107	3,087,188
Total program revenue	26,141,988	29,552,076	22,322,033	23,177,074	23,370,096
<b>Net Revenue (Expense)</b>	5,836,933	8,483,418	1,489,801	744,300	1,661,592
<b>General Revenue</b>					
Interest income (unrestricted)	1,849,517	2,098,954	2,374,026	949,644	167,462
Miscellaneous	-	12,476	-	-	-
Total general revenue	1,849,517	2,111,430	2,374,026	949,644	167,462
<b>Transfers</b>	-	-	694,000	-	-
<b>Change in Net Position</b>	<u>\$ 7,686,450</u>	<u>\$ 10,594,848</u>	<u>\$ 4,557,827</u>	<u>\$ 1,693,944</u>	<u>\$ 1,829,054</u>

Note: Unrestricted interest earnings also includes unrealized gains or losses on cash equivalents.

Source: City's annual financial statements

City of Novi, Michigan  
Changes in Net Position  
Business-type Activities (continued)  
Last Ten Fiscal Years

		June 30				
2010	2011	2012	2013	2014		
\$ 18,043,772	\$ 20,419,330	\$ 23,771,121	\$ 24,025,098	\$ 23,001,139		
1,669,542	1,704,596	1,710,615	1,919,478	1,771,615		
1,575,178	1,577,697	1,541,251	1,537,409	1,548,478		
21,288,492	23,701,623	27,022,987	27,481,985	26,321,232		
16,359,420	18,494,973	20,627,062	22,398,469	21,663,401		
2,067,836	2,078,643	2,003,689	2,104,536	2,143,962		
1,804,069	1,903,346	1,944,912	1,968,900	1,992,761		
20,231,325	22,476,962	24,575,663	26,471,905	25,800,124		
1,443,974	2,002,749	2,172,991	3,383,087	2,905,677		
21,675,299	24,479,711	26,748,654	29,854,992	28,705,801		
386,807	778,088	(274,333)	2,373,007	2,384,569		
388,711	493,314	649,923	(885,154)	622,902		
-	-	-	-	495,955		
388,711	493,314	649,923	(885,154)	1,118,857		
-	-	(21,892)	-	-		
\$ 775,518	\$ 1,271,402	\$ 353,698	\$ 1,487,853	\$ 3,503,426		

City of Novi, Michigan  
Fund Balances  
Governmental Funds  
Last Ten Fiscal Years

	Year Ended June 30			
	2005	2006	2007	2008
<b>General Fund</b>				
Reserved	\$ 64,742	\$ 454,025	\$ 1,037,182	\$ 172,263
Unreserved	7,139,595	10,059,345	10,577,595	12,240,776
Nonspendable				
Prepays	-	-	-	-
Restricted				
PEG access support fees	-	-	-	-
Assigned				
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 7,204,337</u>	<u>\$ 10,513,370</u>	<u>\$ 11,614,777</u>	<u>\$ 12,413,039</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 6,032,947	\$ 6,731,963	\$ 7,660,714	\$ 21,943,866
Unreserved, reported in:				
Special Revenue Funds	19,653,909	20,009,494	26,857,209	26,824,183
Capital Project Funds	4,456,497	4,523,656	2,744,792	-
Debt Service Funds	1,022,959	1,491,063	1,449,850	1,417,823
Nonspendable				
Prepays	-	-	-	-
Restricted				
Contributions and donations	-	-	-	-
Road construction and maintenance	-	-	-	-
Cash and investments restricted for				
special assessments	-	-	-	-
Storm water systems	-	-	-	-
Parks, recreation, and cultural services	-	-	-	-
Debt service	-	-	-	-
Library	-	-	-	-
Tree replacement and maintenance	-	-	-	-
Law enforcement programs	-	-	-	-
Police and fire operations	-	-	-	-
Street improvement	-	-	-	-
Infrastructure improvements	-	-	-	-
Subsequent year's budget	-	-	-	-
Total all other governmental funds	<u>\$ 31,166,312</u>	<u>\$ 32,756,176</u>	<u>\$ 38,712,565</u>	<u>\$ 50,185,872</u>

Source: City's annual financial statements

Note: For the year-ended June 30, 2011, the City implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which required changes in how governmental fund balance is reported. For purposes of this schedule, the City did not restate prior year fund balances.

City of Novi, Michigan  
Fund Balances  
Governmental Funds (continued)  
Last Ten Fiscal Years

		Year Ended June 30					
		2009	2010	2011	2012	2013	2014
\$	-	\$	-	\$	-	\$	-
	10,314,220		9,710,403		-		-
	-		-	1,640	-	5,000	13,915
	-		-	103,988	252,758	179,147	272,654
	-		-	4,192,010	1,185,395	661,639	-
	-		-	7,119,437	8,126,447	7,965,778	9,203,448
\$	10,314,220	\$	9,710,403	\$	11,417,075	\$	9,564,600
						\$	8,811,564
							\$
							9,490,017
\$	20,841,560	\$	9,892,542	\$	-	\$	-
	25,412,275		27,459,651		-		-
	-		-		-		-
	1,531,730		1,747,094		-	160,337	-
	-		-		2,500		-
	-		-	1,609,650	1,710,351	1,792,758	1,827,893
	-		-	5,263,318	6,168,785	5,975,031	5,439,981
	-		-	5,077,212	4,577,626	4,474,222	90,030
	-		-	10,430,045	10,194,378	10,174,456	11,629,249
	-		-			1,283,200	895,244
	-		-	1,240,366	307,771		212,251
	-		-	3,257,122	4,011,112	2,113,292	1,845,976
	-		-	1,248,144	1,519,721	1,485,961	1,578,060
	-		-	438,121	617,763	341,404	436,312
	-		-	3,273,244	4,975,211	3,711,468	2,754,278
	-		-				4,747,892
	-		-	3,098,874	3,750,110	3,721,329	3,783,361
	-		-	3,066,993			-
\$	47,785,565	\$	39,099,287	\$	38,003,089	\$	37,835,328
						\$	35,233,458
							\$
							35,240,527

City of Novi, Michigan  
Changes in Fund Balances  
Governmental Funds  
Last Ten Fiscal Years

	Year Ended June 30			
	2005	2006	2007	2008
<b>Revenue</b>				
Taxes	\$ 30,565,342	\$ 32,741,087	\$ 34,954,183	\$ 37,030,496
Licenses, permits, and charges for services	3,722,805	3,835,567	4,464,140	3,100,389
Federal grants	691,007	437,956	194,188	270,420
State sources	6,820,821	7,075,986	6,640,108	6,651,174
Special assessments collected	1,358,180	1,271,778	1,469,927	1,371,526
Fines and forfeitures	1,841,171	3,070,343	3,223,117	658,388
Interest income	2,451,375	3,735,575	4,529,431	4,460,935
Unrealized gain on investments	-	-	-	-
Recreational programs	847,606	918,047	864,760	962,418
Gifts and donations	13,782	340,147	5,650	49,346
Other revenue	1,015,413	2,526,651	1,671,891	1,197,343
Total revenue	49,327,502	55,953,137	58,017,395	55,752,435
<b>Expenditures</b>				
Current services:				
City council	5,142	6,714	4,833	21,580
City manager	588,392	405,829	410,554	425,576
Finance	683,494	721,668	893,732	876,915
Information technology	335,892	453,963	473,271	574,817
Assessing	628,395	660,643	695,564	791,884
City attorney	460,265	393,687	386,133	463,023
City clerk	545,666	485,907	527,221	543,327
Treasury	274,503	260,768	286,102	285,331
Facility operations	699,789	648,426	1,026,280	960,778
Human resources (3)	-	-	-	-
Neighborhood and business relations group (1)	280,850	293,175	334,545	578,654
General administration	1,342,756	1,708,636	2,568,173	1,870,418
Public safety - Police department	9,706,073	10,248,128	10,683,107	11,125,764
Public safety - Fire department	3,740,265	4,707,555	5,046,849	5,209,761
Community development - Building division (2)	1,769,951	1,746,988	2,132,757	2,495,615
Community development - Planning division (2)	607,832	621,035	673,842	743,118
Neighborhood services	425,959	449,562	493,726	-
Department of public services	665,697	961,073	737,554	998,536
Engineering	374,411	277,607	367,279	364,198
Planning commission	55,580	1,034	3,755	7,912
Construction	8,266,582	7,254,583	3,933,162	6,301,555
Street maintenance	2,724,585	2,691,092	2,361,203	2,840,343
Drain maintenance	429,265	490,658	589,733	547,477
Recreational programs	1,802,210	1,912,578	1,878,091	1,921,020
Tree plantings and maintenance	1,009,631	1,485,440	1,164,713	1,155,892
Library programs	2,222,296	2,313,923	2,386,812	2,529,724

City of Novi, Michigan  
Changes in Fund Balances  
Governmental Funds (continued)  
Last Ten Fiscal Years

		Year Ended June 30									
		2009	2010	2011	2012	2013	2014				
\$	37,776,272	\$	37,137,888	\$	32,550,376	\$	30,183,881	\$	29,620,564	\$	30,059,401
	1,825,491		1,981,548		2,900,982		3,749,548		4,190,121		3,848,403
	483,550		346,722		488,948		132,764		284,254		148,755
	7,032,331		5,926,318		6,621,830		7,294,974		7,685,394		8,114,209
	1,438,220		1,523,589		1,351,415		1,459,685		1,574,637		1,678,070
	1,262,933		1,019,185		828,789		839,107		856,128		1,054,660
	3,147,972		1,278,007		1,218,637		1,383,389		(60,470)		985,526
	-		-		-		-		-		506,264
	967,156		1,064,430		1,090,881		1,221,521		1,431,391		1,360,141
	49,226		110,815		38,662		95,322		159,548		42,406
	1,601,451		989,212		1,935,916		878,923		919,882		1,360,540
	55,584,602		51,377,714		49,026,436		47,239,114		46,661,449		49,158,375
	8,965		9,242		9,213		16,012		10,051		10,911
	420,710		411,411		363,513		399,594		423,711		399,885
	906,598		812,468		815,502		780,995		711,615		649,156
	621,582		685,954		710,859		628,167		693,974		864,178
	881,136		841,391		727,995		776,554		892,586		800,480
	390,220		347,976		457,054		431,011		384,736		375,926
	636,981		565,152		520,796		496,005		528,894		491,137
	295,127		295,806		274,364		284,894		313,156		285,976
	1,669,302		1,154,049		889,803		754,658		1,087,948		919,912
	-		-		418,994		394,009		408,611		423,452
	717,049		685,791		646,080		787,153		960,416		846,432
	1,728,883		1,598,772		1,380,374		1,738,906		2,104,447		1,596,080
	11,840,227		11,464,834		11,481,373		11,225,698		11,376,197		11,746,975
	6,351,188		4,813,234		4,730,832		4,540,765		4,548,565		5,110,195
	2,012,522		1,438,146		1,343,440		1,383,833		1,449,296		1,554,167
	615,171		625,365		617,048		519,896		489,065		586,948
	-		-		-		-		-		-
	1,177,144		2,254,978		2,416,375		2,419,815		2,693,588		2,960,570
	476,489		-		-		-		-		-
	9,909		3,366		6,168		699		6,744		-
	7,629,512		14,589,987		2,272,800		4,983,542		4,015,306		3,652,031
	3,125,742		2,366,408		2,780,785		1,992,964		2,592,208		3,616,794
	610,898		635,237		580,337		713,607		409,935		426,799
	2,039,331		1,942,282		1,795,604		2,233,255		2,254,135		2,345,313
	912,323		200,962		63,478		41,539		-		-
	2,531,152		2,578,916		2,704,689		2,636,714		2,712,163		2,843,791

City of Novi, Michigan  
Changes in Fund Balances  
Governmental Funds (continued)  
Last Ten Fiscal Years

	Year Ended June 30			
	2005	2006	2007	2008
<b>Expenditures (continued)</b>				
Current services (continued):				
Capital outlay	\$ 238,090	\$ 688,050	\$ 949,021	\$ 2,684,008
Debt service principal	5,667,000	6,059,000	6,190,000	9,525,000
Debt service interest and other	2,990,500	2,750,192	2,520,162	2,207,990
Advance refunding escrow	-	-	-	-
Total expenditures	48,541,071	50,697,914	49,718,174	58,050,216
<b>Excess of Revenue Over (Under) Expenditures</b>	786,431	5,255,223	8,299,221	(2,297,781)
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	-	-	16,000,000
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	8,235,372	10,257,998	8,740,129	12,277,286
Transfers out	(8,235,372)	(10,257,998)	(9,434,129)	(12,277,286)
Total other financing sources (uses)	-	-	(694,000)	16,000,000
<b>Net Change in Fund Balances</b>	786,431	5,255,223	7,605,221	13,702,219
<b>Fund Balances - Beginning of year</b>	37,761,404	38,370,649	43,269,546	50,327,342
<b>Fund Balances - End of year</b>	\$ 38,547,835	\$ 43,625,872	\$ 50,874,767	\$ 64,029,561
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	21.9%	21.3%	20.0%	24.2%

(1) Formerly "community relations"

(2) Formerly "building, planning, and neighborhood services" combined into "community development"

(3) Formerly combined with "general administration"

Source: City's annual financial statements

City of Novi, Michigan  
 Changes in Fund Balances  
 Governmental Funds (continued)  
 Last Ten Fiscal Years

		Year Ended June 30									
		2009	2010	2011	2012	2013	2014				
\$	2,847,879	\$	503,397	\$	544,706	\$	674,518	\$	2,170,216	\$	1,555,065
	7,075,000		7,325,001		7,685,000		6,855,000		5,205,000		3,450,000
	2,368,662		1,955,810		1,818,453		1,489,001		1,103,341		960,681
	-		109,181		-		-		-		-
	59,899,702		60,215,116		48,055,635		49,198,804		49,545,904		48,472,854
	(4,315,100)		(8,837,402)		970,801		(1,959,690)		(2,884,455)		685,521
	-		4,895,000		-		-		4,165,000		-
	-		(5,030,072)		-		-		(4,500,000)		-
	7,638,046		6,097,096		10,289,946		5,118,792		8,263,793		13,758,461
	(7,638,046)		(6,097,096)		(10,289,946)		(5,096,900)		(8,263,793)		(13,758,461)
	-		(135,072)		-		21,892		(335,000)		-
	(4,315,100)		(8,972,474)		970,801		(1,937,798)		(3,219,455)		685,521
	62,598,911		58,099,785		48,809,690		49,420,164		47,399,928		44,045,023
\$	58,283,811	\$	49,127,311	\$	49,780,491	\$	47,482,366	\$	44,180,473	\$	44,730,544
	20.6%		21.5%		21.5%		19.2%		14.5%		10.2%

City of Novi, Michigan  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (dollars in thousands)

Taxable Value by Property Type				
Real Property				
Year Ended June 30	Residential	Commercial	Industrial	Developmental
2005	\$ 1,746,995	\$ 703,099	\$ 225,091	\$ 19,225
2006	1,932,745	738,891	232,970	-
2007	2,144,509	785,263	239,100	-
2008	2,259,984	840,511	249,294	-
2009	2,238,676	875,710	257,605	-
2010	2,118,749	934,816	268,209	-
2011	1,862,674	900,544	220,883	-
2012	1,781,998	923,405	53,531	-
2013	1,809,105	846,638	44,245	-
2014	1,892,837	815,093	40,453	-

Note: Under Michigan law, the revenue base is taxable value.

Source: City's assessor department records

City of Novi, Michigan  
 Assessed Value and Actual Value of Taxable Property (continued)  
 Last Ten Fiscal Years  
 (dollars in thousands)

	Personal Property	Total Taxable Value	Tax Rate (Mills)	State Equalized Value (SEV)	Taxable Value as a Percent of SEV
\$	206,140	\$ 2,900,550	10.5416	\$ 3,407,207	85
	194,212	3,098,818	10.5416	3,580,551	87
	195,190	3,364,062	10.5416	3,848,565	87
	200,618	3,550,407	10.5416	3,946,242	90
	210,457	3,582,448	10.5416	3,876,955	92
	233,170	3,554,944	10.5416	3,742,062	95
	220,467	3,204,568	10.5416	3,321,185	96
	220,679	2,979,613	10.5416	3,063,923	97
	220,345	2,920,333	10.2000	3,004,330	97
	223,699	2,972,082	10.2000	3,099,734	96

City of Novi, Michigan  
 Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years  
 (dollars in thousands)

City of Novi								
Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
2005	4.6422	0.7719	1.4282	0.3857	0.5105	0.7719	2.0312	10.5416
2006	4.6802	0.7719	1.4282	0.3857	0.5105	0.7719	1.9932	10.5416
2007	4.8051	0.7719	1.4282	0.3857	0.5105	0.7719	1.8683	10.5416
2008	4.8287	0.7719	1.4282	0.3857	0.5105	0.7719	1.8447	10.5416
2009	4.8287	0.7719	1.4282	0.3857	0.3590	0.7719	1.9962	10.5416
2010	4.9027	0.7719	1.4282	0.3857	0.1765	0.7719	2.1047	10.5416
2011	5.0182	0.7719	1.4282	0.3857	0.0885	0.7719	2.0772	10.5416
2012	5.0182	0.7719	1.4282	0.3857	0.2642	0.7719	1.9015	10.5416
2013	5.0182	0.7719	1.4282	0.3857	0.3435	0.7719	1.4806	10.2000
2014	5.0182	1.5000	1.4282	0.3857	0.1057	0.7719	0.9903	10.2000

Note: All rates are expressed in dollars per \$1,000 of taxable value.

Source: City's finance department records

City of Novi, Michigan  
 Direct and Overlapping Property Tax Rates (continued)  
 Last Ten Fiscal Years  
 (dollars in thousands)

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
12.0413	26.2032	8.5000	26.5000	7.0548	22.7900	5.2200	23.2200
11.7194	26.1532	8.5000	26.5000	6.8975	22.7900	4.9500	22.9500
10.6182	25.6732	8.5000	26.5000	6.7841	22.7900	4.4000	22.4000
10.0181	25.1332	8.5000	26.5000	6.6700	22.7900	4.2400	22.2400
9.9724	25.3332	8.5000	26.5000	6.5722	22.7900	3.9000	21.9000
10.3800	25.7332	8.5000	26.5000	6.4793	22.5000	4.0000	22.7200
11.4931	26.3632	10.5000	28.5000	6.7508	22.5000	4.5000	22.5000
11.3229	26.1930	10.8500	28.8000	6.8812	22.5000	5.5000	23.3800
12.3331	27.1010	10.8500	28.8500	7.0254	22.5600	5.3000	23.3000
12.3296	27.1010	10.7000	28.7000	7.4730	23.1445	5.3000	23.3000

City of Novi, Michigan  
 Direct and Overlapping Property Tax Rates (continued)  
 Last Ten Fiscal Years  
 (dollars in thousands)

Fiscal Year	Overlapping Government					
	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
2005	4.6476	1.5889	1.7967	3.3789	3.4643	6.0000
2006	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2007	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2008	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2009	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2010	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2011	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2012	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2013	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2014	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000

City of Novi, Michigan  
Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2013 Taxable Value	Percentage of total	2013 rank	2004 Taxable Value	Percentage of total	2004 rank
Taubman	\$ 50,060,570	1.63	1	\$ 53,394,800	1.67	2
Northern Equities Et al	49,828,970	1.62	2			
Singh Development	43,786,500	1.43	3	54,986,950	1.72	1
Novi Campus LLC - Fox Run	32,827,540	1.07	4	20,892,510	0.65	10
International Transmission Co	28,007,760	0.91	5			
Occidental Development Ltd.	27,467,160	0.89	6	33,362,450	1.04	5
Detroit Edison	27,083,160	0.88	7	27,518,770	0.86	7
Bowman	25,450,990	0.83	8			
Providence Hospital	23,211,650	0.76	9	19,618,600	0.73	8
Fountain Walk	15,195,400	0.49	10	37,265,750	1.17	4
Haggerty Corridor Partners				46,487,900	1.45	3
Toll MI Ltd. Part.				28,571,750	0.89	6
Solomn Properties				22,205,150	0.69	9
		<u>10.51</u>			<u>10.87</u>	

Note: The City obtained the nine years prior taxable value data from the CAFR for each year. Taxable value data for any taxpayers who were not among the top 10 during that year is not available.

Source: City's Assessor department records

City of Novi, Michigan  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
2004	2005	\$ 30,576,422	\$ 28,583,217	93.5	\$ 896,068	\$ 29,479,285	96.4
2005	2006	32,666,495	31,511,671	96.5	523,589	32,035,260	98.1
2006	2007	35,515,881	33,701,763	94.9	804,920	34,506,683	97.2
2007	2008	37,235,244	34,722,648	93.3	1,208,158	35,930,806	96.5
2008	2009	37,786,170	36,240,984	95.9	1,242,184	37,483,168	99.2
2009	2010	37,360,762	34,997,428	93.7	2,057,564	37,054,992	99.2
2010	2011	33,678,282	32,529,560	96.6	983,484	33,513,044	99.5
2011	2012	31,153,847	30,486,979	97.9	529,773	31,016,752	99.6
2012	2013	29,801,091	29,155,182	97.8	477,217	29,632,399	99.4
2013	2014	30,206,320	29,765,634	98.5	379,876	30,145,510	99.8

Note: Tax levy and collection information does not include Special Assessments.

Source: City's finance department records

City of Novi, Michigan  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(dollars in thousands, except per capita)

	2005	2006	2007	2008
<b>Governmental Activities</b>				
General obligation bonds (1)	\$ 50,130	\$ 45,230	\$ 40,165	\$ 48,065
Installment purchase agreements	34	-	-	-
Special assessment bonds	15,340	14,215	13,090	11,665
Total	65,504	59,445	53,255	59,730
<b>Business-type Activities</b>				
General obligation bonds (1)	24,393	23,030	21,491	19,933
Special assessment bonds	2,255	2,080	1,905	1,730
Installment loans	-	-	-	-
Revenue bonds	13,155	-	-	-
Total	39,803	25,110	23,396	21,663
Total debt of the government	\$ 105,307	\$ 84,555	\$ 76,651	\$ 81,393
Total taxable value	\$ 2,900,549	\$ 3,098,818	\$ 3,364,062	\$ 3,550,407
Ratio of total debt to taxable value	3.63%	2.73%	2.28%	2.29%
Total population*	52,921	53,941	54,609	54,688
Total debt per capita	\$ 1,990	\$ 1,568	\$ 1,404	\$ 1,488

\* Population estimate information obtained from the Southeast Michigan Council of Governments.  
[www.semco.org](http://www.semco.org)

(1) Less deferred amount on refunding

Source: City's annual financial statements

City of Novi, Michigan  
 Ratios of Outstanding Debt by Type (continued)  
 Last Ten Fiscal Years  
 (dollars in thousands, except per capita)

	2009	2010	2011	2012	2013	2014
\$	42,455	\$ 36,336	\$ 30,086	\$ 24,667	\$ 20,948	\$ 19,020
	-	-	-	-	-	-
	10,200	8,750	7,350	5,950	4,165	2,750
	52,655	45,086	37,436	30,617	25,113	21,770
	19,090	18,197	17,334	16,425	15,462	15,295
	1,530	1,330	1,155	980	805	630
	-	-	-	-	-	-
	-	-	-	-	-	-
	20,620	19,527	18,489	17,405	16,267	15,925
\$	73,275	\$ 64,613	\$ 55,925	\$ 48,022	\$ 41,380	\$ 37,695
\$	3,582,448	\$ 3,554,944	\$ 3,204,568	\$ 2,979,613	\$ 2,920,333	\$ 2,972,082
	2.05%	1.82%	1.75%	1.61%	1.42%	1.27%
	54,376	55,224	55,374	56,062	59,395	60,290
\$	1,348	\$ 1,170	\$ 1,010	\$ 857	\$ 697	\$ 625

City of Novi, Michigan  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(dollars in thousands, except per capita)

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Bonded Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population (2)	Debt per Capita
2005	\$ 1,700	\$ 46,685	\$ 1,745	\$ 34	\$ 50,164	\$ 2,900,549	1.73	52,921	\$ 948
2006	1,525	42,225	1,480	-	45,230	3,098,818	1.46	53,941	839
2007	1,350	37,600	1,215	-	40,165	3,364,062	1.19	54,609	736
2008	1,150	46,005	910	-	48,065	3,550,407	1.35	54,688	879
2009	950	40,895	610	-	42,455	3,582,448	1.19	54,376	781
2010 (1)	750	35,485	315	19,390	55,940	3,554,944	1.57	55,224	1,013
2011 (1)	550	29,715	-	18,430	48,695	3,204,568	1.52	55,374	879
2012	275	24,535	-	17,425	42,235	2,979,613	1.42	56,062	753
2013	-	21,055	-	16,365	37,420	2,920,333	1.28	59,395	630
2014	-	19,020	-	15,295	34,315	2,972,082	1.15	60,290	569

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

(1) Other general bonded debt includes the Building Authority Bonds paid from the net revenues of the Ice Arena and Senior Housing Fund. Prior year other general bonded debt was not restated to include debt of business-type activities.

(2) Population estimate information obtained from the Southeast Michigan Council of Governments [www.semcong.org](http://www.semcong.org)

Source: City's finance department records

City of Novi, Michigan  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2014  
 (dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 124,430,000	99.83	\$ 124,218,469
Northville School District	61,960,000	18.92	11,722,832
Walled Lake School District	169,285,000	12.80	21,668,480
South Lyon School District	152,485,000	2.50	3,812,125
Oakland County	447,583,171	6.06	27,123,540
Oakland Intermediate School District	55,625,000	5.12	2,848,000
Oakland Community College	3,075,000	4.91	150,983
Schoolcraft Community College	17,030,000	4.66	793,598
Total overlapping debt			<u>192,338,027</u>
Direct City debt (1)			<u>19,020,000</u>
Total direct and overlapping debt			<u>\$ 211,358,027</u>

(1) Amount does not include Special Assessment obligations and is net of deferred amount on refundings.

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

City of Novi, Michigan  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (dollars in thousands)

	2005	2006	2007	2008
<b>Calculation of Debt Limit</b>				
State equalized valuation (2)	\$ 3,407,207	\$ 3,580,551	\$ 3,848,565	\$ 3,946,242
Assessed value equivalent of Act 198 exemptions (1)	-	8,350	8,386	8,423
<b>Debt Limit (10% of SEV)</b>	<b>340,721</b>	<b>358,890</b>	<b>385,695</b>	<b>395,467</b>
<b>Calculation of Debt Subject to Limit</b>				
Total debt	106,654	84,554	76,651	81,393
Less:				
Special assessment bonds	17,595	16,295	14,995	13,395
Michigan Transportation Fund bonds	1,745	1,480	1,215	910
Revenue bonds	13,155	-	-	-
Net Debt Subject to Limit	74,159	66,779	60,441	67,088
Legal Debt Margin	\$ 266,562	\$ 292,111	\$ 325,254	\$ 328,379
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	<b>21.77%</b>	<b>18.61%</b>	<b>15.67%</b>	<b>16.96%</b>

(1) Assessed value changes in prior years as a result of Michigan Tax Tribunal case.

(2) Debt limit is calculated based on prior tax year SEV.

Source: City's finance department records.

Act 279, Public Acts of Michigan, 1909, as amended, and the City Charter of the City, provide that the net indebtedness of the City shall not exceed 10% of all assessed real and personal property in the City, plus assessed value equivalent of Act 198 specific tax levies.

Bonds which are not included in the computation of legal debt margin according to said Act 279 are:

- (a) Special Assessment Bonds;
- (b) Mortgage Bonds;
- (c) Michigan Transportation Fund Bonds and Notes;
- (d) Revenue Bonds;
- (e) Bonds issued, or contract or assessment obligations incurred, to comply with an order of the former water resources commission, the department of environmental quality, or a court of competent jurisdiction;
- (f) Bonds issued, or contract or assessment obligations incurred, for water supply, sewerage, drainage or refuse disposal projects necessary to protect the public health by abating pollution;
- (g) Bonds issued, or contract or assessment obligations incurred, for the construction, improvement or replacement of a combined sewer overflow abatement facility; and
- (h) Bonds issued to pay premiums or establish self-insurance contracts in accordance with Act 34, Public Acts of Michigan, 2001, as amended.

City of Novi, Michigan  
 Legal Debt Margin Information (continued)  
 Last Ten Fiscal Years  
 (dollars in thousands)

	2009	2010	2011	2012	2013	2014
\$	3,876,955	\$ 3,742,062	\$ 3,321,185	\$ 3,063,923	\$ 3,004,330	\$ 3,099,734
	8,423	8,414	8,389	8,961	8,961	10,159
	388,538	375,048	332,957	307,288	301,329	310,989
	73,275	64,613	55,925	48,023	41,380	37,695
	11,730	10,080	8,505	6,930	4,970	3,380
	610	315	-	-	-	-
	-	-	-	-	-	-
	60,935	54,218	47,420	41,093	36,410	34,315
\$	327,603	\$ 320,830	\$ 285,537	\$ 266,195	\$ 264,919	\$ 276,674
	15.68%	14.46%	14.24%	13.37%	12.08%	11.03%

City of Novi, Michigan  
Pledged-revenue Coverage  
Last Ten Fiscal Years  
(dollars in thousands)

Fiscal Year	Water and Sewer Revenue Bonds							Special Assessment Bonds				
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Coverage	Special Assessment Collections	Debt Service			
				Principal	Interest			Principal	Interest	Coverage		
2005	\$ 14,416	\$ 12,885	\$ 1,531	\$ 525	\$ 652	1.30	\$ 2,715	\$ 1,200	\$ 866	1.31		
2006	-	-	-	-	-	-	2,679	1,300	775	1.29		
2007	-	-	-	-	-	-	2,759	1,300	715	1.37		
2008	-	-	-	-	-	-	2,589	1,600	649	1.15		
2009	-	-	-	-	-	-	2,481	1,665	574	1.11		
2010	-	-	-	-	-	-	2,583	1,650	499	1.20		
2011	-	-	-	-	-	-	2,661	1,575	425	1.33		
2012	-	-	-	-	-	-	2,701	1,575	354	1.40		
2013 *	-	-	-	-	-	-	2,503	1,625	140	1.42		
2014	-	-	-	-	-	-	2,135	1,590	130	1.24		

Source: City's annual financial statements

\* 2000 Special Assessment Limited Tax Bond was refunded in the current year. City had savings on the interest that was paid during FY 2013.

City of Novi, Michigan  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2005	52,921	*	*	3.9
2006	53,941	*	*	3.5
2007	54,609	*	*	4.3
2008	54,688	*	*	4.1
2009	54,376	*	*	5.9
2010	55,224	*	*	8.4
2011	55,374	*	*	10.9
2012	56,062	*	*	8.2
2013	59,395	*	*	9.4 **
2014	60,290	*	*	4.4

\* Not available

Sources: Southeast Michigan Council of Governments  
Michigan Department of Licensing and Regulatory Affairs  
U.S. Bureau of the Census  
U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

\*\* Source: U.S. Bureau of Labor Statistics - Warren, Troy, Farmington Hills

City of Novi, Michigan  
Principal Employers  
June 30, 2014

Employer	2014 Employees	2013 Employees	2012 Employees
1 Novi Community Schools	950	787	807
2 St. John Health/Providence Park Hospital	878	1,686	1,000
3 Fox Run	768	768	300
4 Ryder System	700	640	600
5 ITC Holding, Inc.	442	500	230
6 Intier/Magna	354	550	550
7 Cooper-Standard Automotive	270	250	250
8 Comau North America	256	288	288
9 Michigan Cat	255		220
10 CVS Michigan, LLC (Distribution Center)	250	250	250
11 Tognum	240	260	
12 Paychex	200		200
13 Macy's		500	539
14 Caparo Vehicle Components			200

Note - Employee totals do not include part-time employees

Sources: The City's Neighborhood and Business Relations Group is currently in the process of researching and updating the database of major employers within Novi. The data presented is as of January 2014.

(1) Information for prior six years is currently unavailable.

City of Novi, Michigan  
Full-time City Government Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
City manager	4	3	3	3
Finance department	7	8	8	8
Information technology	3	4	4	5
Assessing	7	7	7	7
City clerk	6	6	6	6
Treasury	3	3	3	3
Facility operations	2	2	2	2
Human resources (3)	-	-	-	-
General administration	6	6	7	5
Department of public safety	-	-	-	-
Police department (4)	97	97	99	99
Fire department (4)	31	30	31	31
Building department	18	18	18	-
Neighborhood services	5	5	5	-
Department of public services (5)	25	23	23	23
Engineering	5	5	5	6
Parks, recreation, and cultural services (6)	18	18	18	19
Water and sewer	12	13	13	12
Library	20	20	20	20
Community relations	2	2	3	-
Neighborhood and business relations group (1)	-	-	-	4
Planning	8	8	8	-
Community development (2)	-	-	-	31
<b>Total</b>	<b>279</b>	<b>278</b>	<b>283</b>	<b>284</b>

(1) Formerly "community relations"

(2) Combined building and planning

(3) Employees included under general administration in previous years

(4) Combined police and fire departments

(5) Engineering staff combined with department of public services

(6) Forestry and park maintenance staff combined with department of public services

Source: City's finance department records

City of Novi, Michigan  
 Full-time City Government Employees by Function/Program (continued)  
 Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014
	3	3	3	3	3	3
	8	8	7	7	9	9
	5	5	5	5	5	5
	7	7	7	5	5	5
	6	6	5	5	5	5
	3	3	3	3	-	-
	2	4	2	1	2	2
	-	5	5	4	4	4
	6	-	-	-	-	-
	-	128	118	111	111	113
	99	-	-	-	-	-
	31	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	24	36	36	33	35	35
	6	-	-	-	-	-
	17	11	10	10	11	11
	12	12	12	12	13	14
	20	20	20	18	20	20
	-	-	-	-	-	-
	4	3	3	3	4	4
	-	-	-	-	-	-
	31	21	19	18	21	21
	284	272	255	238	248	251

City of Novi, Michigan  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010
Election data:						
Registered voters	32,131	32,301	33,253	35,117	36,320	35,764
Voters at polls	25,432	4,495	20,612	9,020	19,684	2,887
Absentee ballots	5,783	2,256	4,500	2,768	8,455	2,212
Percent voting	97.15%	20.90%	75.52%	33.57%	77.48%	14.26%
Police:						
Part A crimes	2,426	2,312	2,077	2,102	2,018	1,868
Part B crimes	1,216	1,246	1,388	987	721	793
Injury accidents	277	248	203	242	264	216
Property damage	2,004	1,986	1,853	1,825	1,737	1,602
Moving traffic violations	10,451	12,219	11,486	6,813	11,184	11,635
Parking violations	448	437	427	N/A	N/A	512
Adult arrests	1,630	1,780	2,001	1,703	1,987	2,353
Juvenile arrests	208	211	237	189	229	201
OUIL arrests	460	380	398	266	369	363
False alarms	2,470	2,677	2,664	2,403	2,275	2,262
Fire:						
Fire incidents	305	309	287	266	1,015	134
Service incidents	1,124	1,013	1,207	1,218	567	2,006
Fire inspections conducted	2,280	2,291	2,301	2,619	3,049	2,341
Medical emergencies	2,430	2,424	2,458	2,724	2,766	2,957
Paid-on-call staff	48	54	59	56	68	68
Parks and recreation:						
Youth classes/clinics	240	248	780	572	715	1,154
Adult classes/clinics	100	106	493	428	213	439
Youth leagues	2,891	3,002	3,091	2,983	2,198	2,585
Adult leagues	2,138	2,146	1,980	2,240	2,394	2,750
Summer day camp	425	431	367	341	339	742
Lakeshore Park vehicle entry	3,456	3,502	7,910	10,335	7,065	11,533
Lakeshore Park attendance	10,368	12,224	17,120	17,777	17,663	28,833
Lakeshore Park picnic shelter rental	82	85	104	163	11,355	128
Senior citizens served (1)	63,676	64,189	106,522	87,188	78,978	78,432
Special event attendance	9,250	10,009	9,981	11,413	11,049	12,071
Civic Center rentals	1,799	2,700	2,746	2,731	2,985	1,060
Civic Center attendance	57,352	86,860	96,503	97,249	81,810	57,519
Novi Theaters - Cast	367	372	284	226	214	206
Novi Theaters - Audience	6,341	6,640	4,929	6,392	4,548	5,041
Library (2):						
Items circulated	464,991	508,405	544,874	580,438	628,724	556,582
Book collections	119,273	123,897	126,259	128,711	123,884	137,220
Audio/Video/CD collections	11,552	12,581	13,805	13,774	13,232	14,295
Periodical subscriptions	189	153	170	179	162	185
Requests of information	115,623	136,448	158,265	159,485	154,735	171,324
Youth Summer Reading	1,687	1,698	1,171	1,491	1,491	1,061
Program participants	26,940	26,160	26,720	35,062	18,772	24,145
Visitors	-	285,777	265,795	269,815	280,560	262,826
Interlibrary loans	-	46,057	55,102	60,182	78,214	67,615

(1) The total utilization no longer includes the phone calls and questions fielded by the Novi Senior Center. The June 30, 2008 total is a true reflection of those actually served at the center via programs and services. This tracking methodology will be used for all future years.

(2) This information represents 10 months worth of information in 2010. The Library was closed for the months of April and May. The New Library opened on June 1, 2010.

Source: City's finance department records

City of Novi, Michigan  
 Operating Indicators by Function/Program (continued)  
 Last Ten Fiscal Years

2011	2012	2013	2014
36,921	37,366	38,757	39,248
14,535	3,633	20,484	4,719
4,575	2,386	8,765	2,599
51.76%	16.11%	75.47%	18.65%
1,679	1,841	2,048	1,736
814	627	626	673
272	288	310	276
1,761	1,631	1,695	1,153
10,167	9,381	10,058	8,487
285	288	199	185
1,368	2,082	2,241	2,355
213	166	137	142
415	335	342	268
2,357	2,090	2,270	2,538
92	120	112	120
1,311	1,249	1,360	1,345
2,920	3,557	3,063	2,919
3,299	3,169	3,383	3,425
66	68	55	54
1,238	1,544	1,620	1,149
458	414	340	462
2,371	2,431	2,512	2,471
4,024	4,120	5,220	5,279
703	668	N/A	334
9,846	10,822	13,000	15,462
24,615	27,055	32,500	38,655
98	105	116	125
68,517	76,462	77,759	75,832
14,311	14,018	17,021	20,028
1,516	1,492	1,520	1,560
37,457	35,506	17,021	44,200
181	198	253	293
4,757	4,715	5,454	4,997
759,021	803,552	800,031	799,475
146,187	152,024	151,724	152,236
18,015	20,618	23,507	25,677
215	208	210	242
220,427	210,960	N/A	115,392
1,261	1,338	2,042	2,340
34,198	45,572	34,899	40,010
371,274	378,571	389,220	401,984
100,342	109,274	109,330	106,250

City of Novi, Michigan  
 Operating Indicators by Function/Program (continued)  
 Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
Water and sewer - Customers:				
Residential	11,107	12,306	12,708	12,716
Commercial	1,024	1,108	1,399	1,280
Water (in thousand gallons):				
Purchased from Detroit	2,267,616	2,431,591	2,424,237	2,402,589
Sold to customers	2,117,038	2,256,309	2,355,938	2,192,050
Rates:				
Minimum 7,000 gallons*	\$ 29.00	\$ 31.00	\$ 31.00	\$ 33.00
Fixed rate quarterly water charge	-	-	-	-
Additional usage per 1,000 gallons	2.78	2.94	2.94	3.17
Fixed rate quarterly sewer charge	-	-	-	-
Sewer (per thousand gallons of water usage)	2.05	2.21	2.21	2.32

\*Effective August 1, 2010 the City of Novi, Michigan adopted a fixed rate structure for water and sewer usage which does not include a minimum consumption charge.

Source: City's finance department records

City of Novi, Michigan  
 Operating Indicators by Function/Program (continued)  
 Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014
	12,641	12,874	12,940	13,191	13,604	13,760
	1,287	1,225	1,239	1,254	1,223	1,204
	2,182,409	2,041,594	2,166,712	2,459,402	2,321,313	2,216,075
	2,079,696	1,919,763	2,024,406	2,109,414	2,222,787	2,138,305
\$	41.00	\$ 42.00	\$ -	\$ -	\$ -	\$ -
	-	-	35.00	37.00	40.00	57.00
	3.95	4.06	3.31	3.44	3.86	4.00
	-	-	5.00	5.00	6.00	6.00
	2.51	2.67	2.90	4.00	4.25	4.00

City of Novi, Michigan  
 Capital Asset Statistics by Function/Program  
 Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
Police:				
Stations	1	1	1	1
Fire:				
Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	39	39	39	39
Local	116	116	123	127
Estimated sidewalks in miles (1)	69	170	226	227
Bridges	4	4	4	4
Street lights	401	401	402	402
Parks and recreation:				
Acres	894	894	894	894
Locations	7	7	7	7
Library:				
Branches	1	1	1	1
Water and sewer:				
Miles of water mains	280	288	288	288
Miles of sanitary sewers	230	230	230	230
Fire hydrants	3,139	3,763	4,010	4,011

(1) Prior year adjustments were made as a result of changes in the GIS mapping system to more accurately reflect miles.

Source: City's department of Public Services

City of Novi, Michigan  
 Capital Asset Statistics by Function/Program (continued)  
 Last Ten Fiscal Years

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
4	4	4	4	4	4
40	39	39	39	39	39
128	132	136	141	141	144
228	230	231	231	232	256
4	4	4	4	4	4
418	421	421	421	421	504
991	1,138	1,138	1,138	1,150	1,260
11	11	11	11	12	13
1	1	1	1	1	1
306	306	306	306	306	328
243	243	245	245	245	252
4,003	4,003	4,002	4,002	4,002	4,192