

# **City of Novi, Michigan**

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## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016**

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# City of Novi, Michigan

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October 24, 2016

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

Andrew Mutch

Wayne Wrobel

Laura Marie Casey

Gwen Markham

Doreen Poupard

**City Manager**  
Pete Auger

**City Clerk**  
Maryanne Cornelius

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi for the fiscal year ended June 30, 2016. 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 60,000 residents (per the Southeast Michigan Council of Governments December 2015 estimates, an 8.6% increase from the 2010 national census) 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 W. 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. The City's commitment to economic development has evolved to include a web site ([InvestNovi.org](http://InvestNovi.org)), devoted entirely for attracting new and retaining existing businesses. This site informs potential business investors and celebrates existing businesses' successes. In its effort to maintain open relationships with businesses and residents, Novi maintains a comprehensive web site at [cityofnovi.org](http://cityofnovi.org).

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 are reported as a separate component unit of the City. Component units are legally separate entities for which the primary government is financially accountable.

The City of Novi prepares budgets in accordance with the Michigan Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended. Under the direction of the City Manager, the Finance Director prepares an initial projection of revenue for the next fiscal year. Spending priorities are then established based upon the City's financial policies and mandated requirements. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (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. 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"

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

- Magna Seating of America decided to consolidate offices into one 180,000 sq. ft., \$48 million facility in Novi. The new facility will add approximately 164 jobs to the 305 already located in Novi and surrounding area and will be complete in November 2016.
- Stoneridge, a global designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the commercial vehicle, is relocating its Global Headquarters to Novi, adding 50 new positions.
- Novi was celebrated as a "four star", top performing community for the sixth consecutive year for fostering entrepreneurial growth and economic development in an annual eCities program by researchers at the iLabs, University of Michigan-Dearborn's Center for Innovation Research.
- The Suburban Collection Showplace is making a \$10 million investment in its facility with a 176,000 sq ft expansion. The facility already has an estimated economic impact to the Novi area of more than \$800 million annually.
- Daifuku, established in Japan in 1937 and the leading material handling company worldwide, is relocating its North American Headquarters and investing \$15.1 million in a new Novi facility.

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

**Fund Balance Policy** - The City follows the City Council's adopted, by resolution, fund balance/reserve policy. The policy establishes a reserve to pay for expenditures, states the City will attempt to obtain additional revenue sources to 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 18-22% in the General Fund, 10-20% individually and collectively amongst the three road funds, 12-22% for Parks and Recreation, and varying reserves for the remaining special revenue funds dependent on the funds yearly activity and capital needs.

**Long-term Financial Planning** – The 2010 Census reported Novi's population

at 55,224, a 16.5% increase from the 2000 Census population of 47,386. The 2010 Census data is required to be used for the Constitutional portion of State Shared Revenue distributions beginning mid-2011. A constitutional portion is distributed to cities, villages and townships based on a community's population and cannot be eliminated without a vote of the people. For the fiscal year ended June 30, 2016, Novi's reliance on revenue sharing payments represents 13.0% of total General Fund revenues or \$4,326,321. Novi's revenue sharing distribution decreased by .6% or \$27,526 from the prior fiscal year.

The City of Novi has made great strides over the past twenty years in both managing and reducing debt while recognizing savings from refunded/called debt activities. *For the fiscal year ended June 30, 2016, **debt obligations were reduced by \$5,635,000 from the prior fiscal year.** Total direct debt at June 30, 2016 was \$27,235,000*

**Awards** – The Government Finance Officers Association (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Novi for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the eighteenth year that the City of Novi has received this prestigious award.

**Acknowledgements** – The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks to the 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





Government Finance Officers Association

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

Presented to

**City of Novi  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



Executive Director/CEO

# Mayor and City Council

Office of the City Manager



Federal,  
State,  
County  
Government

## Organizational Chart

Citizens

Volunteer Boards  
& Commissions

### Public Services

#### Engineering

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

#### Field Operations

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

#### Forestry

#### Fleet Maintenance

#### Water & Sewer

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

State of Michigan  
Department of  
Environmental  
Quality

Road Commission for  
Oakland County

Michigan Department of  
Transportation

State of Michigan  
Department of  
Natural Resources

Federal  
Bureau of  
Investigation

Michigan  
State  
Police

# nurture

# operate

# value

# invest

### Parks, Recreation & Cultural Services - Programs

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

Civic  
Organizations

Schools

### Library

novilibrary.org

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

- \* Park Maintenance
- \* Park Development

### City Clerk

### Human Resources

### Assessing Finance/Treasury Purchasing

### Information Technology Geographic Information Facility Operations

Private Sector  
Investments

Detroit Regional  
Chamber of  
Commerce

Automation  
Alley

### Neighborhood & Business Relations

cityofnovi.org  
InvestNovi.org

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

### Community Development

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

Homeowner  
Associations

### Public Safety

#### Administration

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

#### Police

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

#### Fire

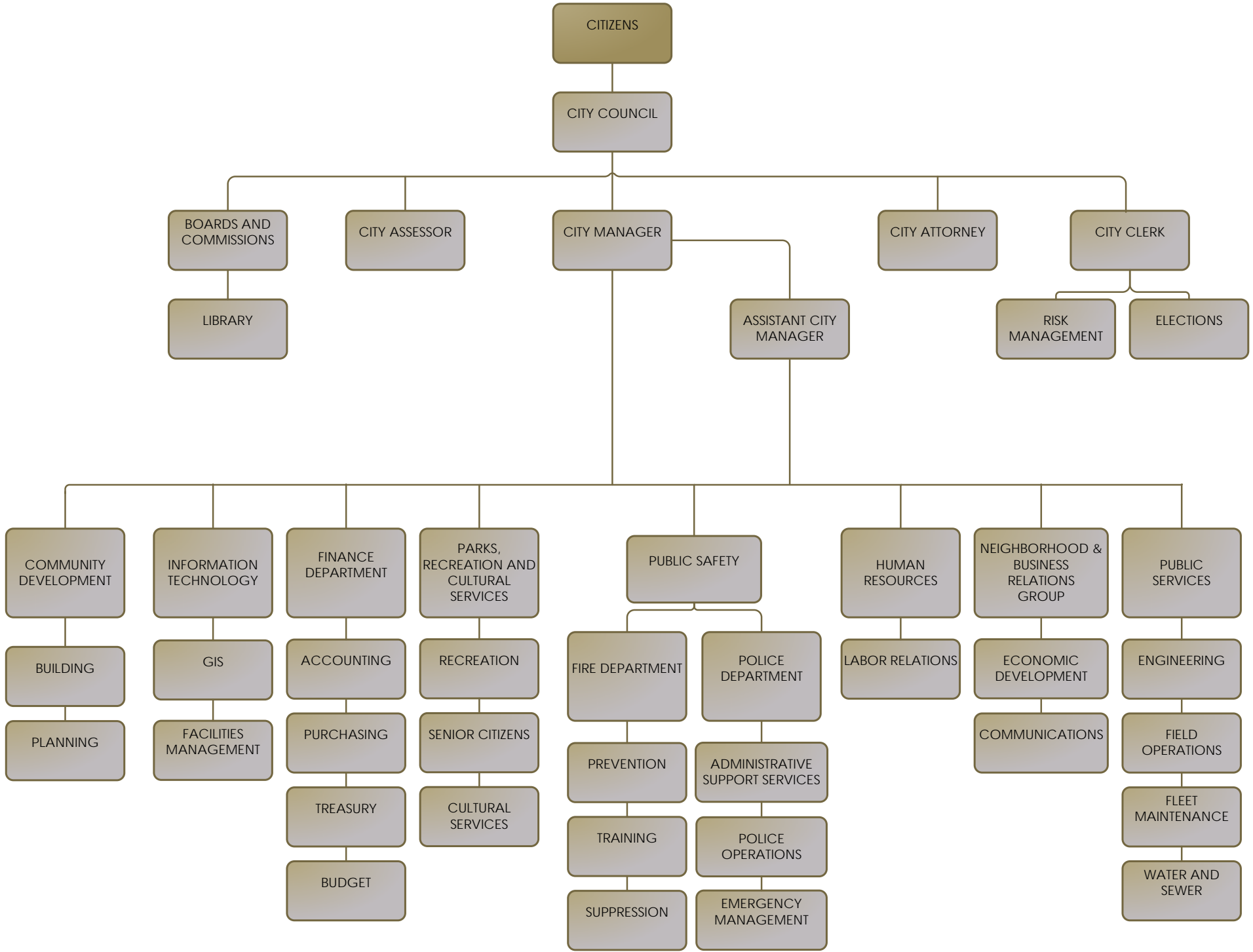
- \* Emergency Medical Services Response
- \* Fire Prevention/Inspections
- \* Fire Suppression
- \* Citizen Engagement

#### Emergency Preparedness & Management

- \* CERT
- \* Citizen Engagement

Michigan  
Economic  
Development  
Corp

Courts



# City of Novi, Michigan

## List of Principal Officials June 30, 2016

Title	Name
City Manager	Peter Auger
Assistant City Manager	Victor Cardenas
Assessor	Micheal Lohmeier
Deputy Assessor	Kay Shafii
City Clerk	Cortney A. Hanson
Deputy City Clerk	Dawn Spaulding
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Water and Sewer Asset Manager	Scott Rosselle
Water and Sewer Senior Engineer	Benjamin Croy
Director of Public Services/City Engineer	Robert F. Hayes
Roadway Asset Manager	Gerald P. Tremblay
Engineering Manager	Brian T. Coburn
Field Operation Senior Manager	Matthew T. Wiktorowski
Director of Information Technology/Facilities Operations	Robert L. Petty
GIS Manager	Keri Blough
Community Development Director	Charles S. Boulard
Community Development Deputy Director	Barbara E. McBeth
Parks, Recreation and Cultural Services Director	Jeff Muck
Parks, Recreation and Cultural Services Deputy Director	Tracie Ringle
Older Adult Services Manager	Karen Kapchonick
Director of Public Safety	David E. Molloy
Assistant Police Chief	Jerrold S. Hart
Assistant Police Chief	Eric Zinser
Director of Emergency Medical Services and Fire Operations	Jeffery R. Johnson
Analyst Planner	Patricia A. Cauchi
Library Director	Julie E. Farkas
Finance Director	Carl Johnson
Senior Budget Analyst	Jessica Dorey
Senior Financial Analyst	Sabrina Lilla
Purchasing Manager	Susan J. Morianti
Assistant City Treasurer	Tina Glenn

### Governmental Funds

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

### Proprietary Fund - Enterprise Funds

Ice Arena Water and Sewer Senior Housing
--

### Fiduciary Funds

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

Economic Development Corporation
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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; pension system schedules of changes in the City net pension liability and related ratios and city contributions; retiree healthcare system schedules of funding progress and employer contributions; and the major special revenue fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

*Plante & Moran, PLLC*

October 24, 2016

# City of Novi, Michigan

## Management's Discussion and Analysis

The City of Novi, Michigan's (the "City") management's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2016. The information presented here should be read in conjunction with our letter of transmittal, the financial statements, and notes to the financial statements that follow.

### Financial Highlights

- \* Total assets related to the City's governmental activities exceeded liabilities at June 30, 2016 by \$147,885,225.
- \* Investment in capital assets (net of depreciation and related debt) accounts for approximately 90% of this amount, with a value of \$126,474,197.
- \* Of the remaining net position, \$37,216,395 is restricted and a negative \$15,805,367 is unrestricted. The negative unrestricted portion is a result of the prior year's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the City to establish a new net pension liability of \$28,068,872. The current year's net pension liability grew to \$37,133,805.
- \* As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$52,134,551, an increase of \$2,880,943 over the prior year. Fund balance of the General Fund totaled \$13,745,202 at June 30, 2016, an increase of \$1,387,552 in comparison with the prior year. Of this amount, \$11,670,611 is unassigned, which represents nearly 40% of fiscal year 2016 budgeted annual expenditures (excluding transfers).
- \* Total debt obligations were **reduced by \$5,635,000** from the prior year. Total debt at June 30, 2016 was \$27,280,000 (excluding unamortized bond premium).
- \* The City's Defined Benefit Pension Plan has retained a stable percent funded with the following five-year history:

Plan Year				
2011	2012	2013	2014	2015
69%	69%	68%	68%	65%

The decrease for plan year 2015 resulted from a change in the actuaries' assumptions. The main assumption and method changes were:

- \* The mortality table was adjusted to reflect long lifelines.
- \* 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.
- \* The Other Post Employment Benefit funded ratio increased from 83.2% per the June 30, 2013 actuarial valuation to 94.4% as of the June 30, 2015 actuarial valuation.



# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

### Overview of the Financial Statements

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

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

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

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

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

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

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

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

**Governmental Funds** - The City of Novi maintains 25 individual governmental funds. The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund. This fund is considered a major fund as of June 30, 2016. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the other supplemental information section of this report.

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

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

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

# City of Novi, Michigan

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## Management's Discussion and Analysis (Continued)

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

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

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

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

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

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

### Government-wide Financial Analysis

**Statement of Net Position** - As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City's assets exceeded total liabilities by \$334,179,010 at the close of June 30, 2016. The following table shows, in a condensed format, the net position as of June 30, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current assets	\$59,046,214	\$54,483,768	\$69,678,660	\$66,230,982	\$128,724,874	\$120,714,750
Noncurrent assets:						
Restricted assets	-	1,629,320	-	-	-	1,629,320
Capital assets	140,796,036	136,610,243	137,048,769	137,025,958	277,844,805	273,636,201
Other	-	1,374,099	-	40,221	-	1,414,320
Total assets	199,842,250	194,097,430	206,727,429	203,297,161	406,569,679	397,394,591
<b>Deferred Outflows of Resources</b>	8,493,787	928,907	301,400	508,256	8,795,187	1,439,163
Total assets and deferred outflows of resources	208,336,037	195,026,337	207,028,829	203,805,417	415,364,866	398,831,754
<b>Liabilities</b>						
Current liabilities	6,132,795	10,880,858	5,870,403	7,966,128	12,003,198	18,846,986
Long-term liabilities	54,308,509	42,749,858	14,864,641	14,449,536	69,173,150	57,199,394
Total liabilities	60,441,304	53,630,716	20,735,044	22,415,664	81,176,348	76,046,380
<b>Deferred Inflows of Resources</b>	9,508	-	-	-	9,508	-
Total liabilities and deferred inflows of resources	60,450,812	53,630,716	20,735,044	22,415,664	81,185,856	76,046,380
<b>Net Position</b>						
Net investment in capital assets	126,474,197	118,345,243	123,718,769	122,420,958	250,192,966	240,766,201
Restricted	37,216,395	38,576,210	-	-	37,216,395	38,576,210
Unrestricted	(15,805,367)	(15,525,832)	62,575,016	58,968,795	46,769,649	43,442,963
Total net position	\$147,885,225	\$141,395,621	\$186,293,785	\$181,389,753	\$334,179,010	\$332,785,374

Over 74% of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represent resources that are subject to external restrictions on how they may be used. Unrestricted net position related to governmental activities is the amount that may be used to meet the City's ongoing obligations. In the current year, the unrestricted net position is (\$15,805,367), which was due to the net pension liability of approximately \$37 million discussed above.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Changes in Net Position** - The City's total net position increased by \$11,393,636 during the fiscal year. Governmental activities increased net position by \$6,489,604, which represents the majority of the total increase in net position for the City. The unrestricted portion of net position related to governmental activities decreased by \$279,535, while restricted net position decreased by \$1,359,815. As stated above, the negative unrestricted portion is a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the prior year. The City's current year governmental activities required GASB Statement No. 68 net pension liability was \$37,133,805 which was an increase of \$9,064,933 from the prior year.

In keeping with the City Council's goal to improve the City's infrastructure, the Engineering Division completed 22 capital infrastructure projects during the 2015/2016 construction season. Several key projects are highlighted below.

The 2015/2016 Neighborhood Road Program followed the City's Asset Management approach for pavements that was established in 2009. The asset management program stresses the importance of using preventive maintenance to preserve good quality roads using low-cost rehabilitation techniques, rather than allowing the roads to deteriorate to a point that requires reconstruction involving much more effort at a higher cost. Roads in this program were addressed with rehabilitation methods such as milling, discrete base stone repairs, and the addition of an interlayer membrane to increase strength, and waterproofing.

Town Center Drive from 11 Mile Road to Crescent Boulevard was reconstructed. This project included the reconstruction and provided the opportunity to incorporate some changes to the lane configurations at the intersection of 11 Mile Road to improve the operation of the roadway. Improvements to the sidewalks and ramps as well as other minor improvements were completed. The newly reconstructed cross-section includes bike lanes and other non-motorized improvements per the City's Non-Motorized Master Plan of 2011.

Each year the City receives an allocation of funds from the Tri-Party Program in which the City, Road Commission for Oakland County (RCOC), and the Oakland County Board of Commissioners each pay one-third toward a project within the RCOC right-of-way. This project involved adding a right lane to fill a 700-foot long lane drop on southbound Haggerty, south of 10 Mile Road. Another large portion of the project included the realignment and grading of the existing ditch line and replacement of the five-foot-wide concrete sidewalk.

11 Mile Road Pathway was constructed during the current year. This project involved the construction of pathways on the north and south sides of 11 Mile Road, resulting in continuous paths between Town Center Drive and Meadowbrook Road. The path on the north side is a 10-foot-wide asphalt path acting as an extension of the recently completed Metro Connector Pathway that included a crossing of I-96 on Meadowbrook Road. The path on the south side is a six-foot-wide concrete path.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

The 2011 Non-Motorized Master Plan identified several cross-country pathways to provide non-motorized connections between neighborhoods. This pathway, identified in the master plan as Neighborhood Connector #1 (NC1), now connects East Lake Drive (via New Court) to Novi Road, and also abuts Hickory Woods Elementary School. New Court was also constructed with concrete curb and asphalt pavement along the City-owned parcel. The contractor will return in the spring to complete the landscape plantings and re-address restoration.

Improvements were made to Beck Road and Mid-Block Pedestrian Crossing. The goal of the project was to make geometric improvements and repave a portion of Beck Road to facilitate a mid-block crossing to provide a safe crossing for all pedestrian users. This crossing will help pedestrians cross at a defined location on Beck Road, rather than at random locations, while also making the crossing safer by alerting approaching vehicles that pedestrians may be present. This was the first mid-block crossing project completed on a road under the City's jurisdiction, and Beck Road was widened at this location to incorporate a refuge island.

The City undertook rehabilitation of sanitary sewer manhole covers. This project included the rehabilitation of approximately 130 sanitary sewer manholes located in North Hills, Timber Ridge, Westridge Downs, and Orchard Ridge Subdivisions. This project is part of the ongoing Capacity Management, Operations and Maintenance (CMOM) program to actively maintain the sanitary sewer collection system to reduce system failures and eliminate infiltration and inflow into the collection system. A majority of this project involved the rebuilding of the upper portion of each manhole and sealing the manholes with either an internal or external shroud to prevent ground water inflow and infiltration.

The West Park water storage reservoir facility was placed into service in the current year. In an effort to reduce water rates from the Great Lakes Water Authority (f/k/a, the Detroit Water and Sewerage Department or DWSD), the City constructed a 1.5 million gallon drinking water storage facility at the northeast corner of 12 Mile Road and West Park Drive to reduce peak usage. The project also included connecting each of the Pressure Reducing Valves and Booster Pump Stations throughout the City via a supervisory control and data acquisition system (SCADA) to the West Park Booster Pump Station and Storage Reservoir. This SCADA system allows for remote monitoring and control of each of the system components with coded signals over communication channels, using typically one communication channel per remote station.

The Engineering Division completed the Parking Lot Inventory and Maintenance Plan in January 2014 to provide a coordinated plan to properly manage parking lot pavement for all City-owned parking lots using an asset management approach. Rehabilitation of the parking lots was performed at Fire Station No. 3, Civic Center North Lot, and Power Park pathways.

Business-type activities increased net position by \$4,904,032. The majority of the increase is a result of \$3,384,960 of contributed water and sewer assets in the current year in the Water and Sewer Fund.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

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

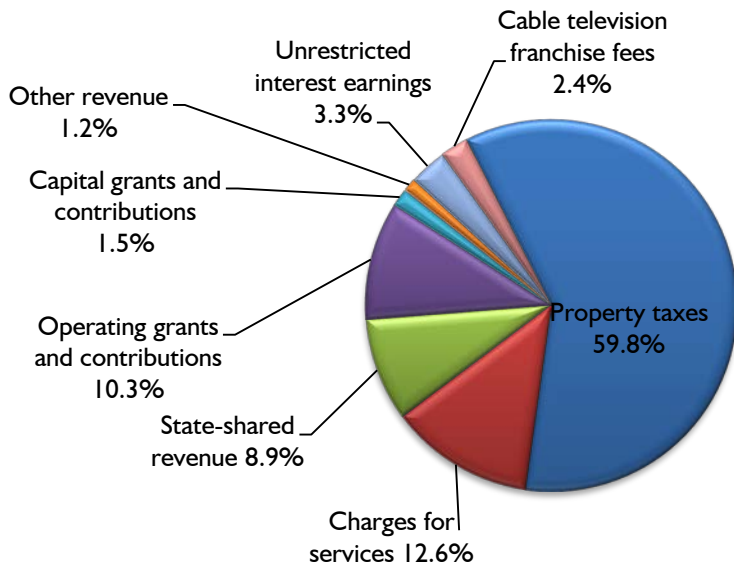
	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$6,900,286	\$6,173,894	\$28,889,125	\$25,649,976	\$35,807,220	\$31,823,870
Operating grants and contributions	5,663,304	5,289,006	-	-	5,689,004	5,289,006
Capital grants and contributions	847,547	777,202	5,337,278	6,764,583	6,184,825	7,541,785
General revenue:						
Property taxes	32,932,970	31,673,469	-	-	32,924,633	31,673,469
State-shared revenue	4,963,301	4,696,805	-	-	4,928,129	4,696,805
Unrestricted interest earnings	1,828,195	666,771	1,593,678	1,105,910	3,416,335	1,772,681
Cable television franchise fees	1,334,136	1,105,163	-	-	1,334,136	1,105,163
Other revenue	627,210	1,465,406	-	-	632,748	1,465,406
<b>Total revenue</b>	<b>55,096,949</b>	<b>51,847,716</b>	<b>35,820,081</b>	<b>33,520,469</b>	<b>90,917,030</b>	<b>85,368,185</b>
<b>Expenses</b>						
General government	7,260,647	6,073,981	-	-	7,260,647	6,073,981
Public safety	18,811,184	17,649,289	-	-	18,811,184	17,649,289
Public works	12,136,916	11,305,231	-	-	12,136,916	11,305,231
Community and economic development	3,954,669	3,065,875	-	-	3,954,669	3,065,875
Recreation and culture	5,666,367	6,004,747	-	-	5,666,367	6,004,747
Interest on long-term debt	777,562	839,175	-	-	777,562	839,175
Water and sewer	-	-	27,282,209	24,413,229	27,282,209	24,413,229
Ice arena	-	-	1,735,010	2,107,211	1,735,010	2,107,211
Senior housing	-	-	1,898,830	1,556,956	1,898,830	1,556,956
<b>Total expenses</b>	<b>48,607,345</b>	<b>44,938,298</b>	<b>30,916,049</b>	<b>28,077,396</b>	<b>79,523,394</b>	<b>73,015,694</b>
<b>Change in Net Position</b>	<b>6,489,604</b>	<b>6,909,418</b>	<b>4,904,032</b>	<b>5,443,073</b>	<b>11,393,636</b>	<b>12,352,491</b>
<b>Net Position - Beginning of year</b>	<b>141,395,621</b>	<b>134,486,203</b>	<b>181,389,753</b>	<b>175,946,680</b>	<b>322,785,374</b>	<b>310,432,883</b>
<b>Net Position - End of year</b>	<b>\$147,885,225</b>	<b>\$141,395,621</b>	<b>\$186,293,785</b>	<b>\$181,389,753</b>	<b>\$334,179,010</b>	<b>\$322,785,374</b>

# City of Novi, Michigan

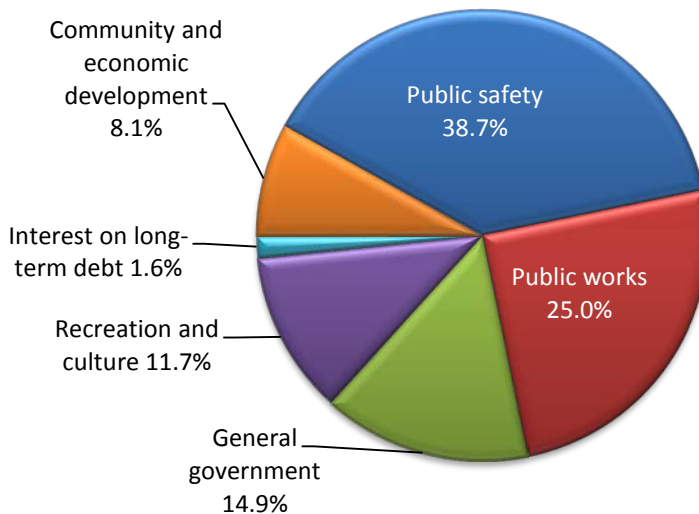
## Management's Discussion and Analysis (Continued)

**Governmental Activities** - Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 24.4 percent of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.

**Revenue by Source - Governmental Activities**



**Expenses by Activity - Governmental Activities**



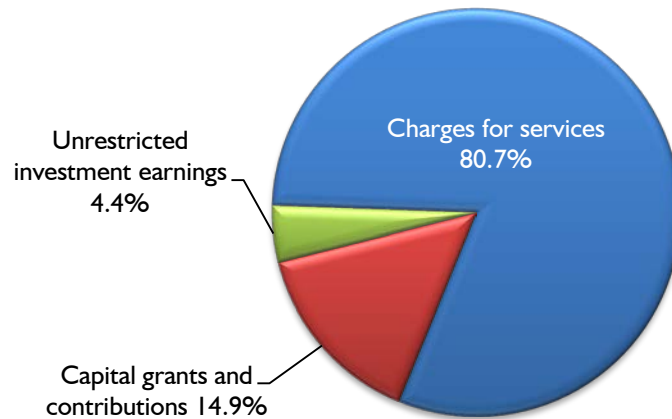


# City of Novi, Michigan

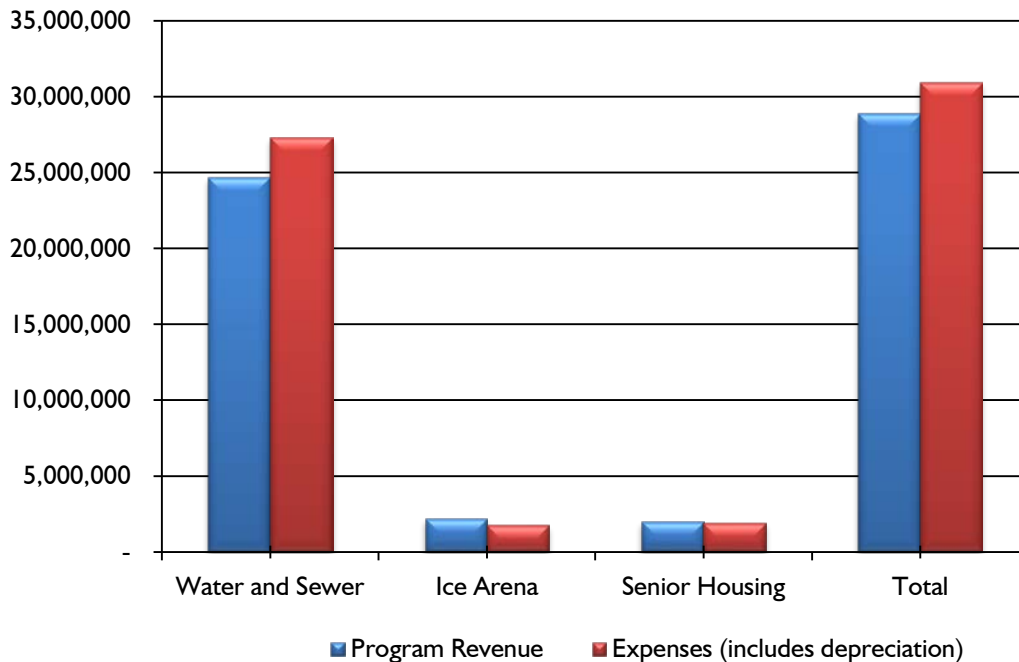
## Management's Discussion and Analysis (Continued)

**Business-type Activities** - Business-type activities increased net position by \$4,904,032. The majority of the increase is a result of \$3,384,960 of contributed water and sewer assets in the Water and Sewer Fund.

### Revenue by Source - Business-type Activities



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



# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City's Funds

**Governmental Funds** - The City has 25 governmental funds, categorized into four fund types. Each fund type has a unique purpose. The General Fund is the only fund classified as a major fund for the purpose of this report based on criteria set forth by the Governmental Accounting Standards Board.

As of June 30, 2016, the governmental funds of the City reported a combined fund balance of \$52,134,551, an increase of \$2,880,943 in comparison with the prior year. The majority of this total amount, or \$40,497,872, is considered nonspendable, restricted, or assigned for specific purposes, which includes road construction and maintenance, storm water systems, assessments, debt service, library operations, police and fire operations, etc. Fund balance of the General Fund totaled \$13,745,202 at June 30, 2016, an increase of \$1,387,552 in comparison with the prior year. Of this amount, \$11,670,611 is unassigned, which represents nearly 40% of fiscal year 2016 budgeted annual expenditures. Of the \$40,497,872 restricted governmental funds fund balance, \$10,085,054 or approximately 25%, is restricted for roads in the Major Street, Local Street, Municipal Street, and Street Improvement funds. Another \$10,485,591 or 25% is restricted for storm water systems in the Drain Revenue and Drain Perpetual Maintenance funds. Another 15% of fund balance is restricted or assigned for infrastructure improvements in the capital improvement funds.

**Proprietary Funds** - Unrestricted net position increased \$3,606,221 from the prior year or 6.1%.

### General Fund Budgetary Highlights

The City had favorable budget results for the fiscal year ended June 30, 2016. In total, **revenues were greater than amended budget estimates for the year by approximately \$502,000 or 1.8%**, primarily a result of the following:

- Property Tax Revenue - Revenues are approximately \$171,000 higher than budgeted through the end of the fiscal year. Real property tax chargebacks billed by the county were less than anticipated and less than prior years. The liability for potential tax tribunal refunds was also reduced due to the decrease in the number of outstanding cases.
- Licenses, Permits, and Charges for Services - Revenues are approximately \$137,000 higher than anticipated primarily due to a strong fourth quarter of developer activity. This revenue is also where some of the construction escrow close-out funds are recognized.
- Interest Income (including investment gain/loss) - This revenue is approximately \$181,000 above budget primarily due to a full year of citywide pooled investments (which maximizes returns and also allows many city funds that previously had no investments to invest available cash). In addition to the pooling of investment, the City for the first time is now registered with several brokers to bid on initial offerings of municipal bonds which has resulted in an overall increase in return citywide of more than .25% or \$300,000 annually.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

Actual expenditures as of June 30, 2016 were *under budget by approximately \$2,747,000 or 8.5%*. The favorable variance is made up of two specific pieces: capital rollover and favorable department budgets. Capital expenditure rollovers total approximately \$1,900,000 of the favorable variance and represents contracts/commitments the City has entered into that were not completed as of June 30, 2016 and will require a budget rollover amendment for the FY 2016/2017 fiscal year. The remaining variance of approximately \$847,000 (2.4%) represents individual departments under budget. Every department, in total (and within each budget category), is under their expenditure budgets for the second straight year. Implementation of tighter budget controls and all departments adhering to their adopted and amended budgets ensures a favorable variance on an annual basis. The majority of the savings is from position vacancies which results in salary and fringe benefit savings. While the favorable variance of \$874,000 may seem like a large number, it actually is not very large based on an annual budget of more than \$32.0 million. The culture within the City also plays a significant role in the favorable expenditure variances. Departments spend their budgets for items needed for their operations and do not spend their budgets just because they are there or because they lapse at year end.

### Capital Asset and Debt Administration

**Capital Assets** - The City's investment in capital assets, including construction in progress, for its governmental and business-type activities as of June 30, 2016 totals \$277,844,805 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Land	\$27,877,767	\$27,265,429	\$2,272,256	\$2,272,256	\$30,150,023	\$29,537,685
Buildings and improvements	29,168,356	29,849,947	18,377,905	14,072,557	47,546,261	43,922,504
Machinery and equipment and library books	5,319,263	5,126,097	583,151	699,661	5,902,414	5,825,758
Infrastructure	71,655,872	70,108,674	115,346,176	114,738,240	187,002,048	184,846,914
Land improvements	125,574	-	208,207	217,671	333,781	217,671
Construction in progress	6,649,204	4,260,096	261,074	5,025,573	6,910,278	9,285,669
<b>Total</b>	<b>\$140,796,036</b>	<b>\$136,610,243</b>	<b>\$137,048,769</b>	<b>\$137,025,958</b>	<b>\$277,844,805</b>	<b>\$273,636,201</b>

Additional information on the City's capital assets can be found in Note 4 of this report.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Long-term Debt** - The following table is a comparison of the summary information for the fiscal years ended June 30, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$13,905,000	\$16,905,000	\$3,955,000	\$4,405,000	\$17,860,000	\$16,905,000
Special assessment debt with government commitment	-	1,360,000	300,000	455,000	300,000	1,815,000
Building authority bonds	-	-	9,075,000	9,745,000	9,075,000	14,150,000
<b>Total</b>	<b>\$13,905,000</b>	<b>\$18,265,000</b>	<b>\$13,330,000</b>	<b>\$14,605,000</b>	<b>\$27,235,000</b>	<b>\$32,870,000</b>

Additional information on the City's long-term debt can be found in Note 6 of this report.

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

The budget plan, as originally approved in the fiscal year 2016-2017 budget, has General Fund expenditures equal to annual revenues.

#### City of Novi General Fund

Description	Estimated 2015-2016	Budget 2016-2017
Annual revenue (including transfers from Police and Fire Fund)	\$ 31,525,737	\$ 33,288,909
Annual expenditures (excluding transfers out)	\$ 32,332,453	\$ 32,838,909
Transfers out to other funds	361,020	450,000
<b>Total expenditures</b>	<b>\$ 32,693,473</b>	<b>\$ 33,288,909</b>

Note: Source - 2016-17 Annual Budget Document. Budget 2016-17 Annual revenue does not include appropriation from fund balance.

The state-shared revenue projections for 2016-2017 are based on the State's estimate. The 2010 Census has resulted in an increase for the City as a result of the impact of an increase in population on the formula for the constitutional portion of this revenue. The Police and Fire Fund transfer covers some personnel, operating, and capital costs. The 2016-2017 transfer is \$5,855,000, which is slightly higher than the \$5,300,000 in fiscal years 2015 and 2016.

# **City of Novi, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The 2016 approved tax millage rate was decreased from 10.2 mills to 9.95 mills. Novi voters approved a charter amendment in August 2012 to increase the millage amount for specific street and highway improvement purposes from 1.0 mill (which had been reduced by the Headlee Amendment to .7719 mills) to 1.5 mills beginning with the 2015 levy.

### **Requests for Information**

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

# City of Novi, Michigan

## Statement of Net Position June 30, 2016

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 4,622,214	\$ 3,683,835	\$ 8,306,049	\$ 11,892
Investments (Note 3)	50,360,626	59,187,936	109,548,562	-
Accounts receivable:				
Taxes	-	175,536	175,536	-
Water and sewer billing	-	5,770,226	5,770,226	-
Accrued interest receivable	518,018	-	518,018	-
Other	624,347	30,489	654,836	-
Due from other governmental units	1,756,851	-	1,756,851	-
Special assessments receivable	36,883	705,183	742,066	-
Inventory	-	80,068	80,068	-
Prepaid expenses and other assets	190,328	4,760	195,088	-
Other postemployment benefits asset (Note 10)	936,947	40,627	977,574	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	34,526,971	2,533,330	37,060,301	-
Assets subject to depreciation	106,269,065	134,515,439	240,784,504	-
Other	-	-	-	35,000
Total assets	199,842,250	206,727,429	406,569,679	46,892
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to refunding bonds	863,462	-	863,462	-
Deferred outflows related to pensions (Note 8)	7,630,325	301,400	7,931,725	-
Total deferred outflows of resources	8,493,787	301,400	8,795,187	-
<b>Liabilities</b>				
Accounts payable	3,477,571	3,518,518	6,996,089	-
Refundable deposits	125,450	196,295	321,745	-
Accrued and other liabilities	2,496,335	2,149,429	4,645,764	-
Unearned revenue	33,439	6,161	39,600	-
Noncurrent liabilities:				
Due within one year (Note 6):				
Compensated absences	1,591,986	67,818	1,659,804	-
Current portion of long-term debt	2,340,000	1,495,000	3,835,000	-
Due in more than one year:				
Compensated absences (Note 6)	397,417	-	397,417	-
Net pension liability (Note 8)	37,133,805	1,466,823	38,600,628	-
Long-term debt (Note 6)	12,845,301	11,835,000	24,680,301	-
Total liabilities	60,441,304	20,735,044	81,176,348	-
<b>Deferred Inflows of Resources</b>	9,508	-	9,508	-

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Novi, Michigan

## Statement of Net Position (Continued) June 30, 2016

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net investment in capital assets	\$ 126,474,197	\$ 123,718,769	\$ 250,192,966	\$ -
Restricted for:				
Roads	10,121,937	-	10,121,937	-
Public safety	1,740,249	-	1,740,249	-
Debt service	880,019	-	880,019	-
Infrastructure improvements	6,011,835	-	6,011,835	-
Parks, recreation, and cultural services	362,235	-	362,235	-
Library	3,426,921	-	3,426,921	-
Storm water systems	10,485,591	-	10,485,591	-
Tree replacement and maintenance	3,716,664	-	3,716,664	-
Street lighting improvements	99,000	-	99,000	-
PEG access support fees	369,662	-	369,662	-
Community	2,282	-	2,282	-
Unrestricted	<u>(15,805,367)</u>	<u>62,575,016</u>	<u>46,769,649</u>	<u>46,892</u>
Total net position	<u>\$ 147,885,225</u>	<u>\$ 186,293,785</u>	<u>\$ 334,179,010</u>	<u>\$ 46,892</u>

# City of Novi, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,260,647	\$ 3,598,267	\$ 22,187	\$ -
Public safety	18,811,184	1,017,405	165,593	-
Public services	12,136,916	108,384	3,972,471	847,347
Community and economic development	3,954,669	-	53,721	-
Recreation and culture	5,666,367	2,176,230	1,449,332	200
Interest on long-term debt	777,562	-	-	-
Total governmental activities	48,607,345	6,900,286	5,663,304	847,547
Business-type activities:				
Water and Sewer	27,282,209	24,666,297	-	5,337,278
Ice arena	1,735,010	2,202,031	-	-
Senior housing	1,898,830	2,020,797	-	-
Total business-type activities	30,916,049	28,889,125	-	5,337,278
Total primary government	<u>\$ 79,523,394</u>	<u>\$ 35,789,411</u>	<u>\$ 5,663,304</u>	<u>\$ 6,184,825</u>
Component units	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Other miscellaneous income

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year



**Statement of Activities**  
**Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,640,193)	\$ -	\$ (3,640,193)	\$ -
(17,628,186)	-	(17,628,186)	-
(7,208,714)	-	(7,208,714)	-
(3,900,948)	-	(3,900,948)	-
(2,040,605)	-	(2,040,605)	-
(777,562)	-	(777,562)	-
(35,196,208)	-	(35,196,208)	-
-	2,721,366	2,721,366	-
-	467,021	467,021	-
-	121,967	121,967	-
-	3,310,354	3,310,354	-
(35,196,208)	3,310,354	(31,885,854)	-
-	-	-	(7,000)
32,932,970	-	32,932,970	-
4,963,301	-	4,963,301	-
1,828,195	1,593,678	3,421,873	24
1,334,136	-	1,334,136	-
627,210	-	627,210	-
41,685,812	1,593,678	43,279,490	24
6,489,604	4,904,032	11,393,636	(6,976)
141,395,621	181,389,753	322,785,374	53,868
<b>\$ 147,885,225</b>	<b>\$ 186,293,785</b>	<b>\$ 334,179,010</b>	<b>\$ 46,892</b>

# City of Novi, Michigan

## Governmental Funds Balance Sheet June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 360,942	\$ 4,261,272	\$ 4,622,214
Investments (Note 3)	13,996,974	36,363,652	50,360,626
Accounts receivable:			
Special assessments	-	36,883	36,883
Accrued interest	515,805	-	515,805
Other	444,610	179,737	624,347
Due from other governmental units	760,692	996,159	1,756,851
Prepays and other assets	190,328	-	190,328
<b>Total assets</b>	<b>\$ 16,269,351</b>	<b>\$ 41,837,703</b>	<b>\$ 58,107,054</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,001,057	\$ 2,476,514	\$ 3,477,571
Refundable deposits	120,528	4,922	125,450
Accrued and other liabilities:			
Accrued salaries and wages	455,397	81,556	536,953
Payroll taxes and withholdings	183,866	26,114	209,980
Accrued other	686,680	783,621	1,470,301
Unearned revenue	33,439	-	33,439
Compensated absences	34,886	-	34,886
<b>Total liabilities</b>	<b>2,515,853</b>	<b>3,372,727</b>	<b>5,888,580</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>			
Other	8,296	4,812	13,108
Special assessments	-	36,883	36,883
Grants	-	33,932	33,932
<b>Total deferred inflows of resources</b>	<b>8,296</b>	<b>75,627</b>	<b>83,923</b>
<b>Fund Balances</b>			
Nonspendable - Prepays	164,628	-	164,628
Restricted:			
Roads	-	10,085,054	10,085,054
Public safety	22,958	1,717,291	1,740,249
Community	2,282	-	2,282
Debt service	-	880,019	880,019
Infrastructure improvements	-	3,911,835	3,911,835
Parks, recreation, and cultural services	-	1,631,244	1,631,244
Library	-	3,426,921	3,426,921
Storm water systems	-	10,485,591	10,485,591
Tree replacement and maintenance	-	3,716,664	3,716,664
Street lighting improvements	-	99,000	99,000
PEG access support fees	-	369,662	369,662
Assigned:			
Subsequent year's budget	1,884,723	-	1,884,723
Infrastructure improvements	-	2,100,000	2,100,000
Unassigned	11,670,611	(33,932)	11,636,679
<b>Total fund balances</b>	<b>13,745,202</b>	<b>38,389,349</b>	<b>52,134,551</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 16,269,351</b>	<b>\$ 41,837,703</b>	<b>\$ 58,107,054</b>

# City of Novi, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 52,134,551
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	140,796,036
Special assessment and other receivables are expected to be collected over several years and are not available to pay for current period expenditures (including \$2,213 of accrued interest on special assessments)	76,628
Other postemployment benefits assets are not financial resources and are not reported in the funds	936,947
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds	7,630,325
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	863,462
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(162,490)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(15,185,301)
Net pension liability is not due and payable in the current period and is not reported in the funds	(37,133,805)
Accrued interest is not due and payable in the current period and is not reported in the funds	(116,611)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(1,954,517)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 147,885,225</u></b>

# City of Novi, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 16,252,340	\$ 16,680,630	\$ 32,932,970
Licenses and permits	4,542,923	-	4,542,923
Federal grants	68,934	149,491	218,425
State-shared revenue and grants	4,361,493	5,073,969	9,435,462
Charges for services	448,858	-	448,858
Fines and forfeitures	578,591	178,812	757,403
Interest and investment income	881,440	980,658	1,862,098
Rental income	-	93,605	93,605
Other revenue:			
Special assessments	-	1,604,014	1,604,014
Local donations	1,475	155,959	157,434
Cable franchise fees	-	382,655	382,655
Recreational programs	-	1,441,691	1,441,691
Miscellaneous income	770,477	1,712,307	2,482,784
Total revenue	27,906,531	28,453,791	56,360,322
<b>Expenditures</b>			
Current:			
General government	6,658,739	-	6,658,739
Public safety	16,741,544	192,754	16,934,298
Public services	2,360,439	12,126,107	14,486,546
Community and economic development	3,582,466	503,318	4,085,784
Recreation and culture	50,571	6,502,117	6,552,688
Debt service:			
Principal	-	4,051,000	4,051,000
Interest on long-term debt	-	818,163	818,163
Total expenditures	29,393,759	24,193,459	53,587,218
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,487,228)	4,260,332	2,773,104
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of debt (Note 6)	-	9,995,301	9,995,301
Transfers in (Note 5)	5,340,000	8,494,940	13,834,940
Transfers out (Note 5)	(2,465,220)	(11,369,720)	(13,834,940)
Payment to bond refunding escrow agent (Note 6)	-	(9,887,462)	(9,887,462)
Total other financing sources (uses)	2,874,780	(2,766,941)	107,839
<b>Net Change in Fund Balances</b>	1,387,552	1,493,391	2,880,943
<b>Fund Balances - Beginning of year</b>	12,357,650	36,895,958	49,253,608
<b>Fund Balances - End of year</b>	<b>\$ 13,745,202</b>	<b>\$ 38,389,349</b>	<b>\$ 52,134,551</b>

# City of Novi, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,880,943</b>
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	11,980,512
Depreciation expense	(8,579,805)
Loss on sale of assets	(48,893)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(1,635,249)
Capital contributions are recorded in the statement of activities when received; they are not recorded in the governmental funds	833,979
Other miscellaneous income not reported in the funds	(462,102)
Repayment of bond principal and refunding of bonds is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) and proceeds from refunding issuance is revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt)	3,943,161
Change in accrued interest payable and other	40,602
Increases in accumulated employee sick and vacation pay reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(52,943)
Changes in liabilities for general claims are recorded when incurred in the statement of activities	(107,745)
Increase in net retiree healthcare and pension liabilities reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment	<u>(2,302,856)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 6,489,604</u></b>

# City of Novi, Michigan

## Proprietary Funds Statement of Net Position June 30, 2016

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 2,279,717	\$ 423,814	\$ 980,304	\$ 3,683,835
Investments (Note 3)	56,216,528	1,745,491	1,225,917	59,187,936
Accounts receivable:				
Taxes	175,536	-	-	175,536
Special assessments	705,183	-	-	705,183
Water and sewer billing	5,770,226	-	-	5,770,226
Other	-	30,000	489	30,489
Inventory	78,129	1,939	-	80,068
Prepaid expenses and other assets	-	4,760	-	4,760
Total current assets	<u>65,225,319</u>	<u>2,206,004</u>	<u>2,206,710</u>	<u>69,638,033</u>
Noncurrent assets:				
Other postemployment benefits asset (Note 10)	40,627	-	-	40,627
Capital assets - Net (Note 4)	121,055,576	5,842,051	10,151,142	137,048,769
Total noncurrent assets	<u>121,096,203</u>	<u>5,842,051</u>	<u>10,151,142</u>	<u>137,089,396</u>
Total assets	<u>186,321,522</u>	<u>8,048,055</u>	<u>12,357,852</u>	<u>206,727,429</u>
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions (Note 8)				
	301,400	-	-	301,400
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,449,138	57,206	12,174	3,518,518
Refundable deposits	-	37,630	158,665	196,295
Accrued and other liabilities	2,074,339	11,340	63,750	2,149,429
Unearned revenue	-	-	6,161	6,161
Compensated absences (Note 6)	67,818	-	-	67,818
Current portion of long-term debt (Note 6)	150,000	490,000	855,000	1,495,000
Total current liabilities	<u>5,741,295</u>	<u>596,176</u>	<u>1,095,750</u>	<u>7,433,221</u>
Noncurrent liabilities:				
Net pension liability (Note 8)	1,466,823	-	-	1,466,823
Long-term debt (Note 6)	150,000	3,465,000	8,220,000	11,835,000
Total noncurrent liabilities	<u>1,616,823</u>	<u>3,465,000</u>	<u>8,220,000</u>	<u>13,301,823</u>
Total liabilities	<u>7,358,118</u>	<u>4,061,176</u>	<u>9,315,750</u>	<u>20,735,044</u>
<b>Net Position</b>				
Net investment in capital assets	120,755,576	1,887,051	1,076,142	123,718,769
Unrestricted	58,509,228	2,099,828	1,965,960	62,575,016
Total net position	<u>\$ 179,264,804</u>	<u>\$ 3,986,879</u>	<u>\$ 3,042,102</u>	<u>\$ 186,293,785</u>

# City of Novi, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
<b>Operating Revenue</b>				
Sale of water	\$ 13,186,231	\$ -	\$ -	\$ 13,186,231
Sewage disposal charges	10,899,223	-	-	10,899,223
Concession sales	-	139,520	-	139,520
Interest and penalty charges	195,716	-	-	195,716
Installation fees	322,046	-	-	322,046
Rentals and charges for services	-	1,966,238	2,019,767	3,986,005
Miscellaneous revenue	63,081	96,273	1,030	160,384
Total operating revenue	<u>24,666,297</u>	<u>2,202,031</u>	<u>2,020,797</u>	<u>28,889,125</u>
<b>Operating Expenses</b>				
Cost of water	11,869,872	-	-	11,869,872
Cost of sewage treatment	8,637,223	-	-	8,637,223
Other operation and maintenance	1,027,562	675,707	339,522	2,042,791
Salaries and fringe benefits	1,261,519	-	-	1,261,519
Contractual services	-	659,181	379,643	1,038,824
Miscellaneous expenses	471,873	-	-	471,873
Depreciation	4,000,381	295,302	383,893	4,679,576
Total operating expenses	<u>27,268,430</u>	<u>1,630,190</u>	<u>1,103,058</u>	<u>30,001,678</u>
<b>Operating (Loss) Income</b>	(2,602,133)	571,841	917,739	(1,112,553)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	1,509,544	45,193	38,941	1,593,678
Interest expense	(13,779)	(104,820)	(747,272)	(865,871)
Debt service charge	-	-	(48,500)	(48,500)
Total nonoperating revenue (expenses)	<u>1,495,765</u>	<u>(59,627)</u>	<u>(756,831)</u>	<u>679,307</u>
<b>(Loss) Income - Before contributions</b>	(1,106,368)	512,214	160,908	(433,246)
<b>Capital Contributions</b>				
Lines donated by developers and others	3,384,960	-	-	3,384,960
Customer assessments - Tap fees	1,952,318	-	-	1,952,318
Total capital contributions	<u>5,337,278</u>	<u>-</u>	<u>-</u>	<u>5,337,278</u>
<b>Change in Net Position</b>	4,230,910	512,214	160,908	4,904,032
<b>Net Position - Beginning of year</b>	<u>175,033,894</u>	<u>3,474,665</u>	<u>2,881,194</u>	<u>181,389,753</u>
<b>Net Position - End of year</b>	<u>\$ 179,264,804</u>	<u>\$ 3,986,879</u>	<u>\$ 3,042,102</u>	<u>\$ 186,293,785</u>

# City of Novi, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 23,363,993	\$ 2,186,081	\$ 2,020,438	\$ 27,570,512
Payments to suppliers	(22,677,613)	(1,333,355)	(731,972)	(24,742,940)
Payments to employees	(1,158,135)	-	-	(1,158,135)
Other receipts	1,520	-	-	1,520
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash (used in) provided by operating activities	(470,235)	852,726	1,288,466	1,670,957
<b>Cash Flows from Capital and Related Financing Activities</b>				
Issuance of bonds	-	-	8,715,000	8,715,000
Customer assessments - Tap fees	1,952,318	-	-	1,952,318
Special assessment collections	234,918	-	-	234,918
Proceeds from sales of capital assets	-	18,049	-	18,049
Purchase of capital assets	(1,176,097)	(105,663)	(35,667)	(1,317,427)
Principal and interest paid on capital debt	(188,233)	(555,720)	(9,760,832)	(10,504,785)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) capital and related financing activities	822,906	(643,334)	(1,081,499)	(901,927)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	1,571,998	49,549	40,671	1,662,218
Net purchase of investment securities	-	-	(793,262)	(793,262)
Net (purchases) proceeds from sale and maturities of investment securities	(15,705,617)	(418,139)	1,376,895	(14,746,861)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash (used in) provided by investing activities	(14,133,619)	(368,590)	624,304	(13,877,905)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(13,780,948)	(159,198)	831,271	(13,108,875)
<b>Cash and Cash Equivalents - Beginning of year</b>	16,060,665	583,012	149,033	16,792,710
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 2,279,717</u></u>	<u><u>\$ 423,814</u></u>	<u><u>\$ 980,304</u></u>	<u><u>\$ 3,683,835</u></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 58,496,245	\$ 2,169,305	\$ 2,206,221	\$ 62,871,771
Less amounts classified as investments	(56,216,528)	(1,745,491)	(1,225,917)	(59,187,936)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total cash and cash equivalents	<u><u>\$ 2,279,717</u></u>	<u><u>\$ 423,814</u></u>	<u><u>\$ 980,304</u></u>	<u><u>\$ 3,683,835</u></u>



# City of Novi, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2016

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (2,602,133)	\$ 571,841	\$ 917,739	\$ (1,112,553)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	4,000,381	295,302	383,893	4,679,576
Changes in assets and liabilities:				
Receivables	(1,300,784)	(17,548)	(8,761)	(1,327,093)
Inventories	26,753	4,592	-	31,345
Prepaid and other assets	-	(2,201)	-	(2,201)
Accounts payable	(697,836)	(3,083)	(12,781)	(713,700)
Accrued and other liabilities	103,384	3,823	8,376	115,583
Net cash (used in) provided by operating activities	<u>\$ (470,235)</u>	<u>\$ 852,726</u>	<u>\$ 1,288,466</u>	<u>\$ 1,670,957</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2016, developers and others constructed water and sewer lines with an estimated value of \$3,384,960 and donated them to the City's Water and Sewer Fund.

# City of Novi, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 4,090	\$ 126,096
Investments (Note 3)	24,425,563	7,996,952
Total assets	24,429,653	<u>\$ 8,123,048</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 294,529
Due to other governmental units	-	218,220
Due to builders and developers	-	7,610,299
Total liabilities	-	<u>\$ 8,123,048</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 24,429,653</u>	

# City of Novi, Michigan

## **Fiduciary Funds** **Statement of Changes in Fiduciary Net Position - Postemployment** **Benefits - Retiree Health Care Benefits Trust Fund** **Year Ended June 30, 2016**

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund
<b>Additions</b>	
Net investment gain	\$ 148,449
Contributions - Employer	871,702
Total additions	1,020,151
<b>Deductions</b>	
Healthcare insurance premiums	784,904
Administrative expenses	245,157
Total deductions	1,030,061
<b>Net Decrease in Net Position Held in Trust</b>	(9,910)
<b>Net Position Held in Trust for Pension and Other Employee Benefits -</b> Beginning of year	24,439,563
<b>Net Position Held in Trust for Pension and Other Employee Benefits -</b> End of year	<u>\$ 24,429,653</u>

### **Note I - Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used by the City of Novi, Michigan (the "City"):

#### **Reporting Entity**

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

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

**Discretely Presented Component Unit** - 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.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note II.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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.

#### **Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used.

### Note I - Summary of Significant Accounting Policies (Continued)

The various funds are aggregated into three broad fund types:

**Governmental Funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following fund as a “major” governmental fund:

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

**Proprietary Funds** include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as “major” enterprise funds:

- **Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- **Ice Arena Fund** - The Ice Arena Fund accounts for the City’s two-sheet arena.
- **Senior Housing Fund** - The Senior Housing Fund accounts for the 175-unit senior housing project, financed using the Building Authority approach.

**Fiduciary Funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- **Retiree Health Care Benefits Trust Fund** - The Retiree Health Care Benefits Trust Fund accounts for medical benefits provided to retirees.
- **Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. They primarily hold deposits from builders and developers and tax remittances due to schools and other governmental units.

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

#### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, 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 of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

### Note I - Summary of Significant Accounting Policies (Continued)

**Investments** - Investments are reported 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. Investments that do not have an established market value are reported at estimated fair value as determined by management.

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

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Roads, bridges, and sidewalks	25-30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and improvements	35-40 years
Machinery and equipment	4-10 years
Library books	10 years

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt and the proprietary funds (Water and Sewer, Ice Arena, and Senior Housing) are used to liquidate proprietary fund long-term debt.



### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charges on refunding and the deferred outflows of resources related to the defined benefit pension plan. A deferred charge on refunding is reported in the government-wide statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from various transactions related to pension: employer contributions to the defined benefit pension plan subsequent to the measurement date, difference between expected and actual experience, changes in assumptions, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: special assessments, grants, and certain accounts receivable. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

#### **Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has not adopted a policy transferring the authority to assign fund balance, and therefore, that responsibility remains with the City Council. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### Note I - Summary of Significant Accounting Policies (Continued)

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

#### Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1 and are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled approximately \$3.21 billion. Note that the financial statement reported amounts are inclusive of "property tax revenue" related to interest, penalties, and administrative fees not reflected in the figures below. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	5.0056	\$ 16,138,000
Police and fire supplemental millage	1.4246	4,584,000
Parks and recreation operations	0.3847	1,238,000
Library operations	0.7699	2,477,000
Street maintenance operations	1.4962	4,814,000
Debt levies for streets, library, and refunding debt	1.1190	3,600,000
Total	10.2000	\$ 32,851,000

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Defined Benefit Pension** - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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.

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

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligation. The City has discontinued the accrual of sick leave days for administrative employees and Michigan Association of Public Employees (MAPE).

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2015		\$ (1,549,948)
Current year permit revenue		2,118,910
Related expenses:		
Direct costs	\$ 2,088,270	
Estimated indirect costs	<u>239,178</u>	<u>2,327,448</u>
Current year shortfall		<u>(208,538)</u>
Cumulative shortfall at June 30, 2016		<u>\$ (1,758,486)</u>

The Community Development Block Grant Fund has an unassigned deficit of \$33,932. This is not a true deficit according to Numbered Letter 2016-1 from the State of Michigan because the deferred inflows of resources balance is greater than or equal to the unrestricted fund balance. Unrestricted fund balance is the sum of the committed, assigned, and unassigned fund balances.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Healthcare Benefits Trust Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated 30 banks/advisors for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$9,404,742 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 3 - Deposits and Investments (Continued)

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

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
<b>Primary Government</b>		
U.S. government agency securities	\$ 30,537,732	5.4
Municipal bonds	<u>44,253,741</u>	5.0
Total	<u>\$ 74,791,473</u>	
<b>Retiree Health Care Benefits Trust Fund</b>		
U.S. Treasury securities	\$ 1,980,136	5.79
U.S. government agency securities	<u>2,075,683</u>	10.55
Total	<u>\$ 4,055,819</u>	

# City of Novi, Michigan

## Notes to Financial Statements June 30, 2016

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
U.S. government agency securities	\$ 13,275,329	AA	S&P
	998,200	A1	S&P
	1,989,220	A2	S&P
Municipal bonds	3,299,456	Aaa	Moody's
	1,179,001	Aa	Moody's
	10,696,390	Aa1	Moody's
	2,201,277	AA	S&P
	6,144,806	Aa2	Moody's
	8,494,974	AA-	S&P
	769,088	A1	Moody's
	10,981,145	A2	Moody's
	487,514	A-	S&P
Bank investment pool - Oakland County	32,121,634	N/A	Not Rated
Total	<u>\$ 92,638,034</u>		
<b>Retiree Health Care Benefits Trust Fund</b>			
U.S. government agency securities	\$ 2,075,683	AA+	S&P
Corporate bonds	46,284	AA+	S&P
Corporate bonds	30,212	A	S&P
Corporate bonds	186,482	A-	S&P
Corporate bonds	248,843	BBB+	S&P
Corporate bonds	62,321	BBB	S&P
Total	<u>\$ 2,649,825</u>		

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. As of year end, the City had multiple investments, which consisted mostly of U.S. government agency securities, that exceeded 5 percent of the total portfolio. The City had 5.88 percent invested in Federal Home Loan Banks, 5.98 percent invested in Federal Farm Credit Bank, 6.41 percent invested in Federal National Mortgage Association, 6.26 percent invested in State of Michigan bonds, 5.00 percent invested in City of Ypsilanti bonds, and 21.20 percent invested in the Oakland County investment pool.



### Note 3 - Deposits and Investments (Continued)

#### Fair Value Measurements

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

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

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

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. government bonds	\$ 34,151,243	\$ 34,151,243	\$ -	\$ -
Corporate bonds	3,576,800	-	3,576,800	-
Municipal bonds	45,855,468	-	45,855,468	-
Asset-backed securities	483,350	-	483,350	-
Total debt securities	84,066,861	34,151,243	49,915,618	-
Equity securities - Corporate equity	12,858,050	12,713,593	144,457	-
Mutual funds	1,559,836	-	1,559,836	-
Total investments by fair value level	<u>\$ 98,484,747</u>	<u>\$ 46,864,836</u>	<u>\$ 51,619,911</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 are valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

There were no investments at June 30, 2016 valued based on Level 3 inputs.

### Note 3 - Deposits and Investments (Continued)

#### Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in an investment pool whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MERS RHFV Total Market				
Portfolio	\$ 4,695,383	\$ -	N/A	N/A
Oakland County Investment Pool	<u>32,121,634</u>	<u>-</u>	N/A	N/A
Total investments measured at NAV	<u>\$ 36,817,017</u>	<u>\$ -</u>		

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

The Oakland County Investment Pool is a portfolio combining investments in U.S. government securities, certificates of deposit, and cash equivalents. These investments are made in conformance with PA 20 of 1943 and the Oakland County Investment Policy. This investment policy demands three standards for investing: safety of principal, liquidity of investment, and return on investment.

### Note 4 - Capital Assets

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

Governmental Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 27,265,429	\$ 71,544	\$ 540,794	\$ -	\$ 27,877,767
Construction in progress	4,260,096	(3,765,357)	6,154,465	-	6,649,204
Subtotal	31,525,525	(3,693,813)	6,695,259	-	34,526,971
Capital assets being depreciated:					
Roads	125,838,198	3,678,064	802,022	(1,019,877)	129,298,407
Non-motorized pathway improvements	7,346,228	-	3,246,923	(65,000)	10,528,151
Bridges	2,256,131	-	-	-	2,256,131
Drains	17,377,685	68,133	133,924	(747,561)	16,832,181
Buildings and improvements	46,574,494	(71,544)	579,982	-	47,082,932
Machinery and equipment	13,651,034	19,160	888,819	(304,287)	14,254,726
Land improvements	-	-	130,806	-	130,806
Library books	3,854,681	-	336,756	(409,099)	3,782,338
Subtotal	216,898,451	3,693,813	6,119,232	(2,545,824)	224,165,672
Accumulated depreciation:					
Roads	68,603,409	-	5,159,449	(1,019,877)	72,742,981
Non-motorized pathway improvements	2,897,772	-	456,026	(65,000)	3,288,798
Bridges	1,064,972	-	88,275	-	1,153,247
Drains	10,143,415	-	678,117	(747,560)	10,073,972
Buildings and improvements	16,724,547	-	1,190,029	-	17,914,576
Machinery and equipment	10,623,928	-	792,778	(255,395)	11,161,311
Land improvements	-	-	5,232	-	5,232
Library books	1,755,690	-	209,899	(409,099)	1,556,490
Subtotal	111,813,733	-	8,579,805	(2,496,931)	117,896,607
Net capital assets being depreciated	105,084,718	3,693,813	(2,460,573)	(48,893)	106,269,065
Net capital assets	\$ 136,610,243	\$ -	\$ 4,234,686	\$ (48,893)	\$ 140,796,036

### Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 2,272,256	\$ -	\$ -	\$ -	\$ 2,272,256
Construction in progress	5,025,573	(4,931,905)	167,406	-	261,074
Subtotal	7,297,829	(4,931,905)	167,406	-	2,533,330
Capital assets being depreciated:					
Water and sewer distribution systems	182,861,710	693,513	3,644,025	-	187,199,248
Buildings and improvements	23,659,346	4,238,392	816,841	-	28,714,579
Machinery and equipment	2,079,926	-	74,115	-	2,154,041
Land improvements	236,599	-	-	-	236,599
Subtotal	208,837,581	4,931,905	4,534,981	-	218,304,467
Accumulated depreciation:					
Water and sewer lines	68,123,470	-	3,729,602	-	71,853,072
Buildings and improvements	9,586,789	-	749,885	-	10,336,674
Machinery and equipment	1,380,265	-	190,625	-	1,570,890
Land improvements	18,928	-	9,464	-	28,392
Subtotal	79,109,452	-	4,679,576	-	83,789,028
Net capital assets being depreciated	129,728,129	4,931,905	(144,595)	-	134,515,439
Net capital assets	\$ 137,025,958	\$ -	\$ 22,811	\$ -	\$ 137,048,769

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

Governmental activities:

General government	\$ 473,796
Public safety	767,220
Public works	6,634,435
Economic development	24,357
Recreation and culture	679,997
Total governmental activities	<u>\$ 8,579,805</u>

Business-type activities:

Water and sewer	\$ 4,000,381
Ice arena	295,302
Senior housing	383,893
Total business-type activities	<u>\$ 4,679,576</u>

# City of Novi, Michigan

## Notes to Financial Statements June 30, 2016

### Note 4 - Capital Assets (Continued)

**Construction Commitments** - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street construction	\$ 1,476,781	\$ 2,912,320
Sidewalks and pathways	325,486	550,740
Parking lots	38,390	106,695
Building improvements	244,625	54,924
Drains	53,745	1,072,890
Water and sewer	145,348	23,686
Total	<u>\$ 2,284,375</u>	<u>\$ 4,721,255</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

At June 30, 2016, the City had no outstanding interfund balances.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 2,465,220
	Other nonmajor governmental funds	<u>6,029,720</u>
	Total nonmajor governmental funds	8,494,940
General Fund	Nonmajor governmental funds	<u>5,340,000</u>
	Total	<u>\$ 13,834,940</u>

Transfers between funds were primarily for operating purposes. The transfer from the Major Street Fund and Local Street Fund (both nonmajor governmental funds) was allowable per Act 51. The transfer between the Police and Fire Fund (a nonmajor governmental fund) and the General Fund was to reimburse the General Fund for allowable expenditures incurred. The transfer between the Municipal Streets Fund (a nonmajor governmental fund) and the Street Improvement Fund (a nonmajor governmental fund) was to fund current and future street improvement projects. The transfer between the General Fund and the Capital Improvement Program Fund (a nonmajor governmental fund) was to fund capital related projects.

### Note 6 - Long-term Debt

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General Obligation Bonds:							
2002 Street and Refunding Bonds:							
Amount of issue: \$24,720,000							
Maturing through 2017	5.25%	\$1,425,000	\$ 2,080,000	\$ -	\$ 655,000	\$ 1,425,000	\$ 1,425,000
2008 Unlimited Tax Library Bonds:							
Amount of issue: \$16,000,000	3.75% -	\$750,000 -					
Maturing through 2027	5.00%	\$765,000	13,750,000	-	9,985,000	3,765,000	750,000
2010 Unlimited Tax Refunding Bonds:							
Amount of issue: \$4,895,000	2.25%						
Maturing through 2015		-	1,075,000	-	1,075,000	-	-
2016 Unlimited Tax Library Refunding Bonds:							
Amount of issue: \$8,715,000	2.00% -	\$165,000 -					
Maturing through 2027	4.00%	\$1,390,000	-	8,715,000	-	8,715,000	165,000
Special Assessment Bonds -							
2012 Special Assessment Limited Tax Bonds:							
Amounts of issue: \$4,165,000							
Maturing through 2016	3.00%	-	1,360,000	-	1,360,000	-	-
Total bonds payable			18,265,000	8,715,000	13,075,000	13,905,000	2,340,000
Unamortized bond premium			-	1,280,301	-	1,280,301	-
Accumulated compensated absences			1,901,574	1,983,417	1,895,588	1,989,403	1,591,986
Total governmental activities			<u>\$ 20,166,574</u>	<u>\$ 11,978,718</u>	<u>\$ 14,970,588</u>	<u>\$ 17,174,704</u>	<u>\$ 3,931,986</u>

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
Special Assessment Bonds -							
2003 Special Assessment Limited Tax Bonds:							
Amount of issue: \$2,330,000	3.50% -						
Maturing through 2017	4.00%	\$150,000	\$ 455,000	\$ -	\$ 155,000	\$ 300,000	\$ 150,000
Building Authority Bonds:							
2005 Senior Housing Facility Bonds:							
Amount of issue: \$9,920,000	4.00% -						
Maturing through 2025	5.00%	-	9,265,000	-	9,265,000	-	-
2010 Senior Housing Refunding Bonds:							
Amount of issue: \$2,970,000	2.00% -						
Maturing through 2015	2.75%	-	480,000	-	480,000	-	-
General Obligation Bonds:							
2015 Senior Complex Recreation Facility Refunding Bonds:							
Amount of issue: \$9,075,000		\$855,000 -	-	-	-	-	-
Maturing through 2026	2.29%	\$1,020,000	-	9,075,000	-	9,075,000	855,000
2014 Ice Arena Refunding Bonds:							
Amount of issue: \$4,905,000		\$490,000 -					
Maturing through 2024	2.40%	\$520,000	4,405,000	-	450,000	3,955,000	490,000
Total bonds payable			14,605,000	9,075,000	10,350,000	13,330,000	1,495,000
Accumulated compensated absences			60,364	67,818	60,364	67,818	67,818
Total business-type activities			<u>\$ 14,665,364</u>	<u>\$ 9,142,818</u>	<u>\$ 10,410,364</u>	<u>\$ 13,397,818</u>	<u>\$ 1,562,818</u>

Total interest expense for the year was \$1,643,433. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 2,340,000	\$ 453,620	\$ 2,793,620	\$ 1,495,000	\$ 301,760	\$ 1,796,760
2018	920,000	424,100	1,344,100	1,505,000	264,379	1,769,379
2019	965,000	390,250	1,355,250	1,380,000	229,650	1,609,650
2020	1,015,000	355,450	1,370,450	1,380,000	197,624	1,577,624
2021	1,070,000	314,100	1,384,100	1,345,000	165,758	1,510,758
2022-2026	6,205,000	858,600	7,063,600	6,225,000	353,703	6,578,703
2027-2031	1,390,000	27,800	1,417,800	-	-	-
Total	<u>\$ 13,905,000</u>	<u>\$ 2,823,920</u>	<u>\$ 16,728,920</u>	<u>\$ 13,330,000</u>	<u>\$ 1,512,874</u>	<u>\$ 14,842,874</u>

### Note 6 - Long-term Debt (Continued)

**Advance and Current Refundings** - During the year, the City issued \$8,715,000 in general obligation refunding bonds with an average interest rate of 3.7 percent and a bond premium of \$1,280,301. The proceeds of these bonds were used to advance refund \$9,485,000 of outstanding general obligation refunding bonds (the 2008 Unlimited Tax Library Bonds) with an average interest rate of 4.3 percent. The net proceeds of \$10,348,462 (including \$461,000 of cash contributions and after payment of \$104,491 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's financial statements. The advance refunding reduced total debt service payments over the next 12 years by \$1,606,861, which represents an economic gain of \$1,701,535.

In addition, the City issued \$9,075,000 in refunding bonds with an interest rate of 2.3 percent. The proceeds of these bonds were used to advance refund \$9,025,000 of outstanding building authority refunding bonds (the 2005 Senior Housing Facility Bonds) with an average interest rate of 4.3 percent. The net proceeds of \$9,218,505 (after payment of \$48,500 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's financial statements. The advance refunding reduced total debt service payments over the next 10 years by \$991,262, which represents an economic gain of \$877,511.

**Defeased Debt** - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's schedule of debt obligations. At June 30, 2016, \$9,485,000 of bonds outstanding are considered defeased.

### Note 7 - Risk Management

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



### Note 7 - Risk Management (Continued)

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 both those claims that have been reported as well as those that have not yet been reported. This includes estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

	General Liability	
	2016	2015
Estimated liability - Beginning of year	\$ 54,745	\$ 165,909
Estimated claims incurred, including changes in estimates	228,155	17,805
Claim payments	<u>(120,410)</u>	<u>(128,969)</u>
Estimated liability - End of year	<u>\$ 162,490</u>	<u>\$ 54,745</u>

### Note 8 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan), that covers all eligible full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member Retirement Board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Benefits Provided** - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all eligible full-time employees of the City.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

### **Note 8 - Agent Defined Benefit Pension Plan Description (Continued)**

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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). Vesting period is six years. Employees are eligible for non-duty 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 non-duty death benefits after meeting the vesting requirements for a regular pension. 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.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**Employees Covered by Benefit Terms** - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	162
Inactive plan members entitled to but not yet receiving benefits	48
Active plan members	<u>164</u>
Total employees covered by MERS	<u><u>374</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the active employee contribution rate ranged from 2.43 percent to 9.24 percent of annual pay and the City's annual contribution was \$3,054,597.

#### **Net Pension Liability**

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2014</b>	\$ 86,307,145	\$ 57,068,737	\$ 29,238,408
Service cost	1,402,754	-	1,402,754
Interest	6,983,009	-	6,983,009
Changes in benefits	23,615	-	23,615
Differences between expected and actual experience	301,433	-	301,433
Changes in assumptions	3,305,619	-	3,305,619
Contributions - Employer	-	3,024,626	(3,024,626)
Contributions - Employee	-	652,652	(652,652)
Net investment income	-	(898,140)	898,140
Benefit payments, including refunds	(4,731,967)	(4,731,967)	-
Administrative expenses	-	(124,928)	124,928
Net changes	<u>7,284,463</u>	<u>(2,077,757)</u>	<u>9,362,220</u>
<b>Balance at December 31, 2015</b>	<u>\$ 93,591,608</u>	<u>\$ 54,990,980</u>	<u>\$ 38,600,628</u>

Included in the net pension liability is \$37,133,805 related to governmental activities and \$1,466,823 related to business-type activities. Typically, the General Fund or the Water and Sewer Fund, based on whichever fund to which an employee is assigned and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

**Assumption Changes** - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.



### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

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

For the year ended June 30, 2016, the City recognized pension expense of \$5,415,507. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 226,075
Changes in assumptions	2,479,214
Net difference between projected and actual earnings on pension plan investments	4,986,330
Employer contributions to the plan subsequent to the measurement date	<u>240,106</u>
Total	<u>\$ 7,931,725</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$240,106), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

Years Ending <u>June 30</u>	<u>Amount</u>
2017	\$ 2,193,363
2018	2,193,363
2019	2,193,363
2020	1,111,530

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Base salary increases	3.75 %	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75% in the long term, including inflation
Investment rate of return	7.75 %	Net of pension plan investment expense, including inflation

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. 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.

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.5 %

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**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 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 49,534,623	\$ 38,600,628	\$ 29,378,224

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 9 - 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 8 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.

### **Note 9 - Defined Contribution Pension Plan (Continued)**

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 92 and 70 members participating in the DC plan as of June 30, 2016 and 2015, respectively. During the years ended June 30, 2016 and 2015, the City contributed \$335,302 and \$273,255, respectively, to the plan.

### **Note 10 - Other Postemployment Benefits**

**Plan Description** - The City provides healthcare benefits to most full-time employees upon retirement. Currently, 93 retirees are eligible and 72 are receiving benefits. The City includes pre-Medicare retirees and their spouses in its insured healthcare plan. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This healthcare benefit plan is closed to all administrative employees hired after May 1, 2006, MAPE employees hired after December 1, 2006, full-time firefighter employees hired after June 1, 2009, dispatchers hired after September 1, 2011, police clerks hired after October 1, 2011, and POLC employees hired after April 1, 2012. These employees are enrolled into an individual retiree 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.

**Funding Policy** - The collective bargaining units require a contribution by the participant for 20 percent of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2016, the City made payments for postemployment health benefit premiums of \$32,781 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$871,702 paid into the Retiree Health Care Benefits Trust Fund for individuals retiring after June 30, 1994 in accordance with the annual required contribution as determined by the City's actuary. The Retiree Health Care Benefits Trust Fund has a net position of \$24,429,653 as of June 30, 2016, which is 94.6 percent of the actuarial accrued liability of \$25,811,118 as of June 30, 2015.

# City of Novi, Michigan

## Notes to Financial Statements June 30, 2016

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 23 years. This following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (recommended)	\$ (871,702)
Interest on the prior year's net OPEB obligation	76,177
Less adjustment to the annual required contribution	<u>(83,602)</u>
Annual OPEB cost	(879,127)
Amounts contributed:	
Payments of current premiums	32,781
Advance funding	<u>871,702</u>
Increase in net OPEB asset	25,356
OPEB asset - Beginning of year	<u>952,218</u>
OPEB asset - End of year	<u><u>\$ 977,574</u></u>

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

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
6/30/16	\$ 879,127	102.9 %	\$ 977,574
6/30/15	881,656	114.0	952,218
6/30/14	1,400,207	108.0	828,627

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/13	\$ 19,291,291	\$ 23,188,007	\$ 3,896,716	83.2 %	\$ 11,995,155	32.5 %
6/30/15	24,374,995	25,811,118	1,436,123	94.4	12,101,246	11.9

### **Note 10 - Other Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The annual required contribution was determined as part of an actuarial valuation at June 30, 2013. In the June 30, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was set equal to the reported market value of assets. The UAAL is being amortized using a level dollar method over a period of 23 years.

### **Note 11 - Joint Venture**

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, Wixom, and the Charter Township of South Lyon. The City appoints one member to the Authority's governing board, which then approves the annual budget. The Authority receives its operating revenue from member contributions and miscellaneous income. The financial information of the Authority as of June 30, 2016 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.

### **Note 12 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

## **Required Supplemental Information**

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# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
<b>Taxes</b>				
Current property taxes	\$ 15,725,976	\$ 15,923,101	\$ 16,105,162	\$ 182,061
Trailer fees	8,000	8,000	8,337	337
Penalty and interest	185,000	150,000	138,841	(11,159)
Total taxes	15,918,976	16,081,101	16,252,340	171,239
<b>Licenses, Permits, and Charges for Services</b>	4,067,196	4,855,071	4,991,781	136,710
<b>Intergovernmental Revenue</b>				
State-shared revenue	4,341,470	4,381,470	4,361,493	(19,977)
Federal grants	58,000	65,125	68,934	3,809
Total intergovernmental revenue	4,399,470	4,446,595	4,430,427	(16,168)
<b>Fines and Forfeitures</b>	490,000	586,000	578,591	(7,409)
<b>Interest Income</b>	425,000	700,000	881,440	181,440
<b>Donations</b>	-	2,000	1,475	(525)
<b>Other Revenue</b>	639,970	733,470	770,477	37,007
<b>Transfers In</b>	5,300,000	5,340,000	5,340,000	-
Total revenue	31,240,612	32,744,237	33,246,531	502,294
<b>Expenditures</b>				
<b>City Council</b>				
Personnel services	36,207	37,022	36,512	510
Supplies	750	435	70	365
Other services and charges	10,000	9,500	7,710	1,790
Total City Council	46,957	46,957	44,292	2,665
<b>City Manager</b>				
Personnel services	509,524	494,289	483,383	10,906
Supplies	1,500	1,501	1,197	304
Other services and charges	115,735	174,700	121,252	53,448
Total city manager	626,759	670,490	605,832	64,658

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2016

<u>Expenditures</u> (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Finance and Purchasing</b>				
Personnel services	\$ 889,093	\$ 862,215	\$ 826,533	\$ 35,682
Supplies	18,000	16,000	12,164	3,836
Other services and charges	67,800	64,975	61,317	3,658
Capital outlay	8,358	6,561	6,561	-
Total finance department	983,251	949,751	906,575	43,176
<b>Information Technology</b>				
Personnel services	660,067	645,867	636,533	9,334
Supplies	26,150	26,150	25,080	1,070
Other services and charges	190,689	194,689	164,395	30,294
Capital outlay	104,150	258,979	232,947	26,032
Total information technology	981,056	1,125,685	1,058,955	66,730
<b>Assessing</b>				
Personnel services	581,944	543,936	535,618	8,318
Supplies	15,700	12,700	11,790	910
Other services and charges	264,600	140,300	109,636	30,664
Capital outlay	-	23,058	23,058	-
Total assessing	862,244	719,994	680,102	39,892
<b>City Attorney</b>				
Other services and charges	760,000	749,656	709,980	39,676
Capital outlay	70,000	30,344	26,544	3,800
Total city attorney	830,000	780,000	736,524	43,476
<b>City Clerk</b>				
Personnel services	567,971	600,341	583,376	16,965
Supplies	49,000	50,155	47,381	2,774
Other services and charges	113,180	102,655	94,291	8,364
Capital outlay	-	10,000	-	10,000
Total city clerk	730,151	763,151	725,048	38,103
<b>Treasury</b>				
Personnel services	248,878	262,638	250,341	12,297
Supplies	31,000	31,700	29,768	1,932
Other services and charges	47,500	55,036	34,291	20,745
Total treasury	327,378	349,374	314,400	34,974

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2016

<u>Expenditures</u> (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Facility Operations</b>				
Personnel services	\$ 406,197	\$ 667,833	\$ 643,309	\$ 24,524
Supplies	22,500	36,920	28,240	8,680
Other services and charges	432,380	529,889	508,324	21,565
Capital outlay	8,600	315,347	50,689	264,658
Allocated to other funds	-	(58,500)	(58,128)	(372)
Total facility operations	869,677	1,491,489	1,172,434	319,055
<b>Human Resources</b>				
Personnel services	368,315	338,065	329,682	8,383
Supplies	1,000	1,000	885	115
Other services and charges	119,000	128,150	84,010	44,140
Capital outlay	-	21,000	-	21,000
Total human resources	488,315	488,215	414,577	73,638
<b>Neighborhood and Business Relations Group</b>				
Personnel services	372,973	355,215	352,740	2,475
Supplies	10,400	22,150	22,072	78
Other services and charges	390,471	394,149	380,498	13,651
Program expenditures	-	2,330	2,330	-
Total neighborhood and business relations group	773,844	773,844	757,640	16,204
<b>Public Safety - Police Department</b>				
Personnel services	10,601,421	10,509,921	10,410,754	99,167
Supplies	253,000	273,000	254,897	18,103
Other services and charges	1,105,705	1,087,790	998,005	89,785
Capital outlay	145,795	151,795	98,327	53,468
Total public safety - Police department	12,105,921	12,022,506	11,761,983	260,523
<b>Public Safety - Fire Department</b>				
Personnel services	4,187,422	4,225,397	4,163,964	61,433
Supplies	148,400	169,724	157,813	11,911
Other services and charges	560,535	625,535	554,395	71,140
Capital outlay	65,900	145,706	103,389	42,317
Total public safety - Fire department	4,962,257	5,166,362	4,979,561	186,801
<b>Community Development - Building Division</b>				
Personnel services	1,479,383	1,386,883	1,361,392	25,491
Supplies	34,600	37,050	30,755	6,295
Other services and charges	118,879	280,412	256,497	23,915
Capital outlay	255,000	455,050	455,003	47
Allocated to other funds	-	(17,000)	(15,377)	(1,623)
Total community development - Building division	1,887,862	2,142,395	2,088,270	54,125

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2016

<b>Expenditures</b> (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Community Development - Planning Division</b>				
Personnel services	\$ 546,861	\$ 477,661	\$ 454,408	\$ 23,253
Supplies	7,450	9,950	4,025	5,925
Other services and charges	60,700	329,674	278,123	51,551
Total community development - Planning division	615,011	817,285	736,556	80,729
<b>Department of Public Services</b>				
Personnel services	3,520,239	3,094,712	3,037,263	57,449
Supplies	120,450	142,088	132,750	9,338
Other services and charges	1,240,495	1,131,185	938,019	193,166
Capital outlay	974,596	1,459,212	308,148	1,151,064
Allocated to other funds	(2,253,784)	(2,279,784)	(2,261,536)	(18,248)
Maintenance	131,000	228,529	205,795	22,734
Total department of public works	3,732,996	3,775,942	2,360,439	1,415,503
<b>Recreation and Culture</b>				
Personnel services	46,271	47,671	46,385	1,286
Supplies	9,642	9,642	4,186	5,456
Total recreation and culture	55,913	57,313	50,571	6,742
<b>Transfers Out</b>	361,020	2,465,220	2,465,220	-
Total expenditures	31,240,612	34,605,973	31,858,979	2,746,994
<b>Net Change in Fund Balance</b>	-	(1,861,736)	1,387,552	3,249,288
<b>Fund Balance - Beginning of year</b>	12,357,650	12,357,650	12,357,650	-
<b>Fund Balance - End of year</b>	<u>\$ 12,357,650</u>	<u>\$ 10,495,914</u>	<u>\$ 13,745,202</u>	<u>\$ 3,249,288</u>

# City of Novi, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios (Schedule is built prospectively upon implementation of GASB Statement No. 68)

	Year Ended <u>June 30, 2016</u>	Year Ended <u>June 30, 2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 1,402,754	\$ 1,495,687
Interest	6,983,009	6,687,807
Changes in benefit terms	23,615	-
Differences between expected and actual experience	301,433	-
Changes in assumptions	3,305,619	-
Benefit payments, including refunds	<u>(4,731,967)</u>	<u>(4,385,711)</u>
<b>Net Change in Total Pension Liability</b>	7,284,463	3,797,783
<b>Total Pension Liability - Beginning of year</b>	<u>86,307,145</u>	<u>82,509,362</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 93,591,608</u></b>	<b><u>\$ 86,307,145</u></b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 3,024,626	\$ 3,648,998
Contributions - Employee	652,652	712,076
Net investment income	(898,140)	3,399,244
Administrative expenses	(124,928)	(126,196)
Benefit payments, including refunds	(4,731,967)	(4,385,711)
Other	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(2,077,757)	3,248,411
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>57,068,737</u>	<u>53,820,326</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 54,990,980</u></b>	<b><u>\$ 57,068,737</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 38,600,628</u></b>	<b><u>\$ 29,238,408</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	58.76 %	66.12 %
<b>Covered Employee Payroll</b>	\$ 11,371,927	\$ 12,101,246
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	339.4 %	241.6 %



# City of Novi, Michigan

## Required Supplemental Information Retiree Health Care System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
7/1/11	\$ 14,924,821	\$ 24,313,035	\$ 9,388,214	61.4 %	\$ 13,511,225	69.5 %
6/30/13	19,291,291	23,188,007	3,896,716	83.2	11,995,155	32.5
6/30/15	24,374,995	25,811,118	1,436,123	94.4	12,101,246	11.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/11	7/1/09	\$ 1,500,006	105.8 %
6/30/12	7/1/09	1,498,004	106.6
6/30/13	7/1/11	1,399,119	116.9
6/30/14	7/1/11	1,393,087	108.9
6/30/15	6/30/13	875,196	114.9
6/30/16	6/30/13	871,702	103.8

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2015, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.3% - 17.0%
*Includes inflation at	3.0%
Cost of living adjustments	None

# City of Novi, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2016

**Budgetary Information** - 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:

- a. Budgets must be adopted for the General Fund and special revenue funds.
- b. Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. 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 is presented as required supplemental information. 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 category within activity (i.e., personal services, supplies, other services and charges, and capital outlay within each department). Although spending estimates are produced for each line item, budgetary control is exercised at this category level. Expenditures at this level must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law.

The 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 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 with the exception of the amended budget for the 2008 Library Construction Debt Fund, which budgeted for a deficit.



# City of Novi, Michigan

## Note to Required Supplemental Information (Continued) Year Ended June 30, 2016

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers have been included in the "revenue" and "expenditure" categories, rather than as "other financing sources (uses)." A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 27,906,531	\$ 29,393,759
Operating transfers budgeted as revenue and expenditures	<u>5,340,000</u>	<u>2,465,220</u>
Amounts per budget statement	<u>\$ 33,246,531</u>	<u>\$ 31,858,979</u>

## **Other Supplemental Information**

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# City of Novi, Michigan

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## Other Supplemental Information Nonmajor Enterprise Funds Fund Descriptions

**Major Street Fund:** The Major Street Fund's purpose is 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 186.24 total centerline miles that make up the City of Novi road network, the City has 43.5 centerline miles of major streets. Financing is primarily provided by the City's share of state gas and weight taxes.

**Local Street Fund:** The Local Street Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the City's 142.74 centerline miles of local streets as defined by State Act 51. Financing is provided by the City's share of state gas and weight taxes and transfers from other funds.

**Municipal Street Fund:** The Municipal Street 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.

**Public Safety Fund:** The revenue for this fund is generated from property taxes in accordance with a special City Charter millage that was authorized to supplement the operations of the police and fire departments, including payment for personnel-related expenditures and for the purchase of fire trucks, apparatus, and equipment.

**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 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 franchise revenue and cable production fees.

**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.

# City of Novi, Michigan

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## Other Supplemental Information Nonmajor Enterprise Funds Fund Descriptions (Continued)

**Library Fund:** Novi Public 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.

**Library Contribution Fund:** In May 2004, the City of Novi'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. 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. As of January 1, 2014, the restrictions on the use of these funds expired.

**Street Lighting (West Oaks Street) 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 Oaks Street.

**Street Lighting (West Lake Drive) 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.

**Street Lighting (Town Center Street) 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.

**12 Mile Road SAD Debt Fund:** This fund was established to account for the annual debt service payments on a bond that was issued for the construction of a portion of 12 Mile Road. The debt service payments are funded by a long-term special assessment.

**2002 Street and Refunding Bond Debt Fund:** This fund was established to account for annual debt service payments for a bond that was issued for paving purposes, the remaining park debt, and the fire debt. The annual debt service is paid from property tax collections authorized by a voter-approved millage.

**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.

**2010 Refunding Bonds Debt Fund:** This fund was established to account for annual debt service payments for a bond that was issued to construct streets. The annual debt service is paid from property tax collections authorized by a voter-approved millage.

**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).

# City of Novi, Michigan

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## **Other Supplemental Information Nonmajor Enterprise Funds Fund Descriptions (Continued)**

**Capital Improvement Program:** This fund is used to account for the collection and corresponding expenditures related to the August 2016 voter approved CIP millage (1 mill) to be levied beginning July 1, 2017.

**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.

**Street Improvement Fund:** As of fiscal year 2013-2014, the City Council has elected to transfer the remaining unspent balances for ongoing construction projects in the Major, Local, and Municipal Street Funds into this separate capital improvement fund until completion. The City expects all projects in this fund to be completed before the end of the following fiscal year.

**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

	Special Revenue Funds					
	Major Street Fund	Local Street Fund	Municipal Streets	Police and Fire Fund	Parks, Recreation, and Cultural Services Fund	Tree Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 479,403	\$ 920,191	\$ 133,714	\$ 19,289	\$ 564,709	\$ 680,912
Investments	160,039	110,182	4,291,859	1,245,693	1,749,460	3,510,709
Accounts receivable:						
Special assessments	-	-	36,883	-	-	-
Other	-	-	25,000	-	26,638	5,375
Due from other governmental units	566,457	197,635	188,627	-	-	-
<b>Total assets</b>	<b>\$ 1,205,899</b>	<b>\$ 1,228,008</b>	<b>\$ 4,676,083</b>	<b>\$ 1,264,982</b>	<b>\$ 2,340,807</b>	<b>\$ 4,196,996</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 510,578	\$ 542,554	\$ 325,977	\$ -	\$ 636,568	\$ 75,665
Refundable deposits	-	-	-	-	4,422	-
Accrued and other liabilities	-	-	305,818	26,000	63,761	404,667
<b>Total liabilities</b>	<b>510,578</b>	<b>542,554</b>	<b>631,795</b>	<b>26,000</b>	<b>704,751</b>	<b>480,332</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>						
Other	-	-	-	-	4,812	-
Special assessments	-	-	36,883	-	-	-
Grants	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>36,883</b>	<b>-</b>	<b>4,812</b>	<b>-</b>
<b>Fund Balances</b>						
Restricted:						
Roads	695,321	685,454	4,007,405	-	-	-
Public safety	-	-	-	1,238,982	-	-
Debt service	-	-	-	-	-	-
Infrastructure improvements	-	-	-	-	-	-
Parks, recreation, and cultural services	-	-	-	-	1,631,244	-
Library	-	-	-	-	-	-
Storm water systems	-	-	-	-	-	-
Tree replacement and maintenance	-	-	-	-	-	3,716,664
Street lighting improvements	-	-	-	-	-	-
PEG access support fees	-	-	-	-	-	-
Assigned for infrastructure improvements	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>695,321</b>	<b>685,454</b>	<b>4,007,405</b>	<b>1,238,982</b>	<b>1,631,244</b>	<b>3,716,664</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,205,899</b>	<b>\$ 1,228,008</b>	<b>\$ 4,676,083</b>	<b>\$ 1,264,982</b>	<b>\$ 2,340,807</b>	<b>\$ 4,196,996</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

Special Revenue Funds									
Drain Revenue Fund	PEG Cable Fund	Community Development Block Grant Fund	Forfeiture Fund	Library Fund	Library Contribution Fund	12 Mile Road SAD Debt Fund	West Oak Street Lighting Fund	West Lake Drive Street Lighting Fund	Town Center Street Lighting Fund
\$ 44,711	\$ 135,268	\$ -	\$ 34,119	\$ 56,669	\$ 21,236	\$ -	\$ 44,685	\$ 2,849	\$ 53,648
3,807,225	312,484	-	226,899	1,832,030	1,653,353	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	96,807	-	-	7,917	-	-	-	-	-
-	-	43,440	-	-	-	-	-	-	-
<b>\$ 3,851,936</b>	<b>\$ 544,559</b>	<b>\$ 43,440</b>	<b>\$ 261,018</b>	<b>\$ 1,896,616</b>	<b>\$ 1,674,589</b>	<b>\$ -</b>	<b>\$ 44,685</b>	<b>\$ 2,849</b>	<b>\$ 53,648</b>
\$ 90,862	\$ 168,451	\$ 43,440	\$ 52	\$ 77,408	\$ 2,777	\$ -	\$ 1,441	\$ 536	\$ 205
-	-	-	-	500	-	-	-	-	-
1,000	6,446	-	-	63,599	-	-	-	-	-
91,862	174,897	43,440	52	141,507	2,777	-	1,441	536	205
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	33,932	-	-	-	-	-	-	-
-	-	33,932	-	-	-	-	-	-	-
-	-	-	260,966	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,755,109	1,671,812	-	-	-	-
3,760,074	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	369,662	-	-	-	-	-	43,244	2,313	53,443
-	-	-	-	-	-	-	-	-	-
-	-	(33,932)	-	-	-	-	-	-	-
3,760,074	369,662	(33,932)	260,966	1,755,109	1,671,812	-	43,244	2,313	53,443
<b>\$ 3,851,936</b>	<b>\$ 544,559</b>	<b>\$ 43,440</b>	<b>\$ 261,018</b>	<b>\$ 1,896,616</b>	<b>\$ 1,674,589</b>	<b>\$ -</b>	<b>\$ 44,685</b>	<b>\$ 2,849</b>	<b>\$ 53,648</b>

# City of Novi, Michigan

	Debt Service Funds			Capital Projects Funds		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	2010 Refunding Debt Fund	Special Assessment Revolving Fund	Capital Improvement Program	Street Improvement
<b>Assets</b>						
Cash and cash equivalents	\$ 814,765	\$ 85,254	\$ -	\$ 65,505	\$ -	\$ -
Investments	-	-	-	3,846,330	2,100,000	4,696,873
Accounts receivable:						
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 814,765</b>	<b>\$ 85,254</b>	<b>\$ -</b>	<b>\$ 3,911,835</b>	<b>\$ 2,100,000</b>	<b>\$ 4,696,874</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refundable deposits	-	-	-	-	-	-
Accrued and other liabilities	6,000	14,000	-	-	-	-
<b>Total liabilities</b>	<b>6,000</b>	<b>14,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>						
Other	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Grants	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>						
Restricted:						
Roads	-	-	-	-	-	4,696,874
Public safety	-	-	-	-	-	-
Debt service	808,765	71,254	-	-	-	-
Infrastructure improvements	-	-	-	3,911,835	-	-
Parks, recreation, and cultural services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Storm water systems	-	-	-	-	-	-
Tree replacement and maintenance	-	-	-	-	-	-
Street lighting improvements	-	-	-	-	-	-
PEG access support fees	-	-	-	-	-	-
Assigned for infrastructure improvements	-	-	-	-	2,100,000	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>808,765</b>	<b>71,254</b>	<b>-</b>	<b>3,911,835</b>	<b>2,100,000</b>	<b>4,696,874</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 814,765</b>	<b>\$ 85,254</b>	<b>\$ -</b>	<b>\$ 3,911,835</b>	<b>\$ 2,100,000</b>	<b>\$ 4,696,874</b>



# City of Novi, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2016

Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	Drain Perpetual Maintenance Fund	
\$ 38,114	\$ 66,230	\$ 4,261,272
161,229	6,659,287	36,363,652
-	-	36,883
18,000	-	179,737
-	-	996,159
<b>\$ 217,343</b>	<b>\$ 6,725,517</b>	<b>\$ 41,837,703</b>
\$ -	\$ -	\$ 2,476,514
-	-	4,922
-	-	891,291
-	-	3,372,727
-	-	4,812
-	-	36,883
-	-	33,932
-	-	75,627
-	-	10,085,054
217,343	-	1,717,291
-	-	880,019
-	-	3,911,835
-	-	1,631,244
-	-	3,426,921
-	6,725,517	10,485,591
-	-	3,716,664
-	-	99,000
-	-	369,662
-	-	2,100,000
-	-	(33,932)
217,343	6,725,517	38,389,349
<b>\$ 217,343</b>	<b>\$ 6,725,517</b>	<b>\$ 41,837,703</b>

# City of Novi, Michigan

	Special Revenue Funds					
	Major Street Fund	Local Street Fund	Municipal Streets	Police and Fire Fund	Parks, Recreation, and Cultural	
					Cultural Services Fund	Tree Fund
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 4,803,774	\$ 4,574,743	\$ 1,235,317	\$ -
Federal grants	-	-	-	-	-	-
State-shared revenue and grants	3,225,227	1,125,929	297,011	-	368,230	-
Fines and forfeitures	-	-	-	-	-	-
Interest and investment income	48,835	61,218	147,217	67,931	42,598	78,536
Rental income	-	-	-	-	-	-
Other revenue:						
Special assessments	-	-	15,245	-	-	-
Local donations	-	-	-	-	143,275	-
Cable franchise fees	-	-	-	-	-	-
Recreational programs	-	-	-	-	1,441,691	-
Miscellaneous	-	4,000	118,502	-	38,822	1,384,840
<b>Total revenue</b>	<b>3,274,062</b>	<b>1,191,147</b>	<b>5,381,749</b>	<b>4,642,674</b>	<b>3,269,933</b>	<b>1,463,376</b>
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	-	-	-
Public services	2,810,646	2,441,844	2,471,198	-	-	241,510
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	3,722,275	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,810,646</b>	<b>2,441,844</b>	<b>2,471,198</b>	<b>-</b>	<b>3,722,275</b>	<b>241,510</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>463,416</b>	<b>(1,250,697)</b>	<b>2,910,551</b>	<b>4,642,674</b>	<b>(452,342)</b>	<b>1,221,866</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of debt	-	-	-	-	-	-
Transfers in	-	1,090,013	190,100	-	365,220	-
Transfers out	(600,753)	-	(5,186,133)	(5,300,000)	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(600,753)</b>	<b>1,090,013</b>	<b>(4,996,033)</b>	<b>(5,300,000)</b>	<b>365,220</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(137,337)</b>	<b>(160,684)</b>	<b>(2,085,482)</b>	<b>(657,326)</b>	<b>(87,122)</b>	<b>1,221,866</b>
<b>Fund Balances - Beginning of year</b>	<b>832,658</b>	<b>846,138</b>	<b>6,092,887</b>	<b>1,896,308</b>	<b>1,718,366</b>	<b>2,494,798</b>
<b>Fund Balances - End of year</b>	<b>\$ 695,321</b>	<b>\$ 685,454</b>	<b>\$ 4,007,405</b>	<b>\$ 1,238,982</b>	<b>\$ 1,631,244</b>	<b>\$ 3,716,664</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2016**

Special Revenue Funds									
Drain Revenue	PEG Cable	Community Development Block Grant	Forfeiture	Library	Library Contribution	12 Mile Road SAD Debt	West Oak Street Lighting	West Lake Drive Street Lighting	Town Center Street Lighting
Fund	Fund	Fund	Fund	Library Fund	Fund	Fund	Fund	Lighting Fund	Fund
\$ 1,096	\$ -	\$ -	\$ -	\$ 2,472,349	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	53,721	95,770	-	-	-	-	-	-
-	-	-	23,076	34,496	-	-	-	-	-
-	-	-	-	178,812	-	-	-	-	-
115,025	9,796	-	5,538	64,630	44,778	31	68	6	70
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,570,469	-	3,300	15,000
-	-	-	-	9,472	3,212	-	-	-	-
-	382,655	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,276	1,267	-	29,972	65,103	24,408	-	-	-	-
<b>130,397</b>	<b>393,718</b>	<b>53,721</b>	<b>154,356</b>	<b>2,824,862</b>	<b>72,398</b>	<b>1,570,500</b>	<b>68</b>	<b>3,306</b>	<b>15,070</b>
-	-	-	192,754	-	-	-	-	-	-
1,052,564	-	-	-	-	-	-	8,209	3,161	2,292
-	431,513	71,805	-	-	-	-	-	-	-
-	-	-	-	2,749,176	30,191	-	-	-	-
-	-	-	-	-	-	1,360,000	-	-	-
-	-	-	-	-	-	20,400	-	-	-
<b>1,052,564</b>	<b>431,513</b>	<b>71,805</b>	<b>192,754</b>	<b>2,749,176</b>	<b>30,191</b>	<b>1,380,400</b>	<b>8,209</b>	<b>3,161</b>	<b>2,292</b>
(922,167)	(37,795)	(18,084)	(38,398)	75,686	42,207	190,100	(8,141)	145	12,778
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(40,000)	-	(190,100)	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(40,000)	-	(190,100)	-	-	-
(922,167)	(37,795)	(18,084)	(38,398)	35,686	42,207	-	(8,141)	145	12,778
4,682,241	407,457	(15,848)	299,364	1,719,423	1,629,605	-	51,385	2,168	40,665
<b>\$ 3,760,074</b>	<b>\$ 369,662</b>	<b>\$ (33,932)</b>	<b>\$ 260,966</b>	<b>\$ 1,755,109</b>	<b>\$ 1,671,812</b>	<b>\$ -</b>	<b>\$ 43,244</b>	<b>\$ 2,313</b>	<b>\$ 53,443</b>

# City of Novi, Michigan

	Debt Service Funds			Capital Projects Fund		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	2010 Refunding Debt Fund	Special Assessment Revolving Fund	Capital Improvement Program	Street Improvement
<b>Revenue</b>						
Property taxes	\$ 1,043,409	\$ 1,472,133	\$ 1,077,809	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	-	-
State-shared revenue and grants	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and investment income	1,060	734	138	106,156	-	-
Rental income	-	-	-	-	-	-
Other revenue:						
Special assessments	-	-	-	-	-	-
Local donations	-	-	-	-	-	-
Cable franchise fees	-	-	-	-	-	-
Recreational programs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenue	1,044,469	1,472,867	1,077,947	106,156	-	-
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	-	-	-
Public services	475	-	475	475	-	3,093,258
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	475	-	-	-	-
Debt service:						
Principal	655,000	961,000	1,075,000	-	-	-
Interest on long-term debt	92,305	693,364	12,094	-	-	-
Total expenditures	747,780	1,654,839	1,087,569	475	-	3,093,258
<b>Excess of Revenue Over (Under) Expenditures</b>	296,689	(181,972)	(9,622)	105,681	-	(3,093,258)
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of debt	-	9,995,301	-	-	-	-
Transfers in	-	52,734	-	-	2,100,000	4,696,873
Transfers out	-	-	(52,734)	-	-	-
Payment to bond refunding escrow agent	-	(9,887,462)	-	-	-	-
Total other financing (uses) sources	-	160,573	(52,734)	-	2,100,000	4,696,873
<b>Net Change in Fund Balances</b>	296,689	(21,399)	(62,356)	105,681	2,100,000	1,603,615
<b>Fund Balances - Beginning of year</b>	512,076	92,653	62,356	3,806,154	-	3,093,259
<b>Fund Balances - End of year</b>	<b>\$ 808,765</b>	<b>\$ 71,254</b>	<b>\$ -</b>	<b>\$ 3,911,835</b>	<b>\$ 2,100,000</b>	<b>\$ 4,696,874</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2016**

Capital Projects Fund	Permanent Funds	Total
Gun Range Facility Fund	Drain Perpetual Maintenance Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 16,680,630
-	-	149,491
-	-	5,073,969
-	-	178,812
3,293	183,000	980,658
93,605	-	93,605
-	-	1,604,014
-	-	155,959
-	-	382,655
-	-	1,441,691
9,900	21,217	1,712,307
106,798	204,217	28,453,791
-	-	192,754
-	-	12,126,107
-	-	503,318
-	-	6,502,117
-	-	4,051,000
-	-	818,163
-	-	24,193,459
106,798	204,217	4,260,332
-	-	9,995,301
-	-	8,494,940
-	-	(11,369,720)
-	-	(9,887,462)
-	-	(2,766,941)
106,798	204,217	1,493,391
110,545	6,521,300	36,895,958
<b>\$ 217,343</b>	<b>\$ 6,725,517</b>	<b>\$ 38,389,349</b>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Major Street Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Gas and weight tax	\$ 2,606,300	\$ 3,025,713	\$ 3,225,227	\$ 199,514
Interest income	2,000	10,000	48,835	38,835
Other revenue:				
Transfers from other funds	3,275,000	4,364,570	-	(4,364,570)
Miscellaneous	-	5,000	-	(5,000)
Total revenue	5,883,300	7,405,283	3,274,062	(4,131,221)
<b>Expenditures - Current</b>				
Public services:				
Construction	4,490,927	1,942,492	1,659,174	283,318
Routine and capital preventive maintenance	875,000	858,500	758,322	100,178
Traffic services	260,000	267,844	220,375	47,469
Winter maintenance	255,000	251,500	169,475	82,025
Administration	2,000	3,500	3,300	200
Transfers to other funds	-	4,145,323	600,753	3,544,570
Total expenditures	5,882,927	7,469,159	3,411,399	4,057,760
<b>Net Change in Fund Balance</b>	373	(63,876)	(137,337)	(73,461)
<b>Fund Balance - Beginning of year</b>	832,658	832,658	832,658	-
<b>Fund Balance - End of year</b>	<u>\$ 833,031</u>	<u>\$ 768,782</u>	<u>\$ 695,321</u>	<u>\$ (73,461)</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Local Street Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Gas and weight tax	\$ 932,000	\$ 1,071,805	\$ 1,125,929	\$ 54,124
Interest income	2,000	2,000	61,218	59,218
Other revenue:				
Transfers from other funds	2,645,000	2,366,563	1,090,013	(1,276,550)
Miscellaneous	-	-	4,000	4,000
Total revenue	<u>3,579,000</u>	<u>3,440,368</u>	<u>2,281,160</u>	<u>(1,159,208)</u>
<b>Expenditures - Current</b>				
Public services:				
Construction	2,164,640	1,759,744	1,122,379	637,365
Routine and capital preventive maintenance	1,125,000	1,121,109	1,118,103	3,006
Traffic services	135,000	112,780	112,778	2
Winter maintenance	152,000	85,284	85,284	-
Administration	2,000	3,300	3,300	-
Transfers to other funds	-	551,550	-	551,550
Total expenditures	<u>3,578,640</u>	<u>3,633,767</u>	<u>2,441,844</u>	<u>1,191,923</u>
<b>Net Change in Fund Balance</b>	360	(193,399)	(160,684)	32,715
<b>Fund Balance - Beginning of year</b>	<u>846,138</u>	<u>846,138</u>	<u>846,138</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 846,498</u></u>	<u><u>\$ 652,739</u></u>	<u><u>\$ 685,454</u></u>	<u><u>\$ 32,715</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Municipal Streets Budgetary Comparison Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,671,655	\$ 4,747,442	\$ 4,803,774	\$ 56,332
State-shared revenue and grants	160,000	268,000	297,011	29,011
Interest income	30,000	30,000	147,217	117,217
Other revenue:				
Special assessments	16,000	16,000	15,245	(755)
Transfers from other funds	190,100	190,100	190,100	-
Other miscellaneous income	100,000	155,840	118,502	(37,338)
Total revenue	<u>5,167,755</u>	<u>5,407,382</u>	<u>5,571,849</u>	<u>164,467</u>
<b>Expenditures - Current -</b>				
Public services				
Streets	441,987	3,344,650	2,199,714	1,144,936
Street maintenance	504,000	303,298	251,484	51,814
General administration	18,700	20,200	20,000	200
Transfers to other funds	5,920,000	6,731,133	5,186,133	1,545,000
Total expenditures	<u>6,884,687</u>	<u>10,399,281</u>	<u>7,657,331</u>	<u>2,741,950</u>
<b>Net Change in Fund Balance</b>	(1,716,932)	(4,991,899)	(2,085,482)	2,906,417
<b>Fund Balance - Beginning of year</b>	<u>6,092,887</u>	<u>6,092,887</u>	<u>6,092,887</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 4,375,955</u></u>	<u><u>\$ 1,100,988</u></u>	<u><u>\$ 4,007,405</u></u>	<u><u>\$ 2,906,417</u></u>



# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Police and Fire Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,469,156	\$ 4,530,000	\$ 4,574,743	\$ 44,743
Interest income	20,844	60,000	67,931	7,931
Total revenue	4,490,000	4,590,000	4,642,674	52,674
<b>Expenditures</b> - Current - Public safety - Transfers to other funds	5,300,000	5,300,000	5,300,000	-
<b>Net Change in Fund Balance</b>	(810,000)	(710,000)	(657,326)	52,674
<b>Fund Balance</b> - Beginning of year	1,896,308	1,896,308	1,896,308	-
<b>Fund Balance</b> - End of year	<u>\$ 1,086,308</u>	<u>\$ 1,186,308</u>	<u>\$ 1,238,982</u>	<u>\$ 52,674</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Parks, Recreation, and Cultural Services Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,201,820	\$ 1,215,154	\$ 1,235,317	\$ 20,163
State sources	-	368,000	368,230	230
Interest income	5,000	38,940	42,598	3,658
Other revenue:				
Donations	23,000	143,275	143,275	-
Transfers from other funds	361,020	365,220	365,220	-
Recreational programs	1,324,200	1,318,403	1,441,691	123,288
Miscellaneous	3,000	38,370	38,822	452
Total revenue	<u>2,918,040</u>	<u>3,487,362</u>	<u>3,635,153</u>	<u>147,791</u>
<b>Expenditures - Current -</b>				
Recreation and culture				
Personnel services	1,174,506	1,112,621	1,087,936	24,685
Supplies	43,150	60,003	43,224	16,779
Other services and charges	1,800,384	3,258,473	2,591,115	667,358
Total expenditures	<u>3,018,040</u>	<u>4,431,097</u>	<u>3,722,275</u>	<u>708,822</u>
<b>Net Change in Fund Balance</b>	(100,000)	(943,735)	(87,122)	856,613
<b>Fund Balance - Beginning of year</b>	<u>1,718,366</u>	<u>1,718,366</u>	<u>1,718,366</u>	-
<b>Fund Balance - End of year</b>	<u><u>\$ 1,618,366</u></u>	<u><u>\$ 774,631</u></u>	<u><u>\$ 1,631,244</u></u>	<u><u>\$ 856,613</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Special Revenue Governmental Fund - Tree Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 39,184	\$ 39,184	\$ 78,536	\$ 39,352
Other revenue:				
Tree fund	185,000	1,000,000	1,373,115	373,115
Tree fund maintenance	10,000	10,000	11,725	1,725
Total revenue	234,184	1,049,184	1,463,376	414,192
<b>Expenditures</b> - Current - Public services - Tree fund expenditures	234,184	258,902	241,510	17,392
<b>Net Change in Fund Balance</b>	-	790,282	1,221,866	431,584
<b>Fund Balance</b> - Beginning of year	2,494,798	2,494,798	2,494,798	-
<b>Fund Balance</b> - End of year	<u>\$ 2,494,798</u>	<u>\$ 3,285,080</u>	<u>\$ 3,716,664</u>	<u>\$ 431,584</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Drain Revenue Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ (8,026)	\$ (8,026)	\$ 1,096	\$ 9,122
Interest income	40,000	90,000	115,025	25,025
Other revenue - Miscellaneous	10,000	10,000	14,276	4,276
Total revenue	41,974	91,974	130,397	38,423
<b>Expenditures - Current - Public services</b>				
Construction	1,864,998	4,232,235	453,579	3,778,656
Maintenance	659,650	623,875	590,685	33,190
Administration	7,400	8,500	8,300	200
Total expenditures	2,532,048	4,864,610	1,052,564	3,812,046
<b>Net Change in Fund Balance</b>	(2,490,074)	(4,772,636)	(922,167)	3,850,469
<b>Fund Balance - Beginning of year</b>	4,682,241	4,682,241	4,682,241	-
<b>Fund Balance (Deficit) - End of year</b>	<u>\$ 2,192,167</u>	<u>\$ (90,395)</u>	<u>\$ 3,760,074</u>	<u>\$ 3,850,469</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - PEG Cable Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 1,000	\$ 1,000	\$ 9,796	\$ 8,796
Other revenue:				
Cable franchise fees	180,000	250,000	382,655	132,655
Other miscellaneous income	-	-	1,267	1,267
Total revenue	<u>181,000</u>	<u>251,000</u>	<u>393,718</u>	<u>142,718</u>
<b>Expenditures - Current -</b>				
Community and economic development				
Personnel services	21,691	65,741	55,048	10,693
Other services and charges	<u>97,000</u>	<u>428,960</u>	<u>376,465</u>	<u>52,495</u>
Total expenditures	<u>118,691</u>	<u>494,701</u>	<u>431,513</u>	<u>63,188</u>
<b>Net Change in Fund Balance</b>	62,309	(243,701)	(37,795)	205,906
<b>Fund Balance - Beginning of year</b>	<u>407,457</u>	<u>407,457</u>	<u>407,457</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 469,766</u></u>	<u><u>\$ 163,756</u></u>	<u><u>\$ 369,662</u></u>	<u><u>\$ 205,906</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Community Development Block Grant Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue - Federal grants</b>	\$ 77,505	\$ 93,353	\$ 53,721	\$ (39,632)
<b>Expenditures - Current - Community and economic development</b>	<u>77,505</u>	<u>77,505</u>	<u>71,805</u>	<u>5,700</u>
<b>Net Change in Fund Balance</b>	-	15,848	(18,084)	(33,932)
<b>Fund Balance (Deficit) - Beginning of year</b>	<u>(15,848)</u>	<u>(15,848)</u>	<u>(15,848)</u>	<u>-</u>
<b>Fund Balance (Deficit) - End of year</b>	<u><u>\$ (15,848)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (33,932)</u></u>	<u><u>\$ (33,932)</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Forfeiture Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal forfeiture funds	\$ 63,000	\$ 63,000	\$ 95,770	\$ 32,770
State forfeiture funds	10,000	10,000	18,991	8,991
Interest income	2,500	2,500	5,538	3,038
Other revenue:				
Local forfeiture funds	1,000	1,100	4,085	2,985
Miscellaneous	-	13,347	29,972	16,625
Total revenue	<u>76,500</u>	<u>89,947</u>	<u>154,356</u>	<u>64,409</u>
<b>Expenditures - Current -</b>				
Public safety				
Supplies	10,000	10,000	3,952	6,048
Other services and charges	224,330	244,876	188,327	56,549
Administration	400	500	475	25
Total expenditures	<u>234,730</u>	<u>255,376</u>	<u>192,754</u>	<u>62,622</u>
<b>Net Change in Fund Balance</b>	(158,230)	(165,429)	(38,398)	127,031
<b>Fund Balance - Beginning of year</b>	<u>299,364</u>	<u>299,364</u>	<u>299,364</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 141,134</u></u>	<u><u>\$ 133,935</u></u>	<u><u>\$ 260,966</u></u>	<u><u>\$ 127,031</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Library Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,408,281	\$ 2,428,218	\$ 2,472,349	\$ 44,131
State sources	27,000	29,000	34,496	5,496
Fines and forfeitures	147,000	181,926	178,812	(3,114)
Interest income	24,000	32,065	64,630	32,565
Other revenue:				
Donations	6,000	2,500	5,205	2,705
Miscellaneous	60,900	66,452	69,370	2,918
Total revenue	<u>2,673,181</u>	<u>2,740,161</u>	<u>2,824,862</u>	<u>84,701</u>
<b>Expenditures - Current -</b>				
Recreation and culture				
Personnel services	1,895,945	1,756,500	1,745,141	11,359
Supplies	566,000	566,700	492,919	73,781
Other services and charges	625,800	607,244	511,116	96,128
Transfers to other funds	-	40,000	40,000	-
Total expenditures	<u>3,087,745</u>	<u>2,970,444</u>	<u>2,789,176</u>	<u>181,268</u>
<b>Net Change in Fund Balance</b>	(414,564)	(230,283)	35,686	265,969
<b>Fund Balance - Beginning of year</b>	<u>1,719,423</u>	<u>1,719,423</u>	<u>1,719,423</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 1,304,859</u></u>	<u><u>\$ 1,489,140</u></u>	<u><u>\$ 1,755,109</u></u>	<u><u>\$ 265,969</u></u>



# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Library Contribution Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 20,000	\$ -	\$ 44,778	\$ 44,778
Other revenue:				
Donations	12,000	2,000	3,212	1,212
Miscellaneous	-	39,700	24,408	(15,292)
Total revenue	32,000	41,700	72,398	30,698
<b>Expenditures</b> - Current - Recreation and culture - Other services and charges	32,000	39,600	30,191	9,409
<b>Net Change in Fund Balance</b>	-	2,100	42,207	40,107
<b>Fund Balance</b> - Beginning of year	1,629,605	1,629,605	1,629,605	-
<b>Fund Balance</b> - End of year	<u>\$ 1,629,605</u>	<u>\$ 1,631,705</u>	<u>\$ 1,671,812</u>	<u>\$ 40,107</u>

# City of Novi, Michigan

## Other Supplemental Information Major Governmental Fund - 12 Mile Road SAD Debt Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 31	\$ 31	\$ 31	\$ -
Special assessments	1,570,469	1,570,469	1,570,469	-
Total revenue	1,570,500	1,570,500	1,570,500	-
<b>Expenditures</b>				
Current - Transfers to other funds	190,100	190,100	190,100	-
Debt service	1,380,400	1,380,400	1,380,400	-
Total expenditures	1,570,500	1,570,500	1,570,500	-
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - West Oak Street Lighting Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 100	\$ 100	\$ 68	\$ (32)
Other revenue - Special assessments	7,529	-	-	-
Total revenue	7,629	100	68	(32)
<b>Expenditures</b> - Current - Public services - Street lighting installation	10,000	10,000	8,209	1,791
<b>Net Change in Fund Balance</b>	(2,371)	(9,900)	(8,141)	1,759
<b>Fund Balance</b> - Beginning of year	51,385	51,385	51,385	-
<b>Fund Balance</b> - End of year	<u>\$ 49,014</u>	<u>\$ 41,485</u>	<u>\$ 43,244</u>	<u>\$ 1,759</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - West Lake Drive Street Lighting Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 10	\$ 10	\$ 6	\$ (4)
Other revenue - Special assessments	<u>3,300</u>	<u>3,300</u>	<u>3,300</u>	<u>-</u>
Total revenue	3,310	3,310	3,306	(4)
<b>Expenditures - Current - Public services - Street lighting installation</b>	<u>3,310</u>	<u>3,310</u>	<u>3,161</u>	<u>149</u>
<b>Net Change in Fund Balance</b>	-	-	145	145
<b>Fund Balance - Beginning of year</b>	<u>2,168</u>	<u>2,168</u>	<u>2,168</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 2,168</u></u>	<u><u>\$ 2,168</u></u>	<u><u>\$ 2,313</u></u>	<u><u>\$ 145</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Town Center Street Lighting Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 50	\$ 50	\$ 70	\$ 20
Other revenue - Special assessments	15,000	15,000	15,000	-
Total revenue	15,050	15,050	15,070	20
<b>Expenditures - Current - Public services - Street lighting installation</b>	15,050	15,050	2,292	12,758
<b>Net Change in Fund Balance</b>	-	-	12,778	12,778
<b>Fund Balance - Beginning of year</b>	40,665	40,665	40,665	-
<b>Fund Balance - End of year</b>	<b>\$ 40,665</b>	<b>\$ 40,665</b>	<b>\$ 53,443</b>	<b>\$ 12,778</b>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - 2002 Street and Refunding Debt Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,010,092	\$ 1,040,192	\$ 1,043,409	\$ 3,217
Interest income	597	597	1,060	463
Total revenue	1,010,689	1,040,789	1,044,469	3,680
<b>Expenditures</b>				
Current - Public services - Other services and charges	400	500	475	25
Debt service	751,860	781,860	747,305	34,555
Total expenditures	752,260	782,360	747,780	34,580
<b>Net Change in Fund Balance</b>	258,429	258,429	296,689	38,260
<b>Fund Balance - Beginning of year</b>	512,076	512,076	512,076	-
<b>Fund Balance - End of year</b>	<b>\$ 770,505</b>	<b>\$ 770,505</b>	<b>\$ 808,765</b>	<b>\$ 38,260</b>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - 2008 Library Construction Debt Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,283,800	\$ 1,453,900	\$ 1,472,133	\$ 18,233
Interest income	225	450	734	284
Debt refunding	-	83,699	107,839	24,140
Transfers from other funds	-	-	52,734	52,734
Total revenue	<u>1,284,025</u>	<u>1,538,049</u>	<u>1,633,440</u>	<u>95,391</u>
<b>Expenditures</b>				
Current - Recreation and culture - Other services and charges	400	475	475	-
Debt service	<u>1,088,625</u>	<u>1,633,574</u>	<u>1,654,364</u>	<u>(20,790)</u>
Total expenditures	<u>1,089,025</u>	<u>1,634,049</u>	<u>1,654,839</u>	<u>(20,790)</u>
<b>Net Change in Fund Balance</b>	195,000	(96,000)	(21,399)	74,601
<b>Fund Balance - Beginning of year</b>	<u>92,653</u>	<u>92,653</u>	<u>92,653</u>	<u>-</u>
<b>Fund Balance (Deficit) - End of year</b>	<u><u>\$ 287,653</u></u>	<u><u>\$ (3,347)</u></u>	<u><u>\$ 71,254</u></u>	<u><u>\$ 74,601</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - 2010 Refunding Debt Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,061,164	\$ 1,061,264	\$ 1,077,809	\$ 16,545
Interest income	44	44	138	94
Total revenue	1,061,208	1,061,308	1,077,947	16,639
<b>Expenditures</b>				
Current - Public services - Other services and charges	400	500	475	25
Transfers to other funds	-	-	52,734	(52,734)
Debt service	1,087,394	1,087,394	1,087,094	300
Total expenditures	1,087,794	1,087,894	1,140,303	(52,409)
<b>Net Change in Fund Balance</b>	(26,586)	(26,586)	(62,356)	(35,770)
<b>Fund Balance - Beginning of year</b>	62,356	62,356	62,356	-
<b>Fund Balance - End of year</b>	<u>\$ 35,770</u>	<u>\$ 35,770</u>	<u>\$ -</u>	<u>\$ (35,770)</u>



# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Special Assessment Revolving Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 60,000	\$ 60,100	\$ 106,156	\$ 46,056
<b>Expenditures</b> - Current - Public services - Other services and charges	<u>400</u>	<u>500</u>	<u>475</u>	<u>25</u>
<b>Net Change in Fund Balance</b>	59,600	59,600	105,681	46,081
<b>Fund Balance</b> - Beginning of year	<u>3,806,154</u>	<u>3,806,154</u>	<u>3,806,154</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 3,865,754</u></u>	<u><u>\$ 3,865,754</u></u>	<u><u>\$ 3,911,835</u></u>	<u><u>\$ 46,081</u></u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Capital Improvement Program Budgetary Comparison Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Other Financing Sources - Transfers in</b>	\$ -	\$ 2,100,000	\$ 2,100,000	\$ -
<b>Net Change in Fund Balance</b>	-	2,100,000	2,100,000	-
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>	<u>\$ -</u>

# City of Novi, Michigan

## Other Supplemental Information Major Governmental Fund - Street Improvement Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Transfers from other funds	\$ -	\$ 4,696,873	\$ 4,696,873	\$ -
<b>Expenditures</b> - Current - Public services - Street construction	-	7,790,132	3,093,258	4,696,874
<b>Net Change in Fund Balance</b>	-	(3,093,259)	1,603,615	4,696,874
<b>Fund Balance</b> - Beginning of year	3,093,259	3,093,259	3,093,259	-
<b>Fund Balance</b> - End of year	<u>\$ 3,093,259</u>	<u>\$ -</u>	<u>\$ 4,696,874</u>	<u>\$ 4,696,874</u>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Gun Range Facility Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 1,793	\$ 1,793	\$ 3,293	\$ 1,500
Licenses, permits, and charges for services	130,800	130,800	103,505	(27,295)
Total revenue	132,593	132,593	106,798	(25,795)
<b>Fund Balance - Beginning of year</b>	110,545	110,545	110,545	-
<b>Fund Balance - End of year</b>	<b>\$ 243,138</b>	<b>\$ 243,138</b>	<b>\$ 217,343</b>	<b>\$ (25,795)</b>

# City of Novi, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Drain Perpetual Maintenance Fund Budgetary Comparison Year Ended June 30, 2016

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 100,000	\$ 100,000	\$ 183,000	\$ 83,000
Tap-in fees	5,000	25,000	21,217	(3,783)
<b>Net Change in Fund Balance -</b> Total revenue	105,000	125,000	204,217	79,217
<b>Fund Balance - Beginning of year</b>	6,521,300	6,521,300	6,521,300	-
<b>Fund Balance - End of year</b>	<b>\$ 6,626,300</b>	<b>\$ 6,646,300</b>	<b>\$ 6,725,517</b>	<b>\$ 79,217</b>

# City of Novi, Michigan

## Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2016

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016
<b>Trust and Agency</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 390,590	\$ 209,147,056	\$ (209,411,550)	\$ 126,096
Investments	9,930,186	77,257,343	(79,190,577)	7,996,952
Accounts receivable	15,492	15,611	(31,103)	-
Total assets	<u>\$ 10,336,268</u>	<u>\$ 286,420,010</u>	<u>\$ (288,633,230)</u>	<u>\$ 8,123,048</u>
<b>Liabilities</b>				
Accounts payable	\$ 663,891	\$ 7,150,496	\$ (7,519,858)	\$ 294,529
Due to other governmental units	193,288	146,120	(121,188)	218,220
Due to builders and developers	9,479,089	140,705,028	(142,573,818)	7,610,299
Total liabilities	<u>\$ 10,336,268</u>	<u>\$ 148,001,644</u>	<u>\$ (150,214,864)</u>	<u>\$ 8,123,048</u>

# City of Novi, Michigan

## Other Supplemental Information Component Unit - Economic Development Corporation Statement of Net Position and Balance Sheet June 30, 2016

	Modified Accrual Basis	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 11,892	\$ -	\$ 11,892
Other asset	35,000	-	35,000
Total assets	<u>\$ 46,892</u>	<u>\$ -</u>	46,892
<b>Fund Balance/Net Position</b>			
Fund balance:			
Restricted for noncurrent asset	\$ 35,000	\$ (35,000)	-
Unassigned	11,892	(11,892)	-
Total fund balance	<u>\$ 46,892</u>	<u>\$ (46,892)</u>	-
<b>Net Position - Unrestricted</b>			<u>\$ 46,892</u>

# City of Novi, Michigan

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## **Other Supplemental Information** **Component Unit - Economic Development Corporation** **Statement of Activities and Revenue, Expenditures, and Changes in** **Fund Balances** **Year Ended June 30, 2016**

	<u>Modified</u> <u>Accrual Basis</u>	<u>Statement of</u> <u>Activities</u>
<b>Revenue</b> - Interest income	\$ 24	\$ 24
<b>Expenditures</b> - Current - Professional services	7,000	7,000
<b>Fund Balance/Net Position</b> - Beginning of year	<u>53,868</u>	<u>53,868</u>
<b>Fund Balance/Net Position</b> - End of year	<u><u>\$ 46,892</u></u>	<u><u>\$ 46,892</u></u>



# **Statistical Section**

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# City of Novi, Michigan

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

The statistical section is organized into the following main categories:

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

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

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

**Demographics and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

# City of Novi, Michigan

	June 30				
	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>					
Net investment in capital assets	\$ 75,202,275	\$ 84,846,486	\$ 95,693,089	\$ 98,921,906	\$ 101,958,721
Restricted	48,704,895	44,064,821	43,593,310	45,653,695	42,916,961
Unrestricted	9,883,457	12,277,054	9,610,719	8,329,201	12,295,232
Total net position	\$ 133,790,627	\$ 141,188,361	\$ 148,897,118	\$ 152,904,802	\$ 157,170,914
<b>Business-type Activities:</b>					
Net investment in capital assets	\$ 121,256,602	\$ 122,696,571	\$ 123,683,939	\$ 122,111,095	\$ 120,045,947
Restricted	9,539,969	9,253,056	8,680,849	8,429,638	8,175,188
Unrestricted	37,833,568	38,374,456	39,788,349	42,387,922	45,978,922
Total net position	\$ 168,630,139	\$ 170,324,083	\$ 172,153,137	\$ 172,928,655	\$ 174,200,057
<b>Primary Government in Total:</b>					
Net investment in capital assets	\$ 196,458,877	\$ 207,543,057	\$ 219,377,028	\$ 221,033,001	\$ 222,004,668
Restricted	58,244,864	53,317,877	52,274,159	54,083,333	51,092,149
Unrestricted	47,717,025	50,651,510	49,399,068	50,717,123	58,274,154
Total net position	\$ 302,420,766	\$ 311,512,444	\$ 321,050,255	\$ 325,833,457	\$ 331,370,971

Source: City's annual financial statements

**Statistical Section  
Financial Trend Information  
Net Position by Component  
Last Ten Fiscal Years**

		June 30							
		2012	2013	2014	2015	2016			
\$	106,988,589	\$	111,718,349	\$	113,868,196	\$	118,345,243	\$	126,474,197
	41,427,834		37,289,012		35,240,527		38,576,210		37,216,395
	10,690,782		10,826,405		(14,622,520)		(15,525,832)		(15,805,367)
\$	159,107,205	\$	159,833,766	\$	134,486,203	\$	141,395,621	\$	147,885,225
<hr/>									
\$	117,789,163	\$	117,914,884	\$	116,089,327	\$	122,420,958	\$	123,718,769
	7,494,295		7,001,295		1,136,154		-		-
	49,270,297		48,625,422		58,721,199		58,968,795		62,575,016
\$	174,553,755	\$	173,541,601	\$	175,946,680	\$	181,389,753	\$	186,293,785
<hr/>									
\$	224,777,752	\$	229,633,233	\$	229,957,523	\$	240,766,201	\$	250,192,966
	48,922,129		44,290,307		32,593,320		38,576,210		37,216,395
	59,961,079		59,451,827		44,098,679		43,442,963		46,769,649
\$	333,660,960	\$	333,375,367	\$	306,649,522	\$	322,785,374	\$	334,179,010

# City of Novi, Michigan

	Fiscal Year Ended June 30				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
General government	\$ 7,596,971	\$ 8,527,694	\$ 6,857,555	\$ 6,404,820	\$ 6,315,571
Public safety	18,364,779	20,006,508	19,619,207	18,735,448	18,331,488
Public services	9,718,720	9,993,071	10,898,774	9,831,873	11,548,677
Community and economic development	976,357	774,299	1,277,239	1,317,373	1,241,411
Recreation and culture	5,427,777	5,412,373	5,389,349	7,719,230	5,151,212
Interest on long-term debt	2,293,205	2,221,714	2,343,833	1,780,848	1,759,340
Total governmental activities	44,377,809	46,935,659	46,385,957	45,789,592	44,347,699
<b>Program revenues</b>					
Charges for services					
Public safety	3,893,549	2,688,989	1,486,140	1,780,059	2,438,917
Recreation and culture	1,072,208	1,212,573	1,132,512	1,210,039	1,300,084
Other activities	695,444	424,270	309,179	208,442	611,929
Total charges for services	5,661,201	4,325,832	2,927,831	3,198,540	4,350,930
Operating grants and contributions	6,462,178	3,271,673	3,915,138	3,391,897	3,620,833
Capital grants and contributions	1,051,753	1,023,837	1,882,357	1,070,050	2,176,263
Total program revenues	13,175,132	8,621,342	8,725,326	7,660,487	10,148,026
<b>Net expense</b>	(31,202,677)	(38,314,317)	(37,660,631)	(38,129,105)	(34,199,673)
<b>General revenues</b>					
Property taxes	34,954,183	37,030,496	37,776,272	37,137,888	32,550,375
State-shared revenue	3,613,152	3,613,152	3,425,882	3,046,979	3,725,690
Unrestricted interest earnings	3,556,170	3,604,198	2,375,074	593,064	626,449
Unrealized gain (loss) on cash equivalents	-	-	-	-	-
Unrestricted cable television franchise fees	335,863	352,197	422,430	535,804	601,350
Miscellaneous	855,834	1,112,008	1,369,730	823,054	961,921
Total general revenues	43,315,202	45,712,051	45,369,388	42,136,789	38,465,785
<b>Transfers</b>	(694,000)	-	-	-	-
<b>Implementation of GASB Statement No. 68</b>	-	-	-	-	-
<b>Change in Net Position</b>	\$ 11,418,525	\$ 7,397,734	\$ 7,708,757	\$ 4,007,684	\$ 4,266,112

Note: GASB Statement No. 68 was implemented by the City in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive implementation.

Source: City's annual financial statements

**Statistical Section  
Financial Trend Information  
Changes in Governmental Net Position  
Last Ten Fiscal Years**

Fiscal Year Ended June 30				
2012	2013	2014	2015	2016
\$ 6,610,466	\$ 6,943,746	\$ 6,378,078	\$ 6,073,981	\$ 7,260,647
16,793,073	16,191,890	17,216,678	17,649,289	18,811,184
10,729,285	11,741,414	12,455,654	11,305,231	12,136,916
2,617,585	2,699,301	3,072,448	3,065,875	3,954,669
5,595,861	5,730,397	6,100,940	6,004,747	5,666,367
1,453,161	1,059,437	963,702	839,175	777,562
43,799,431	44,366,185	46,187,500	44,938,298	48,607,345
3,181,849	3,186,862	1,198,711	1,026,876	1,017,405
1,422,483	1,655,335	1,592,012	1,622,497	2,176,230
548,787	709,560	2,547,217	3,524,521	3,706,651
5,153,119	5,551,757	5,337,940	6,173,894	6,900,286
3,511,329	3,897,155	4,525,924	5,289,006	5,663,304
804,764	1,197,870	651,597	777,202	847,547
9,469,212	10,646,782	10,515,461	12,240,102	13,411,137
(34,330,219)	(33,719,403)	(35,672,039)	(32,698,196)	(35,196,208)
30,183,881	29,620,564	30,059,401	31,673,469	32,932,970
3,990,693	4,074,589	4,170,809	4,696,805	4,963,301
881,869	(770,389)	977,005	666,771	1,828,195
-	-	459,611	1,465,406	627,210
722,065	991,272	801,256	1,105,163	1,334,136
466,110	529,928	216,711	-	-
36,244,618	34,445,964	36,684,793	39,607,614	41,685,812
21,892	-	-	-	-
-	-	(26,360,317)	-	-
\$ 1,936,291	\$ 726,561	\$ (25,347,563)	\$ 6,909,418	\$ 6,489,604

# City of Novi, Michigan

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Water and sewer	\$ 17,283,267	\$ 18,816,944	\$ 18,216,338	\$ 18,043,772	\$ 20,419,330
Ice arena	1,719,682	1,785,941	1,755,459	1,669,542	1,704,596
Senior housing	1,829,283	1,829,889	1,736,707	1,575,178	1,577,697
<b>Total expenses</b>	<b>20,832,232</b>	<b>22,432,774</b>	<b>21,708,504</b>	<b>21,288,492</b>	<b>23,701,623</b>
<b>Program Revenues</b>					
Charges for services					
Water and sewer	14,156,642	15,842,032	16,460,328	16,359,420	18,494,973
Ice arena	1,953,805	2,096,064	2,020,838	2,067,836	2,078,643
Senior housing	1,781,596	1,821,871	1,801,742	1,804,069	1,903,346
<b>Total charges for services</b>	<b>17,892,043</b>	<b>19,759,967</b>	<b>20,282,908</b>	<b>20,231,325</b>	<b>22,476,962</b>
Capital grants and contributions	4,429,990	3,417,107	3,087,188	1,443,974	2,002,749
<b>Total program revenues</b>	<b>22,322,033</b>	<b>23,177,074</b>	<b>23,370,096</b>	<b>21,675,299</b>	<b>24,479,711</b>
<b>Net revenue (expense)</b>	<b>1,489,801</b>	<b>744,300</b>	<b>1,661,592</b>	<b>386,807</b>	<b>778,088</b>
<b>General Revenue</b>					
Unrestricted interest earnings	2,374,026	949,644	167,462	388,711	493,314
Miscellaneous	-	-	-	-	-
<b>Total general revenue</b>	<b>2,374,026</b>	<b>949,644</b>	<b>167,462</b>	<b>388,711</b>	<b>493,314</b>
<b>Transfers</b>	<b>694,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Implementation of GASB Statement No. 68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 4,557,827</b>	<b>\$ 1,693,944</b>	<b>\$ 1,829,054</b>	<b>\$ 775,518</b>	<b>\$ 1,271,402</b>

Source: City's annual financial statements

**Statistical Section  
Financial Trend Information  
Changes in Business-type Net Position  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,									
	2012		2013		2014		2015		2016
\$	23,771,121	\$	24,025,098	\$	23,001,139	\$	24,413,229	\$	27,282,209
	1,710,615		1,919,478		1,771,615		2,107,211		1,735,010
	1,541,251		1,537,409		1,548,478		1,556,956		1,898,830
	27,022,987		27,481,985		26,321,232		28,077,396		30,916,049
	20,627,062		22,398,469		21,663,401		21,474,451		24,666,297
	2,003,689		2,104,536		2,143,962		2,171,061		2,202,031
	1,944,912		1,968,900		1,992,761		2,004,464		2,020,797
	24,575,663		26,471,905		25,800,124		25,649,976		28,889,125
	2,172,991		3,383,087		2,905,677		6,764,583		5,337,278
	26,748,654		29,854,992		28,705,801		32,414,559		34,226,403
	(274,333)		2,373,007		2,384,569		4,337,163		3,310,354
	649,923		(885,154)		622,902		1,104,990		1,593,678
	-		-		495,955		920		-
	649,923		(885,154)		1,118,857		1,105,910		1,593,678
	(21,892)		-		-		-		-
	-		-		(1,098,347)		-		-
\$	353,698	\$	1,487,853	\$	2,405,079	\$	5,443,073	\$	4,904,032



# City of Novi, Michigan

	Year Ended June 30				
	2007	2008	2009	2010	2011
<b>General Fund:</b>					
Reserved	\$ 1,037,182	\$ 172,263	\$ -	\$ -	\$ -
Unreserved	10,577,595	12,240,776	10,314,220	9,710,403	-
Nonspendable					
Prepays	-	-	-	-	1,640
Restricted					
PEG access support fees	-	-	-	-	103,988
Public safety	-	-	-	-	-
Community	-	-	-	-	-
Assigned					
Subsequent year's budget	-	-	-	-	4,192,010
Unassigned	-	-	-	-	7,119,437
<b>Total General Fund</b>	<b>\$ 11,614,777</b>	<b>\$ 12,413,039</b>	<b>\$ 10,314,220</b>	<b>\$ 9,710,403</b>	<b>\$ 11,417,075</b>
<b>All other governmental funds:</b>					
Reserved	7,660,714	21,943,866	20,841,560	9,892,542	-
Unreserved, reported in:					
Special revenue funds	26,857,209	26,824,183	25,412,275	27,549,651	-
Capital project funds	2,744,792	-	-	-	-
Debt service funds	1,449,850	1,417,823	1,531,730	1,747,094	-
Nonspendable					
Prepays	-	-	-	-	-
Restricted					
Contributions and donations	-	-	-	-	1,609,650
Roads	-	-	-	-	5,263,318
Cash and investments restricted for special assessments	-	-	-	-	5,077,212
Storm water systems	-	-	-	-	10,430,045
Parks, recreation, and cultural services	-	-	-	-	-
Debt service	-	-	-	-	1,240,366
Library	-	-	-	-	3,257,122
Tree replacement and maintenance	-	-	-	-	1,248,144
Law enforcement programs	-	-	-	-	438,121
Public safety	-	-	-	-	3,273,244
Street improvement	-	-	-	-	-
Street lighting improvements	-	-	-	-	-
PEG access support fees	-	-	-	-	-
Infrastructure improvements	-	-	-	-	3,098,874
Assigned					
Subsequent year's budget	-	-	-	-	3,066,993
Infrastructure improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 38,712,565</b>	<b>\$ 50,185,872</b>	<b>\$ 47,785,565</b>	<b>\$ 39,189,287</b>	<b>\$ 38,003,089</b>
<b>Total</b>	<b>\$ 50,327,342</b>	<b>\$ 62,598,911</b>	<b>\$ 58,099,785</b>	<b>\$ 48,899,690</b>	<b>\$ 49,420,164</b>

Source: City's annual financial statements

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

**Statistical Section  
Financial Trend Information  
Fund Balances  
Governmental Funds  
Last Ten Fiscal Years**

Year Ended June 30					
	2012	2013	2014	2015	2016
\$	-	-	-	-	-
	-	-	-	-	-
	-	5,000	13,915	16,111	164,628
	252,758	179,147	272,654	-	-
	-	-	-	27,894	22,958
	-	-	-	2,282	2,282
	1,185,395	661,639	-	981,736	1,884,723
	8,126,447	7,965,778	9,203,448	11,329,627	11,670,611
\$	9,564,600	8,811,564	9,490,017	12,357,650	13,745,202
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	160,337	-	-	-
	2,500	-	-	200	-
	1,710,351	1,792,758	1,827,893	-	-
	6,168,785	5,975,031	5,439,981	10,864,942	10,085,054
	4,577,626	4,474,222	90,030	-	-
	10,194,378	10,174,456	11,629,249	11,203,541	10,485,591
	-	1,283,200	895,244	1,718,166	1,631,244
	307,771	-	212,251	667,085	880,019
	4,011,112	2,113,292	1,845,976	3,349,028	3,426,921
	1,519,721	1,485,961	1,578,060	2,494,798	3,716,664
	617,763	341,404	436,312	-	-
	4,975,211	3,711,468	2,754,278	2,306,217	1,717,291
	-	-	4,747,892	-	-
	-	-	-	94,218	99,000
	-	-	-	407,457	369,662
	3,750,110	3,721,329	3,783,361	3,806,154	3,911,835
	-	-	-	-	-
	-	-	-	-	2,100,000
	-	-	-	(15,848)	(33,932)
\$	37,835,328	35,233,458	35,240,527	36,895,958	38,389,349
\$	47,399,928	44,045,022	44,730,544	49,253,608	52,134,551

# City of Novi, Michigan

	Year Ended June 30				
	2007	2008	2009	2010	2011
<b>Revenue</b>					
Taxes	\$ 34,954,183	\$ 37,030,496	\$ 37,776,272	\$ 37,137,888	\$ 32,550,376
Licenses, permits, and charges for services	4,464,140	3,100,389	1,825,491	1,981,548	2,900,982
Federal grants	194,188	270,420	483,550	346,722	488,948
State sources	6,640,108	6,651,174	7,032,331	5,926,318	6,621,830
Special assessments collected	1,469,927	1,371,526	1,438,220	1,523,589	1,351,415
Fines and forfeitures	3,223,117	658,388	1,262,933	1,019,185	828,789
Interest income	4,529,431	4,460,935	3,147,972	1,278,007	1,218,637
Unrealized gain on investments	-	-	-	-	-
Recreational programs	864,760	962,418	967,156	1,064,430	1,090,881
Gifts and donations	5,650	49,346	49,226	110,815	38,662
Other revenue	1,671,891	1,197,343	1,601,451	989,212	1,935,916
<b>Total revenue</b>	<b>58,017,395</b>	<b>55,752,435</b>	<b>55,584,602</b>	<b>51,377,714</b>	<b>49,026,436</b>
<b>Expenditures</b>					
Current services:					
City Council	4,833	21,580	8,965	9,242	9,213
City manager	410,554	425,576	420,710	411,411	363,513
Finance department	893,732	876,915	906,598	812,468	815,502
Information technology	473,271	574,817	621,582	685,954	710,859
Assessing	695,564	791,884	881,136	841,391	727,995
City attorney	386,133	463,023	390,220	347,976	457,054
City clerk	527,221	543,327	636,981	565,152	520,796
Treasury	286,102	285,331	295,127	295,806	274,364
Facility Operations	1,026,280	960,778	1,669,302	1,154,049	889,803
Human Resources (3)	-	-	-	-	418,994
Neighborhood and business relations group (1)	334,545	578,654	717,049	685,791	646,080
General administration	2,568,173	1,870,418	1,728,883	1,598,772	1,380,374
Public safety - Police Department	10,683,107	11,125,764	11,840,227	11,464,834	11,481,373
Public safety - Fire Department	5,046,849	5,209,761	6,351,188	4,813,234	4,730,832
Community development - Building division (2)	2,132,757	2,495,615	2,012,522	1,438,146	1,343,440
Community development - Planning division (2)	673,842	743,118	615,171	625,365	617,048
Neighborhood services	493,726	-	-	-	-
Department of public services	737,554	998,536	1,177,144	2,254,978	2,416,375
Engineering	367,279	364,198	476,489	-	-
Planning Commission	3,755	7,912	9,909	3,366	6,168
Construction	3,933,162	6,301,555	7,629,512	14,589,987	2,272,800
Street maintenance	2,361,203	2,840,343	3,125,742	2,366,408	2,780,785
Drain maintenance	589,733	547,477	610,898	635,237	580,337
Recreational programs	1,878,091	1,921,020	2,039,331	1,942,282	1,795,604
Forestry and park maintenance	1,164,713	1,155,892	912,323	200,962	63,478
Library programs	2,386,812	2,529,724	2,531,152	2,578,916	2,704,689
Other	547,425	1,430,650	184,026	317,621	360,327
Capital outlay	949,021	2,684,008	2,847,879	503,397	544,706
Debt service principal	6,190,000	9,525,000	7,075,000	7,325,001	7,685,000
Debt service interest and other	2,520,162	2,207,990	2,368,662	1,955,810	1,818,453
Advance refunding escrow	-	-	-	109,181	-
<b>Total expenditures</b>	<b>50,265,599</b>	<b>59,480,866</b>	<b>60,083,728</b>	<b>60,532,737</b>	<b>48,415,962</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>7,751,796</b>	<b>(3,728,431)</b>	<b>(4,499,126)</b>	<b>(9,155,023)</b>	<b>610,474</b>
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued	-	16,000,000	-	4,895,000	-
Payment to refunded bond escrow agent	-	-	-	(5,030,072)	-
Transfers in	8,740,129	12,277,286	7,638,046	6,097,096	10,289,946
Transfers out	(9,434,129)	(12,277,286)	(7,638,046)	(6,097,096)	(10,289,946)
<b>Total other financing sources (uses)</b>	<b>(694,000)</b>	<b>16,000,000</b>	<b>-</b>	<b>(135,072)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,057,796</b>	<b>12,271,569</b>	<b>(4,499,126)</b>	<b>(9,290,095)</b>	<b>610,474</b>
<b>Fund Balances - Beginning of year</b>	<b>43,269,546</b>	<b>50,327,342</b>	<b>62,598,911</b>	<b>58,099,785</b>	<b>48,809,690</b>
<b>Fund Balances - End of year</b>	<b>\$ 50,327,342</b>	<b>\$ 62,598,911</b>	<b>\$ 58,099,785</b>	<b>\$ 48,809,690</b>	<b>\$ 49,420,164</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>21.3%</b>	<b>19.9%</b>	<b>15.7%</b>	<b>15.3%</b>	<b>22.8%</b>

(1) Formerly "community relations"

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

(3) Formerly combined with "general administration"

Source: City's annual financial statements

## Statistical Section Financial Trend Information Changes in Fund Balances Governmental Funds Last Ten Fiscal Years

Year Ended June 30					
	2012	2013	2014	2015	2016
\$	30,183,881	\$ 29,620,564	\$ 30,059,401	\$ 31,673,469	\$ 32,932,970
	3,749,548	4,190,121	3,848,403	3,521,819	4,542,923
	132,764	284,254	148,755	209,247	218,425
	7,294,974	7,685,394	8,114,209	8,442,213	9,435,462
	1,459,685	1,574,637	1,678,070	1,878,475	1,604,014
	839,107	856,128	1,054,660	639,474	757,403
	1,383,389	(60,470)	985,526	657,786	1,695,792
	-	-	506,264	155,435	166,306
	1,221,521	1,431,391	1,360,141	-	1,441,691
	95,322	159,548	42,406	332,799	157,434
	878,923	919,882	1,360,540	5,212,877	3,407,902
	47,239,114	46,661,449	49,158,375	52,723,594	56,360,322
	16,012	10,051	10,911	42,436	44,292
	399,594	423,711	399,885	508,805	605,833
	780,995	711,615	649,156	856,709	906,575
	628,167	693,974	864,178	774,627	1,058,956
	776,554	892,586	800,480	717,972	680,102
	431,011	384,736	375,926	707,655	736,524
	496,005	528,894	491,137	709,602	725,047
	284,894	313,156	285,976	320,633	314,398
	754,658	1,087,948	919,912	1,131,978	1,172,435
	394,009	408,611	423,452	422,818	414,577
	787,153	960,416	846,432	943,332	1,260,956
	1,738,906	2,104,447	1,596,080	2,419,173	2,395,339
	11,225,698	11,376,197	11,746,975	11,809,219	11,954,737
	4,540,765	4,548,565	5,110,195	4,742,808	4,979,561
	1,383,833	1,449,296	1,554,167	1,597,622	2,088,270
	519,896	489,065	586,948	513,832	736,558
	-	-	-	-	-
	2,419,815	2,693,588	2,960,570	173,913	255,647
	-	-	-	-	-
	699	6,744	-	-	-
	4,983,542	4,015,306	3,652,031	5,947,254	8,075,475
	1,992,964	2,592,208	3,616,794	3,601,702	3,760,085
	713,607	409,935	426,799	-	-
	2,233,255	2,254,135	2,345,313	2,377,159	3,772,846
	41,539	-	-	-	-
	2,636,714	2,712,163	2,843,791	2,815,266	2,779,842
	82,438	135,451	-	-	-
	674,518	2,170,216	1,555,065	727,121	-
	6,855,000	5,205,000	3,450,000	3,505,000	4,051,000
	1,489,001	1,103,341	960,680	833,894	818,163
	-	-	-	-	-
	49,281,242	49,681,355	48,472,853	48,200,530	53,587,218
	(2,042,128)	(3,019,906)	685,522	4,523,064	2,773,104
	-	4,165,000	-	-	9,995,301
	-	(4,500,000)	-	-	(9,887,462)
	5,118,792	8,263,793	13,758,461	13,615,847	13,834,940
	(5,096,900)	(8,263,793)	(13,758,461)	(13,615,847)	(13,834,940)
	21,892	(335,000)	-	-	107,839
	(2,020,236)	(3,354,906)	685,522	4,523,064	2,880,943
	49,420,164	47,399,928	44,045,022	44,730,544	49,253,608
\$	47,399,928	\$ 44,045,022	\$ 44,730,544	\$ 49,253,608	\$ 52,134,551
	21.8%	17.8%	14.1%	9.9%	9.1%

# City of Novi, Michigan

		Taxable Value by Property Type:					
		Real property:					
Tax Year	Fiscal Year	Residential	Commercial	Industrial	Developmental	IFT	Personal Property
2006	2007	\$ 2,144,508,500	\$ 785,262,660	\$239,100,490	-	-	\$ 195,189,850
2007	2008	2,259,983,800	840,511,130	249,293,980	-	-	200,617,830
2008	2009	2,238,676,260	875,710,130	257,605,110	-	-	210,456,740
2009	2010	2,118,748,880	934,816,000	268,208,590	-	-	233,170,160
2010	2011	1,862,673,780	900,544,230	220,883,480	-	-	220,466,950
2011	2012	1,781,997,870	923,404,500	53,530,570	-	-	220,678,540
2012	2013	1,809,105,200	846,638,040	44,245,120	-	-	220,345,290
2013	2014	1,892,836,510	815,093,230	40,453,090	-	-	223,698,750
2014	2015	1,984,120,840	822,896,230	38,788,580	-	-	225,066,560
2015	2016	2,087,604,500	840,859,240	37,269,450	-	-	239,836,740

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

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

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**Statistical Section**  
**Revenue Capacity Information**  
**Taxable Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Total Taxable Value	Tax rate (mills)	State Equalized Value (SEV)	Taxable Value as a Percent of SEV
\$ 3,364,061,500	10.5416	\$ 3,848,565,100	87
3,550,406,740	10.5416	3,946,241,780	90
3,582,448,240	10.5416	3,876,954,790	92
3,554,943,630	10.5416	3,742,061,910	95
3,204,568,440	10.5416	3,321,184,600	96
2,979,611,480	10.5416	3,063,922,590	97
2,920,333,650	10.2000	3,004,330,340	97
2,972,081,580	10.2000	3,099,733,610	96
3,070,872,210	10.2000	3,365,191,110	91
3,205,569,930	10.2000	3,704,488,760	87

# City of Novi, Michigan

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## City of Novi

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Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
2007	4.8051	0.7719	1.4282	0.3857	0.5105	0.7719	1.8683	10.5416
2008	4.8287	0.7719	1.4282	0.3857	0.5105	0.7719	1.8447	10.5416
2009	4.8287	0.7719	1.4282	0.3857	0.3590	0.7719	1.9962	10.5416
2010	4.9027	0.7719	1.4282	0.3857	0.1765	0.7719	2.1047	10.5416
2011	5.0182	0.7719	1.4282	0.3857	0.0885	0.7719	2.0772	10.5416
2012	5.0182	0.7719	1.4282	0.3857	0.2642	0.7719	1.9015	10.5416
2013	5.0182	0.7719	1.4282	0.3857	0.3435	0.7719	1.4806	10.2000
2014	5.0182	1.5000	1.4282	0.3857	0.1057	0.7719	0.9903	10.2000
2015	5.0182	1.5000	1.4282	0.3857	-	0.7719	1.0960	10.2000
2016	5.0056	1.4962	1.4246	0.3847	-	0.7699	1.1190	10.2000

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

Source: City's finance department records

(1) The State of Michigan passed legislation on April 30, 2002 to require the levying of the State Education Tax (SET) on subsequent summer tax bills only. A one-time reduction from six mills to five mills was offered during the 2003 tax year to assist taxpayers with the transition to the new collection cycle.

**Statistical Section  
Revenue Capacity Information  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
10.6182	25.6732	8.5000	26.5000	6.7841	22.7900	4.4000	22.4000
10.0181	25.1332	8.5000	26.5000	6.6700	22.7900	4.2400	22.2400
9.9724	25.3332	8.5000	26.5000	6.5722	22.7900	3.9000	21.9000
10.3800	25.7332	8.5000	26.5000	6.4793	22.5000	4.0000	22.7200
11.4931	26.3632	10.5000	28.5000	6.7508	22.5000	4.5000	22.5000
11.3229	26.1930	10.8500	28.8000	6.8812	22.5000	5.5000	23.3800
12.3331	27.1010	10.8500	28.8500	7.0254	22.5600	5.3000	23.3000
12.3296	27.1010	10.7000	28.7000	7.4730	23.1445	5.3000	23.3000
12.1729	27.1010	10.8029	25.7310	7.6843	23.4872	4.8700	22.8700
12.0656	27.0722	10.5228	25.5294	7.2841	23.1180	4.7370	22.7937



# City of Novi, Michigan

## Statistical Section Revenue Capacity Information Direct and Overlapping Property Tax Rates (Continued) Last Ten Fiscal Years

### Overlapping Government

Fiscal Year	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
2007	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2008	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2009	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2010	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2011	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2012	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2013	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2014	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2015	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2016	4.8450	1.5819	1.7967	3.3633	3.4643	6.0000

# City of Novi, Michigan

## Statistical Section Revenue Capacity Information Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2015 Taxable Value	Percentage of total	2015 Rank	2006 Taxable Value	2002 rank
Taubman	\$ 52,806,020	1.65%	1	\$ 53,458,860	2
Northern Equities Et al	49,172,110	1.53%	2		
Singh Development	43,603,360	1.36%	3	68,243,750	1
Novi Campus LLC - Fox Run	34,884,280	1.09%	4	32,074,800	5
International Transmission Co	28,228,540	0.88%	5		
Occidental Development Ltd.	27,901,640	0.87%	6	27,573,050	6
Bowman	27,399,110	0.85%	7		
Detroit Edison	26,792,660	0.84%	8	19,988,020	9
Providence Hospital	20,827,540	0.65%	9	19,786,710	10
Fountain Walk	14,501,410	0.45%	10	38,719,700	4
Haggerty Corridor Partners				43,574,930	3
TBON, LLC				27,305,960	7
Novi Town Center Investors				20,330,100	8
Total		10.17%			

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

Source: City Assessor's department records

# City of Novi, Michigan

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## Statistical Section Revenue Capacity Information Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections
2006	2007	\$ 35,515,881	\$ 33,701,763
2007	2008	37,235,244	34,722,648
2008	2009	37,786,170	36,240,984
2009	2010	37,360,762	34,997,428
2010	2011	33,678,282	32,529,560
2011	2012	31,153,847	30,486,979
2012	2013	29,801,091	29,155,182
2013	2014	30,206,320	29,765,634
2014	2015	31,383,505	30,973,259
2015	2016	32,612,845	32,242,851

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

Source: City's finance department records

# City of Novi, Michigan

	2007	2008	2009	2010
<b>Governmental Activities:</b>				
General obligation bonds (1)	\$ 40,165,000	\$ 48,065,000	\$ 42,455,000	\$ 36,335,747
Installment purchase agreements	-	-	-	-
Special assessment bonds	13,090,000	11,665,000	10,200,000	8,750,000
Total	53,255,000	59,730,000	52,655,000	45,085,747
<b>Business-type Activities:</b>				
General obligation bonds	21,491,000	19,932,982	19,089,656	18,197,543
Special assessment bonds	1,905,000	1,730,000	1,530,000	1,330,000
Installment loans	-	-	-	-
Revenue bonds	-	-	-	-
Total	23,396,000	21,662,982	20,619,656	19,527,543
Total debt of the government	\$ 76,651,000	\$ 81,392,982	\$ 73,274,656	\$ 64,613,290
Total taxable value	\$ 3,364,061,500	\$ 3,550,406,740	\$ 3,582,448,240	\$ 3,554,943,630
Ratio of total debt to taxable value	2.28%	2.29%	2.05%	1.82%
Total population *	54,609	54,688	54,376	55,224
Total debt per capita	\$ 1,404	\$ 1,488	\$ 1,348	\$ 1,170

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

(1) Less deferred amount on refunding

Note: Personal income information is not available

Source: City's annual financial statements

**Statistical Section  
Debt Capacity Information  
Ratios of Outstanding Debt  
Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016
\$	30,086,456	\$ 24,667,165	\$ 20,947,874	\$ 19,020,000	\$ 16,905,000	\$ 15,185,301
	-	-	-	-	-	-
	7,350,000	5,950,000	4,165,000	2,750,000	1,360,000	-
	37,436,456	30,617,165	25,112,874	21,770,000	18,265,000	15,185,301
	17,334,016	16,425,488	15,461,961	15,295,000	14,150,000	13,030,000
	1,155,000	980,000	805,000	630,000	455,000	300,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	18,489,016	17,405,488	16,266,961	15,925,000	14,605,000	13,330,000
\$	55,925,472	\$ 48,022,653	\$ 41,379,835	\$ 37,695,000	\$ 32,870,000	\$ 28,515,301
\$	3,204,568,440	\$ 2,979,611,480	\$ 2,920,333,650	\$ 2,972,081,580	\$ 3,070,872,210	\$ 3,205,569,930
	1.75%	1.61%	1.42%	1.27%	1.07%	0.89%
	55,374	56,062	59,395	60,290	60,593	59,324
\$	1,010	\$ 857	\$ 697	\$ 625	\$ 542	\$ 481

# City of Novi, Michigan

## Statistical Section Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	Tax-limited		Michigan Transportation Fund (MTF)	Other General Bonded Debt	Total	Taxable Value	Debt as a percentage of Taxable Value	Population (2)	Debt per Capita
	General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)							
2007	\$ 1,350,000	\$ 37,600,000	\$ 1,215,000	\$ -	\$ 40,165,000	\$ 3,364,061,500	1.19	54,609	\$ 736
2008	1,150,000	46,005,000	910,000	-	48,065,000	3,550,406,740	1.35	54,688	879
2009	950,000	40,895,000	610,000	-	42,455,000	3,582,448,240	1.19	54,376	781
2010 (1)	750,000	35,485,000	315,000	19,390,000	55,940,000	3,554,943,630	1.57	55,224	1,013
2011 (1)	550,000	29,715,000	-	18,430,000	48,695,000	3,204,568,440	1.52	55,374	879
2012	275,000	24,535,000	-	17,425,000	42,235,000	2,949,611,480	1.43	56,062	753
2013	-	21,055,000	-	16,365,000	37,420,000	2,920,333,650	1.28	59,395	630
2014	-	19,020,000	-	15,295,000	34,315,000	2,972,081,580	1.15	60,290	569
2015	-	16,905,000	-	14,150,000	31,055,000	3,070,872,210	1.01	60,593	513
2016	-	15,185,301	-	13,030,000	28,215,301	3,205,569,930	0.88	59,324	476

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

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

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

Source: City's finance department records

# City of Novi, Michigan

## Statistical Section Debt Capacity Information Direct and Overlapping Governmental Activities Debt Year Ended June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 93,010,000	99.82	\$ 92,842,582
Northville School District	44,350,000	18.83	8,351,105
Walled Lake School District	139,470,000	13.03	18,172,941
South Lyon School District	185,690,000	3.25	6,034,925
Oakland County	403,351,276	6.17	24,886,774
Oakland Intermediate School District	46,680,000	5.21	2,432,028
Oakland Community College	1,605,000	5.01	80,411
Schoolcraft Community College	23,055,000	4.77	1,099,724
Total overlapping debt			153,900,490
Direct City debt (1)			15,185,301
Total direct and overlapping debt			\$ 169,085,791

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

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

# City of Novi, Michigan

	2007	2008	2009	2010
<b>Calculation of debt limit:</b>				
State equalized valuation (2)	\$ 3,848,565,100	\$ 3,946,241,780	\$ 3,876,954,790	\$ 3,742,061,910
Assessed value equivalent of Act 198 exemptions (1)	8,386,000	8,385,600	8,423,350	8,414,300
Debt limit (10% of SEV)	385,695,110	395,462,738	388,537,814	375,047,621
<b>Calculation of debt subject to limit:</b>				
Total debt	76,651,000	81,392,982	73,274,656	64,613,290
Less:				
Special assessment bonds	14,995,000	13,395,000	11,730,000	10,080,000
Michigan Transportation Fund bonds	1,215,000	910,000	610,000	315,000
Revenue bonds	-	-	-	-
Net debt subject to limit	60,441,000	67,087,982	60,934,656	54,218,290
Legal debt margin	\$ 325,254,110	\$ 328,374,756	\$ 327,603,158	\$ 320,829,331
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	15.67%	16.96%	15.68%	14.46%

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

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

Source: City's finance department records

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

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

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



**Statistical Section  
Debt Capacity Information  
Legal Debt Margin  
Last Ten Fiscal Years**

2011	2012	2013	2014	2015	2016
\$ 3,321,184,600	\$ 3,063,922,590	\$ 3,004,330,340	\$ 3,099,733,610	\$ 3,365,191,110	\$ 3,704,488,760
8,389,050	8,960,650	8,960,650	10,158,950	13,968,800	14,370,350
332,957,365	307,288,324	301,329,099	310,989,256	337,915,991	371,885,911
55,925,472	48,022,653	41,379,835	37,695,000	32,870,000	28,515,301
8,505,000	6,930,000	4,970,000	3,380,000	1,815,000	300,000
-	-	-	-	-	-
-	-	-	-	-	-
47,420,472	41,092,653	36,409,835	34,315,000	31,055,000	28,215,301
\$ 285,536,893	\$ 266,195,671	\$ 264,919,264	\$ 276,674,256	\$ 306,860,991	\$ 343,670,610
14.24%	13.37%	12.08%	11.03%	9.19%	7.59%

# City of Novi, Michigan

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Fiscal Year	Water and Sewer Revenue Bonds					
	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Coverage
				Principal	Interest	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013*	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

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

Source: City's annual financial statements

**Statistical Section  
Debt Capacity Information  
Pledged-revenue Coverage  
Last Ten Fiscal Years**

Special Assessment bonds				
Special Assessment Collections	Debt Service			Coverage
	Principal	Interest	Coverage	
\$ 2,759,000	\$ 1,300	\$ 715	\$ 1.37	
2,589,203	1,600	649	1.15	
2,480,991	1,665	574	1.11	
2,583,000	1,650	499	1.20	
2,660,803	1,575	425	1.33	
2,700,549	1,575	354	1.40	
2,503,020	1,625	140	1.42	
2,137,737	1,590	130	1.24	
2,277,115	1,565	83	1.38	
1,798,863	1,515	34	1.16	

# City of Novi, Michigan

## Statistical Section Demographic and Economic Information Demographic and Economic Statistics Last Twelve Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2005	52,921	*	*	3.9
2006	53,941	*	*	3.5
2007	54,609	*	*	4.3
2008	54,688	*	*	4.1
2009	54,376	*	*	5.9
2010	55,224	*	*	8.4
2011	55,374	*	*	10.9
2012	56,062	*	*	8.2
2013	59,395	*	*	9.4
2014	60,290	*	*	4.4
2015	60,593	*	*	3.6
2016	59,324	*	*	2.8

\* Not available

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

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

# City of Novi, Michigan

## Statistical Section Demographic and Economic Information Principal Employers Current Year and Nine Years Ago

Employer	2016 Rank	2016 Employees	2007 Rank	2007 Employees
St. John Health/Providence Park Hospital	1	1,600	3	500
Intier/Magna	2	1,000	1	650
Novi Community Schools	3	892		
248.668.8703 Fox Run	4	744		
248.946.3528 ITC Holding, Inc.	5	600	9	230
Ryder System	6	500		
Macy's	7	500	2	539
248.994.7010 Eberspaecher North America, Inc	8	408		
248.349.4800 Michigan Cat	9	310	7	250
City of Novi	10	255		
Cooper-Standard Automotive	11	250	5	250
Incat Systems			10	223
Voestalpine Polynorm, Inc			8	250
Tower Automotive			4	340

Note - Employee totals do not include part-time employees

Sources: The City's Neighborhood and Business Relations Group

(1) Information for prior nine years is currently not available

Sources: The City's Neighborhood and Business Relations Group

# City of Novi, Michigan

Function/ program	2007	2008	2009	2010	2011
City manager	3	3	3	3	3
Finance Department (7)	8	8	8	8	7
Information technology	5	5	5	5	5
Assessing	7	7	7	7	7
City clerk	6	6	6	6	5
Treasury	3	3	3	3	3
Facility Operations	2	2	2	4	2
Human Resources (3)	-	-	-	5	5
General administration	6	5	6	-	-
Department of Public Safety	-	-	-	128	118
Police department (4)	99	99	99	-	-
Fire department (4)	31	31	31	-	-
Building Department	18	-	-	-	-
Neighborhood services	5	-	-	-	-
Department of Public Services (5)	23	23	24	36	36
Engineering	5	6	6	-	-
Parks, Recreation and Cultural Services (6)	18	19	17	11	10
Water and Sewer	13	12	12	12	12
Library	20	20	20	20	20
Community Relations	3	-	-	-	-
Neighborhood and Business Relations Group (1)	-	4	4	3	3
Planning	8	-	-	-	-
Community Development (2)	-	31	31	21	19
Total	283	284	284	272	255

(1) Formerly "Community Relations". Includes cable department

(2) Combined building and planning

(3) Employees included under General Administration in previous years

(4) Combined Police and Fire Departments

(5) Engineering staff combined with DPS

(6) Forestry and park maintenance staff combined with Department of Public Services

(7) Finance includes both the Finance Department and Treasury Department in Fiscal Year 2013

Source: City's finance department records

**Statistical Section  
Operating Information  
Full-time Equivalent Government Employees  
Last Ten Fiscal Years**

2012	2013	2014	2015	2016
3	3	3	3	3
7	9	9	9	9
5	5	5	5	6
5	5	5	5	5
5	5	5	5	5
3	-	-	-	-
1	2	2	2	3
4	4	4	4	4
-	-	-	-	-
111	111	113	115	115
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
33	35	35	34	36
-	-	-	-	-
10	11	11	11	12
12	13	14	14	14
18	20	20	20	17
-	-	-	-	-
3	4	4	3	6
-	-	-	-	-
18	21	21	21	21
238	247	251	250	255

# City of Novi, Michigan

Function/ program	2007	2008	2009	2010
<b>Election data</b>				
Registered voters	33,253	35,117	36,320	35,764
Voters at polls	20,612	9,020	19,684	2,887
Absentee ballots	4,500	2,768	8,455	2,212
Percent voting	62.00%	26.00%	77.48%	14.26%
<b>Police</b>				
Part A crimes	2,077	2,102	2,018	1,868
Part B crimes	1,388	987	721	793
Injury accidents	203	242	264	216
Property damage	1,853	1,825	1,737	1,602
Moving traffic violations	11,486	6,813	11,184	11,635
Parking violations	427	N/A	N/A	512
Adult arrests	2,001	1,703	1,987	2,353
Juvenile arrests	237	189	229	201
OUIL arrests	398	266	369	363
False alarms	2,664	2,403	2,275	2,262
<b>Fire</b>				
Fire incidents	287	266	1,015	134
Service incidents	1,207	1,218	567	2,006
Fire inspections conducted	2,301	2,619	3,049	2,341
Medical emergencies	2,458	2,724	2,766	2,957
Paid-on-call staff	59	56	68	68
<b>Parks and recreation</b>				
Youth classes/clinics	780	572	715	1,154
Adult classes/clinics	493	428	213	439
Youth leagues	3,091	2,983	2,198	2,585
Adult leagues	1,980	2,240	2,394	2,750
Summer day camp	367	341	339	742
Lakeshore Park vehicle entry	7,910	10,335	7,065	11,533
Lakeshore Park attendance	17,120	17,777	17,663	28,833
Lakeshore Park picnic shelter rental	104	163	130	128
Senior citizens served (1)	106,522	87,188	78,978	78,432
Special event attendance	9,981	11,413	11,049	12,071
Civic Center Rentals	2,746	2,731	2,116	1,060
Civic Center Attendance	96,503	97,249	81,810	57,519
Novi Theaters - Cast	284	226	214	206
Novi Theaters - Audience	4,929	6,392	4,548	5,041
<b>Library (2)</b>				
Items circulated	544,874	580,438	628,724	556,582
Book collections	126,259	128,711	123,884	137,220
Audio/Video/CD collections	13,805	13,774	13,232	14,295
Periodical subscriptions	170	179	162	185
Requests of Information	158,265	159,485	154,735	171,324
Youth Summer Reading	1,171	1,491	1,491	1,061
Program participants	26,720	35,062	18,772	24,145
Visitors	265,795	269,815	280,560	262,826
Interlibrary loans	55,102	60,182	78,214	67,615
<b>Water and Sewer</b>				
Customers:				
Residential	12,708	12,716	12,641	12,874
Commercial	1,399	1,280	1,287	1,225
<b>Water (in thousand gallons):</b>				
Purchased from Detroit	2,424,237	2,402,589	2,182,409	2,041,594
Sold to residents	2,355,938	2,192,050	2,079,696	1,919,763
<b>Rates:</b>				
Minimum 7,000 gallons (3)	\$ 31.00	\$ 33.00	\$ 41.00	\$ 42.00
Fixed rate quarterly water charge	-	-	-	-
Additional usage per 1,000 gallons	2.94	3.17	3.95	4.06
Fixed rate quarterly sewer charge	-	-	-	-
Sewer (per thousand gallons of water usage)	2.21	2.32	2.51	2.67

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

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

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

Source: City's finance department records



## Statistical Section Operating Information Operating Indicators Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016
	36,921	37,366	38,757	39,248	39,341	38,706
	14,535	3,633	20,484	4,719	14,341	3,423
	4,575	2,386	8,765	2,599	5,029	2,588
	51.76%	16.11%	75.00%	18.65%	49.24%	15.53%
	1,679	1,841	2,048	1,736	1,654	1,508
	814	627	626	673	622	638
	272	288	310	276	295	300
	1,761	1,631	1,695	1,153	1,037	1,084
	10,167	9,381	10,058	8,487	8,216	7,916
	285	288	199	185	75	231
	2,368	2,082	2,241	2,355	2,574	2,428
	213	166	137	142	98	98
	415	335	342	268	164	217
	2,357	2,090	2,270	2,538	2,164	2,094
	92	120	112	120	113	124
	1,311	1,249	1,360	1,345	457	642
	2,920	3,557	3,063	2,919	3,108	2,898
	3,299	3,169	3,383	3,425	3,811	3,784
	66	68	55	54	39	71
	1,238	1,544	1,620	1,149	1,584	1,475
	458	414	340	462	1,244	549
	2,371	2,431	2,512	2,471	2,199	2,934
	4,024	4,120	5,220	5,279	5,300	3,868
	703	668	N/A	334	498	747
	9,846	10,822	13,000	15,462	14,391	1,007
	24,615	27,055	32,500	38,655	35,978	37,488
	98	105	116	125	120	231
	68,517	76,462	77,759	75,832	79,172	77,687
	14,311	14,018	17,021	20,028	16,840	18,153
	1,516	1,492	1,520	1,560	1,058	1,203
	37,457	35,506	17,021	44,200	33,988	23,023
	181	198	253	293	86	-
	4,757	4,715	5,454	4,997	1,705	-
	759,021	803,552	800,031	799,475	734,643	793,991
	146,187	152,024	151,724	152,236	149,941	140,895
	18,015	20,618	23,507	25,677	27,776	29,077
	215	208	210	242	207	207
	220,427	210,960	N/A	115,392	115,392	113,778
	1,261	1,338	2,042	2,340	2,584	2,084
	34,198	45,572	34,899	40,010	40,901	46,854
	371,274	378,571	389,220	401,984	392,047	404,979
	100,342	109,274	109,330	106,250	105,588	112,016
	12,940	13,191	13,604	13,760	13,946	14,105
	1,239	1,254	1,223	1,204	1,259	1,264
	2,166,712	2,459,402	2,321,313	2,216,075	1,835,567	2,276,389
	2,024,406	2,109,414	2,222,787	2,138,305	1,811,910	1,963,221
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	35.00	37.00	40.00	57.00	57.00	80.00
	3.31	3.44	3.86	4.13	4.13	3.05
	5.00	5.00	6.00	6.00	6.00	30.00
	2.90	4.00	4.25	4.30	4.30	3.40

# City of Novi, Michigan

Function/ program	2007	2008	2009	2010	2011
Police:					
Stations	1	1	1	1	1
Fire					
Stations	4	4	4	4	4
Public works					
Miles of City streets:					
Major	39	39	40	39	39
Local	123	127	128	132	136
Estimated sidewalks in miles (1)	226	227	228	230	231
Bridges	4	4	4	4	4
Street lights	402	402	418	421	421
Parks and recreation:					
Acres	894	894	991	1,138	1,138
Locations	7	7	11	11	11
Library:					
Branches	1	1	1	1	1
Water and sewer:					
Miles of water mains	288	288	306	306	306
Miles of sanitary sewers	230	230	243	243	245
Fire hydrants	4,010	4,011	4,003	4,003	4,002

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.

**Statistical Section  
Operating Information  
Capital Asset Statistics  
Last Ten Fiscal Years**

2012	2013	2014	2015	2016
1	1	1	1	1
4	4	4	4	4
39	39	39	39	44
141	141	144	146	143
231	232	256	261	272
4	4	4	10	10
421	421	504	689	691
1,138	1,150	1,260	1,288	1,276
11	12	13	15	17
1	1	1	1	1
306	306	328	333	336
245	245	252	255	268
4,002	4,002	4,192	4,211	4,181