

City of Novi
Summary of General Fund Audit Results
June 30, 2020

Beginning Budget 7/1/19	\$ 248,785	(Beginning zero plus SCUBA pushed up into FY 18/19)
Parks and Recreation committee	(100,000)	Available to perform studies, etc.
Specific amendments (2)	(35,000)	Beck road consultant, operations
COVID reduction during budget	<u>(145,226)</u>	Net revenue loss and expenditure reductions
Amended budget before rollovers	(31,441)	
Capital rollover from FY 18/19 to FY 19/20	<u>(1,310,001)</u>	Large projects/purchases committed and rebudgeted
Final amended budget June 30, 2020	(1,341,442)	
Capital rollover from FY 19/20 into FY 20/21	<u>852,180</u>	Large projects/purchases committed and rebudgeted
Final budget less rollovers June 30, 2020	(489,262)	

Unbudgeted Costs Incurred Not Reimbursed in FY 19/20

Mobil field hospital @ Suburban - Police OT	(168,683)	FEMA grant - revenue recorded in FY 20/21
Public safety PPE supplies	(35,323)	FEMA grant - revenue recorded in FY 20/21
Voting Tabulator	(16,800)	State grant - revenue recorded in FY 20/21
High speed letter opener	(2,396)	County CARES grant - revenue recorded in FY 20/21
Legal fees related to COVID	(20,398)	County CARES grant - revenue recorded in FY 20/21
Aug 2020 Statutory Revenue sharing elimination	<u>(32,542)</u>	State CLRGG grant - revenue recorded in FY 20/21
Total unreimbursed COVID related expenditures	(276,142)	

Expected final results 6/30/20	(765,404)
Actual final results per audit report	(700,981)
Favorable variance	\$ 64,423

Federal Grants Expended and Received During 6/30/20

Technology - laptops, new server, Zoom, etc.	73,975	County CARES grant
Non-Public Safety PPE	20,800	County CARES grant
Voting Tabulators (3)	<u>50,130</u>	County CARES grant
Total federal grants included in 6/30/20 audit	144,905	

CITY OF NOVI, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - **General Fund**

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Current property taxes	\$ 23,893,702	\$ 23,662,729	\$ 23,576,899	\$ (85,830)
Trailer fees	11,500	11,500	10,845	(655)
Penalties and interest	160,000	215,000	214,564	(436)
Licenses, permits, and charges for services	4,777,604	4,397,604	3,928,932	(468,672)
Intergovernmental:				
Federal grants	65,000	949,345	211,504	(737,841)
State grants	4,897,925	4,425,072	4,950,509	525,437
Fines and forfeitures	525,000	375,000	326,297	(48,703)
Investment income	747,033	1,126,669	1,020,846	(105,823)
Other:				
Local donations	1,000	5,735	5,732	(3)
Miscellaneous	727,870	570,219	587,526	17,307
Total revenues	35,806,634	35,738,873	34,833,654	(905,219)
Expenditures				
Current:				
General government:				
City council	48,230	166,460	83,873	(82,587)
City manager	666,909	711,054	684,132	(26,922)
Finance	1,011,654	891,924	867,556	(24,368)
Treasury	345,129	341,854	325,683	(16,171)
Integrated solutions	1,304,828	1,367,848	1,332,851	(34,997)
Assessing	864,344	811,495	785,872	(25,623)
City attorney, insurance, and claims	822,898	682,898	696,458	13,560
City clerk	883,815	978,860	1,021,388	42,528
Facility management	1,190,445	1,304,725	1,139,702	(165,023)
Park maintenance	902,269	1,159,218	1,121,928	(37,290)
Human resources	500,506	516,328	507,682	(8,646)
Community relations	719,032	671,542	641,016	(30,526)
Economic development	181,664	56,721	56,487	(234)
Total general government	9,441,723	9,660,927	9,264,628	(396,299)
Public safety:				
Police	13,269,305	14,093,820	13,711,285	(382,535)
Fire	6,310,285	6,874,301	6,693,640	(180,661)
Total public safety	19,579,590	20,968,121	20,404,925	(563,196)
Public works:				
Administration	416,084	652,502	610,570	(41,932)
Engineering	386,004	208,844	187,517	(21,327)
Field operations	1,923,489	1,936,823	1,723,718	(213,105)
Fleet asset	769,246	850,653	821,200	(29,453)
Total public works	3,494,823	3,648,822	3,343,005	(305,817)

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City of Novi
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 June 30, 2020

Revenue Replacement Grants

COVID Payroll (Employees paid who could not work remotely)	\$ 383,422	County CARES grant - General Fund
COVID Payroll (Employees paid who could not work remotely)	57,044	County CARES grant - Water and Sewer Fund
COVID Payroll (Employees paid who could not work remotely)	53,691	County CARES grant - Parks and Recreation Fund
COVID Payroll (Employees paid who could not work remotely)	2,209	County CARES grant - Tree Fund
COVID Payroll (Employees paid who could not work remotely)	3,402	County CARES grant - Library Fund
Public Safety Payroll April & May 2020 (50% reimbursement)	1,082,686	State of Michigan PSPHPR grant (state CARES funds) GF
August Revenue Sharing Replacement (50% more than cut)	<u>18,049</u>	State of Michigan CRLGG grant (state CARES funds) GF

Total revenue replacement grants fiscal year 2020/2021 \$ 1,600,503

Federal Grants - Cost Reimbursement

Public Safety Hazard Pay (\$1,000 per sworn officer & dispatcher)	\$ 173,000	State of Michigan FRHPPP grant (state CARES funds) GF
Citywide Hazard Pay	405,000	County CARES grant
Citywide Excess PTO Payout	252,780	County CARES grant
Election Worker Hazard Pay - August Primary	7,125	County CARES grant GF
Public Safety Equipment	38,709	State of Michigan MSP CESF grant (state CARES funds) GF
Library PPE and supplies	<u>22,585</u>	County CARES grant - Library

Total cost reimbursement grants fiscal year 2020/2021 \$ 899,199

CITY OF NOVI, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Parks, Recreation, and Cultural Services Special Revenue Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,411,336	\$ 1,411,336	\$ 1,406,590	\$ (4,746)
Intergovernmental:				
Federal grants	-	24,000	-	(24,000)
Investment income	30,000	32,882	31,883	(999)
Other:				
Local donations	123,500	278,875	178,804	(100,071)
Recreational programs	1,384,690	871,901	918,821	46,920
Miscellaneous	5,000	330	332	2
Total revenues	2,954,526	2,619,324	2,536,430	(82,894)
Expenditures				
Current -				
Recreation and culture:				
Personnel services	1,255,889	1,385,334	1,341,651	(43,683)
Supplies	69,680	96,481	27,866	(68,615)
Other services and charges	1,444,930	996,592	1,198,447	201,855
Capital outlay	717,640	960,685	627,393	(333,292)
Total expenditures	3,488,139	3,439,092	3,195,357	(243,735)
Revenues under expenditures	(533,613)	(819,768)	(658,927)	160,841
Other financing sources				
Proceeds from sale of capital assets	-	8,593	9,584	991
Transfers in	300,000	83,000	25,000	(58,000)
Total other financing sources	300,000	91,593	34,584	(57,009)
Net change in fund balance	(233,613)	(728,175)	(624,343)	103,832
Fund balance, beginning of year	756,333	1,088,908	1,088,908	-
Fund balance, end of year	\$ 522,720	\$ 360,733	\$ 464,565	\$ 103,832

CITY OF NOVI, MICHIGAN

**Statement of Revenues, Expenditures
and Changes in Fund Balance / Statement of Activities
Corridor Improvement Authority Component Unit
For the Year Ended June 30, 2020**

	Corridor Improvement Authority	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 150,763	\$ -	\$ 150,763
Expenditures / expenses			
Capital outlay	2,901,173	(2,901,173)	-
Debt service - Interest and fiscal charges	57,097	-	57,097
Total expenditures / expenses	2,958,270	(2,901,173)	57,097
Change in fund balance / net position	(2,807,507)	2,901,173	93,666
Fund balance / net position, beginning of year	-	-	-
Fund balance (deficit) / net position, end of year	\$ (2,807,507)	\$ 2,901,173	\$ 93,666

CITY OF NOVI, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Ice Arena	Senior Housing	Total	Internal Service Fund
Operating revenues					
Charges for services:					
Sale of water	\$ 11,880,613	\$ -	\$ -	\$ 11,880,613	\$ -
Sewage disposal charges	11,772,938	-	-	11,772,938	-
Concession sales	-	74,291	-	74,291	-
Installation fees	364,758	-	-	364,758	-
Rentals and other	14,580	1,477,180	2,100,477	3,592,237	-
Insurance	-	-	-	-	1,454,989
Fines and forfeitures	205,443	-	-	205,443	-
Other	73,814	12,000	3,195	89,009	-
Total operating revenues	24,312,146	1,563,471	2,103,672	27,979,289	1,454,989
Operating expenses					
Water	9,105,854	-	-	9,105,854	-
Sewage treatment	10,374,082	-	-	10,374,082	-
Maintenance and operation	1,771,622	551,985	402,418	2,726,025	-
Depreciation	4,235,570	312,575	450,898	4,999,043	-
Salaries and fringes	1,447,586	-	-	1,447,586	1,158,670
Professional services	-	649,558	422,218	1,071,776	-
Supplies and other	656,664	-	-	656,664	-
Total operating expenses	27,591,378	1,514,118	1,275,534	30,381,030	1,158,670
Operating income (loss)	(3,279,232)	49,353	828,138	(2,401,741)	296,319
Nonoperating revenues (expenses)					
Interest income	1,779,947	69,378	36,765	1,886,090	49
Interest and fiscal charges	-	(58,880)	(132,705)	(191,585)	-
Total nonoperating revenues (expenses)	1,779,947	10,498	(95,940)	1,694,505	49
Income (loss) before capital contributions and transfers	(1,499,285)	59,851	732,198	(707,236)	296,368
Capital contributions					
Intergovernmental -					
Federal grants	57,044	-	-	57,044	-
Lines donated by developers and others	1,749,645	-	-	1,749,645	-
Customer assessments - tap fees	1,745,872	-	-	1,745,872	-
Total capital contributions	3,552,561	-	-	3,552,561	-
Transfers in	2,661,260	-	-	2,661,260	-
Change in net position	4,714,536	59,851	732,198	5,506,585	296,368
Net position, beginning of year	191,142,162	5,292,065	5,157,730	201,591,957	-
Net position, end of year	\$ 195,856,698	\$ 5,351,916	\$ 5,889,928	\$ 207,098,542	\$ 296,368

The accompanying notes are an integral part of these basic financial statements.

CITY OF NOVI, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - **PEG Cable Special Revenue Fund**
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses, permits, and charges for services	\$ 370,000	\$ -	\$ -	\$ -
Investment income	5,061	13,961	18,846	4,885
Total revenues	375,061	13,961	18,846	4,885
Expenditures				
Current -				
Community and economic development:				
Personnel services	222,021	227,680	225,731	(1,949)
Supplies	5,000	11,015	10,912	(103)
Other services and charges	51,040	44,369	40,743	(3,626)
Capital outlay	40,000	20,000	19,171	(829)
Total expenditures	318,061	303,064	296,557	(6,507)
Net change in fund balance	57,000	(289,103)	(277,711)	11,392
Fund balance, beginning of year	748,969	849,907	849,907	-
Fund balance, end of year	\$ 805,969	\$ 560,804	\$ 572,196	\$ 11,392

CITY OF NOVI, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
 Capital Project Funds
 For the Year Ended June 30, 2020

	Special Assessment Revolving	Street Improvement	Gun Range Facility	PEG Cable	Total
Revenues					
Licenses, permits, and charges for services	\$ -	\$ -	\$ 44,295	\$ 302,931	\$ 347,226
Investment income	120,587	-	1,631	1,389	123,607
Total revenues	120,587	-	45,926	304,320	470,833
Expenditures					
Current:					
Public works	405	2,985,000	-	-	2,985,405
Community and economic development	-	-	-	15,997	15,997
Total expenditures	405	2,985,000	-	15,997	3,001,402
Net change in fund balances	120,182	(2,985,000)	45,926	288,323	(2,530,569)
Fund balances, beginning of year	4,103,390	2,985,000	80,857	-	7,169,247
Fund balances, end of year	\$ 4,223,572	\$ -	\$ 126,783	\$ 288,323	\$ 4,638,678

CITY OF NOVI, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits Plan

Schedule of Changes in the City's Net Other Postemployment Benefit Liability (Asset) and Related Ratios

	Year Ended June 30,			
	2020	2019	2018	2017
Change in total other postemployment benefit liability				
Service cost	\$ 359,236	\$ 416,798	\$ 372,847	\$ 440,432
Interest	2,117,673	2,017,676	2,136,783	2,030,554
Differences between expected and actual experience	(3,397,416)	(15,504)	(4,022,732)	(86,522)
Changes of assumptions	1,222,422	-	1,819,912	-
Benefit payments, including refunds of member contributions	(1,026,609)	(995,230)	(948,145)	(885,353)
Other changes	-	(35,068)	-	-
Net change in total other postemployment benefit liability	(724,694)	1,388,672	(641,335)	1,499,111
Total other postemployment benefit liability, beginning	29,542,965	28,154,293	28,795,628	27,296,517
Total other postemployment benefit liability, ending (a)	28,818,271	29,542,965	28,154,293	28,795,628
Change in plan fiduciary net position				
Contributions - employer	315,689	363,994	613,678	617,207
Net investment income	1,222,103	2,224,284	2,845,010	3,399,591
Benefit payments, including refunds of member contributions	(1,026,609)	(995,230)	(948,145)	(885,353)
Administrative expense	(20,774)	(293,629)	(293,400)	(245,933)
Other	-	-	244	-
Net change in plan fiduciary net position	490,409	1,299,419	2,217,387	2,885,512
Plan fiduciary net position, beginning	30,831,971	29,532,552	27,315,165	24,429,653
Plan fiduciary net position, ending (b)	31,322,380	30,831,971	29,532,552	27,315,165
City's net other postemployment benefit liability (asset), ending (a)-(b)	\$ (2,504,109)	\$ (1,289,006)	\$ (1,378,259)	\$ 1,480,463
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	108.69%	104.36%	104.90%	94.86%
Covered payroll	\$ 9,388,956	\$ 10,505,955	\$ 10,800,824	\$ 10,711,843
City's net other postemployment benefit liability (asset) as a percentage of covered payroll	-26.67%	-12.27%	-12.76%	13.82%

See notes to required supplementary information.

CITY OF NOVI, MICHIGAN

Notes to Required Supplementary Information

OPEB Information

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The June 30, 2018 changes in assumptions are due to the following:

- Removal of the Excise Tax load to the liabilities, to account for future excise taxes for Cadillac plans under the Patient Protection and Affordable Care Act (PPACA).
- Resetting the health care cost trend assumption.
- The long-term rate of investment return used for GASB Statement Nos. 74 and 75 reporting purpose was 7.25%. For purposes of the June 30, 2017 GASB Statement No. 74 report the long-term rate of investment return used was 7.50%.

The June 30, 2020 changes in assumptions are due to the following:

- A reduction in the valuation interest rate assumption from 7.50% to 7.00%.
- Resetting the initial health care cost trend assumption to 8.25%.
- Updating the mortality tables and other demographic assumptions to be consistent with the MERS pension assumptions.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30 that is 24 months prior to the beginning of the fiscal year for which the contributions are reported.

Methods and assumptions used to determine contribution rates (2020, based on the 6/30/2017 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	19 years, closed
Asset valuation method	Market value of assets
Price inflation	2.5%
Salary increases	4.3% to 17.0%, including inflation
Investment rate of return	7.5%, net of OPEB plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	The RP-2000 Mortality Table projected 20 years with U.S. Projection Scale BB
Healthcare cost trend rate	9.0%, gradually decreasing to 4.0% in year 10
Excise tax	No load was applied in connection with the "Cadillac" tax
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

CITY OF NOVI, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30,		
	2020	2019	2018
Change in total pension liability			
Service cost	\$ 1,197,540	\$ 1,225,434	\$ 1,255,498
Interest	7,897,801	7,788,580	7,586,392
Changes of benefit terms	-	-	-
Differences between expected and actual experience	617,296	(1,404,136)	(366,993)
Changes of assumptions	3,298,884	-	-
Benefit payments, including refunds of member contributions	(6,409,461)	(6,051,911)	(5,813,104)
Net change in total pension liability	6,602,060	1,557,967	2,661,793
Total pension liability, beginning	101,328,457	99,770,490	97,108,697
Total pension liability, ending (a)	107,930,517	101,328,457	99,770,490
Change in plan fiduciary net position			
Contributions - employer	4,359,997	4,389,615	3,725,305
Contributions - member	520,863	528,872	558,097
Net investment income (loss)	8,323,727	(2,592,555)	7,797,188
Benefit payments, including refunds of member contributions	(6,409,461)	(6,051,911)	(5,813,104)
Administrative expense	(143,529)	(126,495)	(123,263)
Net change in plan fiduciary net position	6,651,597	(3,852,474)	6,144,223
Plan fiduciary net position, beginning	61,719,599	65,572,073	59,427,850
Plan fiduciary net position, ending (b)	68,371,196	61,719,599	65,572,073
City's net pension liability, ending (a)-(b)	\$39,559,321	\$39,608,858	\$34,198,417
Plan fiduciary net position as a percentage of the total pension liability	63.3%	60.9%	65.7%
Covered payroll	\$10,574,181	\$10,645,669	\$10,616,668
City's net pension liability as a percentage of covered payroll	374.1%	372.1%	322.1%

See notes to required supplementary information.

CITY OF NOVI, MICHIGAN

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The significant changes in benefit terms for the year ended June 30, 2016 were as follows:

- Employee contributions for the Fire Local 3232 employees decreased from 8.83% to 6.33%.

The significant changes in assumptions for the year ended June 30, 2016 were as follows:

- The mortality table was adjusted to reflect longer lifetimes.
- The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.
- The asset smoothing was changed from 10 to 5 years.
- The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

The significant changes in assumptions for the year ended June 30, 2020 were as follows:

- The investment rate of return assumption decreased from 7.75% to 7.35%.
- The assumed rate of wage inflation decreased from 3.75% to 3.00%.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2017 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	21 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

CITY OF NOVI, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of City Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	\$ 4,388,425	\$ 4,388,425	\$ -	\$ 11,078,798	39.6%
6/30/2019	3,963,525	4,273,525	(310,000)	11,316,209	37.8%
6/30/2018	3,769,303	4,219,303	(450,000)	12,710,865	33.2%
6/30/2017	3,137,158	3,137,158	-	11,360,375	27.6%
6/30/2016	3,054,597	3,054,597	-	12,074,423	25.3%
6/30/2015	2,628,762	2,628,762	-	12,710,865	20.7%

See notes to required supplementary information.