



CIVIC CENTER



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009 • Novi, Michigan



City of Novi, Michigan

**Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2009**

City of Novi, Michigan

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City of Novi, Michigan

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City of Novi, Michigan

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November 2, 2009

Honorable Mayor David Landry
Members of the City Council
Citizens of the City of Novi, Michigan

CITY COUNCIL

Mayor
David B. Landry

Mayor Pro Tem
Kim Capello

Bob Gatt

Terry K. Margolis

Andrew Mutch

Kathy Crawford

Dave Staudt

City Manager
Clay J. Pearson

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, 2009. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of 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 City serves over 54,000 residents 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.

City of Novi
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Novi, Michigan 48375
248.347.0460
248.347.0577 fax

cityofnovi.org

Businesses can also count on an abundance of county and regional resources for help with creating new business opportunities, securing financing, improving technological business expertise, and learning to do business abroad. Novi's quality of life stems from its successful balance of residential and commercial tax base. On **InvestNovi.org**, businesses seeking new locations can use the site to search for available properties and to check city requirements, processes and contacts. Novi is a beautiful, well-managed community and home to many businesses, retail and entertainment venues. Novi is home to Twelve Oaks Mall -- the largest mall in Michigan. Novi is also home to many businesses, several technical and business centers, several hotels and motels, and numerous restaurants. The region's power grid is controlled from ITC's headquarters in Novi.

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

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

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

Factors Affecting Financial Condition

Local Economy - Standard & Poor's, which provides credit ratings and other financial analysis, in June 2008, upgraded the City of Novi's rating on general obligation bonds two increments from AA- to AA+. Standard & Poor's defines an AA+ rating as "having excellent financial security and being highly safe." This rating places Novi in an elite group of communities throughout the country. Only 15 percent of communities nationwide receive Aa2 status. Moody's defines Aa2 as bonds judged to be of high quality by *all* standards.

Despite the current lackluster performance of the economy in Michigan, Novi continues to recognize dividends from the rezoning of over 1,200 acres of privately owned property in several strategic locations throughout Novi to a high-technology zoning district called the Office Service and Technology Corridor. This rezoning is serving as a catalyst to attract quality high-tech businesses looking to locate within Michigan. In 2008, Ryder Systems Inc. opened its new

regional headquarters in a 150,000-square-foot facility in the Haggerty Corridor Corporate Park at 13 Mile and M-5. The nearly \$22 million investment allowed the national logistics company to consolidate eight of its locations into an energy-efficient facility that houses over 500 employees. Another 200 to 300 new jobs are expected to be created from the project. ITC Holdings Corp., which operates high-voltage electric transmission systems, consolidated much of its operations into a new 188,000- square-foot 83-acre campus near 12 Mile and M-5, employing approximately 400 ITC employees.

St. John Health Systems recently completed its \$224 million hospital, Providence Park, on a 200-acre site. The campus is fast becoming a destination for wellness and health care. In addition to the state-of-the-art Providence Park Hospital, the campus offers new medical offices, a neuroscience center and an orthopedic center with an ambulatory surgical center. Staybridge Suites has opened a 108- room hotel on the campus to serve patients' families and visitors. Henry Ford Health Systems has opened a medical center at the new Columbus Center. Trinity Health, the fourth-largest Catholic health system in the United States, is also headquartered in Novi. Other health care providers, many of which have hospitals in surrounding communities, continue to expand in Novi with satellite offices, ambulatory services or medical offices. The 330-bed acute care Botsford General Hospital, a physician-teaching center in Farmington Hills, expanded its reach with two specialty facilities in Novi.

The Twelve Oaks Mall expansion to 1.5 million square feet added 40 new stores which includes the signature Nordstrom which opened in late 2007, with 167,000 square feet of space, as well as an expanded Macy's. This shopping center continues to draw shoppers from throughout the region, including Canada. Easy access makes Novi an attractive hospitality center. Opened, in 2005, the 300,000-squarefoot Rock Financial Showplace has drawn successful expos and trade shows to overflowing parking lots. The Rock Financial Showplace site has received approval for a 132-room hotel with frontage on Grand River Avenue for future expansion.

Novi remains strong as a result of sustained residential and commercial development experienced over the past ten years. The diverse tax mix of residential, manufacturing, office, service and technology and retail-recreational centers will continue to provide a stable environment to attract new investment within Novi as we continue to navigate through the adverse economic cycles currently affecting the Michigan economy.

Long-term Financial Planning - The dependency on sales tax collections in Michigan as the sole source for the state revenue sharing pool injects a degree of instability within this revenue source during these periods of economic downturn. On average state revenue sharing for cities range from a low of 5.7 percent of general fund revenues to a high of 45.2 percent with an average of 19 percent. For the fiscal year ended June 30, 2009, Novi's reliance on revenue sharing payments represents 13 percent of total general fund revenues or \$3,425,882. Novi's total revenue sharing declined by over 5% or \$187,270 from the prior fiscal year. There are two ways that local units share in a portion of sales tax revenue. A constitutional portion is distributed to cities, villages and townships based on a community's population. A second portion of sales tax, the statutory portion is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. It is this portion that is determined by the Governor and State legislature and can be changed at their discretion. Novi's reliance on this statutory portion of revenue sharing is approximately 9 percent of its total annual distribution.

The majority of Novi's state revenue payments is constitutional and cannot be eliminated without a vote of the people.

Cash Management Policies and Practices - The City complies with Public Act 20 of 1943 and Public Act 367 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts and commercial paper. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the State of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City has an investment policy in accordance with the above statements. The City has taken advantage of accounts qualifying for the FDIC "Transaction Account Guarantee" (TAG), which offer 100% guarantee with deposits in excess of \$18,792,000 as of June 30, 2009. The program offers 100% guarantee for fees to be paid by the financial institution, which results in lower rate of return for the account holder. This program has been extended through June 30, 2010.

Risk Management - Effective July 1, 2003 the City terminated its participation in the Michigan Municipal League general liability and property insurance program and is now insured through the Municipal Insurance Alliance. The City of Novi still continues to participate in the Michigan Municipal League Workers' Compensation Fund which is a group self-insured program which provides workers' disability compensation benefits to injured employees of Fund Members. The Fund is comprised of public employers of the State of Michigan which are authorized and approved under Section 611(2) of the Workers' Disability Compensation Act, PA 317 of 1969, as amended, to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers. Additional information on the City of Novi's risk management activity can be found in Note 8 of the notes to the financial statements.

Pension and Other Postemployment Benefits - The City participates in the Michigan Municipal Employee's Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The City's annual required contribution is calculated as a percentage of payroll each year by an independent actuary engaged by MERS. As a matter of policy, the City of Novi fully funds each year's annual required contribution to the pension plan. Effective May 1, 2006, December 1, 2006 and June 1, 2009, all new administrative, Michigan Association of Public Employees or MAPE (formally Teamster) and fire employees, respectively, are no longer eligible for participation in Novi's defined benefit pension plan. The City will instead contribute 8% of an employee's eligible compensation into a defined contribution plan for administrative and MAPE employees and 10% for fire. All new Library employees hired after July 1, 2002 now participate in a defined contribution plan as well.

The City of Novi also provides retiree health care benefits to qualifying full-time employees upon retirement, in accordance with labor contracts. Currently, 59 retirees are eligible. Expenditures for retiree health care benefits are recognized as the insurance premiums become due for individuals retired before June 30, 1994. For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Fund. Employer

contributions are made annually to this fund and charged as expenditures to individual departmental budgets based on a percentage of wages.

All administrative employees hired after May 1, 2006, MAPE employees hired after December 1, 2006 and fire employees hired after June 1, 2009 will be enrolled into a Retiree Health Care Savings Account with a City contribution of \$50 per pay.

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, 2008. This was the eleventh 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 accounting firm of Plante & Moran, PLLC who made substantial contributions by way of interpretation of recent guidelines and document review. Appreciation is also expressed to the Mayor and City Council members and Clay Pearson, City Manager, for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Marina Neumaier
Assistant Finance Director



Kathy A. Smith-Roy
Finance Director

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director



Organizational Chart

Mayor and City Council
Office of the City Manager

Citizens

**Federal, State,
County Government**

Police

- * Preventive Patrol
- * Communications
- * Records & Investigation
- * Emergency Preparedness and Management
- * Crime Prevention & Community Partnerships

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

Civic Organizations

Fire

- * Fire Suppression
- * Emergency Medical Services Response
- * Fire Prevention/Inspections
- * Emergency Preparedness and Management

**Growth
Management &
Economic
Development**

**Neighborhood and
Business Relations**

- * Website coordination
- * Communications
- * Marketing
- * Employee Engagement
- * Liaison to HOA
- * Economic Development
- * Business Attraction/Retention

**Fiscally
Responsible
Government**

Customer Service

- Assessing
- City Clerk
- Finance/Treasury
- Human Resources
- Information Technology
- Geographic Information
- Purchasing
- Facility Operations

Public Safety

Infrastructure

Engineering

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

Field Operations

- * Road Maintenance
- * Ice & Snow Removal
- * Recycling Center
- * Forestry

Water & Sewer Operations

- * Sanitary Sewer System Management
- * Water System Management & Operations
- * Storm Drain Maintenance & Operations

**Parks,
Recreation
& Cultural
Services**

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

- * Recreation
- * Senior Services
- * Meadowbrook Commons/Ice Arena

Homeowner Associations

**Parks, Recreation & Cultural
Services (through Department of
Public Services)**

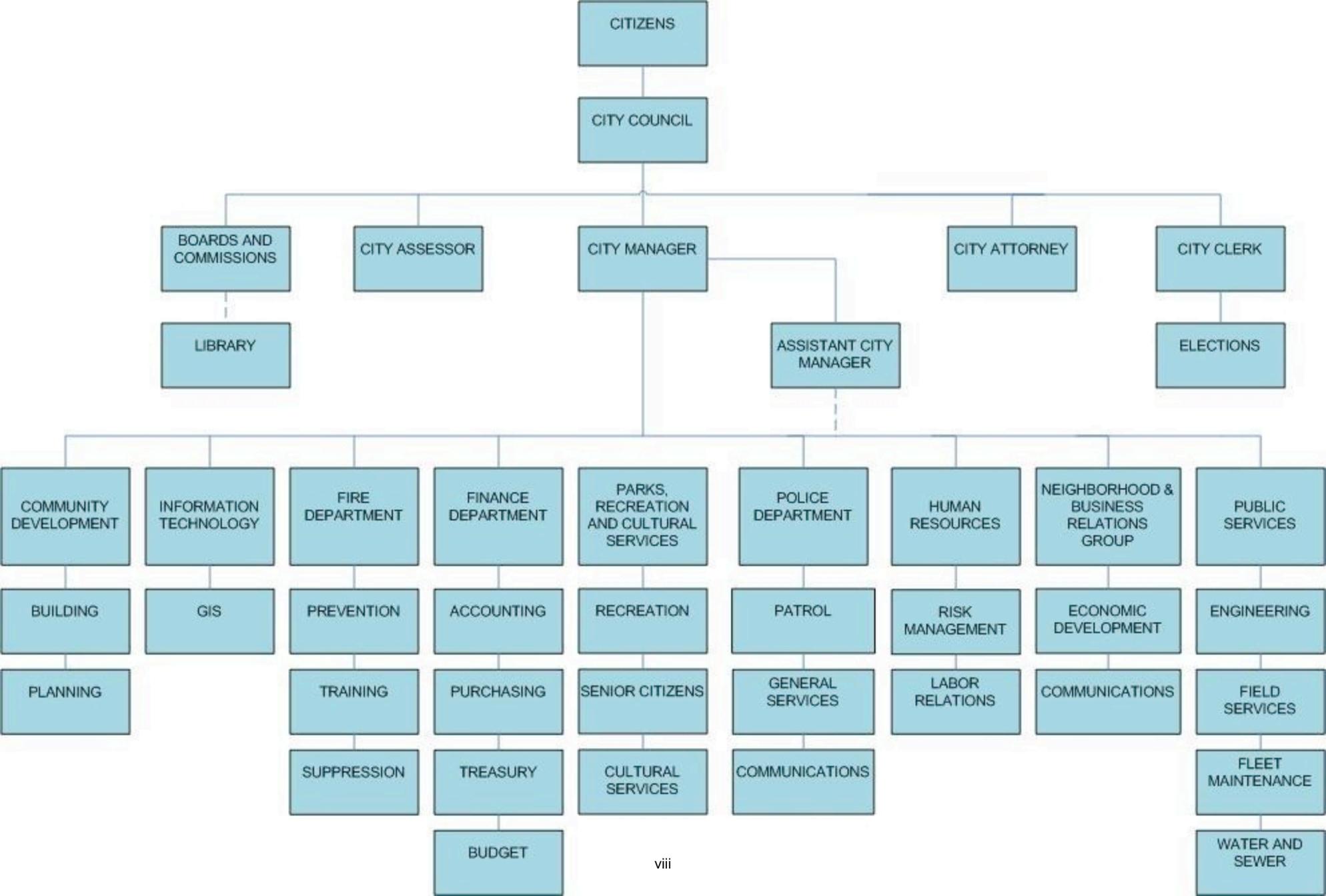
- * Park Maintenance
- * Park Development

Schools

**Natural
Features**

Public Services

- * Watershed Stewardship
- * Rouge River Liaison



City of Novi, Michigan

List of Principal Officials June 30, 2009

<u>Title</u>	<u>Name</u>
City Manager	Clay J. Pearson
Assistant City Manager	Pamela W. Antil
Assessor	David G. Lemmon
Deputy Assessor	Marjorie D. Bixby
City Clerk	Maryanne Cornelius
Deputy City Clerk	Debra A. Blashfield
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Director of Facility Operations	William A. McCusker
Roadway Asset Manager	Gerald P. Tremblay
Water and Sewer Manager	Timothy J. Sikma
Director of Public Services/City Engineer	Robert F. Hayes
Senior Civil Engineer	Brian T. Coburn
Field Operation Services Manager	Matthew T. Wiktorowski
Chief Information Officer	Robert L. Petty
GIS Manager	Christopher A. Blough
Director of Economic Development	Ara Topouzian
Community Development Director	Charles S. Boulard
Building Official	Andrew P. Gerecke
Fire Chief	Frank A. Smith
Deputy Fire Chief	Jeffery R. Johnson
Parks, Recreation, and Cultural Services Director	Randall A. Auler
Superintendent of Recreation Services	Nancy A. Cowan
Senior Services Manager	Rachel A. Zagaroli
Police Chief	David E. Molloy
Deputy Police Chief	Thomas C. Lindberg
Analyst Planner	Patricia A. Cauchi
Library Director	Julie E. Farkas
Water and Sewer Financial Services Manager	Tina M. Glenn
Community Development Deputy Director	Barbara E. McBeth
Purchasing Manager	Susan J. Morianti
Assistant Finance Director	Marina Neumaier
Assistant City Treasurer	Beverly A. Valente
Senior Financial Manager	Suzanne B. Moreno
Budget/Management Analyst	Becky C. Arold
Finance Director/Treasurer	Kathy A. Smith-Roy

City of Novi, Michigan

Fund Organization Chart

Governmental Funds

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
Special Assessments	Major Street
2000 Voted Street	Local Street
2000 Limited Tax Debt	Municipal Street
2002 Michigan Transportation	Police and Fire
2003 Refunding Debt	Parks, Recreation, and Cultural Services
2002 Street and Refunding Debt	Tree Fund
2008 Library Construction Debt	Drain Revenue
1993 Refunding Debt	Drain Perpetual Maintenance
<u>Capital Projects</u>	Special Assessment Revolving
2008 Library Construction	Judgment Trust
	Contributions and Donations
	Forfeiture Fund
	Library
	Walker Library

Proprietary Fund - Enterprise Funds

Ice Arena
Water and Sewer
Senior Housing

Fiduciary Funds

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

Component Unit

Economic Development Corporation

Independent Auditor's Report

To the City Council
City of Novi, Michigan

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Novi, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Novi, Michigan

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi, Michigan's basic financial statements. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in Note 13, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees, rather than as paid.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009 on our consideration of the City of Novi, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 2, 2009

City of Novi, Michigan

Management's Discussion and Analysis

The City of Novi, Michigan's (the "City") discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2009. The information presented here should be read in conjunction with our letter of transmittal, the financial statements, and the notes to financial statements that follow.

Financial Highlights

- Total assets related to the City's governmental activities exceeded liabilities at June 30, 2009 by \$148,897,118.
- Investment in capital assets (net of depreciation and related debt) accounts for over half of this amount, with a value of \$95,693,089.
- Of the remaining net assets, \$9,610,719 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- Net assets related to the City's governmental activities increased by \$7,708,757, or 5.5 percent during fiscal year 2008-2009. As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$58,099,785. Fund balance of the General Fund totaled \$10,314,220 at June 30, 2009, of which \$2,983,143 was designated for future expenditures, leaving \$7,331,077 unreserved and undesignated. Unreserved fund balance represents the amount of financial resources available for future spending or appropriation.
- Total direct debt at June 30, 2009 was \$73,274,656.

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 the City that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

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

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

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

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Governmental Funds - The City of Novi maintains 24 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, Municipal Street Fund, and the 2008 Library Construction Fund. These funds are considered major funds as of June 30, 2009. 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. Such 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 a 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 and Municipal Street Fund within the required supplemental information. Budgetary comparisons for other nonmajor Special Revenue Funds are presented within the other supplemental section of the report.

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

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

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

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 of Novi'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.

Government-wide Financial Analysis

Statement of Net Assets - As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City's assets exceeded total liabilities by \$321,050,255 at the end of June 30, 2009. The following table shows, in a condensed format, the net assets as of June 30, 2009 and 2008:

Table I

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 53,535,278	\$ 56,693,780	\$ 44,444,899	\$ 43,591,954	\$ 97,980,177	\$ 100,285,734
Noncurrent assets:						
Restricted assets	21,832,340	23,653,505	8,748,604	8,953,056	30,580,944	32,606,561
Capital assets	135,710,491	129,269,802	144,303,595	144,359,553	280,014,086	273,629,355
Other	156,280	-	-	-	156,280	-
Total assets	211,234,389	209,617,087	197,497,098	196,904,563	408,731,487	406,521,650
Liabilities						
Current liabilities	15,649,920	14,323,206	5,824,305	6,027,498	21,474,225	20,350,704
Long-term liabilities	46,687,351	54,105,520	19,519,656	20,552,982	66,207,007	74,658,502
Total liabilities	62,337,271	68,428,726	25,343,961	26,580,480	87,681,232	95,009,206
Net Assets						
Invested in capital assets -						
Net of related debt	95,693,089	84,846,486	123,683,939	122,696,571	219,377,028	207,543,057
Restricted	43,593,310	44,064,821	8,680,849	9,253,056	52,274,159	53,317,877
Unrestricted	9,610,719	12,277,054	39,788,349	38,374,456	49,399,068	50,651,510
Total net assets	\$ 148,897,118	\$ 141,188,361	\$ 172,153,137	\$ 170,324,083	\$ 321,050,255	\$ 311,512,444

Over 68 percent of the City's net assets reflect its investment in capital, less any related debt used to acquire those assets that are 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 assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets related to governmental activities of \$9,610,719 represent the amount that may be used to meet the City's ongoing obligations.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

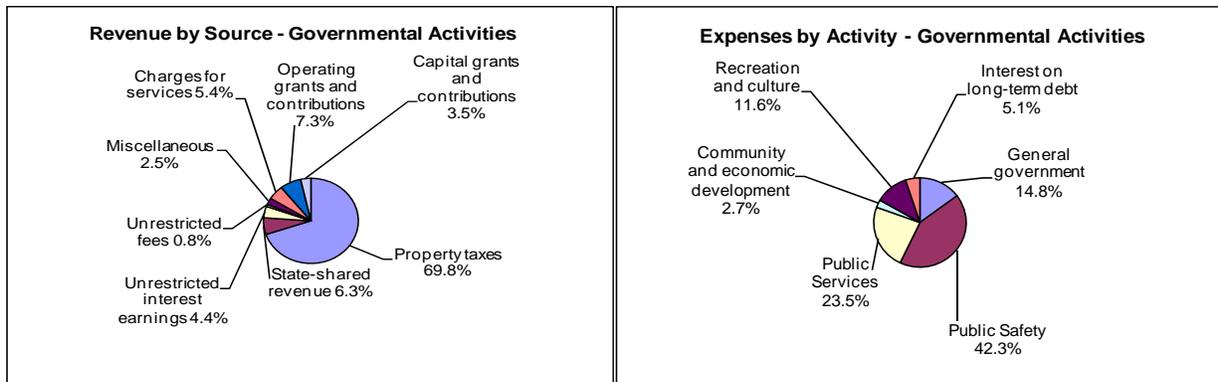
Changes in Net Assets - The City's total net assets increased by \$9,537,811 during fiscal year 2008-2009. Governmental activities increased net assets by \$7,708,757, which represents 81 percent of the total growth in net assets for the City. The unrestricted portion of net assets related to governmental activities decreased by \$2,666,335. This is primarily a result of classifying \$1,350,179 of Tree Fund assets as restricted at June 30, 2009. These funds may only be used for forestry-related items including, but not limited to, the planting of trees within the City. Business-type activities increased net assets by \$1,829,054, which represents 19 percent of the total growth in net assets for the City. The Water and Sewer Fund accounts for the majority of this increase and is attributable to water and sewer lines contributed by developers and system-connection related fees. Key elements of this increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 2,927,831	\$ 4,325,832	\$ 20,282,908	\$ 19,759,967	\$ 23,210,739	\$ 24,085,799
Operating grants and contributions	3,915,138	3,271,673	-	-	3,915,138	3,271,673
Capital grants and contributions	1,882,357	1,023,837	3,087,188	3,417,107	4,969,545	4,440,944
General revenue:						
Property taxes	37,776,272	37,030,496	-	-	37,776,272	37,030,496
State-shared revenue	3,425,882	3,613,152	-	-	3,425,882	3,613,152
Unrestricted investment earnings	2,375,074	3,604,198	167,462	949,644	2,542,536	4,553,842
Franchise fees	422,430	352,197	-	-	422,430	352,197
Other	1,369,730	1,112,008	-	-	1,369,730	1,112,008
Total revenue	54,094,714	54,333,393	23,537,558	24,126,718	77,632,272	78,460,111
Expenses						
General government	6,857,555	7,831,132	-	-	6,857,555	7,831,132
Public safety	19,619,207	20,006,508	-	-	19,619,207	20,006,508
Public works	10,898,774	9,993,071	-	-	10,898,774	9,993,071
Community and economic development	1,277,239	774,299	-	-	1,277,239	774,299
Recreation and culture	5,389,349	6,108,935	-	-	5,389,349	6,108,935
Interest on long-term debt	2,343,833	2,221,714	-	-	2,343,833	2,221,714
Water and sewer	-	-	18,216,338	18,816,944	18,216,338	18,816,944
Ice arena	-	-	1,755,459	1,785,941	1,755,459	1,785,941
Senior housing	-	-	1,736,707	1,829,889	1,736,707	1,829,889
Total expenses	46,385,957	46,935,659	21,708,504	22,432,774	68,094,461	69,368,433
Change in Net Assets	7,708,757	7,397,734	1,829,054	1,693,944	9,537,811	9,091,678
Net Assets - Beginning of year	141,188,361	133,790,627	170,324,083	168,630,139	311,512,444	302,420,766
Net Assets - End of year	\$ 148,897,118	\$ 141,188,361	\$ 172,153,137	\$ 170,324,083	\$ 321,050,255	\$ 311,512,444

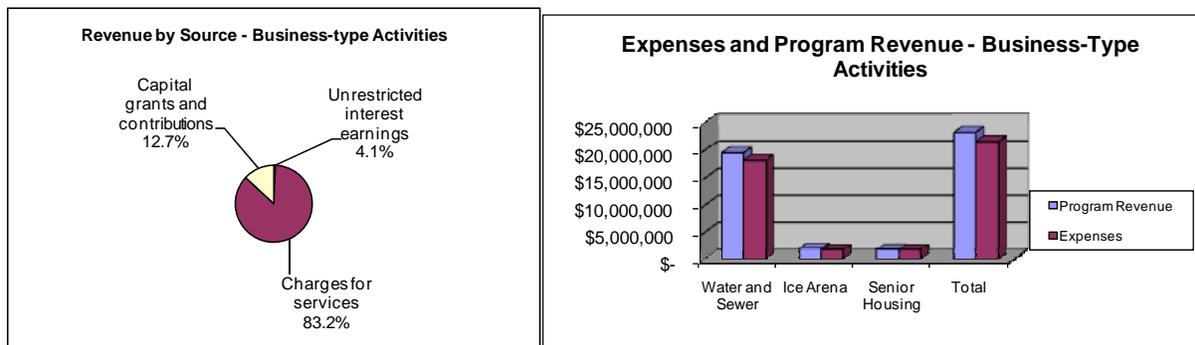
City of Novi, Michigan

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 16.2 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.



Business-type Activities - Business-type activities increased the City's net assets by \$1,829,054. The Water and Sewer Fund accounts for the majority of this increase which includes capital contributions of \$2,954,095. Capital contributions represent water and sewer lines contributed by developers and system-connection related fees (capital contributions are not included within the revenue total as presented in the expenses and program revenue - business-type activities graph below).



Financial Analysis of the City's Funds

Governmental Funds - The City has 24 governmental funds, categorized into four fund types. Each fund type has a unique purpose. Three funds are classified as major funds for the purpose of this report based on criteria set forth by the Governmental Accounting Standards Board. Those funds are the General Fund, the Municipal Street Fund, and the 2008 Library Construction Fund.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

As of June 30, 2009, the governmental funds of the City reported a combined fund balance of \$58,099,785, a decrease of \$4,499,126 in comparison with the prior year. The majority of this decrease is due to the spending of bond proceeds in the amount of \$2,953,701 to construct the new Novi public library and the reduction in license, permit, and charges for services in the amount of \$1,274,898 in the General Fund from the prior year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets increased slightly from the prior year by approximately 3.7 percent.

General Fund Budgetary Highlights

The City's budget results for the fiscal year ended June 30, 2009 were even better than anticipated. For the fiscal year ended June 30, 2009, there were two significant budget overruns within the General Fund. Personal services within the Neighborhood & Business Relations Group exceeded the budget by \$13,099. The majority of this amount was due to the pay-out of benefits for a retiring employee. Other services and charges within the Neighborhood & Business Relations Group exceeded the budget by \$11,972. The majority of this amount was due to additional expenditures incurred for the City's web page maintenance.

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, 2009 totals \$280,014,086 (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	
	2009	2008	2009	2008	2009	2008
Land	\$ 26,297,608	\$ 24,431,861	\$ 2,102,076	\$ 2,034,701	\$ 28,399,684	\$ 26,466,562
Buildings and improvements	21,309,587	16,482,149	17,111,134	17,687,819	38,420,721	34,169,968
Machinery and equipment and library books	6,959,450	6,224,095	435,355	537,391	7,394,805	6,761,486
Infrastructure	81,143,846	82,131,697	118,266,589	116,358,623	199,410,435	198,490,320
Construction in progress	-	-	6,388,441	7,741,019	6,388,441	7,741,019
Total	<u>\$ 135,710,491</u>	<u>\$ 129,269,802</u>	<u>\$ 144,303,595</u>	<u>\$ 144,359,553</u>	<u>\$ 280,014,086</u>	<u>\$ 273,629,355</u>

Additional information on the City's capital assets can be found in Note 5 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, 2009 and 2008:

	Governmental Activities		Business-type Activities		Total Activities	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 41,845,000	\$ 47,155,000	\$ -	\$ -	\$ 41,845,000	\$ 47,155,000
Michigan transportation fund bonds	610,000	910,000	-	-	610,000	910,000
Special assessment debt with government commitment	10,200,000	11,665,000	1,530,000	1,730,000	11,730,000	13,395,000
County contractual obligations	-	-	-	85,000	-	85,000
Building authority bonds	-	-	19,089,656	19,847,982	19,089,656	19,847,982
Total	<u>\$ 52,655,000</u>	<u>\$ 59,730,000</u>	<u>\$ 20,619,656</u>	<u>\$ 21,662,982</u>	<u>\$ 73,274,656</u>	<u>\$ 81,392,982</u>

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

Economic Factors and Next Year's Budgets and Rates

The budget plan, as approved in the fiscal year 2009-2010 budget, continues to maintain an amount above the minimum of 14 percent of current year's expenditures to be set aside for unforeseen emergencies. The estimated revenue for the building department fees has been reduced from prior years, which correlates with the decline in new building permits. The General Fund property tax revenue is estimated at \$17,188,390 for 2009-2010. The state-shared revenue estimates for 2009-2010 have been reduced by 5 percent in anticipation of lower sales tax revenue. A reduction of 12 full-time staffing positions has been achieved. The Police and Fire Fund transfer covers some public safety and personnel costs and is fixed based on future fire equipment capital needs. The 2009-2010 transfer is \$3,490,000.

The 2009 approved tax millage rate continues to remain at 10.5416 mills. Unreserved fund balance in the General Fund is \$10,314,220; of this amount, \$2,983,143 has been designated for subsequent year's expenditures.

Requests for Information

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

City of Novi, Michigan

Statement of Net Assets June 30, 2009

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 39,451,985	\$ 40,187,783	\$ 79,639,768	\$ 29,654
Accounts receivable:				
Other governmental units	1,840,714	73,200	1,913,914	-
Water and sewer billings	-	3,804,429	3,804,429	-
Taxes	7,934	-	7,934	-
Special assessments	12,034,051	-	12,034,051	-
Other	174,550	288,475	463,025	35,000
Prepaid and other assets	26,044	13,694	39,738	-
Inventory	-	77,318	77,318	-
Restricted assets (Note 4)	21,832,340	8,748,604	30,580,944	-
Capital assets - Net (Note 5):				
Depreciable	109,412,883	135,813,078	245,225,961	-
Nondepreciable	26,297,608	8,490,517	34,788,125	-
Other postemployment benefits asset (Note 13)	156,280	-	156,280	-
Total assets	211,234,389	197,497,098	408,731,487	64,654
Liabilities				
Accounts payable	3,541,102	3,196,130	6,737,232	-
Accrued and other liabilities	2,046,970	394,464	2,441,434	-
Due to other governmental units	-	895,113	895,113	-
Unearned revenue (Note 6)	240,155	10,748	250,903	-
Receipts refundable	-	110,628	110,628	-
Noncurrent liabilities:				
Bonds payable (Note 7):				
Due within one year	7,325,000	1,100,000	8,425,000	-
Due in more than one year	45,330,000	19,519,656	64,849,656	-
Employee compensated absences (Note 1):				
Due within one year	1,855,670	117,222	1,972,892	-
Due in more than one year	1,357,351	-	1,357,351	-
Claims and judgments due within one year (Note 8)	641,023	-	641,023	-
Total liabilities	62,337,271	25,343,961	87,681,232	-
Net Assets				
Invested in capital assets - Net of related debt	95,693,089	123,683,939	219,377,028	-
Restricted:				
Streets and highways	3,713,563	-	3,713,563	-
Drains	11,470,162	-	11,470,162	-
Debt service	1,531,730	-	1,531,730	-
Special assessments	17,941,238	8,680,849	26,622,087	-
Police and fire	2,332,165	-	2,332,165	-
Federal forfeitures	989,707	-	989,707	-
Parks, recreation, and cultural services	537,175	-	537,175	-
Library	2,115,559	-	2,115,559	-
Donations	1,611,832	-	1,611,832	-
Tree Fund	1,350,179	-	1,350,179	-
Unrestricted	9,610,719	39,788,349	49,399,068	64,654
Total net assets	\$ 148,897,118	\$ 172,153,137	\$ 321,050,255	\$ 64,654

City of Novi, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,857,555	\$ 107,019	\$ -	\$ -
Public safety	19,619,207	1,486,140	934,349	-
Public works	10,898,774	85,979	2,780,092	935,414
Community and economic development	1,277,239	116,181	-	-
Recreation and culture	5,389,349	1,132,512	200,697	946,943
Interest on long-term debt	2,343,833	-	-	-
Total governmental activities	46,385,957	2,927,831	3,915,138	1,882,357
Business-type activities:				
Water and sewer	18,216,338	16,460,328	-	3,087,188
Ice arena	1,755,459	2,020,838	-	-
Senior housing	1,736,707	1,801,742	-	-
Total business-type activities	21,708,504	20,282,908	-	3,087,188
Total primary government	<u>\$ 68,094,461</u>	<u>\$ 23,210,739</u>	<u>\$ 3,915,138</u>	<u>\$ 4,969,545</u>
Component unit - Economic Development Corporation	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted interest earnings				
Cable television franchise fees (unrestricted)				
Miscellaneous				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - Economic Development Corporation
\$ (6,750,536)	\$ -	\$ (6,750,536)	\$ -
(17,198,718)	-	(17,198,718)	-
(7,097,289)	-	(7,097,289)	-
(1,161,058)	-	(1,161,058)	-
(3,109,197)	-	(3,109,197)	-
(2,343,833)	-	(2,343,833)	-
(37,660,631)	-	(37,660,631)	-
-	1,331,178	1,331,178	-
-	265,379	265,379	-
-	65,035	65,035	-
-	1,661,592	1,661,592	-
(37,660,631)	1,661,592	(35,999,039)	-
-	-	-	(300)
37,776,272	-	37,776,272	-
3,425,882	-	3,425,882	-
2,375,074	167,462	2,542,536	197
422,430	-	422,430	-
1,369,730	-	1,369,730	-
45,369,388	167,462	45,536,850	197
7,708,757	1,829,054	9,537,811	(103)
141,188,361	170,324,083	311,512,444	64,757
\$ 148,897,118	\$ 172,153,137	\$ 321,050,255	\$ 64,654

City of Novi, Michigan

Governmental Funds Balance Sheet June 30, 2009

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 2)	\$ 11,683,310	\$ 2,430,326	\$ -	\$ 25,338,349	\$ 39,451,985
Accounts receivable:					
Other governmental units	517,579	-	-	1,323,135	1,840,714
Taxes	7,809	125	-	-	7,934
Special assessments	-	11,135,108	-	214,000	11,349,108
Other	125,921	-	-	49,129	175,050
Prepaid expense	25,544	-	-	-	25,544
Restricted assets (Note 4)	-	3,750,005	13,625,688	4,456,647	21,832,340
Total assets	\$ 12,360,163	\$ 17,315,564	\$ 13,625,688	\$ 31,381,260	\$ 74,682,675
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,029,600	\$ 237,675	\$ 988,090	\$ 1,285,737	\$ 3,541,102
Accrued and other liabilities	1,016,343	52,232	-	383,950	1,452,525
Deferred revenue (Note 6)	-	11,135,108	-	454,155	11,589,263
Total liabilities	2,045,943	11,425,015	988,090	2,123,842	16,582,890
Fund Balances					
Reserved for restricted assets	-	3,750,005	12,637,598	4,453,957	20,841,560
Unreserved, reported in:					
General Fund - Designated (Note 10)	2,983,143	-	-	-	2,983,143
General Fund - Undesignated	7,331,077	-	-	-	7,331,077
Special Revenue Funds - Designated (Note 10)	-	1,103,158	-	3,052,735	4,155,893
Special Revenue Funds - Undesignated	-	1,037,386	-	20,218,996	21,256,382
Debt Service Funds - Undesignated	-	-	-	1,531,730	1,531,730
Total fund balances	10,314,220	5,890,549	12,637,598	29,257,418	58,099,785
Total liabilities and fund balances	\$ 12,360,163	\$ 17,315,564	\$ 13,625,688	\$ 31,381,260	\$ 74,682,675

City of Novi, Michigan

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2009

Total Fund Balances for Governmental Funds \$ 58,099,785

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	135,710,491
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures (including \$684,943 of accrued interest on special assessments)	12,034,051
Other postemployment benefits assets are not financial resources and are not reported in the funds	156,280
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(52,655,000)
Compensated absences are not due and payable in the current period and are not reported in the funds	(3,213,021)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(641,023)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	(594,445)

Net Assets of Governmental Activities \$ 148,897,118

City of Novi, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 17,865,040	\$ 2,688,208	\$ -	\$ 17,223,024	\$ 37,776,272
Licenses, permits, and charges for services	1,825,491	-	-	-	1,825,491
Federal grants	147,676	-	-	335,874	483,550
State sources	3,456,191	-	-	3,576,140	7,032,331
Special assessments collected	-	1,328,990	-	109,230	1,438,220
Fines and forfeitures	390,228	-	-	872,705	1,262,933
Interest income	1,109,528	861,049	284,615	892,780	3,147,972
Recreational programs	-	-	-	967,156	967,156
Gifts and donations	-	-	-	49,226	49,226
Other revenue	689,205	372,391	-	539,855	1,601,451
Total revenue	25,483,359	5,250,638	284,615	24,565,990	55,584,602
Expenditures					
Current services:					
City Council	8,965	-	-	-	8,965
City manager	420,710	-	-	-	420,710
Finance department	906,598	-	-	-	906,598
Information technology	621,582	-	-	-	621,582
Assessing	881,136	-	-	-	881,136
City attorney	390,220	-	-	-	390,220
City clerk	636,981	-	-	-	636,981
Treasury	295,127	-	-	-	295,127
Buildings and grounds	1,669,302	-	-	-	1,669,302
Neighborhood and business relations group	717,049	-	-	-	717,049
General administration	1,727,383	-	-	1,500	1,728,883
Police department	11,840,227	-	-	-	11,840,227
Fire department	6,351,188	-	-	-	6,351,188
Community development - Building division	2,012,522	-	-	-	2,012,522
Community development - Planning division	615,171	-	-	-	615,171
Department of public works	1,177,144	-	-	-	1,177,144
Engineering division	476,489	-	-	-	476,489
Planning Commission	9,909	-	-	-	9,909
Construction	-	1,093,836	2,935,598	3,600,078	7,629,512
Street maintenance	-	529,274	-	2,596,468	3,125,742
Drain maintenance	-	-	-	610,898	610,898
Recreational programs	-	-	-	2,039,331	2,039,331
Forestry and park maintenance	-	-	-	912,323	912,323
Library programs	-	-	-	2,531,152	2,531,152
Other	-	8,814	18,103	157,109	184,026
Capital outlay	-	-	-	2,847,879	2,847,879
Debt service	-	1,987,082	-	7,456,580	9,443,662
Total expenditures	30,757,703	3,619,006	2,953,701	22,753,318	60,083,728
Excess of Revenue Over (Under) Expenditures	(5,274,344)	1,631,632	(2,669,086)	1,812,672	(4,499,126)

City of Novi, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Year Ended June 30, 2009

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in (Note 3)	\$ 4,501,000	\$ 570,000	\$ -	\$ 2,567,046	\$ 7,638,046
Transfers out (Note 3)	<u>(1,325,475)</u>	<u>(1,170,000)</u>	<u>-</u>	<u>(5,142,571)</u>	<u>(7,638,046)</u>
Total other financing sources (uses)	<u>3,175,525</u>	<u>(600,000)</u>	<u>-</u>	<u>(2,575,525)</u>	<u>-</u>
Net Change in Fund Balances	(2,098,819)	1,031,632	(2,669,086)	(762,853)	(4,499,126)
Fund Balances - Beginning of year	<u>12,413,039</u>	<u>4,858,917</u>	<u>15,306,684</u>	<u>30,020,271</u>	<u>62,598,911</u>
Fund Balances - End of year	<u>\$ 10,314,220</u>	<u>\$ 5,890,549</u>	<u>\$ 12,637,598</u>	<u>\$ 29,257,418</u>	<u>\$ 58,099,785</u>

City of Novi, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 37,972,182	\$ 1,108,452	\$ 1,107,149	\$ 40,187,783
Accounts receivable:				
Water and sewer billing	3,804,429	-	-	3,804,429
Other	272,063	14,900	1,512	288,475
Due from other governmental units	73,200	-	-	73,200
Prepaid expense	-	2,189	11,505	13,694
Inventory	72,755	4,563	-	77,318
Total current assets	<u>42,194,629</u>	<u>1,130,104</u>	<u>1,120,166</u>	<u>44,444,899</u>
Noncurrent assets:				
Restricted assets (Note 4)	8,748,604	-	-	8,748,604
Capital assets (Note 5)	<u>124,910,254</u>	<u>6,811,503</u>	<u>12,581,838</u>	<u>144,303,595</u>
Total noncurrent assets	<u>133,658,858</u>	<u>6,811,503</u>	<u>12,581,838</u>	<u>153,052,199</u>
Total assets	<u>175,853,487</u>	<u>7,941,607</u>	<u>13,702,004</u>	<u>197,497,098</u>
Liabilities				
Current liabilities:				
Accounts payable	3,130,298	43,098	22,734	3,196,130
Accrued and other liabilities	139,118	83,193	289,375	511,686
Due to other governmental units	895,113	-	-	895,113
Deferred revenue	-	-	10,748	10,748
Receipts refundable	110,628	-	-	110,628
Current portion of long-term liabilities (Note 7)	<u>200,000</u>	<u>350,000</u>	<u>550,000</u>	<u>1,100,000</u>
Total current liabilities	<u>4,475,157</u>	<u>476,291</u>	<u>872,857</u>	<u>5,824,305</u>
Noncurrent liabilities - Long-term debt - Net of deferred amount on refunding	<u>1,330,000</u>	<u>5,896,574</u>	<u>12,293,082</u>	<u>19,519,656</u>
Total liabilities	<u>5,805,157</u>	<u>6,372,865</u>	<u>13,165,939</u>	<u>25,343,961</u>
Net Assets				
Invested in capital assets - Net of related debt	123,380,254	564,929	(261,244)	123,683,939
Restricted for:				
Special assessments	8,680,849	-	-	8,680,849
County projects	67,755	-	-	67,755
Unrestricted	<u>37,919,472</u>	<u>1,003,813</u>	<u>797,309</u>	<u>39,720,594</u>
Total net assets	<u>\$ 170,048,330</u>	<u>\$ 1,568,742</u>	<u>\$ 536,065</u>	<u>\$ 172,153,137</u>

City of Novi, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Operating Revenue				
Water sales	\$ 9,145,073	\$ -	\$ -	\$ 9,145,073
Sewer service charges	7,003,757	-	-	7,003,757
Concession sales	-	123,336	-	123,336
Rentals and other charges for services	-	1,813,708	1,777,809	3,591,517
Penalties	159,444	-	-	159,444
Inspection fees	4,860	-	-	4,860
Installation charges	124,631	-	-	124,631
Miscellaneous revenue	22,563	83,794	23,933	130,290
Total operating revenue	16,460,328	2,020,838	1,801,742	20,282,908
Operating Expenses				
Cost of water	6,913,501	-	-	6,913,501
Cost of sewage disposal	5,794,054	-	-	5,794,054
Cost of goods sold	-	64,671	-	64,671
Salaries and fringe benefits	1,047,832	-	-	1,047,832
Contractual services	52,202	534,389	248,729	835,320
Management contract	-	104,612	51,312	155,924
Municipal service charges	311,080	-	-	311,080
Depreciation	3,385,207	246,399	361,051	3,992,657
Repairs and maintenance	266,721	65,265	199,755	531,741
Utilities	11,938	251,973	114,846	378,757
Insurance	14,036	11,032	33,272	58,340
Office supplies	23,290	10,416	19,207	52,913
Advertising	-	7,038	3,614	10,652
Professional services	104,723	5,437	6,891	117,051
Operating supplies	29,861	36,400	16,637	82,898
Installation expenses	122,970	-	-	122,970
Vehicle expenses	61,225	-	-	61,225
Education and training	9,865	526	1,797	12,188
Recreational programs	-	91,340	-	91,340
Miscellaneous expenses	14,490	16,194	10,961	41,645
Total operating expenses	18,162,995	1,445,692	1,068,072	20,676,759
Operating (Loss) Income	(1,702,667)	575,146	733,670	(393,851)

City of Novi, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Continued) Year Ended June 30, 2009

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Nonoperating Income (Expense)				
Interest earned	\$ 1,117,111	\$ 13,159	\$ 20,053	\$ 1,150,323
Interest expense	(53,343)	(309,767)	(668,635)	(1,031,745)
Adjustment of prior year's interest estimate	(752,307)	-	(97,461)	(849,768)
Total nonoperating income (expense)	<u>311,461</u>	<u>(296,608)</u>	<u>(746,043)</u>	<u>118,578</u>
(Loss) Income - Before capital contributions	(1,391,206)	278,538	(12,373)	(1,125,041)
Capital Contributions				
Donated water and sewer lines	2,235,519	-	-	2,235,519
Customer assessments - Tap fees	718,576	-	-	718,576
Total capital contributions	<u>2,954,095</u>	<u>-</u>	<u>-</u>	<u>2,954,095</u>
Change in Net Assets	1,562,889	278,538	(12,373)	1,829,054
Net Assets - Beginning of year	<u>168,485,441</u>	<u>1,290,204</u>	<u>548,438</u>	<u>170,324,083</u>
Net Assets - End of year	<u><u>\$ 170,048,330</u></u>	<u><u>\$ 1,568,742</u></u>	<u><u>\$ 536,065</u></u>	<u><u>\$ 172,153,137</u></u>

City of Novi, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 16,186,059	\$ 1,956,966	\$ 1,781,399	\$ 19,924,424
Payments to suppliers	(13,894,155)	(1,201,812)	(688,726)	(15,784,693)
Payments to employees	(1,047,832)	-	-	(1,047,832)
Payments from other governmental units	5,019	-	-	5,019
Other receipts	22,563	83,794	23,933	130,290
Net cash provided by operating activities	1,271,654	838,948	1,116,606	3,227,208
Cash Flows from Capital and Related Financing Activities				
Collection of customer assessments (principal and interest)	1,008,397	-	-	1,008,397
Purchase of capital assets	(1,642,230)	-	-	(1,642,230)
Principal and interest paid on capital debt	(312,757)	(588,968)	(1,225,435)	(2,127,160)
Net cash used in capital and related financing activities	(946,590)	(588,968)	(1,225,435)	(2,760,993)
Cash Flows from Investing Activities - Interest received on investments	1,117,111	13,159	20,053	1,150,323
Net Increase (Decrease) in Cash and Cash Equivalents	1,442,175	263,139	(88,776)	1,616,538
Cash and Cash Equivalents - Beginning of year	42,652,960	845,313	1,195,925	44,694,198
Cash and Cash Equivalents - End of year	<u>\$ 44,095,135</u>	<u>\$ 1,108,452</u>	<u>\$ 1,107,149</u>	<u>\$ 46,310,736</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 37,972,182	\$ 1,108,452	\$ 1,107,149	\$ 40,187,783
Restricted investments (Note 4)	6,122,953	-	-	6,122,953
Total cash and cash equivalents	<u>\$ 44,095,135</u>	<u>\$ 1,108,452</u>	<u>\$ 1,107,149</u>	<u>\$ 46,310,736</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (1,702,667)	\$ 575,146	\$ 733,670	\$ (393,851)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	3,385,207	246,400	361,051	3,992,658
Changes in assets and liabilities:				
Receivables	(233,490)	20,486	11,525	(201,479)
Inventory	23,872	-	-	23,872
Other assets	-	(823)	1,367	544
Accounts payable	(196,995)	(3,728)	6,180	(194,543)
Accrued and other liabilities	(9,292)	1,467	2,813	(5,012)
Due to other governmental units	-	-	-	-
Due from other governmental units	5,019	-	-	5,019
Net cash provided by operating activities	<u>\$ 1,271,654</u>	<u>\$ 838,948</u>	<u>\$ 1,116,606</u>	<u>\$ 3,227,208</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2009, developers constructed water and sewer lines with an estimated value of \$2,235,519 and donated them to the City.

City of Novi, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

	Postemployment Benefits - Retiree Health Care Benefits	Agency
Assets		
Cash and cash equivalents (Note 2)	\$ 53,145	\$ 10,712,790
U.S. government securities	1,850,035	-
Bank investment pools	2,789,606	-
Common stock	3,803,149	-
Mutual funds	595,603	-
Accounts receivable	-	16,632
Total assets	9,091,538	<u><u>\$ 10,729,422</u></u>
Liabilities		
Due to builders and developers	-	\$ 10,705,175
Due to school and other governmental units	-	24,247
Total liabilities	-	<u><u>\$ 10,729,422</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 9,091,538</u></u>	

City of Novi, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

	Postemployment Benefits - Retiree Health Care Benefits
Additions	
Net investment loss	\$ (1,013,427)
Contributions - Employer	<u>1,554,254</u>
Total additions	540,827
Deductions - Healthcare insurance premiums	<u>339,011</u>
Change in Net Assets	201,816
Net Assets - Beginning of year	<u>8,889,722</u>
Net Assets - End of year	<u><u>\$ 9,091,538</u></u>

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Unit - The Economic Development Corporation of the City of Novi 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 combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. A separate financial report for the Economic Development Corporation may be obtained from the finance department located at the City of Novi Civic Center, 45175 W. Ten Mile Road, Novi, MI 48375.

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

Government-wide and Fund Financial Statements

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

Municipal Street Fund - The Municipal Street Fund is used to enhance the Major and Local Streets Funds. This fund receives its revenue pursuant to a special millage as designated by Charter for street and highway improvement purposes.

Library Construction Fund - The Library Construction Fund is the City's Capital Projects Fund used to account for the construction of the new, two-story, 55,000 square-foot Novi public library facility.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fiduciary fund types:

Retiree Health Care Benefits Fund - The Retiree Health Care Benefits Fund accounts for medical benefits provided to retirees.

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

Note I - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, recreational services, and senior housing in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary 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.

Assets, Liabilities, and Net Assets or Equity

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and personal property tax receivables are shown as net of allowance for uncollectible amounts, if applicable.

Property Tax Revenue - Properties are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls. The County Tax Revolving Fund reimburses the City for the real property portion of these taxes and assumes collection responsibilities.

The 2008 taxable valuation of the City totaled approximately \$3.58 billion and is used for the July 1, 2008 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	4.8287	\$ 17,298,568
Police and fire supplemental millage	1.4282	5,116,453
Parks and recreation operations	0.3857	1,381,750
Library operations	0.7719	2,765,292
Drain maintenance operations	0.3590	1,286,099
Street maintenance operations	0.7719	2,765,292
Debt levies for streets, library, and refunding debt	1.9962	7,151,283

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

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The City has specific assets held at Wayne County and Oakland County for various water and sewer system-related contracts classified as restricted assets on the balance sheet because the City has turned over control of these assets to the counties based on specific contracts with them. The City has also classified as restricted assets those amounts due from special assessment contracts with property owners for water and sewer system and road construction and related debt payments due to the restricted nature of these funds once they are received.

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

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

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

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

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits up to the maximum caps. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note I - Summary of Significant Accounting Policies (Continued)

The City's liability for compensated absences at June 30, 2009 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Due within one year	\$ 1,855,670	\$ 117,222	\$ 1,972,892
Due in more than one year	1,357,351	-	1,357,351
Total compensated absences	<u>\$ 3,213,021</u>	<u>\$ 117,222</u>	<u>\$ 3,330,243</u>

Changes in the liability for compensated absences are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities	\$ 3,121,250	\$ 2,132,750	\$ (2,040,979)	\$ 3,213,021
Business-type activities	98,330	72,052	(53,160)	117,222
Total compensated absences	<u>\$ 3,219,580</u>	<u>\$ 2,204,802</u>	<u>\$ (2,094,139)</u>	<u>\$ 3,330,243</u>

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

Claims and Judgments - The liability for claims and judgments has typically been charged to operations in the Judgment Trust and General Funds.

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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Note 1 - Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 - Deposits and Investments

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

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

Note 2 - Deposits and Investments (Continued)

The City has approved 17 banks for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk of deposits. At year end, the City had \$23,389,512 of bank deposits (certificates of deposit, checking, savings, and money market accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

Type of Investment	Carrying Value	How Held
Government-wide - U.S. government and agency securities	\$ 8,970,000	Counterparty
Retiree Health Care Benefits Fund - U.S. government and agency securities	1,076,721	Counterparty

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

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

Investment	Fair Value	Weighted Average Maturity
Government-wide:		
U.S. government and agency securities:		
T-Notes	\$ 4,875,000	1 year
Federal Home Loan Mortgage Corporation	6,000,000	3.5 years
Fannie Mae	12,900,000	1.25 years
Federal Home Loan Banks	6,570,000	1.75 years
Federal Farm Credit Banks	9,200,000	2 years
Local government and agency securities -		
Wayne County GO Ltd Notes	1,690,000	1 year
Retiree Health Care Benefits Fund -		
U.S. government and agency securities:		
T-Notes	686,936	4.75 years
Federal Home Loan Mortgage Corporation	289,063	3.5 years
Fannie Mae	874,036	21.5 years

Note 2 - 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 (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
U.S. government agency securities	\$ 34,670,000	AAA	S&P
Local government agency securities	1,690,000	SP-I +	S&P
Bank investment pool:			
Ambassador	6,719,766	AAA	S&P
MBIA	4,273,595	AAA	S&P
Federated	22,027,695	AAA	S&P
Retiree Health Care Benefits Fund:			
U.S. government agency securities	1,850,035		Not rated
Bank investment pools	2,789,606		Not rated

Concentration of Credit Risk

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

Government-wide - U.S. government agencies:	
Fannie Mae	17.37%
Federal Farm Credit Banks	12.39
Federal Home Loan Banks	8.85
Federal Home Loan Mortgage Corporation	8.08
Retiree Health Care Benefits Fund - Fannie Mae	9.67%

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of the interfund transfers:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 4,501,000
Transfers of resources related to street expenditures (certain funds account for resources that are intended to be spent in other funds):	
Transfer from Major Streets Fund to Local Streets Fund	517,579
Transfer from Major Streets Fund to 2002 Michigan Transportation Refunding Debt Fund	119,756
Transfer from Municipal Street Fund to the Major Streets Fund	460,000
Transfer from Municipal Street Fund to Local Streets Fund	710,000
Transfer from General Fund to the Municipal Street Fund	570,000
Transfer of unrestricted General Fund resources to fund the Parks and Recreation programs, including capital improvements	80,000
Transfer of unrestricted General Fund resources to the Judgment Trust Fund	425,000
Transfer from General Fund to fund debt service of the 2000 Limited Tax Debt Fund	250,475
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	4,236
Total interfund transfers	<u>\$ 7,638,046</u>

Note 4 - Restricted Assets and Reserves

Governmental Activities

The following is the detail of the governmental activities restricted assets at June 30, 2009:

Special Revenue Funds:	
Cash and investments restricted for special assessments	\$ 6,592,130
Cash and investments restricted for contributions and donations *	<u>1,614,522</u>
Total Special Revenue Funds	<u>\$ 8,206,652</u>
Capital Projects Funds - Cash and investments restricted for capital projects	<u>\$ 13,625,688</u>

* Includes \$1,453,747 restricted for the Walker Library Fund and \$132,601 restricted for the Fuerst Estate gift for older adult facilities.

Note 4 - Restricted Assets and Reserves (Continued)

Business-type Activities

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

The following is the detail of the business-type activities restricted assets at June 30, 2009:

Water and Sewer Fund - Cash and investments restricted for special assessments	\$ 6,122,953
Special assessments receivable	2,557,896
Net assets held by county:	
North Huron Valley/Rouge Valley	65,907
Huron-Rouge S.D.S., Walled Lake Arm Waste Water Treatment Plant	<u>1,848</u>
Net assets restricted in Water and Sewer Fund	<u><u>\$ 8,748,604</u></u>

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated -				
Land	\$ 24,431,861	\$ 1,865,747	\$ -	\$ 26,297,608
Capital assets being depreciated:				
Roads	112,422,006	3,993,875	-	116,415,881
Non-motorized pathway improvements	3,965,968	178,854	-	4,144,822
Bridges	1,908,914	-	-	1,908,914
Drains	22,121,821	403,547	-	22,525,368
Buildings and improvements	27,073,844	5,645,420	-	32,719,264
Machinery and equipment	12,580,794	1,720,299	861,483	13,439,610
Library books	4,274,550	469,860	630,930	4,113,480
Subtotal	184,347,897	12,411,855	1,492,413	195,267,339
Accumulated depreciation:				
Roads	44,484,273	4,518,912	-	49,003,185
Non-motorized pathway improvements	1,406,311	138,192	-	1,544,503
Bridges	491,214	76,357	-	567,571
Drains	11,905,214	830,666	-	12,735,880
Buildings and improvements	10,591,695	817,982	-	11,409,677
Machinery and equipment	8,585,081	1,184,980	861,483	8,908,578
Library books	2,046,168	269,824	630,930	1,685,062
Subtotal	79,509,956	7,836,913	1,492,413	85,854,456
Net capital assets being depreciated	104,837,941	4,574,942	-	109,412,883
Net capital assets	<u>\$ 129,269,802</u>	<u>\$ 6,440,689</u>	<u>\$ -</u>	<u>\$ 135,710,491</u>

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Increases	Decreases	Balance
	July 1, 2008			June 30, 2009
Capital assets not being depreciated:				
Land	\$ 2,034,701	\$ 67,375	\$ -	\$ 2,102,076
Construction in progress	7,741,019	1,611,121	2,963,699	6,388,441
Subtotal	9,775,720	1,678,496	2,963,699	8,490,517
Capital assets being depreciated:				
Water and sewer distribution systems	160,361,783	5,209,864	-	165,571,647
Buildings and building improvements	23,165,018	-	-	23,165,018
Machinery and equipment	1,962,167	12,037	-	1,974,204
Subtotal	185,488,968	5,221,901	-	190,710,869
Accumulated depreciation:				
Water and sewer distribution systems	44,003,160	3,301,898	-	47,305,058
Buildings and building improvements	5,477,199	576,685	-	6,053,884
Machinery and equipment	1,424,776	114,073	-	1,538,849
Subtotal	50,905,135	3,992,656	-	54,897,791
Net capital assets being depreciated	134,583,833	1,229,245	-	135,813,078
Net capital assets	\$ 144,359,553	\$ 2,907,741	\$ 2,963,699	\$ 144,303,595

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

Governmental activities:	
General government	\$ 239,515
Public safety	1,085,474
Public works	5,861,102
Community and economic development	4,953
Recreation and culture	645,869
Total governmental activities	\$ 7,836,913
Business-type activities:	
Water and sewer	\$ 3,385,206
Ice arena	246,399
Senior housing	361,051
Total business-type activities	\$ 3,992,656

City of Novi, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects as of June 30, 2009. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street construction	\$ 6,595,729	\$ 1,299,346
Sidewalks and pathways	511,546	152,657
Building improvements	5,529,791	7,645,326
Sewer projects	2,244,056	298,302
Water mains	1,786,510	228,370
Detention basins	998,625	227,252
Lake dredging	1,092,392	906
Park improvements	1,543,610	119,923
Total	<u>\$ 20,302,259</u>	<u>\$ 9,972,082</u>

Note 6 - Receivables

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

	Unavailable	Unearned
Special assessments	\$ 11,349,108	\$ -
Recreation fees and other	-	240,155
Total	<u>\$ 11,349,108</u>	<u>\$ 240,155</u>

Note 7 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
1993 Unlimited Tax Refunding Bonds:							
Amount of issue - \$10,230,000							
Maturing through 2009	5.10% - 5.25%	\$740,000 - \$1,350,000	\$ 2,090,000	\$ -	\$ (1,350,000)	\$ 740,000	\$ 740,000
2000 Tax Road Bonds:							
Amount of issue - \$10,000,000							
Maturing through 2015	3.90% - 4.50%	\$600,000 - \$1,100,000	7,275,000	-	(700,000)	6,575,000	800,000
2002 Limited Tax Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2012	\$4.00% - 5.00%	\$200,000 - \$275,000	1,150,000	-	(200,000)	950,000	200,000
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017	3.00% - 5.25%	\$595,000 - \$3,740,000	16,180,000	-	(2,320,000)	13,860,000	3,020,000
2003 Unlimited Tax Refunding Bonds:							
Amount of issue - \$6,565,000							
Maturing through 2011	2.25% - 3.50%	\$740,000 - \$1,000,000	4,460,000	-	(740,000)	3,720,000	820,000
2002 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$2,280,000							
Maturing through 2009	3.00% - 3.50%	\$295,000 - \$315,000	910,000	-	(300,000)	610,000	295,000
2008 GO Unlimited Tax Library Bonds:							
Amount of issue - \$16,000,000							
Maturing through 2027	3.50% - 4.50%	\$250,000 - \$1,750,000	16,000,000	-	-	16,000,000	-

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities (Continued)							
Special Assessment Bonds:							
1995 Special Assessment Bonds:							
Amount of issue - \$1,700,000							
Maturing through 2009							
	6.00% -	\$100,000 -					
	6.75%	\$125,000	\$ 215,000	\$ -	\$ (115,000)	\$ 100,000	\$ 100,000
2000 Special Assessment Limited Tax Bonds:							
Amount of issue - \$18,435,000							
Maturing through 2015							
	4.75%	\$1,300,000 -					
		\$1,500,000	11,450,000	-	(1,350,000)	10,100,000	1,350,000
Total governmental activities			\$ 59,730,000	\$ -	\$ (7,075,000)	\$ 52,655,000	\$ 7,325,000
Business-type Activities							
County Drain Contract Obligations:							
Oakland County Contract:							
Amount of issue - \$8,030,000							
Maturing through 2009							
	5.10% -	\$85,000 -					
	5.20%	\$90,000	\$ 85,000	\$ -	\$ (85,000)	\$ -	\$ -
Special Assessment Bonds:							
2003 Special Assessment Limited Tax Bonds:							
Amount of Issue - \$2,330,000							
Maturing through 2017							
	2.00% -	\$150,000 -					
	4.00%	\$200,000	1,730,000	-	(200,000)	1,530,000	200,000
Building Authority Bonds:							
2004 Ice Arena Recreation Facility Refunding Bonds:							
Amount of issue - \$7,630,000							
Maturing through 2024							
	3.00% -	\$310,000 -					
	4.65%	\$560,000	6,950,000	-	(305,000)	6,645,000	350,000
Less deferred amount on refunding			(424,986)	-	26,560	(398,426)	-
1999 Senior Complex Recreation Facility Bond:							
Amount of issue - \$15,300,000							
Maturing through 2016							
	5.10% -	\$400,000 -					
	5.50%	\$625,000	4,350,000	-	(500,000)	3,850,000	500,000
2005 Senior Complex Recreation Facility Refunding Bonds:							
Amount of Issue - \$9,920,000							
Maturing through 2025							
	3.25% -	\$20,000 -					
	5.00%	\$1,100,000	9,695,000	-	(20,000)	9,675,000	50,000
Less deferred amount on refunding			(722,032)	-	40,114	(681,918)	-
Total business-type activities			\$ 21,662,982	\$ -	\$ (1,043,326)	\$ 20,619,656	\$ 1,100,000

Note 7 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 7,325,000	\$ 2,197,458	\$ 9,522,458	\$ 1,100,000	\$ 927,690	\$ 2,027,690
2011	7,670,000	1,858,025	9,528,025	1,100,000	883,040	1,983,040
2012	6,845,000	1,531,869	8,376,869	1,125,000	835,665	1,960,665
2013	5,215,000	1,263,888	6,478,888	1,200,000	786,190	1,986,190
2014	3,545,000	1,071,663	4,616,663	1,230,000	732,043	1,962,043
2015-2019	11,055,000	3,328,219	14,383,219	6,755,000	2,771,153	9,526,153
2020-2024	5,000,000	1,918,438	6,918,438	7,035,000	1,307,468	8,342,468
2025-2029	6,000,000	564,688	6,564,688	2,155,000	93,633	2,248,633
Deferred amount on refundings	-	-	-	(1,080,344)	-	(1,080,344)
Total	<u>\$ 52,655,000</u>	<u>\$ 13,734,248</u>	<u>\$ 66,389,248</u>	<u>\$ 20,619,656</u>	<u>\$ 8,336,882</u>	<u>\$ 28,956,538</u>

Note 8 - Risk Management

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

The City was a member of the Michigan Municipal Risk Management Authority, which is a self-insurance program for general and auto liability, auto physical damage, and property loss claims through June 30, 1994. From July 1, 1994 through June 30, 2003, the City participated in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Since July 1, 2003, the City has participated in the Municipal Insurance Alliance Program. The Alliance provides property and liability insurance through a single A-rated insurance company.

Note 8 - Risk Management (Continued)

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 liabilities of the Michigan Municipal Risk Management Authority program through June 30, 1994, estimated liabilities of the Michigan Municipal League program from July 1, 1994 through June 30, 2003, and estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

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

	<u>2009</u>	<u>2008</u>
Estimated liability - Beginning of year	\$ 733,766	\$ 907,215
Estimated claims incurred, including changes in estimates	734,700	614,841
Claim payments	<u>(827,443)</u>	<u>(788,290)</u>
Estimated liability - End of year	<u>\$ 641,023</u>	<u>\$ 733,766</u>

Note 9 - Construction Code Fees

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

Cumulative surplus at July 1, 2008	\$ 172,263
Current year building permit revenue	759,576
Related expenses:	
Direct costs	\$ 2,012,520
Estimated indirect costs	<u>244,344</u>
Total construction code expenses	<u>2,256,864</u>
Cumulative shortfall at June 30, 2009	<u>\$ (1,325,025)</u>

Note 10 - Designated Fund Balances

The fund balances of the following funds have been designated for the following purposes:

	General Fund	Municipal Street Fund	Other Nonmajor Governmental Funds
Subsequent years' budgeted expenditures	\$ 2,983,143	\$ 1,103,158	\$ 2,952,735
Building reserve	-	-	100,000
Total designated fund balances	<u>\$ 2,983,143</u>	<u>\$ 1,103,158</u>	<u>\$ 3,052,735</u>

Note 11 - Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The authority to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires contributions of 2.43 percent to 6.44 percent from 100 percent of the covered or eligible employees.

Note 11 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost of \$2,231,166 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected wage inflation assumption of 4.5 percent, and (c) an increase based on an age-related scale to reflect merit, longevity, and promotional pay increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 28 years. The amortization period is open.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual pension cost (APC)	\$ 1,945,388	\$ 1,965,244	\$ 2,231,166
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 38,802,064	\$ 41,996,050	\$ 44,163,168
Actuarial accrued liability (AAL) (entry age normal cost method)	\$ 55,052,959	\$ 60,092,002	\$ 64,969,356
Unfunded AAL (UAAL)	\$ 16,250,895	\$ 18,095,952	\$ 20,806,188
Funded ratio	70%	70%	68%
Covered payroll	\$ 15,488,975	\$ 15,605,658	\$ 16,092,414
UAAL as a percentage of covered payroll	105%	116%	129%

Note 12 - Defined Contribution Plan Description

Effective May 1, 2006, December 1, 2006, July 1, 2007, and June 1, 2009, all new administrative, Michigan Association of Public Employees (MAPE), library, and fire employees, 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 Program to the Defined Contribution Program on December 1, 2006. MAPE employees hired prior to December 1, 2006 had an irrevocable option to transfer from the Defined Benefit Program to the Defined Contribution Program on June 1, 2007. The City contributes 8 percent of eligible earnings and each member contributes 3 percent to an individual account established for each administrative and MAPE participant. For the library employees, the library contributes 6 percent of eligible earnings and each member contributes 3 percent to an individual account established for each participant. For fire employees, the City contributes 10 percent of eligible earnings and each member contributes 6 percent to an individual account established for each participant. 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 25 members participating in the DC plan as of June 30, 2009.

Note 13 - Other Postemployment Benefits

Plan Description

The City provides healthcare benefits to most full-time employees upon retirement. As of June 30, 2009, 59 retirees are eligible and 48 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, and fire employees hired after June 1, 2009. These employees are enrolled into an individual Retiree Health Care Savings Account.

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

Note 13 - Other Postemployment Benefits (Continued)

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, 2009, the City made payments for postemployment health benefit premiums of approximately \$62,600 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$339,000 paid out of the Retiree Health Care Benefits Fund for individuals retiring after June 30, 1994. The City also contributed another \$1,554,254 to the Retiree Health Care Benefits Pension and Other Employee Benefit Trust Fund to pre-fund future retiree healthcare benefits. The pre-funding plan required an average contribution of 10.13 percent of active payroll payable. The trust has a fund balance of \$9,091,538 as of June 30, 2009.

Funding Progress

For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,453,481
Amount contributed - Advance funding	<u>(1,616,857)</u>
Increase in net OPEB asset	(163,376)
OPEB asset - Beginning of year	<u>-</u>
OPEB asset - End of year *	<u>\$ (163,376)</u>

* Included in the net OPEB asset is \$156,280 related to governmental activities and \$7,096 related to business-type activities.

Note 13 - Other Postemployment Benefits (Continued)

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

Annual OPEB cost	\$ 1,453,481
Percentage contributed	111%
Net OPEB asset	\$ 163,376

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

Valuation as of July 1, 2007:

Actuarial value of assets	\$ 7,992,415
Actuarial accrued liability (AAL)	\$ 18,829,286
Unfunded AAL (UAAL)	\$ 10,836,871
Funded ratio	42.45%
Annual covered payroll	\$ 13,605,857
Ratio of UAAL to covered payroll	79.65%

Actuarial Methods and Assumptions

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

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

Note 13 - Other Postemployment Benefits (Continued)

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8.0 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 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after seven years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll for members on an open basis. The remaining amortization period at July 1, 2007 was 30 years.

Accounting Change

In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Because the City has historically been contributing toward the Retiree Health Care Benefits Fund on an actuarial basis, implementation of this statement did not materially impact the measurement of retiree healthcare costs in the financial statements.

Note 14 - Joint Venture

The City participates in the Southwest Oakland Cable Commission (the "Cable Commission") with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5 percent of the total cable television charges from the cable television company as franchise fees and a 1 percent PEG fee. The Cable Commission retains 3 percent of these fees and submits the additional 3 percent to the City. Financial information of the joint venture as of June 30, 2009 can be obtained from the administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

Note 14 - Joint Venture (Continued)

In addition, 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 joint venture's governing board, which then approves the annual budget. The joint venture receives its operating revenue from member contributions and miscellaneous income. The financial information of the joint venture as of June 30, 2009 can be obtained from the Authority's administrative offices at 20000 West 8 Mile Road, Southfield, Michigan.

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

Note 15 - Upcoming Reporting Changes

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City's year ending June 30, 2010. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Required Supplemental Information

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes				
Current property taxes	\$ 17,080,000	\$ 17,080,000	\$ 17,490,745	\$ 410,745
Trailer fees	8,300	8,300	8,353	53
Penalty and interest	185,000	185,000	365,942	180,942
Total taxes	17,273,300	17,273,300	17,865,040	591,740
Licenses, Permits, and Charges for Services	2,919,160	1,782,160	1,825,491	43,331
Intergovernmental Revenue				
State-shared revenue	3,432,494	3,432,494	3,425,882	(6,612)
Federal grants	37,793	113,003	147,676	34,673
Police training grant	29,668	29,668	30,309	641
Total intergovernmental revenue	3,499,955	3,575,165	3,603,867	28,702
Fines and Forfeitures	307,950	377,950	390,228	12,278
Interest Income	637,030	1,107,030	1,109,528	2,498
Other Revenue	526,565	611,565	689,205	77,640
Transfers In	4,501,000	4,501,000	4,501,000	-
Total revenue	29,664,960	29,228,170	29,984,359	756,189
Expenditures				
City Council				
Personal services	5,830	5,830	4,673	1,157
Other services and charges	2,100	6,600	4,292	2,308
Total City Council	7,930	12,430	8,965	3,465
City Manager				
Personal services	397,696	403,296	399,399	3,897
Supplies	700	700	355	345
Other services and charges	20,500	20,500	20,956	(456)
Total city manager	418,896	424,496	420,710	3,786

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2009

Expenditures (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Finance Department				
Personal services	\$ 759,671	\$ 792,071	\$ 788,355	\$ 3,716
Other services and charges	54,435	54,435	52,917	1,518
Capital outlay	69,800	185,500	65,326	120,174
Total finance department	883,906	1,032,006	906,598	125,408
Information Technology				
Personal services	512,141	512,141	448,939	63,202
Supplies	43,550	43,550	32,931	10,619
Other services and charges	150,395	150,395	139,712	10,683
Total information technology	706,086	706,086	621,582	84,504
Assessing				
Personal services	617,694	617,694	578,401	39,293
Supplies	1,950	1,950	1,903	47
Other services and charges	207,550	282,550	280,470	2,080
Capital outlay	23,000	23,000	20,362	2,638
Total assessing	850,194	925,194	881,136	44,058
City Attorney				
	451,950	451,950	390,220	61,730
City Clerk				
Personal services	542,067	585,567	578,277	7,290
Supplies	23,500	54,500	38,188	16,312
Other services and charges	30,884	30,884	20,516	10,368
Total city clerk	596,451	670,951	636,981	33,970
Treasury				
Personal services	245,377	245,377	237,985	7,392
Supplies	20,075	20,075	11,834	8,241
Other services and charges	40,955	50,855	45,308	5,547
Total treasury	306,407	316,307	295,127	21,180
Building and Grounds				
Personal services	273,170	282,270	274,722	7,548
Supplies	71,761	87,661	75,404	12,257
Other services and charges	567,365	567,365	445,431	121,934
Capital outlay	477,750	1,120,475	873,745	246,730
Total building and grounds	1,390,046	2,057,771	1,669,302	388,469

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2009

<u>Expenditures</u> (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Neighborhood and Business Relations Group				
Personal services	\$ 373,648	\$ 400,948	\$ 414,047	\$ (13,099)
Supplies	24,650	29,150	30,619	(1,469)
Other services and charges	218,739	225,739	237,711	(11,972)
Capital outlay	13,995	34,995	34,672	323
Total neighborhood and business relations group	631,032	690,832	717,049	(26,217)
General Administration				
Personal services	957,057	957,057	956,814	243
Supplies	109,090	109,090	75,907	33,183
Other services and charges	833,671	706,671	619,662	87,009
Capital outlay	75,000	75,000	75,000	-
Total general administration	1,974,818	1,847,818	1,727,383	120,435
Police Department				
Personal services	10,356,079	10,531,504	10,427,026	104,478
Supplies	232,840	232,840	163,326	69,514
Other services and charges	1,073,255	1,073,255	928,189	145,066
Capital outlay	406,285	406,285	321,686	84,599
Total police department	12,068,459	12,243,884	11,840,227	403,657
Fire Department				
Personal services	4,330,958	4,553,958	4,413,907	140,051
Supplies	190,790	190,790	118,161	72,629
Other services and charges	451,870	507,180	426,427	80,753
Capital outlay	55,600	1,434,755	1,392,693	42,062
Total fire department	5,029,218	6,686,683	6,351,188	335,495
Community Development - Building Division				
Personal services	2,211,565	1,919,565	1,807,071	112,494
Supplies	55,530	83,400	57,590	25,810
Other services and charges	212,853	212,853	127,499	85,354
Capital outlay	23,000	23,000	20,362	2,638
Total community development - Building division	2,502,948	2,238,818	2,012,522	226,296
Community Development - Planning Division				
Personal services	618,177	618,177	554,434	63,743
Supplies	10,515	10,515	7,047	3,468
Other services and charges	201,894	201,894	53,690	148,204
Total community development - Planning division	830,586	830,586	615,171	215,415

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2009

Expenditures (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Department of Public Works				
Personal services	\$ 2,188,656	\$ 2,278,656	\$ 2,227,906	\$ 50,750
Supplies	136,135	136,135	120,112	16,023
Other services and charges	676,040	668,230	641,622	26,608
Capital outlay	263,000	445,310	413,892	31,418
Allocated to other operations	<u>(2,041,842)</u>	<u>(2,041,842)</u>	<u>(2,226,388)</u>	<u>184,546</u>
Total department of public works	1,221,989	1,486,489	1,177,144	309,345
Engineering Division				
Personal services	541,056	549,656	541,645	8,011
Supplies	3,500	7,500	4,847	2,653
Other services and charges	86,000	116,500	95,809	20,691
Allocated to other operations	<u>(165,910)</u>	<u>(165,910)</u>	<u>(165,812)</u>	<u>(98)</u>
Total engineering	464,646	507,746	476,489	31,257
Planning Commission				
Supplies	400	400	249	151
Other services and charges	<u>58,300</u>	<u>58,300</u>	<u>9,660</u>	<u>48,640</u>
Total planning commission	58,700	58,700	9,909	48,791
Transfers Out	2,340,232	2,340,232	1,325,475	1,014,757
Contingencies	<u>304,707</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>33,039,201</u>	<u>35,528,979</u>	<u>32,083,178</u>	<u>3,445,801</u>
Net Change in Fund Balance	(3,374,241)	(6,300,809)	(2,098,819)	4,201,990
Fund Balance - Beginning of year	<u>12,413,039</u>	<u>12,413,039</u>	<u>12,413,039</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 9,038,798</u>	<u>\$ 6,112,230</u>	<u>\$ 10,314,220</u>	<u>\$ 4,201,990</u>

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Municipal Street Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,730,000	\$ 2,730,000	\$ 2,688,208	\$ (41,792)
Special assessments	1,326,987	1,326,987	1,328,990	2,003
Interest income	768,861	768,861	861,049	92,188
Miscellaneous income	93,590	371,590	372,391	801
Transfers in	570,000	570,000	570,000	-
Total revenue	5,489,438	5,767,438	5,820,638	53,200
Expenditures				
Construction	1,651,665	2,160,465	914,982	1,245,483
Routine maintenance	307,445	396,445	307,974	88,471
Winter maintenance - County roads	111,160	111,160	221,300	(110,140)
Administration	2,450	2,450	1,700	750
Street lighting	18,250	18,250	7,114	11,136
Bikes, trails, and sidewalks	297,600	476,200	178,854	297,346
Debt service	1,989,095	1,989,095	1,987,082	2,013
Transfers out	970,000	1,170,000	1,170,000	-
Total expenditures	5,347,665	6,324,065	4,789,006	1,535,059
Net Change in Fund Balance	141,773	(556,627)	1,031,632	1,588,259
Fund Balance - Beginning of year	4,858,917	4,858,917	4,858,917	-
Fund Balance - End of year	<u>\$ 5,000,690</u>	<u>\$ 4,302,290</u>	<u>\$ 5,890,549</u>	<u>\$ 1,588,259</u>

City of Novi, Michigan

Note to Required Supplemental Information Year Ended June 30, 2009

Note - Basis of Budgeting

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

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General and Municipal Street Funds is presented as required supplemental information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor 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. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year. There were two significant budget overruns within the General Fund. Personal services within the Neighborhood and Business Relations Group exceeded budget by \$13,099. The majority of this amount was due to the pay-out of benefits for a retiring employee. Other services and charges within the Neighborhood and Business Relations Group exceeded budget by \$11,972. The majority of this amount was due to additional expenditures incurred for the City's web page maintenance.

Other Supplemental Information

City of Novi, Michigan

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
Assets					
Cash and investments	\$ 144,026	\$ 1,559,512	\$ 2,429,581	\$ 1,350,404	\$ 248,635
Accounts receivable:					
Other governmental units	331,379	117,508	-	-	862,733
Special assessments	214,000	-	-	-	-
Other	25,230	-	-	-	23,399
Restricted assets	<u>1,203,793</u>	<u>315,222</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,918,428</u>	<u>\$ 1,992,242</u>	<u>\$ 2,429,581</u>	<u>\$ 1,350,404</u>	<u>\$ 1,134,767</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 301,011	\$ 303,625	\$ 775	\$ 225	\$ 295,509
Accrued and other liabilities	-	-	96,641	-	61,928
Deferred revenue	<u>214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,155</u>
Total liabilities	515,011	303,625	97,416	225	597,592
Fund Balances					
Reserved - Restricted assets	1,203,793	315,222	-	-	-
Unreserved:					
Designated for subsequent years' budgeted expenditures	-	947,940	-	128,050	-
Undesignated	<u>199,624</u>	<u>425,455</u>	<u>2,332,165</u>	<u>1,222,129</u>	<u>537,175</u>
Total fund balances	<u>1,403,417</u>	<u>1,688,617</u>	<u>2,332,165</u>	<u>1,350,179</u>	<u>537,175</u>
Total liabilities and fund balances	<u>\$ 1,918,428</u>	<u>\$ 1,992,242</u>	<u>\$ 2,429,581</u>	<u>\$ 1,350,404</u>	<u>\$ 1,134,767</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

Special Revenue Funds

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund
\$ 5,722,227	\$ 5,949,616	\$ 2,377,714	\$ 578,261	\$ -	\$ 1,049,895	\$ 2,272,881	\$ -
11,515	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	500	-
1,323,110	-	-	-	160,775	-	-	1,453,747
\$ 7,056,852	\$ 5,949,616	\$ 2,377,714	\$ 578,261	\$ 160,775	\$ 1,049,895	\$ 2,273,381	\$ 1,453,747
\$ 183,510	\$ -	\$ -	\$ 52,210	\$ 2,690	\$ 60,188	\$ 84,890	\$ -
29,686	-	-	-	-	-	72,932	-
-	-	-	-	-	-	-	-
213,196	-	-	52,210	2,690	60,188	157,822	-
1,323,110	-	-	-	158,085	-	-	1,453,747
1,004,695	-	478,990	122,050	-	271,010	100,000	-
4,515,851	5,949,616	1,898,724	404,001	-	718,697	2,015,559	-
6,843,656	5,949,616	2,377,714	526,051	158,085	989,707	2,115,559	1,453,747
\$ 7,056,852	\$ 5,949,616	\$ 2,377,714	\$ 578,261	\$ 160,775	\$ 1,049,895	\$ 2,273,381	\$ 1,453,747

(Continued on next page)

City of Novi, Michigan

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Assets				
Cash and investments	\$ 704,342	\$ 129,384	\$ -	\$ -
Accounts receivable:				
Other governmental units	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 704,342</u>	<u>\$ 129,384</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 160	\$ -	\$ -
Accrued and other liabilities	-	19,173	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	19,333	-	-
Fund Balances				
Reserved - Restricted assets	-	-	-	-
Unreserved:				
Designated for subsequent years' budgeted expenditures	-	-	-	-
Undesignated	704,342	110,051	-	-
Total fund balances	<u>704,342</u>	<u>110,051</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 704,342</u>	<u>\$ 129,384</u>	<u>\$ -</u>	<u>\$ -</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2009**

Debt Service Funds				
2003 Refunding Debt Fund	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	1993 Refunding Debt Fund	Total Nonmajor Governmental Funds
\$ 169,647	\$ 366,897	\$ 128,010	\$ 157,317	\$ 25,338,349
-	-	-	-	1,323,135
-	-	-	-	214,000
-	-	-	-	49,129
-	-	-	-	4,456,647
<u>\$ 169,647</u>	<u>\$ 366,897</u>	<u>\$ 128,010</u>	<u>\$ 157,317</u>	<u>\$ 31,381,260</u>
\$ -	\$ 604	\$ 121	\$ 219	\$ 1,285,737
15,514	59,881	-	28,195	383,950
-	-	-	-	454,155
15,514	60,485	121	28,414	2,123,842
-	-	-	-	4,453,957
-	-	-	-	3,052,735
154,133	306,412	127,889	128,903	21,750,726
154,133	306,412	127,889	128,903	29,257,418
<u>\$ 169,647</u>	<u>\$ 366,897</u>	<u>\$ 128,010</u>	<u>\$ 157,317</u>	<u>\$ 31,381,260</u>

City of Novi, Michigan

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
Revenue					
Property taxes	\$ -	\$ -	\$ 4,973,922	\$ -	\$ 1,343,258
Federal grants	-	-	-	-	135,957
State sources	2,052,426	727,666	-	-	761,760
Special assessments	107,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	55,316	29,277	117,567	21,949	32,585
Recreational programs	-	-	-	-	967,156
Donations	-	-	-	-	-
Other revenue	62,770	190,000	-	198,697	29,813
Total revenue	2,277,512	946,943	5,091,489	220,646	3,270,529
Expenditures					
Administration	500	500	-	-	-
Construction	1,436,427	1,741,049	-	-	-
Street maintenance	1,524,254	1,072,214	-	-	-
Drain maintenance	-	-	-	-	-
Recreational programs	-	-	-	-	2,039,331
Forestry and park maintenance	-	-	-	75,243	837,080
Library programs	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	1,987,611
Debt service	205,959	-	-	-	-
Total expenditures	3,167,140	2,813,763	-	75,243	4,864,022
Excess of Revenue Over (Under) Expenditures	(889,628)	(1,866,820)	5,091,489	145,403	(1,593,493)
Other Financing Sources (Uses)					
Transfers in	460,000	1,227,579	-	-	84,236
Transfers out	(637,335)	-	(4,501,000)	-	-
Total other financing sources (uses)	(177,335)	1,227,579	(4,501,000)	-	84,236
Net Change in Fund Balances	(1,066,963)	(639,241)	590,489	145,403	(1,509,257)
Fund Balances - Beginning of year	2,470,380	2,327,858	1,741,676	1,204,776	2,046,432
Fund Balances - End of year	\$ 1,403,417	\$ 1,688,617	\$ 2,332,165	\$ 1,350,179	\$ 537,175

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2009

Special Revenue Funds

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund
\$ 1,241,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,696,365	\$ -
199,917	-	-	-	-	-	-	-
-	-	-	-	-	-	34,288	-
2,230	-	-	-	-	-	-	-
-	-	-	-	-	756,364	116,341	-
172,516	240,444	64,852	2,324	4,844	15,583	79,017	30,460
-	-	-	-	-	-	-	-
-	-	-	-	26,132	-	-	23,094
11,515	14,267	-	-	-	-	32,793	-
1,627,406	254,711	64,852	2,324	30,976	771,947	2,958,804	53,554
-	-	500	-	-	-	-	-
422,602	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
610,898	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,531,152	-
-	-	-	120,805	3,914	32,390	-	-
-	-	-	-	-	860,268	-	-
-	-	-	-	-	-	-	-
1,033,500	-	500	120,805	3,914	892,658	2,531,152	-
593,906	254,711	64,352	(118,481)	27,062	(120,711)	427,652	53,554
-	-	-	425,000	-	-	-	-
-	-	-	-	(4,236)	-	-	-
-	-	-	425,000	(4,236)	-	-	-
593,906	254,711	64,352	306,519	22,826	(120,711)	427,652	53,554
6,249,750	5,694,905	2,313,362	219,532	135,259	1,110,418	1,687,907	1,400,193
\$ 6,843,656	\$ 5,949,616	\$ 2,377,714	\$ 526,051	\$ 158,085	\$ 989,707	\$ 2,115,559	\$ 1,453,747

(Continued on next page)

City of Novi, Michigan

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Revenue				
Property taxes	\$ -	\$ 1,008,773	\$ -	\$ -
Federal grants	-	-	-	-
State sources	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest income	11,494	2,070	-	-
Recreational programs	-	-	-	-
Donations	-	-	-	-
Other revenue	-	-	-	-
Total revenue	11,494	1,010,843	-	-
Expenditures				
Administration	-	-	-	-
Construction	-	-	-	-
Street maintenance	-	-	-	-
Drain maintenance	-	-	-	-
Recreational programs	-	-	-	-
Forestry and park maintenance	-	-	-	-
Library programs	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	1,000,813	250,475	119,756
Total expenditures	-	1,000,813	250,475	119,756
Excess of Revenue Over (Under) Expenditures	11,494	10,030	(250,475)	(119,756)
Other Financing Sources (Uses)				
Transfers in	-	-	250,475	119,756
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	250,475	119,756
Net Change in Fund Balances	11,494	10,030	-	-
Fund Balances - Beginning of year	692,848	100,021	-	-
Fund Balances - End of year	\$ 704,342	\$ 110,051	\$ -	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2009

Debt Service Funds				
2003 Refunding Debt Fund	2002 Street and Refunding Debt	2008 Library Construction Debt Fund	1993 Refunding Debt Fund	Total Nonmajor Governmental Funds
\$ 867,571	\$ 3,036,335	\$ 639,874	\$ 1,415,698	\$ 17,223,024
-	-	-	-	335,874
-	-	-	-	3,576,140
-	-	-	-	109,230
-	-	-	-	872,705
2,134	5,768	2,957	1,623	892,780
-	-	-	-	967,156
-	-	-	-	49,226
-	-	-	-	539,855
<u>869,705</u>	<u>3,042,103</u>	<u>642,831</u>	<u>1,417,321</u>	<u>24,565,990</u>
-	-	-	-	1,500
-	-	-	-	3,600,078
-	-	-	-	2,596,468
-	-	-	-	610,898
-	-	-	-	2,039,331
-	-	-	-	912,323
-	-	-	-	2,531,152
-	-	-	-	157,109
-	-	-	-	2,847,879
<u>866,950</u>	<u>3,072,562</u>	<u>514,952</u>	<u>1,425,113</u>	<u>7,456,580</u>
<u>866,950</u>	<u>3,072,562</u>	<u>514,952</u>	<u>1,425,113</u>	<u>22,753,318</u>
2,755	(30,459)	127,879	(7,792)	1,812,672
-	-	-	-	2,567,046
-	-	-	-	(5,142,571)
-	-	-	-	(2,575,525)
2,755	(30,459)	127,879	(7,792)	(762,853)
<u>151,378</u>	<u>336,871</u>	<u>10</u>	<u>136,695</u>	<u>30,020,271</u>
<u>\$ 154,133</u>	<u>\$ 306,412</u>	<u>\$ 127,889</u>	<u>\$ 128,903</u>	<u>\$ 29,257,418</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2009

Special Revenue - Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 2,134,438	\$ 2,046,438	\$ 2,052,426	\$ 5,988
Special assessments	107,001	107,001	107,000	(1)
Interest income	55,110	36,610	55,316	18,706
Transfers in	260,000	460,000	460,000	-
Other	-	62,000	62,770	770
Total revenue	<u>2,556,549</u>	<u>2,712,049</u>	<u>2,737,512</u>	<u>25,463</u>
Expenditures				
Administration	500	500	500	-
Construction	1,098,000	1,772,675	1,436,427	336,248
Routine maintenance	816,200	816,200	851,922	(35,722)
Traffic services	288,200	288,200	244,437	43,763
Winter maintenance	273,768	428,768	427,895	873
Debt service	202,981	202,981	205,959	(2,978)
Transfers out	653,774	631,774	637,335	(5,561)
Total expenditures	<u>3,333,423</u>	<u>4,141,098</u>	<u>3,804,475</u>	<u>336,623</u>
Net Change in Fund Balance	(776,874)	(1,429,049)	(1,066,963)	362,086
Fund Balance - Beginning of year	<u>2,470,380</u>	<u>2,470,380</u>	<u>2,470,380</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,693,506</u>	<u>\$ 1,041,331</u>	<u>\$ 1,403,417</u>	<u>\$ 362,086</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Local Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 753,044	\$ 725,044	\$ 727,666	\$ 2,622
Interest income	11,750	11,750	29,277	17,527
Transfers in	1,243,610	1,221,610	1,227,579	5,969
Other	-	190,000	190,000	-
Total revenue	2,008,404	2,148,404	2,174,522	26,118
Expenditures				
Administration	500	500	500	-
Construction	1,550,600	1,960,600	1,741,049	219,551
Routine maintenance	567,670	567,670	505,091	62,579
Traffic services	156,420	156,420	155,406	1,014
Winter maintenance	244,470	407,470	411,717	(4,247)
Total expenditures	2,519,660	3,092,660	2,813,763	278,897
Net Change in Fund Balance	(511,256)	(944,256)	(639,241)	305,015
Fund Balance - Beginning of year	2,327,858	2,327,858	2,327,858	-
Fund Balance - End of year	<u>\$ 1,816,602</u>	<u>\$ 1,383,602</u>	<u>\$ 1,688,617</u>	<u>\$ 305,015</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Police and Fire

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 5,052,000	\$ 5,052,000	\$ 4,973,922	\$ (78,078)
Interest income	54,170	54,170	117,567	63,397
Total revenue	5,106,170	5,106,170	5,091,489	(14,681)
Expenditures - Transfers out	4,501,000	4,501,000	4,501,000	-
Net Change in Fund Balance	605,170	605,170	590,489	(14,681)
Fund Balance - Beginning of year	1,741,676	1,741,676	1,741,676	-
Fund Balance - End of year	<u>\$ 2,346,846</u>	<u>\$ 2,346,846</u>	<u>\$ 2,332,165</u>	<u>\$ (14,681)</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Parks, Recreation, and Cultural Services

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 1,364,000	\$ 1,335,000	\$ 1,343,258	\$ 8,258
Federal grants	111,990	154,990	135,957	(19,033)
State grants	-	852,000	761,760	(90,240)
Program revenue	1,003,299	813,299	833,755	20,456
Older adults program revenue	133,901	143,901	133,401	(10,500)
Interest income	6,500	33,500	32,585	(915)
Other	6,000	29,000	29,813	813
Transfers in	1,093,232	81,100	84,236	3,136
Total revenue	3,718,922	3,442,790	3,354,765	(88,025)
Expenditures				
Administration				
Personal services	441,683	441,683	367,902	73,781
Supplies	57,465	60,465	54,321	6,144
Other services and charges	358,295	408,795	354,556	54,239
Capital outlay	446,000	2,106,470	1,915,352	191,118
Total administration	1,303,443	3,017,413	2,692,131	325,282
Recreation				
Personal services	349,999	349,999	233,433	116,566
Other services and charges	769,386	594,387	601,674	(7,287)
Total recreation	1,119,385	944,386	835,107	109,279
Older Adults				
Personal services	196,030	196,030	175,982	20,048
Supplies	4,250	5,250	6,208	(958)
Other services and charges	265,039	270,039	245,255	24,784
Capital outlay	41,000	41,000	39,977	1,023
Total senior citizens	506,319	512,319	467,422	44,897
Forestry and Park Maintenance				
Personal services	768,642	768,641	649,135	119,506
Supplies	21,625	21,625	20,145	1,480
Other services and charges	235,225	235,225	167,800	67,425
Capital outlay	26,500	34,500	32,282	2,218
Total forestry and park maintenance	1,051,992	1,059,991	869,362	190,629
Total expenditures	3,981,139	5,534,109	4,864,022	670,087
Net Change in Fund Balance	(262,217)	(2,091,319)	(1,509,257)	582,062
Fund Balance - Beginning of year	2,046,432	2,046,432	2,046,432	-
Fund Balance - End of year	\$ 1,784,215	\$ (44,887)	\$ 537,175	\$ 582,062

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Tree Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State grants	\$ -	\$ 20,000	\$ -	\$ (20,000)
Tree fund	25,000	25,000	174,659	149,659
Tree fund maintenance	2,500	2,500	24,038	21,538
Interest income	15,790	15,790	21,949	6,159
Total revenue	43,290	63,290	220,646	157,356
Expenditures - Forestry and park maintenance	200,200	240,200	75,243	164,957
Net Change in Fund Balance	(156,910)	(176,910)	145,403	322,313
Fund Balance - Beginning of year	1,204,776	1,204,776	1,204,776	-
Fund Balance - End of year	<u>\$ 1,047,866</u>	<u>\$ 1,027,866</u>	<u>\$ 1,350,179</u>	<u>\$ 322,313</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Drain Revenue

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 1,270,000	\$ 1,240,000	\$ 1,241,228	\$ 1,228
Federal grants	19,591	218,591	199,917	(18,674)
Special assessments	-	-	2,230	2,230
Interest income	76,740	106,740	172,516	65,776
Other	-	-	11,515	11,515
Total revenue	<u>1,366,331</u>	<u>1,565,331</u>	<u>1,627,406</u>	<u>62,075</u>
Expenditures				
Construction	1,037,850	1,086,895	422,602	664,293
Maintenance	778,389	799,389	610,898	188,491
Total expenditures	<u>1,816,239</u>	<u>1,886,284</u>	<u>1,033,500</u>	<u>852,784</u>
Net Change in Fund Balance	(449,908)	(320,953)	593,906	914,859
Fund Balance - Beginning of year	<u>6,249,750</u>	<u>6,249,750</u>	<u>6,249,750</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,799,842</u>	<u>\$ 5,928,797</u>	<u>\$ 6,843,656</u>	<u>\$ 914,859</u>

Special Revenue - Drain Perpetual Maintenance

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 63,335	\$ 63,335	\$ 240,444	\$ 177,109
Other	5,000	5,000	14,267	9,267
Total revenue	<u>68,335</u>	<u>68,335</u>	<u>254,711</u>	<u>186,376</u>
Fund Balance - Beginning of year	<u>5,694,905</u>	<u>5,694,905</u>	<u>5,694,905</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,763,240</u>	<u>\$ 5,763,240</u>	<u>\$ 5,949,616</u>	<u>\$ 186,376</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Special Assessment Revolving

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue - Interest income	\$ 39,800	\$ 39,800	\$ 64,852	\$ 25,052
Expenditures - Other	500	500	500	-
Net Change in Fund Balance	39,300	39,300	64,352	25,052
Fund Balance - Beginning of year	2,313,362	2,313,362	2,313,362	-
Fund Balance - End of year	<u>\$ 2,352,662</u>	<u>\$ 2,352,662</u>	<u>\$ 2,377,714</u>	<u>\$ 25,052</u>

Special Revenue - Judgment Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 1,900	\$ 1,900	\$ 2,324	\$ 424
Transfers in	425,000	425,000	425,000	-
Total revenue	426,900	426,900	427,324	424
Expenditures - Settlements and insurance claims	427,000	427,000	120,805	306,195
Net Change in Fund Balance	(100)	(100)	306,519	306,619
Fund Balance - Beginning of year	219,532	219,532	219,532	-
Fund Balance - End of year	<u>\$ 219,432</u>	<u>\$ 219,432</u>	<u>\$ 526,051</u>	<u>\$ 306,619</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Contributions and Donations

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 335	\$ 4,835	\$ 4,844	\$ 9
Donations	1,000	4,500	26,132	21,632
Total revenue	1,335	9,335	30,976	21,641
Expenditures				
Other	-	4,500	3,914	586
Transfers out	1,000	4,500	4,236	264
Total expenditures	1,000	9,000	8,150	850
Net Change in Fund Balance	335	335	22,826	22,491
Fund Balance - Beginning of year	135,259	135,259	135,259	-
Fund Balance - End of year	\$ 135,594	\$ 135,594	\$ 158,085	\$ 22,491

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Forfeiture Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Fines and forfeitures	\$ -	\$ 350,000	\$ 756,364	\$ 406,364
Interest income	1,010	18,760	15,583	(3,177)
Total revenue	1,010	368,760	771,947	403,187
Expenditures				
Supplies	16,900	16,900	16,828	72
Other services and charges	38,600	43,200	15,562	27,638
Capital outlay	182,928	927,428	860,268	67,160
Total expenditures	238,428	987,528	892,658	94,870
Net Change in Fund Balance	(237,418)	(618,768)	(120,711)	498,057
Fund Balance - Beginning of year	1,110,418	1,110,418	1,110,418	-
Fund Balance - End of year	<u>\$ 873,000</u>	<u>\$ 491,650</u>	<u>\$ 989,707</u>	<u>\$ 498,057</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 2,738,000	\$ 2,738,000	\$ 2,696,365	\$ (41,635)
State sources	18,000	18,000	34,288	16,288
Fines and forfeitures	104,000	104,000	116,341	12,341
Interest income	26,700	50,000	79,017	29,017
Other	23,200	23,200	32,793	9,593
Total revenue	2,909,900	2,933,200	2,958,804	25,604
Expenditures				
Personal services	1,752,450	1,838,750	1,746,060	92,690
Supplies	614,100	614,100	486,207	127,893
Other services and charges	430,350	415,350	298,885	116,465
Capital outlay	65,000	65,000	-	65,000
Total expenditures	2,861,900	2,933,200	2,531,152	402,048
Net Change in Fund Balance	48,000	-	427,652	427,652
Fund Balance - Beginning of year	1,687,907	1,687,907	1,687,907	-
Fund Balance - End of year	<u>\$ 1,735,907</u>	<u>\$ 1,687,907</u>	<u>\$ 2,115,559</u>	<u>\$ 427,652</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2009

Special Revenue - Walker Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 17,380	\$ 17,380	\$ 30,460	\$ 13,080
Donations	-	-	23,094	23,094
Total revenue	17,380	17,380	53,554	36,174
Fund Balance - Beginning of year	<u>1,400,193</u>	<u>1,400,193</u>	<u>1,400,193</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,417,573</u>	<u>\$ 1,417,573</u>	<u>\$ 1,453,747</u>	<u>\$ 36,174</u>

City of Novi, Michigan

Other Supplemental Information Agency Fund Statement of Changes in Assets and Liabilities Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Agency Fund</u>				
Assets - Cash, cash equivalents, and other	<u>\$ 12,623,905</u>	<u>\$ 146,612,012</u>	<u>\$ (148,506,495)</u>	<u>\$ 10,729,422</u>
Liabilities				
Due to builders and developers	\$ 12,602,067	\$ 6,315,535	\$ (8,212,427)	\$ 10,705,175
Due to schools and other governmental units	<u>21,838</u>	<u>145,290,151</u>	<u>(145,287,742)</u>	<u>24,247</u>
Total liabilities	<u>\$ 12,623,905</u>	<u>\$ 151,605,686</u>	<u>\$ (153,500,169)</u>	<u>\$ 10,729,422</u>

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required 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, the property tax.

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.

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

City of Novi, Michigan

Net Assets by Component Last Four Fiscal Years

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

Source: City's annual financial statements

City of Novi, Michigan

Changes in Net Assets Governmental Activities Last Four Fiscal Years

	Year Ended June 30			
	2006	2007	2008	2009
Expenses				
General government	\$ 6,984,091	\$ 7,596,971	\$ 8,527,694	\$ 6,857,555
Public safety	17,394,448	18,364,779	20,006,508	19,619,207
Public works	9,247,149	9,718,720	9,993,071	10,898,774
Community and economic development	629,371	976,357	774,299	1,277,239
Recreation and culture	5,893,891	5,427,777	5,412,373	5,389,349
Interest on long-term debt	2,691,960	2,293,205	2,221,714	2,343,833
Total expenses	42,840,910	44,377,809	46,935,659	46,385,957
Program Revenue				
Charges for services:				
Public safety	3,197,692	3,893,549	2,688,989	1,486,140
Recreation and culture	1,157,091	1,072,208	1,212,573	1,132,512
Other activities	815,190	695,444	424,270	309,179
Total charges for services	5,169,973	5,661,201	4,325,832	2,927,831
Operating grants and contributions	6,989,196	6,462,178	3,271,673	3,915,138
Capital grants and contributions	2,287,153	1,051,753	1,023,837	1,882,357
Total program revenue	14,446,322	13,175,132	8,621,342	8,725,326
Net Expense	(28,394,588)	(31,202,677)	(38,314,317)	(37,660,631)
General Revenue				
Property taxes	32,741,087	34,954,183	37,030,496	37,776,272
State-shared revenue	3,728,482	3,613,152	3,613,152	3,425,882
Unrestricted interest earnings	2,706,553	3,556,170	3,604,198	2,375,074
Unrestricted cable television franchise fees	301,318	335,863	352,197	422,430
Miscellaneous	966,400	855,834	1,112,008	1,369,730
Total general revenue	40,443,840	43,315,202	45,712,051	45,369,388
Change in Net Assets Before Transfers	12,049,252	12,112,525	7,397,734	7,708,757
Transfers	-	(694,000)	-	-
Change in Net Assets	<u>\$ 12,049,252</u>	<u>\$ 11,418,525</u>	<u>\$ 7,397,734</u>	<u>\$ 7,708,757</u>

Source: City's annual financial statements

City of Novi, Michigan

Changes in Net Assets Business-type Activities Last Four Fiscal Years

	Year Ended June 30			
	2006	2007	2008	2009
Expenses				
Water and sewer	\$ 17,669,658	\$ 17,283,267	\$ 18,816,944	\$ 18,216,338
Ice arena	1,736,197	1,719,682	1,785,941	1,755,459
Senior housing	1,662,803	1,829,283	1,829,889	1,736,707
Total expenses	21,068,658	20,832,232	22,432,774	21,708,504
Program Revenue				
Charges for services:				
Water and sewer	14,413,573	14,156,642	15,842,032	16,460,328
Ice arena	1,948,994	1,953,805	2,096,064	2,020,838
Senior housing	1,750,117	1,781,596	1,821,871	1,801,742
Total charges for services	18,112,684	17,892,043	19,759,967	20,282,908
Capital grants and contributions	11,439,392	4,429,990	3,417,107	3,087,188
Total program revenue	29,552,076	22,322,033	23,177,074	23,370,096
Net Revenue	8,483,418	1,489,801	744,300	1,661,592
General Revenue				
Unrestricted interest earnings	2,098,954	2,374,026	949,644	167,462
Miscellaneous	12,476	-	-	-
Total general revenue	2,111,430	2,374,026	949,644	167,462
Transfers in	-	694,000	-	-
Change in Net Assets	\$ 10,594,848	\$ 4,557,827	\$ 1,693,944	\$ 1,829,054

Source: City's annual financial statements

City of Novi, Michigan

	June 30				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ -	\$ 66,386	\$ 48,879	\$ 4,910	\$ -
Unreserved	2,581,745	4,337,737	4,651,976	5,288,136	5,133,307
Total General Fund	<u>\$ 2,581,745</u>	<u>\$ 4,404,123</u>	<u>\$ 4,700,855</u>	<u>\$ 5,293,046</u>	<u>\$ 5,133,307</u>
All Other Governmental Funds					
Reserved	\$ 100,819	\$ 13,785,461	\$ 109,290	\$ 1,572,501	\$ 6,311,395
Unreserved, reported in:					
Special Revenue Funds	12,448,172	14,544,390	23,992,512	20,300,100	17,299,383
Capital Project Funds	9,479,225	17,065,462	13,363,003	17,322,795	7,645,115
Debt Service Funds	686,543	754,779	823,211	958,761	1,372,204
Total all other governmental funds	<u>\$ 22,714,759</u>	<u>\$ 46,150,092</u>	<u>\$ 38,288,016</u>	<u>\$ 40,154,157</u>	<u>\$ 32,628,097</u>

Source: City's annual financial statements

**Fund Balances
Governmental Funds
Last Ten Fiscal Years**

June 30				
2005	2006	2007	2008	2009
\$ 64,742	\$ 454,025	\$ 1,037,182	\$ 172,263	\$ -
<u>7,139,595</u>	<u>10,059,345</u>	<u>10,577,595</u>	<u>12,240,776</u>	<u>10,314,220</u>
<u>\$ 7,204,337</u>	<u>\$ 10,513,370</u>	<u>\$ 11,614,777</u>	<u>\$ 12,413,039</u>	<u>\$ 10,314,220</u>
\$ 6,032,947	\$ 6,731,963	\$ 7,660,714	\$ 21,943,866	\$ 20,841,560
19,653,909	20,009,494	26,857,209	26,824,183	25,412,275
4,456,497	4,523,656	2,744,792	-	-
<u>1,022,959</u>	<u>1,491,063</u>	<u>1,449,850</u>	<u>1,417,823</u>	<u>1,531,730</u>
<u>\$ 31,166,312</u>	<u>\$ 32,756,176</u>	<u>\$ 38,712,565</u>	<u>\$ 50,185,872</u>	<u>\$ 47,785,565</u>

City of Novi, Michigan

	Year Ended June 30				
	2000	2001	2002	2003	2004
Revenue					
Taxes	\$ 20,500,721	\$ 22,119,501	\$ 24,295,219	\$ 26,579,364	\$ 28,321,001
Licenses, permits, and charges					
for services	2,249,562	2,472,503	2,394,190	2,710,259	3,067,750
Federal grants	486,638	536,154	820,901	554,498	300,066
State sources	6,128,094	6,622,204	7,104,544	7,012,000	6,859,367
Special assessments	341,631	668,661	1,109,137	1,096,950	1,137,287
Fines and forfeitures	355,851	350,737	359,760	384,847	469,068
Interest income	2,381,875	3,866,470	3,005,912	2,503,750	2,109,486
Recreational programs	696,555	676,415	758,648	897,234	771,552
Donations	-	-	-	1,470	1,008,007
Other revenue	2,307,357	714,708	1,840,213	2,435,998	1,023,024
Total revenue	35,448,284	38,027,353	41,688,524	44,176,370	45,066,608
Expenditures					
Current services:					
City Council	17,811	16,178	8,011	4,659	4,517
City manager	380,103	431,169	493,779	507,418	538,867
Finance	464,113	474,103	499,907	522,386	638,614
Information technology	325,567	237,050	325,008	345,997	347,143
Assessing	598,428	545,524	569,351	546,446	610,956
City attorney	459,933	386,080	960,517	428,163	548,850
City clerk	407,660	426,546	426,755	472,592	446,794
Treasury	294,420	283,244	243,738	251,015	272,318
Buildings and grounds	529,547	605,675	626,629	657,638	822,787
Neighborhood and business relations group (1)	158,916	190,932	158,654	260,243	254,535
General administration	1,396,418	1,393,840	1,367,451	1,404,932	1,498,761
Police department	6,941,713	7,861,860	7,846,717	8,400,100	9,020,762
Coalition that Cares	275,541	252,266	194,693	-	-
Fire department	2,427,116	2,680,184	3,190,241	3,269,965	3,452,750
Building division - Community development (2)	1,040,641	1,081,448	1,346,052	1,447,435	1,536,733
Neighborhood services	289,049	254,655	294,141	311,996	411,568
Department of Public Works	488,605	701,037	948,541	736,403	1,031,675
Municipal garage	65,840	(119,584)	-	-	-
Engineering	-	-	-	214,061	202,373
Planning commission	47,174	33,600	9,291	4,093	26,712
Planning division - Community development (2)	526,423	484,733	707,290	736,773	675,693
Construction	6,926,399	11,462,547	14,042,915	11,354,818	13,859,945
Street maintenance	1,645,265	2,141,759	2,228,811	2,716,638	2,182,470
Drain maintenance	-	-	-	-	407,066
Recreational programs	1,349,702	1,413,103	1,457,300	1,671,287	1,697,907
Forestry and park maintenance	530,604	599,921	664,061	720,223	898,072
Library programs	1,696,761	1,774,198	1,879,807	2,063,764	2,167,782
Special assessments refund	171,208	-	-	-	-
Other	-	-	206,545	2,930,374	330,636

**Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years**

		Year Ended June 30							
		2005	2006	2007	2008	2009			
\$	30,565,342	\$	32,741,087	\$	34,954,183	\$	37,030,496	\$	37,776,272
	3,722,805		3,835,567		4,464,140		3,100,389		1,825,491
	691,007		437,956		194,188		270,420		483,550
	6,820,821		7,075,986		6,640,108		6,651,174		7,032,331
	1,358,180		1,271,778		1,469,927		1,371,526		1,438,220
	1,841,171		3,070,343		3,223,117		658,388		1,262,933
	2,451,375		3,735,575		4,529,431		4,460,935		3,147,972
	847,606		918,047		864,760		962,418		967,156
	13,782		340,147		5,650		49,346		49,226
	1,015,413		2,526,651		1,671,891		1,197,343		1,601,451
	49,327,502		55,953,137		58,017,395		55,752,435		55,584,602
	5,142		6,714		4,833		21,580		8,965
	588,392		405,829		410,554		425,576		420,710
	683,494		721,668		893,732		876,915		906,598
	335,892		453,963		473,271		574,817		621,582
	628,395		660,643		695,564		791,884		881,136
	460,265		393,687		386,133		463,023		390,220
	545,666		485,907		527,221		543,327		636,981
	274,503		260,768		286,102		285,331		295,127
	699,789		648,426		1,026,280		960,778		1,669,302
	280,850		293,175		334,545		578,654		717,049
	1,342,756		1,708,636		2,568,173		1,870,418		1,728,883
	9,706,073		10,248,128		10,683,107		11,125,764		11,840,227
	-		-		-		-		-
	3,740,265		4,707,555		5,046,849		5,209,761		6,351,188
	1,769,951		1,746,988		2,132,757		2,495,615		2,012,522
	425,959		449,562		493,726		-		-
	665,697		961,073		737,554		998,536		1,177,144
	-		-		-		-		-
	374,411		277,607		367,279		364,198		476,489
	55,580		1,034		3,755		7,912		9,909
	607,832		621,035		673,842		743,118		615,171
	8,266,582		7,254,583		3,933,162		6,301,555		7,629,512
	2,724,585		2,691,092		2,361,203		2,840,343		3,125,742
	429,265		490,658		589,733		547,477		610,898
	1,802,210		1,912,578		1,878,091		1,921,020		2,039,331
	1,009,631		1,485,440		1,164,713		1,155,892		912,323
	2,222,296		2,313,923		2,386,812		2,529,724		2,531,152
	-		-		-		-		-
	177,186		356,326		547,425		1,430,650		184,026

City of Novi, Michigan

	Year Ended June 30				
	2000	2001	2002	2003	2004
Expenditures (Continued)					
Current services (Continued):					
Capital outlay	\$ 1,797,589	\$ 804,599	\$ 1,407,294	\$ 696,526	\$ 548,054
Debt service principal	3,446,305	3,868,592	3,488,000	4,114,000	4,836,319
Debt service interest	2,639,436	3,117,574	3,662,369	3,233,210	3,562,704
Total expenditures	<u>37,338,287</u>	<u>43,402,833</u>	<u>49,253,868</u>	<u>50,023,155</u>	<u>52,833,363</u>
Excess of Revenue Over (Under) Expenditures	(1,890,003)	(5,375,480)	(7,565,344)	(5,846,785)	(7,766,755)
Other Financing Sources (Uses)					
Issuance of debt	-	28,435,000	-	30,655,000	6,565,000
Payment to escrow agent	-	-	-	(22,777,930)	(6,484,044)
Transfers in	6,755,661	5,804,407	5,287,337	9,132,839	6,249,401
Transfers out	(6,755,661)	(5,804,407)	(5,287,337)	(8,892,195)	(6,249,401)
Total other financing sources (uses)	-	28,435,000	-	8,117,714	80,956
Transfers in Residual Equity	-	2,198,191	-	-	-
Net Change in Fund Balances	(1,890,003)	25,257,711	(7,565,344)	2,270,929	(7,685,799)
Fund Balances - Beginning of year	27,186,507	25,296,504	50,554,215	43,176,274	45,447,203
Fund Balances - End of year	<u>\$ 25,296,504</u>	<u>\$ 50,554,215</u>	<u>\$ 42,988,871</u>	<u>\$ 45,447,203</u>	<u>\$ 37,761,404</u>
Debt Service as a Percentage of Noncapital Expenditures	17.4%	17.5%	15.4%	19.4%	22.6%

(1) Formerly "community relations"

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

Source: City's annual financial statements

Changes in Fund Balances (Continued)
Governmental Funds
Last Ten Fiscal Years

Year Ended June 30				
2005	2006	2007	2008	2009
\$ 238,090	\$ 688,050	\$ 949,021	\$ 2,684,008	\$ 2,847,879
5,667,000	6,059,000	6,190,000	9,525,000	7,075,000
<u>2,990,500</u>	<u>2,750,192</u>	<u>2,520,162</u>	<u>2,207,990</u>	<u>2,368,662</u>
<u>48,718,257</u>	<u>51,054,240</u>	<u>50,265,599</u>	<u>59,480,866</u>	<u>60,083,728</u>
609,245	4,898,897	7,751,796	(3,728,431)	(4,499,126)
-	-	-	16,000,000	-
-	-	-	-	-
8,235,372	10,257,998	8,740,129	12,277,286	7,638,046
<u>(8,235,372)</u>	<u>(10,257,998)</u>	<u>(9,434,129)</u>	<u>(12,277,286)</u>	<u>(7,638,046)</u>
-	-	(694,000)	16,000,000	-
-	-	-	-	-
609,245	4,898,897	7,057,796	12,271,569	(4,499,126)
<u>37,761,404</u>	<u>38,370,649</u>	<u>43,269,546</u>	<u>50,327,342</u>	<u>62,598,911</u>
<u>\$ 38,370,649</u>	<u>\$ 43,269,546</u>	<u>\$ 50,327,342</u>	<u>\$ 62,598,911</u>	<u>\$ 58,099,785</u>
21.9%	21.3%	20.0%	24.2%	20.6%

City of Novi, Michigan

Year Ended June 30	Taxable Value by Property Type			
	Real Property			
	Residential	Commercial	Industrial	Developmental
2000	\$ 1,163,360	\$ 441,560	\$ 148,925	\$ 19,813
2001	1,251,256	480,266	159,582	33,876
2002	1,366,840	540,246	172,722	25,789
2003	1,498,310	611,164	188,025	24,604
2004	1,605,730	639,737	205,969	21,819
2005	1,746,995	703,099	225,091	19,225
2006	1,932,745	738,891	232,970	-
2007	2,144,509	785,263	239,100	-
2008	2,259,984	840,511	249,294	-
2009	2,238,676	875,710	257,605	-

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

Source: City's assessor department records

**Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**
(dollars in thousands)

Personal Property	Total Taxable Value	Tax Rate (Mills)	State Equalized Value	Taxable Value as a Percent of SEV
\$ 166,509	\$ 1,940,167	10.5477	\$ 2,274,362	85
170,023	2,095,003	10.5416	2,440,876	86
174,798	2,280,396	10.5416	2,677,663	85
188,178	2,510,282	10.5416	2,971,901	84
205,961	2,679,216	10.5416	3,196,089	84
206,140	2,900,549	10.5416	3,407,207	85
194,212	3,098,818	10.5416	3,580,551	87
195,190	3,364,062	10.5416	3,848,565	87
200,618	3,550,407	10.5416	3,946,242	90
210,457	3,582,448	10.5416	3,876,955	92

City of Novi, Michigan

City of Novi

Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
2000	4.1215	0.6815	1.4780	0.3995	0.6005	0.7989	2.4678	10.5477
2001	4.1215	0.6815	1.4567	0.3937	0.6005	0.7874	2.5003	10.5416
2002	4.4485	0.6815	1.4443	0.3902	0.6005	0.7806	2.1960	10.5416
2003	4.4551	0.7791	1.4416	0.3894	0.6005	0.7791	2.0968	10.5416
2004	4.4985	0.7776	1.4388	0.3886	0.6005	0.7776	2.0600	10.5416
2005	4.6422	0.7719	1.4282	0.3857	0.5105	0.7719	2.0312	10.5416
2006	4.6802	0.7719	1.4282	0.3857	0.5105	0.7719	1.9932	10.5416
2007	4.8051	0.7719	1.4282	0.3857	0.5105	0.7719	1.8683	10.5416
2008	4.8287	0.7719	1.4282	0.3857	0.5105	0.7719	1.8447	10.5416
2009	4.8287	0.7719	1.4282	0.3857	0.3590	0.7719	1.9962	10.5416

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

Source: City's finance department records

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(in thousands of dollars)**

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
10.6785	23.6208	8.0000	25.8524	7.8520	22.8000	5.5000	23.5000
10.3582	23.2663	8.0000	25.8524	8.0982	23.1000	5.0000	23.0000
12.1574	25.6000	8.0000	26.0000	7.9538	23.1000	5.0500	23.0500
11.6782	25.3453	8.0000	26.0000	7.4728	22.9884	4.7800	22.7800
11.3460	25.3049	8.0000	26.0000	7.5248	23.1000	4.7500	22.7500
12.0413	26.2032	8.5000	26.5000	7.0548	22.7900	5.2200	23.2200
11.7194	26.1532	8.5000	26.5000	6.8975	22.7900	4.9500	22.9500
10.6182	25.6732	8.5000	26.5000	6.7841	22.7900	4.4000	22.4000
10.0181	25.1332	8.5000	26.5000	6.6700	22.7900	4.2400	22.2400
9.9724	25.3332	8.5000	26.5000	6.5722	22.7900	3.9000	21.9000

City of Novi, Michigan

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (Continued) (in thousands of dollars)

Overlapping Government						
Fiscal Year Ended		Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
June 30	Oakland County					
2000	4.6522	1.6295	1.8440	2.0998	1.9974	6.0000
2001	4.6478	1.6109	1.8311	2.0752	1.9789	6.0000
2002	4.6438	1.5952	1.8195	3.4526	1.9753	6.0000
2003	4.6523	1.6090	1.8043	3.4224	3.4643	6.0000
2004	4.6497	1.5983	1.8024	3.3991	3.4643	5.0000 (1)
2005	4.6476	1.5889	1.7967	3.3789	3.4643	6.0000
2006	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2007	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2008	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2009	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000

- (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.

City of Novi, Michigan

Principal Taxpayers Current Year and Nine Years Ago

Taxpayer	2008 Taxable Value	Percentage of Total	2008 Rank	1999 Taxable Value	Percentage of Total	1999 Rank
Twelve Oaks Mall, LLC/Taubman	\$ 68,641,260	1.92	1	\$ 53,396,600	2.75	1
Singh Development	68,243,750	1.90	2	9,592,500	0.49	10
Novi Campus LLC - Fox Run	48,439,800	1.35	3			
Haggerty Corridor Partners	34,448,820	0.96	4			
Occidental Development Ltd.	29,250,410	0.82	5	22,654,220	1.17	2
TBON LLC/ET AL (Rock Financial Showplace) *	25,230,010	0.70	6			
HHT Devco LLC (Twelve Mile Crossing at Fountain Walk)	24,040,500	0.67	7			
Novi Town Center Investors, LLC	22,147,770	0.62	8	16,229,730	0.84	4
DTE Energy	20,391,880	0.57	9	20,486,160	1.06	3
ITC	19,150,950	0.53	10			
Delwal Corporation *				14,907,960	0.77	5
Solomon Properties Inc.				14,206,510	0.73	6
Ramco Novi I Co.				13,209,970	0.66	7
Northwestern Mutual				13,016,300	0.66	8
Progressive Tool & Industries				12,461,040	0.64	9

* Properties subject to Act 198 Exemption which can reduce the amount of property taxes paid up to 50 percent.

Note: The City obtained the nine years prior 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's assessor department records

City of Novi, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1999	2000	\$ 20,464,295	\$ 19,851,494	97.0	\$ 519,156	\$ 20,370,650	99.5
2000	2001	22,009,796	21,436,690	97.4	458,097	21,894,787	99.5
2001	2002	24,039,024	23,477,124	97.7	427,871	23,904,995	99.4
2002	2003	26,462,386	25,442,497	96.1	867,058	26,309,555	99.4
2003	2004	28,320,219	27,425,798	96.8	816,969	28,242,767	99.7
2004	2005	30,576,422	29,479,285	96.4	1,082,779	30,562,064	100.0
2005	2006	32,666,495	32,035,260	98.1	588,942	32,624,202	99.9
2006	2007	35,515,881	34,550,694	97.3	914,698	35,465,392	99.9
2007	2008	37,471,166	35,975,005	96.0	1,385,304	37,360,309	99.7
2008	2009	37,830,568	36,240,984	95.8	1,369,589	37,610,573	99.4

Source: City's finance department records

City of Novi, Michigan

	2000	2001	2002	2003
Governmental Activities				
General obligation bonds	\$ 49,645	\$ 56,463	\$ 53,861	\$ 57,884
Installment purchase agreements	180	154	126	97
Special assessment bonds	1,668	19,525	18,650	17,590
Equipment loan	100	-	-	-
Land contract	-	-	-	-
Total	51,593	76,142	72,637	75,571
Business-type Activities				
General obligation bonds	29,245	28,535	27,735	26,675
Special assessment bonds	667	400	200	-
Installment loans	61	35	7	-
Revenue bonds	15,195	14,965	14,535	14,105
Total	45,168	43,935	42,477	40,780
Total debt of the government	<u>\$ 96,761</u>	<u>\$ 120,077</u>	<u>\$ 115,114</u>	<u>\$ 116,351</u>
Total taxable value	\$ 1,940,167	\$ 2,095,003	\$ 2,280,396	\$ 2,510,282
Ratio of total debt to taxable value	4.99%	5.73%	5.05%	4.63%
Total population *	48,572	48,784	49,359	50,223
Total debt per capita	\$ 1,992	\$ 2,461	\$ 2,332	\$ 2,317

* Population estimate information obtained from the Southeast Michigan Council of Governments.
www.semcog.org

Source: City's annual financial statements

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

	2004	2005	2006	2007	2008	2009
\$	54,640	\$ 50,130	\$ 45,230	\$ 40,165	\$ 48,065	\$ 42,455
	66	34	-	-	-	-
	16,465	15,340	14,215	13,090	11,665	10,200
	-	-	-	-	-	-
	-	-	-	-	-	-
	71,171	65,504	59,445	53,255	59,730	52,655
	25,525	24,393	23,030	21,491	19,933	19,090
	2,330	2,255	2,080	1,905	1,730	1,530
	-	-	-	-	-	-
	13,680	13,155	-	-	-	-
	41,535	39,803	25,110	23,396	21,663	20,620
\$	112,706	\$ 105,307	\$ 84,555	\$ 76,651	\$ 81,393	\$ 73,275
\$	2,679,216	\$ 2,900,549	\$ 3,098,818	\$ 3,364,062	\$ 3,550,407	\$ 3,582,448
	4.21%	3.63%	2.73%	2.28%	2.29%	2.05%
	51,518	52,921	53,941	54,609	54,688	54,376
\$	2,188	\$ 1,990	\$ 1,568	\$ 1,404	\$ 1,488	\$ 1,348

City of Novi, Michigan

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

Fiscal Year	Tax-limited	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Obligation Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population*	Debt per Capita
	General Obligation Bonds (LTGO)								
2000	\$ -	\$ 46,920	\$ 2,725	\$ 280	\$ 49,925	\$ 1,940,167	2.57	48,572	\$ 1,028
2001	-	53,888	2,575	154	56,617	2,095,003	2.70	48,784	1,161
2002	-	51,436	2,425	126	53,987	2,280,396	2.37	49,359	1,094
2003	2,000	53,604	2,280	97	57,981	2,510,282	2.31	50,223	1,154
2004	1,850	50,775	2,015	66	54,706	2,679,216	2.04	51,518	1,062
2005	1,700	46,685	1,745	34	50,164	2,900,549	1.73	52,921	948
2006	1,525	42,225	1,480	-	45,230	3,098,818	1.46	53,941	839
2007	1,350	37,600	1,215	-	40,165	3,364,062	1.19	54,609	736
2008	1,150	46,005	910	-	48,065	3,550,407	1.35	54,688	879
2009	950	40,895	610	-	42,455	3,582,448	1.19	54,376	781

* Population estimate information obtained from the Southeast Michigan Council of Governments
www.semco.org

Source: City's finance department records

City of Novi, Michigan

Direct and Overlapping Governmental Activities Debt June 30, 2009 (dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 128,305	99.89	\$ 128,164
Northville School District	82,315	18.07	14,874
Walled Lake School District	166,105	12.07	20,049
South Lyon School District	197,345	2.22	4,381
Oakland County	103,300	5.53	5,712
Oakland Intermediate School District	51,860	4.76	2,469
Oakland Community College	6,965	4.58	<u>319</u>
Total overlapping debt			175,968
Direct City debt (1)			<u>41,845</u>
Total direct and overlapping debt			<u>\$ 217,813</u>

(1) Amount does not include water and sewer general obligations, MTF Transportation obligations, or Special Assessment obligations

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

City of Novi, Michigan

	2000	2001	2002	2003
Calculation of Debt Limit				
State equalized valuation	\$ 2,274,362	\$ 2,440,876	\$ 2,677,663	\$ 2,971,901
Assessed value equivalent of Act 198 exemptions (1)	1,825	-	-	-
Debt Limit (10% of SEV)	227,619	244,088	267,766	297,190
Calculation of Debt Subject to Limit				
Total debt	96,761	120,077	115,114	116,351
Less:				
Special assessment bonds	2,335	19,925	18,850	17,590
Michigan Transportation Fund bonds	2,725	2,575	2,425	2,280
Revenue bonds	15,195	14,965	14,535	14,105
Net Debt Subject to Limit	76,506	82,612	79,304	82,376
Legal Debt Margin	\$ 151,113	\$ 161,476	\$ 188,462	\$ 214,814
Net Debt Subject to Limit as Percent of Debt Limit	33.61%	33.85%	29.62%	27.72%

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

Source: City's finance department records

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

2004	2005	2006	2007	2008	2009
\$ 3,196,089	\$ 3,407,207	\$ 3,580,551	\$ 3,848,565	\$ 3,946,242	\$ 3,876,955
-	-	8,350	8,386	8,423	8,423
319,609	340,721	358,890	385,695	395,467	388,538
112,706	106,654	84,554	76,651	81,393	73,275
18,795	17,595	16,295	14,995	13,395	11,730
2,015	1,745	1,480	1,215	910	610
13,680	13,155	-	-	-	-
78,216	74,159	66,779	60,441	67,088	60,935
\$ 241,393	\$ 266,562	\$ 292,111	\$ 325,254	\$ 328,379	\$ 327,603
24.47%	21.77%	18.61%	15.67%	16.96%	15.68%

City of Novi, Michigan

Pledged-revenue Coverage Last Seven Fiscal Years (dollars in thousands)

Fiscal Year	Water and Sewer Revenue Bonds						Special Assessment Bonds				
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Special Assessment Collections	Debt Service			
				Principal	Interest	Coverage		Principal	Interest	Coverage	
2003	\$ 12,583	\$ 10,684	\$ 1,899	\$ 430	\$ 690	1.70	\$ 2,606	\$ 1,260	\$ 932	1.19	
2004	13,337	11,582	1,755	425	678	1.59	2,670	1,125	853	1.35	
2005	14,416	12,885	1,531	525	652	1.30	2,715	1,200	866	1.31	
2006	-	-	-	-	-	-	2,679	1,300	775	1.29	
2007	-	-	-	-	-	-	2,759	1,300	715	1.37	
2008	-	-	-	-	-	-	2,589	1,600	649	1.15	
2009	-	-	-	-	-	-	2,481	1,665	574	1.11	

Source: City's annual financial statements

City of Novi, Michigan

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2000	48,572	\$ 1,748,203	\$ 35,992	1.8
2001	48,784	*	*	1.6
2002	49,359	*	*	2.9
2003	50,223	*	*	3.5
2004	51,518	*	*	4.2
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

* Not available

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

City of Novi, Michigan

Principal Employers June 30, 2009

Employer	2009 Employees	Percentage of Total
1 St. John Health/Providence Park Hospital	1,000	3.85
2 Novi Community Schools	807	3.11
3 Intier/Magna	650	2.50
4 Ryder System	548	2.11
5 Macy's	539	2.08
6 ITC Holding, Inc.	400	1.54
7 Rock Financial Showplace	400	1.54
8 Ikon Office Solutions, Inc.	307	1.18
9 Paychex	300	1.16
10 Fox Run	300	1.16

Sources: City of Novi
Michigan Manufacturers' Directory - 2008

City of Novi, Michigan

Function/Program	2000	2001	2002	2003
City manager	3	3	4	4
Finance	6	6	6	6
Information technology	3	3	3	3
Assessing	8	8	7	7
City clerk	6	6	6	6
Treasury	3	3	3	3
Buildings and grounds	2	2	2	2
General administration	7	8	7	7
Police department	87	88	90	89
Fire department	25	25	27	28
Building department	17	17	18	18
Neighborhood services	5	5	4	4
Department of Public Works	26	26	30	26
Engineering	-	-	-	4
Parks, recreation, and cultural services	15	15	17	17
Water and sewer	12	12	11	12
Library	15	18	19	19
Community relations	1	1	1	2
Neighborhood and Business Relations Group (1)	-	-	-	-
Planning	8	8	9	8
Community development - Building, planning, and neighborhood services (2)	-	-	-	-
Total	249	254	264	265

(1) Formerly "community relations"

(2) Combined building, planning, and neighborhood services

Source: City's finance department records

Note: During the 2008-2009 fiscal year, 12 positions were eliminated and significant organizational changes were made to match operations with services and the financial conditions, which will be reflected in the 2009-2010 budget/actual.

**Full-time City Government Employees by Function/Program
Last Ten Fiscal Years**

2004	2005	2006	2007	2008	2009
4	4	3	3	3	3
7	7	8	8	8	8
3	3	4	4	5	5
7	7	7	7	7	7
6	6	6	6	6	6
3	3	3	3	3	3
2	2	2	2	2	2
7	6	6	7	5	6
94	97	97	99	99	99
29	31	30	31	31	31
18	18	18	18	-	-
5	5	5	5	-	-
25	25	23	23	23	24
4	5	5	5	6	6
18	18	18	18	19	17
12	12	13	13	12	12
21	20	20	20	20	20
2	2	2	3	-	-
-	-	-	-	4	4
8	8	8	8	-	-
-	-	-	-	31	31
<u>275</u>	<u>279</u>	<u>278</u>	<u>283</u>	<u>284</u>	<u>284</u>

City of Novi, Michigan

Function/Program	2000	2001	2002	2003	2004
Election data:					
Registered voters	31,474	31,972	30,534	30,428	30,572
Voters at polls	2,184	17,246	6,601	13,814	3,962
Absentee ballots	1,388	4,399	1,368	2,742	1,343
Percent voting	11.35%	67.70%	26.10%	54.41%	17.35%
Police:					
Part A crimes	2,742	2,768	2,682	2,509	2,530
Part B crimes	2,255	1,569	1,496	1,681	1,766
Injury accidents	340	278	325	281	266
Property damage	2,334	2,229	2,200	2,146	2,221
Moving traffic violations	6,795	7,035	7,280	6,161	10,353
Parking violations	757	721	706	542	620
Adult arrests	1,797	1,447	1,328	1,541	1,709
Juvenile arrests	335	187	210	227	261
OUIL arrests	448	302	259	306	451
False alarms	2,637	2,673	2,310	2,554	2,527
Fire:					
Fire incidents	276	130	135	154	137
Service incidents	729	949	1,062	1,215	1,343
Fire inspections conducted	2,477	2,263	2,691	3,054	2,849
Medical emergencies	1,672	1,968	2,052	2,083	2,187
Paid-on-call staff	68	56	56	60	55
Parks and recreation:					
Youth classes/clinics	525	743	832	250	1,000
Adult classes/clinics	1,724	300	312	300	400
Youth leagues	4,235	4,500	4,672	3,732	4,900
Adult leagues	2,850	2,915	2,775	2,640	2,010
Summer day camp	328	360	440	420	416
Lakeshore Park vehicle entry	3,458	3,523	4,140	3,850	3,410
Lakeshore Park attendance	6,945	7,078	9,050	8,740	10,230
Lakeshore Park picnic shelter rental	108	107	86	79	117
Senior citizens served (1)	91,637	96,000	90,500	90,700	90,680
Special event attendance	5,900	7,600	8,500	8,813	10,966
Civic Center rentals	1,261	2,532	2,596	2,807	3,765
Civic Center attendance	119,922	90,167	99,880	89,070	99,312
Novi Theaters - Cast	650	723	785	821	817
Novi Theaters - Audience	7,237	9,672	10,110	8,005	10,380
Library:					
Items circulated	333,691	335,185	352,814	400,441	411,599
Book collections	96,454	108,124	109,710	107,236	113,384
Audio/Video/CD collections	7,708	8,783	9,394	10,042	11,075
Periodical subscriptions	269	269	398	189	195
Requests of Information	55,646	73,376	79,071	88,873	86,403
Youth Summer Reading	1,325	1,249	1,354	1,547	1,577
Program participants	33,167	19,165	21,822	23,342	28,824
Visitors	-	-	-	-	-
Interlibrary loans	-	-	-	-	-

(1) Beginning in fiscal year 2007-2008, 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.

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

2005	2006	2007	2008	2009
32,131	32,301	33,253	35,117	36,320
25,432	4,495	20,612	9,020	19,684
5,783	2,256	4,500	2,768	8,455
79.15%	20.90%	62.00%	26.00%	77.48%
2,426	2,312	2,077	2,102	2,018
1,216	1,246	1,388	987	721
277	248	203	242	264
2,004	1,986	1,853	1,825	1,737
10,451	12,219	11,486	6,813	11,184
448	437	427	N/A	N/A
1,630	1,780	2,001	1,703	1,987
208	211	237	189	229
460	380	398	266	369
2,470	2,677	2,664	2,403	2,275
305	309	287	266	1,015
1,124	1,013	1,207	1,218	567
2,280	2,291	2,301	2,619	3,049
2,430	2,424	2,458	2,724	2,766
48	54	59	56	68
240	248	780	572	715
100	106	493	428	213
2,891	3,002	3,091	2,983	2,198
2,138	2,146	1,980	2,240	2,394
425	431	367	341	339
3,456	3,502	7,910	10,335	7,065
10,368	12,224	17,120	17,777	17,663
82	85	104	163	11,355
63,676	64,189	106,522	87,188	78,978
9,250	10,009	9,981	11,413	11,049
1,799	2,700	2,746	2,731	51
57,352	86,860	96,503	97,249	2,985
367	372	284	226	214
6,341	6,640	4,929	6,392	4,548
464,991	508,405	544,874	580,438	628,724
119,273	123,897	126,259	128,711	123,884
11,552	12,581	13,805	13,774	13,232
189	153	170	179	162
115,623	136,448	158,265	159,485	154,735
1,687	1,698	1,171	1,491	1,491
26,940	26,160	26,720	35,062	18,772
-	285,777	265,795	269,815	280,560
-	46,057	55,102	60,182	78,214

City of Novi, Michigan

Function/Program	2000	2001	2002	2003	2004
Water and sewer - Customers:					
Residential	10,233	11,780	10,040	12,504	10,684
Commercial	767	879	949	1,020	1,014
Water (in thousand gallons):					
Purchased from Detroit	2,070,099	1,980,099	1,984,209	2,204,351	2,213,689
Sold to customers	1,893,003	1,771,266	1,633,165	2,099,575	2,032,995
Rates:					
Minimum 7,000 gallons	\$ 21.25	\$ 21.75	\$ 27.00	\$ 27.00	\$ 28.00
Additional usage per 1,000 gallons	\$ 1.86	\$ 1.90	\$ 2.48	\$ 2.48	\$ 2.55
Sewer (per thousand gallons of water usage)	\$ 1.44	\$ 1.44	\$ 1.75	\$ 1.75	\$ 1.93

Source: City's finance department records

Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

	2005	2006	2007	2008	2009
	11,107	12,306	12,708	12,716	12,641
	1,024	1,108	1,399	1,280	1,287
	2,267,616	2,431,591	2,424,237	2,402,589	2,182,409
	2,117,038	2,256,309	2,355,938	2,192,050	2,079,696
\$	29.00	\$ 31.00	\$ 31.00	\$ 33.00	\$ 41.00
\$	2.78	\$ 2.94	\$ 2.94	\$ 3.17	\$ 3.95
\$	2.05	\$ 2.21	\$ 2.21	\$ 2.32	\$ 2.51

City of Novi, Michigan

Function/Program	2000	2001	2002	2003
Police - Stations	1	1	1	1
Fire - Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	31	31	31	32
Local	126	126	135	159
Estimated sidewalks in miles	37	37	39	41
Bridges	4	4	4	4
Street lights	400	400	400	400
Parks and recreation:				
Acres	844	844	844	844
Locations	10	10	10	9
Library - Branches	1	1	1	1
Water and sewer:				
Miles of water mains	172	175	180	180
Miles of sanitary sewers	195	200	203	215
Fire hydrants	2,700	3,000	3,080	-

Source: City's finance department records

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

2004	2005	2006	2007	2008	2009
1	1	1	1	1	1
4	4	4	4	4	4
39	39	39	39	39	40
107	116	116	123	127	128
39	69	170	248	248	257
4	4	4	4	4	4
401	401	401	402	402	418
844	894	894	894	894	991
10	7	7	7	7	11
1	1	1	1	1	1
180	280	288	288	288	306
227	230	230	230	230	243
3,077	3,139	3,763	4,010	4,011	4,003



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