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# NOVI focused government

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2011 • Novi, Michigan



Comprehensive Annual Financial Report

City of Novi, Michigan

*Fiscal Year Ended June 30, 2011*

City of Novi, Michigan  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011

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Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011

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October 24, 2011

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**

Bob Gatt

Terry K. Margolis

Andrew Mutch

Dave Staudt

Justin Fischer

Wayne Wrobel

**City Manager**

Clay J. Pearson

**City Clerk**

Maryanne Cornelius

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi (City) for the fiscal year ended June 30, 2011. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

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

**Reporting Changes**

The City of Novi has implemented the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and 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 are replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

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cityofnovi.org

## Profile of the Government

The City of Novi, incorporated in 1969, is strategically located in the southwestern portion of vibrant Oakland County. Located just 30 miles northwest of downtown Detroit, the City serves over 55,000 residents 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.

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

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

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

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

## Factors Affecting Financial Condition

**Local Economy** – Standard & Poor's, which provides credit ratings and other financial analysis, confirmed the City of Novi's high quality rating on general obligation bonds as AA+ in 2010. Standard & Poor's defines an AA+ rating as "having excellent financial security and being highly safe." This rating places Novi in an elite group of communities throughout the country. Standard & Poor's notes that "Novi's reputation as a desirable residence for professionals has reinforced its economic stability. Wealth and income levels as indicated by median household effective buying income are very strong at 157% and 154% of the state and national averages, respectively."

Since 2000, Novi's population has *increased 16.5 percent*. In 2011, Family Circle Magazine with a circulation of more than 20 million readers, identified **Novi as one of the top ten best towns and cities across the country for families**. Family Circle partnered with Onboard Informatics, a New York City research firm that provides real estate, demographic, and other data, to assemble an initial list of 2,500 cities and towns with populations between 15,000 and 150,000. From that, nearly 1,000 localities were selected with a high concentration of households with median incomes between \$55,000 and \$95,000. They then assessed and ranked which places best met their family-friendly criteria — including quality schools, access to health care, green space, low crime rate, and financial stability. Family Circle selected the ten winners from among the highest-rated towns.

Novi is also proud of its strong economic climate and offers a diverse mix of business opportunities spanning from the automotive market like **Harman Becker**, to software developers such as **Elektrobit** and **Autodesk**, as well as alternative energy firms like **Patrick Energy** and **Novi Energy**. Within the City of Novi, there are many good stories that aid in the overall quality of economic development. Some of those 2010-2011 milestones include:

- **Novi High School** officially begins offering International Baccalaureate coursework.
- A new **Novi Public Library** opens its doors.
- **Cooper Standard** emerges from bankruptcy with reported sales of 32% more than the previous year.
- Hotel Baronette undergoes completed renovations and becomes 4-star **Baronette Renaissance**, part of the Marriot hotel chain.
- **Tata Technologies** moved into LEED certified building and adds 200 jobs to its Novi Facility.
- One hundred five high tech/engineering jobs created in two months through MEGA incentives in Novi.
- Expansion of major automotive suppliers to Novi committed to include **Mando America**, **Metalsa**, and **Kongsberg Automotive**.

The City's reduction in taxable value for 2010 was, and is anticipated to decline in 2011. For the 2010 tax year, *the City of Novi ranked third-highest in total real property additions of any community in Oakland County*. Novi remains strong with a diverse tax mix of residential, manufacturing, office, service and technology, and retail-recreational centers and continues to provide a stable environment to attract new investment within Novi. Novi remains on sound financial footing despite the prevailing tough economic conditions because of continued focus on core strategies and investments within our community that have produced sound financial results and satisfied citizen perceptions (National Citizen Survey).

**Long-term Financial Planning** – The 2010 Census reports Novi's population at 55,224, which is a 16.5% increase from the 2000 Census population of 47,386. The 2010 Census data is required to be used for the Constitutional portion of State Shared Revenue distributions beginning mid-2011. A constitutional portion is distributed to cities, villages, and townships based on a community's population and cannot be eliminated without a vote of the people. As a result of the population increase, the Constitutional share of Novi's State Revenue Sharing is estimated to increase by approximately \$500,000 beginning in 2010-2011. For the fiscal year ended June 30, 2011, Novi's reliance on revenue sharing payments represents 13% of total general fund revenues and other financing sources or \$3,725,690. Novi's revenue sharing distribution increased by 22% or \$678,711 from the prior fiscal year. The City did not receive any statutory State Revenue Sharing for the fiscal year ended June 30, 2011.

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits up to the maximum caps. Administrative employees who left their employment with the City of Novi were paid fifty (50%) percent of their accumulated sick leave up to a maximum of 130 days. In order to reduce the future impact of this sick leave liability, the City has discontinued the accrual of sick leave days for administrative employees and will pay out the balances remaining as of December 31, 2010 to employees over the next three years. This action will reduce the City's liability for these vested sick leave benefits by approximately \$590,000. In addition, full-time staffing has been reduced by 14.3% or 34 positions from fiscal year 2009-10.

**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 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. To eliminate future pension liabilities, Novi has closed the Defined Benefit Pension as well as the Retiree Healthcare Benefits Plans for the following groups:

- Administrative employees hired after May 1, 2006;
- Michigan Association of Public Employees (MAPE – formerly Teamster) employees hired after December 1, 2006;
- Full-time fire fighter employees hired after June 1, 2009;
- Dispatchers hired after September 1, 2011;
- Police clerks hired after October 1, 2011.

**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, 2010. This was the thirteenth year that the City of Novi has received this prestigious award.

**Acknowledgements** – The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks to the independent auditing firm of Andrews Hooper Pavlik PLC who provided assistance during the audit by way of document reviews. 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, 2010

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 stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

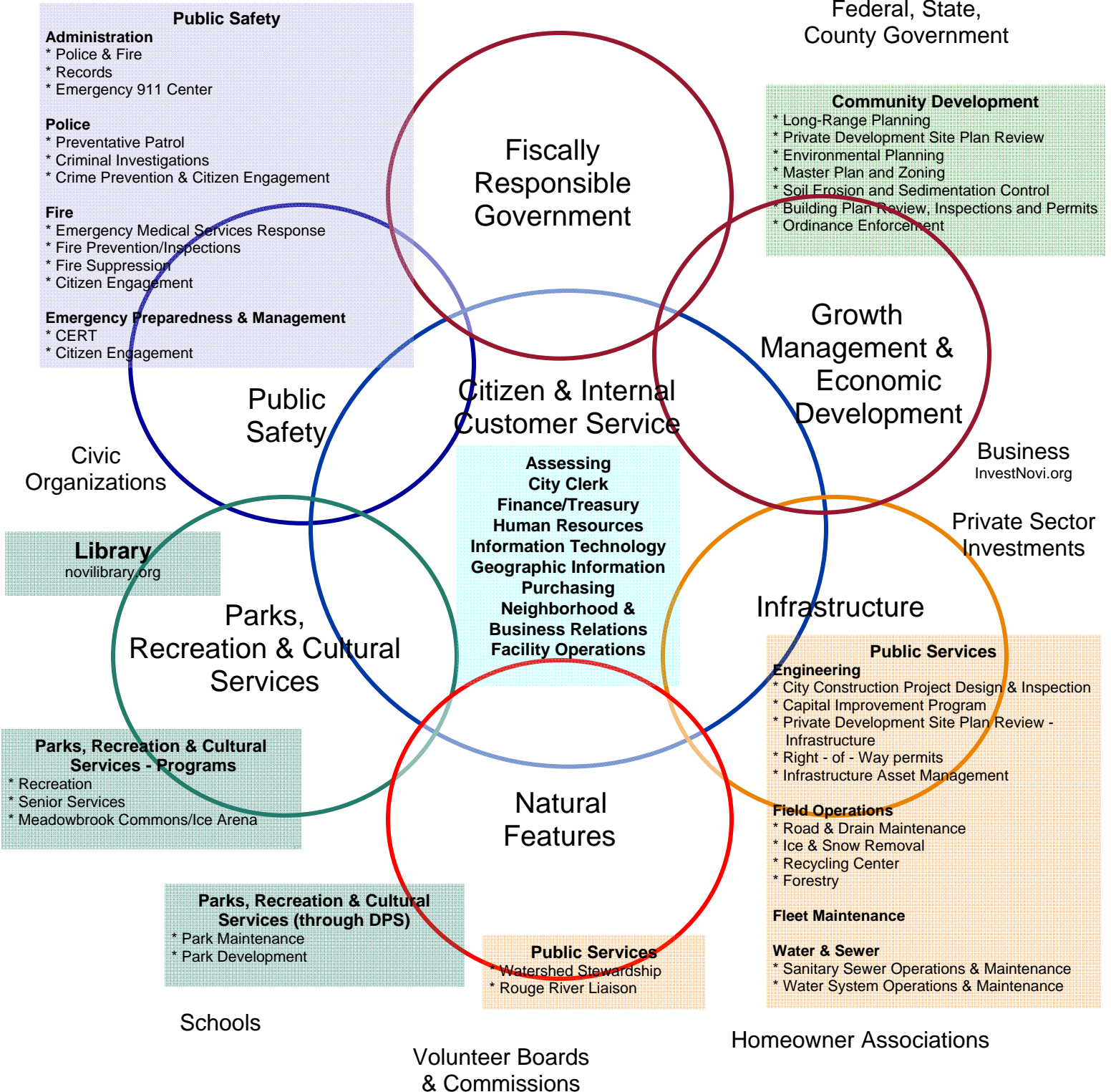
Executive Director

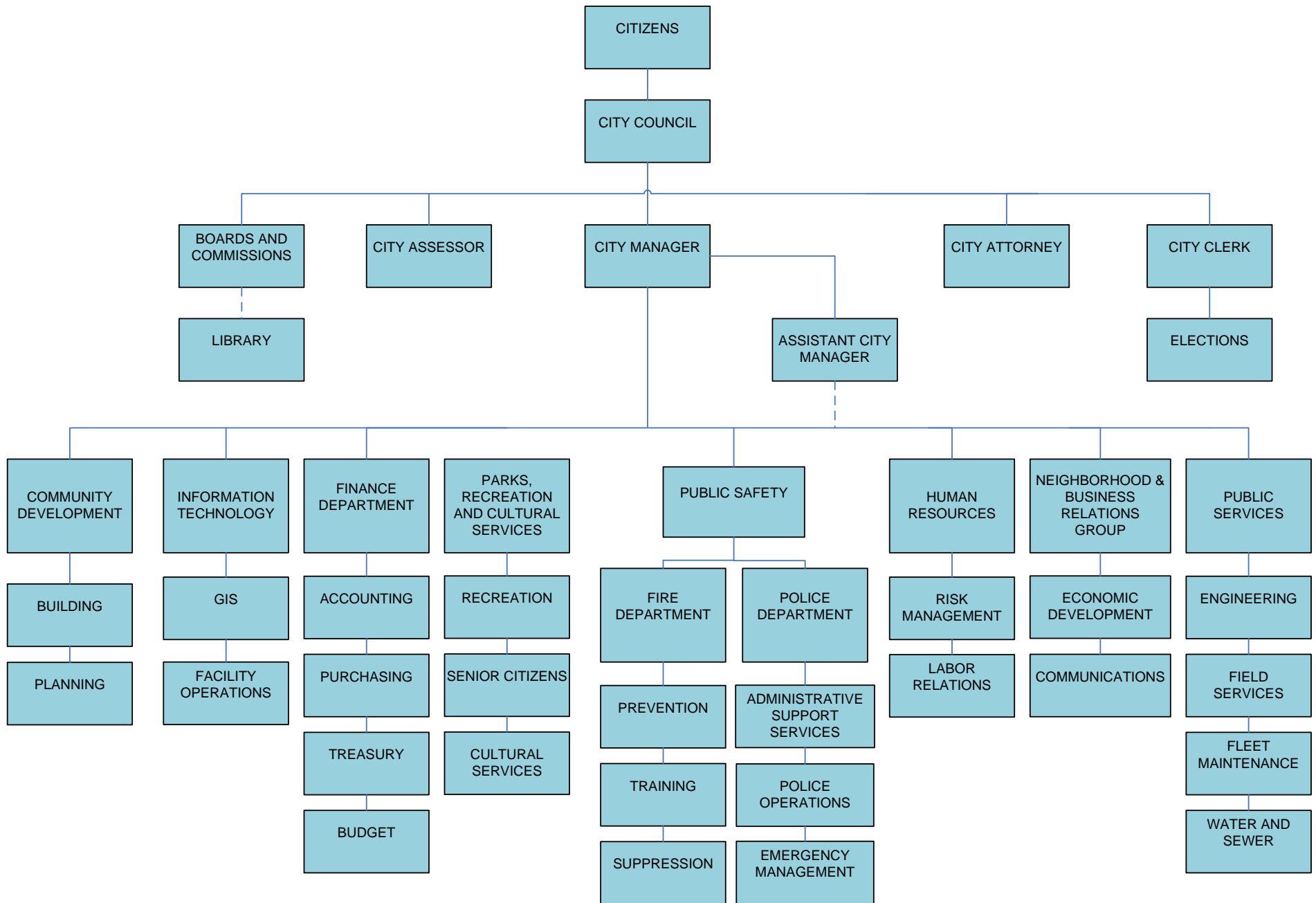


# Organizational Chart

Mayor and City Council  
Office of the City Manager

Citizens





City of Novi, Michigan  
List of Principal Officials  
June 30, 2011

<u>Title</u>	<u>Name</u>
City Manager	Clay J. Pearson
Assistant City Manager	Victor Cardenas
Assessor	David G. Lemmon
Deputy Assessor	Marjorie D. Bixby
City Clerk	Maryanne Cornelius
Deputy City Clerk	Cortney A. Hanson
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Roadway Asset Manager	Gerald P. Tremblay
Water and Sewer Manager	Robert M. West
Director of Public Services/City Engineer	Robert F. Hayes
Engineering Manager	Brian T. Coburn
Fleet Asset Manager/Analyst Planner	Becky C. Arold
Director of Information Technology/Facilities Operations	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
Director of Emergency Medical Services and Fire Operations	Jeffery R. Johnson
Parks, Recreation, and Cultural Services Director	Jason S. Mangum
Superintendent of Recreation Services	(Vacant)
Field Operation Services Manager	Matthew T. Wiktorowski
Senior Services Manager	Rachel A. Zagaroli
Director of Public Safety	David E. Molloy
Deputy Police Chief	Thomas C. Lindberg
Assistant Police Chief	Victor C.M. Lauria
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
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 Debt	Police and Fire
2003 Refunding Debt	Parks, Recreation, and Cultural Services
2002 Street and Refunding Debt	Tree Fund
2008 Library Construction Debt	Drain Revenue
2010 Refunding Debt	Drain Perpetual Maintenance
	Special Assessment Revolving
<u>Capital Projects</u>	Judgment Trust
2008 Library Construction	Contributions and Donations
	Forfeiture
	Library
	Walker Library

**Proprietary Fund - Enterprise Funds**

Ice Arena Water and Sewer Senior Housing
--

**Fiduciary Funds**

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

**Component Unit**

Economic Development Corporation
----------------------------------

## Report of Independent Auditors

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 (City) as of and for the year ended June 30, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011 on our consideration of the City of Novi, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose

of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi, Michigan's financial statements as a whole. The introductory section, other supplementary information (identified in the table of contents), and statistical section (identified in the table of contents), are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Andrew Hooper Pavlik PLC*

Auburn Hills, Michigan  
October 24, 2011

# City of Novi, Michigan

## Management's Discussion and Analysis

The City of Novi, Michigan's (City) discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2011. The information presented here should be read in conjunction with our letter of transmittal, the financial statements, and notes to the financial statements that follow.

### Financial Highlights

- \* Total assets related to the City's governmental activities exceeded liabilities at June 30, 2011 by \$157,170,914.
- \* Investment in capital assets (net of depreciation and related debt) accounts for over half of this amount, with a value of \$101,958,721.
- \* Of the remaining net assets, \$12,295,232 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 \$4,266,112, or 2.8% during fiscal year 2010-2011. As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$49,420,164. Fund balance of the General Fund totaled \$11,417,075 at June 30, 2011, an increase of \$1,706,672 in comparison with the prior year. Of this amount, \$7,119,437 is unassigned, which represents 25% of budgeted annual expenditures.
- \* Total debt obligations were *reduced by \$8,687,818* from the prior year. Total direct debt at June 30, 2011, was \$55,925,472.

### Overview of the Financial Statements

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

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

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



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

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

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

**Governmental Funds** – The City of Novi maintains 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, 2011. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the other supplementary information section of this report.

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

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

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

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

**Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, ice arena, and senior housing activities. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the proprietary fund statement of net 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, the Ice Arena Fund, and the Senior Housing Fund.

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

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

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

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

**Government-wide Financial Analysis**

**Statement of Net 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 \$331,370,971 at the close of June 30, 2011. The following table shows, in a condensed format, the net assets as of June 30, 2011 and 2010.

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current assets	\$ 56,526,543	\$ 53,634,208	\$ 51,128,128	\$ 46,730,324	\$107,654,671	\$100,364,532
Noncurrent assets:						
Restricted assets	6,688,492	10,682,402	8,175,188	8,429,638	14,863,680	19,112,040
Capital assets	139,395,177	142,382,892	138,534,963	141,638,638	277,930,140	284,021,530
Other	348,004	267,937	27,796	23,367	375,800	291,304
Total assets	202,958,216	206,967,439	197,866,075	196,821,967	400,824,291	403,789,406
<b>Liabilities</b>						
Current liabilities	14,383,230	15,385,533	6,357,002	5,500,769	20,740,232	20,886,302
Long-term liabilities	31,404,072	38,677,104	17,309,016	18,392,543	48,713,088	57,069,647
Total liabilities	45,787,302	54,062,637	23,666,018	23,893,312	69,453,320	77,955,949
<b>Net Assets</b>						
Invested in capital assets-						
Net of related debt	101,958,721	98,921,906	120,045,947	122,111,095	222,004,668	221,033,001
Restricted	42,916,961	45,653,695	8,175,188	8,429,638	51,092,149	54,083,333
Unrestricted	12,295,232	8,329,201	45,978,922	42,387,922	58,274,154	50,717,123
Total net assets	\$157,170,914	\$152,904,802	\$174,200,057	\$172,928,655	\$ 331,370,971	\$ 325,833,457

Over 66% of the City's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets related to governmental activities of \$12,295,232 represent the amount that may be used to meet the City's ongoing obligations.

**Changes in Net Assets** – The City's total net assets increased by \$5,537,514 during fiscal year 2010-2011. Governmental activities increased net assets by \$4,266,112, which represents 77% of the total growth in net assets for the City. The unrestricted portion of net assets related to governmental activities increased by \$3,966,031. This increase in unrestricted net assets is primarily a result of significant savings in personnel related costs of approximately \$1 million due to a 14% reduction in full-time staffing as well as wage and benefit concessions. In addition, Novi's revenue sharing distribution increased by 22% or \$678,711 from the prior fiscal year as a result of a 16.5% increase from the 2000 Census population. During the year, \$2 million was transferred to the Special Assessment Revolving Fund as a result of the closure of several special assessment funds. The transfer represents cumulative interest spanning 15-20 years on these special assessment districts.

Business-type activities increased net assets by \$1,271,402, which represents 23% of the total growth in net assets for the City. This increase is a result of several factors. Both the Ice Arena and Senior Housing Fund recognized grant proceeds funded by the American Recovery and Reinvestment Act of 2009 from the Department of Energy. In addition, the Water and Sewer Fund recognized \$1.7 million in system-connection related fees and water and sewer lines contributed by developers.

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

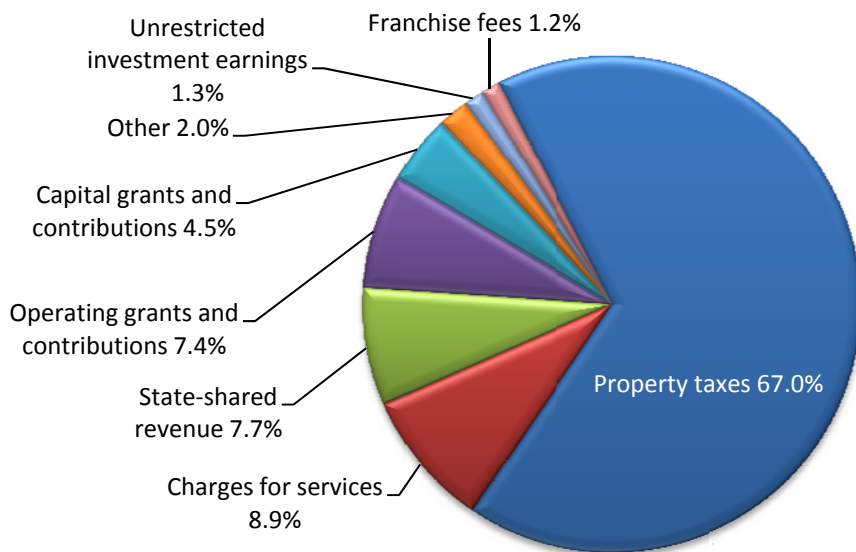
Key elements of this increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 4,350,930	\$ 3,198,540	\$ 22,476,962	\$ 20,231,325	\$ 26,827,892	\$ 23,429,865
Operating grants and contributions	3,620,833	3,391,897	-	-	3,620,833	3,391,897
Capital grants and contributions	2,176,263	1,070,050	2,002,749	1,443,974	4,179,012	2,514,024
General revenue:						
Property taxes	32,550,375	37,137,888	-	-	32,550,375	37,137,888
State-shared revenue	3,725,690	3,046,979	-	-	3,725,690	3,046,979
Unrestricted investment earnings	626,449	593,064	493,314	388,711	1,119,763	981,775
Franchise fees	601,350	535,804	-	-	601,350	535,804
Other	961,921	823,054	-	-	961,921	823,054
<b>Total revenue</b>	<b>48,613,811</b>	<b>49,797,276</b>	<b>24,973,025</b>	<b>22,064,010</b>	<b>73,586,836</b>	<b>71,861,286</b>
<b>Expenses</b>						
General government	6,315,571	6,404,820	-	-	6,315,571	6,404,820
Public safety	18,331,488	18,735,448	-	-	18,331,488	18,735,448
Public works	11,548,677	9,831,873	-	-	11,548,677	9,831,873
Community and economic development	1,241,411	1,317,373	-	-	1,241,411	1,317,373
Recreation and culture	5,151,212	7,719,230	-	-	5,151,212	7,719,230
Interest on long-term debt	1,759,340	1,780,848	-	-	1,759,340	1,780,848
Water and sewer	-	-	20,419,330	18,043,772	20,419,330	18,043,772
Ice arena	-	-	1,704,596	1,669,542	1,704,596	1,669,542
Senior housing	-	-	1,577,697	1,575,178	1,577,697	1,575,178
<b>Total expenses</b>	<b>44,347,699</b>	<b>45,789,592</b>	<b>23,701,623</b>	<b>21,288,492</b>	<b>68,049,322</b>	<b>67,078,084</b>
<b>Change in Net Assets</b>	<b>4,266,112</b>	<b>4,007,684</b>	<b>1,271,402</b>	<b>775,518</b>	<b>5,537,514</b>	<b>4,783,202</b>
<b>Net Assets – Beginning of year</b>	<b>152,904,802</b>	<b>148,897,118</b>	<b>172,928,655</b>	<b>172,153,137</b>	<b>325,833,457</b>	<b>321,050,255</b>
<b>Net Assets – End of year</b>	<b>\$157,170,914</b>	<b>\$152,904,802</b>	<b>\$174,200,057</b>	<b>\$172,928,655</b>	<b>\$331,370,971</b>	<b>\$325,833,457</b>

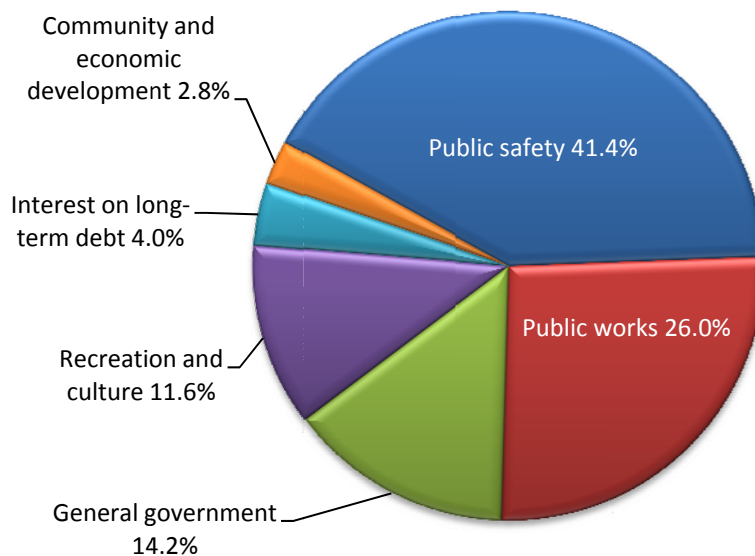
City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Governmental Activities** – Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 20.8% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.

**Revenue by Source - Governmental Activities**



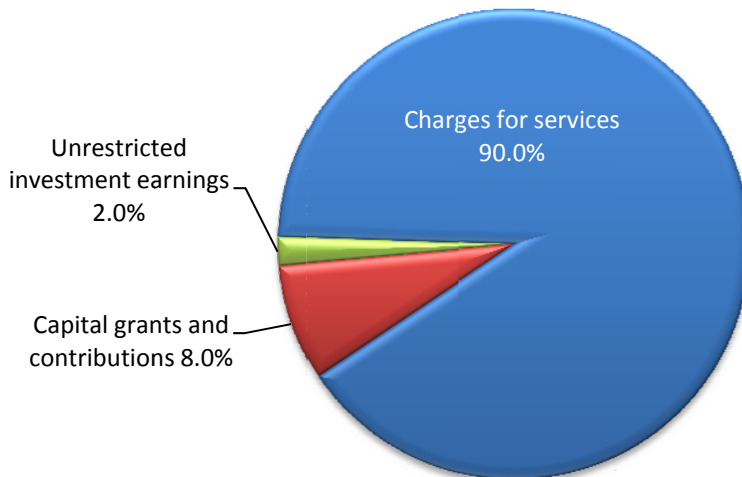
**Expenses by Activity - Governmental Activities**



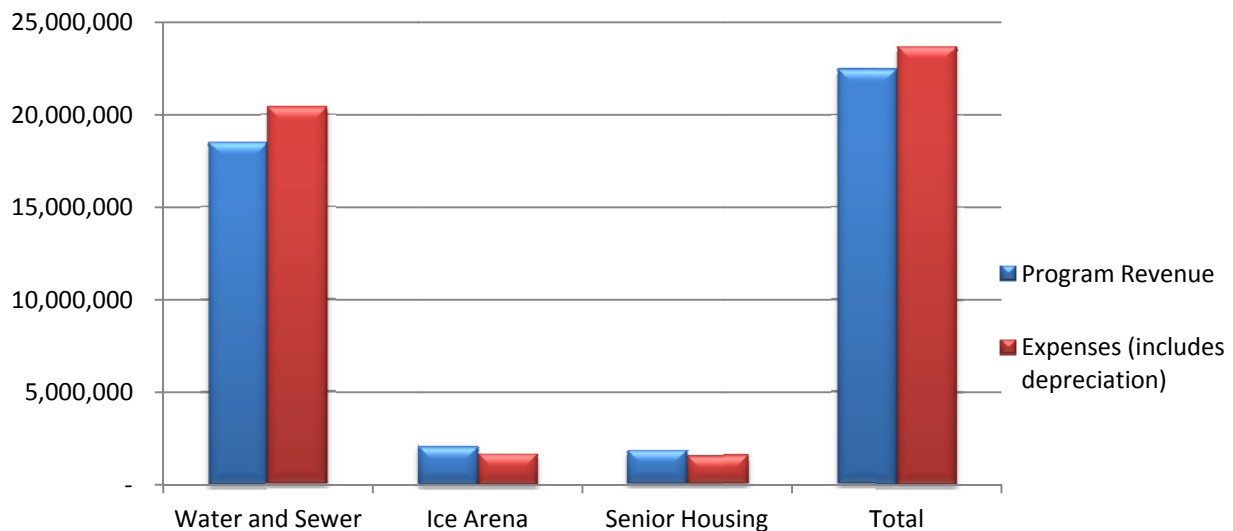
City of Novi, Michigan  
Management's Discussion and Analysis (continued)

**Business-type Activities** – Business-type activities increased the City's net assets by \$1,271,402. This increase is a result of several factors. Both the Ice Arena Fund and Senior Housing Fund recognized grant proceeds funded by the American Recovery and Reinvestment Act of 2009 from the Department of Energy. These funds were used to install energy conservation measures which included the rebuild of two existing refrigeration compressors, installation of hot water systems waste heat systems, and the installation of an Ice Plant automated management system. In addition, the Water and Sewer Fund recognized \$1.7 million in system-connection related fees and water and sewer lines contributed by developers.

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



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



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

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

**Governmental Funds** – The City has 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.

As of June 30, 2011, the governmental funds of the City reported a combined fund balance of \$49,420,164, an increase of \$610,474 in comparison with the prior year. The majority of this total amount, or \$39,200,213, is restricted or assigned for specific purposes, which include road construction and maintenance, storm water systems, assessments, debt service, Library operations, police and fire operations, etc. Fund balance of the General Fund totaled \$11,417,075 at June 30, 2011, an increase of \$1,706,672 in comparison with the prior year. Of this amount, \$7,119,437 is unassigned, which represents 25% of budgeted annual expenditures.

**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 8.5%.

**General Fund Budgetary Highlights**

The City's budget results for the fiscal year ended June 30, 2011, were even better than anticipated. For the fiscal year ended June 30, 2011, actual results of operations exceeded projections for the year by approximately \$1 million, primarily due to \$589,400 of unspent capital outlay expenditures that were rolled over and included with the first budget amendment of fiscal year 2011-12. In addition, revenue sharing payments were slightly greater than projected by \$185,790 as a result of the increase in population in the formula for the Constitutional share of Novi's distribution. Novi's revenue sharing distribution for the fiscal year ended June 30, 2011 increased by 22% or \$678,711 from the prior fiscal year. The City received \$601,350 in franchise fees through an agreement with AT&T and participation in the joint venture, Southwest Oakland Cable Commission. The \$103,988 of PEG fees received from the agreement must be used for capital.

**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, 2011 totals \$277,930,140 (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	
	2011	2010	2011	2010	2011	2010
Land	\$ 26,911,254	\$ 26,865,660	\$ 2,115,198	\$ 2,115,198	\$ 29,026,452	\$ 28,980,858
Buildings and improvements	28,203,004	28,123,968	16,177,189	16,628,026	44,380,195	44,751,994
Machinery and equipment and library books	6,998,549	7,219,605	371,865	359,579	7,370,412	7,579,184
Infrastructure	77,282,370	80,173,659	116,124,548	116,437,009	193,406,917	196,610,668
Construction in progress	-	-	3,746,163	6,098,826	3,746,164	6,098,826
Total	<u>\$ 139,395,177</u>	<u>\$ 142,382,892</u>	<u>\$ 138,534,963</u>	<u>\$ 141,638,638</u>	<u>\$ 277,930,140</u>	<u>\$ 284,021,530</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, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 30,086,456	\$ 36,020,747	\$ -	\$ -	\$ 30,086,456	\$ 36,020,747
Michigan transportation fund bonds	-	315,000	-	-	-	315,000
Special assessment debt with government commitment	7,350,000	8,750,000	1,155,000	1,330,000	8,505,000	10,080,000
Building authority bonds	-	-	17,334,016	18,197,543	17,334,016	18,197,543
<b>Total</b>	<b>\$ 37,436,456</b>	<b>\$ 45,085,747</b>	<b>\$ 18,489,016</b>	<b>\$ 19,527,543</b>	<b>\$ 55,925,472</b>	<b>\$ 64,613,290</b>

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 2011-2012 budget, continues to maintain an amount above the minimum of 18% of current year's expenditures to be set aside for unforeseen emergencies. The General Fund property tax revenue is estimated at \$14,526,000 for 2011-2012. Reductions in 2011 assessed values will translate into a decrease in taxable value of 7% from 2010.

The State Shared Revenue projections for 2011-2012 are based on the State's estimate. The 2010 Census has resulted in an increase for the City as a result of the impact of an increase in population on the formula for the constitutional portion of this revenue. A reduction of over 7% of our full-time staffing positions has been achieved. The Police and Fire Fund transfer covers some personnel, operating, and capital costs. The 2011-2012 transfer is \$2,380,000.

The 2011 approved tax millage rate continues to remain at 10.5416 mills. Fund balance of the General Fund totaled \$11,417,075 at June 30, 2011, an increase of \$1,706,672 in comparison with the prior year. Of this amount, \$7,119,437 is unassigned, which represents 25% of budgeted annual 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](http://www.cityofnovi.org) or contact the finance department directly at 248-347-0465.



City of Novi, Michigan  
Statement of Net Assets  
June 30, 2011

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 46,324,101	\$ 46,555,964	\$ 92,880,065	\$ 45,327
Accounts receivable:				
Other governmental units	1,167,587	2,173	1,169,760	-
Water and sewer billings	-	4,242,575	4,242,575	-
Taxes	23,960	144,282	168,242	-
Special assessments	8,886,615	-	8,886,615	-
Other	122,640	95,322	217,962	35,000
Prepaid items and other assets	1,640	486	2,126	-
Inventory	-	87,326	87,326	-
Restricted assets (Note 4)	6,688,492	8,175,188	14,863,680	-
Other postemployment benefits asset (Note 12)	348,004	27,796	375,800	-
Capital assets - Net (Note 5):				
Depreciable	112,483,923	132,673,602	245,157,525	-
Nondepreciable	26,911,254	5,861,361	32,772,615	-
Total assets	202,958,216	197,866,075	400,824,291	80,327
<b>Liabilities</b>				
Accounts payable	2,006,117	3,481,488	5,487,605	626
Accrued and other liabilities	3,128,173	418,369	3,546,542	-
Due to other governmental units	-	950,575	950,575	-
Unearned revenue (Note 6)	181,166	7,262	188,428	-
Receipts refundable	-	207,838	207,838	-
Noncurrent liabilities:				
Bonds payable (Note 7):				
Due within one year	6,855,000	1,180,000	8,035,000	-
Due in more than one year	30,581,456	17,309,016	47,890,472	-
Employee compensated absences (Note 1):				
Due within one year	1,918,410	111,470	2,029,880	-
Due in more than one year	822,616	-	822,616	-
Claims and judgments due within one year (Note 8)	294,364	-	294,364	-
Total liabilities	45,787,302	23,666,018	69,453,320	626
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	101,958,721	120,045,947	222,004,668	-
Restricted:				
Streets and highways	5,547,588	-	5,547,588	-
Drains	10,965,831	-	10,965,831	-
Debt service	1,240,366	-	1,240,366	-
Special assessments	13,963,828	8,175,188	22,139,016	-
Police and fire	3,273,244	-	3,273,244	-
Federal forfeitures	810,491	-	810,491	-
Parks, recreation, and cultural services	1,534,951	-	1,534,951	-
Library	2,441,938	-	2,441,938	-
Donations	1,611,280	-	1,611,280	-
Tree fund	1,527,444	-	1,527,444	-
Unrestricted	12,295,232	45,978,922	58,274,154	79,701
Total net assets	\$ 157,170,914	\$ 174,200,057	\$ 331,370,971	\$ 79,701

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

City of Novi, Michigan  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,315,571	\$ 388,869	\$ -	\$ 427,160
Public safety	18,331,488	2,438,917	238,595	-
Public works	11,548,677	87,841	3,119,555	1,536,509
Community and economic development	1,241,411	135,219	-	-
Recreation and culture	5,151,212	1,300,084	262,683	212,594
Interest on long-term debt	1,759,340	-	-	-
Total governmental activities	44,347,699	4,350,930	3,620,833	2,176,263
Business-type activities:				
Water and sewer	20,419,330	18,494,973	-	1,862,618
Ice arena	1,704,596	2,078,643	-	134,323
Senior housing	1,577,697	1,903,346	-	5,808
Total business-type activities	23,701,623	22,476,962	-	2,002,749
Total primary government	\$ 68,049,322	\$ 26,827,892	\$ 3,620,833	\$ 4,179,012
Component unit - Economic Development Corporation	\$ 49,953	\$ -	\$ -	\$ -

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

City of Novi, Michigan  
Statement of Activities (continued)

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit- Economic Development Corporation
\$ (5,499,542)	\$ -	\$ (5,499,542)	\$ -
(15,653,976)	-	(15,653,976)	-
(6,804,772)	-	(6,804,772)	-
(1,106,192)	-	(1,106,192)	-
(3,375,851)	-	(3,375,851)	-
(1,759,340)	-	(1,759,340)	-
(34,199,673)	-	(34,199,673)	-
-	(61,739)	(61,739)	-
-	508,370	508,370	-
-	331,457	331,457	-
-	778,088	778,088	-
(34,199,673)	778,088	(33,421,585)	-
-	-	-	(49,953)
General revenue:			
Property taxes	32,550,375	-	32,550,375
State-shared revenue (unrestricted)	3,725,690	-	3,725,690
Unrestricted interest earnings	626,449	493,314	1,119,763
Cable television franchise fees (unrestricted)	601,350	-	601,350
Miscellaneous revenue	961,921	-	961,921
Total general revenue	38,465,785	493,314	38,959,099
Change in Net Assets	4,266,112	1,271,402	5,537,514
Net Assets - Beginning of year	152,904,802	172,928,655	325,833,457
Net Assets - End of year	\$ 157,170,914	\$ 174,200,057	\$ 331,370,971
	\$ 79,701		\$ 79,701

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

City of Novi, Michigan  
Governmental Funds  
Balance Sheet  
June 30, 2011

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 2)	\$ 13,141,664	\$ 3,184,967	\$ -	\$ 29,997,470	\$ 46,324,101
Accounts receivable:					
Other governmental units	670,939	-	-	496,648	1,167,587
Taxes	23,960	-	-	-	23,960
Special assessments	-	8,385,160	-	-	8,385,160
Other	83,160	-	-	39,480	122,640
Prepaid items	1,640	-	-	-	1,640
Restricted assets (Note 4)	-	3,197,796	-	3,490,696	6,688,492
<b>Total assets</b>	<b>\$ 13,921,363</b>	<b>\$ 14,767,923</b>	<b>\$ -</b>	<b>\$ 34,024,294</b>	<b>\$ 62,713,580</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 977,186	\$ 197,190	\$ -	\$ 831,741	\$ 2,006,117
Accrued and other liabilities	1,527,102	152,431	-	1,041,440	2,720,973
Deferred revenue (Note 6)	-	8,385,160	-	181,166	8,566,326
<b>Total liabilities</b>	<b>2,504,288</b>	<b>8,734,781</b>	<b>-</b>	<b>2,054,347</b>	<b>13,293,416</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid items	1,640	-	-	-	1,640
Restricted:					
Contributions and donations	-	-	-	1,609,650	1,609,650
Road construction and maintenance	-	2,835,346	-	2,427,972	5,263,318
Cash and investments restricted for special assessments	-	3,197,796	-	1,879,416	5,077,212
Storm water systems	-	-	-	10,430,045	10,430,045
Debt service	-	-	-	1,240,366	1,240,366
Library	-	-	-	3,257,122	3,257,122
Tree replacement and maintenance	-	-	-	1,248,144	1,248,144
Law enforcement programs	-	-	-	438,121	438,121
PEG access support fees	103,988	-	-	-	103,988
Police and fire operations	-	-	-	3,273,244	3,273,244
Committed:					
Infrastructure improvements	-	-	-	3,098,874	3,098,874
Assigned:					
Subsequent year's budget	4,192,010	-	-	3,066,993	7,259,003
Unassigned:	7,119,437	-	-	-	7,119,437
<b>Total fund balances</b>	<b>11,417,075</b>	<b>6,033,142</b>	<b>-</b>	<b>31,969,947</b>	<b>49,420,164</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,921,363</b>	<b>\$ 14,767,923</b>	<b>\$ -</b>	<b>\$ 34,024,294</b>	<b>\$ 62,713,580</b>

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

City of Novi, Michigan  
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011

<b>Total Fund Balances for Governmental Funds</b>	\$ 49,420,164
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	139,395,177
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures (including \$501,455 of accrued interest on special assessments)	8,886,615
Other postemployment benefits assets are not financial resources and are not reported in the funds	348,004
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(37,436,456)
Compensated absences are not due and payable in the current period and are not reported in the funds	(2,741,026)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(294,364)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	<u>(407,200)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 157,170,914</u></u>

City of Novi, Michigan  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
For the Fiscal Year ended June 30, 2011

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Taxes	\$ 15,677,775	\$ 2,358,423	\$ -	\$ 14,514,178	\$ 32,550,376
Licenses, permits, and charges for services	2,900,982	-	-	-	2,900,982
Federal grants	378,291	-	-	110,657	488,948
State sources	3,745,642	-	-	2,876,188	6,621,830
Special assessments collected	-	1,344,415	-	7,000	1,351,415
Fines and forfeitures	526,446	-	-	302,343	828,789
Interest income	271,690	625,519	1,365	320,063	1,218,637
Recreational programs	-	-	-	1,090,881	1,090,881
Gifts and donations	-	-	-	38,662	38,662
Other revenue	974,309	564,285	-	397,322	1,935,916
<b>Total revenue</b>	<b>24,475,135</b>	<b>4,892,642</b>	<b>1,365</b>	<b>19,657,294</b>	<b>49,026,436</b>
<b>Expenditures</b>					
Current services:					
City Council	9,213	-	-	-	9,213
City manager	363,513	-	-	-	363,513
Finance	815,502	-	-	-	815,502
Information technology	710,859	-	-	-	710,859
Assessing	727,995	-	-	-	727,995
City attorney	457,054	-	-	-	457,054
City clerk	520,796	-	-	-	520,796
Treasury	274,364	-	-	-	274,364
Facility operations	889,803	-	-	-	889,803
Human resources	418,994	-	-	-	418,994
Neighborhood and business relations group	646,080	-	-	-	646,080
General administration	1,379,144	-	-	1,230	1,380,374
Public safety - Police department	11,481,373	-	-	-	11,481,373
Public safety - Fire department	4,730,832	-	-	-	4,730,832
Community development - Building division	1,343,440	-	-	-	1,343,440
Community development - Planning division	617,048	-	-	-	617,048
Department of public services	2,416,375	-	-	-	2,416,375
Planning commission	6,168	-	-	-	6,168
Construction	-	1,203,690	608,815	460,295	2,272,800
Street maintenance	-	250,687	-	2,530,098	2,780,785
Drain maintenance	-	-	-	580,337	580,337
Recreational programs	-	-	-	1,795,604	1,795,604
Tree plantings and maintenance	-	-	-	63,478	63,478
Library programs	-	-	-	2,704,689	2,704,689
Other	-	267,868	4,573	87,886	360,327
Capital outlay	-	-	-	544,706	544,706
Debt service:					
Principal	-	1,400,000	-	6,285,000	7,685,000
Interest and other	-	382,650	-	1,435,803	1,818,453
<b>Total expenditures</b>	<b>27,808,553</b>	<b>3,504,895</b>	<b>613,388</b>	<b>16,489,126</b>	<b>48,415,962</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(3,333,418)</b>	<b>1,387,747</b>	<b>(612,023)</b>	<b>3,168,168</b>	<b>610,474</b>

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

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

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 3)	\$ 5,272,615	\$ -	\$ -	\$ 5,017,331	\$ 10,289,946
Transfers out (Note 3)	(232,525)	(1,669,287)	(1,012,738)	(7,375,396)	(10,289,946)
Total other financing sources (uses)	5,040,090	(1,669,287)	(1,012,738)	(2,358,065)	-
<b>Net Change in Fund Balances</b>	1,706,672	(281,540)	(1,624,761)	810,103	610,474
<b>Fund Balances - Beginning of year</b>	9,710,403	6,314,682	1,624,761	31,159,844	48,809,690
<b>Fund Balances - End of year</b>	\$ 11,417,075	\$ 6,033,142	\$ -	\$ 31,969,947	\$ 49,420,164

City of Novi, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ 610,474

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	4,163,731
Statement of activities records depreciation on capital assets in the statement of activities; these costs are allocated	(8,305,819)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(1,566,996)
Governmental funds do not report contributions to other postemployment benefits as an asset; in the statement of activities, contributions in excess of the actuarial recommended contribution are recorded as an asset	80,067
Repayment of bond principal is recorded as an expenditure in the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability)	7,685,000
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	347,040
Decrease in estimated general liability is recorded when paid in the governmental funds	39,131
The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds	1,154,372
Interest accrued on long-term debt is an expenditure in the statement of activities, but not in the governmental funds	59,112

**Change in Net Assets of Governmental Activities** \$ 4,266,112



City of Novi, Michigan  
Proprietary Funds  
Statement of Net Assets  
June 30, 2011

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 43,612,924	\$ 1,637,736	\$ 1,305,304	\$ 46,555,964
Accounts receivable:				
Water and sewer billing	4,242,575	-	-	4,242,575
Taxes	144,282	-	-	144,282
Other	61,458	31,714	2,150	95,322
Due from other governmental units	2,173	-	-	2,173
Prepaid items	-	486	-	486
Inventory	80,422	6,904	-	87,326
Other postemployment benefits asset (Note 12)	27,796	-	-	27,796
Total current assets	48,171,630	1,676,840	1,307,454	51,155,924
Noncurrent assets:				
Restricted assets (Note 4)	8,175,188	-	-	8,175,188
Capital assets - Net (Note 5)	120,071,812	6,566,162	11,896,989	138,534,963
Total noncurrent assets	128,247,000	6,566,162	11,896,989	146,710,151
Total assets	176,418,630	8,243,002	13,204,443	197,866,075
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,373,609	70,889	36,990	3,481,488
Accrued and other liabilities	146,801	66,331	316,707	529,839
Due to other governmental units	950,575	-	-	950,575
Unearned revenue	-	-	7,262	7,262
Receipts refundable	207,838	-	-	207,838
Current portion of long-term liabilities (Note 7)	175,000	340,000	665,000	1,180,000
Total current liabilities	4,853,823	477,220	1,025,959	6,357,002
Noncurrent liabilities - Long -term debt - Net of deferred amount on refunding				
	980,000	5,264,698	11,064,318	17,309,016
Total liabilities	5,833,823	5,741,918	12,090,277	23,666,018
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	118,916,812	961,464	167,671	120,045,947
Restricted for:				
Special assessments	8,175,188	-	-	8,175,188
Unrestricted	43,492,807	1,539,620	946,495	45,978,922
Total net assets	\$ 170,584,807	\$ 2,501,084	\$ 1,114,166	\$ 174,200,057

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

City of Novi, Michigan  
Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2011

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Operating Revenue</b>				
Water sales	\$ 9,784,459	\$ -	\$ -	\$ 9,784,459
Sewer service charges	8,231,717	-	-	8,231,717
Concession sales	-	113,875	-	113,875
Rentals and other charges for services	-	1,862,343	1,900,190	3,762,533
Penalties	185,456	-	-	185,456
Inspection fees	17,760	-	-	17,760
Installation charges	254,094	-	-	254,094
Miscellaneous revenue	21,485	102,426	3,157	127,068
	<hr/>			
Total operating revenue	18,494,971	2,078,644	1,903,347	22,476,962
<b>Operating Expenses</b>				
Cost of water	8,340,815	-	-	8,340,815
Cost of sewage disposal	6,686,579	-	-	6,686,579
Cost of goods sold	-	65,918	-	65,918
Salaries and fringe benefits	890,729	-	-	890,729
Contractual services	57,162	489,405	248,637	795,204
Management contract	-	121,926	53,328	175,254
Municipal service charges	311,080	-	-	311,080
Depreciation	3,460,477	250,605	362,886	4,073,968
Repairs and maintenance	179,802	95,014	178,132	452,948
Utilities	55,805	237,171	116,445	409,421
Insurance	14,011	11,016	22,570	47,597
Office supplies	23,225	6,314	16,070	45,609
Advertising	-	8,186	5,321	13,507
Professional services	93,821	6,129	2,415	102,365
Operating supplies	14,030	29,420	14,406	57,856
Installation expenses	168,814	-	-	168,814
Vehicle expenses	56,230	-	-	56,230
Education and training	7,033	685	1,290	9,008
Recreational programs	-	92,879	-	92,879
Miscellaneous expenses	17,789	932	639	19,360
	<hr/>			
Total operating expenses	20,377,402	1,415,600	1,022,139	22,815,141
	<hr/>			
<b>Operating (Loss) Income</b>	(1,882,431)	663,044	881,208	(338,179)

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

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

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Nonoperating Income (Expense)</b>				
Interest earned	\$ 575,687	\$ 16,341	\$ 6,493	\$ 598,521
Interest and other expense	(41,926)	(288,998)	(555,558)	(886,482)
Total nonoperating income (expense)	533,761	(272,657)	(549,065)	(287,961)
<b>(Loss) Income - Before capital contributions</b>	(1,348,670)	390,387	332,143	(626,140)
<b>Capital Contributions</b>				
Donated water and sewer lines	375,299	-	-	375,299
Customer assessments - Tap fees	1,382,112	-	-	1,382,112
Capital contributions - Federal	-	134,323	5,808	140,131
Total capital contributions	1,757,411	134,323	5,808	1,897,542
<b>Change in Net Assets</b>	408,741	524,710	337,951	1,271,402
<b>Net Assets - Beginning of year</b>	170,176,066	1,976,374	776,215	172,928,655
<b>Net Assets - End of year</b>	<u>\$ 170,584,807</u>	<u>\$ 2,501,084</u>	<u>\$ 1,114,166</u>	<u>\$ 174,200,057</u>

City of Novi, Michigan  
Proprietary Funds  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2011

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 18,256,332	\$ 1,973,068	\$ 1,915,163	\$ 22,144,563
Payments to suppliers	(15,355,300)	(1,147,629)	(615,473)	(17,118,402)
Payments to employees	(890,729)	-	-	(890,729)
Payments to/from other governmental units	169,877	-	-	169,877
Other receipts	21,485	101,046	3,157	125,688
Net cash provided by operating activities	<u>2,201,665</u>	<u>926,485</u>	<u>1,302,847</u>	<u>4,430,997</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Collection of customer assessments (principal and interest)	1,382,112	-	-	1,382,112
Capital contributions - Federal	-	134,323	5,808	140,131
Purchase of capital assets	(417,476)	(163,883)	(13,635)	(594,994)
Principal and interest paid on capital debt	(216,926)	(607,436)	(1,100,647)	(1,925,009)
Net cash provided by (used in) capital and related financing activities	<u>747,710</u>	<u>(636,996)</u>	<u>(1,108,474)</u>	<u>(997,760)</u>
<b>Cash Flows from Investing Activities - Interest received on investments</b>	<u>575,687</u>	<u>16,341</u>	<u>6,493</u>	<u>598,521</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>3,525,062</u>	<u>305,830</u>	<u>200,866</u>	<u>4,031,758</u>
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>46,247,818</u>	<u>1,331,906</u>	<u>1,104,438</u>	<u>48,684,162</u>
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 49,772,880</u>	<u>\$ 1,637,736</u>	<u>\$ 1,305,304</u>	<u>\$ 52,715,920</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 43,612,924	\$ 1,637,736	\$ 1,305,304	\$ 46,555,964
Restricted investments (Note 4)	6,159,956	-	-	6,159,956
Total cash and cash equivalents	<u>\$ 49,772,880</u>	<u>\$ 1,637,736</u>	<u>\$ 1,305,304</u>	<u>\$ 52,715,920</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (1,882,431)	\$ 663,044	\$ 881,208	\$ (338,179)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	3,460,477	250,605	362,886	4,073,968
Changes in assets and liabilities:				
Receivables	(217,154)	(3,150)	14,973	(205,331)
Inventory	203	-	-	203
Other assets	-	(1,380)	335	(1,045)
Accounts payable	580,070	17,998	10,149	608,217
Accrued and other liabilities	95,052	(632)	33,296	127,716
Due to other governmental units	75,300	-	-	75,300
Due from other governmental units	94,577	-	-	94,577
Other postemployment benefit asset	(4,429)	-	-	(4,429)
Net cash provided by operating activities	<u>\$ 2,201,665</u>	<u>\$ 926,485</u>	<u>\$ 1,302,847</u>	<u>\$ 4,430,997</u>

**Non-cash Investing, Capital, and Financing Activities** - During the year ended June 30, 2011, developers constructed water and sewer lines with an estimated value of \$375,299 and donated them to the City's Water and Sewer Enterprise Fund.

City of Novi, Michigan  
 Fiduciary Funds  
 Statement of Net Assets  
 June 30, 2011

	Postemployment Benefits - Retiree Health Care Benefits	Agency
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 691,489	\$ 10,397,248
U.S. government securities	1,284,151	-
Treasury notes	1,072,028	-
Pooled investments	3,527,978	-
Common stock	7,818,866	-
Mutual funds	530,309	-
	14,924,821	\$ 10,397,248
<b>Liabilities</b>		
Due to builders and developers	-	\$ 10,374,960
Due to school and other governmental units	-	22,288
	-	\$ 10,397,248
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<b>\$ 14,924,821</b>	

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

City of Novi, Michigan  
 Fiduciary Funds  
 Statement of Changes in Net Assets  
 For the Fiscal Year Ended June 30, 2011

	<u>Postemployment Benefits - Retiree Health Care Benefits</u>
<b>Additions</b>	
Net investment gain	\$ 2,554,660
Contributions - Employer	<u>1,523,006</u>
Total additions	4,077,666
<b>Deductions - Healthcare insurance premiums</b>	<u>457,560</u>
<b>Change in Net Assets</b>	3,620,106
<b>Net Assets - Beginning of year</b>	<u>11,304,715</u>
<b>Net Assets - End of year</b>	<u><u>\$ 14,924,821</u></u>

City of Novi, Michigan  
Notes to Financial Statements  
June 30, 2011

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

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

**Reporting Entity**

The City is governed by an elected seven-member City Council. As required by 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 (Corporation) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body is selected by the City Council. The City also has the ability to impose its will on the Corporation. The Corporation is reported within the component unit column in the 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.

**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 non-fiduciary 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 unit for which the primary government is financially accountable.

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

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

**Government-wide and Fund Financial Statements (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.

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



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

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

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.

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.

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

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

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 the 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 of the Retiree Health Care Benefits Fund are reported at fair value, based on quoted market prices.

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

**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.

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

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

**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 2010 taxable valuation of the City totaled approximately \$3.20 billion and is used for the July 1, 2010 tax bills; this resulted in property tax revenue (net of all adjustments) as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	5.0182	\$ 15,335,401
Police and fire supplemental millage	1.4282	4,363,645
Parks and recreation operations	0.3857	1,178,447
Library operations	0.7719	2,358,422
Drain maintenance operations	0.0885	265,350
Street maintenance operations	0.7719	2,358,423
Debt levies for streets, library, and refunding debt	2.0772	6,348,313

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

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

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

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

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

**Capital Assets (continued)** – 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. The city has discontinued the accrual of sick leave days for administrative employees and will pay out the balance as of December 31, 2010 to employees over three years beginning in fiscal year 2010-11.

The City's liability for compensated absences at June 30, 2011 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Due within one year	\$ 1,918,410	\$ 111,470	\$ 2,029,880
Due in more than one year	822,616	-	822,616
Total compensated absences	<u>\$ 2,741,026</u>	<u>\$ 111,470</u>	<u>\$ 2,852,496</u>

Changes in the liability for compensated absences are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities	\$ 3,088,066	\$ 2,034,634	\$ (2,381,674)	\$ 2,741,026
Business-type activities	111,762	67,106	(67,398)	111,470
Total compensated absences	<u>\$ 3,199,828</u>	<u>\$ 2,101,740</u>	<u>\$ (2,449,072)</u>	<u>\$ 2,852,496</u>

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

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

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

**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.

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

Nonspendable fund balance represents amounts that are not in a spendable form. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the City Council for a particular purpose. The use of committed funds would be approved by City Council through the budget process.

Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted or committed. The City's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

**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.

The City has approved 26 banks and other financial service institutions for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

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

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

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk of deposits. At year end, the City had \$28,553,044 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	\$ 25,475,000	Counterparty
Retiree Health Care Benefits Fund – U.S. government and agency securities	5,729,203	Counterparty

**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:

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

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

**Interest Rate Risk (continued)**

Investment	Fair Value	Weighted Average Maturity
Government-wide:		
U.S. government and agency securities:		
T-Notes	\$ 1,500,000	1 year
Federal Home Loan Mortgage Corporation	6,610,000	4 years
Fannie Mae	29,545,000	6.25 years
Federal Home Loan Banks	25,175,000	4.25 years
Retiree Health Care Benefits Fund:		
U.S. government and agency securities:		
T-Notes	1,072,028	2.5 years
Federal Home Loan Mortgage Corporation	423,023	13 years
Fannie Mae	861,128	5.25 years

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
U.S. government and agency securities	\$ 61,330,000	AAA	S&P
Bank investment pool:			
Ambassador	329,672	AAA	S&P
MBIA	899,944	AAA	S&P
Federated	484,774	AAA	S&P
Retiree Health Care Benefits Fund:			
U.S. government and agency securities	2,356,179		Not rated
Pooled investments	3,527,978		Not rated



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

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

**Concentration of Credit Risk**

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

Government-wide – U.S. government agencies:	
Fannie Mae	25.50%
Federal Home Loan Bank	21.73%
Federal Home Loan Mortgage Corporation	5.71%
Retiree Health Care Benefits Fund – T-Notes	7.53%
Retiree Health Care Benefits Fund – Fannie Mae	6.05%

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

The following is a summary of the interfund transfers for the year ended June 30, 2011:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 4,940,000
Transfers of resources related to street expenditures (certain funds account for resources that are intended to be spent in other funds):	
Transfer from Major Street Fund to Local Street Fund	511,447
Transfer from Major Street Fund to 2002 Michigan Transportation Refunding Debt Fund	117,988
Transfer from Municipal Street Fund to the Major Street Fund	450,000
Transfer from Municipal Street Fund to Local Street Fund	645,000
Transfer to Special Assessment Revolving Fund:	
Transfer from Major Street Fund	720,680
Transfer from Municipal Street Fund	574,287
Transfer from Special Assessments	704,448
Transfer from Judgment Trust Fund to General Fund	332,615
Transfer from General Fund to fund debt service of the 2000 Limited Tax Debt Fund	232,525
Transfer from Library Construction Fund to 2008 Library Debt Service Fund	1,012,738
Transfer from 2000 Street Debt to 2002 Street and Refunding Debt Fund	1,378
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	46,840
Total interfund transfers	<u>\$ 10,289,946</u>

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

**Note 4 – Restricted Assets and Reserves**

**Governmental Activities**

The following is the detail of the governmental activities restricted assets at June 30, 2011:

Special Revenue Funds:	
Cash and investments restricted for special assessments	\$ 5,077,212
Cash and investments restricted for contributions and donations*	<u>1,611,280</u>
Total Special Revenue Funds	<u>\$ 6,688,492</u>

\* Includes \$1,441,669 restricted for the Walker Library Fund and \$134,176 restricted for the Fuerst Estate Gift for older adult facilities.

**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, 2011:

Water and Sewer Fund – cash and investments restricted for special assessments	\$ 6,159,956
Special assessments receivable	<u>2,015,232</u>
Net assets restricted in Water and Sewer Fund	<u>\$ 8,175,188</u>

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

**Note 5 – Capital Assets**

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 26,865,660	\$ 45,594	\$ -	\$ 26,911,254
Capital assets being depreciated:				
Roads	115,729,935	1,588,412	1,893,531	115,424,816
Non-motorized pathway improvements	4,783,606	1,017,084	16,358	5,784,332
Bridges	1,908,914	20,500	-	1,929,414
Drains	22,846,682	126,886	4,735,968	18,237,600
Buildings and improvements	39,495,938	1,038,153	-	40,534,091
Machinery and equipment	9,928,169	1,157,895	181,394	10,904,670
Library books	3,167,524	323,580	207,060	3,284,044
Subtotal	224,726,428	5,318,104	7,034,311	223,010,221
Accumulated depreciation:				
Roads	49,241,646	4,616,992	1,893,531	51,965,107
Non-motorized pathway improvements	1,714,634	220,438	16,358	1,918,714
Bridges	643,970	77,237	-	721,207
Drains	13,495,228	729,504	4,735,968	9,488,764
Buildings and improvements	11,371,970	959,117	-	12,331,087
Machinery and equipment	3,892,957	1,584,091	181,394	5,295,654
Library books	1,983,131	118,440	207,060	1,894,511
Subtotal	82,343,536	8,305,819	7,034,311	83,615,044
Net capital assets being depreciated	115,517,232	(3,033,309)	-	112,483,923
Net capital assets	\$142,382,892	\$ (2,987,715)	\$ -	\$139,395,177
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,115,198	\$ -	\$ -	\$ 2,115,198
Construction in progress	6,098,826	500,691	2,853,354	3,746,163
Subtotal	8,214,024	500,691	2,853,354	5,861,361
Capital assets being depreciated:				
Water and sewer distribution systems	167,074,013	3,081,102	-	170,155,115
Buildings and building improvements	23,261,181	140,131	-	23,401,312
Machinery and equipment	1,982,842	101,723	-	2,084,565
Subtotal	192,318,036	3,322,956	-	195,640,992
Accumulated depreciation:				
Water and sewer distribution systems	50,637,004	3,393,563	-	54,030,567
Buildings and building improvements	6,633,155	590,968	-	7,224,123
Machinery and equipment	1,623,263	89,437	-	1,712,700
Subtotal	58,893,422	4,073,968	-	62,967,390
Net capital assets being depreciated	133,424,614	(751,013)	-	132,673,602
Net capital assets	\$141,638,638	\$ (250,321)	\$ 2,853,354	\$138,534,963

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

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

Depreciation expense was charged to programs of the primary government as follows for the year ended June 30, 2011:

Governmental activities:	
General government	\$ 255,537
Public safety	1,098,907
Public works	5,971,702
Community and economic development	5,933
Recreation and culture	973,740
Total governmental activities	<u>\$ 8,305,819</u>
Business-type activities:	
Water and sewer	\$ 3,460,477
Ice arena	250,605
Senior housing	362,886
Total business-type activities	<u>\$ 4,073,968</u>

**Construction Commitments**

The City has active construction projects as of June 30, 2011. At year-end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street construction	\$ 3,090,783	\$ 2,139,779
Bridge repairs	20,500	231,309
Sidewalks and pathways	331,116	24,232
Sewer projects	415,887	35,771
Water mains	1,090,495	67,033
Detention basins	722,283	383,598
Lake dredging and dam modifications	66,029	55,156
Park improvements	143,307	124,843
Total	<u>\$ 5,880,400</u>	<u>\$ 3,061,721</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:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 8,385,160	\$ -
Recreation fees and other	-	181,166
Total	<u>\$ 8,385,160</u>	<u>\$ 181,166</u>

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

**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
<b>Governmental activities</b>							
General Obligation Bonds:							
2000 Unlimited Tax Road Bonds:							
Amount of issue - \$10,000,000							
Maturing through 2011							
	3.90% - 4.50%	\$ 600,000 - \$1,100,000	\$ 850,000	\$ -	\$ (850,000)	\$ -	\$ -
2002 Limited Tax Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2012							
	4.00% - 5.00%	\$200,000 - \$275,000	750,000	-	(200,000)	550,000	275,000
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017							
	3.00% - 5.25%	\$ 595,000 - \$3,740,000	10,840,000	-	(3,740,000)	7,100,000	2,745,000
2003 Unlimited Tax Refunding Bonds:							
Amount of issue - \$6,565,000							
Maturing through 2012							
	2.25% - 3.50%	\$ 740,000 - \$1,000,000	2,900,000	-	(915,000)	1,985,000	1,000,000
2002 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$2,280,000							
Maturing through 2010							
	3.00% - 3.50%	\$295,000 - \$315,000	315,000	-	(315,000)	-	-
2008 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	-	(250,000)	15,750,000	500,000
2010 Unlimited Tax Refunding Bonds:							
Amount of Issue - \$4,895,000							
Maturing through 2015							
	2.00% - 5.00%	\$200,000 - \$275,000	4,895,000	-	(15,000)	4,880,000	935,000
Less deferred amount on refunding			(214,253)	-	35,709	(178,544)	-
Special Assessment Bonds:							
2000 Special Assessment Limited Tax Bonds:							
Amount of issue - \$18,435,000							
Maturing through 2015							
	4.75%	\$1,300,000 - \$1,500,000	8,750,000	-	(1,400,000)	7,350,000	1,400,000
Total governmental activities			<u>\$45,085,747</u>	<u>\$ -</u>	<u>\$(7,649,291)</u>	<u>\$37,436,456</u>	<u>\$6,855,000</u>

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

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
Special Assessment Bonds:							
2003 Special Assessment Limited Tax Bonds:							
Amount of Issue - \$2,330,000							
Maturing through 2017							
	2.00% -	\$150,000 -					
	4.00%	\$200,000	\$ 1,330,000	\$ -	\$ (175,000)	\$ 1,155,000	\$ 175,000
Building Authority Bonds:							
2004 Ice Arena Refunding Bonds:							
Amount of issue - \$7,630,000							
Maturing through 2024							
	3.00% -	\$310,000 -					
	4.65%	\$560,000	6,295,000	-	(345,000)	5,950,000	340,000
Less deferred amount on refunding			(371,865)	-	26,562	(345,303)	-
1999 Senior Housing Facility Bonds:							
Amount of issue - \$15,300,000							
Maturing through 2011							
	5.10% -	\$400,000 -					
	5.50%	\$625,000	500,000	-	(500,000)	-	-
2005 Senior Housing Facility Bonds:							
Amount of issue - \$9,920,000							
Maturing through 2025							
	3.25% -	\$ 20,000 -					
	5.00%	\$1,100,000	9,625,000	-	(80,000)	9,545,000	60,000
Less deferred amount on refunding			(820,592)	-	69,911	(750,681)	-
2010 Senior Housing Refunding Bonds:							
Amount of Issue - \$2,970,000							
Maturing through 2015							
	2.00% -	\$ 35,000 -					
	2.75%	\$625,000	2,970,000	-	(35,000)	2,935,000	605,000
Total business-type activities			<u>\$19,527,543</u>	<u>\$ -</u>	<u>\$ (1,038,527)</u>	<u>\$18,489,016</u>	<u>\$ 1,180,000</u>

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
2012	\$ 6,855,000	\$ 1,485,700	\$ 8,340,700	\$1,180,000	\$ 756,778	\$1,936,778
2013	5,205,000	1,227,775	6,432,775	1,235,000	724,828	1,959,828
2014	3,535,000	1,033,175	4,568,175	1,245,000	689,718	1,934,718
2015	3,615,000	877,769	4,492,769	1,305,000	651,534	1,956,534
2016	3,730,000	727,850	4,457,850	1,295,000	606,649	1,901,649
2017-2021	5,425,000	2,584,481	8,009,481	6,825,000	2,181,900	9,006,900
2022-2026	6,000,000	1,424,688	7,424,688	6,500,000	701,658	7,201,658
2027-2028	3,250,000	150,938	3,400,938	-	-	-
Deferred amount on refundings	(178,544)	-	(178,544)	(1,095,984)	-	(1,095,984)
Total	<u>\$ 37,436,456</u>	<u>\$ 9,512,376</u>	<u>\$ 46,948,832</u>	<u>\$18,489,016</u>	<u>\$ 6,313,065</u>	<u>\$24,802,081</u>

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

**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.

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.

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

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

	2011	2010
Estimated liability – beginning of year	\$ 333,495	\$ 641,023
Estimated claims incurred, including changes in estimates	80,604	(148,161)
Claim payments	(119,735)	(159,367)
Estimated liability – end of year	\$ 294,364	\$ 333,495

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

**Note 9 – Construction Code Fees**

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

Cumulative shortfall at July 1, 2010		\$ (2,187,491)
Current year building permit revenue		1,275,750
Related expenses:		
Direct costs	\$ 1,325,296	
Estimated indirect costs	188,827	
Total construction code expenses		1,514,123
Cumulative shortfall at June 30, 2011		\$ (2,425,864)

**Note 10 – Defined Benefit Pension Plan**

**Plan Description**

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

**Funding Policy**

The authority to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires employee contributions of 2.43% to 9.24% from 100% of the covered or eligible employees.

**Annual Pension Cost**

For the year ended June 30, 2011, the City's annual pension cost of \$2,486,069 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, 2008, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected wage inflation assumption of 4.5%, and (c) an increase based on an age-related scale to reflect merit, longevity, and promotional pay increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll expense based on division over 23 – 28 years.



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

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

**Three-year Trend Information**

	Fiscal Year Ended June 30		
	2009	2010	2011
Annual pension cost (APC)	\$ 2,231,166	\$ 2,188,904	\$ 2,486,069
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 44,163,168	\$ 46,311,532	\$ 49,237,072
Actuarial accrued liability (AAL)			
(entry age normal cost method)	64,969,356	67,225,390	70,423,630
Unfunded AAL (UAAL)	20,806,188	20,913,858	21,186,558
Funded ratio	68%	69%	70%
Covered payroll	16,092,414	15,929,804	13,817,418
UAAL as a percentage of covered payroll	129%	131%	153%

**Note 11 – 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% of eligible earnings and each member contributes 3% to an individual account established for each administrative and MAPE participant. For the library employees, the library contributes 6% of eligible earnings and each member contributes 3% to an individual account established for each participant. For fire employees, the City contributes 10% of eligible earnings and each member contributes 6% 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 32 members participating in the DC plan as of June 30, 2011.

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

**Note 12 – Other Postemployment Benefits**

**Plan Description**

The City provides healthcare benefits to most full-time employees upon retirement. As of June 30, 2011, 63 retirees are eligible and 52 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 fighter 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.

**Funding Policy**

The collective bargaining units require a contribution by the participant for 20% of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2011, the City made payments for postemployment health benefit premiums of approximately \$63,551 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$457,560 paid out of the Retiree Health Care Benefits Fund for individuals retiring after June 30, 1994. The City also contributed another \$1,523,006 to the Retiree Health Care Benefits Fund to pre-fund future retiree healthcare benefits. The Fund has net assets of \$14,924,821 as of June 30, 2011.

**Funding Progress**

For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2009. 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 28 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation:

Annual required contribution (recommended)	\$ 1,500,006
Interest on net OPEB asset	(23,304)
Adjustment to annual required contribution	<u>25,358</u>
Annual OPEB cost (expense)	1,502,060
Contributions made	<u>1,586,556</u>
Increase in net OPEB asset	84,496
Net OPEB asset – beginning of year	<u>291,304</u>
Net OPEB asset – end of year *	<u><u>\$ 375,800</u></u>

\* Included in the net OPEB asset is \$348,004 related governmental activities and \$27,796 related to business-type activities.

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

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

**Funding Progress (continued)**

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB cost	\$ 1,453,481	\$ 1,425,739	\$ 1,502,060
Percentage contributed	111%	109%	106%
Net OPEB asset	163,376	291,304	375,800

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

Valuation as of July 1, 2009:	
Actuarial value of assets	\$ 9,091,538
Actuarial accrued liability (AAL)	19,936,733
Unfunded AAL (UAAL)	10,845,196
Funded ratio	45.60%

**Actuarial Methods and Assumptions**

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

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

In the July 1, 2009 actuarial valuation, the individual entry-age normal cost method was used. The actuarial assumptions included an 8% 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

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

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

**Actuarial Methods and Assumptions (continued)**

9% initially, reduced by decrements to an ultimate rate of 4.5% after 10 years. Both rates included a 4.5% 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 dollar amount over a period of 28 years.

**Note 13 – Joint Venture**

The City participates in the Southwest Oakland Cable Commission (Cable Commission) with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5% of the total cable television charges from the cable television company as franchise fees and a 1% PEG fee. The Cable Commission retains 3% of these fees and submits the additional 3% to the City. Financial information of the Cable Commission as of June 30, 2011 can be obtained from the administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (Authority). The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of South Lyon. The City appoints one member to the Authority's governing board, which then approves the annual budget. The Authority receives its operating revenue from member contributions and miscellaneous income. The financial information of the Authority as of June 30, 2011 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.

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

**Note 14 – Upcoming Reporting Changes**

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. This statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 61 beginning with the fiscal year ended June 30, 2013.

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

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

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 62 beginning with the fiscal year ended June 30, 2013. The provisions of this statement generally are required to be applied retroactively for all periods presented.

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 63 beginning with the fiscal year ended June 30, 2013.

Required Supplementary Information

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenue</u></b>				
<b>Taxes:</b>				
Current property taxes	\$ 15,605,000	\$ 15,805,000	\$ 15,335,401	\$ (469,599)
Trailer fees	7,900	7,900	7,859	(41)
Penalty and interest	175,000	334,000	334,515	515
	<u>15,787,900</u>	<u>16,146,900</u>	<u>15,677,775</u>	<u>(469,125)</u>
<b>Licenses, Permits, and Charges for Services</b>	1,563,120	2,651,860	2,900,982	249,122
<b>Federal Grants</b>	98,300	366,950	378,291	11,341
<b>State Sources:</b>				
State-shared revenue	2,989,900	3,539,900	3,725,690	185,790
Police training grant	30,000	26,000	19,952	(6,048)
	<u>3,019,900</u>	<u>3,565,900</u>	<u>3,745,642</u>	<u>179,742</u>
<b>Fines and Forfeitures</b>	464,000	523,000	526,446	3,446
<b>Interest Income</b>	240,000	227,860	271,690	43,830
<b>Other Revenue</b>	595,450	952,835	974,309	21,474
<b>Transfers In</b>	5,215,000	5,250,765	5,272,615	21,850
	<u>5,215,000</u>	<u>5,250,765</u>	<u>5,272,615</u>	<u>21,850</u>
Total revenue	26,983,670	29,686,070	29,747,750	61,680
<b><u>Expenditures</u></b>				
<b>City Council:</b>				
Personal services	4,625	4,625	4,433	192
Other services and charges	4,910	4,910	4,780	130
	<u>9,535</u>	<u>9,535</u>	<u>9,213</u>	<u>322</u>
<b>City Manager:</b>				
Personal services	387,255	348,755	346,908	1,847
Supplies	525	525	395	130
Other services and charges	13,215	18,065	16,210	1,855
	<u>400,995</u>	<u>367,345</u>	<u>363,513</u>	<u>3,832</u>
<b>Finance Department:</b>				
Personal services	753,980	700,145	705,041	(4,896)
Other services and charges	87,485	85,100	80,332	4,768
Capital outlay	-	70,800	30,129	40,671
	<u>841,465</u>	<u>856,045</u>	<u>815,502</u>	<u>40,543</u>
Total finance department	841,465	856,045	815,502	40,543



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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Expenditures (continued)</u></b>				
<b>Information Technology:</b>				
Personal services	\$ 488,785	\$ 487,360	\$ 483,440	\$ 3,920
Supplies	38,100	38,100	36,539	1,561
Other services and charges	143,150	139,305	128,557	10,748
Capital outlay	-	64,000	62,323	1,677
Total information technology	670,035	728,765	710,859	17,906
<b>Assessing:</b>				
Personal services	564,545	482,010	480,720	1,290
Supplies	1,650	21,020	18,245	2,775
Other services and charges	268,565	270,780	229,030	41,750
Total assessing	834,760	773,810	727,995	45,815
City Attorney - Other services and charges	380,000	422,280	457,054	(34,774)
<b>City Clerk:</b>				
Personal services	491,105	480,250	474,976	5,274
Supplies	21,000	10,100	10,320	(220)
Other services and charges	31,480	46,825	35,500	11,325
Total city clerk	543,585	537,175	520,796	16,379
<b>Treasury:</b>				
Personal services	236,985	232,295	232,164	131
Supplies	14,200	15,030	16,001	(971)
Other services and charges	41,655	28,655	26,199	2,456
Total treasury	292,840	275,980	274,364	1,616
<b>Facility Operations:</b>				
Personal services	263,970	227,450	236,791	(9,341)
Supplies	25,800	20,240	20,612	(372)
Other services and charges	414,590	408,150	392,054	16,096
Capital outlay	-	300,960	240,346	60,614
Total facility operations	704,360	956,800	889,803	66,997
<b>Human Resources:</b>				
Personal services	420,340	370,300	371,652	(1,352)
Other services and charges	38,840	48,940	47,342	1,598
Total human resources	459,180	419,240	418,994	246

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (continued)</b>				
<b>Neighborhood and Business Relations Group:</b>				
Personal services	\$ 377,525	\$ 373,895	\$ 362,149	\$ 11,746
Supplies	11,300	9,600	9,532	68
Other services and charges	287,470	292,955	274,399	18,556
Total neighborhood and business relations group	676,295	676,450	646,080	30,370
<b>General Administration:</b>				
Personal services	630,425	772,105	762,030	10,075
Supplies	62,365	50,910	57,992	(7,082)
Other services and charges	579,310	495,835	495,467	368
Capital outlay	-	62,500	63,655	(1,155)
Total general administration	1,272,100	1,381,350	1,379,144	2,206
<b>Public Safety - Police Department:</b>				
Personal services	10,476,110	10,435,075	10,417,441	17,634
Supplies	185,520	168,625	162,687	5,938
Other services and charges	934,415	867,430	864,663	2,767
Capital outlay	-	36,600	36,582	18
Total public safety - police department	11,596,045	11,507,730	11,481,373	26,357
<b>Public Safety - Fire Department:</b>				
Personal services	4,203,120	4,059,085	4,069,940	(10,855)
Supplies	126,025	131,580	126,016	5,564
Other services and charges	406,725	391,900	373,482	18,418
Capital outlay	90,000	168,165	161,394	6,771
Total public safety - fire department	4,825,870	4,750,730	4,730,832	19,898
<b>Community Development - Building Division:</b>				
Personal services	1,245,540	1,185,560	1,205,811	(20,251)
Supplies	44,900	35,200	27,710	7,490
Other services and charges	115,775	119,980	102,937	17,043
Capital outlay	-	66,550	6,982	59,568
Total community development - Building division	1,406,215	1,407,290	1,343,440	63,850
<b>Community Development - Planning Division:</b>				
Personal services	494,560	477,945	480,320	(2,375)
Supplies	8,000	8,190	8,852	(662)
Other services and charges	52,300	121,375	120,865	510
Capital outlay	-	7,300	7,011	289
Total community development - Planning division	554,860	614,810	617,048	(2,238)

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Expenditures (continued)</u></b>				
<b>Department of Public Services:</b>				
Personal services	\$ 3,399,170	\$ 3,131,965	\$ 3,023,156	\$ 108,809
Supplies	178,025	144,275	107,481	36,794
Other services and charges	763,940	774,230	823,084	(48,854)
Capital outlay	-	872,285	455,929	416,356
Allocated to other operations	(1,956,520)	(1,956,520)	(1,993,275)	36,755
Total department of public services	2,384,615	2,966,235	2,416,375	549,860
<b>Planning Commission:</b>				
Supplies	400	400	360	40
Other services and charges	12,800	7,300	5,808	1,492
Total planning commission	13,200	7,700	6,168	1,532
Transfers Out	232,650	232,650	232,525	125
Contingencies	50,000	-	-	-
Total expenditures	28,148,605	28,891,920	28,041,078	850,842
Net Change in Fund Balance	(1,164,935)	794,150	1,706,672	912,522
Fund Balance - Beginning of year	9,710,403	9,710,403	9,710,403	-
Fund Balance - End of year	\$ 8,545,468	\$ 10,504,553	\$ 11,417,075	\$ 912,522

City of Novi, Michigan  
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
 Municipal Street Fund  
 Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue:</b>				
Property taxes	\$ 2,400,000	\$ 2,436,000	\$ 2,358,423	\$ (77,577)
Special assessments	1,396,900	1,396,900	1,344,415	(52,485)
Interest income	632,810	620,470	625,519	5,049
Miscellaneous income	93,390	564,180	564,285	105
<b>Total revenue</b>	<b>4,523,100</b>	<b>5,017,550</b>	<b>4,892,642</b>	<b>(124,908)</b>
<b>Expenditures:</b>				
Construction	1,701,890	2,744,308	989,455	1,754,853
Maintenance	515,000	391,500	250,687	140,813
Administration	1,700	1,700	1,400	300
Street lighting	17,000	265,950	266,468	(518)
Bikes, trails, and sidewalks	202,500	354,417	214,235	140,182
Debt service	1,783,875	1,783,875	1,782,650	1,225
Transfers out	1,095,000	1,095,000	1,669,287	(574,287)
<b>Total expenditures</b>	<b>5,316,965</b>	<b>6,636,750</b>	<b>5,174,182</b>	<b>1,462,568</b>
<b>Net Change in Fund Balance</b>	<b>(793,865)</b>	<b>(1,619,200)</b>	<b>(281,540)</b>	<b>1,337,660</b>
<b>Fund Balance - Beginning of year</b>	<b>6,314,682</b>	<b>6,314,682</b>	<b>6,314,682</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 5,520,817</b>	<b>\$ 4,695,482</b>	<b>\$ 6,033,142</b>	<b>\$ 1,337,660</b>

City of Novi, Michigan  
Note to Required Supplementary Information  
Year Ended June 30, 2011

**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 supplementary information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor funds is presented as other supplementary information.

The budget is adopted by category within activity (i.e., personal services, supplies, other services and charges, and capital outlay within each department). Although spending estimates are produced for each line item, budgetary control is exercised at this category level. Expenditures at this level must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. 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 – The City's total actual expenditures for the General Fund were less than total budgeted expenditures by approximately 1%. 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 a total of eleven budget overruns within the General Fund of which only six had a negative variance greater than \$1,000 and greater than 1% as follows:

- City attorney – Other services and charges exceeded budget by \$34,774 or 8.2% during the year primarily due to labor attorney costs associated with employment, contract negotiation, Act 312 Arbitration matters, and other legal consultation services occurring in the last quarter of the year.
- Facility operations – Personal services exceeded budget by \$9,341 or 4.1% due to an increase in temporary salaries from the prior year.
- General administration – Supplies exceeded budget by \$7,082 or 13.9% due to increase in office supplies and newspaper publications for notices and other communications.

City of Novi, Michigan  
Note to Required Supplementary Information (continued)

**Note – Basis of Budgeting (continued)**

- General administration – Capital outlay exceeded budget by \$1,155 or 1.8% as a result of additions to the multi-function office copy equipment contract.
- Community development – Personal services exceeded budget by \$22,626 or 1.4% due to increase in overtime, temporary salaries, and a termination payout in the final quarter.
- Department of public services – Other services and charges exceeded budget by \$48,854 or 6.3% as a result of increases in fuel costs, recycling center costs, vehicle and equipment maintenance, and equipment lease.

## Other Supplementary Information

City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
<b>Assets</b>					
Cash and investments:	\$ 1,115,476	\$ 1,381,116	\$ 3,560,300	\$ 1,527,444	\$ 2,036,977
Accounts receivable:					
Other governmental units	330,050	119,692	-	-	46,906
Special assessments	-	-	-	-	-
Other	-	-	-	-	39,480
Restricted assets	225,077	318,301	-	-	-
Total assets	<u>\$ 1,670,603</u>	<u>\$ 1,819,109</u>	<u>\$ 3,560,300</u>	<u>\$ 1,527,444</u>	<u>\$ 2,123,363</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 109,808	\$ 124,284	\$ 5,022	\$ -	\$ 280,967
Accrued and other liabilities	-	-	282,034	-	126,279
Deferred revenue	-	-	-	-	181,166
Total liabilities	109,808	124,284	287,056	-	588,412
Fund Balances:					
Restricted					
Contributions and donations	-	-	-	-	-
Road construction and maintenance	1,143,198	1,284,774	-	-	-
Cash and investments restricted for special assessments	225,077	318,301	-	-	-
Storm water systems	-	-	-	-	-
Debt service	-	-	-	-	-
Library	-	-	-	-	1,097,721
Tree replacement and maintenance	-	-	-	1,248,144	-
Law enforcement programs	-	-	-	-	-
Police and fire operations	-	-	3,273,244	-	-
Committed					
Infrastructure improvements	-	-	-	-	-
Assigned					
Subsequent year's budget	192,520	91,750	-	279,300	437,230
Total fund balances	<u>1,560,795</u>	<u>1,694,825</u>	<u>3,273,244</u>	<u>1,527,444</u>	<u>1,534,951</u>
Total liabilities and fund balances	<u>\$ 1,670,603</u>	<u>\$ 1,819,109</u>	<u>\$ 3,560,300</u>	<u>\$ 1,527,444</u>	<u>\$ 2,123,363</u>



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

Special Revenue Funds																																																	
Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund																																										
\$ 4,890,369	\$ 6,156,542	\$ 4,135,780	\$ -	\$ -	\$ 814,845	\$ 2,722,507	\$ -																																										
-	-	-	-	-	-	-	-																																										
-	-	-	-	-	-	-	-																																										
1,336,038	-	-	-	169,611	-	-	-	1,441,669																																									
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-	-	-	-	168,958	-	-	-	1,440,692																																									
-	-	-	-	-	-	-	-																																										
1,336,038	-	-	-	-	-	-	-																																										
4,273,503	6,156,542	-	-	-	-	-	-																																										
-	-	-	-	-	-	-	-																																										
-	-	-	-	-	-	2,159,401	-																																										
-	-	-	-	-	-	-	-																																										
-	-	-	-	-	438,121	-	-																																										
-	-	-	-	-	-	-	-																																										
-	-	3,098,874	-	-	-	-	-																																										
535,786	-	875,500	-	-	372,370	282,537	-																																										
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City of Novi, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds (continued)

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
<b>Assets</b>				
Cash and investments:	\$ -	\$ -	\$ -	\$ -
Accounts receivable:				
Other governmental units	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Restricted assets	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted				
Contributions and donations	-	-	-	-
Road construction and maintenance	-	-	-	-
Cash and investments restricted for special assessments	-	-	-	-
Storm water systems	-	-	-	-
Debt service	-	-	-	-
Library	-	-	-	-
Tree replacement and maintenance	-	-	-	-
Law enforcement programs	-	-	-	-
Police and fire operations	-	-	-	-
Committed				
Infrastructure improvements	-	-	-	-
Assigned				
Subsequent year's budget	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

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

Debt Service Funds				
2003 Refunding Debt Fund	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	2010 Refunding Debt Fund	Total Nonmajor Governmental Funds
\$ 139,877	\$ 611,999	\$ 894,528	\$ 9,710	\$ 29,997,470
-	-	-	-	496,648
-	-	-	-	-
-	-	-	-	39,480
-	-	-	-	3,490,696
\$ 139,877	\$ 611,999	\$ 894,528	\$ 9,710	\$ 34,024,294
-	-	-	-	831,741
55,314	315,897	37,770	6,767	1,041,440
-	-	-	-	181,166
55,314	315,897	37,770	6,767	2,054,347
-	-	-	-	1,609,650
-	-	-	-	2,427,972
-	-	-	-	1,879,416
-	-	-	-	10,430,045
84,563	296,102	856,758	2,943	1,240,366
-	-	-	-	3,257,122
-	-	-	-	1,248,144
-	-	-	-	438,121
-	-	-	-	3,273,244
-	-	-	-	3,098,874
-	-	-	-	3,066,993
84,563	296,102	856,758	2,943	31,969,947
\$ 139,877	\$ 611,999	\$ 894,528	\$ 9,710	\$ 34,024,294

City of Novi, Michigan  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ 4,363,645	\$ -	\$ 1,178,447
Federal grants	-	-	-	-	110,657
State sources	2,045,618	741,829	-	2,000	61,275
Special assessments	7,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	13,929	5,466	28,681	12,507	8,359
Recreational programs	-	-	-	-	1,090,881
Gifts and donations	-	-	-	-	-
Other revenue	895	-	-	262,683	7,509
<b>Total revenue</b>	<b>2,067,442</b>	<b>747,295</b>	<b>4,392,326</b>	<b>277,190</b>	<b>2,457,128</b>
<b>Expenditures</b>					
Administration	410	410	-	-	-
Construction	237,048	72,230	-	-	-
Street maintenance	1,398,932	1,131,166	-	-	-
Drain maintenance	-	-	-	-	-
Recreational programs	-	-	-	-	1,795,604
Forestry and park maintenance	-	-	-	63,478	-
Library programs	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	306,160
Debt service:					
Principal	199,489	-	-	-	-
Interest and other	3,570	-	-	-	-
<b>Total expenditures</b>	<b>1,839,449</b>	<b>1,203,806</b>	<b>-</b>	<b>63,478</b>	<b>2,101,764</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>227,993</b>	<b>(456,511)</b>	<b>4,392,326</b>	<b>213,712</b>	<b>355,364</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	450,000	1,156,447	-	-	46,840
Transfers out	(1,350,115)	-	(4,940,000)	-	-
<b>Total other financing sources (uses)</b>	<b>(900,115)</b>	<b>1,156,447</b>	<b>(4,940,000)</b>	<b>-</b>	<b>46,840</b>
<b>Net Change in Fund Balances</b>	<b>(672,122)</b>	<b>699,936</b>	<b>(547,674)</b>	<b>213,712</b>	<b>402,204</b>
<b>Fund Balances - Beginning of year</b>	<b>2,232,917</b>	<b>994,889</b>	<b>3,820,918</b>	<b>1,313,732</b>	<b>1,132,747</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,560,795</b>	<b>\$ 1,694,825</b>	<b>\$ 3,273,244</b>	<b>\$ 1,527,444</b>	<b>\$ 1,534,951</b>

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

**Special Revenue Funds**

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund
\$ 265,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,358,422	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	25,466	-
-	-	-	-	-	-	-	-
54,452	100,911	37,284	303	2,931	180,545	121,798	-
-	-	-	-	-	1,704	31,724	17,911
-	-	-	-	11,490	-	-	-
11,515	5,529	-	33,429	-	-	75,762	-
331,317	106,440	37,284	33,732	14,421	182,249	2,613,172	45,083
-	-	410	-	-	-	-	-
151,017	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
580,337	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,696,302	8,387
-	-	-	39,080	501	48,305	-	-
-	-	-	-	-	238,546	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
731,354	-	410	39,080	501	286,851	2,696,302	8,387
(400,037)	106,440	36,874	(5,348)	13,920	(104,602)	(83,130)	36,696
-	-	1,999,415	-	-	-	-	-
-	-	-	(332,615)	(46,840)	-	-	-
-	-	1,999,415	(332,615)	(46,840)	-	-	-
(400,037)	106,440	2,036,289	(337,963)	(32,920)	(104,602)	(83,130)	36,696
6,545,364	6,050,102	1,938,085	337,963	201,878	915,093	2,525,068	1,403,996
\$ 6,145,327	\$ 6,156,542	\$ 3,974,374	\$ -	\$ 168,958	\$ 810,491	\$ 2,441,938	\$ 1,440,692

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

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
<b>Revenue</b>				
Taxes	\$ -	\$ 707,745	\$ -	\$ -
Federal grants	-	-	-	-
State sources	-	-	-	-
Special assessments collected	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest income	-	37	-	-
Recreational programs	-	-	-	-
Gifts and donations	-	-	-	-
Other revenue	-	-	-	-
Total revenue	-	707,782	-	-
<b>Expenditures</b>				
Administration	-	-	-	-
Construction	-	-	-	-
Street maintenance	-	-	-	-
Drain maintenance	-	-	-	-
Recreational programs	-	-	-	-
Forestry and park maintenance	-	-	-	-
Library programs	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	850,000	200,000	115,511
Interest and other	-	18,185	32,525	2,477
Total expenditures	-	868,185	232,525	117,988
<b>Excess of Revenue Over (Under) Expenditures</b>	-	(160,403)	(232,525)	(117,988)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	232,525	117,988
Transfers out	(704,448)	(1,378)	-	-
Total other financing sources (uses)	(704,448)	(1,378)	232,525	117,988
<b>Net Change in Fund Balances</b>	(704,448)	(161,781)	-	-
<b>Fund Balances - Beginning of year</b>	704,448	161,781	-	-
<b>Fund Balances - End of year</b>	\$ -	\$ -	\$ -	\$ -

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

Debt Service Funds				
2003 Refunding Debt Fund	2002 Street and Refunding Debt	2008 Library Construction Debt Fund	2010 Refunding Debt Fund	Total Nonmajor Governmental Funds
\$ 891,741	\$ 3,940,826	\$ 614,933	\$ 193,069	\$ 14,514,178
-	-	-	-	110,657
-	-	-	-	2,876,188
-	-	-	-	7,000
-	-	-	-	302,343
195	3,106	486	77	320,063
-	-	-	-	1,090,881
-	-	-	-	38,662
-	-	-	-	397,322
891,936	3,943,932	615,419	193,146	19,657,294
-	-	-	-	1,230
-	-	-	-	460,295
-	-	-	-	2,530,098
-	-	-	-	580,337
-	-	-	-	1,795,604
-	-	-	-	63,478
-	-	-	-	2,704,689
-	-	-	-	87,886
-	-	-	-	544,706
915,000	3,740,000	250,000	15,000	6,285,000
81,335	449,973	672,535	175,203	1,435,803
996,335	4,189,973	922,535	190,203	16,489,126
(104,399)	(246,041)	(307,116)	2,943	3,168,168
-	1,378	1,012,738	-	5,017,331
-	-	-	-	(7,375,396)
-	1,378	1,012,738	-	(2,358,065)
(104,399)	(244,663)	705,622	2,943	810,103
188,962	540,765	151,136	-	31,159,844
\$ 84,563	\$ 296,102	\$ 856,758	\$ 2,943	\$ 31,969,947

City of Novi, Michigan  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2011

**Special Revenue - Major Street**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 1,978,800	\$ 2,037,600	\$ 2,045,618	\$ 8,018
Special assessments	107,000	107,000	7,000	(100,000)
Interest Income	21,440	22,340	13,929	(8,411)
Transfers in	450,000	450,000	450,000	-
Other	-	-	895	895
<b>Total revenue</b>	<b>2,557,240</b>	<b>2,616,940</b>	<b>2,517,442</b>	<b>(99,498)</b>
<b>Expenditures</b>				
Administration	500	500	410	90
Construction	792,430	624,320	237,048	387,272
Routine and capital preventive maintenance	750,000	921,000	805,146	115,854
Traffic services	229,100	260,400	279,430	(19,030)
Winter maintenance	272,000	272,000	314,356	(42,356)
Debt service	203,150	203,150	203,059	91
Transfers out	612,840	627,390	1,350,115	(722,725)
<b>Total expenditures</b>	<b>2,860,020</b>	<b>2,908,760</b>	<b>3,189,564</b>	<b>(280,804)</b>
<b>Net Change in Fund Balance</b>	<b>(302,780)</b>	<b>(291,820)</b>	<b>(672,122)</b>	<b>(380,302)</b>
<b>Fund Balance - Beginning of year</b>	<b>2,232,917</b>	<b>2,232,917</b>	<b>2,232,917</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,930,137</b>	<b>\$ 1,941,097</b>	<b>\$ 1,560,795</b>	<b>\$ (380,302)</b>



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

**Special Revenue - Local Street**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 708,920	\$ 712,810	\$ 741,829	\$ 29,019
Interest income	1,900	2,100	5,466	3,366
Transfers in	1,139,700	1,154,400	1,156,447	2,047
Total revenue	1,850,520	1,869,310	1,903,742	34,432
<b>Expenditures</b>				
Administration	500	500	410	90
Construction	1,049,410	1,085,510	72,230	1,013,280
Routine and capital preventive maintenance	450,000	570,270	660,286	(90,016)
Traffic services	145,200	149,500	114,974	34,526
Winter maintenance	245,000	245,000	355,906	(110,906)
Total expenditures	1,890,110	2,050,780	1,203,806	846,974
<b>Net Change in Fund Balance</b>	(39,590)	(181,470)	699,936	881,406
<b>Fund Balance - Beginning of year</b>	994,889	994,889	994,889	-
<b>Fund Balance - End of year</b>	\$ 955,299	\$ 813,419	\$ 1,694,825	\$ 881,406

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

**Special Revenue - Police and Fire**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 4,441,000	\$ 4,507,600	\$ 4,363,645	\$ (143,955)
Interest income	41,300	31,300	28,681	(2,619)
Total revenue	4,482,300	4,538,900	4,392,326	(146,574)
<b>Expenditures - Transfers out</b>	4,940,000	4,940,000	4,940,000	-
<b>Net Change in Fund Balance</b>	(457,700)	(401,100)	(547,674)	(146,574)
<b>Fund Balance - Beginning of year</b>	3,820,918	3,820,918	3,820,918	-
<b>Fund Balance - End of year</b>	\$ 3,363,218	\$ 3,419,818	\$ 3,273,244	\$ (146,574)

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

**Special Revenue - Tree Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ -	\$ 2,000	\$ 2,000	\$ -
Tree fund	50,000	245,000	247,981	2,981
Tree fund maintenance	500	13,700	14,702	1,002
Interest income	11,300	13,800	12,507	(1,293)
Total revenue	61,800	274,500	277,190	2,690
<b>Expenditures - Tree plantings and maintenance</b>	250,250	150,000	63,478	86,522
<b>Net Change in Fund Balance</b>	(188,450)	124,500	213,712	89,212
<b>Fund Balance - Beginning of year</b>	1,313,732	1,313,732	1,313,732	-
<b>Fund Balance - End of year</b>	\$ 1,125,282	\$ 1,438,232	\$ 1,527,444	\$ 89,212

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

Special Revenue - Parks, Recreation, and Cultural Services

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 1,199,000	\$ 1,216,000	\$ 1,178,447	\$ (37,553)
Grants	134,150	108,780	115,657	6,877
State sources	-	61,275	61,275	-
Program revenue	957,515	904,565	951,572	47,007
Older adults program revenue	157,975	148,360	139,309	(9,051)
Interest income	6,300	6,300	8,359	2,059
Other	10,200	3,000	2,509	(491)
Transfers in	-	46,200	46,840	640
Total revenue	2,465,140	2,494,480	2,503,968	9,488
<b>Expenditures</b>				
Personal services	796,085	721,210	720,314	896
Supplies	52,425	29,225	29,214	11
Other services and charges	1,156,885	1,023,485	1,046,076	(22,591)
Capital outlay	388,200	552,900	306,160	246,740
Total expenditures	2,393,595	2,326,820	2,101,764	225,056
<b>Net Change in Fund Balance</b>	71,545	167,660	402,204	234,544
<b>Fund Balance - Beginning of year</b>	1,132,747	1,132,747	1,132,747	-
<b>Fund Balance - End of year</b>	\$ 1,204,292	\$ 1,300,407	\$ 1,534,951	\$ 234,544

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

**Special Revenue - Drain Revenue**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 275,000	\$ 278,000	\$ 265,350	\$ (12,650)
Interest income	84,720	55,440	54,452	(988)
Other	-	11,515	11,515	-
Total revenue	359,720	344,955	331,317	(13,638)
<b>Expenditures</b>				
Construction	240,895	861,140	151,017	710,123
Maintenance	673,600	696,550	580,337	116,213
Total expenditures	914,495	1,557,690	731,354	826,336
<b>Net Change in Fund Balance</b>	(554,775)	(1,212,735)	(400,037)	812,698
<b>Fund Balance - Beginning of year</b>	6,545,364	6,545,364	6,545,364	-
<b>Fund Balance - End of year</b>	\$ 5,990,589	\$ 5,332,629	\$ 6,145,327	\$ 812,698

**Special Revenue - Drain Perpetual Maintenance**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Tap-in fees	\$ -	\$ -	\$ 5,529	\$ 5,529
Interest income	77,500	77,500	100,911	23,411
Total revenue	77,500	77,500	106,440	28,940
<b>Net Change in Fund Balance</b>	77,500	77,500	106,440	28,940
<b>Fund Balance - Beginning of year</b>	6,050,102	6,050,102	6,050,102	-
<b>Fund Balance - End of year</b>	\$ 6,127,602	\$ 6,127,602	\$ 6,156,542	\$ 28,940

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

**Special Revenue - Special Assessment Revolving**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 34,500	\$ 34,500	\$ 37,284	\$ 2,784
Transfer in	-	-	1,999,415	1,999,415
Total revenue	34,500	34,500	2,036,699	2,002,199
<b>Expenditures - independent audit</b>	-	-	410	(410)
<b>Net Change in Fund Balance</b>	34,500	34,500	2,036,289	2,001,789
<b>Fund Balance - Beginning of year</b>	1,938,085	1,938,085	1,938,085	-
<b>Fund Balance - End of year</b>	\$ 1,972,585	\$ 1,972,585	\$ 3,974,374	\$ 2,001,789

**Special Revenue - Judgment Trust**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 900	\$ 330	\$ 303	\$ (27)
Other revenue	-	-	33,429	33,429
Total revenue	900	330	33,732	33,402
<b>Expenditures</b>				
Settlements and insurance claims	100,000	40,000	39,080	920
Transfer out	275,000	300,000	332,615	(32,615)
Total expenditures	375,000	340,000	371,695	(31,695)
<b>Net Change in Fund Balance</b>	(374,100)	(339,670)	(337,963)	1,707
<b>Fund Balance - Beginning of year</b>	337,963	337,963	337,963	-
<b>Fund Balance - End of year</b>	\$ (36,137)	\$ (1,707)	-	\$ 1,707

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

**Special Revenue - Contributions and Donations**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 325	\$ 1,475	\$ 2,931	\$ 1,456
Donations	1,000	3,300	11,490	8,190
Total revenue	1,325	4,775	14,421	9,646
<b>Expenditures</b>				
Other	-	-	501	(501)
Transfer out	1,000	46,200	46,840	(640)
Total expenditures	1,000	46,200	47,341	(1,141)
<b>Net Change in Fund Balance</b>	325	(41,425)	(32,920)	8,505
<b>Fund Balance - Beginning of year</b>	201,878	201,878	201,878	-
<b>Fund Balance - End of year</b>	\$ 202,203	\$ 160,453	\$ 168,958	\$ 8,505

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

**Special Revenue - Forfeiture Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State forfeiture funds	\$ 6,500	\$ 49,000	\$ 49,284	\$ 284
Federal forfeiture funds	-	98,800	98,817	17
Local forfeiture funds	3,500	9,900	9,923	23
Other	-	22,500	22,521	21
Interest income	2,900	1,400	1,704	304
Total revenue	12,900	181,600	182,249	649
<b>Expenditures</b>				
Supplies	26,300	24,900	22,427	2,473
Other services and charges	6,000	27,200	25,878	1,322
Capital outlay	228,770	248,470	238,546	9,924
Total expenditures	261,070	300,570	286,851	13,719
<b>Net Change in Fund Balance</b>	(248,170)	(118,970)	(104,602)	14,368
<b>Fund Balance - Beginning of year</b>	915,093	915,093	915,093	-
<b>Fund Balance - End of year</b>	\$ 666,923	\$ 796,123	\$ 810,491	\$ 14,368



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

**Special Revenue - Library**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 2,396,900	\$ 2,396,900	\$ 2,358,422	\$ (38,478)
State sources	15,000	15,000	25,466	10,466
Fines and forfeitures	100,000	100,000	121,798	21,798
Interest income	10,100	10,100	31,724	21,624
Other	30,500	30,500	75,762	45,262
Total revenue	2,552,500	2,552,500	2,613,172	60,672
<b>Expenditures</b>				
Personal services	1,811,750	1,961,750	1,854,608	107,142
Supplies	524,250	524,250	445,878	78,372
Other services and charges	467,925	467,925	395,816	72,109
Contingencies	10,000	10,000	-	10,000
Total expenditures	2,813,925	2,963,925	2,696,302	267,623
<b>Net Change in Fund Balance</b>	(261,425)	(411,425)	(83,130)	328,295
<b>Fund Balance - Beginning of year</b>	2,525,068	2,525,068	2,525,068	-
<b>Fund Balance - End of year</b>	\$ 2,263,643	\$ 2,113,643	\$ 2,441,938	\$ 328,295

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

**Special Revenue - Walker Library Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 23,100	\$ 17,900	\$ 17,911	\$ 11
Donations	-	17,520	27,172	9,652
Total revenue	23,100	35,420	45,083	9,663
<b>Expenditures - Library programs</b>	-	7,300	8,387	(1,087)
<b>Net Change in Fund Balance</b>	23,100	28,120	36,696	8,576
<b>Fund Balance - Beginning of year</b>	1,403,996	1,403,996	1,403,996	-
<b>Fund Balance - End of year</b>	\$ 1,427,096	\$ 1,432,116	\$ 1,440,692	\$ 8,576

City of Novi, Michigan  
Statement of Changes in Assets and Liabilities  
Agency Fund  
Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Agency Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	\$ 10,048,124	\$ 137,136,763	\$ (136,787,639)	\$ 10,397,248
<b>Liabilities</b>				
Due to builders and developers	\$ 10,028,124	\$ 5,854,054	\$ (5,507,218)	\$ 10,374,960
Due to schools and other governmental units	20,000	134,652,414	(134,650,126)	22,288
Total liabilities	\$ 10,048,124	\$ 140,506,468	\$ (140,157,344)	\$ 10,397,248

City of Novi, Michigan  
Schedule of Indebtedness  
June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding (1)	
				2011	June 30 2010
<b>Governmental activities</b>					
General Obligation Bonds:					
2000 Unlimited Tax Roads Bonds					
Amount of issue - \$10,000,000					
	4.150	10/1/2010	\$ 850,000	\$ -	\$ 850,000
		Total		\$ -	\$ 850,000
2002 Limited Tax Bonds					
Amount of issue - \$2,000,000					
	4.750	10/1/2010	\$ 200,000	\$ -	\$ 200,000
	5.000	10/1/2011	275,000	275,000	275,000
	5.000	10/1/2012	275,000	275,000	275,000
		Total		\$ 550,000	\$ 750,000
2002 Street and Refunding Bonds					
Amount of issue - \$24,720,000					
	5.000	10/1/2010	\$ 3,740,000	\$ -	\$ 3,740,000
	5.000	10/1/2011	2,745,000	2,745,000	2,745,000
	5.000	10/1/2012	1,055,000	1,055,000	1,055,000
	4.000	10/1/2013	595,000	595,000	595,000
	5.250	10/1/2014	625,000	625,000	625,000
	5.250	10/1/2015	655,000	655,000	655,000
	5.250	10/1/2016	695,000	695,000	695,000
	5.250	10/1/2017	730,000	730,000	730,000
		Total		\$ 7,100,000	\$ 10,840,000
2003 Unlimited Tax Refunding Bonds					
Amount of issue - \$6,565,000					
	3.000	10/1/2010	\$ 915,000	\$ -	\$ 915,000
	3.250	10/1/2011	1,000,000	1,000,000	1,000,000
	3.500	10/1/2012	985,000	985,000	985,000
		Total		\$ 1,985,000	\$ 2,900,000
2002 Michigan Transportation Fund Refunding Bonds					
Amount of issue - \$2,280,000					
	3.500	8/1/2010	\$ 315,000	\$ -	\$ 315,000
		Total		\$ -	\$ 315,000

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding (1)	
				2011	June 30 2010
<b>Governmental activities (continued)</b>					
General Obligation Bonds (continued):					
2008 Unlimited Tax Library Bonds					
Amount of issue - \$16,000,000					
	3.500	10/1/2010	\$ 250,000	\$ -	\$ 250,000
	3.500	10/1/2011	500,000	500,000	500,000
	3.500	10/1/2012	500,000	500,000	500,000
	3.500	10/1/2013	500,000	500,000	500,000
	3.500	10/1/2014	500,000	500,000	500,000
	3.750	10/1/2015	500,000	500,000	500,000
	4.000	10/1/2016	750,000	750,000	750,000
	4.000	10/1/2017	750,000	750,000	750,000
	4.000	10/1/2018	750,000	750,000	750,000
	4.000	10/1/2019	750,000	750,000	750,000
	5.000	10/1/2020	1,000,000	1,000,000	1,000,000
	5.000	10/1/2021	1,000,000	1,000,000	1,000,000
	4.250	10/1/2022	1,000,000	1,000,000	1,000,000
	4.250	10/1/2023	1,250,000	1,250,000	1,250,000
	4.250	10/1/2024	1,250,000	1,250,000	1,250,000
	4.375	10/1/2025	1,500,000	1,500,000	1,500,000
	4.375	10/1/2026	1,500,000	1,500,000	1,500,000
	4.500	10/1/2027	1,750,000	1,750,000	1,750,000
		Total		<u>\$ 15,750,000</u>	<u>\$ 16,000,000</u>
2010 Unlimited Tax Refunding Bonds					
Amount of issue - \$4,895,000					
	2.000	10/1/2010	\$ 15,000	\$ -	\$ 15,000
	2.000	10/1/2011	935,000	935,000	935,000
	2.000	10/1/2012	940,000	940,000	940,000
	4.500	10/1/2013	940,000	940,000	940,000
	5.000	10/1/2014	990,000	990,000	990,000
	3.000	10/1/2015	1,075,000	1,075,000	1,075,000
		Total		<u>\$ 4,880,000</u>	<u>\$ 4,895,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding (1)	
				2011	June 30 2010
<b>Governmental activities (continued)</b>					
Special Assessment Bonds:					
2000 Special Assessment Limited Tax Bonds					
Amount of issue - \$18,435,000					
	4.750	10/1/2010	\$ 1,400,000	\$ -	\$ 1,400,000
	4.750	10/1/2011	1,400,000	1,400,000	1,400,000
	4.750	10/1/2012	1,450,000	1,450,000	1,450,000
	4.750	10/1/2013	1,500,000	1,500,000	1,500,000
	4.750	10/1/2014	1,500,000	1,500,000	1,500,000
	4.750	10/1/2015	1,500,000	1,500,000	1,500,000
		Total		<u>\$ 7,350,000</u>	<u>\$ 8,750,000</u>
		Total governmental activities		<u>\$ 37,615,000</u>	<u>\$ 45,300,000</u>
<b>Business-type activities</b>					
Special Assessment Bonds:					
2003 Special Assessment Limited Tax Bonds					
Amount of issue - \$2,330,000					
	3.000	10/1/2010	\$ 175,000	\$ -	\$ 175,000
	3.100	10/1/2011	175,000	175,000	175,000
	3.250	10/1/2012	175,000	175,000	175,000
	3.375	10/1/2013	175,000	175,000	175,000
	3.500	10/1/2014	175,000	175,000	175,000
	3.625	10/1/2015	155,000	155,000	155,000
	3.750	10/1/2016	150,000	150,000	150,000
	4.000	10/1/2017	150,000	150,000	150,000
		Total		<u>\$ 1,155,000</u>	<u>\$ 1,330,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding (1)	
				2011	June 30 2010
<b>Business-type activities (continued)</b>					
Building Authority Bonds:					
2004 Ice Arena Refunding Bonds:					
Amount of issue - \$7,630,000					
	3.500	6/1/2011	\$ 345,000	\$ -	\$ 345,000
	3.500	6/1/2012	340,000	340,000	340,000
	3.750	6/1/2013	385,000	385,000	385,000
	4.000	6/1/2014	380,000	380,000	380,000
	4.000	6/1/2015	425,000	425,000	425,000
	4.000	6/1/2016	420,000	420,000	420,000
	4.000	6/1/2017	465,000	465,000	465,000
	4.125	6/1/2018	460,000	460,000	460,000
	4.500	6/1/2019	480,000	480,000	480,000
	4.300	6/1/2020	500,000	500,000	500,000
	4.400	6/1/2021	500,000	500,000	500,000
	4.500	6/1/2022	520,000	520,000	520,000
	4.600	6/1/2023	515,000	515,000	515,000
	4.650	6/1/2024	560,000	560,000	560,000
		Total		<u>\$ 5,950,000</u>	<u>\$ 6,295,000</u>
1999 Senior Housing Facility Bonds					
Amount of issue - \$15,300,000					
	5.200	10/1/2010	\$ 500,000	\$ -	\$ 500,000
		Total		<u>\$ -</u>	<u>\$ 500,000</u>

City of Novi, Michigan  
Schedule of Indebtedness (continued)

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding (1)	
				2011	June 30 2010
<b>Business-type activities (continued)</b>					
Building Authority Bonds (continued):					
2005 Senior Housing Facility Bonds					
Amount of issue - \$9,920,000					
	3.500	10/1/2010	\$ 80,000	\$ -	\$ 80,000
	3.750	10/1/2011	60,000	60,000	60,000
	3.750	10/1/2012	65,000	65,000	65,000
	3.750	10/1/2013	75,000	75,000	75,000
	4.000	10/1/2014	80,000	80,000	80,000
	5.000	10/1/2015	240,000	240,000	240,000
	4.750	10/1/2016	775,000	775,000	775,000
	4.250	10/1/2017	810,000	810,000	810,000
	4.250	10/1/2018	845,000	845,000	845,000
	4.250	10/1/2019	850,000	850,000	850,000
	4.250	10/1/2020	840,000	840,000	840,000
	4.125	10/1/2021	850,000	850,000	850,000
	4.200	10/1/2022	885,000	885,000	885,000
	4.250	10/1/2023	1,015,000	1,015,000	1,015,000
	4.300	10/1/2024	1,055,000	1,055,000	1,055,000
	4.300	10/1/2025	1,100,000	1,100,000	1,100,000
		Total		<u>\$ 9,545,000</u>	<u>\$ 9,625,000</u>
2010 Senior Housing Refunding Bonds					
Amount of issue - \$2,970,000					
	2.000	10/1/2010	\$ 35,000	\$ -	\$ 35,000
	2.000	10/1/2011	605,000	605,000	605,000
	2.000	10/1/2012	610,000	610,000	610,000
	2.000	10/1/2013	615,000	615,000	615,000
	2.000	10/1/2014	625,000	625,000	625,000
	2.500	10/1/2015	480,000	480,000	480,000
		Total		<u>\$ 2,935,000</u>	<u>\$ 2,970,000</u>
Total business-type activities				<u>\$ 19,585,000</u>	<u>\$ 20,720,000</u>

(1) Amounts do not reflect deferred amounts on refundings.



## Statistical Section

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

The statistical section is organized into the following main categories:

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

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

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

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

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

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

City of Novi, Michigan  
 Net Assets by Component  
 Last Four Fiscal Years

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

Source: City's annual financial statements

City of Novi, Michigan  
Changes in Net Assets  
Governmental Activities  
Last Four Fiscal Years

	June 30			
	2008	2009	2010	2011
<b>Expenses</b>				
General government	\$ 8,527,694	\$ 6,857,555	\$ 6,404,820	\$ 6,315,571
Public safety	20,006,508	19,619,207	18,735,448	18,331,488
Public works	9,993,071	10,898,774	9,831,873	11,548,677
Community and economic development	774,299	1,277,239	1,317,373	1,241,411
Recreation and culture	5,412,373	5,389,349	7,719,230	5,151,212
Interest on long-term debt	2,221,714	2,343,833	1,780,848	1,759,340
Total expenses	46,935,659	46,385,957	45,789,592	44,347,699
<b>Program Revenue</b>				
Charges for services:				
Public safety	2,688,989	1,486,140	1,780,059	2,438,917
Recreation and culture	1,212,573	1,132,512	1,210,039	1,300,084
Other activities	424,270	309,179	208,442	611,929
Total charges for services	4,325,832	2,927,831	3,198,540	4,350,930
Operating grants and contributions	3,271,673	3,915,138	3,391,897	3,620,833
Capital grants and contributions	1,023,837	1,882,357	1,070,050	2,176,263
Total program revenue	8,621,342	8,725,326	7,660,487	10,148,026
<b>Net Expense</b>	(38,314,317)	(37,660,631)	(38,129,105)	(34,199,673)
<b>General Revenue</b>				
Property taxes	37,030,496	37,776,272	37,137,888	32,550,375
State-shared revenue	3,613,152	3,425,882	3,046,979	3,725,690
Unrestricted interest earnings	3,604,198	2,375,074	593,064	626,449
Unrestricted cable television franchise fees	352,197	422,430	535,804	601,350
Miscellaneous	1,112,008	1,369,730	823,054	961,921
Total general revenue	45,712,051	45,369,388	42,136,789	38,465,785
<b>Change in Net Assets</b>	<u>\$ 7,397,734</u>	<u>\$ 7,708,757</u>	<u>\$ 4,007,684</u>	<u>\$ 4,266,112</u>

Source: City's annual financial statements

City of Novi, Michigan  
 Changes in Net Assets  
 Business-type Activities  
 Last Four Fiscal Years

	June 30			
	2008	2009	2010	2011
<b>Expenses</b>				
Water and sewer	\$ 18,816,944	\$ 18,216,338	\$ 18,043,772	\$ 20,419,330
Ice arena	1,785,941	1,755,459	1,669,542	1,704,596
Senior housing	1,829,889	1,736,707	1,575,178	1,577,697
Total expenses	22,432,774	21,708,504	21,288,492	23,701,623
<b>Program Revenue</b>				
Charges for services:				
Water and sewer	15,842,032	16,460,328	16,359,420	18,494,973
Ice arena	2,096,064	2,020,838	2,067,836	2,078,643
Senior housing	1,821,871	1,801,742	1,804,069	1,903,346
Total charges for services	19,759,967	20,282,908	20,231,325	22,476,962
Capital grants and contributions	3,417,107	3,087,188	1,443,974	2,002,749
Total program revenue	23,177,074	23,370,096	21,675,299	24,479,711
<b>Net Revenue</b>	744,300	1,661,592	386,807	778,088
<b>General Revenue - Unrestricted interest earnings</b>	949,644	167,462	388,711	493,314
<b>Change in Net Assets</b>	\$ 1,693,944	\$ 1,829,054	\$ 775,518	\$ 1,271,402

Source: City's annual financial statements

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

	Year Ended June 30			
	2002	2003	2004	2005
<b>General Fund</b>				
Reserved	\$ 48,879	\$ 4,910	\$ -	\$ 64,742
Unreserved	4,651,976	5,288,136	5,133,307	7,139,595
Nonspendable				
Prepays	-	-	-	-
Restricted				
PEG access support fees	-	-	-	-
Assigned				
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	-
	<hr/>			
Total general fund	\$ 4,700,855	\$ 5,293,046	\$ 5,133,307	\$ 7,204,337
	<hr/>			
<b>All Other Governmental Funds</b>				
Reserved	\$ 109,290	\$ 1,572,501	\$ 6,311,395	\$ 6,032,947
Unreserved, reported in:				
Special Revenue Funds	23,992,512	20,300,100	17,299,383	19,653,909
Capital Project Funds	13,363,003	17,322,795	7,645,115	4,456,497
Debt Service Funds	823,211	958,761	1,372,204	1,022,959
Restricted				
Contributions and donations	-	-	-	-
Road construction and maintenance	-	-	-	-
Cash and investments restricted for				
special assessments	-	-	-	-
Storm water systems	-	-	-	-
Debt service	-	-	-	-
Library	-	-	-	-
Tree replacement and maintenance	-	-	-	-
Law enforcement programs	-	-	-	-
Police and fire operations	-	-	-	-
Committed				
Infrastructure improvements	-	-	-	-
Assigned				
Subsequent year's budget	-	-	-	-
	<hr/>			
Total all other governmental funds	\$ 38,288,016	\$ 40,154,157	\$ 32,628,097	\$ 31,166,312
	<hr/>			

Source: City's annual financial statements

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

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

Year Ended June 30					
2006	2007	2008	2009	2010	2011
\$ 454,025	\$ 1,037,182	\$ 172,263	\$ -	\$ -	\$ -
10,059,345	10,577,595	12,240,776	10,314,220	9,710,403	-
-	-	-	-	-	1,640
-	-	-	-	-	103,988
-	-	-	-	-	4,192,010
-	-	-	-	-	7,119,437
<u>\$ 10,513,370</u>	<u>\$ 11,614,777</u>	<u>\$ 12,413,039</u>	<u>\$ 10,314,220</u>	<u>\$ 9,710,403</u>	<u>\$ 11,417,075</u>
\$ 6,731,963	\$ 7,660,714	\$ 21,943,866	\$ 20,841,560	\$ 9,892,542	\$ -
20,009,494	26,857,209	26,824,183	25,412,275	27,459,651	-
4,523,656	2,744,792	-	-	-	-
1,491,063	1,449,850	1,417,823	1,531,730	1,747,094	-
-	-	-	-	-	1,609,650
-	-	-	-	-	5,263,318
-	-	-	-	-	5,077,212
-	-	-	-	-	10,430,045
-	-	-	-	-	1,240,366
-	-	-	-	-	3,257,122
-	-	-	-	-	1,248,144
-	-	-	-	-	438,121
-	-	-	-	-	3,273,244
-	-	-	-	-	3,098,874
-	-	-	-	-	3,066,993
<u>\$ 32,756,176</u>	<u>\$ 38,712,565</u>	<u>\$ 50,185,872</u>	<u>\$ 47,785,565</u>	<u>\$ 39,099,287</u>	<u>\$ 38,003,089</u>

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

	Year Ended June 30			
	2002	2003	2004	2005
<b>Revenue</b>				
Taxes	\$ 24,295,219	\$ 26,579,364	\$ 28,321,001	\$ 30,565,342
Licenses, permits, and charges for services	2,394,190	2,710,259	3,067,750	3,722,805
Federal grants	820,901	554,498	300,066	691,007
State sources	7,104,544	7,012,000	6,859,367	6,820,821
Special assessments collected	1,109,137	1,096,950	1,137,287	1,358,180
Fines and forfeitures	359,760	384,847	469,068	1,841,171
Interest income	3,005,912	2,503,750	2,109,486	2,451,375
Recreational programs	758,648	897,234	771,552	847,606
Gifts and donations	-	1,470	1,008,007	13,782
Other revenue	1,840,213	2,435,998	1,023,024	1,015,413
Total revenue	41,688,524	44,176,370	45,066,608	49,327,502
<b>Expenditures</b>				
Current services:				
City Council	8,011	4,659	4,517	5,142
City manager	493,779	507,418	538,867	588,392
Finance department	499,907	522,386	638,614	683,494
Information technology	325,008	345,997	347,143	335,892
Assessing	569,351	546,446	610,956	628,395
City attorney	960,517	428,163	548,850	460,265
City clerk	426,755	472,592	446,794	545,666
Treasury	243,738	251,015	272,318	274,503
Facility operations	626,629	657,638	822,787	699,789
Human resources (3)	-	-	-	-
Neighborhood and business relations group (1)	158,654	260,243	254,535	280,850
General administration	1,367,451	1,404,932	1,498,761	1,342,756
Public safety - Police department	7,846,717	8,400,100	9,020,762	9,706,073
Public safety - Fire department	3,190,241	3,269,965	3,452,750	3,740,265
Coalition that Cares	194,693	-	-	-
Community development - Building division (2)	1,346,052	1,447,435	1,536,733	1,769,951
Community development - Planning division (2)	707,290	736,773	675,693	607,832
Neighborhood services	294,141	311,996	411,568	425,959
Department of public services	948,541	736,403	1,031,675	665,697
Engineering	-	214,061	202,373	374,411
Planning commission	9,291	4,093	26,712	55,580
Construction	14,042,915	11,354,818	13,859,945	8,266,582
Street maintenance	2,228,811	2,716,638	2,182,470	2,724,585
Drain maintenance	-	-	407,066	429,265
Recreational programs	1,457,300	1,671,287	1,697,907	1,802,210
Forestry and park maintenance	664,061	720,223	898,072	1,009,631
Library programs	1,879,807	2,063,764	2,167,782	2,222,296
Other	206,545	2,930,374	330,636	177,186

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

Year Ended June 30						
	2006	2007	2008	2009	2010	2011
\$	32,741,087	\$ 34,954,183	\$ 37,030,496	\$ 37,776,272	\$ 37,137,888	\$ 32,550,376
	3,835,567	4,464,140	3,100,389	1,825,491	1,981,548	2,900,982
	437,956	194,188	270,420	483,550	346,722	488,948
	7,075,986	6,640,108	6,651,174	7,032,331	5,926,318	6,621,830
	1,271,778	1,469,927	1,371,526	1,438,220	1,523,589	1,351,415
	3,070,343	3,223,117	658,388	1,262,933	1,019,185	828,789
	3,735,575	4,529,431	4,460,935	3,147,972	1,278,007	1,218,637
	918,047	864,760	962,418	967,156	1,064,430	1,090,881
	340,147	5,650	49,346	49,226	110,815	38,662
	2,526,651	1,671,891	1,197,343	1,601,451	989,212	1,935,916
	55,953,137	58,017,395	55,752,435	55,584,602	51,377,714	49,026,436
	6,714	4,833	21,580	8,965	9,242	9,213
	405,829	410,554	425,576	420,710	411,411	363,513
	721,668	893,732	876,915	906,598	812,468	815,502
	453,963	473,271	574,817	621,582	685,954	710,859
	660,643	695,564	791,884	881,136	841,391	727,995
	393,687	386,133	463,023	390,220	347,976	457,054
	485,907	527,221	543,327	636,981	565,152	520,796
	260,768	286,102	285,331	295,127	295,806	274,364
	648,426	1,026,280	960,778	1,669,302	1,154,049	889,803
	-	-	-	-	-	418,994
	293,175	334,545	578,654	717,049	685,791	646,080
	1,708,636	2,568,173	1,870,418	1,728,883	1,598,772	1,380,374
	10,248,128	10,683,107	11,125,764	11,840,227	11,464,834	11,481,373
	4,707,555	5,046,849	5,209,761	6,351,188	4,813,234	4,730,832
	-	-	-	-	-	-
	1,746,988	2,132,757	2,495,615	2,012,522	1,438,146	1,343,440
	621,035	673,842	743,118	615,171	625,365	617,048
	449,562	493,726	-	-	-	-
	961,073	737,554	998,536	1,177,144	2,254,978	2,416,375
	277,607	367,279	364,198	476,489	-	-
	1,034	3,755	7,912	9,909	3,366	6,168
	7,254,583	3,933,162	6,301,555	7,629,512	14,589,987	2,272,800
	2,691,092	2,361,203	2,840,343	3,125,742	2,366,408	2,780,785
	490,658	589,733	547,477	610,898	635,237	580,337
	1,912,578	1,878,091	1,921,020	2,039,331	1,942,282	1,795,604
	1,485,440	1,164,713	1,155,892	912,323	200,962	63,478
	2,313,923	2,386,812	2,529,724	2,531,152	2,578,916	2,704,689
	356,326	547,425	1,430,650	184,026	317,621	360,327



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

	Year Ended June 30			
	2002	2003	2004	2005
<b>Expenditures (continued)</b>				
Current services (continued):				
Capital outlay	\$ 1,407,294	\$ 696,526	\$ 548,054	\$ 238,090
Debt service principal	3,488,000	4,114,000	4,836,319	5,667,000
Debt service interest and other	3,662,369	3,233,210	3,562,704	2,990,500
Advance refunding escrow	-	-	-	-
Total expenditures	49,253,868	50,023,155	52,833,363	48,718,257
<b>Excess of Revenue Over (Under) Expenditures</b>	(7,565,344)	(5,846,785)	(7,766,755)	609,245
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	30,655,000	6,565,000	-
Payment to refunded bond escrow agent	-	(22,777,930)	(6,484,044)	-
Transfers in	5,287,337	9,132,839	6,249,401	8,235,372
Transfers out	(5,287,337)	(8,892,195)	(6,249,401)	(8,235,372)
Total other financing sources (uses)	-	8,117,714	80,956	-
<b>Net Change in Fund Balances</b>	(7,565,344)	2,270,929	(7,685,799)	609,245
<b>Fund Balances - Beginning of year</b>	50,554,215	43,176,274	45,447,203	37,761,404
<b>Fund Balances - End of year</b>	\$ 42,988,871	\$ 45,447,203	\$ 37,761,404	\$ 38,370,649
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	15.4%	19.4%	22.6%	21.9%

(1) Formerly "community relations"

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

(3) Formerly combined with "general administration"

Source: City's annual financial statements

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

Year Ended June 30					
2006	2007	2008	2009	2010	2011
\$ 688,050	\$ 949,021	\$ 2,684,008	\$ 2,847,879	\$ 503,397	\$ 544,706
6,059,000	6,190,000	9,525,000	7,075,000	7,325,001	7,685,000
2,750,192	2,520,162	2,207,990	2,368,662	1,955,810	1,818,453
-	-	-	-	109,181	-
51,054,240	50,265,599	59,480,866	60,083,728	60,532,737	48,415,962
4,898,897	7,751,796	(3,728,431)	(4,499,126)	(9,155,023)	610,474
-	-	16,000,000	-	4,895,000	-
-	-	-	-	(5,030,072)	-
10,257,998	8,740,129	12,277,286	7,638,046	6,097,096	10,289,946
(10,257,998)	(9,434,129)	(12,277,286)	(7,638,046)	(6,097,096)	(10,289,946)
-	(694,000)	16,000,000	-	(135,072)	-
4,898,897	7,057,796	12,271,569	(4,499,126)	(9,290,095)	610,474
38,370,649	43,269,546	50,327,342	62,598,911	58,099,785	48,809,690
\$ 43,269,546	\$ 50,327,342	\$ 62,598,911	\$ 58,099,785	\$ 48,809,690	\$ 49,420,164
21.3%	20.0%	24.2%	20.6%	21.5%	21.5%

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

Year Ended June 30	Taxable Value by Property Type			
	Real Property			
	Residential	Commercial	Industrial	Developmental
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	-
2010	2,118,749	934,816	268,209	-
2011	1,862,674	900,544	220,883	-

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

Source: City's assessor department records

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

	Personal Property	Total Taxable Value	Tax Rate (Mills)	State Equalized Value (SEV)	Taxable Value as a Percent of SEV
\$	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
	233,170	3,554,944	10.5416	3,742,062	95
	220,467	3,204,568	10.5416	3,321,185	96

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

City of Novi								
Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
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
2010	4.9027	0.7719	1.4282	0.3857	0.1765	0.7719	2.1047	10.5416
2011	5.0182	0.7719	1.4282	0.3857	0.0885	0.7719	2.0772	10.5416

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

Source: City's finance department records

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

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
12.1574	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
10.3800	25.7332	8.5000	26.5000	6.4793	22.5000	4.0000	22.7200
11.4931	26.3632	10.5000	28.5000	6.7508	22.5000	4.5000	22.5000

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

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

(1)

(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	2010 Taxable Value	Percentage of Total	2010 Rank	2001 Taxable Value	Percentage of Total	2001 Rank
Taubman	\$ 55,678,620	1.87	1	\$ 53,137,930	2.33	1
Northern Equities et al	52,632,320	1.77	2	16,441,300	0.72	6
Singh Development	52,151,520	1.75	3	25,606,180	1.12	3
Novi Campus LLC - Fox Run	47,633,490	1.60	4			
International Transmission Co	30,757,420	1.03	5			
Occidental Development Ltd.	29,258,200	0.98	6	24,349,060	1.07	4
Detroit Edison	26,491,140	0.89	7	26,067,300	1.14	2
Providence Hospital	23,654,760	0.79	8	14,251,540	0.62	9
TBON LLC	22,828,970	0.77	9			
Fountain Walk	19,825,250	0.67	10			
Solomon Properties Inc.				14,939,570	0.73	8
Northwestern Mutual				14,251,540	0.66	10
Ramco Novi I Co.				15,545,310	0.66	7
Aetna REI 4226				16,554,780	0.66	5

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
2001	2002	\$ 24,039,024	\$ 23,094,132	96.1	\$ 382,992	\$ 23,477,124	97.7
2002	2003	26,360,044	24,761,058	93.9	772,972	25,534,030	96.9
2003	2004	28,243,224	27,076,470	95.9	547,389	27,623,859	97.8
2004	2005	30,576,422	28,583,217	93.5	896,068	29,479,285	96.4
2005	2006	32,666,495	31,511,671	96.5	523,589	32,035,260	98.1
2006	2007	35,515,881	33,701,763	94.9	804,920	34,506,683	97.2
2007	2008	37,235,244	34,722,648	93.3	1,208,158	35,930,806	96.5
2008	2009	37,786,170	36,240,984	95.9	1,242,184	37,483,168	99.2
2009	2010	37,360,762	34,997,428	93.7	2,057,564	37,054,992	99.2
2010	2011	33,678,282	32,529,560	96.6	983,484	33,513,044	99.5

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

Source: City's finance department records

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

	2002	2003	2004	2005
<b>Governmental Activities</b>				
General obligation bonds (1)	\$ 53,861	\$ 57,884	\$ 54,640	\$ 50,130
Installment purchase agreements	126	97	66	34
Special assessment bonds	18,650	17,590	16,465	15,340
Total	72,637	75,571	71,171	65,504
<b>Business-type Activities</b>				
General obligation bonds (1)	27,735	26,675	25,525	24,393
Special assessment bonds	200	-	2,330	2,255
Installment loans	7	-	-	-
Revenue bonds	14,535	14,105	13,680	13,155
Total	42,477	40,780	41,535	39,803
Total debt of the government	\$ 115,114	\$ 116,351	\$ 112,706	\$ 105,307
Total taxable value	\$ 2,280,396	\$ 2,510,282	\$ 2,679,216	\$ 2,900,549
Ratio of total debt to taxable value	5.05%	4.63%	4.21%	3.63%
Total population*	49,359	50,223	51,518	52,921
Total debt per capita	\$ 2,332	\$ 2,317	\$ 2,188	\$ 1,990

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

(1) Less deferred amount on refunding

Source: City's annual financial statements

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

	2006	2007	2008	2009	2010	2011
\$	45,230	\$ 40,165	\$ 48,065	\$ 42,455	\$ 36,336	\$ 30,086
	-	-	-	-	-	-
	14,215	13,090	11,665	10,200	8,750	7,350
	59,445	53,255	59,730	52,655	45,086	37,436
	23,030	21,491	19,933	19,090	18,197	17,334
	2,080	1,905	1,730	1,530	1,330	1,155
	-	-	-	-	-	-
	-	-	-	-	-	-
	25,110	23,396	21,663	20,620	19,527	18,489
\$	84,555	\$ 76,651	\$ 81,393	\$ 73,275	\$ 64,613	\$ 55,925
\$	3,098,818	\$ 3,364,062	\$ 3,550,407	\$ 3,582,448	\$ 3,554,944	\$ 3,204,568
	2.73%	2.28%	2.29%	2.05%	1.82%	1.75%
	53,941	54,609	54,688	54,376	55,224	55,374
\$	1,568	\$ 1,404	\$ 1,488	\$ 1,348	\$ 1,170	\$ 1,010

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

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Bonded Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population (2)	Debt per Capita
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
2010 (1)	750	35,485	315	19,390	55,940	3,554,944	1.57	55,224	1,013
2011 (1)	550	29,715	-	18,430	48,695	3,204,568	1.52	55,374	879

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

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

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

Source: City's finance department records

City of Novi, Michigan  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2011  
 (dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 110,305	99.86	\$ 110,151
Northville School District	79,240	18.34	14,533
Walled Lake School District	140,346	12.48	17,515
South Lyon School District	176,545	2.27	4,008
Oakland County	97,307	5.76	5,605
Oakland Intermediate School District	62,379	4.98	3,106
Oakland Community College	5,075	4.78	243
Total overlapping debt			155,160
Direct City debt (1)			47,420
Total direct and overlapping debt			<u>\$ 202,580</u>

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

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

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

	2002	2003	2004	2005
<b>Calculation of Debt Limit</b>				
State equalized valuation (2)	\$ 2,677,663	\$ 2,971,901	\$ 3,196,089	\$ 3,407,207
Assessed value equivalent of Act 198 exemptions (1)	-	-	-	-
<b>Debt Limit (10% of SEV)</b>	<b>267,766</b>	<b>297,190</b>	<b>319,609</b>	<b>340,721</b>
<b>Calculation of Debt Subject to Limit</b>				
Total debt	115,114	116,351	112,706	106,654
Less:				
Special assessment bonds	18,850	17,590	18,795	17,595
Michigan Transportation Fund bonds	2,425	2,280	2,015	1,745
Revenue bonds	14,535	14,105	13,680	13,155
<b>Net Debt Subject to Limit</b>	<b>79,304</b>	<b>82,376</b>	<b>78,216</b>	<b>74,159</b>
<b>Legal Debt Margin</b>	<b>\$ 188,462</b>	<b>\$ 214,814</b>	<b>\$ 241,393</b>	<b>\$ 266,562</b>
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	<b>29.62%</b>	<b>27.72%</b>	<b>24.47%</b>	<b>21.77%</b>

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

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

Source: City's finance department records

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

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

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

Source: City's finance department records

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

	2006	2007	2008	2009	2010	2011
\$	3,580,551	\$ 3,848,565	\$ 3,946,242	\$ 3,876,955	\$ 3,742,062	\$ 3,321,185
	8,350	8,386	8,423	8,423	8,414	8,389
	358,890	385,695	395,467	388,538	375,048	332,957
	84,554	76,651	81,393	73,275	64,613	55,925
	16,295	14,995	13,395	11,730	10,080	8,505
	1,480	1,215	910	610	315	-
	-	-	-	-	-	-
	66,779	60,441	67,088	60,935	54,218	47,420
\$	292,111	\$ 325,254	\$ 328,379	\$ 327,603	\$ 320,830	\$ 285,537
	18.61%	15.67%	16.96%	15.68%	14.46%	14.24%

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

Fiscal Year	Water and Sewer Revenue Bonds							Special Assessment Bonds			
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Coverage	Special Assessment Collections	Debt Service		
				Principal	Interest			Principal	Interest	Coverage	
2002	\$ 10,731	\$ 8,457	\$ 2,274	\$ 430	\$ 720	1.98	\$ 2,449	\$ 1,075	\$ 1,010	1.17	
2003	12,582	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	
2010	-	-	-	-	-	-	2,583	1,650	499	1.20	
2011	-	-	-	-	-	-	2,661	1,575	425	1.33	

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
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
2010	55,224	*	*	8.4
2011	55,374	*	*	10.9

\* Not available

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

City of Novi, Michigan  
Principal Employers  
June 30, 2011

Employer	2011 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 Suburban Collection Showplace	400	1.54
7 ITC Holding, Inc.	400	1.54
8 Ikon Office Solutions, Inc.	307	1.18
9 Paychex	300	1.16
10 Fox Run	300	1.16
11 Cooper-Standard Automotive	250	0.96
12 Michigan Cat	250	0.96
13 Caparo Vehicle Components	250	0.96

Note - Employee totals do not include part-time employees

Sources: The City's Neighborhood and Business Relations Group is currently in the process of researching and updating the database of major employers within Novi. The data presented is as of January 2011.

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

Function/Program	2002	2003	2004	2005
City manager	4	4	4	4
Finance Department	6	6	7	7
Information technology	3	3	3	3
Assessing	7	7	7	7
City clerk	6	6	6	6
Treasury	3	3	3	3
Facility Operations	2	2	2	2
Human resources (3)	-	-	-	-
General administration	7	7	7	6
Department of Public Safety	-	-	-	-
Police department (4)	90	89	94	97
Fire department (4)	27	28	29	31
Building department	18	18	18	18
Neighborhood services	4	4	5	5
Department of Public Services (5)	30	26	25	25
Engineering	-	4	4	5
Parks, recreation, and cultural services (6)	17	17	18	18
Water and sewer	11	12	12	12
Library	19	19	21	20
Community relations	1	2	2	2
Neighborhood and Business Relations Group (1)	-	-	-	-
Planning	9	8	8	8
Community development (2)	-	-	-	-
<b>Total</b>	<b>264</b>	<b>265</b>	<b>275</b>	<b>279</b>

(1) Formerly "community relations"

(2) Combined building and planning

(3) Employees included under General Administration in previous years

(4) Combined Police and Fire Departments

(5) Engineering staff combined with Department of Public Services

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

Source: City's finance department records

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

2006	2007	2008	2009	2010	2011
3	3	3	3	3	3
8	8	8	8	8	7
4	4	5	5	5	5
7	7	7	7	7	7
6	6	6	6	6	5
3	3	3	3	3	3
2	2	2	2	4	2
-	-	-	-	5	5
6	7	5	6	-	-
-	-	-	-	128	118
97	99	99	99	-	-
30	31	31	31	-	-
18	18	-	-	-	-
5	5	-	-	-	-
23	23	23	24	36	36
5	5	6	6	-	-
18	18	19	17	11	10
13	13	12	12	12	12
20	20	20	20	20	20
2	3	-	-	-	-
-	-	4	4	3	3
8	8	-	-	-	-
-	-	31	31	21	19
278	283	284	284	272	255

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

Function/Program	2002	2003	2004	2005
Election data:				
Registered voters	30,534	30,428	30,572	32,131
Voters at polls	6,601	13,814	3,962	25,432
Absentee ballots	1,368	2,742	1,343	5,783
Percent voting	26.10%	54.41%	17.35%	79.15%
Police:				
Part A crimes	2,682	2,509	2,530	2,426
Part B crimes	1,496	1,681	1,766	1,216
Injury accidents	325	281	266	277
Property damage	2,200	2,146	2,221	2,004
Moving traffic violations	7,280	6,161	10,353	10,451
Parking violations	706	542	620	448
Adult arrests	1,328	1,541	1,709	1,630
Juvenile arrests	210	227	261	208
OUIL arrests	259	306	451	460
False alarms	2,310	2,554	2,527	2,470
Fire:				
Fire incidents	135	154	137	305
Service incidents	1,062	1,215	1,343	1,124
Fire inspections conducted	2,691	3,054	2,849	2,280
Medical emergencies	2,052	2,083	2,187	2,430
Paid-on-call staff	56	60	55	48
Parks and recreation:				
Youth classes/clinics	832	250	1,000	240
Adult classes/clinics	312	300	400	100
Youth leagues	4,672	3,732	4,900	2,891
Adult leagues	2,775	2,640	2,010	2,138
Summer day camp	440	420	416	425
Lakeshore Park vehicle entry	4,140	3,850	3,410	3,456
Lakeshore Park attendance	9,050	8,740	10,230	10,368
Lakeshore Park picnic shelter rental	86	79	117	82
Senior citizens served (1)	90,500	90,700	90,680	63,676
Special event attendance	8,500	8,813	10,966	9,250
Civic Center rentals	2,596	2,807	3,765	1,799
Civic Center attendance	99,880	89,070	99,312	57,352
Novi Theaters - Cast	785	821	817	367
Novi Theaters - Audience	10,110	8,005	10,380	6,341
Library (2):				
Items circulated	352,814	400,441	411,599	464,991
Book collections	109,710	107,236	113,384	119,273
Audio/Video/CD collections	9,394	10,042	11,075	11,552
Periodical subscriptions	398	189	195	189
Requests of information	79,071	88,873	86,403	115,623
Youth Summer Reading	1,354	1,547	1,577	1,687
Program participants	21,822	23,342	28,824	26,940
Visitors	-	-	-	-
Interlibrary loans	-	-	-	-

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

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

Source: City's finance department records

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

2006	2007	2008	2009	2010	2011
32,301	33,253	35,117	36,320	35,764	36,921
4,495	20,612	9,020	19,684	2,887	14,535
2,256	4,500	2,768	8,455	2,212	4,575
20.90%	62.00%	26.00%	77.48%	14.26%	51.76%
2,312	2,077	2,102	2,018	1,868	1,679
1,246	1,388	987	721	793	814
248	203	242	264	216	272
1,986	1,853	1,825	1,737	1,602	1,761
12,219	11,486	6,813	11,184	11,635	10,167
437	427	N/A	N/A	512	285
1,780	2,001	1,703	1,987	2,353	1,368
211	237	189	229	201	213
380	398	266	369	363	415
2,677	2,664	2,403	2,275	2,262	2,357
309	287	266	1,015	134	92
1,013	1,207	1,218	567	2,006	1,311
2,291	2,301	2,619	3,049	2,341	2,920
2,424	2,458	2,724	2,766	2,957	3,299
54	59	56	68	68	66
248	780	572	715	1,154	1,238
106	493	428	213	439	458
3,002	3,091	2,983	2,198	2,585	2,371
2,146	1,980	2,240	2,394	2,750	4,024
431	367	341	339	742	703
3,502	7,910	10,335	7,065	11,533	9,846
12,224	17,120	17,777	17,663	28,833	24,615
85	104	163	11,355	128	98
64,189	106,522	87,188	78,978	78,432	68,517
10,009	9,981	11,413	11,049	12,071	14,311
2,700	2,746	2,731	2,985	1,060	1,516
86,860	96,503	97,249	81,810	57,519	37,457
372	284	226	214	206	181
6,640	4,929	6,392	4,548	5,041	4,757
508,405	544,874	580,438	628,724	556,582	759,021
123,897	126,259	128,711	123,884	137,220	146,187
12,581	13,805	13,774	13,232	14,295	18,015
153	170	179	162	185	215
136,448	158,265	159,485	154,735	171,324	220,427
1,698	1,171	1,491	1,491	1,061	1,261
26,160	26,720	35,062	18,772	24,145	34,198
285,777	265,795	269,815	280,560	262,826	371,274
46,057	55,102	60,182	78,214	67,615	100,342

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

Function/Program	2002	2003	2004	2005
Water and sewer - Customers:				
Residential	10,040	12,504	10,684	11,107
Commercial	949	1,020	1,014	1,024
Water (in thousand gallons):				
Purchased from Detroit	1,984,209	2,204,351	2,213,689	2,267,616
Sold to customers	1,633,165	2,099,575	2,032,995	2,117,038
Rates:				
Minimum 7,000 gallons*	\$ 27.00	\$ 27.00	\$ 28.00	\$ 29.00
Fixed rate quarterly water charge	-	-	-	-
Additional usage per 1,000 gallons	2.48	2.48	2.55	2.78
Fixed rate quarterly sewer charge	-	-	-	-
Sewer (per thousand gallons of water usage)	1.75	1.75	1.93	2.05

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

Source: City's finance department records

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

	2006	2007	2008	2009	2010	2011
	12,306	12,708	12,716	12,641	12,874	12,940
	1,108	1,399	1,280	1,287	1,225	1,239
	2,431,591	2,424,237	2,402,589	2,182,409	2,041,594	2,166,712
	2,256,309	2,355,938	2,192,050	2,079,696	1,919,763	2,024,406
\$	31.00	\$ 31.00	\$ 33.00	\$ 41.00	\$ 42.00	\$ -
	-	-	-	-	-	35.00
	2.94	2.94	3.17	3.95	4.06	3.31
	-	-	-	-	-	5.00
	2.21	2.21	2.32	2.51	2.67	2.90



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

Function/Program	2002	2003	2004	2005
Police:				
Stations	1	1	1	1
Fire:				
Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	31	32	39	39
Local	135	159	107	116
Estimated sidewalks in miles (1)	39	41	39	69
Bridges	4	4	4	4
Street lights	400	400	401	401
Parks and recreation:				
Acres	844	844	844	894
Locations	10	9	10	7
Library:				
Branches	1	1	1	1
Water and sewer:				
Miles of water mains	180	180	180	280
Miles of sanitary sewers	203	215	227	230
Fire hydrants	3,080	-	3,077	3,139

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

Source: City's department of Public Services

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

2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
4	4	4	4	4	4
39	39	39	39	39	39
116	123	127	128	132	136
170	226	227	228	230	231
4	4	4	4	4	4
401	402	402	418	421	421
894	894	894	991	1,138	1,138
7	7	7	11	11	11
1	1	1	1	1	1
288	288	288	306	306	306
230	230	230	243	243	245
3,763	4,010	4,011	4,003	4,003	4,002



ZOOM LENS 4X



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011 • Novi, Michigan

45175 W. TEN MILE ROAD  
NOVI, MICHIGAN 48375  
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