

Comprehensive Annual Financial Report

City of Novi, Michigan

Fiscal Year Ended June 30, 2014

Finance Department Summary

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Correction of Error

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Note 14 – Upcoming Reporting Changes (continued)

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

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

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

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

Note 15 – Restatement of Beginning Balances

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

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

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

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

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

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

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

Special Revenue Funds

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

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

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

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

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

Approx. (\$893K) (\$1,779M) (\$2,075M) To new Fund

City of Novi, Michigan
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 2)	\$ 9,952,852	\$ 2,611,264	\$ 28,174,513	\$ 40,738,629
Accounts receivable:				
Other governmental units	702,098	-	824,879	1,526,977
Taxes	-	-	-	-
Special assessments	-	5,371,950	-	5,371,950
Other	402,736	-	23,407	426,143
Prepaid items	5,000	-	-	5,000
Restricted assets (Note 4)	-	3,165,352	3,145,017	6,310,369
Total assets	<u>\$ 11,062,686</u>	<u>\$ 11,148,566</u>	<u>\$ 32,167,816</u>	<u>\$ 54,379,068</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,168,616	\$ 144,330	\$ 1,863,104	\$ 3,176,050
Accrued and other liabilities	1,014,468	59,574	394,647	1,468,689
Deferred revenue (Note 6)	68,038	5,371,950	249,319	5,689,307
Total liabilities	2,251,122	5,575,854	2,507,070	10,334,046
Fund Balances				
Nonspendable:				
Prepaid items	5,000	-	-	5,000
Restricted:				
Contributions and donations (Note 4)	-	-	1,792,758	1,792,758
Road construction and maintenance	-	2,407,360	3,567,671	5,975,031
Cash and investments restricted for special assessments (Note 4)	-	3,165,352	1,308,870	4,474,222
Storm water systems	-	-	10,174,456	10,174,456
Debt service	-	-	160,337	160,337
Parks, recreation, and cultural services	-	-	1,283,200	1,283,200
Library	-	-	2,113,292	2,113,292
Tree replacement and maintenance	-	-	1,485,961	1,485,961
Law enforcement programs	-	-	341,404	341,404
PEG access support fees	179,147	-	-	179,147
Police and fire operations	-	-	3,711,468	3,711,468
Assigned:				
Infrastructure improvements	-	-	3,721,329	3,721,329
Subsequent year's budget	661,639	-	-	661,639
Unassigned	7,965,778	-	-	7,965,778
Total fund balances	<u>8,811,564</u>	<u>5,572,712</u>	<u>29,660,746</u>	<u>44,045,022</u>
Total liabilities and fund balances	<u>\$ 11,062,686</u>	<u>\$ 11,148,566</u>	<u>\$ 32,167,816</u>	<u>\$ 54,379,068</u>

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

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

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

City of Novi, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2013

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 47,859,961	\$ 1,765,332	\$ 1,586,805	\$ 51,212,098
Accounts receivable:				
Water and sewer billing	4,910,121	-	-	4,910,121
Taxes	145,989	-	-	145,989
Other	72,259	39,253	767	112,279
Inventory	128,755	6,951	-	135,706
Other postemployment benefits asset (Note 12)	35,029	-	-	35,029
Total current assets	53,152,114	1,811,536	1,587,572	56,551,222
Noncurrent assets:				
Restricted assets (Note 4)	7,001,295	-	-	7,001,295
Capital assets - net (Note 5)	116,742,257	6,246,583	11,193,004	134,181,844
Total noncurrent assets	123,743,552	6,246,583	11,193,004	141,183,139
Total assets	176,895,666	8,058,119	12,780,576	197,734,361
Liabilities				
Current liabilities:				
Accounts payable	3,801,226	75,136	40,180	3,916,542
Accrued and other liabilities	52,839	63,267	264,196	380,302
Due to other governmental units	999,288	-	-	999,288
Unearned revenue	-	-	3,776	3,776
Receipts refundable	125,885	-	-	125,885
Current portion of long-term liabilities (Note 7)	175,000	380,000	690,000	1,245,000
Total current liabilities	5,154,238	518,403	998,152	6,670,793
Noncurrent liabilities - long-term debt - net of deferred amount on refunding				
	630,000	4,552,821	9,839,139	15,021,960
Total liabilities	5,784,238	5,071,224	10,837,291	21,692,753
Net Position				
Invested in capital assets - net of related debt	115,937,257	1,313,762	663,865	117,914,884
Restricted for:				
Special assessments	7,001,295	-	-	7,001,295
Unrestricted	48,172,876	1,673,133	1,279,420	51,125,429
Total net position	\$ 171,111,428	\$ 2,986,895	\$ 1,943,285	\$ 176,041,608

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

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

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

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

City of Novi, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds (continued)
June 30, 2013

Special Revenue Funds							
Drain Revenue Fund	Drain Perpetual Maintenance Fund	Special Assessment Revolving Fund	Contributions and Donations Fund	Forfeiture Fund	Library Fund	Walker Library Fund	
\$ 4,113,596	\$ 6,169,585	\$ 3,721,329	\$ -	\$ 378,615	\$ 2,254,468	\$ -	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,308,870	-	-	280,846	-	-	-	1,555,301
\$ 5,422,466	\$ 6,169,585	\$ 3,721,329	\$ 280,846	\$ 378,615	\$ 2,254,468	\$ 1,555,301	
\$ 83,852	\$ -	\$ -	\$ 40,376	\$ 37,211	\$ 74,787	\$ 3,013	
24,873	-	-	-	-	66,389	-	-
-	-	-	-	-	-	-	-
108,725	-	-	40,376	37,211	141,176	3,013	
-	-	-	240,470	-	-	-	1,552,288
-	-	-	-	-	-	-	-
Restricted for special assessments 1,308,870	-	-	-	-	-	-	-
4,004,871	6,169,585	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,113,292	-	-
-	-	-	-	-	-	-	-
-	-	-	-	341,404	-	-	-
-	-	-	-	-	-	-	-
-	-	3,721,329	-	-	-	-	-
5,313,741	6,169,585	3,721,329	240,470	341,404	2,113,292	1,552,288	
\$ 5,422,466	\$ 6,169,585	\$ 3,721,329	\$ 280,846	\$ 378,615	\$ 2,254,468	\$ 1,555,301	

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

June 30, 2014

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

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

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

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

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

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

(\$445K) Roll

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

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

(\$230K Roll)

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

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

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

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

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

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

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

Note 10 – Defined Benefit Pension Plan (continued)

Annual Pension Cost

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

Three-year Trend Information

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

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

Note 11 – Defined Contribution Plan Description

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

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

Note 7 – Long-term Debt (continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds:							
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017							
	4.00% -	\$ 595,000 -					
	5.00%	\$ 730,000	\$ 3,300,000	\$ -	\$ (595,000)	\$ 2,705,000	\$ 625,000
Final payment 10/1/17 - One year early							
2008 Unlimited Tax Library Bonds:							
Amount of issue - \$16,000,000							
Maturing through 2027							
	3.50% -	\$ 250,000 -					
	4.50%	\$1,750,000	14,750,000	-	(500,000)	14,250,000	500,000
2010 Unlimited Tax Refunding Bonds:							
Amount of Issue - \$4,895,000							
Maturing through 2015							
	3.00% -	\$ 15,000 -					
	5.00%	\$1,075,000	3,005,000	-	(940,000)	2,065,000	990,000
Final payment 10/1/15							
Special Assessment Bonds:							
2012 Special Assessment Limited Tax Bonds:							
Amount of issue - \$4,165,000							
Maturing through 2018							
	3.00%	\$1,300,000 - \$1,415,000	4,165,000	-	(1,415,000)	2,750,000	1,390,000
Total governmental activities			<u>\$25,220,000</u>	<u>\$ -</u>	<u>\$(3,450,000)</u>	<u>\$21,770,000</u>	<u>\$3,505,000</u>

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues and Expenditures/Expenses (continued)

Property Tax Revenue (continued)

.2564 Streets
.3852 Library
.3487 Refunding
.9903

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

Purpose	Mills Levied	Approximate Revenue
City operating millage	5.0182	\$ 14,861,059
Police and fire supplemental millage	1.4282	4,229,444
Parks and recreation operations	0.3857	1,142,131
Library operations	0.7719	2,285,843
Drain maintenance operations	0.1057	312,926
Street maintenance operations	1.5000	4,442,130
Debt levies for streets, library, and refunding debt	0.9903	2,932,789
	10.2000	

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits up to the maximum caps. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. The City has discontinued the accrual of sick leave days for administrative employees and Michigan Association of Public Employees (MAPE).

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

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

Changes in the liability for compensated absences are as follows:

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