

**Economic Development Corporation
of the City of Novi, Michigan**

**Financial Report
June 30, 2008**

Economic Development Corporation of the City of Novi, Michigan

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation
of the City of Novi, Michigan

We have audited the accompanying financial statements of the governmental activities and the Operating Fund of the Economic Development Corporation of the City of Novi, Michigan (a component unit of the City of Novi, Michigan) as of and for the year ended June 30, 2008, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Economic Development Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Operating Fund of the Economic Development Corporation of the City of Novi, Michigan as of June 30, 2008 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 21, 2008

Economic Development Corporation of the City of Novi, Michigan

Management's Discussion and Analysis

This discussion and analysis of the Economic Development Corporation's (the EDC) financial performance provides an overview of the EDC's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the EDC's financial statements.

Using this Annual Report

The Economic Development Corporation has a single operating fund, which is presented in this financial report from two different perspectives - the modified accrual basis and the full accrual basis. The full accrual basis (referred to as the statement of net assets and the statement of activities) presents a longer-term view of the EDC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The modified accrual columns present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Analysis of Financial Activities

Following is a three-year trend of activities and resulting net assets:

	Year Ended June 30		
	2006	2007	2008
Summarized Statement of Activity			
Revenue - Interest income	\$ 1,182	\$ 1,659	\$ 1,348
Expenditures - Consulting	300	1,532	2,450
Change in net assets	<u>\$ 882</u>	<u>\$ 127</u>	<u>\$ (1,102)</u>
Summarized Net Assets			
Cash and cash equivalents	\$ 30,732	\$ 30,859	\$ 29,757
Other asset	35,000	35,000	35,000
Total assets	<u>\$ 65,732</u>	<u>\$ 65,859</u>	<u>\$ 64,757</u>
Net assets - Unrestricted	<u>\$ 65,732</u>	<u>\$ 65,859</u>	<u>\$ 64,757</u>

The financial activity of the Economic Development Corporation has been limited to receiving interest income and incurring limited administrative expenses. The decrease in interest income is due solely to the changes in market level of short-term interest rates.

The EDC's assets consist solely of cash and cash equivalents and the ownership of a "Novi Special" race car (reported as "other asset," as discussed in Note 4). The EDC has no liabilities.

Economic Development Corporation of the City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Contacting the EDC's Management

This financial report is intended to provide our citizens with a general overview of the EDC's finances and to show the EDC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Novi's finance office.

**Economic Development Corporation
of the City of Novi, Michigan**

**Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2008**

	Operating Fund, Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents (Note 2)	\$ 29,757	\$ -	\$ 29,757
Other asset (Note 4)	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total assets	<u>\$ 64,757</u>	<u>-</u>	<u>64,757</u>
Fund Balance/Net Assets			
Reserve for noncurrent asset	\$ 35,000		
Unreserved	<u>29,757</u>		
Total fund balance	<u>\$ 64,757</u>		
Net Assets - Unrestricted		<u>\$ -</u>	<u>\$ 64,757</u>

**Economic Development Corporation
of the City of Novi, Michigan**

**Statement of Governmental Fund Revenue, Expenditures, and
Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2008**

	Operating Fund -		
	Modified Accrual Basis	Adjustments (Note 1)	Statement of Activities
Revenue - Interest income	\$ 1,348	\$ -	\$ 1,348
Expenditures - Other	<u>2,450</u>	<u>-</u>	<u>2,450</u>
Excess of Expenditures Over Revenue/ Change in Net Assets	(1,102)	-	(1,102)
Fund Balance/Net Assets - July 1, 2007	<u>65,859</u>	<u>-</u>	<u>65,859</u>
Fund Balance/Net Assets - June 30, 2008	<u>\$ 64,757</u>	<u>\$ -</u>	<u>\$ 64,757</u>

Economic Development Corporation of the City of Novi, Michigan

**Notes to Financial Statements
June 30, 2008**

Note I - Significant Accounting Policies

The accounting policies of the Economic Development Corporation of the City of Novi, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Effective July 1, 2002, the Economic Development Corporation (EDC or the "Corporation") implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes include the presentation of combined modified accrual and full accrual financial statements for the Operating Fund. As of and for the year ended June 30, 2008, no adjustments were necessary to convert the modified accrual statements to the full accrual basis.

The following is a summary of the significant accounting policies used by the Economic Development Corporation of the City of Novi, Michigan:

The Economic Development Corporation of the City of Novi, Michigan is a component unit of the City of Novi, Michigan (the "City") and is included in the basic financial statements of the City at June 30, 2008.

The Economic Development Corporation of the City of Novi, Michigan is organized pursuant to State of Michigan Public Act No. 338 of 1974, as amended. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City of Novi, Michigan and its residents. This purpose is accomplished by the issuance of limited obligation revenue bonds by the Corporation. The Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefiting party agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds. The Corporation is considered to be a component unit of the City of Novi, Michigan and is included in its basic financial statements.

Basis of Accounting

The full accrual financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Economic Development Corporation of the City of Novi, Michigan

Notes to Financial Statements
June 30, 2008

Note 1 - Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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, generally collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes interest. All other revenue items are considered to be available only when cash is received by the Corporation. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Note 2 - Cash and Cash Equivalents

The Corporation's cash and cash equivalents at June 30, 2008 consist of deposits totaling \$29,757. These deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$29,757. The entire amount was covered by federal depository insurance as of June 30, 2008.

Note 3 - Bonds Issued

The bonds issued by the Corporation are payable solely from the net revenue derived from the respective projects and are not a general obligation of the Corporation. The Corporation has no power of taxation. After these bonds are issued, all financial activity is taken over by a trustee, depository, or paying agent. The bonds, related contracts, and assets pledged to secure payment of the bonds are not reflected in the Corporation's financial statements. Information regarding the status of such bond issues, including possible default, must be obtained from the holders of the bonds, the industrial or commercial enterprise benefited by the bonds, or some other knowledgeable source.

As of June 30, 2008, the Corporation has the following bond issues outstanding:

Lessee	Original Issue	Expiration Date
West Oaks Development Company	<u>\$ 5,000,000</u>	January 1, 2011

Economic Development Corporation of the City of Novi, Michigan

**Notes to Financial Statements
June 30, 2008**

Note 4 - Other Asset

The Corporation owns the "Novi Special" Indianapolis-type race car. This vintage race car is used by the Corporation for City of Novi promotional and community development purposes.

The asset has been valued at the lower of cost or market basis. It is not necessary to record depreciation for this type of asset.

Note 5 - Risk Management

The Corporation is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Corporation participates with the City of Novi in the Municipal Insurance Alliance Program for claims relating to all such losses. The Municipal Insurance Alliance Program provides property and liability insurance through a single A-rated insurance company.