

# City of Novi, Michigan

Year Ended  
June 30, 2022

Annual  
Comprehensive  
Financial Report

Prepared by: Finance Department

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# CITY OF NOVI, MICHIGAN

## Table of Contents

### Page

#### INTRODUCTORY SECTION

Transmittal Letter	1
List of Principal Officials	6
Organizational Chart	7
Fund Organization Chart	9
GFOA Certificate of Achievement	10

#### FINANCIAL SECTION

<b>Independent Auditors' Report</b>	13
-------------------------------------	----

<b>Management's Discussion and Analysis</b>	17
---	----

#### **Basic Financial Statements**

##### Government-wide Financial Statements:

Statement of Net Position	33
Statement of Activities	34

##### Fund Financial Statements:

Balance Sheet – Governmental Funds	36
------------------------------------	----

Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	37
---	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	38
--	----

Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	39
--	----

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	40
Local Street Special Revenue Fund	43

Statement of Net Position – Proprietary Funds	44
---	----

Reconciliation of Net Position of Enterprise Funds to Net Position of Business-type Activities	45
---	----

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	46
---	----

Reconciliation of Change in Net Position of Enterprise Funds to to Change in Net Position of Business-type Activities	47
--	----

Statement of Cash Flows – Proprietary Funds	48
---	----

Statement of Fiduciary Net Position	50
-------------------------------------	----

Statement of Changes In Fiduciary Net Position	51
--	----

Combining Statement of Net Position – Discretely Presented Component Units	52
--	----

Combining Statement of Activities – Discretely Presented Component Units	53
--	----

Notes to Financial Statements	55
-------------------------------	----

# CITY OF NOVI, MICHIGAN

## Table of Contents

	<u>Page</u>
<b>Required Supplementary Information</b>	
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	98
Schedule of City Contributions	100
Retiree Healthcare Benefits Plan:	
Schedule of Changes in the City's Net Other Postemployment	
Benefit Liability (Asset) and Related Ratios	101
Schedule of City Contributions	102
Schedule of Investment Returns	103
Notes to Required Supplementary Information	104
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Major Funds:	
General Fund	110
Local Street Special Revenue Fund	115
Capital Improvement Program Capital Projects Fund	116
Combining Balance Sheet – Nonmajor Governmental Funds	117
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Governmental Funds	118
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Governmental Funds – Special Revenue Funds	126
Schedule of Revenues, Expenditures and Changes in Fund Balances:	
Budget and Actual – Nonmajor Special Revenue Funds:	
Major Street Fund	129
Municipal Streets Fund	130
Parks, Recreation, and Cultural Services Fund	131
Tree Fund	132
Drain Revenue Fund	133
PEG Cable Fund	134
Community Development Block Grant Fund	135
Forfeiture Fund	136
Library Fund	137
Library Contribution Fund	138
Rubbish Collection Fund	139
American Rescue Plan Act	140
West Oak Street Lighting Fund	141
West Lake Drive Street Lighting Fund	142
Town Center Street Lighting Fund	143
Budget and Actual – Nonmajor Debt Service Fund –	
2008 Library Construction Fund	146

# CITY OF NOVI, MICHIGAN

## Table of Contents

	<u>Page</u>
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Projects Funds	148
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Projects Funds	149
Schedule of Revenues, Expenditures and Changes in Fund Balances:	
Budget and Actual – Nonmajor Capital Projects Funds:	
Special Assessment Revolving Fund	150
Gun Range Facility Fund	151
PEG Cable Fund	152
Budget and Actual – Nonmajor Permanent Fund –	
Drain Perpetual Maintenance Fund	154
Balance Sheet/Statement of Net Position – Economic Development Corporation Component Unit	155
Statement of Revenues, Expenditures and Changes in Fund Balance/ Statement of Activities – Economic Development Corporation Component Unit	156
Balance Sheet/Statement of Net Position – Corridor Improvement Authority Component Unit	157
Statement of Revenues, Expenditures and Changes in Fund Balance/ Statement of Activities – Corridor Improvement Authority Component Unit	158

## STATISTICAL SECTION

1 – Net Position by Component	162
2 – Changes in Net Position	164
3 – Fund Balances – Governmental Funds	168
4 – Changes in Fund Balances – Governmental Funds	170
5 – Taxable and Estimated Actual Value of Property	174
6 – Direct and Overlapping Property Tax Rates	176
7 – Principal Property Tax Payers	179
8 – Property Tax Levies and Collections	180
9 – Ratios of Outstanding Debt by Type	181
10 – Ratios of General Bonded Debt Outstanding	182
11 – Direct and Overlapping Governmental Activities Debt	183
12 – Legal Debt Margin	184
13 – Pledged-Revenue Coverage	185
14 – Demographic and Economic Statistics	186
15 – Principal Employers	187
16 – Full-time Employees by Function / Program	188
17 – Operating Indicators by Function / Program	190
18 – Capital Asset Statistics by Function / Program	194



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## **INTRODUCTORY SECTION**

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November 8, 2022

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

Laura Marie Casey

Hugh Crawford

Justin Fischer

Brian Smith

Ericka Thomas

**City Manager**  
Peter E. Auger

**City Clerk**  
Cortney Hanson

We are pleased to submit the Annual Comprehensive Financial Report of the City of Novi for the fiscal year ended June 30, 2022. 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 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 the 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 record keeping 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 suburban City government serves approximately 66,000 residents (per 2020 U.S. census bureau) and encompasses an area of approximately 32 square miles. Novi is considered a choice community 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.

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

cityofnovi.org

Businesses can also count on an abundance of county and regional resources or 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. In its effort to maintain open relationships with businesses and residents, Novi maintains a comprehensive web site at [cityofnovi.org](http://cityofnovi.org). The City's economic development department's website is devoted to attracting new and retaining existing businesses. The site informs potential business investors and celebrates existing businesses' successes.

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/medical protection; public services, parks, recreational and cultural activities; library; building inspection; code enforcement and planning and development. In addition to general government activities, the activities of the Economic Development Corporation and Corridor Improvement Authority are reported as separate component units 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 (the level at which expenditures cannot exceed the appropriated amount) is established by function. 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 AAA in November 2015 (most recent rating). Standard & Poor's defines an AAA rating as "being the highest possible rating and reflects the opinion that the issuer has extremely strong capacity to meet its financial commitments." This rating places Novi in an elite group of communities throughout the country. Standard & Poor's notes that "Novi has a very strong economy with a projected per capita effective buying income of 147% of the national level and per capital market value of \$124,081. A very strong management with strong financial policies and practices and a very strong budgetary flexibility with an available fund balance of \$12.0 million."

Due to the City of Novi's strong financial polices and budgetary procedures, the COVID-19 pandemic had less of an impact on the City than many other surrounding communities. The City took quick action to amend its budget in early May 2020 to account for an anticipated loss in revenue and reduced all departments expenditures. The City continued to be conservative in its fiscal year 2021 and 2022 budgeting. The City's General Fund original budget had a net increase to fund balance of \$36,060. The amended budget forecasted a net increase to fund balance of \$1,455,473 with the General Fund ending Fiscal Year 2022 with a net increase of \$2,733,951 to fund balance.

Novi is also proud of its strong economic climate and offers a diverse mix of business opportunities spanning from the automotive research and development to world class healthcare providers and medical device manufactures. Within the City of Novi, there are many good stories that aid in the overall quality of economic development. Some of these milestones include:

- Dana Inc. opened a \$9 million electric vehicle tech center in Novi, planning on adding up to 150 engineers and support staff.
- Our Next Energy (“ONE”) is a Novi-based battery manufacturing company. The company plans to invest \$1.6 billion in a battery manufacturing plant in Van Buren Township which may also include up to \$30 million of a capital investment at its Novi facility. The expansion will create 2,112 new jobs.
- Pace Industries, a lading die-casting manufacture moved it’s headquarters to Novi, investing nearly \$2 and bringing 60 new jobs to the community.
- Erhard Motor Sales Inc. moved their Jaguar Land Rover dealership to a \$7.4 million, 58,663 square foot facility sitting on 9.5 acres at the southwest corner of Grand River and Meadowbrook.

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). In addition, Novi was recently ranked number 10 on Fortune’s Best Places to Live for Families in the U.S.

#### **Financial Policies 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 insure 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 22-25% 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.

## **Debt Policy**

The City of Novi, as a home rule unit, presently has a statutory limit on the amount of general obligation debt outstanding. The limit on the outstanding indebtedness cannot exceed 10% of the equalized assessed valuation. The debt policy approved by City Council in March 2013 put forth these additional debt limits:

- The City's net bonded indebtedness incurred for all public purposes should not exceed \$2,500 per capita,
- Debt service payments are limited to 20% of the combined operating and debt service fund expenditures, and
- Municipal securities issued for capital improvements purposes shall not exceed 5% of the state equalized valuation of the property assessed in the City.

## **Investment Policy**

The City's investment objectives in priority order are: safety, liquidity, and yield. Disbursement, collection and deposit of all funds will be managed to ensure that all cash is invested promptly until needed. The City will strive to maximize the return on the portfolio, with the primary objective of preserving capital by prudent investment practices.

## **Long-term Financial Planning**

The City continues to be proactive and strategically plans into the future by annually preparing a three-year financial forecast. In addition, the City prepares a six year Capital Improvement Plan (CIP) which is approved by the City Planning Commission and accepted by the City Council. A capital improvement is defined as real property greater than \$25,000 that has a life expectancy of at least five years and personal property costing more than \$25,000 with a life expectancy of at least one year. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to reduce future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of the capital plant and equipment from current revenues where possible.

The 2020 Census numbers were released in August 2021. Novi's population increased to 66,243, up from the 2010 Census which report a population at 55,224, or a 20% increase. The Census data is required to be used for the Constitutional portion of State Shared Revenue distributions. The City had hoped the 2020 Census data would be used to calculation a portion of the revenue received in Fiscal Year 2021; however, that did not come to fruition. In Fiscal Year 2022, the City received approximately \$1.476 million in a one time additional State Shared Revenue payment for the fiscal years 2021 and 2022 census adjustment. 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, 2022, Novi's reliance on revenue sharing payments represents 20% of total General Fund revenues or \$8,171,113. Novi's revenue sharing distribution increased \$2,570,785 or 46% from the prior year due to the additional census adjustment payment received in the current year as well as the growth in economy after the COVID-19 pandemic.

The City of Novi has made great strides over the past 20 years in both managing and reducing debt while recognizing savings from refunded/called debt activities. For the fiscal year ended June 30, 2022, debt obligations were reduced by \$2,485,000 from the prior fiscal year. Total direct debt at June 30, 2022 was \$11,335,000.

Management of the city is responsible for establishing and maintaining internal controls designed to provide reasonable assurance that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The City believes staffing levels are adequate to provide for segregation of duties as well and to provide for proper checks and balances giving reasonable assurance that assets are protected and financial transactions are properly recorded.

### **Major Initiatives**

The residents of Novi approved a ten-year capital improvement program millage (CIP) which was first levied July 2017. The City continues to invest in infrastructure to maintain its current structures as well as provide investments in new acquisitions. In Fiscal Year 2022, the CIP millage was used to provide for pathways and ADA improvements and the purchase of a fire engine. In addition, the City amended the budget during the year for \$818,245 of capital/repair projects related to property purchases, master plan for land use, feasibility study for fire stations, and elevator mechanicals.

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Novi for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 24th year that the City of Novi has received this prestigious award.

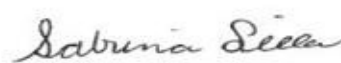
### **Acknowledgements**

The preparation of this Annual Comprehensive 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 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  
Deputy Finance Director

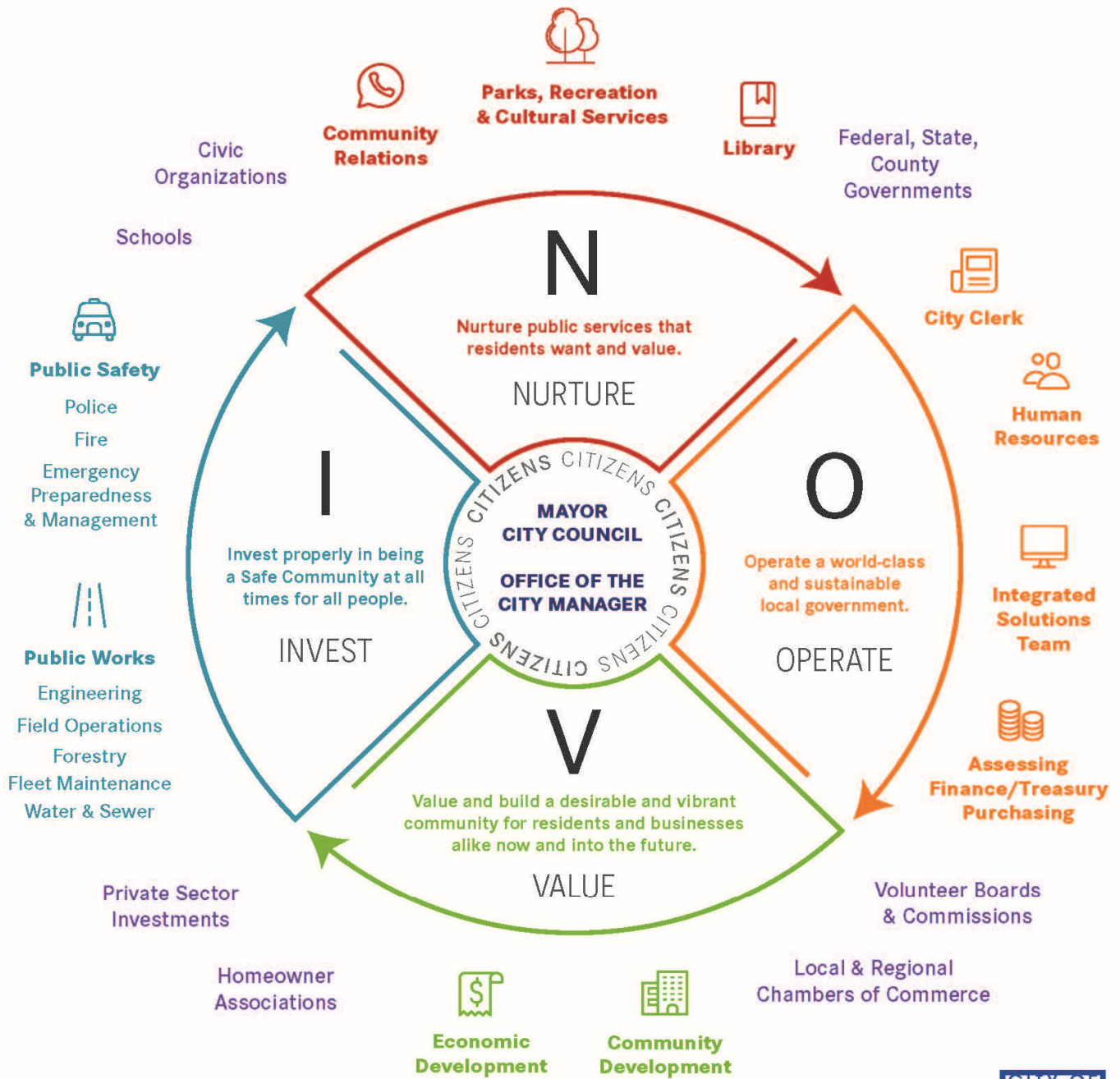
# CITY OF NOVI, MICHIGAN

## List of Principal Officials

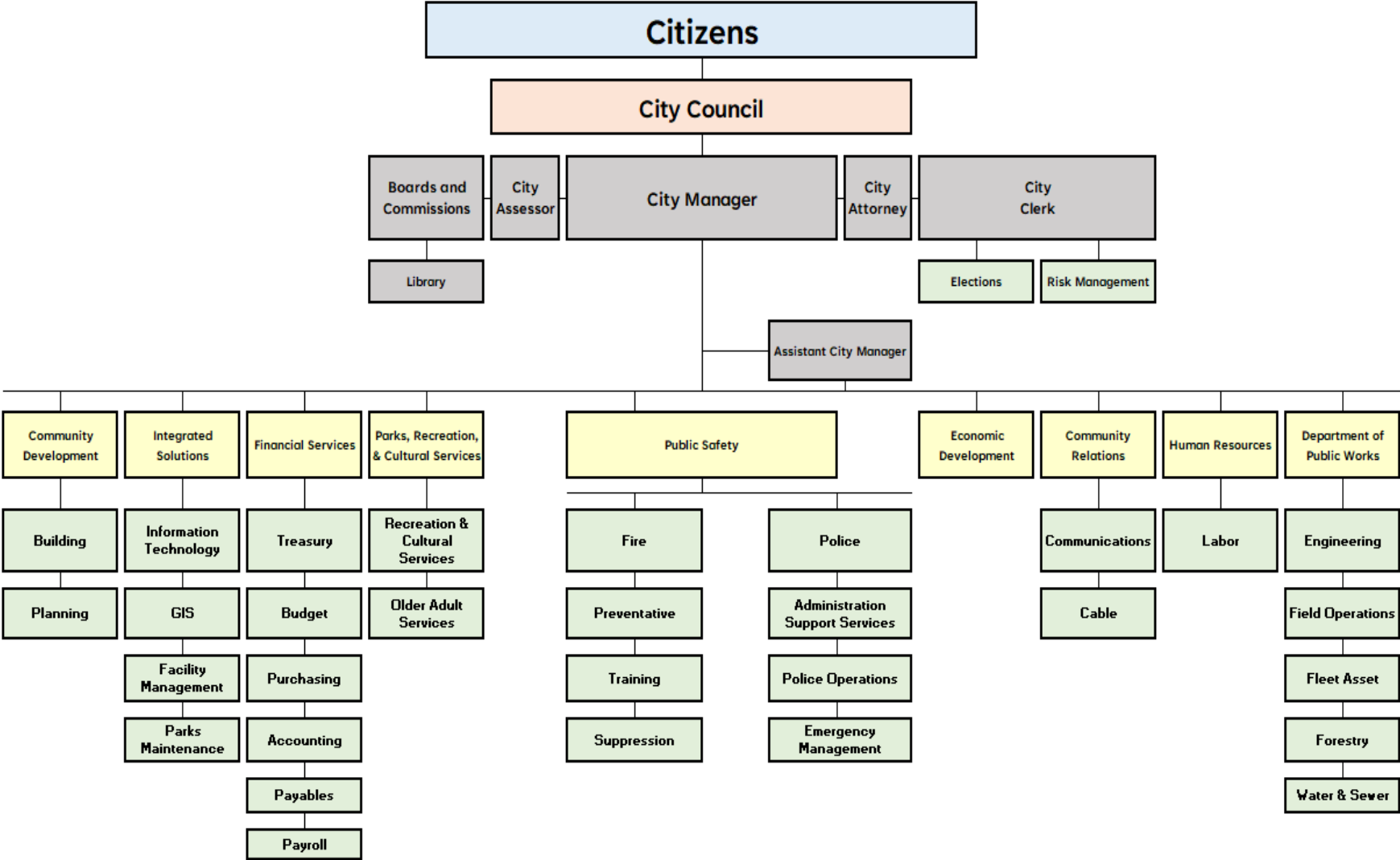
<b>Title</b>	<b>Name</b>
Mayor	Robert Gatt
Mayor Pro-Tem	David Staudt
Council Member	Laura Casey
Council Member	Hugh Crawford
Council Member	Justin Fischer
Council Member	Brian Smith
Council Member	Ericka Thomas
City Manager	Peter Auger
Assistant City Manager	Victor Cardenas
Assessor	Vacant
Deputy Assessor	Jan Ziozios
City Clerk	Cortney A. Hanson
Deputy City Clerk	Melissa Morris
Human Resources Director	Tia M. Gronlund-Fox
Human Resources Deputy Director	Elise Marra
Communications Director	Sheryl L. Walsh
Economic Development Director	Michael McCready
Public Works Director	Jeff Herczeg
Public Works Deputy Director	Megan Mikus
Chief Information Officer	Robert L. Petty
Community Development Director	Charles S. Boulard
Community Development Deputy Director	Larry Butler
Parks, Recreation and Cultural Services Director	Jeff Muck
Parks, Recreation and Cultural Services Deputy Director	Tracie Ringle
Public Safety Director/Police Chief	Erick Zinser
Assistant Police Chief	Scott Baetens
Fire Chief	Jeffery R. Johnson
Assistant Fire Chief	John Martin
Library Director	Julie E. Farkas
Finance Director/Treasurer/CFO	Carl Johnson
Deputy Finance Director	Sabrina Lilla
Senior Budget Analyst	Jessica Dorey
Assistant Treasurer	Tina Glenn

**CITY OF NOVI, MICHIGAN**  
**Organization Chart**

# NOVI DIAGRAM



# CITY OF NOVI, MICHIGAN Organizational Chart





# CITY OF NOVI, MICHIGAN

## Fund Organization Chart

### Governmental Funds

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
2008 Library Construction Debt	Major Street Local Street Municipal Streets Parks, Recreation, and Cultural Services Tree Drain Revenue PEG Cable Community Development Block Grant Forfeiture Library Library Contribution Rubbish Collection American Rescue Plan Act West Oak Street Lighting West Lake Drive Street Lighting Town Center Street Street Lighting
<u>Capital Projects Funds</u>	
Capital Improvement Program Special Assessment Revolving Gun Range Facility PEG Cable	
<u>Permanent Funds</u>	
Drain Perpetual Maintenance	

### Proprietary Funds

<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Water and Sewer Ice Arena Senior Housing	Health Care Self Insurance Fund

### Fiduciary Funds

<u>Pension and Other Employee Benefit Trust Fund</u>	<u>Custodial</u>
Retiree Health Care Benefits	Tax Collection

### Component Units

Economic Development Corporation Corridor Improvement Authority
--



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Novi  
Michigan**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

November 8, 2022

The Honorable Mayor and Members of the City Council  
City of Novi, Michigan

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Novi, Michigan** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rehmann Johnson LLC*



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

As management of the City of Novi, Michigan (the "City"), we offer readers an overview of the City's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

#### Financial Highlights

· Total net position	\$ 396,169,797
· Change in total net position	9,981,014
· Fund balances, governmental funds	41,947,616
· Change in fund balances, governmental funds	10,092,665
· Unassigned fund balance, general fund	13,925,291
· Change in fund balance, general fund	2,733,951
· Total installment debt outstanding	11,847,121
· Change in installment debt	(2,613,030)

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer, the ice arena, and senior housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate *component units* for which the City is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

Information for each of the City's individual governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the local streets special revenue fund, and the capital improvement program capital projects fund, which are considered to be the City's major funds. Data from the other 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 elsewhere in this report.

The City adopts an annual appropriated budget for its general, special revenue, debt service, capital projects, and permanent funds. Budgetary comparisons statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, ice arena, and senior housing operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer, ice arena, and senior housing operations enterprise funds, which are considered to be major funds of the City, and the internal service 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 in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the City's pension and other postemployment benefits plans.

The *combining and individual fund financial statements and schedules* referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

The economic development corporation component unit financial statements and the corridor improvement authority component unit financial statements follow the nonmajor governmental funds combining statements and schedules.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$396,169,797 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 58,592,226	\$ 50,119,665	\$ 60,294,396	\$ 73,762,666	\$ 118,886,622	\$ 123,882,331
Capital assets, net	190,090,919	187,908,651	159,556,680	152,067,809	349,647,599	339,976,460
Net other postemployment benefit asset	3,472,366	9,282,922	107,393	287,101	3,579,759	9,570,023
<b>Total assets</b>	<b>252,155,511</b>	<b>247,311,238</b>	<b>219,958,469</b>	<b>226,117,576</b>	<b>472,113,980</b>	<b>473,428,814</b>
<b>Deferred outflows of resources</b>	<b>11,413,780</b>	<b>6,417,490</b>	<b>340,864</b>	<b>183,913</b>	<b>11,754,644</b>	<b>6,601,403</b>
Current and other liabilities	14,990,421	16,930,538	4,579,687	6,015,370	19,570,108	22,945,908
Long-term debt	9,406,949	10,785,721	4,929,333	6,297,685	14,336,282	17,083,406
Net pension liability	36,539,736	37,995,951	1,130,095	1,175,132	37,669,831	39,171,083
<b>Total liabilities</b>	<b>60,937,106</b>	<b>65,712,210</b>	<b>10,639,115</b>	<b>13,488,187</b>	<b>71,576,221</b>	<b>79,200,397</b>
<b>Deferred inflows of resources</b>	<b>12,541,035</b>	<b>11,750,072</b>	<b>3,581,571</b>	<b>2,890,965</b>	<b>16,122,606</b>	<b>14,641,037</b>
Net position:						
Net investment in capital assets	183,511,281	180,144,479	154,681,680	145,842,809	338,192,961	325,987,288
Restricted	33,451,932	30,070,067	95,842	48,782	33,547,774	30,118,849
Unrestricted (deficit)	(26,872,063)	(33,948,100)	51,301,125	64,030,746	24,429,062	30,082,646
<b>Total net position</b>	<b>\$ 190,091,150</b>	<b>\$ 176,266,446</b>	<b>\$ 206,078,647</b>	<b>\$ 209,922,337</b>	<b>\$ 396,169,797</b>	<b>\$ 386,188,783</b>

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, construction in progress, roads, nonmotorized pathway improvements, bridges, drains, buildings and improvements, machinery and equipment, land improvements, library books, and water and sewer distribution systems), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position (deficit)*. At the end of the current fiscal year, the City reported positive balances in the net investment of capital assets and restricted net position; however, the unrestricted deficit was primarily the result of net pension and other postemployment liabilities/assets and related deferred amounts.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

The City's assets and deferred outflows of resources increased approximately \$3.8 million from the prior year. This is largely due to the following:

- Net other postemployment benefit (OPEB) asset decreased from \$9,570,023 to \$3,579,759 for a decrease of \$5,990,264. Poor market conditions accounted for the OPEB decrease. Net change in fair value of investments was a decrease of \$6,223,750 in fiscal year 2022. In the prior year the net change in fair value of investments was an increase of \$9,037,876.
- Deferred other postemployment benefit amounts increased from \$1,379,004 in fiscal year 2021 to \$6,111,280 in fiscal year 2022 or an increase of \$4,732,276. The increase is due to the difference in investment returns and a change in assumptions in the current year.
- Total net capital assets increased from fiscal year 2021 to fiscal year 2022 by a total of \$9,671,139. The City prides itself on maintaining its capital assets and providing new and improved assets to its residents. Noteworthy asset additions include completion of Lakeshore Park, police dispatch center renovation, land purchases on Edinborough Lane and Beck Road, and additions/replacements to the City's vehicle fleet.

The City's liabilities and deferred inflows of resources decreased approximately \$6.1 million from the prior year. This is largely due to the following:

- Long term debt decreased by \$2,747,124 as a result of annual debt service payments of \$2,485,000.
- Net pension liability decreased \$1,501,252. Total membership is down from 415 to 410.

The City's net position increased by \$9,981,014 from the prior year net position, compared to the prior year's \$14,481,527 increase. This is largely due to the fluctuation in total investment income. The volatility in the market caused a swing in investment income in fiscal year 2021 of \$1,577,622 to an investment loss of \$1,368,949 or a \$2.9 million swing. In addition, total federal grants were \$5.4 million in the prior year down to \$3.1 million in the current year.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 7,745,479	\$ 7,794,876	\$ 28,917,124	\$ 29,456,139	\$ 36,662,603	\$ 37,251,015
Operating grants and contributions	11,231,630	13,062,153	179,713	261,668	11,411,343	13,323,821
Capital grants and contributions	2,693,631	67,698	1,163,815	3,701,535	3,857,446	3,769,233
General revenues:						
Property taxes	44,332,235	42,583,648	-	-	44,332,235	42,583,648
State shared revenues	8,263,773	5,646,493	-	-	8,263,773	5,646,493
Investment income (loss)	(368,897)	723,864	(1,000,052)	853,758	(1,368,949)	1,577,622
Other	640,568	281,150	-	-	640,568	281,150
<b>Total revenues</b>	<b>74,538,419</b>	<b>70,159,882</b>	<b>29,260,600</b>	<b>34,273,100</b>	<b>103,799,019</b>	<b>104,432,982</b>
<b>Expenses</b>						
General government	9,905,432	8,898,409	-	-	9,905,432	8,898,409
Public safety	22,497,361	21,551,905	-	-	22,497,361	21,551,905
Public works	18,111,865	19,252,805	-	-	18,111,865	19,252,805
Community and economic development	2,897,554	2,600,165	-	-	2,897,554	2,600,165
Recreation and culture	6,937,364	5,646,891	-	-	6,937,364	5,646,891
Interest and fiscal charges	364,139	530,246	-	-	364,139	530,246
Water and sewer	-	-	29,992,246	28,870,835	29,992,246	28,870,835
Ice arena	-	-	1,768,305	1,327,214	1,768,305	1,327,214
Senior housing	-	-	1,343,739	1,272,985	1,343,739	1,272,985
<b>Total expenses</b>	<b>60,713,715</b>	<b>58,480,421</b>	<b>33,104,290</b>	<b>31,471,034</b>	<b>93,818,005</b>	<b>89,951,455</b>
Change in net position	13,824,704	11,679,461	(3,843,690)	2,802,066	9,981,014	14,481,527
<b>Net position:</b>						
Beginning of year	176,266,446	164,586,985	209,922,337	207,120,271	386,188,783	371,707,256
<b>End of year</b>	<b>\$ 190,091,150</b>	<b>\$ 176,266,446</b>	<b>\$ 206,078,647</b>	<b>\$ 209,922,337</b>	<b>\$ 396,169,797</b>	<b>\$ 386,188,783</b>

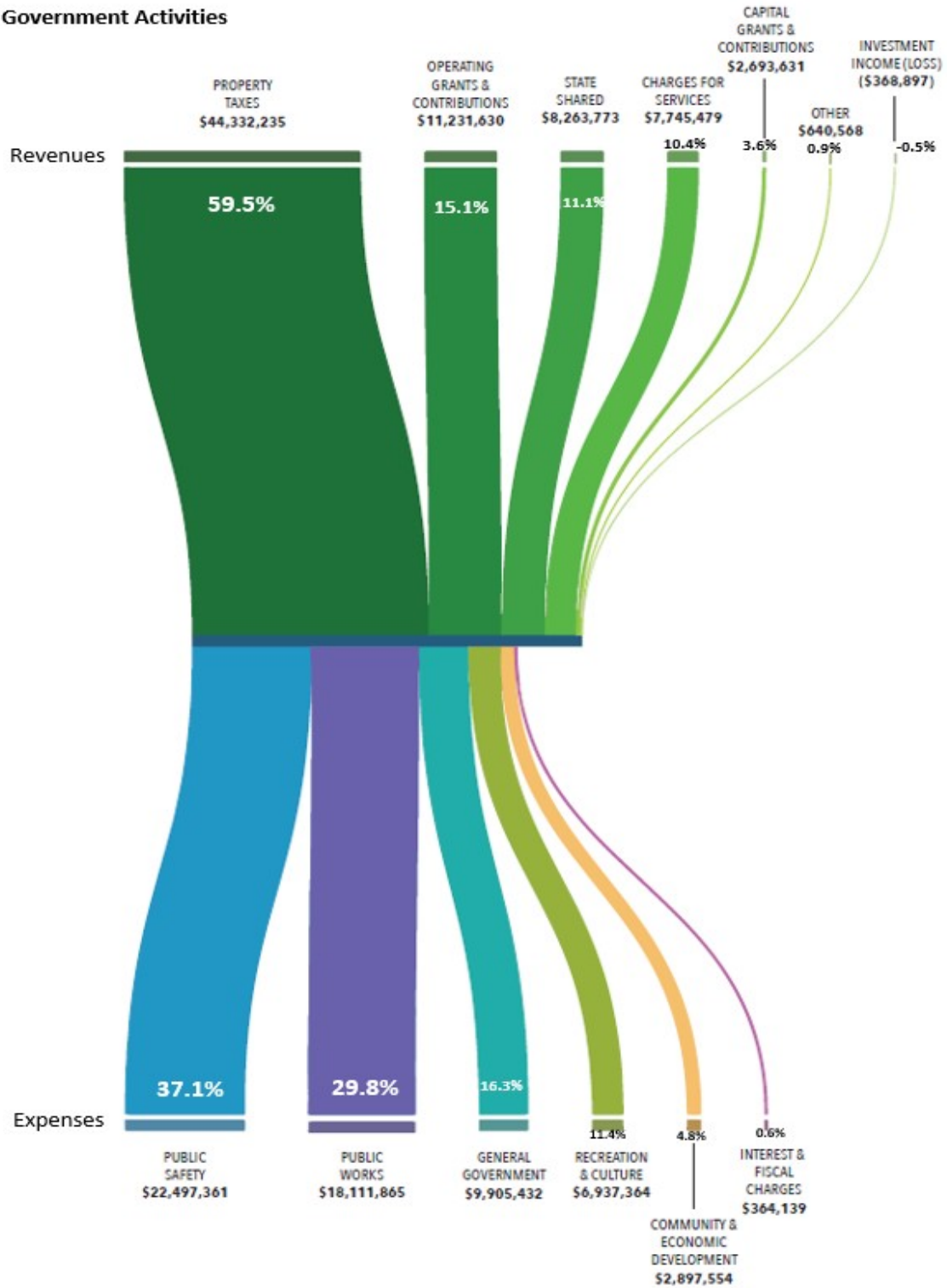
**Governmental activities.** Governmental activities increased the City's net position by \$13,824,704 (as compared to a prior year increase of \$11,679,461). Key elements of this increase and the change from the prior year include:

- Total property tax revenue increased approximately \$1.7 million or 4% from the prior year. The increase is a result of total taxable value increasing by 4% from the prior year.
- State shared revenue increased by approximately \$2.6 million. The increase is due to the increase in the City's 2020 census numbers. A portion of the state shared revenue calculation is based on population. Until April 2022, the 2010 census population was used in the calculation. The City received an adjustment for the fiscal year 2021 and fiscal year 2022 during the current year.
- Total expenses were higher than the prior year by \$2.2 million. The increase is largely due to the increase in pension and other postemployment benefit expenses related to the net other postemployment benefit asset and net pension liability.

CITY OF NOVI, MICHIGAN

Management's Discussion and Analysis

Government Activities

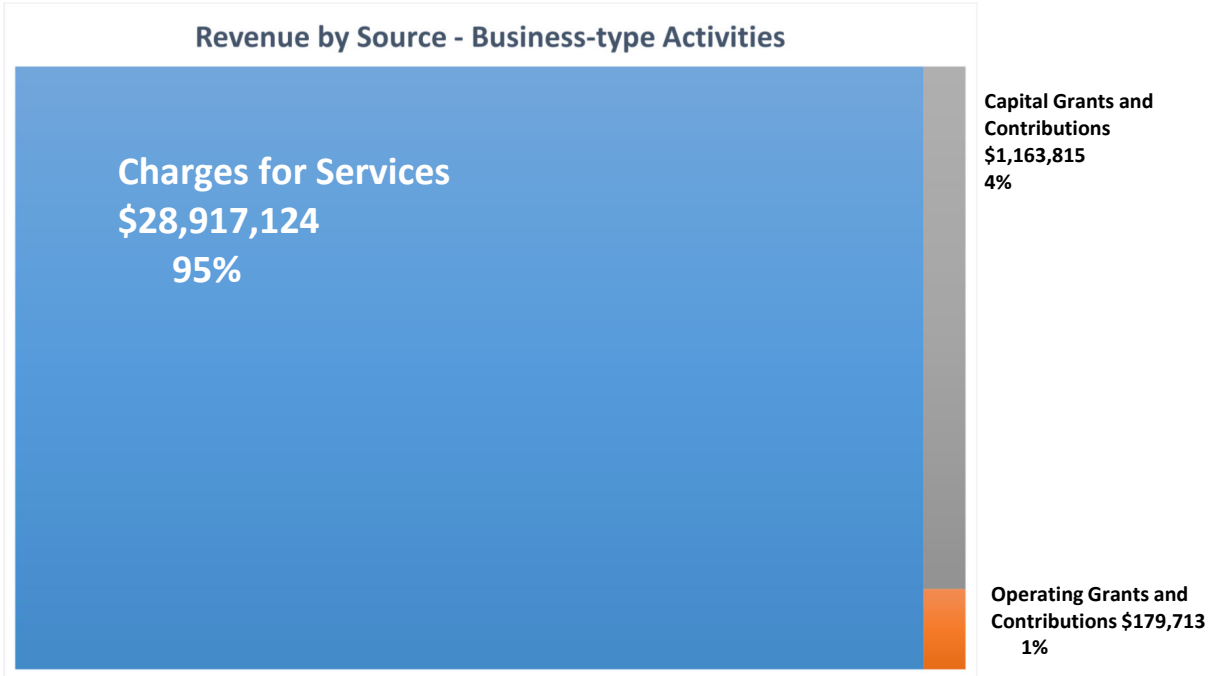


# CITY OF NOVI, MICHIGAN

## Management's Discussion and Analysis

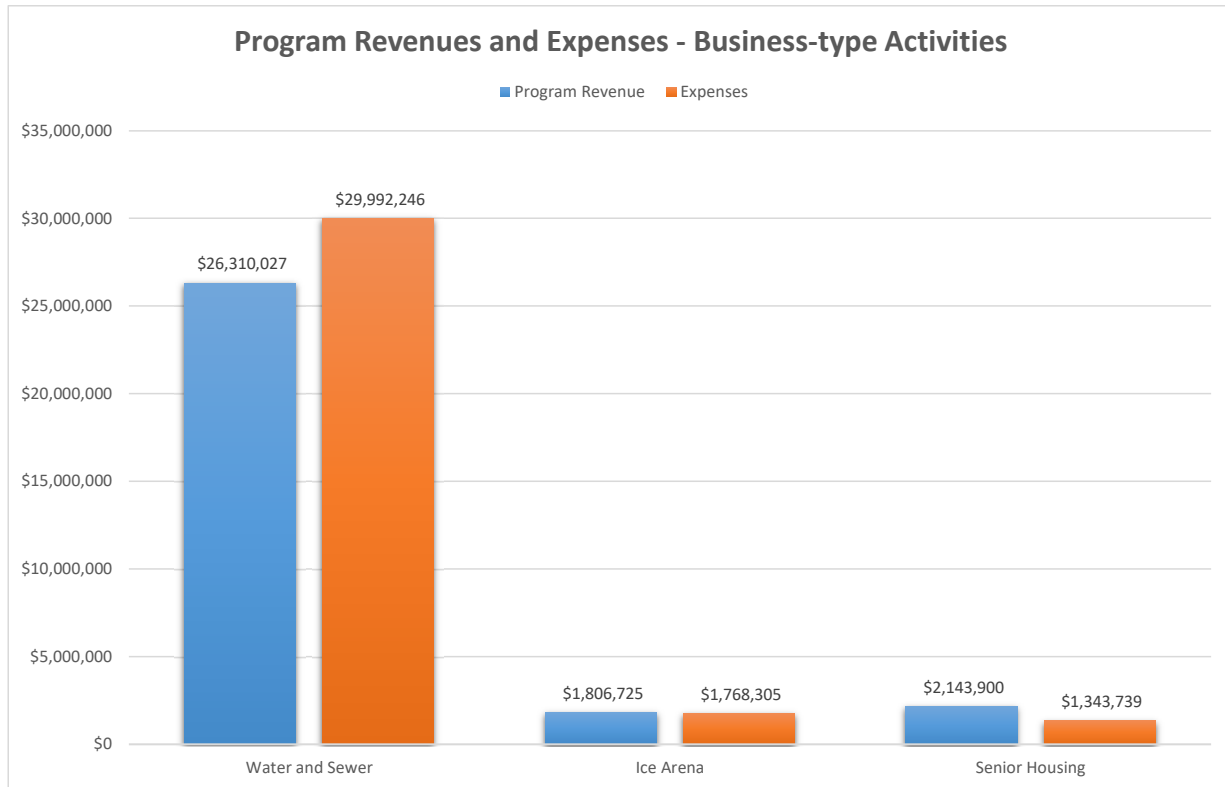
**Business-type activities.** Business-type activities decreased the City's net position by \$3,843,690 as compared to an increase of \$2,802,066 in the prior year. Key elements of this decrease and the change from the prior year include:

- Water and sewer operating revenues are down approximately \$1.3 million from the last year along with unrealized investment income of approximately \$1.7 million less than prior year. In addition, operating expenses are higher than the prior year by \$1.1 million. All categories of operating expenses were higher in the current year than the prior year including, fees paid to Great Lakes Water Authority, fees paid to Oakland County, maintenance and operating costs, and salary costs.





**Management's Discussion and Analysis**



**Financial Analysis of the City's Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41,947,616, an increase of \$10,092,665. The nonspendable portion of fund balance decreased from \$7,465,997 to \$7,385,318. Nonspendable fund balance is not available for new spending because it has been set aside for the following purposes:

- for prepaid items and other assets (\$535,306); and
- for perpetual drain fund maintenance (\$6,850,012).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$13,925,291, while total fund balance was \$16,409,153. As of June 30, 2022, the unassigned fund balance represented 84.9% of total fund balance.

The fund balance of the City's general fund increased by \$2,733,951 during the current fiscal year. This can be attributed to \$1.5 million additional state shared revenue received during fiscal year 2022 as well as \$2.5 million ARPA federal funding received during the current year.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

The local street special revenue fund was created to account for expenditures associated with the construction and maintenance needs of the local street portion (as defined by State Act 51) of the City's street network. This fund has a fund balance of \$1,008,205 at year end, all of which is restricted for roads. The fund balance decreased from prior year in the amount of \$154,582, largely due to timing of capital projects and costs spanning two fiscal years. Significant projects in fiscal year 2022 includes the City's Neighborhood Road Program and the Cranbrooke Drive road project.

The capital improvement program capital project fund was created to account for the collection and corresponding expenditures related to the August 2016 voter-approved CIP millage (1 mill), which was levied beginning July 1, 2017. This fund has a deficit fund balance of \$4,821,352 at year end. The fund balance increased from prior year in the amount of \$5,477,288 largely due to the planned repayment of interfund advances (balance sheet only) which were used to construct several significant projects in advance of the annual property tax captures. These projects include the new department of public works building, Lakeshore Park, ITC Trail, and Bosco property improvements, purchase of fire truck and a fire ladder truck, and pathways and ADA improvements. Total capital expenditures in the prior year were \$2.7 million compared to only \$1.4 million in the current year. The current fiscal year includes budgets for pathways, sidewalks, ADA improvements, water tower restoration and purchase of a fire engine.

Total net position of the water and sewer fund at the end of the year amounted to \$193,259,273. Of this amount, \$146,040,601 represents the net investment in capital assets and \$47,122,830 represents unrestricted net position. The fund had a decrease in total net position for the year of \$4,640,362. The portion of the decrease related to revenue includes a decrease in operating revenue of \$1.3 million or 4.8% along with a reduction in unrealized investment income of \$1.7 million or 6.0%. In addition, the City purchases water from Great Lakes Water Authority and sewer from Oakland County. Total costs paid to these two third parties increased \$308,000 from the prior year. Salaries and fringes increased \$467,000 or 46% increase. \$365,000 of the fringe benefit increase relates to the increase in the actuarial determined pension expense from prior year.

Total net position of the ice arena fund at the end of the year amounted to \$5,204,683. Of this amount, \$3,485,764 represents the net investment in capital assets and \$1,718,919 represents unrestricted net position. The fund had an increase in total net position for the year of \$3,221. Total revenues are up \$633,415 or 58% from the prior year. Operating expenditures are up \$452,871 or 35%. The arena was closed and highly impacted by the COVID-19 closure. Total revenues are still slightly lower than pre-pandemic levels. Expenses in the current year were slightly higher than pre-pandemic levels due to higher building maintenance costs and management staff costs.

Total net position of the senior housing fund at the end of the year amounted to \$7,509,615. Of this amount, \$5,155,315 represents the net investment in capital assets and \$2,354,300 represents unrestricted net position. The fund had an increase in total net position for the year of \$756,637. The increase is consistent with the prior year. Reserves are used to fund capital improvements in future years.

Total net position of the internal service fund at the end of the year amounted to \$1,602,204, all of which is unrestricted. The fund had an increase in total net position for the year of \$648,662. The City became self-insured for its HAP non-Medicare employees and retirees. The activity of the self-insurance is tracked in the internal service fund. The illustrative rates charged to the other funds for coverage related to HAP policies exceeded the actual health and prescription costs for those members covered resulting in an increase to net position. The unrestricted net position will be used as a claims reserve fund as well as used to offset future cost increases and/or reduce employee monthly contributions toward their premiums.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

#### General Fund Budgetary Highlights

The fiscal year 2022 general fund original budget estimated expenditures and other financing uses to be less than revenues and other financing sources (increase in fund balance) by \$36,060. The final amended budget estimated expenditures and other financing uses to be less than revenues and other financing sources (increase in fund balance) by \$1,455,473. The final amended budget estimated revenues and other financing sources that were \$4,237,990 more than the original budget, and expenditures and other financing uses that were \$2,818,577 more than the original budget. Significant budget amendments included:

- \$729,325 increase in property tax revenue.
- \$1.02 million reduction in license, permits and charges in services.
- \$2.3 million increase in state shared revenue.
- \$2.5 million of American Rescue Plan Act federal funding.
- \$470,000 decrease in interest income

The fiscal year 2022 general fund amended budget estimated expenditures and other financing uses to be less than revenues and other financing sources (increase in fund balance) by \$1,455,473. The actual expenditures and other financing uses were less than revenues and other financing sources (increase of fund balance) by \$2,733,951.

Revenues and other financing sources were \$919,763 less than expected primarily due to:

- The COVID-19 pandemic shutdown had a significant impact on building permits and fee collections which have been slow to rebound. The fourth quarter remained significantly off from prior years and estimates which resulted in revenues being less than budget by approximately \$275,000.
- In response to the COVID-19 pandemic and rising inflation, interest rates rose significantly during the current year from approximately 0.5% annually to approximately 3.0% at year end. As a result of the rising rates, the current investments held at lower interest rates recognized a net unrealized loss for financial statement purposes only. While the real investment return increased over prior year, the unrealized losses reduced overall investment income by approximately \$531,000. The unrealized losses will be reversed over the next couple years as the investments are held to maturity and no real losses will be recognized.
- The federal grant revenue budget was amended to reflect \$2.5 million of American Rescue Plan Act funding received in May 2022. The City is still awaiting \$170,000 from FEMA for COVID-19 public safety overtime incurred assisting the temporary field hospital housed at the Suburban Showplace Collection.
- The state sources budget was amended to reflect \$2.33 million increase in State Shared Revenue. A portion of the City's state shared revenue is calculated using the City's census population. The State was delayed in updating the state shared revenue calculation from the 2010 census population to the 2020 population. In April 2022, the City received an additional state shared revenue payment of \$1,475,659 for the Fiscal Year 2021 and Fiscal Year 2022 census adjustments.

Expenditures and other financing uses were \$2,198,241 less than expected primarily due to:

- Capital expenditure rollovers total \$2,040,575 of the favorable variance and represents contracts/commitments the City has entered into that were not completed as of June 30, 2022, and will require a budget rollover amendment for fiscal year 2023.
- The remaining variance represents actual savings within each department. Every department, in total and within each budget category, is under their expenditure final budget.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

#### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$349,647,599 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, roads, nonmotorized pathway improvements, bridges, drains, buildings and improvements, machinery and equipment, land improvements, library books, and water and sewer distribution systems. Net capital assets for governmental activities increased by 1.2% and for business-type activities increased by 4.9%.

	Capital Assets (Net of Depreciation)					
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 31,691,141	\$ 33,923,432	\$ 2,272,256	\$ 2,272,256	\$ 33,963,397	\$ 36,195,688
Construction in progress	18,560,799	13,926,082	27,188,786	17,724,420	45,749,585	31,650,502
Roads	66,469,383	70,452,814	-	-	66,469,383	70,452,814
Nonmotorized pathway improvements	7,763,095	8,398,183	-	-	7,763,095	8,398,183
Bridges	577,658	665,934	-	-	577,658	665,934
Drains	8,010,167	8,692,208	-	-	8,010,167	8,692,208
Buildings and improvements	38,009,680	32,471,763	17,655,114	18,479,457	55,664,794	50,951,220
Machinery and equipment	7,432,764	8,241,826	979,309	1,220,505	8,412,073	9,462,331
Land improvements	8,603,622	8,267,319	2,622,851	2,757,924	11,226,473	11,025,243
Library books	2,972,610	2,869,090	-	-	2,972,610	2,869,090
Water and sewer distribution systems	-	-	108,838,364	109,613,247	108,838,364	109,613,247
<b>Total</b>	<b>\$ 190,090,919</b>	<b>\$ 187,908,651</b>	<b>\$ 159,556,680</b>	<b>\$ 152,067,809</b>	<b>\$ 349,647,599</b>	<b>\$ 339,976,460</b>

Major capital asset events during the current fiscal year included:

- Police dispatch center renovation
- Ella Mae Power Park playground
- Completion of water tower restoration
- Land purchases on Edinborough Lane and Beck Road
- Continued investment in vehicles
- Purchase of a fire engine
- Continued investment in the Neighborhood Road Program with both concrete and asphalt
- Completion of the sanitary sewer pipe and manhole rehabilitation – phase 2

Additional information on the City's capital assets can be found in Note 8 to the financial statements.

## CITY OF NOVI, MICHIGAN

### Management's Discussion and Analysis

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$11,335,000. Of this amount, \$6,460,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

	General Obligation and Revenue Bonds					
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 6,460,000	\$ 7,595,000	\$ -	\$ -	\$ 6,460,000	\$ 7,595,000
Special assessment bonds	-	-	4,875,000	6,225,000	4,875,000	6,225,000
Unamortized premium	512,121	640,151	-	-	512,121	640,151
Compensated absences	2,434,828	2,550,570	54,333	72,685	2,489,161	2,623,255
<b>Total</b>	<b>\$ 9,406,949</b>	<b>\$ 10,785,721</b>	<b>\$ 4,929,333</b>	<b>\$ 6,297,685</b>	<b>\$ 14,336,282</b>	<b>\$ 17,083,406</b>

The City's total bonded debt decreased by \$2,485,000 (18.0 percent) during the current fiscal year as a result of scheduled debt payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The City's current outstanding general obligation debt is substantially below the current debt limit of \$511,712,233.

Additional information on the City's long-term debt can be found in Note 9 to the financial statements.

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

- The budget plan, as originally approved for fiscal year 2023, has general fund expenditures greater than revenues of \$424,850. The use of fund balance will be used for one-time purchases of public safety vehicles (historically purchased by the forfeiture fund) and a drone.
- The 2023 fiscal year approved tax millage rate remained at 10.5376 from fiscal year 2022. The total general fund tax revenue is expected to increase \$982,000 or 3.8%.
- State Shared Revenues and Act 51 revenues are both expected to increase slightly due to the population factor used in the formula calculation. The City's population increased from 55,224 in 2010 to 66,243 in 2020.
- Licenses, permits and charges for services have continued to be lower than pre-Covid-19 years. The City's building activity has not fully recovered due to the COVID-19 pandemic and the negative impact to the local economy. The City is assuming revenue will return to pre-COVID levels by fiscal year 2023/2024.
- The City continues to place an importance on its infrastructure in fiscal year 2023. The City has \$22,603,630 of budgeted costs in its capital improvement plan for fiscal year 2023. The CIP includes \$9.9 million of road improvements, \$400,000 of sidewalks and pathways, \$1.47 million of storm sewer and drainage projects, \$4.9 million of water distribution improvements, \$2.1 million in parks projects, \$2.2 million in building and property developments, and \$1.4 million in machinery, equipment and vehicles.

#### 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 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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF NOVI, MICHIGAN**

**Statement of Net Position**

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 980,723	\$ 3,145,746	\$ 4,126,469	\$ 61,910
Investments	53,579,943	40,609,669	94,189,612	-
Receivables	4,243,315	10,279,910	14,523,225	-
Advance to component unit	3,432,906	-	3,432,906	-
Internal balances	(4,377,076)	4,377,076	-	-
Other assets	732,415	1,881,995	2,614,410	-
Capital assets not being depreciated	50,251,940	29,461,042	79,712,982	4,001,256
Capital assets being depreciated, net	139,838,979	130,095,638	269,934,617	-
Net other postemployment benefit asset	3,472,366	107,393	3,579,759	-
<b>Total assets</b>	<b>252,155,511</b>	<b>219,958,469</b>	<b>472,113,980</b>	<b>4,063,166</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	392,483	-	392,483	-
Deferred pension amounts	5,093,355	157,526	5,250,881	-
Deferred other postemployment benefit amounts	5,927,942	183,338	6,111,280	-
<b>Total deferred outflows of resources</b>	<b>11,413,780</b>	<b>340,864</b>	<b>11,754,644</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	7,546,960	4,380,755	11,927,715	-
Refundable deposits	7,322,016	198,932	7,520,948	-
Unearned revenue	121,445	-	121,445	-
Advance from primary government	-	-	-	3,432,906
Long-term debt:				
Due within one year	3,270,892	1,409,333	4,680,225	-
Due in more than one year	6,136,057	3,520,000	9,656,057	-
Other liabilities due in more than one year - Net pension liability	36,539,736	1,130,095	37,669,831	-
<b>Total liabilities</b>	<b>60,937,106</b>	<b>10,639,115</b>	<b>71,576,221</b>	<b>3,432,906</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	5,620,062	173,816	5,793,878	-
Deferred other postemployment benefit amounts	6,301,421	194,889	6,496,310	-
Deferred lease amounts	619,552	3,212,866	3,832,418	-
<b>Total deferred inflows of resources</b>	<b>12,541,035</b>	<b>3,581,571</b>	<b>16,122,606</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	183,511,281	154,681,680	338,192,961	568,350
Restricted for:				
Roads	9,041,060	-	9,041,060	-
Public safety	423,843	-	423,843	-
Community and economic development	2,157	-	2,157	-
Debt service	142,548	-	142,548	-
Infrastructure improvements	5,396,015	-	5,396,015	-
Parks, recreation, and cultural services	1,222,165	-	1,222,165	-
Library	4,219,557	-	4,219,557	-
Stormwater systems	17,951	-	17,951	-
Tree replacement and maintenance	2,960,698	-	2,960,698	-
Street lighting improvement	77,039	-	77,039	-
Perpetual drain maintenance	6,850,012	-	6,850,012	-
Other postemployment benefits	3,098,887	95,842	3,194,729	-
Unrestricted (deficit)	(26,872,063)	51,301,125	24,429,062	61,910
<b>Total net position</b>	<b>\$ 190,091,150</b>	<b>\$ 206,078,647</b>	<b>\$ 396,169,797</b>	<b>\$ 630,260</b>

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

# CITY OF NOVI, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 9,905,432	\$ 2,617,673	\$ 2,823,546	\$ -	\$ (4,464,213)
Public safety	22,497,361	984,832	496,802	-	(21,015,727)
Public works	18,111,865	2,128,289	7,737,886	2,647,487	(5,598,203)
Community and economic development	2,897,554	318,061	170,441	-	(2,409,052)
Recreation and culture	6,937,364	1,696,624	2,955	46,144	(5,191,641)
Interest and fiscal charges	364,139	-	-	-	(364,139)
Total governmental activities	<u>60,713,715</u>	<u>7,745,479</u>	<u>11,231,630</u>	<u>2,693,631</u>	<u>(39,042,975)</u>
Business-type activities:					
Water and sewer	29,992,246	24,966,499	179,713	1,163,815	(3,682,219)
Ice arena	1,768,305	1,806,725	-	-	38,420
Senior housing	1,343,739	2,143,900	-	-	800,161
Total business-type activities	<u>33,104,290</u>	<u>28,917,124</u>	<u>179,713</u>	<u>1,163,815</u>	<u>(2,843,638)</u>
<b>Total primary government</b>	<u>\$ 93,818,005</u>	<u>\$ 36,662,603</u>	<u>\$ 11,411,343</u>	<u>\$ 3,857,446</u>	<u>\$ (41,886,613)</u>
<b>Component unit</b>					
Corridor Improvement Authority	\$ 103,375	\$ -	\$ -	\$ -	\$ (103,375)

continued...

# CITY OF NOVI, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Change in net position</b>				
Net (expense) revenue	\$ (39,042,975)	\$ (2,843,638)	\$ (41,886,613)	\$ (103,375)
General revenues:				
Property taxes	44,332,235	-	44,332,235	333,592
State shared revenues	8,263,773	-	8,263,773	-
Investment loss	(368,897)	(1,000,052)	(1,368,949)	-
Other	387,625	-	387,625	50,000
Gain on sale of capital assets	252,943	-	252,943	-
Total general revenues	52,867,679	(1,000,052)	51,867,627	383,592
<b>Change in net position</b>	13,824,704	(3,843,690)	9,981,014	280,217
Net position, beginning of year	176,266,446	209,922,337	386,188,783	350,043
<b>Net position, end of year</b>	<u>\$ 190,091,150</u>	<u>\$ 206,078,647</u>	<u>\$ 396,169,797</u>	<u>\$ 630,260</u>

concluded.

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

**CITY OF NOVI, MICHIGAN**

**Balance Sheet**

Governmental Funds  
June 30, 2022

	General Fund	Local Street Fund	Capital Improvement Program	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 140,288	\$ 36,449	\$ -	\$ 791,970	\$ 968,707
Investments	23,310,210	2,482,863	-	26,353,591	52,146,664
Receivables:					
Accrued interest	291,337	-	-	-	291,337
Leases	619,552	-	-	-	619,552
Other	357,184	-	-	128,067	485,251
Due from other governments	1,473,349	307,794	-	953,840	2,734,983
Due from other funds	499,994	-	-	-	499,994
Advances to component units	-	-	-	3,432,906	3,432,906
Prepaid items and other assets	428,259	-	61,383	45,664	535,306
<b>Total assets</b>	<b>\$ 27,120,173</b>	<b>\$ 2,827,106</b>	<b>\$ 61,383</b>	<b>\$ 31,706,038</b>	<b>\$ 61,714,700</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,277,567	\$ 1,697,456	\$ 117,224	\$ 1,704,256	\$ 4,796,503
Accrued salaries and wages	1,205,531	-	-	199,544	1,405,075
Other accrued liabilities	114,843	-	11,900	405,294	532,037
Refundable deposits	7,314,791	-	-	7,225	7,322,016
Unearned revenue	-	121,445	-	-	121,445
Advances from other funds	-	-	4,272,000	-	4,272,000
Due to other funds	-	-	481,611	18,383	499,994
<b>Total liabilities</b>	<b>9,912,732</b>	<b>1,818,901</b>	<b>4,882,735</b>	<b>2,334,702</b>	<b>18,949,070</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - grants	-	-	-	19,726	19,726
Unavailable revenue - other	178,736	-	-	-	178,736
Deferred lease amounts	619,552	-	-	-	619,552
<b>Total deferred inflows of resources</b>	<b>798,288</b>	<b>-</b>	<b>-</b>	<b>19,726</b>	<b>818,014</b>
<b>Fund balances</b>					
Nonspendable:					
Prepaid items and other assets	428,259	-	61,383	45,664	535,306
Perpetual drain maintenance	-	-	-	6,850,012	6,850,012
Restricted:					
Roads	-	1,008,205	-	8,023,263	9,031,468
Public safety	12,871	-	-	392,339	405,210
Community and economic development	2,157	-	-	-	2,157
Debt service	-	-	-	203,298	203,298
Infrastructure improvements	-	-	-	5,396,015	5,396,015
Parks, recreation, and cultural services	-	-	-	1,196,064	1,196,064
Library	-	-	-	4,208,993	4,208,993
Stormwater systems	-	-	-	17,951	17,951
Tree replacement and maintenance	-	-	-	2,960,698	2,960,698
Street lighting improvement	-	-	-	77,039	77,039
Assigned:					
Subsequent year's budget	2,040,575	-	-	-	2,040,575
Unassigned (deficit)	13,925,291	-	(4,882,735)	(19,726)	9,022,830
<b>Total fund balances</b>	<b>16,409,153</b>	<b>1,008,205</b>	<b>(4,821,352)</b>	<b>29,351,610</b>	<b>41,947,616</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,120,173</b>	<b>\$ 2,827,106</b>	<b>\$ 61,383</b>	<b>\$ 31,706,038</b>	<b>\$ 61,714,700</b>

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

## CITY OF NOVI, MICHIGAN

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2022

**Fund balances - total governmental funds** \$ 41,947,616

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 therefore are not reported in the fund financial statements.

Capital assets not being depreciated	50,251,940
Capital assets being depreciated, net	139,838,979

The focus of governmental funds is on short-term financing. Accordingly, some  
assets will not be available to pay for current-period expenditures. Those  
assets (such as certain receivables) are offset by deferred inflows in the  
governmental funds, and thus are not included in fund balance.

Unavailable grants and other receivables	198,462
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Internal service funds are used by management to charge the costs of certain health  
insurance costs to individual funds. The assets and liabilities of the internal service fund  
are included in governmental activities in the statement of net position.

Net position of governmental internal service fund	1,602,204
Portion of internal service fund net position attributed to business-type activities	(105,076)

Certain liabilities, such as bonds payable, are not due and payable  
in the current period, and therefore are not reported in the funds.

Accrued interest on long-term debt	(61,250)
Bonds payable	(6,460,000)
Unamortized bond premium	(512,121)
Accrued compensated absences	(2,434,828)
Unamortized deferred charge on refunding	392,483
Claims and judgments	(599,703)

Certain pension and postemployment-related amounts are not due and payable  
in the current period or do not represent current financial resources and  
therefore are not reported in the funds.

Net pension liability	(36,539,736)
Deferred outflows related to the net pension liability	5,093,355
Deferred inflows related to the net pension liability	(5,620,062)
Net other postemployment benefit asset	3,472,366
Deferred outflows related to the net other postemployment benefit asset	5,927,942
Deferred inflows related to the net other postemployment benefit asset	(6,301,421)

**Net position of governmental activities** \$ 190,091,150

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

# CITY OF NOVI, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Local Street Fund	Capital Improvement Program	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 25,802,504	\$ -	\$ 3,985,024	\$ 14,544,707	\$ 44,332,235
Special assessments	-	-	-	35,829	35,829
Licenses, permits, and charges for services	2,977,234	-	-	2,594,420	5,571,654
Intergovernmental:					
Federal grants	2,611,340	-	-	494,688	3,106,028
State-shared revenue and grants	8,206,227	1,935,902	-	5,974,774	16,116,903
Other grants	-	-	-	150,738	150,738
Fines and forfeitures	285,813	-	-	185,628	471,441
Investment income (loss)	(270,083)	(23,512)	207	(453,485)	(746,873)
Other:					
Local donations	23,050	-	26,069	50,374	99,493
Recreational programs	-	-	-	1,696,624	1,696,624
Tap-in fees	-	-	-	4,290	4,290
Miscellaneous	702,992	-	-	207,332	910,324
<b>Total revenues</b>	<b>40,339,077</b>	<b>1,912,390</b>	<b>4,011,300</b>	<b>25,485,919</b>	<b>71,748,686</b>
<b>Expenditures</b>					
Current:					
General government	9,932,651	-	860	-	9,933,511
Public safety	21,243,712	-	870,828	674,503	22,789,043
Public works	3,535,779	8,726,072	252,604	8,476,571	20,991,026
Community and economic development	2,577,855	-	-	444,333	3,022,188
Recreation and culture	28,448	-	257,346	6,172,385	6,458,179
Debt service:					
Principal	-	-	-	1,135,000	1,135,000
Interest and fiscal charges	-	-	156,824	268,200	425,024
<b>Total expenditures</b>	<b>37,318,445</b>	<b>8,726,072</b>	<b>1,538,462</b>	<b>17,170,992</b>	<b>64,753,971</b>
Revenues over (under) expenditures	3,020,632	(6,813,682)	2,472,838	8,314,927	6,994,715
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	43,524	-	3,004,450	41,400	3,089,374
Insurance recovery	8,576	-	-	-	8,576
Transfers in	-	6,659,100	-	338,781	6,997,881
Transfers out	(338,781)	-	-	(6,659,100)	(6,997,881)
<b>Total other financing sources (uses)</b>	<b>(286,681)</b>	<b>6,659,100</b>	<b>3,004,450</b>	<b>(6,278,919)</b>	<b>3,097,950</b>
<b>Net change in fund balances</b>	<b>2,733,951</b>	<b>(154,582)</b>	<b>5,477,288</b>	<b>2,036,008</b>	<b>10,092,665</b>
Fund balances (deficit), beginning of year	13,675,202	1,162,787	(10,298,640)	27,315,602	31,854,951
<b>Fund balances (deficit), end of year</b>	<b>\$ 16,409,153</b>	<b>\$ 1,008,205</b>	<b>\$ (4,821,352)</b>	<b>\$ 29,351,610</b>	<b>\$ 41,947,616</b>

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

## CITY OF NOVI, MICHIGAN

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2022

**Net change in fund balances - total governmental funds** \$ 10,092,665

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 assets purchased / constructed	13,490,058
Donated capital assets	1,749,336
Contributed capital	839,272
Depreciation expense	(11,059,967)
Proceeds from sale of capital assets	(3,089,374)
Gain on sale of capital assets	252,943

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

Net change in deferred inflows for grants and other receivable	(33,910)
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Internal service funds are used by management to charge the costs of certain health insurance costs to individual funds. The net increase (decrease) in the net position of the internal service fund is reported with governmental activities.

Net operating income from governmental internal service fund	666,570
Investment earnings from governmental internal service fund	(17,908)
Net operating income attributable to business-type activities	(36,814)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	1,135,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of deferred charge on refunding and premium, and change in accrued interest payable on long-term debt	60,885
Change in net pension liability and related deferred amounts	(1,369,308)
Change in net other postemployment benefit asset and related deferred amounts	1,521,610
Change in the accrual for compensated absences	115,742
Change in the claims and judgments liability	(492,096)

**Change in net position of governmental activities** \$ 13,824,704

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

# CITY OF NOVI, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Current property taxes	\$ 24,857,911	\$ 25,587,236	\$ 25,603,739	\$ 16,503
Trailer fees	12,000	11,000	11,006	6
Penalties and interest	190,000	188,000	187,759	(241)
Licenses, permits, and charges for services	4,276,388	3,252,388	2,977,234	(275,154)
Intergovernmental:				
Federal grants	85,000	2,796,545	2,611,340	(185,205)
State grants	5,771,515	8,104,920	8,206,227	101,307
Fines and forfeitures	395,000	335,000	285,813	(49,187)
Investment income (loss)	730,424	260,640	(270,083)	(530,723)
Other:				
Local donations	1,000	24,050	23,050	(1,000)
Miscellaneous	668,712	698,961	702,992	4,031
<b>Total revenues</b>	<b>36,987,950</b>	<b>41,258,740</b>	<b>40,339,077</b>	<b>(919,663)</b>
<b>Expenditures</b>				
Current:				
General government:				
City council	56,410	49,410	45,178	(4,232)
City manager	662,033	786,785	679,226	(107,559)
Finance	986,725	931,463	899,174	(32,289)
Treasury	399,862	459,671	442,560	(17,111)
Integrated solutions	1,419,876	1,423,736	1,387,063	(36,673)
Assessing	885,597	940,214	916,200	(24,014)
City attorney, insurance, and claims	872,801	1,084,901	1,059,326	(25,575)
City clerk	998,497	1,009,382	811,120	(198,262)
Facility management	1,200,625	1,645,557	1,267,385	(378,172)
Park maintenance	995,139	1,062,550	1,062,152	(398)
Human resources	617,150	571,787	539,817	(31,970)
Community relations	798,097	820,442	625,776	(194,666)
Economic development	203,199	205,199	197,674	(7,525)
Total general government	10,096,011	10,991,097	9,932,651	(1,058,446)
Public safety:				
Police	14,082,118	14,966,170	14,756,986	(209,184)
Fire	6,242,767	6,588,977	6,486,726	(102,251)
Total public safety	20,324,885	21,555,147	21,243,712	(311,435)
Public works:				
Administration	527,217	634,930	593,505	(41,425)
Engineering	295,779	378,717	363,257	(15,460)
Field operations	1,378,265	1,613,504	1,471,186	(142,318)
Fleet asset	1,295,984	1,371,458	1,107,831	(263,627)
Total public works	3,497,245	3,998,609	3,535,779	(462,830)

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## CITY OF NOVI, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded):</b>				
Current (concluded):				
Community and economic development:				
Building	\$ 2,113,326	\$ 1,951,628	\$ 1,905,997	\$ (45,631)
Planning	713,383	915,335	671,858	(243,477)
Total community and economic development	<u>2,826,709</u>	<u>2,866,963</u>	<u>2,577,855</u>	<u>(289,108)</u>
Recreation and culture:				
Youth assistance	48,169	24,169	22,164	(2,005)
Historical commission	14,000	14,000	6,284	(7,716)
Total recreation and culture	<u>62,169</u>	<u>38,169</u>	<u>28,448</u>	<u>(9,721)</u>
<b>Total expenditures</b>	<u>36,807,019</u>	<u>39,449,985</u>	<u>37,318,445</u>	<u>(2,131,540)</u>
Revenues over expenditures	<u>180,931</u>	<u>1,808,755</u>	<u>3,020,632</u>	<u>1,211,877</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	50,000	43,600	43,524	(76)
Insurance recovery	35,000	8,600	8,576	(24)
Transfers out	(229,871)	(405,482)	(338,781)	(66,701)
<b>Total other financing sources (uses)</b>	<u>(144,871)</u>	<u>(353,282)</u>	<u>(286,681)</u>	<u>66,601</u>
<b>Net change in fund balance</b>	<u>36,060</u>	<u>1,455,473</u>	<u>2,733,951</u>	<u>1,278,478</u>
Fund balance, beginning of year	<u>11,527,983</u>	<u>13,675,202</u>	<u>13,675,202</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 11,564,043</u>	<u>\$ 15,130,675</u>	<u>\$ 16,409,153</u>	<u>\$ 1,278,478</u>

concluded.

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

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## CITY OF NOVI, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Street Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental - state shared:				
Gas and weight tax	\$ 1,875,000	\$ 1,945,000	\$ 1,935,902	\$ (9,098)
Investment income (loss)	14,860	860	(23,512)	(24,372)
<b>Total revenues</b>	<u>1,889,860</u>	<u>1,945,860</u>	<u>1,912,390</u>	<u>(33,470)</u>
<b>Expenditures</b>				
Current -				
Public works	<u>7,912,860</u>	<u>9,921,295</u>	<u>8,726,072</u>	<u>(1,195,223)</u>
Revenues under expenditures	(6,023,000)	(7,975,435)	(6,813,682)	1,161,753
<b>Other financing sources</b>				
Transfers in	<u>5,728,000</u>	<u>7,820,900</u>	<u>6,659,100</u>	<u>(1,161,800)</u>
<b>Net change in fund balance</b>	(295,000)	(154,535)	(154,582)	(47)
Fund balance, beginning of year	<u>1,086,983</u>	<u>1,162,787</u>	<u>1,162,787</u>	-
<b>Fund balance, end of year</b>	<u>\$ 791,983</u>	<u>\$ 1,008,252</u>	<u>\$ 1,008,205</u>	<u>\$ (47)</u>

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

**CITY OF NOVI, MICHIGAN**

**Statement of Net Position**

Proprietary Funds  
June 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Ice Arena	Senior Housing	Total	Internal Service Fund
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,825,614	\$ 239,970	\$ 80,162	\$ 3,145,746	\$ 12,016
Investments	36,543,037	1,542,137	2,524,495	40,609,669	1,433,279
Receivables:					
Taxes	225,465	-	-	225,465	-
Special assessments	652,766	-	-	652,766	-
Water and sewer billing	6,168,555	-	-	6,168,555	-
Leases	-	3,212,866	-	3,212,866	-
Other	-	20,258	-	20,258	112,192
Inventory	54,371	1,887	-	56,258	-
Prepaid items and other assets	1,817,680	7,648	409	1,825,737	197,109
<b>Total current assets</b>	<b>48,287,488</b>	<b>5,024,766</b>	<b>2,605,066</b>	<b>55,917,320</b>	<b>1,754,596</b>
Noncurrent assets:					
Advances to other funds	4,272,000	-	-	4,272,000	-
Capital assets not being depreciated	27,345,844	409,701	1,705,497	29,461,042	-
Capital assets being depreciated, net	118,694,757	4,081,063	7,319,818	130,095,638	-
Net other postemployment benefit asset	107,393	-	-	107,393	-
<b>Total noncurrent assets</b>	<b>150,419,994</b>	<b>4,490,764</b>	<b>9,025,315</b>	<b>163,936,073</b>	<b>-</b>
<b>Total assets</b>	<b>198,707,482</b>	<b>9,515,530</b>	<b>11,630,381</b>	<b>219,853,393</b>	<b>1,754,596</b>
<b>Deferred outflows of resources</b>					
Deferred pension amounts	157,526	-	-	157,526	-
Deferred other postemployment benefit amounts	183,338	-	-	183,338	-
<b>Total deferred outflows of resources</b>	<b>340,864</b>	<b>-</b>	<b>-</b>	<b>340,864</b>	<b>-</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	4,115,749	54,449	11,370	4,181,568	892
Accrued salaries and wages	60,193	3,206	12,021	75,420	151,500
Other accrued liabilities	59,998	7,359	56,410	123,767	-
Refundable deposits	-	27,967	170,965	198,932	-
Current portion of long-term debt	54,333	485,000	870,000	1,409,333	-
<b>Total current liabilities</b>	<b>4,290,273</b>	<b>577,981</b>	<b>1,120,766</b>	<b>5,989,020</b>	<b>152,392</b>
Noncurrent liabilities:					
Long-term debt, net of current portion	-	520,000	3,000,000	3,520,000	-
Net pension liability	1,130,095	-	-	1,130,095	-
<b>Total noncurrent liabilities</b>	<b>1,130,095</b>	<b>520,000</b>	<b>3,000,000</b>	<b>4,650,095</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,420,368</b>	<b>1,097,981</b>	<b>4,120,766</b>	<b>10,639,115</b>	<b>152,392</b>
<b>Deferred inflows of resources</b>					
Deferred pension amounts	173,816	-	-	173,816	-
Deferred other postemployment benefit amounts	194,889	-	-	194,889	-
Deferred lease amounts	-	3,212,866	-	3,212,866	-
<b>Total deferred inflows of resources</b>	<b>368,705</b>	<b>3,212,866</b>	<b>-</b>	<b>3,581,571</b>	<b>-</b>
<b>Net position</b>					
Net investment in capital assets	146,040,601	3,485,764	5,155,315	154,681,680	-
Restricted for other postemployment benefits	95,842	-	-	95,842	-
Unrestricted	47,122,830	1,718,919	2,354,300	51,196,049	1,602,204
<b>Total net position</b>	<b>\$ 193,259,273</b>	<b>\$ 5,204,683</b>	<b>\$ 7,509,615</b>	<b>\$ 205,973,571</b>	<b>\$ 1,602,204</b>

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

## CITY OF NOVI, MICHIGAN

### Reconciliation

Net Position of Enterprise Funds  
to Net Position of Business-type Activities  
June 30, 2022

**Net position - enterprise funds** \$ 205,973,571

Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service fund is used by management to charge health insurance costs to individual funds. A portion of the net position of the internal service fund attributable to these charges are included in business-type activities in the statement of net position.

105,076

**Net position of business-type activities**

\$ 206,078,647

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

# CITY OF NOVI, MICHIGAN

## Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Ice Arena	Senior Housing	Total	Internal Service Fund
<b>Operating revenues</b>					
Charges for services:					
Sale of water	\$ 12,170,237	\$ -	\$ -	\$ 12,170,237	\$ -
Sewage disposal charges	12,499,880	-	-	12,499,880	-
Concession sales	-	37,816	-	37,816	-
Installation fees	251,661	-	-	251,661	-
Rentals and other	6,840	1,768,909	2,137,374	3,913,123	-
Insurance	-	-	-	-	3,521,890
Fines and forfeitures	179,713	-	-	179,713	-
Other	37,881	-	6,526	44,407	263,505
<b>Total operating revenues</b>	<b>25,146,212</b>	<b>1,806,725</b>	<b>2,143,900</b>	<b>29,096,837</b>	<b>3,785,395</b>
<b>Operating expenses</b>					
Water	9,615,793	-	-	9,615,793	-
Sewage treatment	12,080,887	-	-	12,080,887	-
Maintenance and operation	1,993,506	698,405	398,641	3,090,552	-
Depreciation	4,473,343	309,882	448,040	5,231,265	-
Salaries and fringes	1,484,542	-	-	1,484,542	3,118,825
Professional services	-	724,898	403,569	1,128,467	-
Supplies and other	380,989	-	-	380,989	-
<b>Total operating expenses</b>	<b>30,029,060</b>	<b>1,733,185</b>	<b>1,250,250</b>	<b>33,012,495</b>	<b>3,118,825</b>
Operating income (loss)	(4,882,848)	73,540	893,650	(3,915,658)	666,570
<b>Nonoperating revenues (expenses)</b>					
Interest income (loss)	(921,329)	(35,199)	(43,524)	(1,000,052)	(17,908)
Interest and fiscal charges	-	(35,120)	(93,489)	(128,609)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(921,329)</b>	<b>(70,319)</b>	<b>(137,013)</b>	<b>(1,128,661)</b>	<b>(17,908)</b>
<b>Income (loss) before capital contributions</b>	<b>(5,804,177)</b>	<b>3,221</b>	<b>756,637</b>	<b>(5,044,319)</b>	<b>648,662</b>
<b>Capital contributions</b>					
Lines donated by developers and others	523,990	-	-	523,990	-
Customer assessments - tap fees	639,825	-	-	639,825	-
<b>Total capital contributions</b>	<b>1,163,815</b>	<b>-</b>	<b>-</b>	<b>1,163,815</b>	<b>-</b>
<b>Change in net position</b>	<b>(4,640,362)</b>	<b>3,221</b>	<b>756,637</b>	<b>(3,880,504)</b>	<b>648,662</b>
Net position, beginning of year	197,899,635	5,201,462	6,752,978	209,854,075	953,542
<b>Net position, end of year</b>	<b>\$ 193,259,273</b>	<b>\$ 5,204,683</b>	<b>\$ 7,509,615</b>	<b>\$ 205,973,571</b>	<b>\$ 1,602,204</b>

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

## CITY OF NOVI, MICHIGAN

### Reconciliation

Change in Net Position of Enterprise Funds  
to Change in Net Position of Business-type Activities  
For the Year Ended June 30, 2022

**Net change in net position - total enterprise funds** \$ (3,880,504)

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service fund is used by management to charge health insurance costs to individual funds. A portion of the net operating income attributable to those funds is reported with business-type activities.

36,814

**Change in net position of business-type activities** \$ (3,843,690)

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

**CITY OF NOVI, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Ice Arena	Senior Housing	Total	Internal Service Fund
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 25,386,547	\$ 1,848,537	\$ 2,143,096	\$ 29,378,180	\$ 3,667,924
Cash payments for goods and services	(21,814,369)	(1,493,386)	(786,953)	(24,094,708)	-
Cash payments to employees	(1,505,065)	-	-	(1,505,065)	(3,107,325)
<b>Net cash provided by operating activities</b>	<u>2,067,113</u>	<u>355,151</u>	<u>1,356,143</u>	<u>3,778,407</u>	<u>560,599</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition/construction of capital assets	(12,139,834)	(39,715)	(16,597)	(12,196,146)	-
Principal paid on long-term debt	-	(500,000)	(850,000)	(1,350,000)	-
Interest paid on long-term debt	-	(35,120)	(93,489)	(128,609)	-
Customer assessments - tap fees received	639,825	-	-	639,825	-
<b>Net cash used in capital and related financing activities</b>	<u>(11,500,009)</u>	<u>(574,835)</u>	<u>(960,086)</u>	<u>(13,034,930)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Purchase of securities	-	-	(470,613)	(470,613)	(555,379)
Sale of securities	5,225,641	250,941	-	5,476,582	-
Interest and dividends paid	(921,329)	(35,199)	(43,524)	(1,000,052)	(17,908)
Repayment of advances to other funds	4,928,000	-	-	4,928,000	-
<b>Net cash provided by (used in) investing activities</b>	<u>9,232,312</u>	<u>215,742</u>	<u>(514,137)</u>	<u>8,933,917</u>	<u>(573,287)</u>
<b>Net change in cash and cash equivalents</b>	<u>(200,584)</u>	<u>(3,942)</u>	<u>(118,080)</u>	<u>(322,606)</u>	<u>(12,688)</u>
Cash and cash equivalents, beginning of year	<u>3,026,198</u>	<u>243,912</u>	<u>198,242</u>	<u>3,468,352</u>	<u>24,704</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,825,614</u>	<u>\$ 239,970</u>	<u>\$ 80,162</u>	<u>\$ 3,145,746</u>	<u>\$ 12,016</u>

continued...



**CITY OF NOVI, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Ice Arena	Senior Housing	Total	Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (4,882,848)	\$ 73,540	\$ 893,650	\$ (3,915,658)	\$ 666,570
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	4,473,343	309,882	448,040	5,231,265	-
Change in assets and liabilities:					
Receivables:					
Taxes	19,051	-	-	19,051	-
Special assessments	104,612	-	-	104,612	-
Water and sewer billing	93,460	-	-	93,460	-
Leases	-	(673,035)	-	(673,035)	-
Other	-	43,699	-	43,699	(57,689)
Inventory	23,212	(1,887)	-	21,325	-
Prepaid items and other assets	3,642,177	(3,834)	1,054	3,639,397	(59,849)
Net other postemployment benefit asset	179,708	-	-	179,708	-
Deferred outflows of resources - pension amounts	(14,983)	-	-	(14,983)	-
Deferred outflows of resources - other postemployment benefit amounts	(141,968)	-	-	(141,968)	-
Accounts payable	(1,385,571)	14,296	4,274	(1,367,001)	67
Accrued salaries and wages	2,538	-	-	2,538	11,500
Other accrued liabilities	200	(969)	7,658	6,889	-
Refundable deposits	-	(79,576)	2,271	(77,305)	-
Unearned revenue	-	-	(804)	(804)	-
Compensated absences	(18,352)	-	-	(18,352)	-
Net pension liability	(45,037)	-	-	(45,037)	-
Deferred inflows of resources - pension amounts	102,371	-	-	102,371	-
Deferred inflows of resources - other postemployment benefit amounts	(84,800)	-	-	(84,800)	-
Deferred lease amounts	-	673,035	-	673,035	-
<b>Net cash provided by operating activities</b>	<u>\$ 2,067,113</u>	<u>\$ 355,151</u>	<u>\$ 1,356,143</u>	<u>\$ 3,778,407</u>	<u>\$ 560,599</u>

Noncash item: During the year ended June 30, 2022, developers and others constructed water and sewer lines with an estimated value of \$523,990 and donated them to the City's water and sewer enterprise fund.

concluded.

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

# CITY OF NOVI, MICHIGAN

## Statement of Fiduciary Net Position

June 30, 2022

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund	Tax Collection Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 410,487	\$ -
Investments, at fair value:		
U.S. government securities	3,848,620	-
U.S. agency securities	549,496	-
Corporate bonds	609,612	-
Equities	17,512,633	-
Mutual funds	2,475,750	-
MERS Retiree Healthcare Funding Vehicle	6,997,282	-
<b>Total assets</b>	<u>32,403,880</u>	<u>-</u>
<b>Liabilities</b>		
Accounts payable	41,967	-
<b>Net position</b>		
Restricted for other postemployment benefits	<u>\$ 32,361,913</u>	<u>\$ -</u>

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

# CITY OF NOVI, MICHIGAN

## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2022

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund	Tax Collection Custodial Fund
<b>Additions</b>		
Contributions -		
Employer	\$ 117,308	\$ -
Investment income (loss):		
Net change in fair value of investments	(6,223,750)	-
Interest	471,177	-
Other	5,021	-
Total investment loss	(5,747,552)	-
Less: investment expense	(375,813)	-
Net investment loss	(6,123,365)	-
Taxes collected for other governments	-	123,173,529
<b>Total additions (excess of net investment loss over contributions)</b>	<b>(6,006,057)</b>	<b>123,173,529</b>
<b>Deductions</b>		
Healthcare insurance premiums	1,193,717	-
Administrative expense	6,500	-
Payments of taxes to other governments	-	123,173,529
<b>Total deductions</b>	<b>1,200,217</b>	<b>123,173,529</b>
<b>Change in net position</b>	<b>(7,206,274)</b>	<b>-</b>
Net position, beginning of year	39,568,187	-
<b>Net position, end of year</b>	<b>\$ 32,361,913</b>	<b>\$ -</b>

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

# CITY OF NOVI, MICHIGAN

## Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2022

	Economic Development Corporation	Corridor Improvement Authority	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 61,910	\$ -	\$ 61,910
Capital assets not being depreciated	35,000	3,966,256	4,001,256
<b>Total assets</b>	<u>96,910</u>	<u>3,966,256</u>	<u>4,063,166</u>
<b>Liabilities</b>			
Advance from primary government	-	3,432,906	3,432,906
<b>Net position</b>			
Net investment in capital assets	35,000	533,350	568,350
Unrestricted	61,910	-	61,910
<b>Total net position</b>	<u>\$ 96,910</u>	<u>\$ 533,350</u>	<u>\$ 630,260</u>

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

## CITY OF NOVI, MICHIGAN

### Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2022

	Economic Development Corporation	Corridor Improvement Authority	Totals
<b>Expenses</b>			
Corridor Improvement Authority	\$ -	\$ 103,375	\$ 103,375
<b>General revenues</b>			
Property taxes	-	333,592	333,592
Other	50,000	-	50,000
<b>Total general revenues</b>	<u>50,000</u>	<u>333,592</u>	<u>383,592</u>
<b>Change in net position</b>	50,000	230,217	280,217
Net position, beginning of year	<u>46,910</u>	<u>303,133</u>	<u>350,043</u>
<b>Net position, end of year</b>	<u><u>\$ 96,910</u></u>	<u><u>\$ 533,350</u></u>	<u><u>\$ 630,260</u></u>

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

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## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Novi, Michigan (the "City") was incorporated in 1969. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City is governed by an elected seven-member council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

#### **Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### *Blended Component Unit*

A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City's only blended component unit is described as follows:

The City of Novi Building Authority (the "Building Authority") is governed by a commission that is appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government. Its sole purpose is to finance the City's ice arena and senior housing projects. Currently, the Building Authority has no debt outstanding and no activity.

#### *Discretely Presented Component Units*

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City's discretely presented component units are described as follows:

The Economic Development Corporation of the City of Novi (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services 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. The Corporation does not issue a separate financial report.



# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

The Corridor Improvement Authority of the City of Novi (the "CIA") was created by the City in January 2018 as a funding mechanism for corridor improvements on either side of the Grand River Avenue from Wixom Road to Haggerty Road. The CIA is authorized under the Corridor Improvement Authority Act (PA 280 of 2005) and is governed by a Board of Directors whose primary purpose is to correct and prevent deterioration and promote economic growth within the corridor. The CIA's governing body is selected by the City council. The City also has the ability to impose its will on the CIA. The CIA 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 a legally separate from the City. The CIA does not issue a separate financial report.

### *Fiduciary Component Unit*

The Retiree Health Care Plan Trust Fund (the "RHC") was created by the City to provide funding for future retiree healthcare payments to retirees. City Council has approved an investment policy for the fund which dictates how the assets are invested. Assets are invested with the Michigan Employees Retirement System (MERS) and two financial institutions. The City has the ability to impose its will upon the trust fund.

### **Joint Ventures**

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority"). The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan 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 information of the Authority as of June 30, 2022 can be obtained from the Authority's administrative offices at 20000 W. 8 Mile Road, Southfield, Michigan. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Government-wide and Fund Financial Statements**

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

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

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a “deferred inflow.” Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The *general fund* is the City’s primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

The *local street special revenue fund* is used to account for expenditures associated with the construction and maintenance needs of the local street portion (as defined by State Act 51) of the City’s street network. Of the 193.84 total centerline miles that make up the City of Novi road network, the City has 148.64 centerline miles of local streets. Financing is primarily provided by the City’s share of state gas and weight taxes.

The *capital improvement program capital projects fund* is used to account for the collection and corresponding expenditures related to the August 2016 voter approved CIP millage (1 mill) that was levied beginning on July 1, 2017.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

The City reports the following major enterprise funds:

The *water and sewer fund* provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

The *ice arena fund* accounts for the City's two-sheet arena.

The *senior housing fund* accounts for the 175-unit senior housing project, financed using the building authority approach.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal, interest and related costs.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Permanent funds* account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis to operate the City's self-insurance services.

The *custodial fund* is used to account for assets held by the City as an agent for individuals, private organizations, and/or other governments. They primarily hold tax remittances due to schools and other governmental units.

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

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

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

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 City's enterprise 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.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

##### ***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on other postemployment benefits trust fund investments due to changes in fair value are recognized each year.

The City participates in the Oakland County Investment Pool (the "Pool") which is managed by the County Treasurer. In accordance with GASB 79, the Authority's shares are recorded at amortized cost, which approximates fair value. The Pool is not subject to regulatory oversight, is not registered with the SEC (Securities Exchange Commission) and does not issue separate financial statements. The value of the City's position in the Pool is the same as the value of the Pool shares, and includes accrued interest.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### *Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2022, the City did not record an allowance for uncollectible accounts, as they expect to collect all outstanding receivables.

In addition to transactions related to pooled cash, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are included in the "due from other funds" or "due to other funds" accounts on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

### *Inventory and Prepaid Items and Other Assets*

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Prepaid items and other assets represent payments made to vendors for goods and services applicable to future fiscal years. Prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased. Prepaid and other asset balances are offset by nonspendable fund balance in governmental funds.

### *Capital Assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

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

	Years
Governmental activities:	
Roads	15-25
Non-motorized pathway improvements	15-30
Bridges	20-25
Drains	5-25
Buildings and improvements	15-40
Machinery and equipment	4-10
Land improvements	20-25
Library materials	10
Business-type activities:	
Water and sewer distribution systems	30-50
Buildings and improvements	7-40
Machinery and equipment	4-15
Land improvements	20-25

### ***Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows for the charge on refunding. This amount represents the different in the carrying value of refunded debt to its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to its pension and other postemployment benefit plans.

### ***Unearned Revenue***

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

### ***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the general fund and water and sewer fund, primarily) are used to liquidate the obligations. The City has discontinued the accrual of sick leave days for administrative employees and Michigan Association of Public Employees (MAPE).

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

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

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to its pension and other postemployment benefit plans. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Finally, the statements of net position and governmental funds balance sheets report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

### *Fund Balances*

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

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

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

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 22-25 percent of the proposed budgeted expenditures for the following year. The City's minimum reserve as a percentage of budgeted expenditures is 10-20 percent individually and collectively amongst the three road funds, 12-22 percent for parks and recreational services, and varying reserves for the remaining special revenue funds dependent on the funds' yearly activity and capital needs. The City's 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.

#### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

#### ***Pensions and Other Postemployment Benefits***

For purposes of measuring the net pension liability and net other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Special Assessments***

Special assessments, if any, are recorded as revenues in the fund financial statements when due, not when levied. Estimated annual installments not yet available are reflected as deferred inflows of resources in the governmental fund financial statements and as revenues in the government-wide financial statements. Special assessments are billed July 1 and are due and payable August 31 with the City's regular tax levies.

#### ***Property Tax Revenue***

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.



# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	4.7505	\$ 20,083,100
Police and fire supplemental millage	1.3518	5,705,900
Parks and recreation operations	0.3648	1,541,000
Library operations	0.7303	3,086,000
Street maintenance operations	1.4197	5,999,500
Drains maintenance operations	0.6101	2,576,000
Debt levies for library	0.3471	1,467,100
Capital improvements	0.9514	4,020,200
Economic development	0.0119	<u>50,000</u>
		<u>\$ 44,528,800</u>

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Data

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following is a summary of the requirements of this act according to the State Treasurer's Bulletin for Audits of Local Units of Government in Michigan, dated April 1982, as amended by P.A. 493 of 2000:

- Budgets must be adopted for the General Fund and special revenue funds.
- Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoptions.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

The City adopts a formal budget for the general fund and all special revenue funds. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund and the major special revenue funds are presented as a part of the basic financial statements. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the nonmajor governmental funds is presented as other supplemental information.

The budget is adopted by activity (departmental). Although spending estimates are produced for each line item, budgetary control is exercised at this activity (departmental) 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.

In accordance with the State of Michigan Uniform Budgeting and Account Act, Act 2 of 1968, "the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the legislative body may pass a special appropriation act." The City legally adopts a budget for all funds except fiduciary, internal service, enterprise, debt service or capital project funds, these funds have an adopted budget for information and expenditure tracking purposes only.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the third Monday in May, the budget is legally enacted through passage of an ordinance.

During the current year, the budgets were approved and amended in a legally permissible manner.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### Expenditures in Excess of Appropriations

P.A. 621 of 1978 of the State of Michigan, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body. Budgets are required by State law for general and special revenue funds.

In the body of the financial statements, the City's actual and budgeted expenditures for the budgetary funds have been shown on a categorical level, with the approved budgets of the City of those budgetary funds being adopted at the department level.

During the year ended June 30, 2022, the City did not incur expenditures in any budgetary funds which were in excess of the amounts appropriated.

### Deficit Fund Equity

At year end, the City reported unassigned fund balance deficits in the capital improvement program capital projects fund and the nonmajor community development block grant special revenue fund of \$4,882,735 and \$19,726, respectively. The deficit in the capital improvement program capital projects fund resulted largely from internal borrowing. In prior years, the City council approved a plan to advance construct significant projects totaling approximately \$17 million and to borrow funds either internally or externally to fund the projects. After reviewing funding options (internal borrowings vs. bond issuance), it was determined that the most beneficial way to handle the financing was to borrow internally using long-term capital reserves from other City funds. Internal borrowing will save the City several hundred thousand dollars of bond issuance costs and the millions in interest costs incurred would stay within the City. The City has an approved deficit elimination plan ("DEP") with the State of Michigan for the fiscal year ended June 30, 2021 and will be updating the plan based on the final June 30, 2022 audit. The deficit in the community development block grant special revenue fund was equal to the revenues deferred as a result of receivables collected outside of the period of availability.

### State Construction Code Act

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

Shortfall at July 1, 2021	\$ (2,933,503)
Current year building permit revenue	1,266,021
Related costs	<u>(1,591,436)</u>
Cumulative shortfall at June 30, 2022	<u>\$ (3,258,918)</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

	Primary Government	Component Units	Totals
<b>Statement of net position</b>			
Cash and cash equivalents	\$ 4,126,469	\$ 61,910	\$ 4,188,379
Investments	94,189,612	-	94,189,612
<b>Statement of fiduciary net position</b>			
Postemployment benefits -			
Retiree healthcare benefits trust fund:			
Cash and cash equivalents	410,487	-	410,487
Investments	31,993,393	-	31,993,393
<b>Total</b>	<u>\$ 130,719,961</u>	<u>\$ 61,910</u>	<u>\$ 130,781,871</u>
<b>Deposits and investments</b>			
Bank deposits:			
Checking / savings accounts			\$ 4,183,774
Certificates of deposit			13,174,158
Portfolio cash - Retiree Health Care Benefits Trust Fund			410,487
Investments:			
City pool			81,015,454
Retiree Health Care Benefits Trust Fund			31,993,393
Cash on hand			4,605
<b>Total</b>			<u>\$ 130,781,871</u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. As of June 30, 2022, \$16,293,109 of the City's bank balance of \$17,736,471 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City 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 - Investments.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk were exposed to risk since the securities are held in the City's name by the counterparty.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

The City's investments at fair value, as determined by quoted market price are as follows:

	City	Retiree Health Care Benefits Trust Fund
U.S. government securities	\$ -	\$ 3,848,620
U.S. agency securities	23,248,192	549,496
Corporate bonds	-	609,612
Municipal bonds	35,765,591	-
Equities	-	17,512,633
Mutual funds	-	2,475,750
Commercial paper	11,919,219	-
MERS Retiree Healthcare Funding Vehicle	-	6,997,282
Bank investment pool - Oakland County	10,082,452	-
<b>Total investments</b>	<u>\$ 81,015,454</u>	<u>\$ 31,993,393</u>

*Credit Risk.* Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

The City's investments were rated as follows:

	City	Retiree Health Care Benefits Trust Fund
Standard & Poor's AAA	\$ 199,050	\$ -
Standard & Poor's AA+	26,306,543	49,125
Standard & Poor's AA	11,656,672	-
Standard & Poor's AA-	6,308,221	-
Standard & Poor's A+	3,007,437	52,419
Standard & Poor's A	1,641,206	-
Standard & Poor's A-	606,684	167,625
Standard & Poor's BBB+	-	235,355
Standard & Poor's BBB	-	105,090
Standard & Poor's BBB-	1,929,043	-
Standard & Poor's A1	7,440,600	-
Standard & Poor's A2	4,987,414	-
Moody's Aa1	4,321,173	-
Moody's Aa3	235,788	-
Moody's A1	189,295	-
Unrated	-	4,398,114
Not subject to credit risk	12,186,328	26,985,665
<b>Total investments</b>	<b>\$ 81,015,454</b>	<b>\$ 31,993,393</b>

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. As of June 30, 2022, maturities of the City's investments were as follows:

	City	Retiree Health Care Benefits Trust Fund
Less than 1 year	\$ 18,402,490	\$ -
1 - 5 years	43,011,420	2,549,659
6 - 10 years	9,026,403	1,718,279
More than 10 years	492,687	739,790
No maturity	10,082,454	26,985,665
<b>Total</b>	<b>\$ 81,015,454</b>	<b>\$ 31,993,393</b>

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The State generally limits investments in a single issuer to no more than 5% of the total portfolio assets, with the exception of obligations issued, assumed, or guaranteed by the United States.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

At June 30, 2022, the investment portfolio was concentrated as follows:

Investment Type	Issuer	Percentage of Portfolio	
		City	Retiree Health Care Benefits Trust Fund
MERS Retiree Healthcare Funding Vehicle	MERS	N/A	22.1%
Bank investment pool - Oakland County	Oakland County	12.5%	N/A

*Fair Value Measurement.* The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the investment advisors. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the City's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The City had the following recurring fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 3,848,620	\$ -	\$ -	\$ 3,848,620
U.S. agency securities	23,248,192	549,496	-	23,797,688
Corporate bonds	-	609,612	-	609,612
Municipal bonds	-	35,765,591	-	35,765,591
Equities	17,512,633	-	-	17,512,633
Mutual funds	-	2,475,750	-	2,475,750
Commercial paper	11,919,219	-	-	11,919,219
MERS Retiree Healthcare Funding Vehicle	6,997,282	-	-	6,997,282
	<u>\$ 63,525,946</u>	<u>\$ 39,400,449</u>	<u>\$ -</u>	<u>102,926,395</u>

### Investments measured at amortized cost

Bank investment pool - Oakland County	<u>10,082,452</u>
	<u>\$ 113,008,847</u>

The fair value of the City's Level 1 investments is based on quotes from publicly traded securities markets, where available. The fair value of the City's Level 2 investments is determined primarily by a matrix pricing technique, which is used to value securities based on their relationship to benchmark quoted prices. Due to the inherent uncertainty of determining the fair value of investments that are not publicly traded, the fair value reported for these investments may differ significantly from the values that would have been used had a publicly traded market existed for such investments.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Taxes receivable	\$ -	\$ 225,465
Special assessments receivable	-	652,766
Water and sewer billing receivable	-	6,168,555
Accrued interest receivable	291,337	-
Leases receivable	619,552	3,212,866
Other receivables	597,443	20,258
Due from other governments	2,734,983	-
	<u>\$ 4,243,315</u>	<u>\$ 10,279,910</u>
Amount not expected to be collected within one year	<u>\$ 586,431</u>	<u>\$ 3,773,262</u>

### 5. LEASES

The City is involved in three agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2022 was \$57,082.

#### Remaining Term of Agreements

##### Asset Type

Cell towers

4-34 years

Lease receivable activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance
Leases receivable	<u>\$ 3,889,500</u>	<u>\$ -</u>	<u>\$ (57,082)</u>	<u>\$ 3,832,418</u>

\* The City implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases receivable have been added to the beginning balances shown above and a corresponding deferred inflow of resources has been recorded for the same amount.



# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 4,797,395	\$ 4,181,568
Accrued salaries and wages	1,556,575	75,420
Other accrued liabilities	532,037	123,767
Accrued interest payable	61,250	-
Claims and judgments payable	599,703	-
	<u>\$ 7,546,960</u>	<u>\$ 4,380,755</u>

### 7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 499,994	\$ -
Capital improvement program	-	481,611
Nonmajor governmental funds	-	18,383
	<u>\$ 499,994</u>	<u>\$ 499,994</u>
<b>Total</b>	<u>\$ 499,994</u>	<u>\$ 499,994</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances between funds are comprised of the following at year-end:

	Advances to Other Funds	Advances from Other Funds
Capital improvement program capital projects fund	\$ -	\$ 4,272,000
Water and sewer enterprise fund	4,272,000	-
	<u>\$ 4,272,000</u>	<u>\$ 4,272,000</u>
<b>Total</b>	<u>\$ 4,272,000</u>	<u>\$ 4,272,000</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

To minimize the overall cost of securing funds to maximize the amount of capital projects that be completed using the capital improvements millage, the City identified long-term capital reserves in the water and sewer enterprise fund that were available for temporary advancement to the capital improvement program capital projects fund without impacting the operations or rates charged to customers. On June 19, 2017, the City Council approved the advancement of an amount not to exceed \$17 million from the water and sewer enterprise fund to the capital improvement program capital projects fund to be disbursed on an "as needed" basis. The advancement would bear a fixed interest rate of 3%, which represents the approximate market rate of interest the City would pay if it bonded independently to fund the projects. The repayment period is not to exceed 10 years, with amounts to be repaid monthly, via internal transfers, using the proceeds from the voter-approved capital improvements millage or other funds at the City's discretion. Principal payments on the outstanding loan are straight-line over the 10 year period beginning July 2017 through June 2027. Payments have first preference from the annual capital improvements millage before any other expenditure from the capital improvement program capital projects fund.

Advances between the primary government and component unit are as follows:

	Advances to Component Unit	Advances from Primary Government
Nonmajor governmental funds	\$ 3,432,906	\$ -
Corridor improvement authority	-	3,432,906
<b>Total</b>	<u>\$ 3,432,906</u>	<u>\$ 3,432,906</u>

The advance between the special assessment revolving nonmajor capital projects fund and the Corridor Improvement Authority ("CIA") component unit is to advance fund the construction a portion of the crescent boulevard extension (NE portion of the Ring Road). The CIA will repay the internal borrowing with its annual tax captures and is projected to be paid in full over the next six years, beginning June 30, 2020, ending June 30, 2026.

For the current fiscal year, interfund transfers consisted of the following:

Transfers Out	Transfers in		Total
	Local Street Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 338,781	\$ 338,781
Nonmajor governmental funds	6,659,100	-	6,659,100
	<u>\$ 6,659,100</u>	<u>\$ 338,781</u>	<u>\$ 6,997,881</u>

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

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

The transfer between the major street fund (a nonmajor special revenue fund) and the local street fund (a major special revenue fund) was allowable per Act 51. The transfer between the municipal streets fund (a nonmajor special revenue fund) and the local streets fund (a major special revenue fund) was to fund current and future street improvement projects. The transfer between the general fund and the parks, recreation and cultural services fund (a nonmajor special revenue fund) was to subsidize for older adult transportation rides within the city limits and to help subsidize capital expenditure purchases. The transfer between the general fund and the forfeiture fund (a nonmajor special revenue fund) was to subsidize forfeiture related expenditures as the fund awaits a significant reimbursement.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 8. CAPITAL ASSETS

Capital asset activity for the year of the City's governmental activities was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 33,923,432	\$ 604,140	\$ (2,836,431)	\$ -	\$ 31,691,141
Construction in progress	13,926,082	11,862,357	-	(7,227,640)	18,560,799
	<u>47,849,514</u>	<u>12,466,497</u>	<u>(2,836,431)</u>	<u>(7,227,640)</u>	<u>50,251,940</u>
Capital assets being depreciated:					
Roads	147,381,972	1,749,334	(3,904,562)	-	145,226,744
Nonmotorized pathway improvements	14,386,026	-	-	-	14,386,026
Bridges	2,256,131	-	-	-	2,256,131
Drains	18,251,520	-	-	-	18,251,520
Buildings and improvements	56,238,163	267,700	-	6,729,266	63,235,129
Machinery and equipment	24,046,213	881,638	(839,276)	31,816	24,120,391
Land improvements	9,104,604	263,116	-	466,558	9,834,278
Library books	3,717,367	450,381	(570,117)	-	3,597,631
	<u>275,381,996</u>	<u>3,612,169</u>	<u>(5,313,955)</u>	<u>7,227,640</u>	<u>280,907,850</u>
Less accumulated depreciation for:					
Roads	(76,929,158)	(5,732,765)	3,904,562	-	(78,757,361)
Nonmotorized pathway improvements	(5,987,843)	(635,088)	-	-	(6,622,931)
Bridges	(1,590,197)	(88,276)	-	-	(1,678,473)
Drains	(9,559,312)	(682,041)	-	-	(10,241,353)
Buildings and improvements	(23,766,400)	(1,459,049)	-	-	(25,225,449)
Machinery and equipment	(15,804,387)	(1,722,516)	839,276	-	(16,687,627)
Land improvements	(837,285)	(393,371)	-	-	(1,230,656)
Library books	(848,277)	(346,861)	570,117	-	(625,021)
	<u>(135,322,859)</u>	<u>(11,059,967)</u>	<u>5,313,955</u>	<u>-</u>	<u>(141,068,871)</u>
Total capital assets being depreciated, net	<u>140,059,137</u>	<u>(7,447,798)</u>	<u>-</u>	<u>7,227,640</u>	<u>139,838,979</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 187,908,651</u>	<u>\$ 5,018,699</u>	<u>\$ (2,836,431)</u>	<u>\$ -</u>	<u>\$ 190,090,919</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,272,256	\$ -	\$ -	\$ -	\$ 2,272,256
Construction in progress	17,724,420	11,709,174	-	(2,244,808)	27,188,786
	<u>19,996,676</u>	<u>11,709,174</u>	<u>-</u>	<u>(2,244,808)</u>	<u>29,461,042</u>
Capital assets being depreciated:					
Water and sewer distribution systems	196,283,729	940,232	(1,088,498)	2,244,808	198,380,271
Buildings and improvements	31,813,423	48,597	-	-	31,862,020
Machinery and equipment	3,701,749	22,133	(83,161)	-	3,640,721
Land improvements	3,115,823	-	-	-	3,115,823
	<u>234,914,724</u>	<u>1,010,962</u>	<u>(1,171,659)</u>	<u>2,244,808</u>	<u>236,998,835</u>
Less accumulated depreciation for:					
Water and sewer distribution systems	(86,670,482)	(3,959,923)	1,088,498	-	(89,541,907)
Buildings and improvements	(13,333,966)	(872,940)	-	-	(14,206,906)
Machinery and equipment	(2,481,244)	(263,329)	83,161	-	(2,661,412)
Land improvements	(357,899)	(135,073)	-	-	(492,972)
	<u>(102,843,591)</u>	<u>(5,231,265)</u>	<u>1,171,659</u>	<u>-</u>	<u>(106,903,197)</u>
Total capital assets being depreciated, net	<u>132,071,133</u>	<u>(4,220,303)</u>	<u>-</u>	<u>2,244,808</u>	<u>130,095,638</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 152,067,809</u>	<u>\$ 7,488,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,556,680</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

Capital asset activity for the year of the discretely presented component units was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Component Unit - Economic Development Corporation</b>					
Capital assets not being depreciated -					
Historical treasure	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Component Unit - Corridor Improvement Authority</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 3,966,256	\$ -	\$ -	\$ -	\$ 3,966,256

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 476,404
Public safety	1,294,984
Public works	7,828,913
Community and economic development	45,740
Recreation and culture	<u>1,413,926</u>
Total governmental activities	<u>\$ 11,059,967</u>

Depreciation expense was charged to business-type activities functions as follows:

Water and sewer	\$ 4,473,343
Ice arena	309,882
Senior housing	<u>448,040</u>
Total business-type activities	<u>\$ 5,231,265</u>

Construction commitments consisted of the following at June 30, 2022:

<b>Governmental activities:</b>	
Sidewalks and pathways	\$ 191,278
Street construction	614,026
Land improvements	258,502
Drains	<u>77,139</u>
	<u>\$ 1,140,945</u>
<b>Business-type activities</b>	
Water and sewer	<u>\$ 2,095,319</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
<b>General obligation bonds</b>					
\$8,715,000 2016 Unlimited Tax Library Refunding Bonds, installments of \$165,000 to \$1,390,000 through October 1, 2026, interest at 2.0% to 4.0%	\$ 7,595,000	\$ -	\$ (1,135,000)	\$ 6,460,000	\$ 1,195,000
<b>Unamortized premium</b>					
2016 Unlimited Tax Library Refunding Bonds	640,151	-	(128,030)	512,121	128,030
Compensated absences	2,550,570	2,162,889	(2,278,631)	2,434,828	1,947,862
<b>Total governmental activities</b>	<u>\$ 10,785,721</u>	<u>\$ 2,162,889</u>	<u>\$ (3,541,661)</u>	<u>\$ 9,406,949</u>	<u>\$ 3,270,892</u>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
<b>General obligation bonds</b>					
\$4,905,000 2014 Ice Arena Refunding Bonds, installments of \$450,000 to \$520,000 through June 1, 2024, interest at 2.4%	\$ 1,505,000	\$ -	\$ (500,000)	\$ 1,005,000	\$ 485,000
\$9,075,000 2015 Senior Complex Recreation Facility Refunding Bonds, installments of \$850,000 to \$1,020,000 through October 1, 2025, interest at 2.29%	4,720,000	-	(850,000)	3,870,000	870,000
Total business-type activities general obligation bonds	6,225,000	-	(1,350,000)	4,875,000	1,355,000
Compensated absences	72,685	74,826	(93,178)	54,333	54,333
<b>Total business-type activities</b>	<b>\$ 6,297,685</b>	<b>\$ 74,826</b>	<b>\$ (1,443,178)</b>	<b>\$ 4,929,333</b>	<b>\$ 1,409,333</b>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,195,000	\$ 221,100	\$ 1,355,000	\$ 102,782
2024	1,240,000	172,400	1,500,000	69,959
2025	1,295,000	121,700	1,000,000	34,808
2026	1,340,000	75,700	1,020,000	11,679
2027	1,390,000	27,800	-	-
	<u>\$ 6,460,000</u>	<u>\$ 618,700</u>	<u>\$ 4,875,000</u>	<u>\$ 219,228</u>

All general obligation bonded debt is supported by the City's full faith and credit. Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

Compensated absences are generally liquidated by the general fund, parks, recreation, and cultural services special revenue fund, library special revenue fund, and the water and sewer enterprise fund.



# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims, property and casualty claims, and for vehicle and contractor equipment damage claims. 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 five fiscal years.

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

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, as follows:

	Fiscal Year Ended June 30,	
	2022	2021
Estimated liability, beginning of year	\$ 107,607	\$ 58,225
Estimated claims incurred, including changes in estimates	693,151	35,108
Claim recoveries (payments)	<u>(201,055)</u>	<u>14,274</u>
<b>Estimated liability, end of year</b>	<b><u>\$ 599,703</u></b>	<b><u>\$ 107,607</u></b>

### 11. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the date they are levied. City, county operating, ISD, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. Non-operating county taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's tax revolving funds. Collections of ISD, community college, school, and county taxes and remittances are accounted for in the tax custodial fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied.

The City is permitted by charter and state law to levy taxes up to \$6.50 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2022 was \$4.7505 per \$1,000 of taxable value.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### 12. TAX ABATEMENTS

The City received reduced property tax revenues during fiscal year 2022 as a result of industrial facilities tax exemptions (IFT's) and Brownfield Redevelopment agreements.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to approximately \$289,000 in reduced City tax revenues for fiscal year 2022.

Brownfield Redevelopment Agreements are granted in the State of Michigan under the Brownfield Redevelopment Act, PA 381 of 1996, as amended, and are intended to promote the redevelopment of properties with presence or perception of contamination. Under this act, a municipality may create a Brownfield Redevelopment Authority to develop and implement Brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to approximately \$106,000 in reduced City tax revenues for fiscal year 2022.

### 13. PENSION PLAN - AGENT MULTIPLE-EMPLOYER PLAN

#### *General Information About the Plan*

*Plan Description.* The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Employees Covered by Benefit Terms.* At the December 31, 2021 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	220
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>124</u>
<b>Total membership</b>	<u><u>410</u></u>

## Notes to Financial Statements

### *Contributions and Benefits Provided*

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, employer contribution amounts for closed plans were based on projected payroll and for open plans were based on a percentage of payroll.

Employee contribution amounts or rates and benefits provided, by division/bargaining unit, were as follows for the year ended June 30, 2022:

- **General Nonunion (Administrative Staff)** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions plus any accumulated interest. Members contribute 4.48 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective May 1, 2006.
- **POLC** - Retirement benefits for employees are calculated as 2.8 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 20 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 9.24 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective May 1, 2006.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

- **Fire Local 3232** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 6.33 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective June 1, 2009.
- **General Union (Police Clerks)** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 3.89 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective October 1, 2011.
- **MAPE** - Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 2.45 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective December 1, 2006.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

- **Library** - Retirement benefits for employees are calculated as 1.7 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 3 percent of their salary under \$4,200 and 5 percent over \$4,200 to fund benefits. The defined benefit plan was closed to new hired members of this group effective July 1, 2007.
- **Appointed Officials** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 2.43 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective May 1, 2006.
- **Dispatchers** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 4.11 percent of their salary to fund benefits. The defined benefit plan was closed to new hired members of this group effective September 1, 2011.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

- **COAM** - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased members' final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 6.44 percent of their salary to fund benefits.
- **HA-POLC** - Members of this class of employees are eligible for a hybrid defined benefit defined contribution plan. These benefits are established by resolution of the City and negotiation with the collective bargaining unit representing these employees. Retirement benefits for employees participating in the hybrid plan are calculated as 1.5 percent of the employee's final three-year average salary times the employee's credited years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced). The vesting period is six years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members of this group are not required to contribute to fund benefits.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disables retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><u>7.25%</u></u>

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2021 was 7.25% (down from 7.60% at December 31, 2020). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 114,026,597	\$ 74,855,514	\$ 39,171,083
Changes for the year:			
Service cost	1,165,302	-	1,165,302
Interest	8,443,443	-	8,443,443
Differences between expected and actual experience	964,642	-	964,642
Changes in assumptions	4,442,998	-	4,442,998
Employer contributions	-	5,661,548	(5,661,548)
Employee contributions	-	487,219	(487,219)
Net investment income	-	10,489,200	(10,489,200)
Benefit payments, including refunds of employee contributions	(6,943,708)	(6,943,708)	-
Administrative expense	-	(120,330)	120,330
Net changes	8,072,677	9,573,929	(1,501,252)
<b>Balances at December 31, 2021</b>	<b>\$ 122,099,274</b>	<b>\$ 84,429,443</b>	<b>\$ 37,669,831</b>

*Changes in assumptions.* In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 52,011,230	\$ 37,669,831	\$ 25,653,369

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.



# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

### *Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2022, the City recognized pension expense of \$6,494,715. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 764,974	\$ -	\$ 764,974
Changes in assumptions	4,061,866	-	4,061,866
Net difference between projected and actual earnings on pension plan investments	-	5,793,878	(5,793,878)
	4,826,840	5,793,878	(967,038)
Contributions subsequent to the measurement date	424,041	-	424,041
<b>Total</b>	<b>\$ 5,250,881</b>	<b>\$ 5,793,878</b>	<b>\$ (542,997)</b>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ 2,223,516
2024	(555,811)
2025	(1,667,749)
2026	(966,994)
<b>Total</b>	<b>\$ (967,038)</b>

*Payable to the Pension Plan.* At June 30, 2022, the City had \$94,164 payable for contributions to the pension plan.

The net pension liability is generally liquidated by the general fund and the water and sewer enterprise fund.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

#### 14. DEFINED CONTRIBUTION PENSION PLAN

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. For the administrative and MAPE groups, the City's contribution rate is 9 percent, and the employee's contribution rate is 3 percent. For the dispatch and fire groups, the City's contribution rate is 10 percent, and the employee's contribution rate is 6 percent. For the police clerks group, the City's contribution rate is 8 percent, and the employee's contribution rate is 6 percent. For the library group, the City's contribution rate is 6 percent, and the employee's contribution rate is 3 percent.

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 169 members participating in the DC plan as of June 30, 2022. During the year ended June 30, 2022, the City contributed \$810,259 to the plan.

#### 15. POSTEMPLOYMENT HEALTH BENEFITS

*Plan Administration.* The City provides healthcare benefits to most full-time employees upon retirement through a single employer postemployment benefit plan. 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, POLC employees hired after April 1, 2012, and COAM officers promoted into the Commander bargaining group on or after July 1, 2021, will bring with them the retirement healthcare which they qualify for in the police officer group. These employees are enrolled into an individual retiree healthcare 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.

The City has created a retiree's health care fund, an other employee benefit trust, in anticipation of pre-funding retiree's health care for employees. The funds set aside are held in a fund authorized by Public Act 149 of the State of Michigan.

Management of the plan is vested in the City Council, which consists of seven elected members.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

*Plans Membership.* Membership of the plans consisted of the following at June 30, 2021 (the date of the most recent valuation):

Inactive plan members receiving or entitled to future benefits	90
Active plan members	<u>98</u>
<b>Total</b>	<u><u>188</u></u>

*Benefits Provided.* The City of Novi Retiree Health Care Plan provides healthcare, prescription drug, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and 80 percent of the cost of benefits is covered by the plan.

*Contributions.* The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City's Retiree Health Care Benefits Trust fund. Plan participants are required to make co-payments, as noted above. For the year ended June 30, 2022, employer contributions totaled \$117,308, which includes the implicit rate subsidy of \$82,821.

*Actuarial Assumptions.* The total other postemployment liability was determined by respective actuarial valuations as of June 30, 2021 (and rolled forward to June 30, 2022), using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	17 years, closed
Asset valuation method	Market value of assets
Price inflation	2.5%
Salary increases	3.0% to 9.7%, including inflation
Investment rate of return	7.0%, net of OPEB plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	The rates of mortality used for individual members are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvements projected using a fully generational improvement scale. The tables used were as follows:

1) **Healthy Pre-Retirement Mortality:** Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent (90%) of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related.

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

2) **Healthy Post-Retirement Mortality:** Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

3) **Disability Retirement Mortality:** Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Healthcare cost trend rate

Non-Medicare: 7.5%, gradually decreasing to 3.5% in year 12  
 Medicare: 6.25%, gradually decreasing to 3.5% in year 12

*Long-term Expected Rate of Return.* The long-term expected rate of return on other postemployment benefit plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the other postemployment benefit plan's target asset allocation as of June 30, 2022 (see the discussion below of the investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
<b>Investment rate of return</b>			<u><u>7.00%</u></u>

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

*Investment Allocation Policy.* It is the objective of the City to diversify its investment portfolios. Assets held in the common cash fund and other investment funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets of a specific maturity, individual financial institution, or type of security. Diversification strategies shall be determined and revised by the City Treasurer from time to time to meet diversification objectives (reducing overall portfolio risk while attaining market or above market average rates of return). It is also understood that temporary deviations from this objective may be necessary from time to time in order to accommodate certain financial goals and obligations. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, debt service), as well as considering sizable blocks of anticipated revenue (taxes, state revenue sharing payments). It is also desirable to maintain a portfolio that has no more than a 50% concentration in commercial paper. It is also desirable to maintain an individual fund at a 50% concentration in commercial paper or less. However, short-term fluctuations over the 50% target are acceptable within the individual fund as long as the entire portfolio maintains no more than a 50% concentration. Permitted pool accounts will not be limited in use except by the general limitations issued under this policy under diversification and by the liquidity/safety/yield principle. Direct term purchases by the investment officer of repurchase agreements or Bankers Acceptances generally should not exceed 25% of the fund portfolio. CD's shall not be limited in use within the portfolio.

*Discount Rate.* A single discount rate of 7.00% was used to measure the total other postemployment benefit liability. This single discount rate was based on the expected rate of return on other postemployment benefit plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the other postemployment benefit plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total other postemployment benefit liability.

*Rate of Return.* For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 14.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

*Changes in the Net Other Postemployment Benefit Liability (Asset).* The components of the change in the net other postemployment benefit asset are summarized as follows:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) (a) - (b)</b>
Balances at June 30, 2021	\$ 29,998,164	\$ 39,568,187	\$ (9,570,023)
Changes for the year:			
Service cost	320,367	-	320,367
Interest	2,069,304	-	2,069,304
Differences between expected and actual experience	(5,422,973)	-	(5,422,973)
Changes of assumptions	3,011,009	-	3,011,009
Employer contributions	-	117,308	(117,308)
Net investment loss	-	(6,123,365)	6,123,365
Benefit payments, including refunds of employee contributions	(1,193,717)	(1,193,717)	-
Administrative expense	-	(6,500)	6,500
Net changes	<u>(1,216,010)</u>	<u>(7,206,274)</u>	<u>5,990,264</u>
<b>Balances at June 30, 2022</b>	<u>\$ 28,782,154</u>	<u>\$ 32,361,913</u>	<u>\$ (3,579,759)</u>

*Sensitivity of the Net OPEB Asset to Changes in the Discount Rate.* The following presents the net OPEB liability (asset) of the City, calculated using the discount rate of 7.00%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

<b>1% Decrease (6.00%)</b>	<b>Current Discount (7.00%)</b>	<b>1% Increase (8.00%)</b>
\$ 260,525	\$ (3,579,759)	\$ (6,746,795)

## CITY OF NOVI, MICHIGAN

### Notes to Financial Statements

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates.* The following presents the net OPEB liability (asset) of the City, calculated using the healthcare cost trend rates as follows:

- Non-Medicare: 7.5% graded down to 3.50% in year twelve, as well as what the City's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.5% graded down to 2.50% over twelve years) or 1% higher (8.5% graded down to 4.5% over twelve years) than the current rate.
- Medicare: 6.25% decreasing 0.25% per year to a 3.50% long-term rate, as well as what the City's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (5.25% graded down to 2.50%) or 1% higher (7.25% graded down to 4.5%) than the current rate.

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (7,200,128)	\$ (3,579,759)	\$ 858,511

*Other postemployment benefit expense and deferred outflows/inflows of resources related to other postemployment benefits.* For the year ended June 30, 2022, the City recognized other postemployment benefit expense of \$(1,451,362). At June 30, 2022, the City reported deferred outflows and inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 6,496,310	\$ (6,496,310)
Changes in assumptions	3,174,573	-	3,174,573
Net difference between projected and actual earnings on other postemployment benefit plan investments	2,936,707	-	2,936,707
<b>Total</b>	<b>\$ 6,111,280</b>	<b>\$ 6,496,310</b>	<b>\$ (385,030)</b>

# CITY OF NOVI, MICHIGAN

## Notes to Financial Statements

The net other postemployment benefit liability (asset) is generally liquidated by the general fund and the water and sewer fund.

Amounts reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in other postemployment benefits expense through annual amortization as follows:

Year Ended June 30,	Amount
2023	\$ (951,669)
2024	(605,436)
2025	(362,933)
2026	<u>1,535,008</u>
	<u>\$ (385,030)</u>

## 16. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 50,251,940	\$ 29,461,042	\$ 4,001,256
Capital assets being depreciated, net	<u>139,838,979</u>	<u>130,095,638</u>	<u>-</u>
	<u>190,090,919</u>	<u>159,556,680</u>	<u>4,001,256</u>
Related debt:			
Bonds payable	6,460,000	4,875,000	-
Unamortized bond premium	512,121	-	-
Advance from primary government	-	-	3,432,906
Less unamortized deferred charge on refunding	<u>(392,483)</u>	<u>-</u>	<u>-</u>
	<u>6,579,638</u>	<u>4,875,000</u>	<u>3,432,906</u>
<b>Net investment in capital assets</b>	<u>\$ 183,511,281</u>	<u>\$ 154,681,680</u>	<u>\$ 568,350</u>

## 17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the City has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$2.8 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the City.





## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF NOVI, MICHIGAN

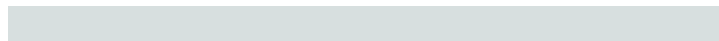
### Required Supplementary Information

#### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30,			
	2022	2021	2020	2019
<b>Change in total pension liability</b>				
Service cost	\$ 1,165,302	\$ 1,177,587	\$ 1,197,540	\$ 1,225,434
Interest	8,443,443	7,991,416	7,897,801	7,788,580
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	964,642	365,639	617,296	(1,404,136)
Changes of assumptions	4,442,998	3,299,601	3,298,884	-
Benefit payments, including refunds of member contributions	(6,943,708)	(6,738,163)	(6,409,461)	(6,051,911)
<b>Net change in total pension liability</b>	<u>8,072,677</u>	<u>6,096,080</u>	<u>6,602,060</u>	<u>1,557,967</u>
<b>Total pension liability, beginning</b>	<u>114,026,597</u>	<u>107,930,517</u>	<u>101,328,457</u>	<u>99,770,490</u>
<b>Total pension liability, ending (a)</b>	<u>122,099,274</u>	<u>114,026,597</u>	<u>107,930,517</u>	<u>101,328,457</u>
<b>Change in plan fiduciary net position</b>				
Contributions - employer	5,661,548	4,245,191	4,359,997	4,389,615
Contributions - member	487,219	495,015	520,863	528,872
Net investment income (loss)	10,489,200	8,618,891	8,323,727	(2,592,555)
Benefit payments, including refunds of member contributions	(6,943,708)	(6,738,163)	(6,409,461)	(6,051,911)
Administrative expense	(120,330)	(136,616)	(143,529)	(126,495)
<b>Net change in plan fiduciary net position</b>	<u>9,573,929</u>	<u>6,484,318</u>	<u>6,651,597</u>	<u>(3,852,474)</u>
<b>Plan fiduciary net position, beginning</b>	<u>74,855,514</u>	<u>68,371,196</u>	<u>61,719,599</u>	<u>65,572,073</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>84,429,443</u>	<u>74,855,514</u>	<u>68,371,196</u>	<u>61,719,599</u>
<b>City's net pension liability, ending (a)-(b)</b>	<u>\$ 37,669,831</u>	<u>\$ 39,171,083</u>	<u>\$ 39,559,321</u>	<u>\$ 39,608,858</u>
Plan fiduciary net position as a percentage of the total pension liability	69.1%	65.6%	63.3%	60.9%
Covered payroll	\$ 10,865,211	\$ 10,519,199	\$ 10,574,181	\$ 10,645,669
City's net pension liability as a percentage of covered payroll	346.7%	372.4%	374.1%	372.1%

See notes to required supplementary information.



Year Ended June 30,			
2018	2017	2016	2015
\$ 1,255,498	\$ 1,279,328	\$ 1,402,754	\$ 1,495,687
7,586,392	7,325,066	6,983,009	6,687,807
-	-	23,615	-
(366,993)	248,579	301,433	-
-	-	3,305,619	-
<u>(5,813,104)</u>	<u>(5,335,884)</u>	<u>(4,731,967)</u>	<u>(4,385,711)</u>
2,661,793	3,517,089	7,284,463	3,797,783
<u>97,108,697</u>	<u>93,591,608</u>	<u>86,307,145</u>	<u>82,509,362</u>
<u>99,770,490</u>	<u>97,108,697</u>	<u>93,591,608</u>	<u>86,307,145</u>
3,725,305	3,115,902	3,024,626	3,648,998
558,097	602,714	652,652	712,076
7,797,188	6,176,312	(898,140)	3,399,244
(5,813,104)	(5,335,884)	(4,731,967)	(4,385,711)
<u>(123,263)</u>	<u>(122,174)</u>	<u>(124,928)</u>	<u>(126,196)</u>
6,144,223	4,436,870	(2,077,757)	3,248,411
<u>59,427,850</u>	<u>54,990,980</u>	<u>57,068,737</u>	<u>53,820,326</u>
<u>65,572,073</u>	<u>59,427,850</u>	<u>54,990,980</u>	<u>57,068,737</u>
<u>\$ 34,198,417</u>	<u>\$ 37,680,847</u>	<u>\$ 38,600,628</u>	<u>\$ 29,238,408</u>
65.7%	61.2%	58.8%	66.1%
\$ 10,616,668	\$ 10,614,530	\$ 11,371,927	\$ 12,101,246
322.1%	355.0%	339.4%	241.6%

## CITY OF NOVI, MICHIGAN

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	\$ 5,029,860	\$ 5,083,057	\$ (53,197)	\$ 11,057,881	46.0%
6/30/2021	4,252,968	4,886,819	(633,851)	12,095,482	40.4%
6/30/2020	4,388,425	4,388,425	-	11,078,798	39.6%
6/30/2019	3,963,525	4,273,525	(310,000)	11,316,209	37.8%
6/30/2018	3,769,303	4,219,303	(450,000)	12,710,865	33.2%
6/30/2017	3,137,158	3,137,158	-	11,360,375	27.6%
6/30/2016	3,054,597	3,054,597	-	12,074,423	25.3%
6/30/2015	2,628,762	2,628,762	-	12,710,865	20.7%

See notes to required supplementary information.

**CITY OF NOVI, MICHIGAN**

**Required Supplementary Information**

Retiree Healthcare Benefits Plan

Schedule of Changes in the City's Net Other Postemployment Benefit Liability (Asset) and Related Ratio

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
<b>Change in total other postemployment benefit liability</b>						
Service cost	\$ 320,367	\$ 360,278	\$ 359,236	\$ 416,798	\$ 372,847	\$ 440,432
Interest	2,069,304	1,996,301	2,117,673	2,017,676	2,136,783	2,030,554
Differences between expected and actual experience	(5,422,973)	(217,034)	(3,397,416)	(15,504)	(4,022,732)	(86,522)
Changes of assumptions	3,011,009	-	1,222,422	-	1,819,912	-
Benefit payments, including refunds of member contributions	(1,193,717)	(959,652)	(1,026,609)	(995,230)	(983,213)	(885,353)
<b>Net change in total other postemployment benefit liability</b>	<b>(1,216,010)</b>	<b>1,179,893</b>	<b>(724,694)</b>	<b>1,423,740</b>	<b>(676,403)</b>	<b>1,499,111</b>
<b>Total other postemployment benefit liability, beginning</b>	<b>29,998,164</b>	<b>28,818,271</b>	<b>29,542,965</b>	<b>28,119,225</b>	<b>28,795,628</b>	<b>27,296,517</b>
<b>Total other postemployment benefit liability, ending (a)</b>	<b>28,782,154</b>	<b>29,998,164</b>	<b>28,818,271</b>	<b>29,542,965</b>	<b>28,119,225</b>	<b>28,795,628</b>
<b>Change in plan fiduciary net position</b>						
Contributions - employer	117,308	73,750	315,689	363,994	647,350	617,207
Net investment income	(6,123,365)	9,140,709	1,222,103	2,224,284	2,845,010	3,399,591
Benefit payments, including refunds of member contributions	(1,193,717)	(959,652)	(1,026,609)	(995,230)	(983,213)	(885,353)
Administrative expense	(6,500)	(9,000)	(20,774)	(293,630)	(293,400)	(245,933)
Other	-	-	-	1,397	244	-
<b>Net change in plan fiduciary net position</b>	<b>(7,206,274)</b>	<b>8,245,807</b>	<b>490,409</b>	<b>1,300,815</b>	<b>2,215,991</b>	<b>2,885,512</b>
<b>Plan fiduciary net position, beginning</b>	<b>39,568,187</b>	<b>31,322,380</b>	<b>30,831,971</b>	<b>29,531,156</b>	<b>27,315,165</b>	<b>24,429,653</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>32,361,913</b>	<b>39,568,187</b>	<b>31,322,380</b>	<b>30,831,971</b>	<b>29,531,165</b>	<b>27,315,165</b>
<b>City's net other postemployment benefit liability (asset), ending (a)-(b)</b>	<b>\$ (3,579,759)</b>	<b>\$ (9,570,023)</b>	<b>\$ (2,504,109)</b>	<b>\$ (1,289,006)</b>	<b>\$ (1,411,931)</b>	<b>\$ 1,480,463</b>
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	112.44%	131.90%	108.69%	104.36%	105.02%	94.86%
Covered payroll	\$ 8,862,466	\$ 8,785,682	\$ 9,388,956	\$ 10,505,955	\$ 10,800,824	\$ 10,711,843
City's net other postemployment benefit liability (asset) as a percentage of covered payroll	-40.39%	-108.93%	-26.67%	-12.27%	-13.07%	13.82%

See notes to required supplementary information.

## CITY OF NOVI, MICHIGAN

### Required Supplementary Information

Retiree Healthcare Benefits Plan

Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	\$ 34,487	\$ 117,308	\$ (82,821)	\$ 8,862,466	1.3%
6/30/2021	36,952	73,750	(36,798)	8,785,682	0.8%
6/30/2020	277,238	315,689	(38,451)	9,388,956	3.4%
6/30/2019	277,674	363,994	(86,320)	10,505,955	3.5%
6/30/2018	613,678	647,350	(33,672)	10,800,824	6.0%
6/30/2017	617,207	617,207	-	10,711,843	5.8%

See notes to required supplementary information.

## CITY OF NOVI, MICHIGAN

### Required Supplementary Information

Retiree Healthcare Benefits Plan

Schedule of Investment Returns

Fiscal Year Ended	Annual Money-Weighted Rate of Return, net of Investment Expense
6/30/2022	14.36%
6/30/2021	27.21%
6/30/2020	3.35%
6/30/2019	6.81%
6/30/2018	8.99%
6/30/2017	12.20%

See notes to required supplementary information.

# CITY OF NOVI, MICHIGAN

## Notes to Required Supplementary Information

### Pension Information

#### Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The significant changes in benefit terms for the year ended June 30, 2016 were as follows:

- Employee contributions for the Fire Local 3232 employees decreased from 8.83% to 6.33%.

The significant changes in assumptions for the year ended June 30, 2016 were as follows:

- The mortality table was adjusted to reflect longer lifetimes.
- The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.
- The asset smoothing was changed from 10 to 5 years.
- The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

The significant changes in assumptions for the year ended June 30, 2020 were as follows:

- The investment rate of return assumption decreased from 7.75% to 7.35%.
- The assumed rate of wage inflation decreased from 3.75% to 3.00%.

The significant changes in assumptions for the year ended June 30, 2021 were as follows:

- There were updates to demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

The significant changes in assumptions for the year ended June 30, 2022 were as follows:

- The assumed rate of return decreased from 7.35% to 7.00%.



# CITY OF NOVI, MICHIGAN

## Notes to Required Supplementary Information

### Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2022, based on the 12/31/2019 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

# CITY OF NOVI, MICHIGAN

## Notes to Required Supplementary Information

### OPEB Information

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

The June 30, 2018 changes in assumptions are due to the following:

- Removal of the Excise Tax load to the liabilities, to account for future excise taxes for Cadillac plans under the Patient Protection and Affordable Care Act (PPACA).
- Resetting the health care cost trend assumption.
- The long-term rate of investment return used for GASB Statement Nos. 74 and 75 reporting purpose was 7.25%. For purposes of the June 30, 2017 GASB Statement No. 74 report the long-term rate of investment return used was 7.50%.

The June 30, 2020 changes in assumptions are due to the following:

- A reduction in the valuation interest rate assumption from 7.50% to 7.00%.
- Resetting the initial health care cost trend assumption to 8.25%.
- Updating the mortality tables and other demographic assumptions to be consistent with the MERS pension assumptions.

The June 30, 2022 changes in assumptions are due to the following:

- Updating the mortality tables and other demographic assumptions to be consistent with the MERS pension assumptions.
- Updating the health care cost trend rates.

# CITY OF NOVI, MICHIGAN

## Notes to Required Supplementary Information

### Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.

Methods and assumptions used to determine contribution rates (2022, based on the 6/30/2021 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	17 years, closed
Asset valuation method	5-year smoothed market value
Price inflation	2.5%
Salary increases	3.0% to 14.0%, including 3.0% wage inflation
Investment rate of return	7.0%, net of OPEB plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	The mortality table used to project the mortality experience of non-disabled plan members is 50% Male - 50% Female blend of the following tables: 1) The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; 2) The RP-2014 Employee Mortality Tables; and, 3) The RP-2014 Juvenile Mortality Tables
Healthcare cost trend rate	Initial trend of 8.25%, gradually decreasing to 3.5% in year 10
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

# CITY OF NOVI, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Current property taxes	\$ 24,857,911	\$ 25,587,236	\$ 25,603,739	\$ 16,503
Trailer fees	12,000	11,000	11,006	6
Penalties and interest	190,000	188,000	187,759	(241)
Licenses, permits, and charges for services	4,276,388	3,252,388	2,977,234	(275,154)
Intergovernmental:				
Federal grants	85,000	2,796,545	2,611,340	(185,205)
State grants	5,771,515	8,104,920	8,206,227	101,307
Fines and forfeitures	395,000	335,000	285,813	(49,187)
Investment income (loss)	730,424	260,640	(270,083)	(530,723)
Donations	1,000	24,050	23,050	(1,000)
Other	668,712	698,961	702,992	4,031
<b>Total revenues</b>	<b>36,987,950</b>	<b>41,258,740</b>	<b>40,339,077</b>	<b>(919,663)</b>
<b>Expenditures</b>				
Current:				
General government:				
City council:				
Personnel services	36,110	36,115	36,089	(26)
Supplies	200	395	322	(73)
Other services and charges	20,100	12,900	8,767	(4,133)
Total city council	56,410	49,410	45,178	(4,232)
City manager:				
Personnel services	532,283	551,663	548,713	(2,950)
Supplies	1,500	2,920	2,914	(6)
Other services and charges	128,250	232,202	127,599	(104,603)
Total city manager	662,033	786,785	679,226	(107,559)
Finance:				
Personnel services	888,755	837,129	818,256	(18,873)
Supplies	9,400	9,879	8,649	(1,230)
Other services and charges	88,570	84,455	72,269	(12,186)
Total finance	986,725	931,463	899,174	(32,289)
Treasury:				
Personnel services	329,482	343,560	342,860	(700)
Supplies	29,500	59,915	51,111	(8,804)
Other services and charges	40,880	56,196	48,589	(7,607)
Total treasury	399,862	459,671	442,560	(17,111)

continued...

# CITY OF NOVI, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued):</b>				
Current (continued):				
General government (continued):				
Integrated solutions:				
Personnel services	\$ 854,256	\$ 889,198	\$ 889,183	\$ (15)
Supplies	90,780	89,980	89,898	(82)
Other services and charges	433,220	402,938	383,882	(19,056)
Capital outlay	41,620	41,620	24,100	(17,520)
Total integrated solutions	1,419,876	1,423,736	1,387,063	(36,673)
Assessing:				
Personnel services	650,167	721,023	721,017	(6)
Supplies	18,500	18,455	18,062	(393)
Other services and charges	216,930	200,736	177,121	(23,615)
Total assessing	885,597	940,214	916,200	(24,014)
City attorney, insurance, and claims:				
Other services and charges	834,801	645,401	637,376	(8,025)
Capital outlay	38,000	439,500	421,950	(17,550)
Total city attorney, insurance, and claims	872,801	1,084,901	1,059,326	(25,575)
City clerk:				
Personnel services	566,237	634,641	634,555	(86)
Supplies	49,000	63,864	63,854	(10)
Other services and charges	383,260	310,877	112,711	(198,166)
Total city clerk	998,497	1,009,382	811,120	(198,262)
Facility management:				
Personnel services	293,505	313,863	313,856	(7)
Supplies	18,850	10,680	10,479	(201)
Other services and charges	677,110	853,396	687,743	(165,653)
Capital outlay	211,160	467,618	255,307	(212,311)
Total facility management	1,200,625	1,645,557	1,267,385	(378,172)
Park maintenance:				
Personnel services	532,614	545,823	545,817	(6)
Supplies	25,500	21,630	21,485	(145)
Other services and charges	338,260	442,185	441,940	(245)
Capital outlay	98,765	52,912	52,910	(2)
Total park maintenance	995,139	1,062,550	1,062,152	(398)
Human resources:				
Personnel services	440,240	426,582	426,578	(4)
Supplies	1,000	1,195	851	(344)
Other services and charges	175,910	144,010	112,388	(31,622)
Total human resources	617,150	571,787	539,817	(31,970)

continued...

# CITY OF NOVI, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued):</b>				
Current (continued):				
General government (concluded):				
Community relations:				
Personnel services	\$ 367,047	\$ 285,297	\$ 285,291	\$ (6)
Supplies	10,900	13,200	13,034	(166)
Other services and charges	360,150	401,945	327,451	(74,494)
Capital outlay	60,000	120,000	-	(120,000)
Total community relations	<u>798,097</u>	<u>820,442</u>	<u>625,776</u>	<u>(194,666)</u>
Economic development:				
Personnel services	140,389	164,781	164,777	(4)
Supplies	-	2,100	168	(1,932)
Other services and charges	62,810	38,318	32,729	(5,589)
Total economic development	<u>203,199</u>	<u>205,199</u>	<u>197,674</u>	<u>(7,525)</u>
Total general government	<u>10,096,011</u>	<u>10,991,097</u>	<u>9,932,651</u>	<u>(1,058,446)</u>
Public safety:				
Police:				
Personnel services	12,603,143	13,197,793	13,197,780	(13)
Supplies	291,500	322,747	309,916	(12,831)
Other services and charges	1,187,475	1,219,957	1,200,759	(19,198)
Capital outlay	-	225,673	48,531	(177,142)
Total police	<u>14,082,118</u>	<u>14,966,170</u>	<u>14,756,986</u>	<u>(209,184)</u>
Fire:				
Personnel services	5,409,027	5,519,258	5,519,248	(10)
Supplies	187,500	208,892	198,788	(10,104)
Other services and charges	646,240	756,420	702,484	(53,936)
Capital outlay	-	104,407	66,206	(38,201)
Total fire	<u>6,242,767</u>	<u>6,588,977</u>	<u>6,486,726</u>	<u>(102,251)</u>
Total public safety	<u>20,324,885</u>	<u>21,555,147</u>	<u>21,243,712</u>	<u>(311,435)</u>
Public works:				
Administration:				
Personnel services	359,427	354,839	352,198	(2,641)
Supplies	10,400	14,528	8,710	(5,818)
Other services and charges	157,390	198,500	176,920	(21,580)
Capital outlay	-	67,063	55,677	(11,386)
Total administration	<u>527,217</u>	<u>634,930</u>	<u>593,505</u>	<u>(41,425)</u>

continued...



# CITY OF NOVI, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued):</b>				
Current (continued):				
Public works (concluded):				
Engineering:				
Personnel services	\$ 522,493	\$ 558,733	\$ 557,507	\$ (1,226)
Supplies	2,000	1,500	1,298	(202)
Other services and charges	143,070	190,268	176,236	(14,032)
Allocated to other funds	(371,784)	(371,784)	(371,784)	-
Total engineering	<u>295,779</u>	<u>378,717</u>	<u>363,257</u>	<u>(15,460)</u>
Field operations:				
Personnel services	1,885,565	1,912,824	1,912,815	(9)
Supplies	109,500	131,340	118,900	(12,440)
Maintenance	179,500	233,795	233,795	-
Other services and charges	503,700	488,807	447,738	(41,069)
Allocated to other funds	(1,500,000)	(1,242,062)	(1,242,062)	-
Capital outlay	200,000	88,800	-	(88,800)
Total field operations	<u>1,378,265</u>	<u>1,613,504</u>	<u>1,471,186</u>	<u>(142,318)</u>
Fleet asset:				
Personnel services	445,340	462,112	462,107	(5)
Supplies	28,000	28,096	23,801	(4,295)
Other services and charges	329,240	358,373	337,267	(21,106)
Allocated to other funds	(37,000)	(63,366)	(63,366)	-
Capital outlay	530,404	586,243	348,022	(238,221)
Total fleet asset	<u>1,295,984</u>	<u>1,371,458</u>	<u>1,107,831</u>	<u>(263,627)</u>
Total public works	<u>3,497,245</u>	<u>3,998,609</u>	<u>3,535,779</u>	<u>(462,830)</u>
Community and economic development:				
Building:				
Personnel services	1,838,251	1,709,935	1,709,926	(9)
Supplies	26,500	25,344	20,127	(5,217)
Other services and charges	207,915	175,689	151,179	(24,510)
Capital outlay	40,660	40,660	24,765	(15,895)
Total building	<u>2,113,326</u>	<u>1,951,628</u>	<u>1,905,997</u>	<u>(45,631)</u>
Planning:				
Personnel services	413,593	551,049	551,043	(6)
Supplies	5,600	2,780	1,913	(867)
Other services and charges	294,190	361,506	118,902	(242,604)
Total planning	<u>713,383</u>	<u>915,335</u>	<u>671,858</u>	<u>(243,477)</u>
Total community and economic development	<u>2,826,709</u>	<u>2,866,963</u>	<u>2,577,855</u>	<u>(289,108)</u>

continued...

**CITY OF NOVI, MICHIGAN**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded):</b>				
Current (concluded):				
Recreation and culture:				
Youth assistance:				
Personnel services	\$ 42,169	\$ 19,973	\$ 19,973	\$ -
Supplies	5,500	3,600	1,781	(1,819)
Other services and charges	500	596	410	(186)
Total youth assistance	<u>48,169</u>	<u>24,169</u>	<u>22,164</u>	<u>(2,005)</u>
Historical commission -				
Other services and charges	<u>14,000</u>	<u>14,000</u>	<u>6,284</u>	<u>(7,716)</u>
Total recreation and culture	<u>62,169</u>	<u>38,169</u>	<u>28,448</u>	<u>(9,721)</u>
<b>Total expenditures</b>	<u>36,807,019</u>	<u>39,449,985</u>	<u>37,318,445</u>	<u>(2,131,540)</u>
Revenues over expenditures	<u>180,931</u>	<u>1,808,755</u>	<u>3,020,632</u>	<u>1,211,877</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	50,000	43,600	43,524	(76)
Insurance recovery	35,000	8,600	8,576	(24)
Transfers out	<u>(229,871)</u>	<u>(405,482)</u>	<u>(338,781)</u>	<u>(66,701)</u>
<b>Total other financing sources (uses)</b>	<u>(144,871)</u>	<u>(353,282)</u>	<u>(286,681)</u>	<u>66,601</u>
<b>Net change in fund balance</b>	36,060	1,455,473	2,733,951	1,278,478
Fund balance, beginning of year	<u>11,527,983</u>	<u>13,675,202</u>	<u>13,675,202</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 11,564,043</u>	<u>\$ 15,130,675</u>	<u>\$ 16,409,153</u>	<u>\$ 1,278,478</u>

concluded.

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Street Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental - state shared -				
Gas and weight tax	\$ 1,875,000	\$ 1,945,000	\$ 1,935,902	\$ (9,098)
Investment income (loss)	14,860	860	(23,512)	(24,372)
<b>Total revenues</b>	<u>1,889,860</u>	<u>1,945,860</u>	<u>1,912,390</u>	<u>(33,470)</u>
<b>Expenditures</b>				
Current -				
Public works:				
Other services and charges	2,621,400	1,631,670	1,397,660	(234,010)
Capital outlay	5,291,460	8,289,625	7,328,412	(961,213)
<b>Total expenditures</b>	<u>7,912,860</u>	<u>9,921,295</u>	<u>8,726,072</u>	<u>(1,195,223)</u>
Revenues under expenditures	(6,023,000)	(7,975,435)	(6,813,682)	1,161,753
<b>Other financing sources</b>				
Transfers in	<u>5,728,000</u>	<u>7,820,900</u>	<u>6,659,100</u>	<u>(1,161,800)</u>
<b>Net change in fund balance</b>	(295,000)	(154,535)	(154,582)	(47)
Fund balance, beginning of year	<u>1,086,983</u>	<u>1,162,787</u>	<u>1,162,787</u>	-
<b>Fund balance, end of year</b>	<u>\$ 791,983</u>	<u>\$ 1,008,252</u>	<u>\$ 1,008,205</u>	<u>\$ (47)</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Capital Improvement Program Capital Projects Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,865,095	\$ 3,969,645	\$ 3,985,024	\$ 15,379
Investment income	-	-	207	207
Donations	-	26,069	26,069	-
<b>Total revenues</b>	<u>3,865,095</u>	<u>3,995,714</u>	<u>4,011,300</u>	<u>15,586</u>
<b>Expenditures</b>				
Current:				
General government -				
Other services and charges	1,000	860	860	-
Public safety -				
Capital outlay	890,004	890,004	870,828	(19,176)
Public works -				
Capital outlay	-	478,883	252,604	(226,279)
Recreation and culture -				
Capital outlay	-	630,084	257,346	(372,738)
Debt service -				
Interest and fiscal charges	456,091	164,398	156,824	(7,574)
<b>Total expenditures</b>	<u>1,347,095</u>	<u>2,164,229</u>	<u>1,538,462</u>	<u>(625,767)</u>
Revenues over expenditures	2,518,000	1,831,485	2,472,838	641,353
<b>Other financing sources</b>				
Proceeds from sale of capital assets	-	3,004,450	3,004,450	-
<b>Net change in fund balance</b>	2,518,000	4,835,935	5,477,288	641,353
Fund balance (deficit), beginning of year	(11,323,581)	(10,298,640)	(10,298,640)	-
<b>Fund balance (deficit), end of year</b>	<u>\$ (8,805,581)</u>	<u>\$ (5,462,705)</u>	<u>\$ (4,821,352)</u>	<u>\$ 641,353</u>

**CITY OF NOVI, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Governmental Funds  
June 30, 2022

	Special Revenue Funds	2008 Library Construction Debt Service Fund	Capital Projects Funds	Drain Perpetual Maintenance Permanent Fund	Total Nonmajor Governmental
<b>Assets</b>					
Cash and investments	\$ 490,237	\$ 207,698	\$ 82,781	\$ 11,254	\$ 791,970
Investments	17,335,297	-	2,179,536	6,838,758	26,353,591
Receivables:					
Other	34,936	-	93,131	-	128,067
Due from other governments	953,840	-	-	-	953,840
Advances to component units	-	-	3,432,906	-	3,432,906
Prepaid items and other assets	26,531	500	18,633	-	45,664
<b>Total assets</b>	<u>\$ 18,840,841</u>	<u>\$ 208,198</u>	<u>\$ 5,806,987</u>	<u>\$ 6,850,012</u>	<u>\$ 31,706,038</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,704,256	\$ -	\$ -	\$ -	\$ 1,704,256
Accrued salaries and wages	199,544	-	-	-	199,544
Other accrued liabilities	400,894	4,400	-	-	405,294
Refundable deposits	7,225	-	-	-	7,225
Due to other funds	18,383	-	-	-	18,383
<b>Total liabilities</b>	<u>2,330,302</u>	<u>4,400</u>	<u>-</u>	<u>-</u>	<u>2,334,702</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - grants	19,726	-	-	-	19,726
<b>Fund balances</b>					
Nonspendable:					
Prepays	26,531	500	18,633	-	45,664
Perpetual drain maintenance	-	-	-	6,850,012	6,850,012
Restricted:					
Roads	8,023,263	-	-	-	8,023,263
Public safety	-	-	392,339	-	392,339
Debt service	-	203,298	-	-	203,298
Infrastructure improvements	-	-	5,396,015	-	5,396,015
Parks, recreation, and cultural services	1,196,064	-	-	-	1,196,064
Library	4,208,993	-	-	-	4,208,993
Stormwater systems	17,951	-	-	-	17,951
Tree replacement and maintenance	2,960,698	-	-	-	2,960,698
Street lighting improvement	77,039	-	-	-	77,039
Unassigned (deficit)	(19,726)	-	-	-	(19,726)
<b>Total fund balances</b>	<u>16,490,813</u>	<u>203,798</u>	<u>5,806,987</u>	<u>6,850,012</u>	<u>29,351,610</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 18,840,841</u>	<u>\$ 208,198</u>	<u>\$ 5,806,987</u>	<u>\$ 6,850,012</u>	<u>\$ 31,706,038</u>

**CITY OF NOVI, MICHIGAN**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Special Revenue Funds	2008 Library Construction Debt Service Fund	Capital Projects Funds	Drain Perpetual Maintenance Permanent Fund	Total Nonmajor Governmental
<b>Revenues</b>					
Property taxes	\$ 13,087,006	\$ 1,457,701	\$ -	\$ -	\$ 14,544,707
Special assessments	35,829	-	-	-	35,829
Licenses, permits, and charges for services	2,123,999	-	470,421	-	2,594,420
Intergovernmental:					
Federal grants	494,688	-	-	-	494,688
State-shared revenue and grants	5,964,165	10,609	-	-	5,974,774
Other grants	150,738	-	-	-	150,738
Fines and forfeitures	185,628	-	-	-	185,628
Investment income (loss)	(372,372)	1	60,373	(141,487)	(453,485)
Other:					
Local donations	50,374	-	-	-	50,374
Recreational programs	1,696,624	-	-	-	1,696,624
Tap-in fees	-	-	-	4,290	4,290
Miscellaneous	207,332	-	-	-	207,332
<b>Total revenues</b>	<b>23,624,011</b>	<b>1,468,311</b>	<b>530,794</b>	<b>(137,197)</b>	<b>25,485,919</b>
<b>Expenditures</b>					
Current:					
Public safety	668,292	-	6,211	-	674,503
Public works	8,476,140	-	431	-	8,476,571
Community and economic development	444,333	-	-	-	444,333
Recreation and culture	6,171,953	432	-	-	6,172,385
Debt service:					
Principal	-	1,135,000	-	-	1,135,000
Interest and fiscal charges	-	268,200	-	-	268,200
<b>Total expenditures</b>	<b>15,760,718</b>	<b>1,403,632</b>	<b>6,642</b>	<b>-</b>	<b>17,170,992</b>
Revenues over (under) expenditures	7,863,293	64,679	524,152	(137,197)	8,314,927
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	41,400	-	-	-	41,400
Transfers in	338,781	-	-	-	338,781
Transfers out	(6,659,100)	-	-	-	(6,659,100)
<b>Total other financing sources (uses)</b>	<b>(6,278,919)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,278,919)</b>
<b>Net change in fund balances</b>	<b>1,584,374</b>	<b>64,679</b>	<b>524,152</b>	<b>(137,197)</b>	<b>2,036,008</b>
Fund balances, beginning of year	14,906,439	139,119	5,282,835	6,987,209	27,315,602
<b>Fund balances, end of year</b>	<b>\$ 16,490,813</b>	<b>\$ 203,798</b>	<b>\$ 5,806,987</b>	<b>\$ 6,850,012</b>	<b>\$ 29,351,610</b>

## CITY OF NOVI, MICHIGAN

### Nonmajor Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Major Street Fund** - This fund is used to account for expenditures associated with the construction and maintenance needs of the major street portion (as defined by State Act 51) of the City's street network. Of the 192.34 total centerline miles that make up the City of Novi road network, the City has 45.2 centerline miles of major streets. Financing is primarily provided by the City's share of state gas and weight taxes.

**Municipal Streets Fund** - This fund is used to enhance the Major and Local Street Funds and to provide matching funds for county roads. This fund accounts for a City Charter-authorized property tax millage to supplement the Major and Local Street Funds that have limited resources due to the reliance on the state gas and weight tax.

**Parks, Recreation, and Cultural Services Fund** - The departments within this fund administer all parks, recreation, and cultural services operations, including strategic direction, policy development, resource identification, and serves as the liaison to the Parks, Recreation, and Cultural Services Commission and the Novi Parks Foundation.

**Tree Fund** - This fund was established to cover most of the cost of city tree replacement and future maintenance costs. Proceeds vary from year to year and come from fines, fees paid by developers, and street tree maintenance charges pursuant to the City Charter and Code of Ordinances.

**Drain Revenue Fund** - This fund includes a special property tax millage that was approved for the purpose of improving and maintaining the City's regional and arterial detention system.

**PEG Cable Fund** - This fund was established to track the revenue and expenditures related to providing cable services to the City, including cable production fee revenue.

**Community Development Block Grant (CDBG) Fund** - This fund records federal grant monies passed through to the City from Oakland County. These funds are used to support the youth assistance program and minor home repair program.

**Forfeiture Fund** - This fund records all receipts and expenditures relating to federal, state, local, and OWI, forfeited and legally restricted, funds relating to narcotic trafficking, money laundering, state laws, and ordinances.

**Library Fund** - Novi Public Library (the "Library") provides the resources and programs to support the educational, cultural, informational, and recreational needs of its diverse community. The Library supports intellectual freedom and access to information resources for all, while maintaining the privacy of its patrons and providing a safe and secure environment. The Library is funded primarily from property taxes in accordance with a special City Charter millage.

## CITY OF NOVI, MICHIGAN

### Nonmajor Special Revenue Funds

**Library Contribution Fund** - In May 2004, the City of Novi, Michigan's library received a generous gift of \$1,000,000 from Charles and Myrtle Walker for use in the replacement or expansion of the then-existing library building. As of January 1, 2014, the legal restrictions on the use of these funds has expired. The library board continues to restrict the use of the funds for improvements to the library. The library board also entered into a Library Building Fund Gift Agreement with the Walker family to encourage additional donations. The Library has continued to receive donations.

**Rubbish Collection Fund** - On May 23, 2016, City Council approved a contract for the collection of solid waste, recycling, yard waste, and other services. This fund was established to account for the rubbish collection activities.

**American Rescue Plan Act Fund** - This fund was established by a vote of the City Council to account for the use of American Rescue Plan Act grant funds. The grant funds will be used for the Save our Seniors ("SOS") program which creates parks for seniors and assists with their needs during the COVID-19 pandemic.

**West Oak Street Lighting Fund** - This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to West Oak Street.

**West Lake Drive Street Lighting Fund** - This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to West Lake Drive.

**Town Center Street Lighting Fund** - This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to Town Center Street.



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**CITY OF NOVI, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Governmental Funds  
 Special Revenue Funds  
 June 30, 2022

	Major Street	Municipal Streets	Parks, Recreation, and Cultural Services	Tree	Drain Revenue
<b>Assets</b>					
Cash and cash equivalents	\$ 4,077	\$ 67,948	\$ 13,348	\$ 13,449	\$ 20,721
Investments	2,367,532	5,661,392	1,420,370	3,215,913	258,822
Receivables:					
Other	-	-	14,455	6,000	10,805
Due from other governments	900,383	-	-	-	-
Prepaid items and other assets	-	9,592	6,375	-	-
<b>Total assets</b>	<b>\$ 3,271,992</b>	<b>\$ 5,738,932</b>	<b>\$ 1,454,548</b>	<b>\$ 3,235,362</b>	<b>\$ 290,348</b>
<b>Liabilities</b>					
Accounts payable	\$ 365,722	\$ 332,454	\$ 143,218	\$ 171,342	\$ 264,466
Accrued salaries and wages	-	-	96,666	3,921	431
Other accrued liabilities	-	279,893	5,000	99,401	7,500
Refundable deposits	-	-	7,225	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>365,722</b>	<b>612,347</b>	<b>252,109</b>	<b>274,664</b>	<b>272,397</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - grants	-	-	-	-	-
<b>Fund balances</b>					
Nonspendable for prepaids	-	9,592	6,375	-	-
Restricted:					
Roads	2,906,270	5,116,993	-	-	-
Parks, recreation, and cultural services	-	-	1,196,064	-	-
Library	-	-	-	-	-
Stormwater systems	-	-	-	-	17,951
Tree replacement and maintenance	-	-	-	2,960,698	-
Street lighting improvement	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>2,906,270</b>	<b>5,126,585</b>	<b>1,202,439</b>	<b>2,960,698</b>	<b>17,951</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,271,992</b>	<b>\$ 5,738,932</b>	<b>\$ 1,454,548</b>	<b>\$ 3,235,362</b>	<b>\$ 290,348</b>

PEG Cable	Community Development Block Grant	Forfeiture	Library	Library Contribution	Rubbish Collection	American Rescue Plan Act
\$ 12,636	\$ -	\$ 42,030	\$ 15,147	\$ 42,732	\$ 172,277	\$ 6,390
-	-	-	2,797,152	1,614,116	-	-
-	-	-	-	-	3,676	-
-	53,457	-	-	-	-	-
-	-	-	10,564	-	-	-
<u>\$ 12,636</u>	<u>\$ 53,457</u>	<u>\$ 42,030</u>	<u>\$ 2,822,863</u>	<u>\$ 1,656,848</u>	<u>\$ 175,953</u>	<u>\$ 6,390</u>
\$ 4,063	\$ 35,074	\$ 42,030	\$ 160,308	\$ 793	\$ 175,953	\$ 6,390
8,573	-	-	89,953	-	-	-
-	-	-	9,100	-	-	-
-	-	-	-	-	-	-
-	18,383	-	-	-	-	-
<u>12,636</u>	<u>53,457</u>	<u>42,030</u>	<u>259,361</u>	<u>793</u>	<u>175,953</u>	<u>6,390</u>
-	19,726	-	-	-	-	-
-	-	-	10,564	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,552,938	1,656,055	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(19,726)	-	-	-	-	-
-	(19,726)	-	2,563,502	1,656,055	-	-
<u>\$ 12,636</u>	<u>\$ 53,457</u>	<u>\$ 42,030</u>	<u>\$ 2,822,863</u>	<u>\$ 1,656,848</u>	<u>\$ 175,953</u>	<u>\$ 6,390</u>

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**CITY OF NOVI, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Governmental Funds  
 Special Revenue Funds  
 June 30, 2022

	West Oak Street Lighting	West Lake Drive Street Lighting	Town Center Street Lighting	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 49,591	\$ 4,177	\$ 25,714	\$ 490,237
Investments	-	-	-	17,335,297
Receivables:				
Other	-	-	-	34,936
Due from other governments	-	-	-	953,840
Prepaid items and other assets	-	-	-	26,531
<b>Total assets</b>	<u>\$ 49,591</u>	<u>\$ 4,177</u>	<u>\$ 25,714</u>	<u>\$ 18,840,841</u>
<b>Liabilities</b>				
Accounts payable	\$ 428	\$ 264	\$ 1,751	\$ 1,704,256
Accrued salaries and wages	-	-	-	199,544
Other accrued liabilities	-	-	-	400,894
Refundable deposits	-	-	-	7,225
Due to other funds	-	-	-	18,383
<b>Total liabilities</b>	<u>428</u>	<u>264</u>	<u>1,751</u>	<u>2,330,302</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - grants	-	-	-	19,726
<b>Fund balances</b>				
Nonspendable for prepaids	-	-	-	26,531
Restricted:				
Roads	-	-	-	8,023,263
Parks, recreation, and cultural services	-	-	-	1,196,064
Library	-	-	-	4,208,993
Stormwater systems	-	-	-	17,951
Tree replacement and maintenance	-	-	-	2,960,698
Street lighting improvement	49,163	3,913	23,963	77,039
Unassigned (deficit)	-	-	-	(19,726)
<b>Total fund balances (deficits)</b>	<u>49,163</u>	<u>3,913</u>	<u>23,963</u>	<u>16,490,813</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 49,591</u>	<u>\$ 4,177</u>	<u>\$ 25,714</u>	<u>\$ 18,840,841</u>

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**CITY OF NOVI, MICHIGAN**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

Nonmajor Governmental Funds  
 Special Revenue Funds  
 For the Year Ended June 30, 2022

	Major Street	Municipal Streets	Parks, Recreation, and Cultural Services	Tree	Drain Revenue
<b>Revenues</b>					
Property taxes	\$ -	\$ 5,946,998	\$ 1,527,542	\$ -	\$ 2,553,455
Special assessments	-	-	-	-	-
Licenses, permits, and charges for services	-	22,232	-	-	-
Intergovernmental:					
Federal grants	-	-	-	-	-
State-shared revenue and grants	5,627,890	265,827	2,982	-	4,879
Other grants	4,443	146,295	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income (loss)	(50,314)	(103,134)	(29,645)	(69,110)	(15,591)
Other:					
Local donations	-	-	29,640	-	-
Recreational programs	-	-	1,696,624	-	-
Miscellaneous	-	17,325	816	30,965	9,993
<b>Total revenues</b>	<b>5,582,019</b>	<b>6,295,543</b>	<b>3,227,959</b>	<b>(38,145)</b>	<b>2,552,736</b>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	-	-
Public works	1,773,083	1,309,213	-	686,549	2,576,383
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	2,915,920	-	-
<b>Total expenditures</b>	<b>1,773,083</b>	<b>1,309,213</b>	<b>2,915,920</b>	<b>686,549</b>	<b>2,576,383</b>
Revenues over (under) expenditures	3,808,936	4,986,330	312,039	(724,694)	(23,647)
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	-	-	-	-	41,400
Transfers in	-	-	81,901	-	-
Transfers out	(2,813,900)	(3,845,200)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,813,900)</b>	<b>(3,845,200)</b>	<b>81,901</b>	<b>-</b>	<b>41,400</b>
<b>Net change in fund balances</b>	<b>995,036</b>	<b>1,141,130</b>	<b>393,940</b>	<b>(724,694)</b>	<b>17,753</b>
Fund balances (deficits), beginning of year	1,911,234	3,985,455	808,499	3,685,392	198
<b>Fund balances (deficits), end of year</b>	<b>\$ 2,906,270</b>	<b>\$ 5,126,585</b>	<b>\$ 1,202,439</b>	<b>\$ 2,960,698</b>	<b>\$ 17,951</b>

PEG Cable	Community Development Block Grant	Forfeiture	Library	Library Contribution	Rubbish Collection	American Rescue Plan Act
\$ -	\$ -	\$ -	\$ 3,059,011	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	2,101,767	-
-	170,638	-	-	-	-	324,050
-	-	-	62,587	-	-	-
-	-	-	-	-	-	-
-	-	79,118	106,510	-	-	-
(197)	-	-	(73,649)	(30,560)	(172)	-
-	-	-	1,035	19,699	-	-
-	-	-	-	-	-	-
-	-	8,244	139,989	-	-	-
(197)	170,638	87,362	3,295,483	(10,861)	2,101,595	324,050
-	-	344,242	-	-	-	324,050
-	-	-	-	-	2,101,595	-
288,781	155,552	-	-	-	-	-
-	-	-	3,227,293	28,740	-	-
288,781	155,552	344,242	3,227,293	28,740	2,101,595	324,050
(288,978)	15,086	(256,880)	68,190	(39,601)	-	-
-	-	-	-	-	-	-
-	-	256,880	-	-	-	-
-	-	-	-	-	-	-
-	-	256,880	-	-	-	-
(288,978)	15,086	-	68,190	(39,601)	-	-
288,978	(34,812)	-	2,495,312	1,695,656	-	-
\$ -	\$ (19,726)	\$ -	\$ 2,563,502	\$ 1,656,055	\$ -	\$ -

continued...

# CITY OF NOVI, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
 Special Revenue Funds  
 For the Year Ended June 30, 2022

	West Oak Street Lighting	West Lake Drive Street Lighting	Town Center Street Lighting	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 13,087,006
Special assessments	7,529	3,300	25,000	35,829
Licenses, permits, and charges for services	-	-	-	2,123,999
Intergovernmental:				
Federal grants	-	-	-	494,688
State-shared revenue and grants	-	-	-	5,964,165
Other grants	-	-	-	150,738
Fines and forfeitures	-	-	-	185,628
Investment income (loss)	-	-	-	(372,372)
Other:				
Local donations	-	-	-	50,374
Recreational programs	-	-	-	1,696,624
Miscellaneous	-	-	-	207,332
<b>Total revenues</b>	<b>7,529</b>	<b>3,300</b>	<b>25,000</b>	<b>23,624,011</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	668,292
Public works	5,145	3,158	21,014	8,476,140
Community and economic development	-	-	-	444,333
Recreation and culture	-	-	-	6,171,953
<b>Total expenditures</b>	<b>5,145</b>	<b>3,158</b>	<b>21,014</b>	<b>15,760,718</b>
Revenues over (under) expenditures	2,384	142	3,986	7,863,293
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	41,400
Transfers in	-	-	-	338,781
Transfers out	-	-	-	(6,659,100)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,278,919)</b>
<b>Net change in fund balances</b>	<b>2,384</b>	<b>142</b>	<b>3,986</b>	<b>1,584,374</b>
Fund balances (deficits), beginning of year	46,779	3,771	19,977	14,906,439
<b>Fund balances (deficits), end of year</b>	<b>\$ 49,163</b>	<b>\$ 3,913</b>	<b>\$ 23,963</b>	<b>\$ 16,490,813</b>

concluded.



## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Street Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental:				
State-shared revenue and grants -				
Gas and weight tax	\$ 5,371,000	\$ 5,671,000	\$ 5,627,890	\$ (43,110)
Other grants	-	4,443	4,443	-
Investment income (loss)	21,400	457	(50,314)	(50,771)
<b>Total revenues</b>	<u>5,392,400</u>	<u>5,675,900</u>	<u>5,582,019</u>	<u>(93,881)</u>
<b>Expenditures</b>				
Current -				
Public works:				
Other services and charges	1,764,350	1,696,050	1,431,445	(264,605)
Capital outlay	178,050	430,603	341,638	(88,965)
<b>Total expenditures</b>	<u>1,942,400</u>	<u>2,126,653</u>	<u>1,773,083</u>	<u>(353,570)</u>
Revenues over expenditures	3,450,000	3,549,247	3,808,936	259,689
<b>Other financing uses</b>				
Transfers out	(2,685,000)	(2,835,000)	(2,813,900)	(21,100)
<b>Net change in fund balance</b>	765,000	714,247	995,036	280,789
Fund balance, beginning of year	<u>1,666,360</u>	<u>1,911,234</u>	<u>1,911,234</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,431,360</u>	<u>\$ 2,625,481</u>	<u>\$ 2,906,270</u>	<u>\$ 280,789</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Municipal Streets Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 5,767,128	\$ 5,942,635	\$ 5,946,998	\$ 4,363
Licenses, permits, and charges for services	10,000	26,233	22,232	(4,001)
Intergovernmental:				
State-shared revenue and grants	190,000	265,297	265,827	530
Other grants	115,000	146,295	146,295	-
Investment income (loss)	85,927	927	(103,134)	(104,061)
Other -				
Miscellaneous	-	705	17,325	16,620
<b>Total revenues</b>	<u>6,168,055</u>	<u>6,382,092</u>	<u>6,295,543</u>	<u>(86,549)</u>
<b>Expenditures</b>				
Current -				
Public works:				
Other services and charges	644,625	659,554	634,210	(25,344)
Capital outlay	2,417,430	3,443,521	675,003	(2,768,518)
<b>Total expenditures</b>	<u>3,062,055</u>	<u>4,103,075</u>	<u>1,309,213</u>	<u>(2,793,862)</u>
Revenues over expenditures	3,106,000	2,279,017	4,986,330	2,707,313
<b>Other financing uses</b>				
Transfers out	<u>(3,043,000)</u>	<u>(4,985,900)</u>	<u>(3,845,200)</u>	<u>(1,140,700)</u>
<b>Net change in fund balance</b>	63,000	(2,706,883)	1,141,130	3,848,013
Fund balance, beginning of year	<u>2,421,101</u>	<u>3,985,455</u>	<u>3,985,455</u>	-
<b>Fund balance, end of year</b>	<u>\$ 2,484,101</u>	<u>\$ 1,278,572</u>	<u>\$ 5,126,585</u>	<u>\$ 3,848,013</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Parks, Recreation, and Cultural Services Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,482,619	\$ 1,521,916	\$ 1,527,542	\$ 5,626
Intergovernmental -				
State-shared revenue and grants	-	2,982	2,982	-
Investment income (loss)	15,778	324	(29,645)	(29,969)
Other:				
Local donations	10,700	10,700	29,640	18,940
Recreational programs	1,261,773	1,649,273	1,696,624	47,351
Miscellaneous	5,000	4,000	816	(3,184)
<b>Total revenues</b>	<u>2,775,870</u>	<u>3,189,195</u>	<u>3,227,959</u>	<u>38,764</u>
<b>Expenditures</b>				
Current -				
Recreation and culture:				
Personnel services	1,429,277	1,345,459	1,345,446	(13)
Supplies	81,530	124,658	90,619	(34,039)
Other services and charges	1,289,063	1,503,488	1,388,438	(115,050)
Capital outlay	204,871	91,418	91,417	(1)
<b>Total expenditures</b>	<u>3,004,741</u>	<u>3,065,023</u>	<u>2,915,920</u>	<u>(149,103)</u>
Revenues over (under) expenditures	(228,871)	124,172	312,039	187,867
<b>Other financing sources</b>				
Transfers in	228,871	81,901	81,901	-
<b>Net change in fund balance</b>	-	206,073	393,940	187,867
Fund balance, beginning of year	382,755	808,499	808,499	-
<b>Fund balance, end of year</b>	<u>\$ 382,755</u>	<u>\$ 1,014,572</u>	<u>\$ 1,202,439</u>	<u>\$ 187,867</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Tree Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment income (loss)	\$ 86,470	\$ 470	\$ (69,110)	\$ (69,580)
Other -				
Miscellaneous	315,000	30,000	30,965	965
<b>Total revenues</b>	<u>401,470</u>	<u>30,470</u>	<u>(38,145)</u>	<u>(68,615)</u>
<b>Expenditures</b>				
Current -				
Public works:				
Personnel services	78,040	83,487	83,482	(5)
Supplies	1,000	880	645	(235)
Other services and charges	584,430	579,103	573,301	(5,802)
Capital outlay	-	54,240	29,121	(25,119)
<b>Total expenditures</b>	<u>663,470</u>	<u>717,710</u>	<u>686,549</u>	<u>(31,161)</u>
<b>Net change in fund balance</b>	(262,000)	(687,240)	(724,694)	(37,454)
Fund balance, beginning of year	3,974,641	3,685,392	3,685,392	-
<b>Fund balance, end of year</b>	<u>\$ 3,712,641</u>	<u>\$ 2,998,152</u>	<u>\$ 2,960,698</u>	<u>\$ (37,454)</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Drain Revenue Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,425,584	\$ 2,538,903	\$ 2,553,455	\$ 14,552
Intergovernmental -				
State-shared revenue and grants	-	4,881	4,879	(2)
Investment income (loss)	16,321	321	(15,591)	(15,912)
Other -				
Miscellaneous	10,000	10,000	9,993	(7)
<b>Total revenues</b>	<u>2,451,905</u>	<u>2,554,105</u>	<u>2,552,736</u>	<u>(1,369)</u>
<b>Expenditures</b>				
Current -				
Public works:				
Personnel services	12,147	10,013	10,011	(2)
Other services and charges	912,328	972,082	912,638	(59,444)
Capital outlay	1,897,430	3,731,966	1,653,734	(2,078,232)
<b>Total expenditures</b>	<u>2,821,905</u>	<u>4,714,061</u>	<u>2,576,383</u>	<u>(2,137,678)</u>
Revenues over (under) expenditures	<u>(370,000)</u>	<u>(2,159,956)</u>	<u>(23,647)</u>	<u>2,136,309</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	41,400	41,400
Transfers out	370,000	2,159,956	-	(2,159,956)
<b>Total other financing sources (uses)</b>	<u>370,000</u>	<u>2,159,956</u>	<u>41,400</u>	<u>(2,118,556)</u>
<b>Net change in fund balance</b>	-	-	17,753	17,753
Fund balance, beginning of year	-	198	198	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 198</u>	<u>\$ 17,951</u>	<u>\$ 17,753</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - PEG Cable Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment income (loss)	\$ 6,308	\$ 4,008	\$ (197)	\$ (4,205)
<b>Expenditures</b>				
Current -				
Community and economic development:				
Personnel services	185,218	225,400	225,399	(1)
Supplies	5,000	7,060	6,902	(158)
Other services and charges	43,090	60,526	56,480	(4,046)
<b>Total expenditures</b>	<b>233,308</b>	<b>292,986</b>	<b>288,781</b>	<b>(4,205)</b>
<b>Net change in fund balance</b>	<b>(227,000)</b>	<b>(288,978)</b>	<b>(288,978)</b>	<b>-</b>
Fund balance, beginning of year	441,500	288,978	288,978	-
<b>Fund balance, end of year</b>	<b>\$ 214,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Development Block Grant Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Federal grants	\$ 131,000	\$ 195,812	\$ 170,638	\$ (25,174)
<b>Expenditures</b>				
Current -				
Community and economic development -				
Other services and charges	131,000	161,000	155,552	(5,448)
<b>Net change in fund balance</b>	-	34,812	15,086	(19,726)
Fund balance (deficit), beginning of year	-	(34,812)	(34,812)	-
<b>Fund balance (deficit), end of year</b>	\$ -	\$ -	\$ (19,726)	\$ (19,726)

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Forfeiture Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental -				
Federal grants	\$ 5,000	\$ -	\$ -	\$ -
Fines and forfeitures	367,000	78,250	79,118	868
Investment income	2,868	-	-	-
Other -				
Miscellaneous	3,000	8,300	8,244	(56)
<b>Total revenues</b>	<b>377,868</b>	<b>86,550</b>	<b>87,362</b>	<b>812</b>
<b>Expenditures</b>				
Current -				
Public safety:				
Supplies	20,000	-	-	-
Other services and charges	525	525	484	(41)
Capital outlay	406,586	409,606	343,758	(65,848)
<b>Total expenditures</b>	<b>427,111</b>	<b>410,131</b>	<b>344,242</b>	<b>(65,889)</b>
Revenues over (under) expenditures	(49,243)	(323,581)	(256,880)	66,701
<b>Other financing sources</b>				
Transfers in	-	323,581	256,880	(66,701)
<b>Net change in fund balance</b>	<b>(49,243)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning of year	49,243	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Library Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,966,672	\$ 3,057,482	\$ 3,059,011	\$ 1,529
Intergovernmental -				
State-shared revenue and grants	33,000	56,619	62,587	5,968
Fines and forfeitures	143,000	105,776	106,510	734
Investment income (loss)	50,000	(40,000)	(73,649)	(33,649)
Other:				
Local donations	3,500	1,000	1,035	35
Miscellaneous	48,000	132,206	139,989	7,783
<b>Total revenues</b>	<b>3,244,172</b>	<b>3,313,083</b>	<b>3,295,483</b>	<b>(17,600)</b>
<b>Expenditures</b>				
Current -				
Recreation and culture:				
Personnel services	2,121,000	2,058,215	1,952,863	(105,352)
Supplies	647,000	731,731	702,565	(29,166)
Other services and charges	604,500	581,829	552,908	(28,921)
Capital outlay	37,200	42,900	18,957	(23,943)
<b>Total expenditures</b>	<b>3,409,700</b>	<b>3,414,675</b>	<b>3,227,293</b>	<b>(187,382)</b>
<b>Net change in fund balance</b>	<b>(165,528)</b>	<b>(101,592)</b>	<b>68,190</b>	<b>169,782</b>
Fund balance, beginning of year	2,237,879	2,495,312	2,495,312	-
<b>Fund balance, end of year</b>	<b>\$ 2,072,351</b>	<b>\$ 2,393,720</b>	<b>\$ 2,563,502</b>	<b>\$ 169,782</b>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Library Contribution Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment income (loss)	\$ 22,500	\$ (7,500)	\$ (30,560)	\$ (23,060)
Other -				
Local donations	25,000	19,249	19,699	450
<b>Total revenues</b>	<u>47,500</u>	<u>11,749</u>	<u>(10,861)</u>	<u>(22,610)</u>
<b>Expenditures</b>				
Current -				
Recreation and culture:				
Supplies	47,000	46,020	23,723	(22,297)
Capital outlay	11,400	11,400	5,017	(6,383)
<b>Total expenditures</b>	<u>58,400</u>	<u>57,420</u>	<u>28,740</u>	<u>(28,680)</u>
<b>Net change in fund balance</b>	(10,900)	(45,671)	(39,601)	6,070
Fund balance, beginning of year	<u>1,702,429</u>	<u>1,695,656</u>	<u>1,695,656</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,691,529</u>	<u>\$ 1,649,985</u>	<u>\$ 1,656,055</u>	<u>\$ 6,070</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Rubbish Collection Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Licenses, permits, and charges for services	\$ 2,625,000	\$ 2,106,260	\$ 2,101,767	\$ (4,493)
Investment income (loss)	1,000	740	(172)	(912)
<b>Total revenues</b>	2,626,000	2,107,000	2,101,595	(5,405)
<b>Expenditures</b>				
Current -				
Public works-				
Other services and charges	2,626,000	2,107,000	2,101,595	(5,405)
<b>Net change in fund balance</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - American Rescue Plan Act Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental -				
Federal grants	\$ -	\$ 359,051	\$ 324,050	\$ (35,001)
<b>Expenditures</b>				
Current -				
Public safety:				
Other services and charges	-	156,194	147,995	(8,199)
Capital outlay	-	202,857	176,055	(26,802)
<b>Total expenditures</b>	-	359,051	324,050	(35,001)
<b>Net change in fund balance</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - West Oak Street Lighting Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ 7,529	\$ 7,529	\$ 7,529	\$ -
Investment income	11	11	-	(11)
<b>Total revenues</b>	7,540	7,540	7,529	(11)
<b>Expenditures</b>				
Current -				
Public works -				
Other services and charges	7,540	7,540	5,145	(2,395)
<b>Net change in fund balance</b>	-	-	2,384	2,384
Fund balance, beginning of year	44,363	46,779	46,779	-
<b>Fund balance, end of year</b>	<u>\$ 44,363</u>	<u>\$ 46,779</u>	<u>\$ 49,163</u>	<u>\$ 2,384</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - West Lake Drive Street Lighting Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ 3,300	\$ 3,300	\$ 3,300	\$ -
<b>Expenditures</b>				
Current -				
Public works -				
Other services and charges	3,250	3,250	3,158	(92)
<b>Net change in fund balance</b>	50	50	142	92
Fund balance, beginning of year	3,628	3,771	3,771	-
<b>Fund balance, end of year</b>	\$ 3,678	\$ 3,821	\$ 3,913	\$ 92

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Town Center Street Lighting Special Revenue Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
<b>Expenditures</b>				
Current -				
Public works -				
Other services and charges	21,700	21,700	21,014	(686)
<b>Net change in fund balance</b>	3,300	3,300	3,986	686
Fund balance, beginning of year	15,988	19,977	19,977	-
<b>Fund balance, end of year</b>	<u>\$ 19,288</u>	<u>\$ 23,277</u>	<u>\$ 23,963</u>	<u>\$ 686</u>

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## CITY OF NOVI, MICHIGAN

### ■ Nonmajor Debt Service Funds

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

***2008 Library Construction Debt Fund*** - This fund was established to account for annual debt service payments for a bond that was issued to construct a new library building. The annual debt service is paid from property tax collections authorized by a voter-approved millage.

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - 2008 Library Construction Debt Service Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,413,927	\$ 1,454,272	\$ 1,457,701	\$ 3,429
Intergovernmental - State-shared revenue and grants	-	10,610	10,609	(1)
Investment income	273	273	1	(272)
<b>Total revenues</b>	<u>1,414,200</u>	<u>1,465,155</u>	<u>1,468,311</u>	<u>3,156</u>
<b>Expenditures</b>				
Current - Recreation and culture - Other services and charges	500	500	432	(68)
Debt service: Principal	1,135,000	1,135,000	1,135,000	-
Interest and fiscal charges	267,700	268,200	268,200	-
<b>Total expenditures</b>	<u>1,403,200</u>	<u>1,403,700</u>	<u>1,403,632</u>	<u>(68)</u>
<b>Net change in fund balance</b>	11,000	61,455	64,679	3,224
Fund balance, beginning of year	<u>125,498</u>	<u>139,119</u>	<u>139,119</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 136,498</u>	<u>\$ 200,574</u>	<u>\$ 203,798</u>	<u>\$ 3,224</u>

## CITY OF NOVI, MICHIGAN

### ■ Nonmajor Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

***Special Assessment Revolving Fund*** - This fund is used to account for the construction of capital assets funded in whole or in part by long-term special assessment debt. The City has self-funded previous projects and has elected to maintain the cumulative interest, as well as the initial General Fund contribution in this fund. All future uses of this fund will be determined as part of the City's annual capital improvement plan (CIP).

***Gun Range Facility Fund*** - As of July 1, 2014, the City Council has elected to place the gross revenue from users of the gun range facility (previously in the General Fund) into a separate capital project fund to be used toward planned future capital improvements.

***PEG Cable Capital Fund*** - As of September 2019, the revenues related to PEG Cable have been placed into this separate capital project fund to be used toward planned future capital improvements.

# CITY OF NOVI, MICHIGAN

## Combining Balance Sheet

Nonmajor Governmental Funds  
 Capital Projects Funds  
 June 30, 2022

	Special Assessment Revolving	Gun Range Facility	PEG Cable	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 25,089	\$ 28,286	\$ 29,406	\$ 82,781
Investments	949,611	350,852	879,073	2,179,536
Receivables -				
Other	-	13,201	79,930	93,131
Advances to component units	3,432,906	-	-	3,432,906
Prepaid items and other assets	-	18,633	-	18,633
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u><u>\$ 4,407,606</u></u>	<u><u>\$ 410,972</u></u>	<u><u>\$ 988,409</u></u>	<u><u>\$ 5,806,987</u></u>
<b>Fund balances</b>				
Nonspendable -				
Prepays	\$ -	\$ 18,633	\$ -	\$ 18,633
Restricted:				
Public safety	-	392,339	-	392,339
Infrastructure improvements	4,407,606	-	988,409	5,396,015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balance</b>	<u><u>\$ 4,407,606</u></u>	<u><u>\$ 410,972</u></u>	<u><u>\$ 988,409</u></u>	<u><u>\$ 5,806,987</u></u>

## CITY OF NOVI, MICHIGAN

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Capital Project Funds

For the Year Ended June 30, 2022

	Special Assessment Revolving	Gun Range Facility	PEG Cable	Total
<b>Revenues</b>				
Licenses, permits, and charges for services	\$ -	\$ 152,360	\$ 318,061	\$ 470,421
Investment income (loss)	82,946	(6,394)	(16,179)	60,373
<b>Total revenues</b>	<u>82,946</u>	<u>145,966</u>	<u>301,882</u>	<u>530,794</u>
<b>Expenditures</b>				
Current:				
Public safety	-	6,211	-	6,211
Public works	431	-	-	431
<b>Total expenditures</b>	<u>431</u>	<u>6,211</u>	<u>-</u>	<u>6,642</u>
<b>Net change in fund balances</b>	82,515	139,755	301,882	524,152
Fund balances, beginning of year	<u>4,325,091</u>	<u>271,217</u>	<u>686,527</u>	<u>5,282,835</u>
<b>Fund balances, end of year</b>	<u>\$ 4,407,606</u>	<u>\$ 410,972</u>	<u>\$ 988,409</u>	<u>\$ 5,806,987</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Assessment Revolving Capital Projects Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment income	\$ 113,000	\$ 113,000	\$ 82,946	\$ (30,054)
<b>Expenditures</b>				
Current -				
Public works -				
Other services and charges	500	500	431	(69)
<b>Net change in fund balance</b>	112,500	112,500	82,515	(29,985)
Fund balance, beginning of year	4,344,572	4,325,091	4,325,091	-
<b>Fund balance, end of year</b>	<u>\$ 4,457,072</u>	<u>\$ 4,437,591</u>	<u>\$ 4,407,606</u>	<u>\$ (29,985)</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gun Range Facility Capital Projects Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Licenses, permits, and charges for services	\$ 70,000	\$ 150,000	\$ 152,360	\$ 2,360
Investment income (loss)	1,000	-	(6,394)	(6,394)
<b>Total revenues</b>	71,000	150,000	145,966	(4,034)
<b>Expenditures</b>				
Public safety - Capital outlay	-	25,000	6,211	(18,789)
<b>Net change in fund balance</b>	71,000	125,000	139,755	14,755
Fund balance, beginning of year	197,533	271,217	271,217	-
<b>Fund balance, end of year</b>	<u>\$ 268,533</u>	<u>\$ 396,217</u>	<u>\$ 410,972</u>	<u>\$ 14,755</u>

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - PEG Cable Capital Projects Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Licenses, permits, and charges for services	\$ 340,500	\$ 315,500	\$ 318,061	\$ 2,561
Investment income (loss)	500	500	(16,179)	(16,679)
<b>Total revenues</b>	341,000	316,000	301,882	(14,118)
Fund balance, beginning of year	640,323	686,527	686,527	-
<b>Fund balance, end of year</b>	<u>\$ 981,323</u>	<u>\$ 1,002,527</u>	<u>\$ 988,409</u>	<u>\$ (14,118)</u>



## CITY OF NOVI, MICHIGAN

### ■ Nonmajor Permanent Fund

***Drain Perpetual Maintenance Fund*** - A citizen's committee has been established to oversee the building and maintenance of the drain system. This fund was initially created with allocations from the Drain Fund. Additional revenue has come from tap fees for properties connecting to regional systems. The intent is to build an investment base in which earnings will eventually cover the cost of maintaining the system and reduce or eliminate the need for the Drain Fund millage.

## CITY OF NOVI, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Drain Perpetual Maintenance Permanent Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment income (loss)	\$ 105,000	\$ 5,000	\$ (141,487)	\$ (146,487)
Other -				
Tap-in fees	5,000	5,000	4,290	(710)
<b>Total revenues</b>	110,000	10,000	(137,197)	(147,197)
<b>Other financing uses</b>				
Transfers out	(370,000)	(2,159,956)	-	(2,159,956)
<b>Net change in fund balance</b>	(260,000)	(2,149,956)	(137,197)	2,012,759
Fund balance, beginning of year	5,559,257	6,987,209	6,987,209	-
<b>Fund balance, end of year</b>	<u>\$ 5,299,257</u>	<u>\$ 4,837,253</u>	<u>\$ 6,850,012</u>	<u>\$ 2,012,759</u>

# CITY OF NOVI, MICHIGAN

## Balance Sheet / Statement of Net Position

Economic Development Corporation Component Unit

June 30, 2022

	Economic Development Corporation	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 61,910	\$ -	\$ 61,910
Capital assets not being depreciated	-	35,000	35,000
<b>Total assets</b>	<u>\$ 61,910</u>	<u>35,000</u>	<u>96,910</u>
<b>Fund balance</b>			
Unassigned	<u>\$ 61,910</u>	<u>(61,910)</u>	<u>-</u>
<b>Net position</b>			
Investment in capital assets		35,000	35,000
Unrestricted		<u>61,910</u>	<u>61,910</u>
<b>Total net position</b>		<u>\$ 96,910</u>	<u>\$ 96,910</u>

## CITY OF NOVI, MICHIGAN

### Statement of Revenues, Expenditures

and Changes in Fund Balance / Statement of Activities

Economic Development Corporation Component Unit

For the Year Ended June 30, 2022

	Economic Development Corporation	Adjustments	Statement of Activities
<b>Revenues</b>			
Other	\$ 50,000	\$ -	\$ 50,000
Fund balance / net position, beginning of year	11,910	35,000	46,910
<b>Fund balance / net position, end of year</b>	<u>\$ 61,910</u>	<u>\$ 35,000</u>	<u>\$ 96,910</u>

# CITY OF NOVI, MICHIGAN

## Balance Sheet / Statement of Net Position

Corridor Improvement Authority Component Unit

June 30, 2022

	Corridor Improvement Authority	Adjustments	Statement of Net Position
<b>Assets</b>			
Capital assets not being depreciated	\$ -	\$ 3,966,256	\$ 3,966,256
<b>Liabilities</b>			
Advance from primary government	<u>3,432,906</u>	<u>-</u>	<u>3,432,906</u>
<b>Fund balance</b>			
Unassigned (deficit)	<u>\$ (3,432,906)</u>	<u>3,432,906</u>	<u>-</u>
<b>Net position</b>			
Net investment in capital assets		<u>\$ 533,350</u>	<u>\$ 533,350</u>

## CITY OF NOVI, MICHIGAN

### Statement of Revenues, Expenditures

and Changes in Fund Balance / Statement of Activities

Corridor Improvement Authority Component Unit

For the Year Ended June 30, 2022

	Corridor Improvement Authority	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 333,592	\$ -	\$ 333,592
<b>Expenditures / expenses</b>			
Debt service -			
Interest and fiscal charges	103,375	-	103,375
<b>Change in fund balance / net position</b>	230,217	-	230,217
Fund balance (deficit) / net position, beginning of year	(3,663,123)	3,966,256	303,133
<b>Fund balance (deficit) / net position, end of year</b>	<u>\$ (3,432,906)</u>	<u>\$ 3,966,256</u>	<u>\$ 533,350</u>

## **STATISTICAL SECTION**

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# CITY OF NOVI, MICHIGAN

## Statistical Section Table of Contents

This part of the City of Novi's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

		<u>Page</u>
<b>Financial Trends</b>	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	162
<b>Revenue Capacity</b>	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	174
<b>Debt Capacity</b>	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	181
<b>Demographic and Economic Information</b>	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	186
<b>Operating Information</b>	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	188

Sources: Unless otherwise noted, the information in these schedules are derived from the annual financial reports for the applicable year.

## CITY OF NOVI, MICHIGAN

### Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016
<b>Governmental activities</b>				
Net investment in capital assets	\$ 111,718,349	\$ 113,868,196	\$ 118,345,243	\$ 126,474,197
Restricted	37,289,012	35,240,527	38,576,210	37,216,395
Unrestricted (deficit)	10,826,405	(14,622,520)	(15,525,832)	(15,805,367)
<b>Total governmental activities</b>	<u>\$ 159,833,766</u>	<u>\$ 134,486,203</u>	<u>\$ 141,395,621</u>	<u>\$ 147,885,225</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 117,914,884	\$ 116,089,327	\$ 122,420,958	\$ 123,718,769
Restricted	7,001,295	1,136,154	-	-
Unrestricted	48,625,422	58,721,199	58,968,795	62,575,016
<b>Total business-type activities</b>	<u>\$ 173,541,601</u>	<u>\$ 175,946,680</u>	<u>\$ 181,389,753</u>	<u>\$ 186,293,785</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 229,633,233	\$ 229,957,523	\$ 240,766,201	\$ 250,192,966
Restricted	44,290,307	36,376,681	38,576,210	37,216,395
Unrestricted	59,451,827	44,098,679	43,442,963	46,769,649
<b>Total primary government</b>	<u>\$ 333,375,367</u>	<u>\$ 310,432,883</u>	<u>\$ 322,785,374</u>	<u>\$ 334,179,010</u>

Source: City's annual financial statements

2017	2018	2019	2020	2021	2022
\$ 138,682,792	\$ 143,347,891	\$ 163,467,366	\$ 174,166,371	\$ 180,144,479	\$ 183,511,281
31,767,695	33,060,671	29,889,601	28,300,716	30,070,067	33,451,932
(20,402,611)	(26,055,697)	(32,788,366)	(37,880,102)	(33,948,100)	(26,872,063)
<u>\$ 150,047,876</u>	<u>\$ 150,352,865</u>	<u>\$ 160,568,601</u>	<u>\$ 164,586,985</u>	<u>\$ 176,266,446</u>	<u>\$ 190,091,150</u>
\$ 125,665,962	\$ 126,934,551	\$ 127,568,547	\$ 134,704,908	\$ 145,842,809	\$ 154,681,680
-	-	-	-	48,782	95,842
66,158,721	70,232,964	74,023,410	72,415,363	64,030,746	51,301,125
<u>\$ 191,824,683</u>	<u>\$ 197,167,515</u>	<u>\$ 201,591,957</u>	<u>\$ 207,120,271</u>	<u>\$ 209,922,337</u>	<u>\$ 206,078,647</u>
\$ 264,348,754	\$ 270,282,442	\$ 291,035,913	\$ 308,871,279	\$ 325,987,288	\$ 338,192,961
31,767,695	33,060,671	29,889,601	28,300,716	30,118,849	33,547,774
45,756,110	44,177,267	41,235,044	34,535,261	30,082,646	24,429,062
<u>\$ 341,872,559</u>	<u>\$ 347,520,380</u>	<u>\$ 362,160,558</u>	<u>\$ 371,707,256</u>	<u>\$ 386,188,783</u>	<u>\$ 396,169,797</u>

# CITY OF NOVI, MICHIGAN

## Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,943,746	\$ 6,378,078	\$ 6,073,981	\$ 7,260,647
Public safety	16,191,890	17,216,678	17,649,289	18,811,184
Public works	11,741,414	12,455,654	11,305,231	12,136,916
Community and economic development	2,699,301	3,072,448	3,065,875	3,954,669
Recreation and culture	5,730,397	6,100,940	6,004,747	5,666,367
Interest and fiscal charges	1,059,437	963,702	839,175	777,562
Total governmental activities	44,366,185	46,187,500	44,938,298	48,607,345
Business-type activities:				
Water and sewer	24,025,098	23,001,139	24,413,229	27,282,209
Ice arena	1,919,478	1,771,615	2,107,211	1,735,010
Senior housing	1,537,409	1,548,478	1,556,956	1,898,830
Total business-type activities	27,481,985	26,321,232	28,077,396	30,916,049
Total primary government expenses	71,848,170	72,508,732	73,015,694	79,523,394
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	-	-	-	-
Public safety	3,186,862	1,198,711	1,026,876	1,017,405
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	1,655,335	1,592,012	1,622,497	2,176,230
Other activities	709,560	2,547,217	3,524,521	3,706,651
Operating grants and contributions	3,897,155	4,525,924	5,289,006	5,663,304
Capital grants and contributions	1,197,870	651,597	777,202	847,547
Total governmental activities	10,646,782	10,515,461	12,240,102	13,411,137
Business-type activities:				
Charges for services:				
Water and sewer	22,398,469	21,663,401	21,474,451	24,666,297
Ice arena	2,104,536	2,143,962	2,171,061	2,202,031
Senior housing	1,968,900	1,992,761	2,004,464	2,020,797
Operating grants and contributions	-	-	-	-
Capital grants and contributions	3,383,087	2,905,677	6,764,583	5,337,278
Total business-type activities	29,854,992	28,705,801	32,414,559	34,226,403
Total primary government program revenues	40,501,774	39,221,262	44,654,661	47,637,540
<b>Net (expense)/revenue</b>				
Government activities	(33,719,403)	(35,672,039)	(32,698,196)	(35,196,208)
Business-type activities	2,373,007	2,384,569	4,337,163	3,310,354
Total primary government net expense	(31,346,396)	(33,287,470)	(28,361,033)	(31,885,854)

2017	2018	2019	2020	2021	2022
\$ 5,064,097	\$ 7,822,056	\$ 9,773,538	\$ 9,387,526	\$ 8,898,409	\$ 9,905,432
22,712,180	21,046,372	21,159,849	21,208,513	21,551,905	22,497,361
15,781,996	18,638,195	19,254,786	18,850,707	19,252,805	18,111,865
3,565,698	4,060,811	2,994,733	3,061,226	2,600,165	2,897,554
5,697,673	6,236,403	5,926,881	6,163,622	5,646,891	6,937,364
399,077	367,467	340,183	530,373	530,246	364,139
<u>53,220,721</u>	<u>58,171,304</u>	<u>59,449,970</u>	<u>59,201,967</u>	<u>58,480,421</u>	<u>60,713,715</u>
25,569,364	26,211,694	25,278,115	27,569,649	28,870,835	29,992,246
1,657,727	1,597,966	1,682,737	1,572,998	1,327,214	1,768,305
1,393,543	1,358,521	1,366,882	1,408,239	1,272,985	1,343,739
<u>28,620,634</u>	<u>29,168,181</u>	<u>28,327,734</u>	<u>30,550,886</u>	<u>31,471,034</u>	<u>33,104,290</u>
81,841,355	87,339,485	87,777,704	89,752,853	89,951,455	93,818,005
-	-	4,127,393	3,562,331	2,840,437	2,617,673
986,285	438,432	948,648	863,033	894,287	984,832
-	-	2,436,551	2,535,094	2,651,784	2,128,289
-	-	362,344	302,931	393,919	318,061
1,688,012	1,644,806	1,498,614	918,821	1,014,449	1,696,624
4,964,178	5,244,540	-	-	-	-
5,663,346	6,662,970	8,946,984	9,374,675	13,062,153	11,231,630
1,561,439	1,846,192	1,319,020	1,115,277	67,698	2,693,631
<u>14,863,260</u>	<u>15,836,940</u>	<u>19,639,554</u>	<u>18,672,162</u>	<u>20,924,727</u>	<u>21,670,740</u>
24,184,714	23,997,466	23,725,843	24,106,703	26,196,210	24,966,499
2,132,426	1,957,549	2,021,295	1,563,471	1,143,307	1,806,725
2,037,187	2,050,896	2,084,754	2,103,672	2,116,622	2,143,900
-	-	190,521	262,487	261,668	179,713
5,718,715	5,747,324	4,835,047	3,495,517	3,701,535	1,163,815
<u>34,073,042</u>	<u>33,753,235</u>	<u>32,857,460</u>	<u>31,531,850</u>	<u>33,419,342</u>	<u>30,260,652</u>
48,936,302	49,590,175	52,497,014	50,204,012	54,344,069	51,931,392
(38,357,461)	(42,334,364)	(39,810,416)	(40,529,805)	(37,555,694)	(39,042,975)
5,452,408	4,585,054	4,529,726	980,964	1,948,308	(2,843,638)
<u>(32,905,053)</u>	<u>(37,749,310)</u>	<u>(35,280,690)</u>	<u>(39,548,841)</u>	<u>(35,607,386)</u>	<u>(41,886,613)</u>

continued...

## CITY OF NOVI, MICHIGAN

### Changes in Net Position

Last Ten Years

(accrual basis of accounting)

	2013	2014	2015	2016
<b>General revenues and transfers</b>				
Governmental activities:				
Property taxes	\$ 29,620,564	\$ 30,059,401	\$ 31,673,469	\$ 32,932,970
State shared revenues	4,074,589	4,170,809	4,696,805	4,963,301
Cable franchise fees	991,272	801,256	1,105,163	1,334,136
Investment income (loss)	(770,389)	1,436,616	2,132,177	2,455,405
Other	529,928	216,711	-	-
Gain on sale of capital assets	-	-	-	-
Transfers	-	-	-	-
Total governmental activities	<u>34,445,964</u>	<u>36,684,793</u>	<u>39,607,614</u>	<u>41,685,812</u>
Business-type activities:				
Investment income (loss)	(885,154)	622,902	1,104,990	1,593,678
Other	-	495,955	920	-
Transfers	-	-	-	-
Total business-type activities	<u>(885,154)</u>	<u>1,118,857</u>	<u>1,105,910</u>	<u>1,593,678</u>
Total primary government	<u>33,560,810</u>	<u>37,803,650</u>	<u>40,713,524</u>	<u>43,279,490</u>
<b>Change in net position</b>				
Governmental activities	726,561	1,012,754	6,909,418	6,489,604
Business-type activities	1,487,853	3,503,426	5,443,073	4,904,032
Total primary government	<u>\$ 2,214,414</u>	<u>\$ 4,516,180</u>	<u>\$ 12,352,491</u>	<u>\$ 11,393,636</u>

Source: City's annual financial statements

Schedule 2  
Unaudited

2017	2018	2019	2020	2021	2022
\$ 33,087,219	\$ 36,658,748	\$ 38,636,830	\$ 40,650,305	\$ 42,583,648	\$ 44,332,235
4,651,780	5,173,080	5,658,307	4,977,778	5,646,493	8,263,773
1,304,367	1,288,833	-	-	-	-
219,207	733,912	1,468,783	1,332,096	723,864	(368,897)
1,017,539	1,195,623	266,640	249,270	126,134	387,625
-	-	114,911	-	155,016	252,943
240,000	-	2,421,260	(2,661,260)	-	-
<u>40,520,112</u>	<u>45,050,196</u>	<u>48,566,731</u>	<u>44,548,189</u>	<u>49,235,155</u>	<u>52,867,679</u>
318,490	828,498	2,220,521	1,886,090	853,758	(1,000,052)
-	-	33,061	-	-	-
(240,000)	-	(2,421,260)	2,661,260	-	-
<u>78,490</u>	<u>828,498</u>	<u>(167,678)</u>	<u>4,547,350</u>	<u>853,758</u>	<u>(1,000,052)</u>
<u>40,598,602</u>	<u>45,878,694</u>	<u>48,399,053</u>	<u>49,095,539</u>	<u>50,088,913</u>	<u>51,867,627</u>
2,162,651	2,715,832	8,756,315	4,018,384	11,679,461	13,824,704
5,530,898	5,413,552	4,362,048	5,528,314	2,802,066	(3,843,690)
<u>\$ 7,693,549</u>	<u>\$ 8,129,384</u>	<u>\$ 13,118,363</u>	<u>\$ 9,546,698</u>	<u>\$ 14,481,527</u>	<u>\$ 9,981,014</u>

concluded.

## CITY OF NOVI, MICHIGAN

### Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
<b>General fund</b>				
Nonspendable	\$ 5,000	\$ 13,915	\$ 16,111	\$ 164,628
Restricted	179,147	272,654	30,176	25,240
Assigned	661,639	-	981,736	1,884,723
Unassigned	7,965,778	9,203,448	11,329,627	11,670,611
<b>Total general fund</b>	<u>8,811,564</u>	<u>9,490,017</u>	<u>12,357,650</u>	<u>13,745,202</u>
<b>All other governmental funds</b>				
Nonspendable	-	-	200	-
Restricted	35,073,121	35,240,527	36,911,606	36,323,281
Assigned	-	-	-	2,100,000
Unassigned (deficit)	160,337	-	(15,848)	(33,932)
<b>Total all other governmental funds</b>	<u>35,233,458</u>	<u>35,240,527</u>	<u>36,895,958</u>	<u>38,389,349</u>
<b>Total all governmental funds</b>	<u>\$ 44,045,022</u>	<u>\$ 44,730,544</u>	<u>\$ 49,253,608</u>	<u>\$ 52,134,551</u>

Source: City's annual financial statements



2017	2018	2019	2020	2021	2022
\$ 486,817	\$ 229,382	\$ 242,421	\$ 232,326	\$ 465,889	\$ 428,259
24,189	22,700	21,722	19,670	17,377	15,028
1,408,718	1,033,033	1,310,001	727,865	2,773,299	2,040,575
<u>10,986,117</u>	<u>10,533,951</u>	<u>9,722,965</u>	<u>9,616,267</u>	<u>10,418,637</u>	<u>13,925,291</u>
<u>12,905,841</u>	<u>11,819,066</u>	<u>11,297,109</u>	<u>10,596,128</u>	<u>13,675,202</u>	<u>16,409,153</u>
18,951	740	495,625	6,712,569	7,000,108	6,957,059
31,696,279	32,712,155	29,475,530	21,593,522	21,513,093	23,483,865
2,493	-	-	-	-	-
<u>(1,487)</u>	<u>275,737</u>	<u>(6,762,839)</u>	<u>(11,174,362)</u>	<u>(10,333,452)</u>	<u>(4,902,461)</u>
<u>31,716,236</u>	<u>32,988,632</u>	<u>23,208,316</u>	<u>17,131,729</u>	<u>18,179,749</u>	<u>25,538,463</u>
<u>\$ 44,622,077</u>	<u>\$ 44,807,698</u>	<u>\$ 34,505,425</u>	<u>\$ 27,727,857</u>	<u>\$ 31,854,951</u>	<u>\$ 41,947,616</u>

# CITY OF NOVI, MICHIGAN

## Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
<b>Revenues</b>				
Property taxes	\$ 29,620,564	\$ 30,059,401	\$ 31,673,469	\$ 32,932,970
Special assessments	1,574,637	1,678,070	1,878,475	1,604,014
Licenses, permits, and charges for services	4,190,121	3,848,403	3,521,819	4,542,923
Intergovernmental	7,969,648	8,262,964	8,651,460	9,653,887
Fines and forfeitures	856,128	1,054,660	639,474	757,403
Investment income (loss)	(60,470)	1,491,790	813,221	1,862,098
Other	2,510,821	2,763,087	5,545,676	5,007,027
<b>Total revenues</b>	<b>46,661,449</b>	<b>49,158,375</b>	<b>52,723,594</b>	<b>56,360,322</b>
<b>Expenditures</b>				
Current:				
City council	10,051	10,911	42,436	44,292
City manager	423,711	399,885	508,805	605,833
Finance	711,615	649,156	856,709	906,575
Treasury	313,156	285,976	320,633	314,398
Integrated solutions	693,974	864,178	774,627	1,058,956
Assessing	892,586	800,480	717,972	680,102
City attorney, insurance, and claims	384,736	375,926	707,655	736,524
City clerk	528,894	491,137	709,602	725,047
Facility management	1,087,948	919,912	1,131,978	1,172,435
Human resources	408,611	423,452	422,818	414,577
Neighborhood and business relations group	960,416	846,432	943,332	1,260,956
General administration	2,104,447	1,596,080	2,419,173	2,395,339
Public safety - Police department	11,376,197	11,746,975	11,809,219	11,954,737
Public safety - Fire department	4,548,565	5,110,195	4,742,808	4,979,561
Community development - Building division	1,449,296	1,554,167	1,597,622	2,088,270
Community development - Planning division	489,065	586,948	513,832	736,558
Department of public works	2,693,588	2,960,570	173,913	255,647
Engineering	-	-	-	-
Planning Commission	6,744	-	-	-
Construction	4,015,306	3,652,031	5,947,254	8,075,475
Street maintenance	2,592,208	3,616,794	3,601,702	3,760,085
Drain maintenance	409,935	426,799	-	-
Recreational programs	2,254,135	2,345,313	2,377,159	3,772,846
Forestry and park maintenance	-	-	-	-
Library programs	2,712,163	2,843,791	2,815,266	2,779,842
Economic development	135,451	-	-	-
Debt service:				
Principal	5,205,000	3,450,000	3,505,000	4,051,000
Interest and fiscal charges	1,103,341	960,680	833,894	818,163
Capital outlay	2,170,216	1,555,065	727,121	-
<b>Total expenditures</b>	<b>49,681,355</b>	<b>48,472,853</b>	<b>48,200,530</b>	<b>53,587,218</b>

2017	2018	2019	2020	2021	2022
\$ 33,087,219	\$ 36,658,748	\$ 38,636,830	\$ 40,650,305	\$ 42,583,648	\$ 44,332,235
25,336	49,598	48,861	35,829	35,829	35,829
4,005,981	3,466,502	7,408,819	6,811,251	6,297,547	5,571,654
9,870,824	11,580,519	12,048,707	11,784,904	17,888,798	19,373,669
661,549	677,681	820,770	567,292	480,860	471,441
219,945	734,650	2,263,009	1,917,241	959,562	(746,873)
5,759,163	6,307,787	3,537,910	2,399,717	2,249,472	2,710,731
<u>53,630,017</u>	<u>59,475,485</u>	<u>64,764,906</u>	<u>64,166,539</u>	<u>70,495,716</u>	<u>71,748,686</u>
47,834	59,258	46,815	83,873	63,165	45,178
601,402	633,358	647,112	684,132	594,169	679,226
860,661	962,018	960,130	867,556	869,678	899,174
329,479	346,965	331,059	325,683	382,789	442,560
1,094,249	995,548	1,168,737	1,332,851	1,526,898	1,387,063
727,634	796,566	788,255	785,872	782,795	916,200
634,805	681,227	747,932	696,458	697,077	1,059,326
829,982	707,748	884,283	1,021,388	901,185	811,120
1,786,574	2,155,715	2,302,322	1,244,818	1,432,810	1,273,596
394,393	487,489	498,429	507,682	522,690	539,817
958,328	756,466	1,046,015	937,573	894,707	914,557
3,749,428	3,486,735	3,367,005	3,489,033	3,909,603	3,161,031
15,583,586	13,686,649	13,286,226	13,711,285	14,530,407	14,756,986
5,761,346	5,791,591	7,697,519	6,693,640	6,703,280	7,357,554
1,926,104	2,040,944	1,963,524	2,142,362	1,855,640	1,905,997
530,385	590,816	591,019	513,348	520,413	671,858
746,075	6,852,777	11,387,750	1,354,702	3,191,538	3,172,522
-	-	516,477	187,517	333,346	363,257
-	-	-	-	-	-
10,330,582	7,826,415	6,166,795	5,059,575	2,185,750	2,112,370
5,160,645	1,875,569	9,925,159	10,370,753	13,178,389	11,808,368
-	-	578,171	703,158	724,534	717,907
3,765,974	3,752,479	6,826,606	9,932,172	4,835,649	3,526,437
-	-	1,389,177	1,121,928	1,054,029	1,062,152
2,768,005	2,928,428	3,049,354	3,039,985	3,053,271	3,256,463
-	529,753	161,225	128,836	150,762	353,226
2,340,000	920,000	965,000	1,015,000	1,070,000	1,135,000
455,020	425,350	398,292	588,731	591,630	425,026
-	-	-	-	-	-
<u>61,382,491</u>	<u>59,289,864</u>	<u>77,690,388</u>	<u>68,539,911</u>	<u>66,556,204</u>	<u>64,753,971</u>

continued...

## CITY OF NOVI, MICHIGAN

### Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
<b>Revenues over (under) expenditures</b>	\$ (3,019,906)	\$ 685,522	\$ 4,523,064	\$ 2,773,104
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	4,165,000	-	-	9,995,301
Proceeds from sale of capital assets	-	-	-	-
Insurance recovery	-	-	-	-
Payment to refund bond escrow agent	(4,500,000)	-	-	(9,887,462)
Transfers in	8,263,793	13,758,461	13,615,847	13,834,940
Transfers out	(8,263,793)	(13,758,461)	(13,615,847)	(13,834,940)
<b>Total other financing sources (uses)</b>	(335,000)	-	-	107,839
<b>Net changes in fund balances</b>	\$ (3,354,906)	\$ 685,522	\$ 4,523,064	\$ 2,880,943
Debt services as a percentage of noncapital expenditures	13.3%	9.4%	9.1%	9.1%

Source: City's annual financial statements



2017	2018	2019	2020	2021	2022
\$ (7,752,474)	\$ 185,621	\$ (12,925,482)	\$ (4,373,372)	\$ 3,939,512	\$ 6,994,715
-	-	-	-	-	-
-	-	114,911	215,383	157,230	3,089,374
-	-	87,038	41,681	30,352	8,576
-	-	-	-	-	-
7,561,984	5,551,500	10,797,120	6,342,329	7,746,716	6,997,881
(7,321,984)	(5,551,500)	(8,375,860)	(9,003,589)	(7,746,716)	(6,997,881)
240,000	-	2,623,209	(2,404,196)	187,582	3,097,950
<u>\$ (7,512,474)</u>	<u>\$ 185,621</u>	<u>\$ (10,302,273)</u>	<u>\$ (6,777,568)</u>	<u>\$ 4,127,094</u>	<u>\$ 10,092,665</u>
<u>4.6%</u>	<u>2.3%</u>	<u>2.8%</u>	<u>3.2%</u>	<u>3.3%</u>	<u>3.0%</u>

concluded.

## CITY OF NOVI, MICHIGAN

### Taxable and Estimated Actual Value of Property

Last Ten Fiscal Years

Year Ended June 30,	Real Property			Personal Property	Total Taxable Value
	Residential Property	Commercial Property	Industrial Property		
2022	\$ 2,775,266,092	\$ 1,085,214,260	\$ 60,114,070	\$ 278,095,777	\$ 4,198,690,199
2021	2,661,331,380	1,041,383,540	57,273,630	278,747,760	4,038,736,310
2020	2,533,927,750	991,963,100	59,532,240	267,518,910	3,852,942,000
2019	2,389,711,290	948,154,150	50,960,580	256,827,350	3,645,653,370
2018	2,267,135,430	898,845,980	37,866,980	246,268,600	3,450,116,990
2017	2,169,188,620	878,201,150	38,362,030	237,292,830	3,323,044,630
2016	2,087,604,500	840,859,240	37,269,450	239,836,740	3,205,569,930
2015	1,984,120,840	822,896,230	38,788,580	225,066,560	3,070,872,210
2014	1,892,836,510	815,093,230	40,453,090	223,698,750	2,972,081,580
2013	1,809,105,200	846,638,040	44,245,120	220,345,290	2,920,333,650

Source: City's assessor's department records/State Tax Commission

Note: Under Michigan Law, the revenue base is taxable value

Schedule 5  
Unaudited



<b>Tax Rate (mills)</b>	<b>State Equalized Value (SEV)</b>	<b>Taxable Value as a Percentage of Actual Value</b>
10.5376	\$ 5,117,122,329	82.05%
10.5376	4,953,366,010	81.54%
10.5376	4,704,211,310	81.90%
10.5376	4,429,863,848	82.30%
10.5376	4,234,030,940	81.49%
9.9950	3,952,090,850	84.08%
10.2000	3,704,488,760	86.53%
10.2000	3,365,191,110	91.25%
10.2000	3,099,733,610	95.88%
10.2000	3,004,330,340	97.20%

**CITY OF NOVI, MICHIGAN**

**Direct and Overlapping Property Tax Rates**

Last Ten Fiscal Years

(rate per \$1,000 of taxable value)

Fiscal Year	City of Novi							
	General	Public Act 359 Advertising	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Capital Improvements	Library
2022	4.7505	0.0119	1.4197	1.3518	0.3648	0.6101	0.9514	0.7303
2021	4.7563	0.0123	1.4215	1.3535	0.3653	0.5978	0.9526	0.7312
2020	4.7755	0.0129	1.4273	1.3590	0.3668	0.5583	0.9565	0.7342
2019	4.8458	0.0137	1.4484	1.3790	0.3722	0.4157	0.9706	0.7451
2018	4.9206	-	1.4708	1.4003	0.3780	0.2648	0.9856	0.7567
2017	4.9925	-	1.4923	1.4208	0.3836	0.2120	-	0.7678
2016	5.0056	-	1.4962	1.4246	0.3847	-	-	0.7699
2015	5.0182	-	1.5000	1.4282	0.3857	-	-	0.7719
2014	5.0182	-	1.5000	1.4282	0.3857	0.1057	-	0.7719
2013	5.0182	-	0.7719	1.4282	0.3857	0.3435	-	0.7719

Source: City's finance department records

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



City of Novi		Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Debt Service	Total	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
0.3471	10.5376	9.1832	25.1550	7.0000	25.0000	6.0742	21.5648	4.5816	22.5816
0.3471	10.5376	10.8878	25.6862	7.1000	25.1000	6.1582	21.7335	4.5853	22.5853
0.3471	10.5376	11.2645	25.8379	7.9000	25.9000	6.2300	21.9531	4.5919	22.5919
0.3471	10.5376	11.1456	26.0482	8.0000	26.0000	6.7968	22.5643	4.6041	22.6041
0.3608	10.5376	11.2525	26.3118	9.0000	27.0000	6.9458	22.7592	4.6140	22.6140
0.6810	9.9500	12.0109	27.0560	9.6000	27.6000	7.0150	22.9279	5.2448	22.6248
1.1190	10.2000	12.0656	27.0722	10.5228	25.5294	7.2841	23.1180	4.7370	22.7937
1.0960	10.2000	12.1729	27.1010	10.8029	25.7310	7.6843	23.4872	4.8700	22.8700
0.9903	10.2000	12.3296	27.1010	10.7000	28.7000	7.4730	23.1445	5.3000	23.3000
1.4806	10.2000	12.3331	27.1010	10.8500	28.8500	7.0254	22.5600	5.3000	23.3000

continued...

**Direct and Overlapping Property Tax Rates**

Last Ten Fiscal Years

(rate per \$1,000 of taxable value)

Fiscal Year	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
2022	4.0132	1.5057	2.2700	3.2012	5.4520	6.0000
2021	4.8682	1.5184	2.2877	3.2280	5.4643	6.0000
2020	4.7748	1.5303	2.2516	3.2539	5.4643	6.0000
2019	4.7805	1.5431	1.7662	3.2813	3.4643	6.0000
2018	4.7849	1.5555	1.7766	3.3079	3.4643	6.0000
2017	4.7909	1.5707	1.7881	3.3398	3.4643	6.0000
2016	4.8450	1.5819	1.7967	3.3633	3.4643	6.0000
2015	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
2013	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000

concluded.

**Principal Property Tax Payers**  
Current Year and Nine Years Ago

Taxpayer	Fiscal 2013 (2012 Taxable Value)			Fiscal 2022 (2021 Taxable Value)		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Redwood-ERC Novi LLC/Fox Run Village	\$ 32,827,540	4	1.1%	\$ 73,202,060	1	1.7%
TVO Mall Owner LLC/Twelve Oaks Mall	50,060,570	1	1.6%	57,014,270	2	1.4%
Singh Development /Waltonwood	43,786,500	3	1.4%	47,395,160	3	1.1%
International Transmission Co	28,007,760	5	0.9%	36,299,230	4	0.9%
Providence Hospital	23,211,650	9	0.8%	36,057,390	5	0.9%
Detroit Edison	27,083,160	7	0.9%	33,553,180	6	0.8%
Occidental Development Ltd.	27,467,160	6	0.9%	31,510,710	7	0.8%
Haggerty Corp./HCP Land LLC				29,353,440	8	0.7%
TBON LLC (Bowman)	25,450,990	8	0.8%	28,086,440	9	0.7%
GR Meadowbrook LLC				21,153,430	10	0.5%
Northern Equities, et al	49,828,970	2	1.6%			
Sun Valley, Ltd./Foundation Walk	15,195,400	10	0.5%			
	<u>\$ 322,919,700</u>		<u>10.51%</u>	<u>\$ 393,625,310</u>		<u>9.37%</u>

Source: City Assessor's department records

**Property Tax Levies and Collections**  
Last Ten Fiscal Years

Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection <sup>(1)</sup>	Total Collections to Date	
		Current Tax Collection	Percent of Levy Collected		Total Tax Collection <sup>(2)</sup>	Collections as a Percent of Levy
2022	\$ 47,433,163	\$ 46,807,690	98.68%	\$ 541,820	\$ 47,349,510	99.82%
2021	42,350,979	41,818,638	98.74%	400,776	42,219,414	99.69%
2020	40,470,851	40,059,638	98.98%	343,492	40,403,130	99.83%
2019	38,505,820	38,128,936	99.02%	364,391	38,493,327	99.97%
2018	36,512,501	36,087,781	98.84%	336,294	36,424,075	99.76%
2017	32,889,924	32,493,813	98.80%	307,117	32,800,930	99.73%
2016	32,612,845	32,242,851	98.87%	307,113	32,549,964	99.81%
2015	31,383,505	30,973,259	98.69%	305,151	31,278,410	99.67%
2014	30,206,320	29,765,634	98.54%	316,008	30,081,642	99.59%
2013	29,801,091	29,155,182	97.83%	369,252	29,524,434	99.07%

<sup>(1)</sup> Delinquent Tax Collection represents amounts received in the indicated fiscal year.

<sup>(2)</sup> Amounts are net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

Source: City's finance department records

**Ratios of Outstanding Debt by Type**

Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities			Business-type Activities		Total Primary Government	% of Taxable Value	Per Capita
	General Obligation Bonds	Unamortized Premium	Special Assessment Bonds	General Obligation Bonds	Special Assessment Bonds			
2022	\$ 6,460,000	\$ 512,121	\$ -	\$ 4,875,000	\$ -	\$ 11,847,121	0.28%	178.84
2021	7,595,000	640,151	-	6,225,000	-	14,460,151	0.36%	218.29
2020	8,665,000	768,181	-	7,570,000	-	17,003,181	0.44%	265.82
2019	9,680,000	896,211	-	8,950,000	-	19,526,211	0.54%	307.34
2018	10,645,000	1,024,241	-	10,330,000	-	21,999,241	0.64%	359.51
2017	11,565,000	1,152,271	-	11,685,000	150,000	24,552,271	0.74%	414.66
2016	13,905,000	1,280,301	-	13,030,000	300,000	28,515,301	0.89%	480.67
2015	16,905,000	-	1,360,000	14,150,000	455,000	32,870,000	1.07%	542.47
2014	19,020,000	-	2,750,000	15,295,000	630,000	37,695,000	1.27%	625.23
2013	20,947,874	-	4,165,000	15,461,961	805,000	41,379,835	1.42%	696.69

Source: City's annual financial statements

**Ratios of General Bonded Debt Outstanding**

Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Obligation Bonds and Unamortized Premium	Less: Amounts Available in Debt Service Funds	Total	Debt as a percentage of Taxable Value	Per Capita
2022	\$ 11,847,121	\$ 142,548	\$ 11,704,573	0.28%	\$ 176.69
2021	14,460,151	66,519	14,393,632	0.36%	217.29
2020	17,003,181	41,047	16,962,134	0.44%	265.17
2019	19,526,211	71,031	19,455,180	0.53%	306.22
2018	21,999,241	252,483	21,746,758	0.63%	355.39
2017	24,552,271	341,141	24,211,130	0.73%	408.90
2016	28,215,301	880,019	27,335,282	0.85%	460.78
2015	31,055,000	667,085	30,387,915	0.99%	501.51
2014	34,315,000	212,251	34,102,749	1.15%	565.65
2013	37,420,000	160,338	37,259,662	1.28%	627.32

Source: City's finance department records

**Direct and Overlapping Governmental Activities Debt**

June 30, 2022

	Net Debt Outstanding	Percentage Applicable to City	Estimated Share of Overlapping Debt
<b>Direct</b>			
City of Novi	\$ 6,972,121	100.00%	<u>\$ 6,972,121</u>
<b>Overlapping</b>			
Novi School District	165,865,000	99.86%	165,632,789
Northville School District	89,085,000	18.86%	16,801,431
Walled Lake School District	321,185,000	14.12%	45,351,322
South Lyon School District	148,095,000	4.40%	6,516,180
Oakland County	220,239,700	6.41%	14,117,365
Oakland Intermediate School District	41,070,000	5.45%	2,238,315
Schoolcraft School District	42,185,000	4.95%	<u>2,088,158</u>
			<u>252,745,559</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 259,717,680</u></u>

Source: Various taxing authorities

Overlapping debt is determined using the individual debt records of each political subdivision as a percentage of the total taxable value pledged as security of the City supporting the debt.

**Legal Debt Margin**

Last Ten Fiscal Years

<b>Assessed value</b>		<u>\$ 5,117,122,329</u>
Legal debt limit (10% of SEV)		\$ 511,712,233
Gross indebtedness	\$ 11,847,121	
Amount available in debt service funds	<u>(142,548)</u>	
Net bonded debt		<u>11,704,573</u>
<b>Legal debt margin</b>		<u>\$ 500,007,660</u>
<b>Net bonded debt as a percentage of assessed value</b>		<u>0.23%</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2022	\$ 511,712,233	\$ 11,704,573	\$ 500,007,660	2.29%
2021	495,336,601	14,393,632	480,942,969	2.91%
2020	470,421,131	17,044,228	453,376,903	3.62%
2019	442,986,385	19,597,242	423,389,143	4.42%
2018	425,826,339	21,999,241	403,827,098	5.17%
2017	397,398,215	24,402,271	372,995,944	6.14%
2016	371,885,911	28,215,301	343,670,610	7.59%
2015	337,915,991	31,055,000	306,860,991	9.19%
2014	310,989,256	34,315,000	276,674,256	11.03%
2013	301,329,099	36,409,835	264,919,264	12.08%

Source: City's finance department records



**Pledged-Revenue Coverage**

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Special Assessment Collections	Debt Service	Coverage
2022	\$ -	\$ -	-
2021	-	-	-
2020	-	-	-
2019	-	-	-
2018	-	-	-
2017	286,913	153	1,875.25
2016	1,798,863	1,549	1,161.31
2015	2,277,115	1,648	1,381.74
2014	2,137,737	1,720	1,242.87
2013	2,503,020	1,765	1,418.14

Source: City's annual financial statements

**Demographic and Economic Statistics**

Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2022	66,243	*	*	2.40%
2021	66,243	*	*	4.60%
2020	63,966	*	*	10.40%
2019	63,533	*	*	2.50%
2018	61,192	*	*	2.20%
2017	59,211	\$ 2,749,462,785	\$ 46,435	1.90%
2016	59,324	2,687,792,468	45,307	2.80%
2015	60,593	2,714,869,365	44,805	3.60%
2014	60,290	2,700,992,000	44,800	4.40%
2013	59,395	2,636,544,050	44,390	9.40%

Source: Southeast Michigan Council of Governments; Michigan Department of Labor and Economic Growth; U.S. Bureau of the Census; and U.S. Bureau of Labor, Statistics, Local Area Unemployment Statistics

\* Not available

**Principal Employers**

Current Year and Nine Years Ago

Employer	2013			2022		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
St. John Health/Ascension Providence	878	2	1.66%	2,230	1	3.45%
Novi Community Schools	950	1	1.80%	905	2	1.40%
Harman				848	3	1.31%
Ryder System	700	4	1.32%	660	4	1.02%
Lineage Logistics				655	5	1.01%
ITC Holding, Inc.	442	5	0.84%	544	6	0.84%
Yanfeng				475	7	0.74%
Intier/Magna	354	6	0.67%	379	8	0.59%
Hanon				351	9	0.54%
Fox Run	768	3	1.45%	306	10	0.47%
Cooper-Standard Automotive	270	7	0.51%			
Comau North America	256	8	0.48%			
Michigan Cat	255	9	0.48%			
CVS Michigan, LLC	250	10	0.47%			
	<u>5,123</u>		<u>9.68%</u>	<u>7,353</u>		<u>11.38%</u>

Source: The City's Neighborhood and Business Relations Group  
Southeast Michigan Council of Governments

## CITY OF NOVI, MICHIGAN

### Full-time Employees by Function / Program

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016
<b>Full-time</b>				
City Manager	3.00	3.00	3.00	3.00
Finance Department	9.00	9.00	9.00	9.00
Information Technology	5.00	5.00	5.00	6.00
Assessing	5.00	5.00	5.00	5.00
City Clerk	5.00	5.00	5.00	5.00
Facility Operations	2.00	2.00	2.00	3.00
Human Resources (2)	4.00	4.00	4.00	4.00
Department of Public Safety	111.00	113.00	115.00	115.00
Department of Public Services (3)	35.00	35.00	34.00	36.00
Parks, Recreation, and Cultural Services	11.00	11.00	11.00	12.00
Water and sewer	13.00	14.00	14.00	14.00
Library	20.00	20.00	20.00	17.00
Community Relations	4.00	4.00	3.00	6.00
Economic Development	-	-	-	-
Community Development (1)	21.00	21.00	21.00	21.00
	<u>248.00</u>	<u>251.00</u>	<u>251.00</u>	<u>256.00</u>

(1) Combined building and planning

(2) Employees included under General Administration in previous years

(3) Engineering staff combined with DPS

Source: City's finance department records



2017	2018	2019	2020	2021	2022
3.00	3.00	3.00	3.00	3.00	3.00
9.00	9.00	9.00	9.00	8.00	9.00
7.00	7.00	8.00	8.00	8.00	8.00
5.00	5.00	5.00	5.00	5.00	5.00
5.00	5.00	5.00	5.00	5.00	5.00
3.00	3.00	3.00	3.00	3.00	4.00
4.00	4.00	4.00	4.00	4.00	4.00
118.00	123.00	125.00	121.00	121.00	126.00
36.00	36.00	37.25	37.00	36.00	36.25
12.00	12.00	12.00	12.00	10.00	13.00
14.00	14.00	13.75	12.00	12.00	13.75
16.00	16.00	16.00	17.00	19.00	19.00
6.00	6.00	6.00	6.00	5.00	5.00
-	1.00	1.00	-	1.00	1.00
21.00	21.00	21.00	20.00	20.00	22.00
<u>259.00</u>	<u>265.00</u>	<u>269.00</u>	<u>262.00</u>	<u>260.00</u>	<u>274.00</u>

# CITY OF NOVI, MICHIGAN

## Operating Indicators by Function / Program

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016
<b>Election Data</b>				
Registered voters	38,757	39,248	39,341	38,706
Voters at polls	20,484	4,719	14,341	3,423
Absentee ballots	8,765	2,599	5,029	2,588
Percent voting	75%	19%	49%	154%
<b>Police</b>				
Part A crimes	2,048	1,736	1,654	1,508
Part B crimes	626	673	622	638
Injury accidents	310	276	295	300
Property damage	1,695	1,153	1,037	1,084
Moving traffic violations	10,058	8,487	8,216	7,916
Parking violations	199	185	75	231
Adult arrests	2,241	2,355	2,574	2,428
Juvenile arrests	137	142	98	98
OUIL arrests	342	268	164	217
False alarms	2,270	2,538	2,164	2,094
<b>Fire</b>				
Fire incidents	112	120	113	124
Service incidents	1,360	1,345	457	642
Fire inspections conducted	3,063	2,929	3,108	2,898
Medical emergencies	3,383	3,425	3,811	3,784
Paid-on-call staff	55	54	39	71
<b>Parks and Recreation</b>				
Youth classes/clinics	1,620	1,149	1,584	1,475
Adult classes/clinics	340	462	1,244	549
Youth leagues	2,512	2,471	2,199	2,934
Adult leagues	5,220	5,279	5,300	3,868
Summer day camp	N/A	334	498	747
Lakeshore Park vehicle entry (3)	13,000	15,462	14,391	14,995
Lakeshore Park attendance (3)	32,500	38,655	35,978	37,488
Lakeshore Park picnic shelter rental	116	125	120	231
Senior citizens served (4)	77,759	75,832	79,172	77,687
Special event attendance	17,021	20,028	16,840	18,153
Civic Center Rentals	1,520	1,560	1,058	1,203
Civic Center Attendance	17,021	44,200	33,988	23,023
Novi Theaters - Cast (2)	253	293	86	-
Novi Theaters - Audience (2)	5,454	4,997	1,705	-

2017	2018	2019	2020	2021	2022
39,706	40,661	40,720	41,877	45,457	46,161
20,160	4,126	18,472	4,027	9,811	4,143
9,937	4,141	8,921	6,333	25,945	7,625
76%	20%	67%	25%	78%	25%
1,596	1,454	1,246	1,115	1,133	1,208
577	1,128	1,009	808	474	525
273	339	262	254	262	299
1,174	1,413	1,446	1,457	904	1,607
5,904	5,427	3,376	2,742	6,039	4,825
392	755	317	389	22	27
1,965	2,101	1,996	1,306	955	810
100	119	64	25	14	15
145	186	135	119	92	111
2,074	1,885	1,312	1,847	2,290	1,929
78	95	84	80	133	98
502	543	720	687	616	1,910
2,944	2,322	2,057	2,945	4,048	2,581
4,064	4,175	4,439	4,516	4,566	5,246
63	67	59	54	62	40
1,577	1,790	2,172	1,801	2,011	2,618
3,268	2,750	2,856	2,201	823	2,593
3,403	2,724	2,652	2,229	2,381	2,850
3,630	4,373	3,549	2,319	3,217	3,423
691	864	1,017	295	495	1,867
14,620	10,285	-	-	-	-
37,217	25,713	-	-	-	-
150	166	48	-	204	773
66,845	65,395	73,015	58,587	50,261	78,623
26,026	27,670	26,645	14,321	2,268	5,289
916	1,074	747	214	12	104
21,731	22,156	20,135	12,030	284	4,695
-	-	-	-	-	-
-	-	-	-	-	-

continued...

# CITY OF NOVI, MICHIGAN

## Operating Indicators by Function / Program

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016
<b>Library (2)</b>				
Items circulated	800,031	799,475	734,643	793,991
Book collections	151,724	152,236	149,941	140,895
Audio/Video/CD collections	23,507	25,677	27,776	29,077
Periodical subscriptions	210	242	207	207
Requests of Information	N/A	115,392	115,392	113,778
Youth Summer Reading	2,042	2,340	2,584	2,084
Program participants	34,899	40,010	40,901	46,854
Visitors	389,220	401,984	392,047	404,979
Interlibrary loans	109,330	106,250	105,588	112,016
<b>Water and Sewer Customers:</b>				
Residential	13,604	13,760	13,946	14,105
Commercial (1)	1,223	1,204	1,259	1,264
<b>Water (in thousand gallons)</b>				
Purchased from Detroit	2,321,313	2,216,075	1,835,567	2,276,389
Sold to residents	2,222,787	2,138,305	1,811,910	1,963,221
<b>Rates</b>				
Fixed rate quarterly water charge	\$ 40.00	\$ 57.00	\$ 57.00	\$ 80.00
Additional usage per 1,000 gallons	3.86	4.13	4.13	3.05
Fixed rate quarterly sewer charge	6.00	6.00	6.00	30.00
Sewer(per thousand gallons of water usage)	4.25	4.30	4.30	3.40

(1) Fewer accounts because the fire line accounts were discontinued in the spring of 2018.

(2) Program eliminated in Fiscal Year 2016.

(3) Lakeshore no-resident vehicle entry fees eliminated in September 2017, no longer tracking.

(4) As of June 30, 2022, department changed the way they calculate the number of seniors served. Seniors participating in fitness classes are included in the adult classes and leagues in 2022 since programs offered by class and skill, not by age.

Source: City's finance department records



Schedule 17  
Unaudited

2017	2018	2019	2020	2021	2022
833,558	812,025	857,854	719,842	952,505	822,947
141,129	141,638	139,449	138,683	141,928	141,503
29,737	30,642	30,100	29,193	26,073	23,918
218	203	190	167	166	152
117,235	116,219	114,709	88,345	67,245	65,317
2,362	2,465	2,029	1,338	1,918	2,050
56,026	60,246	75,595	54,334	30,762	23,167
424,401	488,778	463,818	325,645	178,569	348,353
115,222	111,236	102,655	74,748	129,224	89,439
14,220	14,411	13,648	13,856	13,794	14,161
1,239	928	935	936	922	939
2,349,960	2,298,596	2,144,615	2,212,444	2,328,828	2,239,768
2,231,717	2,159,537	2,106,440	1,958,177	2,180,865	2,042,883
\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00
3.20	3.20	3.26	3.33	3.43	3.43
30.00	30.00	30.00	30.00	30.00	30.00
3.60	3.60	3.89	4.01	4.33	4.33

concluded.

# CITY OF NOVI, MICHIGAN

## Capital Asset Statistics by Function / Program

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016
<b>Police stations</b>	1	1	1	1
<b>Fire stations</b>	4	4	4	4
<b>Public works</b>				
Miles of major streets	39	39	39	44
Miles of local streets	141	144	146	143
Estimated sidewalks in miles (1)	232	256	261	272
Bridges	4	4	10	10
Street lights	421	504	689	691
<b>Parks and recreation</b>				
Acres	1,150	1,260	1,288	1,276
Locations	12	13	15	17
<b>Library</b>				
Library branches	1	1	1	1
<b>Water and sewer</b>				
Miles of water mains	306	328	333	336
Miles of sanitary sewers	245	252	255	268
Fire hydrants	4,002	4,192	4,211	4,181

Source: City's finance department records

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

Schedule 18  
Unaudited



2017	2018	2019	2020	2021	2022
1	1	1	1	1	1
4	4	4	4	5	5
44	44	44	44	45	45
144	147	148	162	149	149
275	293	296	305	307	311
10	10	10	10	17	12
680	689	777	864	877	915
1,277	1,329	1,419	1,419	1,419	1,419
17	21	30	30	30	30
1	1	1	1	1	1
341	359	362	366	367	361
271	285	290	292	287	288
4,267	4,344	4,382	4,411	4,473	4,508

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 8, 2022

The Honorable Mayor and Members of the City Council  
City of Novi, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Novi, Michigan** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2022.

## **Report on Internal Control Over Financial Reporting**

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

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

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



## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Rehmann Lobson LLC*

**INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

November 8, 2022

The Honorable Mayor and Members of the City Council  
City of Novi, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Novi, Michigan** (the "City") as of and for the year ended June 30, 2022, and have issued our report thereon dated November 8, 2022. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 26, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 8, 2022. In addition, we noted a certain other matter which is included in Attachment A to this letter.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 31, 2022.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the risks of management override of internal control and revenue recognition as significant risks, and have obtained an understanding of the City's related controls, including control activities, relevant to such risks.

### **Qualitative Aspects of the City's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

The District changed accounting policies related to the accounting for leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

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

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.



- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the other postemployment benefits plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment C to this letter.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the **City of Novi, Michigan** and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

# CITY OF NOVI, MICHIGAN

## Attachment A - Comments and Recommendations

For the June 30, 2022 Audit

During our audit, we became aware of a certain other matter that is an opportunity for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comment and recommendation regarding this matter. Our consideration of the City's internal control over financial reporting is described in our report, dated November 8, 2022, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated November 8, 2022, on the financial statements of the *City of Novi, Michigan*.

### Other Matter

#### *Budgeted Fund Balance Deficit*

Through the *Uniform Budgeting and Accounting Act, Act 2 of 1968*, the State of Michigan Department of Treasury requires that the total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues plus fund balance. The City budgeted for an ending fund balance deficit in the capital improvement program capital projects fund.

#### *Management's Response to Other Matter:*

The capital improvement program capital projects fund ended fiscal year 2022 with a fund balance deficit of \$4,821,352, a reduction of \$5,477,288 from fiscal year 2021's deficit. The deficit was planned and approved by City Council. City of Novi residents approved a ten year CIP millage in August of 2016 with the first levy on July 1, 2017. The CIP millage was estimated to bring in more than \$42 million over the ten year period of the levy. City Council identified six projects that were to begin immediately with an estimated cost of \$21 million. Construction on the various projects was projected to span over several fiscal years. After reviewing funding options (internal borrowings vs bond issuance), on June 19, 2017, Mayor and Council passed a resolution approving internal borrowing rather than issuing bonds. Internal borrowing allows the City to make monthly loan payments and interest paid on the loan stays within its own funds. Had the City issued bonds, the bond proceeds would have provided the City with bond proceed revenue and generated a positive fund balance, but would have cost the City millions in closing costs and interest. Governmental accounting rules require internal borrowings not be shown as proceeds on the statement of revenue, expenditures and changes in fund balance but rather a liability on the balance sheet. As of June 30, 2022, the six projects noted above are substantially complete and the estimated remaining property tax revenue from the CIP millage totals \$22.1 million over the remaining five years.

The State requires any municipality which has a deficit in any fund in the annual audit report to file a formal DEP addressing how the deficit will be eliminated. The Mayor and City Council approved a deficit elimination plan (DEP) for fiscal years 2021 and 2020 and will submit an updated DEP for fiscal year 2022 for State approval.



# CITY OF NOVI, MICHIGAN

## Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2022 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 91 ■ Conduit Debt Obligations**

*Effective 12/15/2022 (your FY 2023)*

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the City.

### **GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

*Effective 06/15/2023 (your FY 2023)*

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the City.

### **GASB 96 ■ Subscription-Based Information Technology Arrangements**

*Effective 06/15/2023 (your FY 2023)*

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

### **GASB 99 ■ Omnibus 2022**

*Effective 06/15/2023 (your FY 2023)*

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the City.

# CITY OF NOVI, MICHIGAN

## Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2022 Audit

### **GASB 100 ■ Accounting Changes and Error Corrections**

*Effective 06/15/2024 (your FY 2024)*

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. We do not expect this standard to have any significant effect on the City.

### **GASB 101 ■ Compensated Absences**

*Effective 12/15/2024 (your FY 2025)*

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.



## CITY OF NOVI, MICHIGAN

### Attachment C – Management Representations

For the June 30, 2022 Audit

The following pages contain the written representations that we requested from management.



November 8, 2022

Rehmann Robson  
675 Robinson Road  
Jackson, Michigan 49203

**CITY COUNCIL**

**Mayor**  
Bob Gatt

**Mayor Pro Tem**  
Dave Staudt

Laura Marie Casey

Hugh Crawford

Justin Fischer

Brian Smith

Ericka Thomas

**City Manager**  
Peter E. Auger

**City Clerk**  
Cortney Hanson

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Novi, Michigan* (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the general fund and the major special revenue fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 8, 2022:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 26, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.

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

cityofnovi.org

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.



19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities (assets) and costs for financial accounting purposes are appropriate in the circumstances.
22. We are responsible for the fair presentation of the City's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the City's participation in the plan, and have reviewed the information provided by MERS for inclusion in the City's financial statements.
23. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the City has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$2.8 million was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the City.

#### **Information Provided**

24. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
28. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

29. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
30. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. We have a process to track the status of audit findings and recommendations.
32. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
33. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
34. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
35. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
36. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
37. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
38. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
39. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
40. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
41. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
42. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
43. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas

for which events could occur that would significantly disrupt normal finances within the next year.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

44. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


#### **Required Supplementary Information**

45. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



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Pete Auger, City Manager



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Carl Johnson, Finance Director, Treasurer, CFO