

City of Novi, Michigan

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

	Nonmajor		Total
	General Fund	Governmental Funds	
Revenue			
Property taxes	\$ 16,252,340	\$ 16,680,630	\$ 32,932,970
Licenses and permits	4,542,923	-	4,542,923
Federal grants	68,934	149,491	218,425
State-shared revenue and grants	4,361,493	5,073,969	9,435,462
Charges for services	448,858	-	448,858
Fines and forfeitures	578,591	178,812	757,403
Interest and investment income	881,440	980,658	1,862,098
Rental income	-	93,605	93,605
Other revenue:			
Special assessments	-	1,604,014	1,604,014
Local donations	1,475	155,959	157,434
Cable franchise fees	-	382,655	382,655
Recreational programs	-	1,441,691	1,441,691
Miscellaneous income	770,477	1,712,307	2,482,784
Total revenue	27,906,531	28,453,791	56,360,322
Expenditures			
Current:			
General government	6,658,739	-	6,658,739
Public safety	16,741,544	192,754	16,934,298
Public services	2,360,439	12,126,107	14,486,546
Community and economic development	3,582,466	503,318	4,085,784
Recreation and culture	50,571	6,502,117	6,552,688
Debt service:			
Principal	-	4,051,000	4,051,000
Interest on long-term debt	-	818,163	818,163
Total expenditures	29,393,759	24,193,459	53,587,218
Excess of Revenue (Under) Over Expenditures	(1,487,228)	4,260,332	2,773,104
Other Financing Sources (Uses)			
Proceeds from issuance of debt (Note 6)	-	9,995,301	9,995,301
Transfers in (Note 5)	5,340,000	8,494,940	13,834,940
Transfers out (Note 5) \$2.1M to new CIP Fund	(2,465,220)	(11,369,720)	(13,834,940)
Payment to bond refunding escrow agent (Note 6)	-	(9,887,462)	(9,887,462)
Total other financing sources (uses)	2,874,780	(2,766,941)	107,839
Net Change in Fund Balances	1,387,552	1,493,391	2,880,943
Fund Balances - Beginning of year	12,357,650	36,895,958	49,253,608
Fund Balances - End of year	\$ 13,745,202	\$ 38,389,349	\$ 52,134,551

46.8%

Fund balance 13,745,202
Roll over (1,884,723)
Adjusted FB 11,860,479

40.4%

City of Novi, Michigan

Governmental Funds Balance Sheet June 30, 2016

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

City of Novi, Michigan

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

City of Novi, Michigan

Fiduciary Funds

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

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

City of Novi, Michigan

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

The schedule of funding progress is as follows:

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

The schedule of employer contributions is as follows:

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

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

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

Note 6 - Long-term Debt

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

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

Note 6 - Long-term Debt (Continued)

	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	3.50% -						
Maturing through 2017	4.00%	\$150,000	\$ 455,000	\$ -	\$ 155,000	\$ 300,000	\$ 150,000
Building Authority Bonds:							
2005 Senior Housing Facility Bonds:							
Amount of issue: \$9,920,000	4.00% -						
Maturing through 2025	5.00%	-	9,265,000	-	9,265,000	-	-
2010 Senior Housing Refunding Bonds:							
Amount of issue: \$2,970,000	2.00% -						
Maturing through 2015	2.75%	-	480,000	-	480,000	-	-
General Obligation Bonds:							
2015 Senior Complex Recreation Facility Refunding Bonds:							
Amount of issue: \$9,075,000	2.29%	\$855,000 -	-	-	-	-	-
Maturing through 2026		\$1,020,000	-	9,075,000	-	9,075,000	855,000
2014 Ice Arena Refunding Bonds:							
Amount of issue: \$4,905,000	2.40%	\$490,000 -					
Maturing through 2024		\$520,000	4,405,000	-	450,000	3,955,000	490,000
Total bonds payable			14,605,000	9,075,000	10,350,000	13,330,000	1,495,000
Accumulated compensated absences			60,364	67,818	60,364	67,818	67,818
Total business-type activities			\$ 14,665,364	\$ 9,142,818	\$ 10,410,364	\$ 13,397,818	\$ 1,562,818

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

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

City of Novi, Michigan

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
Total Pension Liability		
Service cost	\$ 1,402,754	\$ 1,495,687
Interest	6,983,009	6,687,807
Changes in benefit terms	23,615	-
Differences between expected and actual experience	301,433	-
Changes in assumptions	3,305,619	-
Benefit payments, including refunds	(4,731,967)	(4,385,711)
Net Change in Total Pension Liability	7,284,463	3,797,783
Total Pension Liability - Beginning of year	86,307,145	82,509,362
Total Pension Liability - End of year	\$ 93,591,608	\$ 86,307,145
Plan Fiduciary Net Position		
Contributions - Employer	\$ 3,024,626	\$ 3,648,998
Contributions - Employee	652,652	712,076
Net investment income	-1.6% (898,140)	3,399,244 6.3%
Administrative expenses	(124,928)	(126,196)
Benefit payments, including refunds	(4,731,967)	(4,385,711)
Other	-	-
Net Change in Plan Fiduciary Net Position	(2,077,757)	3,248,411
Plan Fiduciary Net Position - Beginning of year	57,068,737	53,820,326
Plan Fiduciary Net Position - End of year	\$ 54,990,980	\$ 57,068,737
City's Net Pension Liability - Ending	\$ 38,600,628	\$ 29,238,408
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.76 %	66.12 %
Covered Employee Payroll	\$ 11,371,927	\$ 12,101,246
City's Net Pension Liability as a Percentage of Covered Employee Payroll	339.4 %	241.6 %



October, 2015

Novi, City of (6320)

In care of:
 Municipal Employees' Retirement System of Michigan
 1134 Municipal Way
 Lansing, Michigan 48917

Re: Six Year Projection of Employer Contributions and Funded Status under the Municipal Employees Retirement System – Reflecting New Actuarial Assumptions

This report is as an update to the Five Year Projections provided to you in your December 31, 2014 valuation. It projects the estimated employer contributions and funded status for the next six fiscal years, based on the December 31, 2014 annual valuation report, but reflecting the assumption and method changes that will be effective with the December 31, 2015 annual valuation report. Please visit the MERS website for the assumptions and methods which will be used in the December 31, 2015 valuation.

The first row in the table below is based on the 2014 valuation assumptions, while the next five rows are based on the assumptions and methods that will be used **beginning with the 2015 annual valuation**. The impact of the assumption changes on the contribution requirements is phased in over a five year period, beginning with the December 31, 2015 valuations. Your contribution requirement for the fiscal year beginning in 2016 is unchanged. Your actual contribution requirement for the fiscal year beginning in 2017 will be delivered in June of 2016.

93,591,608

54,990,980

59%

Valuation Year Ending 12/31	Fiscal Year Beginning 7/1	Actuarial Accrued Liability	Valuation Assets ³	Funded Percentage	Required Annual Employer Contribution ^{1,2}
2014	2016	\$ 88,645,466	\$ 60,489,266	68%	\$ 3,039,096
2015	2017	95,816,300	62,587,800	65%	3,318,336
2016	2018	99,524,500	65,361,200	66%	3,637,252
2017	2019	103,013,300	68,050,800	66%	3,953,432
2018	2020	106,475,300	70,685,100	66%	4,258,796
2019	2021	109,740,500	73,340,600	67%	4,582,448

¹ For an employer with open divisions, this column will include the impact of projected increases in total payroll from 2014 to the applicable fiscal year.

² Projections do not include the impact of employer contribution caps, if any, for fiscal years beginning in 2017 and beyond.

³ Market investment returns are assumed to be 8% in 2015 and 7.75% in future years.