

City of Novi, Michigan

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017

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City of Novi, Michigan

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City of Novi, Michigan

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November 13, 2017

Honorable Mayor Robert Gatt
Members of the City Council
Citizens of the City of Novi, Michigan

CITY COUNCIL

Mayor
Bob Gatt

Mayor Pro Tem
Dave Staudt

Andrew Mutch

Wayne Wrobel

Laura Marie Casey

Gwen Markham

Brian Burke

City Manager
Pete Auger

City Clerk
Cortney Hanson

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi, Michigan for the fiscal year ended June 30, 2017. 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 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 the 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 recordkeeping and financial reporting of local units of government.

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 suburban City government serves approximately 60,000 residents (per the Southeast Michigan Council of Governments' December 2016 estimates, an 8.6% increase from the 2010 national census) 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 to the rest of the world.

City of Novi
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Novi, Michigan 48375
248.347.0460
248.347.0577 fax

cityofnovi.org

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 website (InvestNovi.org), devoted entirely to 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 website at cityofnovi.org.

The City of Novi operates under the Council-Manager form of government. Policy-making and legislative authority are vested in 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/medical protection; public services, parks, recreational and cultural activities; library; 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 Michigan 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 (the level at which expenditures cannot exceed the appropriated amount) is established by function. 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, affirmed the City of Novi's high quality rating on general obligation bonds as AAA in November 2015. Standard & Poor's defines an AAA rating as "being the highest possible rating and reflects the opinion that the issuer has extremely strong capacity to meet its financial commitments." This rating places Novi in an elite group of communities throughout the country. Standard & Poor's notes that "Novi has a very strong economy with a projected per capita effective buying income of 147% of the national level and per capital market value of \$124,081. A very strong management with strong financial policies and practices and a very strong budgetary flexibility with an available fund balance of \$12.0 million"

Novi is also proud of its strong economic climate and offers a diverse mix of business opportunities spanning from the automotive market like Harmon and Magna to an innovative health tech developer Delphinus and highest rated provider of on-site wellness programs Summit Health. Within the City of Novi, there are many good stories that aid in the overall quality of economic development. Some of these milestones include:

- Novi has become a hotspot for self-driving car technology. In the Haggerty Corridor Corporate Park alone, there are four businesses – Intel, Harmon, Magna, and NXP – which are spending a great deal of resources on connected car technologies. Four other Novi businesses – Google, Danlaw, Yanfeng, and Stoneridge – are heavily involved on the innovation side of technology as well.
- Daifuku, the leading provider of material handling solutions, opened its North American headquarters in Novi. The new nearly 77,000 square-foot facility boasts more than 300 employees including engineers, project managers and sales and customer service staff.
- Novi was celebrated as a “five star”, top performing community for fostering entrepreneurial growth and economic development in an annual eCities program by researchers at the iLabs, University of Michigan-Dearborn’s Center for Innovation Research.
- The Edward Rose and Sons 182 unit senior living facility will open this fall on the Providence-Providence Park Campus.
- Mitutoyo America opened the newest of its M3 Solution Centers in Novi in early 2017. The new 8,500 square-foot facility showcases automated measurement cell technology.

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).

Fund Balance Policy – The City follows the City Council's adopted, by resolution, fund balance/reserve policy. The policy establishes a reserve to pay for expenditures, states the City will attempt to obtain additional revenue sources to insure a balanced budget and aggressively collect revenue, establishes user charges and fees at a level to take into account the cost of providing the service, maintain a level of reserves to comply with terms and conditions of debt instruments, and review fund balance/reserves annually during the budget process. In addition, in the event the level of expenditures exceeds the estimated appropriations, the City will create a plan to replenish fund balance/reserves within three years by controlling operating expenditures, adjusting operations, and/or dedicating excess or specific revenue sources. The policy establishes a minimum reserve as a percentage of budgeted expenditures of 22-25% in the General Fund, 10-20% individually and collectively amongst the three road funds, 12-22% for Parks and Recreation, and varying reserves for the remaining special revenue funds dependent on the funds' yearly activity and capital needs.

Long-term Financial Planning – The 2010 Census reported Novi's population at 55,224, 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. For the fiscal year ended June 30, 2017, Novi's reliance on revenue sharing payments represents 14.4% of total General Fund revenues or \$4,615,570. Novi's revenue sharing distribution increased by 6.7% or \$289,249 from the prior fiscal year.

The City of Novi has made great strides over the past 20 years in both managing and reducing debt while recognizing savings from refunded/called debt activities. *For the fiscal year ended June 30, 2017, **debt obligations were reduced by \$3,835,000 from the prior fiscal year.** Total direct debt at June 30, 2017 was \$23,400,000.*

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, 2016. This was the 19th 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 Mayor and City Council members as well as City Manager Peter Auger and the Assistant City Manager Victor Cardenas for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Carl Johnson', written in a cursive style.

Carl Johnson, CPA
Finance Director/Treasurer



Government Finance Officers Association

**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, 2016

Christopher P. Morill

Executive Director/CEO

Mayor and City Council

Office of the City Manager



Federal,
State,
County
Government

Organizational Chart

State of Michigan
Department of
Environmental
Quality

Road Commission for
Oakland County

Michigan Department of
Transportation

State of Michigan
Department of
Natural Resources

Federal
Bureau of
Investigation

Michigan
State
Police

Citizens

Volunteer Boards
& Commissions

Parks, Recreation & Cultural Services - Programs

- * Recreation
- * Older Adults
- * Meadowbrook Commons/Ice Arena
- * Novi Ice Arena
- * Arts & Community Festivals

Public Services

- Engineering**
 - * City Construction Project Design & Inspection
 - * Capital Improvement Program
 - * Private Development Site Plan Review - Infrastructure
 - * Right - of - Way permits
 - * Infrastructure Asset Management
- Field Operations**
 - * Road & Drain Maintenance
 - * Ice & Snow Removal
 - * Recycling Center
- Forestry**
- Fleet Maintenance**
- Water & Sewer**
 - * Sanitary Sewer Operations & Maintenance
 - * Water System Operations & Maintenance
 - * Watershed Stewardship
 - * Rouge River Liaison

Civic
Organizations

Schools

Library

novilibrary.org

nurture

City Clerk

Human Resources

operate

Assessing Finance/Treasury Purchasing

- Information Technology**
- Geographic Information**
- Facility Operations**
 - * Park Maintenance
 - * Park Development

Private Sector
Investments

Detroit Regional
Chamber of
Commerce

Automation
Alley

value

Neighborhood & Business Relations

- cityofnovi.org
- InvestNovi.org
- * Communications
- * Community Relations
- * Civic Engagement
- * Business Attraction/Retention/Expansion
- * Novi Studio 8
- * Employee Engagement
- * Novi Youth Council

Community Development

- * Long-Range Planning
- * Private Development Site Plan Review
- * Environmental Planning
- * Master Plan and Zoning
- * Soil Erosion and Sedimentation Control
- * Building Plan Review, Inspections and Permits
- * Ordinance Enforcement

Homeowner
Associations

invest

Public Safety

Administration

- * Police & Fire
- * Records
- * Emergency 911 Center

Police

- * Preventative Patrol
- * Criminal Investigations
- * Crime Prevention & Citizen Engagement

Fire

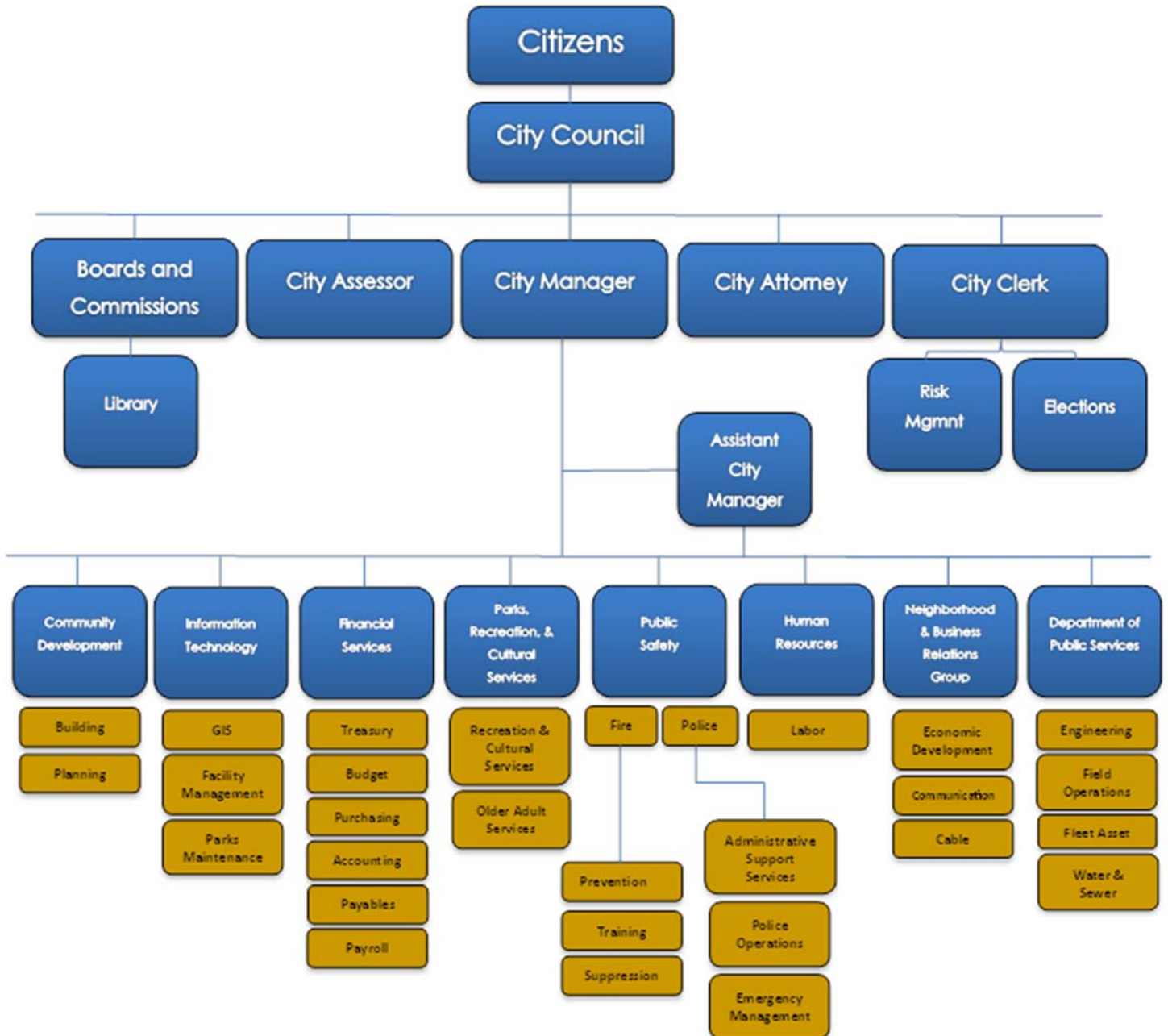
- * Emergency Medical Services Response
- * Fire Prevention/Inspections
- * Fire Suppression
- * Citizen Engagement

Emergency Preparedness & Management

- * CERT
- * Citizen Engagement

Michigan
Economic
Development
Corp

Courts



City of Novi, Michigan

List of Principal Officials June 30, 2017

Title	Name
City Manager	Peter Auger
Assistant City Manager	Victor Cardenas
Assessor	Micheal Lohmeier
Deputy Assessor	Kay Shafii
City Clerk	Cortney A. Hanson
Deputy City Clerk	Dawn Spaulding
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Water and Sewer Asset Manager	Scott Rosselle
Water and Sewer Senior Engineer	Benjamin Croy
Director of Public Services/City Engineer	Victor Cardenas
Roadway Asset Manager	Gerald P. Tremblay
Engineering Manager	George Melistas
Field Operation Senior Manager	Matthew T. Wiktorowski
Director of Information Technology/Facilities Operations	Robert L. Petty
GIS Manager	Keri Blough
Community Development Director	Charles S. Boulard
Community Development Deputy Director	Barbara E. McBeth
Parks, Recreation and Cultural Services Director	Jeff Muck
Parks, Recreation and Cultural Services Deputy Director	Tracie Ringle
Older Adult Services Manager	Karen Kapchonick
Director of Public Safety	David E. Molloy
Assistant Police Chief	Jerrold S. Hart
Assistant Police Chief	Eric Zinser
Director of Emergency Medical Services and Fire Operations	Jeffery R. Johnson
Analyst Planner	Patricia A. Cauchi
Library Director	Julie E. Farkas
Finance Director/Treasurer	Carl Johnson
Senior Budget Analyst	Jessica Dorey
Purchasing Manager	Susan J. Morianti
Assistant City Treasurer	Tina Glenn

Governmental Funds

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
2002 Street and Refunding Debt 2008 Library Construction Debt	Major Street Local Street Municipal Street Police and Fire Parks, Recreation, and Cultural Services Tree Fund Drain Revenue PEG Cable Community Development Block Grant Forfeiture Fund Library Walker Library Rubbish Collection West Oak Street Lighting West Lake Drive Street Lighting Town Center Street Street Lighting
<u>Capital Projects Funds</u>	
Special Assessment Revolving Capital Improvement Program Street Improvement Gun Range Facility	
<u>Permanent Funds</u>	
Drain Perpetual Maintenance	

Proprietary Funds - 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	Tax Agency

Component Unit

Economic Development Corporation

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

Report on the Financial Statements

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 (the "City") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

Emphasis of Matter

As explained in Note 11, in 2017, the City adopted the new accounting guidance of GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new standard establishes financial reporting requirements for OPEB plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, and other required supplemental information, as 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, which 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 supplemental 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's basic financial statements. The other supplemental information, as identified in the table of contents, and the introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, 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.

Plante & Moran, PLLC

November 13, 2017

City of Novi, Michigan

Management's Discussion and Analysis

The City of Novi, Michigan's (the "City") management's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2017. 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, 2017 by \$150,047,876.
- Investment in capital assets (net of depreciation and related debt) accounts for approximately 92 percent of this amount, with a value of \$138,682,792.
- Of the remaining net position, \$31,767,695 is restricted and a negative \$20,402,611 is unrestricted. The negative unrestricted portion is a result of the prior year's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the City to establish a new net pension liability of \$28,068,872 in 2016. The current year's reduction in unrestricted is primarily due to the significant investment in capital assets of more than \$12,000,000.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$44,622,077, a decrease of \$7,512,474 over the prior year. Fund balance of the General Fund totaled \$12,905,841 at June 30, 2017, a decrease of \$839,361 in comparison with the prior year. Of this amount, \$10,986,117 is unassigned, which represents nearly 34 percent of fiscal year 2017 budgeted annual expenditures (excluding transfers).
- Total debt obligations were reduced by \$3,835,000 from the prior year. Total debt at June 30, 2017 was \$23,400,000 (excluding unamortized bond premium).

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 supplemental 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 revenue (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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. 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 position 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 position 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 to which each program relies on taxes for funding. All changes in net position are reported using the accrual basis of accounting, which requires that revenue be reported when it is earned and expenses be 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 Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 39*, 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, where 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, Michigan maintains 25 individual governmental funds. The governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances present separate columns of financial data for the General Fund. This fund is considered a major fund as of June 30, 2017. 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 supplemental 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 revenue, 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 within the required supplemental information. Budgetary comparisons for other nonmajor special revenue funds are presented within the other supplemental 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 position to the business-type column on the government-wide statement of net position, the total net position agrees and, therefore, they 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.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

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

Government-wide Financial Analysis

Statement of Net Position - As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City's assets exceeded total liabilities by \$341,872,559 at June 30, 2017. The following table shows, in a condensed format, the net position as of June 30, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$52,044,817	\$59,046,214	\$74,520,177	\$69,678,660	\$126,564,994	\$128,724,874
Noncurrent assets:						
Restricted assets	-	-	-	-	-	-
Capital assets	150,615,098	140,796,036	137,500,962	137,048,769	288,116,060	277,844,805
Other	-	-	-	-	-	-
Total assets	202,659,915	199,842,250	212,021,139	206,727,429	414,681,054	406,569,679
Deferred Outflows of Resources	5,079,676	8,493,787	177,260	301,400	5,256,936	8,795,187
Total assets and deferred outflows of resources	207,739,591	208,336,037	212,198,399	207,028,829	419,937,990	415,364,866
Liabilities						
Current liabilities	6,791,828	6,132,795	6,972,228	5,870,403	13,764,056	12,003,198
Long-term liabilities	50,899,887	54,308,509	13,401,488	14,864,641	64,301,375	69,173,150
Total liabilities	57,691,715	60,441,304	20,373,716	20,735,044	78,065,431	81,176,348
Deferred Inflows of Resources	-	9,508	-	-	-	9,508
Total liabilities and deferred inflows of resources	57,691,715	60,450,812	20,373,716	20,735,044	78,065,431	81,185,856
Net Position						
Net investment in capital assets	138,682,792	126,474,197	125,665,962	123,718,769	264,348,754	250,192,966
Restricted	31,767,695	37,216,395	-	-	30,767,695	37,216,395
Unrestricted	(20,402,611)	(15,805,367)	66,158,721	62,575,016	46,756,110	46,769,649
Total net position	\$150,047,876	\$147,885,225	\$191,824,683	\$186,293,785	\$341,872,559	\$334,179,010

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Over 77 percent of the City's net position reflects 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 position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position related to governmental activities is the amount that may be used to meet the City's ongoing obligations. In the current year, the unrestricted net position is (\$20,402,611), which was due to the net pension liability of approximately \$36 million and the significant current year investment in capital assets.

Changes in Net Position - The City's total net position increased by \$7,693,549 during the fiscal year. Governmental activities increased net position by \$2,162,651, which represents 28 percent of the total increase in net position for the City. The unrestricted portion of net position related to governmental activities decreased by \$4,597,244, while restricted net position decreased by \$5,447,646. As stated above, the negative unrestricted portion is a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the prior year. The City's current year increase in governmental activities is primarily due to utilizing restricted and unrestricted funds to invest in capital assets.

In keeping with the City Council's goal to improve the City's infrastructure, the Engineering Division completed 20 capital infrastructure projects during the 2016/2017 construction season. Several key projects are highlighted below.

The 2016/2017 Neighborhood Road Program followed the City's asset management approach for pavements that was established in 2009. The asset management program stresses the importance of using preventive maintenance to preserve good quality roads using low-cost rehabilitation techniques, rather than allowing the roads to deteriorate to a point that requires reconstruction involving much more effort at a higher cost. Roads in this program were addressed with rehabilitation methods such as milling, discrete base stone repairs, the addition of an interlayer membrane to increase strength, and waterproofing.

Additional projects include:

- Novi Road from 12 Mile to 13 Mile Road
- Karim Boulevard reconstruction
- Crescent Boulevard reconstruction
- Dual left turn lane Grand River at Beck Roads
- Various sidewalk segments and pathways

Business-type activities increased net position by \$5,530,898. The majority of the increase is a result of \$3,340,468 of contributed water and sewer assets in the current year in the Water and Sewer Fund.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

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

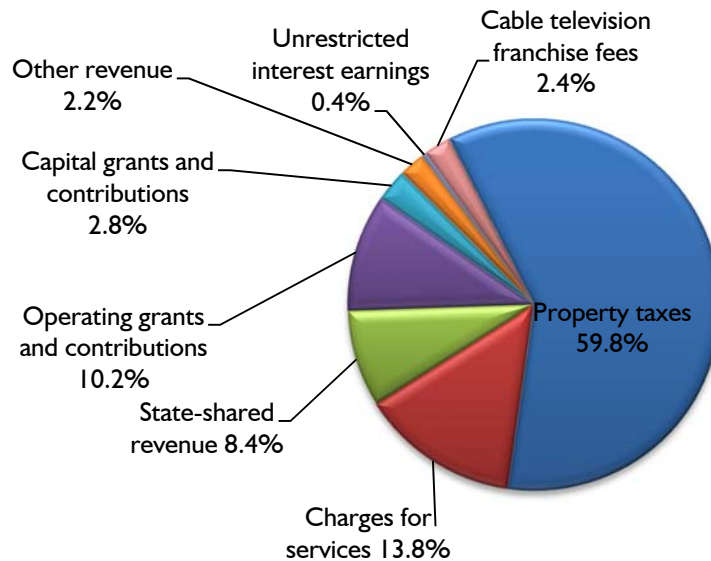
	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$7,638,475	\$6,900,286	\$28,354,327	\$28,889,125	\$35,992,802	\$35,789,411
Operating grants and contributions	5,663,346	5,663,304	-	-	5,663,346	5,663,304
Capital grants and contributions	1,561,439	847,547	5,718,715	5,337,278	7,280,154	6,184,825
General revenue:						
Property taxes	33,087,219	32,932,970	-	-	33,087,219	32,932,970
State-shared revenue	4,651,780	4,963,301	-	-	4,651,780	4,963,301
Unrestricted interest earnings	219,207	1,828,195	318,490	1,593,678	537,697	3,421,873
Cable television franchise fees	1,304,367	1,334,136	-	-	1,304,367	1,334,136
Other revenue	1,017,539	627,210	-	-	1,017,539	627,210
Transfers	240,000	-	-	-	240,000	-
Total revenue	55,383,372	55,096,949	34,391,532	35,820,081	89,774,904	90,917,030
Expenses						
General government	5,064,097	7,260,647	-	-	5,064,097	7,260,647
Public safety	22,712,180	18,811,184	-	-	22,712,180	18,811,184
Public works	15,781,996	12,136,916	-	-	15,781,996	12,136,916
Community and economic development	3,565,698	3,954,669	-	-	3,565,698	3,954,669
Recreation and culture	5,697,673	5,666,367	-	-	5,697,673	5,666,367
Interest on long-term debt	399,077	777,562	-	-	399,077	777,562
Water and sewer	-	-	25,569,364	27,282,209	25,569,364	27,282,209
Ice arena	-	-	1,657,727	1,735,010	1,657,727	1,735,010
Senior housing	-	-	1,393,543	1,898,830	1,393,543	1,898,830
Transfers	-	-	240,000	-	240,000	-
Total expenses	53,220,721	48,607,345	28,860,634	30,916,049	82,081,355	79,523,394
Change in Net Position	2,162,651	6,489,604	5,530,898	4,904,032	7,693,549	11,393,636
Net Position - Beginning of year	147,885,225	141,395,621	186,293,785	181,389,753	334,179,010	322,785,374
Net Position - End of year	\$150,047,876	\$147,885,225	\$191,824,683	\$186,293,785	\$341,872,559	\$334,179,010

City of Novi, Michigan

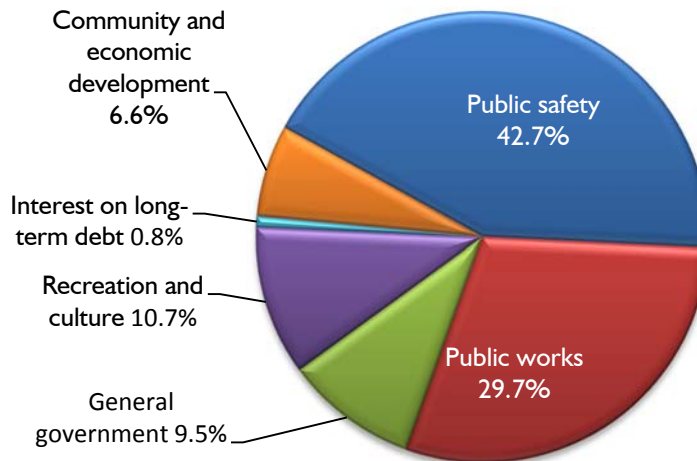
Management's Discussion and Analysis (Continued)

Governmental Activities - Program revenue, which include user fees and charges and restricted operating and capital grants and contributions, represents 26.8 percent of total governmental revenue sources. Program revenue reduces the net cost of the governmental functions to be financed from the City's general revenue, which is comprised primarily of property taxes and state revenue sharing.

Revenue by Source - Governmental Activities



Expenses by Activity - Governmental Activities

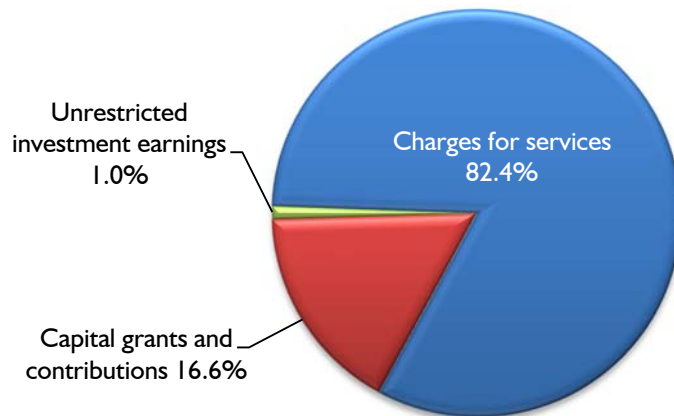


City of Novi, Michigan

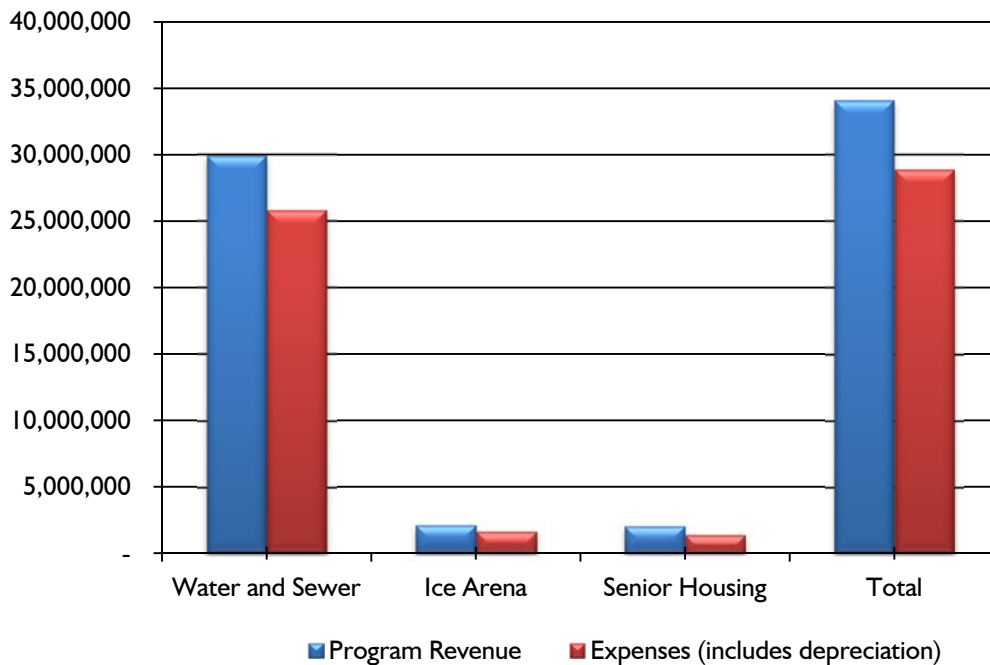
Management's Discussion and Analysis (Continued)

Business-type Activities - Business-type activities increased net position by \$5,530,898. The majority of the increase is a result of \$3,340,468 of contributed water and sewer assets in the Water and Sewer Fund.

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 25 governmental funds, categorized into four fund types. Each fund type has a unique purpose. The General Fund is the only fund classified as a major fund for the purpose of this report based on criteria set forth by the Governmental Accounting Standards Board.

As of June 30, 2017, the governmental funds of the City reported a combined fund balance of \$44,622,077, a decrease of \$7,512,474 in comparison with the prior year. The majority of this total amount, or \$33,637,447, is considered nonspendable, restricted, or assigned for specific purposes, which includes road construction and maintenance, storm water systems, assessments, debt service, library operations, police and fire operations, etc. Fund balance of the General Fund totaled \$12,905,841 at June 30, 2017, a decrease of \$839,361 in comparison with the prior year. Of this amount, \$10,986,117 is unassigned, which represents nearly 34 percent of fiscal year 2017 budgeted annual expenditures. Of the \$31,720,468 restricted governmental funds fund balance, \$8,364,659, or approximately 26 percent, is restricted for roads in the Major Street, Local Street, Municipal Street, and Street Improvement funds. Another \$8,960,751 or 28 percent, is restricted for storm water systems in the Drain Revenue and Drain Perpetual Maintenance funds. Another 12 percent of fund balance is restricted or assigned for infrastructure improvements in the capital improvement funds.

Proprietary Funds - Unrestricted net position increased \$3,583,705 from the prior year or 5.7 percent.

General Fund Budgetary Highlights

The City had favorable budget results for the fiscal year ended June 30, 2017. In total, revenue was greater than amended budget estimates for the year by approximately \$151,000 or .5 percent, primarily a result of the following:

- Property Tax Revenue - Revenue is approximately \$79,000 higher than budgeted through the end of the fiscal year. Real property tax chargebacks billed by the county were less than anticipated and less than prior years. The liability for potential tax tribunal refunds was also reduced due to the decrease in the number of outstanding cases.
- Licenses, Permits, and Charges for Services - Revenue is approximately \$163,000 higher than anticipated primarily due to a strong fourth quarter of developer activity. This revenue is also where some of the construction escrow close-out funds are recognized.
- Interest Income (including investment gain/loss) - This revenue is approximately \$200,000 below budget. While the increase in interest rates during the year resulted in actual interest income greater than budget, the increase in rates also resulted in the write down to market value some of the longer-term investments. While this write down shows as a reduction to revenue, it is unrealized and will not result in any actual losses as the investment will be held to maturity

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

- Actual expenditures as of June 30, 2017 were under budget by approximately \$1,635,000 or 4.7 percent. The favorable variance is made up of two specific pieces: capital rollover and favorable department budgets. Capital expenditure rollovers total approximately \$1,400,000 of the favorable variance and represent contracts/commitments the City has entered into that were not completed as of June 30, 2017 and will require a budget rollover amendment for the FY 2017/2018 fiscal year. The remaining variance represents individual departments under budget. Every department, in total (and within each budget category), is under its expenditure budget for the second straight year. Implementation of tighter budget controls and all departments adhering to their adopted and amended budgets ensures a favorable variance on an annual basis. The majority of the savings is from position vacancies which result in salary and fringe benefit savings. While the favorable variance may seem like a large number, it actually is not very large based on an annual budget of more than \$32.8 million. The culture within the City also plays a significant role in the favorable expenditure variances. Departments spend their budgets for items needed for their operations and do not spend their budgets just because they are there or because they lapse at year end.

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, 2017 totals \$288,116,060 (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	
	2017	2016	2017	2016	2017	2016
Land	\$30,748,798	\$27,877,767	\$2,272,256	\$2,272,256	\$33,021,054	\$30,150,023
Buildings and improvements	28,570,575	29,168,356	17,813,609	18,377,905	46,384,184	47,546,261
Machinery and equipment and library books	6,942,238	5,319,263	869,040	583,151	7,811,278	5,902,414
Infrastructure	74,823,154	71,655,872	115,030,491	115,346,176	189,853,645	187,002,048
Land improvements	975,891	125,574	198,743	208,207	1,174,634	333,781
Construction in progress	8,554,442	6,649,204	1,316,823	261,074	9,871,265	6,910,278
Total	\$150,615,098	\$140,796,036	\$137,500,962	\$137,048,769	\$288,116,060	\$277,844,805

Additional information on the City's capital assets can be found in Note 4 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, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$11,565,000	\$13,905,000	\$3,465,000	\$3,955,000	\$15,030,000	\$17,860,000
Special assessment debt with government commitment	-	-	150,000	300,000	150,000	300,000
Building authority bonds	-	-	8,220,000	9,075,000	8,220,000	9,075,000
Total	\$11,565,000	\$13,905,000	\$11,835,000	\$13,330,000	\$23,400,000	\$27,235,000

Additional information on the City's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget plan, as originally approved in the fiscal year 2017-2018 budget, has General Fund expenditures exceeding annual revenue by \$250,000.

City of Novi General Fund

Description	Estimated 2016-2017	Budget 2017-2018
Annual revenue	\$ 33,411,617	\$ 33,234,730
Annual expenditures (excluding transfers out)	\$ 31,927,617	\$ 32,914,730
Transfers out to other funds	1,484,000	320,000
Total expenditures	\$ 33,411,617	\$ 33,234,730

Note: Source - 2017-2018 Annual Budget Document. Budget 2017-2018 Annual revenue does not include appropriation from fund balance.

The state-shared revenue projections for 2016-2017 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.

The 2017 fiscal year approved tax millage rate was decreased from 10.2 mills to 9.95 mills. Novi voters approved a 10-year capital improvement 1.0 mill in August 2016 which will be levied during the 2017/2018 fiscal year. The increase in mills for the new capital improvement millage was offset in part by the elimination of some mills due to the payoff of voter-approved debt resulting in an overall mill rate of 10.5376 or an increase of .5876 mills.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

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 Ten Mile Road, Novi, MI 48375. You may also visit our website at www.cityofnovi.org or contact the finance department directly at 248-347-0465.

City of Novi, Michigan

Statement of Net Position June 30, 2017

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 5,746,906	\$ 2,080,166	\$ 7,827,072	\$ 11,901
Investments (Note 3)	41,908,003	66,134,779	108,042,782	-
Accounts receivable:				
Taxes	-	206,814	206,814	-
Water and sewer billing	-	5,407,449	5,407,449	-
Accrued interest receivable	450,214	-	450,214	-
Other	767,527	67,013	834,540	-
Due from other governmental units	1,681,672	-	1,681,672	-
Special assessments receivable	24,589	474,806	499,395	-
Inventory	-	64,583	64,583	-
Prepaid expenses and other assets	505,768	43,605	549,373	-
Other postemployment benefits asset (Note 10)	960,138	40,962	1,001,100	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	39,303,240	3,589,079	42,892,319	-
Assets subject to depreciation	111,311,858	133,911,883	245,223,741	-
Other	-	-	-	35,000
Total assets	202,659,915	212,021,139	414,681,054	46,901
Deferred Outflows of Resources				
Deferred outflows related to refunding bonds	784,965	-	784,965	-
Deferred outflows related to pensions (Note 8)	4,294,711	177,260	4,471,971	-
Total deferred outflows of resources	5,079,676	177,260	5,256,936	-
Liabilities				
Accounts payable	4,256,853	4,737,407	8,994,260	-
Refundable deposits	89,163	207,409	296,572	-
Accrued and other liabilities	2,421,052	2,022,324	4,443,376	-
Unearned revenue	24,761	5,089	29,850	-
Noncurrent liabilities:				
Due within one year (Note 6):				
Compensated absences	1,410,218	72,879	1,483,097	-
Current portion of long-term debt	920,000	1,505,000	2,425,000	-
Due in more than one year:				
Compensated absences (Note 6)	585,158	-	585,158	-
Net pension liability (Note 8)	36,187,239	1,493,608	37,680,847	-
Long-term debt (Note 6)	11,797,271	10,330,000	22,127,271	-
Total liabilities	57,691,715	20,373,716	78,065,431	-

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Novi, Michigan

Statement of Net Position (Continued) June 30, 2017

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 138,682,792	\$ 125,665,962	\$ 264,348,754	\$ -
Restricted for:				
Roads	8,389,248	-	8,389,248	-
Public safety	796,883	-	796,883	-
Debt service	341,141	-	341,141	-
Infrastructure improvements	3,928,606	-	3,928,606	-
Parks, recreation, and cultural services	1,278,847	-	1,278,847	-
Library	3,537,936	-	3,537,936	-
Storm water systems	8,960,751	-	8,960,751	-
Tree replacement and maintenance	3,842,447	-	3,842,447	-
Street lighting improvements	46,920	-	46,920	-
PEG access support fees	642,634	-	642,634	-
Community	2,282	-	2,282	-
Unrestricted	<u>(20,402,611)</u>	<u>66,158,721</u>	<u>45,756,110</u>	<u>46,901</u>
Total net position	<u>\$ 150,047,876</u>	<u>\$ 191,824,683</u>	<u>\$ 341,872,559</u>	<u>\$ 46,901</u>

City of Novi, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,064,097	\$ 4,853,627	\$ 16,111	\$ -
Public safety	22,712,180	986,285	433,412	-
Public services	15,781,996	110,551	4,547,250	1,561,439
Community and economic development	3,565,698	-	111,720	-
Recreation and culture	5,697,673	1,688,012	554,853	-
Interest on long-term debt	399,077	-	-	-
Total governmental activities	53,220,721	7,638,475	5,663,346	1,561,439
Business-type activities:				
Water and Sewer	25,569,364	24,184,714	-	5,718,715
Ice arena	1,657,727	2,132,426	-	-
Senior housing	1,393,543	2,037,187	-	-
Total business-type activities	28,620,634	28,354,327	-	5,718,715
Total primary government	\$ 81,841,355	\$ 35,992,802	\$ 5,663,346	\$ 7,280,154
Component units - Economic Development				
Total component units	\$ -	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (194,359)	\$ -	\$ (194,359)	\$ -
(21,292,483)	-	(21,292,483)	-
(9,562,756)	-	(9,562,756)	-
(3,453,978)	-	(3,453,978)	-
(3,454,808)	-	(3,454,808)	-
(399,077)	-	(399,077)	-
(38,357,461)	-	(38,357,461)	-
-	4,334,065	4,334,065	-
-	474,699	474,699	-
-	643,644	643,644	-
-	5,452,408	5,452,408	-
(38,357,461)	5,452,408	(32,905,053)	-
-	-	-	-
-	-	-	-
33,087,219	-	33,087,219	-
4,651,780	-	4,651,780	-
219,207	318,490	537,697	9
1,304,367	-	1,304,367	-
1,017,539	-	1,017,539	-
40,280,112	318,490	40,598,602	9
240,000	(240,000)	-	-
2,162,651	5,530,898	7,693,549	9
147,885,225	186,293,785	334,179,010	46,892
\$ 150,047,876	\$ 191,824,683	\$ 341,872,559	\$ 46,901

City of Novi, Michigan

Governmental Funds Balance Sheet June 30, 2017

	Nonmajor		
	General Fund	Governmental Funds	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 3,345,253	\$ 2,401,653	\$ 5,746,906
Investments (Note 3)	10,110,830	31,797,173	41,908,003
Accounts receivable:			
Special assessments	-	24,589	24,589
Accrued interest	448,739	-	448,739
Other	441,863	325,664	767,527
Due from other governmental units	800,869	880,803	1,681,672
Due from other funds (Note 5)	4,950	-	4,950
Prepays and other assets	486,817	18,951	505,768
	<u>\$ 15,639,321</u>	<u>\$ 35,448,833</u>	<u>\$ 51,088,154</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 1,319,579	\$ 2,937,274	\$ 4,256,853
Due to other funds (Note 5)	-	4,950	4,950
Refundable deposits	80,714	8,449	89,163
Accrued and other liabilities:			
Accrued salaries and wages	533,154	88,738	621,892
Payroll taxes and withholdings	216,678	28,502	245,180
Accrued other	546,407	636,408	1,182,815
Unearned revenue	24,761	-	24,761
	<u>2,721,293</u>	<u>3,704,321</u>	<u>6,425,614</u>
Deferred Inflows of Resources - Unavailable revenue			
Other	12,187	2,200	14,387
Special assessments	-	24,589	24,589
Grants	-	1,487	1,487
	<u>12,187</u>	<u>28,276</u>	<u>40,463</u>
Fund Balances			
Nonspendable - Prepays	486,817	18,951	505,768
Restricted:			
Roads	-	8,364,659	8,364,659
Public safety	21,907	774,976	796,883
Community	2,282	-	2,282
Debt service	-	341,141	341,141
Infrastructure improvements	-	3,928,606	3,928,606
Parks, recreation, and cultural services	-	1,274,687	1,274,687
Library	-	3,519,458	3,519,458
Storm water systems	-	8,960,751	8,960,751
Tree replacement and maintenance	-	3,842,447	3,842,447
Street lighting improvements	-	46,920	46,920
PEG access support fees	-	642,634	642,634
Assigned	1,408,718	2,493	1,411,211
Unassigned	10,986,117	(1,487)	10,984,630
	<u>12,905,841</u>	<u>31,716,236</u>	<u>44,622,077</u>
Total fund balances	<u>\$ 15,639,321</u>	<u>\$ 35,448,833</u>	<u>\$ 51,088,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,639,321</u>	<u>\$ 35,448,833</u>	<u>\$ 51,088,154</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Novi, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 44,622,077
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	150,615,098
Special assessment and other receivables are expected to be collected over several years and are not available to pay for current period expenditures (including \$1,475 of accrued interest on special assessments)	32,430
Other postemployment benefits assets are not financial resources and are not reported in the funds	960,138
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds	4,294,711
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	784,965
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(260,964)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,717,271)
Net pension liability is not due and payable in the current period and is not reported in the funds	(36,187,239)
Accrued interest is not due and payable in the current period and is not reported in the funds	(100,693)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(1,995,376)</u>
Net Position of Governmental Activities	<u>\$ 150,047,876</u>

City of Novi, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
Revenue			
Property taxes	\$ 21,395,809	\$ 11,691,410	\$ 33,087,219
Licenses and permits	4,005,981	-	4,005,981
Federal grants	61,025	256,178	317,203
State-shared revenue and grants	4,640,673	4,912,948	9,553,621
Charges for services	548,514	1,777,346	2,325,860
Fines and forfeitures	481,697	179,852	661,549
Interest and investment income	123,165	96,780	219,945
Rental income	-	104,000	104,000
Other revenue:			
Special assessments	-	25,336	25,336
Local donations	1,082	8,425	9,507
Cable franchise fees	-	369,702	369,702
Recreational programs	-	1,421,613	1,421,613
Miscellaneous income	758,315	770,166	1,528,481
Total revenue	32,016,261	21,613,756	53,630,017
Expenditures			
Current:			
General government	7,307,013	-	7,307,013
Public safety	17,072,525	4,272,407	21,344,932
Public services	3,714,028	16,272,702	19,986,730
Community and economic development	3,237,642	177,175	3,414,817
Recreation and culture	51,678	6,482,301	6,533,979
Debt service:			
Principal	-	2,340,000	2,340,000
Interest on long-term debt	-	455,020	455,020
Total expenditures	31,382,886	29,999,605	61,382,491
Excess of Revenue Over (Under) Expenditures	633,375	(8,385,849)	(7,752,474)
Other Financing Sources (Uses)			
Transfers in (Note 5)	-	7,561,984	7,561,984
Transfers out (Note 5)	(1,472,736)	(5,849,248)	(7,321,984)
Total other financing (uses) sources	(1,472,736)	1,712,736	240,000
Net Change in Fund Balances	(839,361)	(6,673,113)	(7,512,474)
Fund Balances - Beginning of year	13,745,202	38,389,349	52,134,551
Fund Balances - End of year	\$ 12,905,841	\$ 31,716,236	\$ 44,622,077

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 Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (7,512,474)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	16,851,930
Depreciation expense	(8,572,302)
Loss on sale of assets	(8,962)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(44,198)
Capital contributions are recorded in the statement of activities when received; they are not recorded in the governmental funds	1,548,396
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,340,000
Change in accrued interest payable and other	18,619
Increases in accumulated employee sick and vacation pay reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	5,973
Changes in liabilities for general claims are recorded when incurred in the statement of activities	(98,474)
Increase in net retiree healthcare and pension liabilities reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(2,365,857)
Change in Net Position of Governmental Activities	<u>\$ 2,162,651</u>

City of Novi, Michigan

Proprietary Funds Statement of Net Position June 30, 2017

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,644,643	\$ 318,181	\$ 117,342	\$ 2,080,166
Investments (Note 3)	62,283,778	1,820,769	2,030,232	66,134,779
Accounts receivable:				
Taxes	206,814	-	-	206,814
Special assessments	474,806	-	-	474,806
Water and sewer billing	5,407,449	-	-	5,407,449
Other	1,120	65,893	-	67,013
Inventory	62,522	2,061	-	64,583
Prepaid expenses and other assets	14,500	7,206	21,899	43,605
Total current assets	<u>70,095,632</u>	<u>2,214,110</u>	<u>2,169,473</u>	<u>74,479,215</u>
Noncurrent assets:				
Other postemployment benefits asset (Note 10)	40,962	-	-	40,962
Capital assets - Net (Note 4)	121,329,365	5,810,613	10,360,984	137,500,962
Total noncurrent assets	<u>121,370,327</u>	<u>5,810,613</u>	<u>10,360,984</u>	<u>137,541,924</u>
Total assets	<u>191,465,959</u>	<u>8,024,723</u>	<u>12,530,457</u>	<u>212,021,139</u>
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 8)				
	177,260	-	-	177,260
Liabilities				
Current liabilities:				
Accounts payable	4,317,996	30,911	388,500	4,737,407
Refundable deposits	-	46,319	161,090	207,409
Accrued and other liabilities	1,953,328	9,801	59,195	2,022,324
Unearned revenue	-	-	5,089	5,089
Compensated absences (Note 6)	72,879	-	-	72,879
Current portion of long-term debt (Note 6)	150,000	480,000	875,000	1,505,000
Total current liabilities	<u>6,494,203</u>	<u>567,031</u>	<u>1,488,874</u>	<u>8,550,108</u>
Noncurrent liabilities:				
Net pension liability (Note 8)	1,493,608	-	-	1,493,608
Long-term debt (Note 6)	-	2,985,000	7,345,000	10,330,000
Total noncurrent liabilities	<u>1,493,608</u>	<u>2,985,000</u>	<u>7,345,000</u>	<u>11,823,608</u>
Total liabilities	<u>7,987,811</u>	<u>3,552,031</u>	<u>8,833,874</u>	<u>20,373,716</u>
Net Position				
Net investment in capital assets	121,179,365	2,345,613	2,140,984	125,665,962
Unrestricted	62,476,043	2,127,079	1,555,599	66,158,721
Total net position	<u>\$ 183,655,408</u>	<u>\$ 4,472,692</u>	<u>\$ 3,696,583</u>	<u>\$ 191,824,683</u>

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 Position Year Ended June 30, 2017

	Water and Sewer		Senior Housing	Total
	Fund	Ice Arena Fund	Fund	
Operating Revenue				
Sale of water	\$ 11,884,855	\$ -	\$ -	\$ 11,884,855
Sewage disposal charges	11,518,429	-	-	11,518,429
Concession sales	-	119,631	-	119,631
Interest and penalty charges	196,365	-	-	196,365
Installation fees	447,328	-	-	447,328
Rentals and charges for services	-	1,889,314	2,034,990	3,924,304
Miscellaneous revenue	137,737	123,481	2,197	263,415
Total operating revenue	24,184,714	2,132,426	2,037,187	28,354,327
Operating Expenses				
Cost of water	9,200,400	-	-	9,200,400
Cost of sewage treatment	8,912,621	-	-	8,912,621
Other operation and maintenance	1,509,330	618,684	420,256	2,548,270
Salaries and fringe benefits	1,427,008	-	-	1,427,008
Contractual services	-	632,733	387,748	1,020,481
Miscellaneous expenses	478,321	-	-	478,321
Depreciation	4,033,527	312,910	392,405	4,738,842
Total operating expenses	25,561,207	1,564,327	1,200,409	28,325,943
Operating (Loss) Income	(1,376,493)	568,099	836,778	28,384
Nonoperating Revenue (Expenses)				
Investment income	296,539	11,114	10,837	318,490
Interest expense	(8,157)	(93,400)	(193,134)	(294,691)
Total nonoperating revenue (expenses)	288,382	(82,286)	(182,297)	23,799
(Loss) Income - Before contributions	(1,088,111)	485,813	654,481	52,183
Capital Contributions				
Capital grants	569,179	-	-	569,179
Lines donated by developers and others	3,340,468	-	-	3,340,468
Customer assessments - Tap fees	1,809,068	-	-	1,809,068
Total capital contributions	5,718,715	-	-	5,718,715
Transfers Out (Note 5)	(240,000)	-	-	(240,000)
Change in Net Position	4,390,604	485,813	654,481	5,530,898
Net Position - Beginning of year	179,264,804	3,986,879	3,042,102	186,293,785
Net Position - End of year	\$ 183,655,408	\$ 4,472,692	\$ 3,696,583	\$ 191,824,683

City of Novi, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 24,516,213	\$ 2,105,222	\$ 2,038,489	\$ 28,659,924
Payments to suppliers	(19,352,858)	(1,280,299)	(453,187)	(21,086,344)
Payments to employees	(1,268,811)	-	-	(1,268,811)
Other payments	(1,120)	-	-	(1,120)
Net cash provided by operating activities	3,893,424	824,923	1,585,302	6,303,649
Cash Flows from Noncapital Financing Activities				
Activities - Transfers to other funds	(240,000)	-	-	(240,000)
Cash Flows from Capital and Related Financing Activities				
Customer assessments - Tap fees	2,378,247	-	-	2,378,247
Special assessment collections	258,967	-	-	258,967
Purchase of capital assets	(966,848)	(281,472)	(602,247)	(1,850,567)
Principal and interest paid on capital debt	(159,563)	(584,920)	(1,053,028)	(1,797,511)
Net cash provided by (used in) capital and related financing activities	1,510,803	(866,392)	(1,655,275)	(1,010,864)
Cash Flows from Investing Activities				
Interest received on investments	267,949	11,114	11,326	290,389
Net purchases from sale and maturities of investment securities	(6,067,250)	(75,278)	(804,315)	(6,946,843)
Net used in investing activities	(5,799,301)	(64,164)	(792,989)	(6,656,454)
Net Decrease in Cash and Cash Equivalents	(635,074)	(105,633)	(862,962)	(1,603,669)
Cash and Cash Equivalents - Beginning of year	2,279,717	423,814	980,304	3,683,835
Cash and Cash Equivalents - End of year	<u>\$ 1,644,643</u>	<u>\$ 318,181</u>	<u>\$ 117,342</u>	<u>\$ 2,080,166</u>
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and investments	\$ 63,928,421	\$ 2,138,950	\$ 2,147,574	\$ 68,214,945
Less amounts classified as investments	(62,283,778)	(1,820,769)	(2,030,232)	(66,134,779)
Total cash and cash equivalents	<u>\$ 1,644,643</u>	<u>\$ 318,181</u>	<u>\$ 117,342</u>	<u>\$ 2,080,166</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (1,376,493)	\$ 568,099	\$ 836,778	\$ 28,384
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	4,033,527	312,910	392,405	4,738,842
Changes in assets and liabilities:				
Receivables	330,379	(27,204)	1,302	304,477
Inventories	15,607	(122)	-	15,485
Prepaid and other assets	(14,500)	(2,446)	(21,899)	(38,845)
Accounts payable	746,707	(26,314)	376,716	1,097,109
Accrued and other liabilities	158,197	-	-	158,197
Net cash provided by operating activities	<u>\$ 3,893,424</u>	<u>\$ 824,923</u>	<u>\$ 1,585,302</u>	<u>\$ 6,303,649</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2017, developers and others constructed water and sewer lines with an estimated value of \$3,340,468 and donated them to the City's Water and Sewer Fund.

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Novi, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund	Agency Funds
	<u>Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 1,071,185	\$ 23,268
Investments (Note 3):		
Investments, uncategorized	-	8,614,285
U.S. government bonds	4,456,815	-
Asset-backed securities	555,248	-
Equities	17,828,993	-
Corporate bonds	729,756	-
Money market funds	1,053,253	-
Other	1,619,915	-
	<u>27,315,165</u>	<u>\$ 8,637,553</u>
Total assets		
Liabilities		
Accounts payable	-	\$ 604,203
Due to other governmental units	-	230,064
Due to builders and developers	-	7,803,286
	<u>-</u>	<u>\$ 8,637,553</u>
Total liabilities		
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 27,315,165</u>	

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, 2017**

Additions

Net investment gain	\$ 3,399,592
Contributions - Employer	<u>617,207</u>
Total additions	4,016,799

Deductions

Healthcare insurance premiums	885,353
Administrative expenses	<u>245,934</u>
Total deductions	<u>1,131,287</u>

Net Increase in Net Position Held in Trust 2,885,512

Net Position Held in Trust for Pension and Other Employee Benefits -
Beginning of year 24,429,653

Net Position Held in Trust for Pension and Other Employee Benefits -
End of year \$ 27,315,165

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Novi, Michigan (the "City"):

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - 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.

Discretely Presented Component Unit - The Economic Development Corporation of the City of Novi (the "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 government-wide financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The Corporation does not issue a separate financial report.

Jointly Governed Organization - The jointly governed organization is discussed in Note 13.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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 revenue reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used.

Note I - Summary of Significant Accounting Policies (Continued)

The various funds are aggregated into three broad fund types:

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following fund as a "major" governmental fund:

- **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.

Proprietary Funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise 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.

Fiduciary Funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- **Retiree Health Care Benefits Trust Fund** - The Retiree Health Care Benefits Trust Fund accounts for medical benefits provided to retirees.
- **Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. They primarily hold deposits from builders and developers and tax remittances due to schools and other governmental units.

Interfund Activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Note I - Summary of Significant Accounting Policies (Continued)

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full 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.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Note I - Summary of Significant Accounting Policies (Continued)

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value as determined by management.

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 acquisition value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Roads, bridges, and sidewalks	25-30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and improvements	35-40 years
Machinery and equipment	4-10 years
Library books	10 years

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt and the proprietary funds (Water and Sewer, Ice Arena, and Senior Housing) are used to liquidate proprietary fund long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charges on refunding and the deferred outflows of resources related to the defined benefit pension plan. A deferred charge on refunding is reported in the government-wide statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from various transactions related to pension: employer contributions to the defined benefit pension plan subsequent to the measurement date, difference between expected and actual experience, changes in assumptions, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: special assessments, grants, and certain accounts receivable. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council has not adopted a policy transferring the authority to assign fund balance, and therefore, that responsibility remains with the City Council. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note I - Summary of Significant Accounting Policies (Continued)

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 percent of the proposed budgeted expenditures for the following year. The City's minimum reserve as a percentage of budgeted expenditures is 10-20 percent individually and collectively amongst the three road funds, 12-22 percent for Parks and Recreational Services, and varying reserves for the remaining special revenue funds dependent on the funds' yearly activity and capital needs. The City of Novi, Michigan's 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.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1 and are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the City totaled approximately \$3.30 billion. Note that the financial statement reported amounts are inclusive of "property tax revenue" related to interest, penalties, and administrative fees not reflected in the figures below. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	4.9925	\$ 16,579,000
Police and fire supplemental millage	1.4208	4,701,000
Parks and recreation operations	0.3836	1,271,000
Library operations	0.7678	2,544,000
Street maintenance operations	1.4923	4,945,000
Drains maintenance operations	0.2120	700,000
Debt levies for streets, library, and refunding debt	0.6810	2,263,000
Total	<u>9.9500</u>	<u>\$ 33,003,000</u>

Note I - Summary of Significant Accounting Policies (Continued)

Defined Benefit Pension - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City also offers retiree 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, 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 underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. 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. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligation. The City has discontinued the accrual of sick leave days for administrative employees and Michigan Association of Public Employees (MAPE).

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund, Ice Arena Fund, and Senior Housing Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 - Stewardship, Compliance, and Accountability

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. 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 surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2016		\$ (1,758,486)
Current year permit revenue		2,095,486
Related expenses:		
Direct costs	\$ 1,926,103	
Estimated indirect costs	228,981	2,155,084
		<u> </u>
Current year shortfall		<u>(59,598)</u>
Cumulative shortfall at June 30, 2017		<u>\$ (1,818,084)</u>

The Community Development Block Grant Fund has an unassigned deficit of \$1,487. This is not a true deficit according to Numbered Letter 2016-1 from the State of Michigan because the deferred inflows of resources balance is greater than or equal to the unrestricted fund balance. Unrestricted fund balance is the sum of the committed, assigned, and unassigned fund balances.

Note 3 - 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 law also allows investments outside the state of Michigan when fully insured. The local unit 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 Healthcare Benefits Trust Fund is authorized by Michigan Public Act 314 of 1965, 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 designated 30 banks/advisors for the deposit of its funds. The investment policy adopted by the board 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:

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 deposit policy for custodial credit risk. At year end, the City had \$7,595,769 of bank deposits (certificates of deposit and checking and savings 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.

Note 3 - Deposits and Investments (Continued)

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 270-day maturity.

At year end, the City had the following investments. The Retiree Health Care Benefits Trust Fund also holds investments in a MERS retiree health funding vehicle of \$5,292,731 that are excluded from the table below.

Investment	Fair Value	Weighted Average Maturity (Years)
Primary Government		
Commercial paper	\$ 12,952,570	0.22
U.S. government agency securities	14,286,135	5.50
Municipal bonds	<u>55,884,390</u>	3.90
Total	<u>\$ 83,123,095</u>	
Retiree Health Care Benefits Trust Fund		
U.S. Treasury securities	\$ 3,409,515	4.09
U.S. government agency securities	2,540,895	8.35
Corporate bonds	<u>608,304</u>	9.64
Total	<u>\$ 6,558,714</u>	

City of Novi, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows. The Retiree Health Care Benefits Trust Fund also holds investments in a MERS retiree health funding vehicle of \$5,292,731 that are excluded from the table below.

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Commercial paper	\$ 3,969,520	Aa2	Moody's
	4,989,260	A2	S&P
	3,993,790	N/A	Not Rated
U.S. government agency securities	14,286,135	AA+	S&P
Municipal bonds	2,735,026	AAA	S&P
	395,944	Aaa	Moody's
	1,148,690	Aa	Moody's
	3,134,062	AA+	S&P
	10,269,240	Aa1	Moody's
	12,419,381	AA	S&P
	992,960	Aa2	Moody's
	15,136,895	AA-	S&P
	1,070,233	A1+	S&P
	686,688	A-	S&P
	732,421	BBB+	S&P
	5,567,146	BBB	S&P
	1,595,705	N/A	Not Rated
Bank investment pool - Oakland County	27,541,781	N/A	Not Rated
Total	<u>\$ 110,664,877</u>		
Retiree Health Care Benefits Trust Fund			
U.S. government agency securities	\$ 2,540,895	AA+	S&P
Corporate bonds	47,540	AA-	S&P
	33,330	A	S&P
	264,880	A-	S&P
	262,554	BBB+	S&P
Total	<u>\$ 3,149,199</u>		

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. As of year end, the City had multiple investments, which consisted mostly of U.S. government agency securities, that exceeded 5 percent of the total portfolio. The City had 8.53 percent invested in Commercial Paper, 6.01 percent invested in Federal National Mortgage Association, 6.35 percent invested in State of Michigan bonds, and 18.12 percent invested in the Oakland County investment pool.

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2017:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. government bonds	\$ 18,213,677	\$ 18,213,677	\$ -	\$ -
Corporate bonds	13,560,593	-	13,560,593	-
Municipal bonds	55,884,391	-	55,884,391	-
Asset-backed securities	555,248	-	555,248	-
Total debt securities	88,213,909	18,213,677	70,000,232	-
Equity securities - Corporate equity	14,790,965	14,649,612	141,353	-
Mutual funds	1,619,915	-	1,619,915	-
Total investments by fair value level	<u>\$ 104,624,789</u>	<u>\$ 32,863,289</u>	<u>\$ 71,761,500</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 are valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

There were no investments at June 30, 2017 valued based on Level 3 inputs.

Note 3 - Deposits and Investments (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in an investment pool whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MERS RHFV Total Market Portfolio	\$ 5,292,731	\$ -	N/A	N/A
Oakland County Investment Pool	<u>27,504,092</u>	<u>-</u>	N/A	N/A
Total investments measured at NAV	<u>\$ 32,796,823</u>	<u>\$ -</u>		

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

The Oakland County Investment Pool is a portfolio combining investments in U.S. government securities, certificates of deposit, and cash equivalents. These investments are made in conformance with PA 20 of 1943 and the Oakland County Investment Policy. This investment policy demands three standards for investing: safety of principal, liquidity of investment, and return on investment.

Note 4 - Capital Assets

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

Governmental Activities	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 27,877,767	\$ -	\$ 2,871,031	\$ -	\$ 30,748,798
Construction in progress	6,649,204	(6,790,125)	8,695,363	-	8,554,442
Subtotal	34,526,971	(6,790,125)	11,566,394	-	39,303,240
Capital assets being depreciated:					
Roads	129,298,407	6,790,125	1,018,792	-	137,107,324
Nonmotorized pathway improvements	10,528,151	-	529,604	-	11,057,755
Bridges	2,256,131	-	-	-	2,256,131
Drains	16,832,181	-	871,631	-	17,703,812
Buildings and improvements	47,082,932	-	607,494	-	47,690,426
Machinery and equipment	14,254,726	-	2,563,222	(312,390)	16,505,558
Land improvements	130,806	-	891,197	-	1,022,003
Library books	3,782,338	-	351,992	(320,323)	3,814,007
Subtotal	224,165,672	6,790,125	6,833,932	(632,713)	237,157,016
Accumulated depreciation:					
Roads	72,742,981	-	4,810,438	-	77,553,419
Nonmotorized pathway improvements	3,288,798	-	475,693	-	3,764,491
Bridges	1,153,247	-	83,847	-	1,237,094
Drains	10,073,972	-	672,892	-	10,746,864
Buildings and improvements	17,914,576	-	1,205,275	-	19,119,851
Machinery and equipment	11,161,311	-	1,060,692	(303,428)	11,918,575
Land improvements	5,232	-	40,880	-	46,112
Library books	1,556,490	-	222,585	(320,323)	1,458,752
Subtotal	117,896,607	-	8,572,302	(623,751)	125,845,158
Net capital assets being depreciated	106,269,065	6,790,125	(1,738,370)	(8,962)	111,311,858
Net capital assets	\$ 140,796,036	\$ -	\$ 9,828,024	\$ (8,962)	\$ 150,615,098

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 2,272,256	\$ -	\$ -	\$ -	\$ 2,272,256
Construction in progress	261,074	-	1,055,749	-	1,316,823
Subtotal	2,533,330	-	1,055,749	-	3,589,079
Capital assets being depreciated:					
Water and sewer distribution systems	187,199,248	-	3,479,736	-	190,678,984
Buildings and improvements	28,714,579	-	213,117	-	28,927,696
Machinery and equipment	2,154,041	-	442,433	-	2,596,474
Land improvements	236,599	-	-	-	236,599
Subtotal	218,304,467	-	4,135,286	-	222,439,753
Accumulated depreciation:					
Water and sewer lines	71,853,072	-	3,795,421	-	75,648,493
Buildings and improvements	10,336,674	-	777,413	-	11,114,087
Machinery and equipment	1,570,890	-	156,544	-	1,727,434
Land improvements	28,392	-	9,464	-	37,856
Subtotal	83,789,028	-	4,738,842	-	88,527,870
Net capital assets being depreciated	134,515,439	-	(603,556)	-	133,911,883
Net capital assets	<u>\$ 137,048,769</u>	<u>\$ -</u>	<u>\$ 452,193</u>	<u>\$ -</u>	<u>\$ 137,500,962</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 504,275
Public safety	870,991
Public works	6,444,951
Economic development	31,228
Recreation and culture	720,857
Total governmental activities	<u>\$ 8,572,302</u>

Business-type activities:

Water and sewer	\$ 4,033,527
Ice arena	312,910
Senior housing	392,405
Total business-type activities	<u>\$ 4,738,842</u>

City of Novi, Michigan

Notes to Financial Statements June 30, 2017

Note 4 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street construction	\$ 3,643,044	\$ 3,511,104
Sidewalks and pathways	184,456	33,210
Parking lots	590,536	496,169
Building improvements	301,722	344,441
Drains	196,695	745,489
Water and sewer	553,044	269,145
Total	<u>\$ 5,469,497</u>	<u>\$ 5,399,558</u>

Note 5 - Interfund Receivables, Payables, and Transfers

At June 30, 2017, the City had no outstanding interfund balances.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	<u>\$ 4,950</u>

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 1,472,736
	Other nonmajor governmental funds	5,849,248
	Water and Sewer Fund	<u>240,000</u>
	Total nonmajor governmental funds	<u>\$ 7,561,984</u>

Transfers between funds were primarily for operating purposes. The transfer from the Major Street Fund and Local Street Fund (both nonmajor governmental funds) was allowable per Act 51. The transfer between the Municipal Streets Fund (a nonmajor governmental fund) and the Street Improvement Fund (a nonmajor governmental fund) was to fund current and future street improvement projects. The transfer between the General Fund and the Capital Improvement Program Fund (a nonmajor governmental fund) was to fund capital-related projects.

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	5.25%	\$1,425,000	\$ 1,425,000	\$ -	\$ 1,425,000	\$ -	\$ -
2008 Unlimited Tax Library Bonds: Amount of issue: \$16,000,000	3.75% - 5.00%	\$750,000 - \$765,000	3,765,000	-	750,000	3,015,000	750,000
2016 Unlimited Tax Library Refunding Bonds: Amount of issue: \$8,715,000	2.00% - 4.00%	\$170,000 - \$1,390,000	8,715,000	-	165,000	8,550,000	170,000
Maturing through 2027							
Total bonds payable			13,905,000	-	2,340,000	11,565,000	920,000
Unamortized bond premium			1,280,301	-	128,030	1,152,271	-
Accumulated compensated absences			1,989,403	1,995,376	1,989,403	1,995,376	1,410,218
Total governmental activities			<u>\$ 17,174,704</u>	<u>\$ 1,995,376</u>	<u>\$ 4,457,433</u>	<u>\$ 14,712,647</u>	<u>\$ 2,330,218</u>
Business-type Activities							
Special Assessment Bonds - 2003 Special Assessment Limited Tax Bonds: Amount of issue: \$2,330,000 Maturing through 2017							
	4.00%	\$150,000	\$ 300,000	\$ -	\$ 150,000	\$ 150,000	\$ 150,000
General Obligation Bonds: 2015 Senior Complex Recreation Facility Refunding Bonds: Amount of issue: \$9,075,000 Maturing through 2026							
	2.29%	\$850,000 - \$1,020,000	9,075,000	-	855,000	8,220,000	875,000
2014 Ice Arena Refunding Bonds: Amount of issue: \$4,905,000 Maturing through 2024	2.40%	\$480,000 - \$520,000	3,955,000	-	490,000	3,465,000	480,000
Total bonds payable			13,330,000	-	1,495,000	11,835,000	1,505,000
Accumulated compensated absences			67,818	72,879	67,818	72,879	72,879
Total business-type activities			<u>\$ 13,397,818</u>	<u>\$ 72,879</u>	<u>\$ 1,562,818</u>	<u>\$ 11,907,879</u>	<u>\$ 1,577,879</u>

Note 6 - Long-term Debt (Continued)

Total interest expense for the year was \$693,768. 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
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	1,135,000	267,700	1,402,700	1,350,000	134,476	1,484,476
2023-2027	6,460,000	618,700	7,078,700	4,875,000	219,228	5,094,228
Total	<u>\$11,565,000</u>	<u>\$ 2,370,300</u>	<u>\$13,935,300</u>	<u>\$11,835,000</u>	<u>\$ 1,211,115</u>	<u>\$13,046,115</u>

Defeased Debt - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's schedule of debt obligations. At June 30, 2017, \$9,485,000 of bonds outstanding is considered defeased.

Note 7 - 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, property and casualty claims, and for vehicle and contractor equipment 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 four fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 7 - Risk Management (Continued)

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.

	General Liability	
	2017	2016
Estimated liability - Beginning of year	\$ 162,490	\$ 54,745
Estimated claims incurred, including changes in estimates	179,605	228,155
Claim payments	<u>(81,131)</u>	<u>(120,410)</u>
Estimated liability - End of year	<u>\$ 260,964</u>	<u>\$ 162,490</u>

Note 8 - Agent Defined Benefit Pension Plan Description

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan), that covers all eligible full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member Retirement Board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all eligible full-time employees of the City.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

General Nonunion (Administrative Staff) - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 4.48 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective May 1, 2006.

POLC - Retirement benefits for employees are calculated as 2.8 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 20 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 9.24 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective May 1, 2006.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Fire Local 3232 - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 6.33 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective June 1, 2009.

General Union (Police Clerks) - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 3.89 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective October 1, 2011.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

MAPE - Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 2.45 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective December 1, 2006.

Library - Retirement benefits for employees are calculated as 1.7 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 3 percent of their salary under \$4,200 and 5 percent over \$4,200 to fund benefits.

The defined benefit plan was closed to new hired members of this group effective July 1, 2007.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Appointed Officials - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 2.43 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective May 1, 2006.

Dispatchers - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 4.11 percent of their salary to fund benefits.

The defined benefit plan was closed to new hired members of this group effective September 1, 2011.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

COAM - Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum benefit of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased members' final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members contribute 6.44 percent of their salary to fund benefits.

HA-POLC - Members of this class of employees are eligible for a hybrid defined benefit defined contribution plan. These benefits are established by resolution of the City and negotiation with the collective bargaining unit representing these employees. Retirement benefits for employees participating in the hybrid plan are calculated as 1.5 percent of the employee's final three-year average salary times the employee's credited years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced). The vesting period is six years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction with duty disability no less than 25 percent of the member's final average compensation. Death benefits are computed in the same manner as a regular retirement allowance and may be payable to a spouse or children. Employees are eligible for nonduty death benefits after meeting the vesting requirements for a regular pension. The vesting requirements are waived for duty-connected death benefits, and the minimum benefit is 25 percent of the deceased member's final average compensation. An employee who leaves service before vesting withdraws his or her contributions, plus any accumulated interest. Members of this group are not required to contribute to fund benefits.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Employees Covered by Benefit Terms - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	179
Inactive plan members entitled to but not yet receiving benefits	55
Active plan members	<u>146</u>
Total employees covered by MERS	<u><u>380</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2017, the active employee contribution rate ranged from 2.43 percent to 9.24 percent of annual pay and the City's annual contribution was \$3,197,158.

Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 93,591,608	\$ 54,990,980	\$ 38,600,628
Service cost	1,279,328	-	1,279,328
Interest	7,325,066	-	7,325,066
Differences between expected and actual experience	248,579	-	248,579
Contributions - Employer	-	3,115,902	(3,115,902)
Contributions - Employee	-	602,714	(602,714)
Net investment income	-	6,176,312	(6,176,312)
Benefit payments, including refunds	(5,335,884)	(5,335,884)	-
Administrative expenses	-	(122,174)	122,174
Net changes	<u>3,517,089</u>	<u>4,436,870</u>	<u>(919,781)</u>
Balance at December 31, 2016	<u>\$ 97,108,697</u>	<u>\$ 59,427,850</u>	<u>\$ 37,680,847</u>

Included in the net pension liability is \$36,187,239 related to governmental activities and \$1,493,608 related to business-type activities. Typically, the General Fund or the Water and Sewer Fund, based on whichever fund to which an employee is assigned and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$5,680,341. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 337,151
Changes in assumptions	1,652,810
Net difference between projected and actual earnings on pension plan investments	2,217,441
Employer contributions to the plan subsequent to the measurement date	<u>264,569</u>
Total	<u>\$ 4,471,971</u>

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$264,569), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending June 30	Amount
2018	\$ 1,886,186
2019	1,886,186
2020	804,353
2021	(369,323)

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Base salary increases	3.75 %	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75% in the long-term, including inflation
Investment rate of return	8.00 %	Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 48,833,097	\$ 37,680,847	\$ 28,262,912

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 9 - Defined Contribution Pension Plan

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. For the administrative and MAPE groups, the City's contribution rate is 8 percent and the employee's contribution rate is 3 percent. For the dispatch and fire groups, the City's contribution rate is 10 percent and the employee's contribution rate is 6 percent. For the police clerks group, the City's contribution rate is 8 percent and the employee's contribution rate is 6 percent. For the library group, the City's contribution rate is 6 percent and the employee's contribution rate is 3 percent.

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 103 members participating in the DC plan as of June 30, 2017. During the year ended June 30, 2017, the City contributed \$443,665 to the plan.

Note 10 - Other Postemployment Benefits - GASB No. 45

Plan Description - Please refer to Note 11 for plan description detail.

Funding Policy - The collective bargaining units require a contribution by the participant for 20 percent of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2017, the City made payments for postemployment health benefit premiums of \$34,105 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$617,207 paid into the Retiree Health Care Benefits Trust Fund for individuals retiring after June 30, 1994 in accordance with the annual required contribution as determined by the City's actuary. The Retiree Health Care Benefits Trust Fund has a net position of \$27,315,165 as of June 30, 2017, which is 105.8 percent of the actuarial accrued liability of \$25,811,118 as of June 30, 2015.

Funding Progress - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. The valuation computes the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 22 years. This following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (recommended)	\$ (617,207)
Interest on the prior year's net OPEB obligation	78,206
Less adjustment to the annual required contribution	<u>(88,785)</u>
Annual OPEB cost	(627,786)
Amounts contributed:	
Payments of current premiums	34,105
Advance funding	<u>617,207</u>
Increase in net OPEB asset	23,526
OPEB asset - Beginning of year	<u>977,574</u>
OPEB asset - End of year	<u>\$ 1,001,100</u>

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

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
6/30/17	\$ 627,786	103.7 %	\$ 1,001,100
6/30/16	879,127	102.9	977,574
6/30/15	881,656	114.0	952,218

Note 10 - Other Postemployment Benefits - GASB No. 45 (Continued)

The funding progress of the plan 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)	Annual Covered Payroll (c)	Ratio of UAAL to 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

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, presented above, presents multiyear 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.

The annual required contribution was determined as part of an actuarial valuation at June 30, 2015. In the June 30, 2015 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent 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 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was set equal to the reported market value of assets. The UAAL is being amortized using a level dollar method over a closed period of 22 years.

Note 11 - Other Postemployment Benefits (OPEB) Plan - GASB No. 74

During the year, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer(s) to plan members for benefits provided through the other postemployment benefits (OPEB) plan. As a result, the disclosures within the OPEB plan footnotes have changed considerably, along with the related schedules in the required supplemental information.

Plan Description - The City provides healthcare benefits to most full-time employees upon retirement through a single-employer postemployment benefit plan. 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, full-time firefighter employees hired after June 1, 2009, dispatchers hired after September 1, 2011, police clerks hired after October 1, 2011, and POLC employees hired after April 1, 2012. These employees are enrolled into an individual retiree healthcare 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.

Plan Administration - The City of Novi, Michigan administers the City of Novi Retiree Health Care Plan (the "Plan"), a single-employer defined benefit other postemployment benefits (OPEB) plan that is used to provide postemployment benefits other than pensions for most full-time employees of the City upon retirement.

Management of the Plan is vested with the City Council, which consists of seven elected members.

Plan Membership - At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	72
Active plan members	<u>153</u>
Total	<u><u>225</u></u>

Benefits Provided - The Plan provides healthcare, prescription drug, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and 80 percent of the cost of benefits is covered by the Plan.

Contributions - Contribution rates are established by the collective bargaining units. For the year ended June 30, 2017, the City contributed \$651,312 to the Plan. Active plan members are required to contribute 20 percent of annual premiums to the Plan.

Note 11 - Other Postemployment Benefits (OPEB) Plan - GASB No. 74 (Continued)

OPEB Plan Investments

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. The following was the board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation (%)
Domestic large cap	45.00 %
Small/medium cap	25.00
Fixed income	25.00
Cash and cash equivalents	5.00

Rate of Return - For the year ended June 30, 2017, the annual money weighted rate of return on plan investments, net of investment expense, was 12.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2017 and is composed of the following:

Total OPEB liability	\$ 28,795,628
Plan fiduciary net position	<u>(27,315,165)</u>
Net OPEB liability	<u>\$ 1,480,463</u>
Plan fiduciary net position as a percentage of the total OPEB liability	95 %

Note 11 - Other Postemployment Benefits (OPEB) Plan - GASB No. 74 (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 %	
Healthcare cost trend rate	9.00 %	Gradually decreasing to 4.0% in year 10
Salary increases	4.00 %	Average, including inflation
Investment rate of return	7.50 %	Net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected 20 years with Scale BB.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic large cap	7.10 %
Small/medium cap	7.75
Fixed income	2.80
Corporate	1.40

Discount Rate - The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows - Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Note 11 - Other Postemployment Benefits (OPEB) Plan - GASB No. 74
(Continued)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability, calculated using the discount rate of 7.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Net OPEB liability	\$ 5,524,058	\$ 1,480,463	\$ (1,862,307)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 9.0 percent, decreasing to 4.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.0 percent, decreasing to 3.0 percent) or 1 percentage point higher (10.0 percent, decreasing to 5.0 percent) than the current rate:

	1 Percent Decrease (8.0% Decreasing to 3.0%)	Current Healthcare Cost Trend Rate (9.0% Decreasing to 4.0%)	1 Percent Increase (10.0% Decreasing to 5.0%)
Net OPEB liability	\$ (2,264,889)	\$ 1,480,463	\$ 5,921,198

Note 12 - Tax Abatements

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years.

For the fiscal year ended June 30, 2017, the City abated \$104,703 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Note 12 - Tax Abatements (Continued)

The City uses the Tool and Die Renaissance Recovery Zone exemption (PA 376 of 1996) to promote economic activity and to maintain or increase the number of jobs available to residents of the area and to temporarily reduce the amount of taxes paid by certain industries in the state that are facing difficult times (the tool and die industry in particular) enabling it to use the opportunity of reduced operation costs to reposition itself to compete globally. Under the program, the City grants reductions of 100 percent of the property tax bill until year six when the exemption is phased out in 25 percent increments. For the fiscal year ended June 30, 2017 the City abated \$2,685 of taxes under this program. There are no provisions to recapture taxes.

The City uses the Commercial Rehabilitation Project exemption (PA 210 of 2005) to enter into agreements with local businesses to construct new facilities within the established Commercial Rehabilitation District. Under the program, the City grants reductions of 100 percent of the ad valorem property taxes. For the fiscal year ended June 30, 2017, the City abated \$38,298 of taxes under this program. There are no provisions to recapture taxes.

Additionally, the Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the Brownfield's tax revenue is reduced. For the fiscal year ended June 30, 2017, the Authority abated \$2,620 of taxes under this program. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 13 - Joint Venture

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority"). The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and 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, 2017 can be obtained from the Authority's administrative offices at 20000 W. 8 Mile Road, Southfield, Michigan. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

Note 14 - Upcoming Accounting Pronouncements (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2020-2021 fiscal year.

Required Supplemental Information

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenue</u>				
Taxes				
Current property taxes	\$ 16,292,153	\$ 21,131,286	\$ 21,210,275	\$ 78,989
Trailer fees	8,000	9,400	9,406	6
Penalty and interest	170,000	176,130	176,128	(2)
Total taxes	16,470,153	21,316,816	21,395,809	78,993
Licenses, Permits, and Charges for Services	4,617,476	4,391,676	4,554,495	162,819
Intergovernmental Revenue				
State-shared revenue	4,428,392	4,598,392	4,640,673	42,281
Federal grants	58,000	61,800	61,025	(775)
Total intergovernmental revenue	4,486,392	4,660,192	4,701,698	41,506
Fines and Forfeitures	570,000	495,000	481,697	(13,303)
Interest Income	573,418	323,418	123,165	(200,253)
Donations	1,500	1,500	1,082	(418)
Other Revenue	714,970	676,411	758,315	81,904
Transfers In	5,855,000	-	-	-
Total revenue	33,288,909	31,865,013	32,016,261	151,248
<u>Expenditures</u>				
City Council				
Personnel services	36,119	36,197	36,114	83
Supplies	550	280	116	164
Other services and charges	14,450	11,642	11,604	38
Total City Council	51,119	48,119	47,834	285
City Manager				
Personnel services	487,627	493,227	493,206	21
Supplies	1,500	2,500	2,315	185
Other services and charges	127,275	190,675	105,881	84,794
Total city manager	616,402	686,402	601,402	85,000

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Finance and Purchasing				
Personnel services	\$ 885,009	\$ 795,809	\$ 781,918	\$ 13,891
Supplies	13,200	8,085	5,285	2,800
Other services and charges	74,289	76,104	73,458	2,646
Total finance department	972,498	879,998	860,661	19,337
Information Technology				
Personnel services	684,254	704,820	704,839	(19)
Supplies	34,405	29,171	29,170	1
Other services and charges	182,712	209,733	209,723	10
Capital outlay	140,234	153,171	150,517	2,654
Total information technology	1,041,605	1,096,895	1,094,249	2,646
Assessing				
Personnel services	633,367	571,651	566,293	5,358
Supplies	25,200	16,965	16,272	693
Other services and charges	149,265	131,346	122,847	8,499
Capital outlay	25,000	22,222	22,222	-
Total assessing	832,832	742,184	727,634	14,550
City Attorney				
Other services and charges	761,000	657,200	629,960	27,240
Capital outlay	50,000	15,000	4,845	10,155
Total city attorney	811,000	672,200	634,805	37,395
City Clerk				
Personnel services	566,850	575,351	555,500	19,851
Supplies	40,741	35,858	35,788	70
Other services and charges	210,872	233,379	230,420	2,959
Capital outlay	-	8,274	8,274	-
Total city clerk	818,463	852,862	829,982	22,880
Treasury				
Personnel services	253,801	266,591	262,831	3,760
Supplies	31,000	28,659	24,374	4,285
Other services and charges	61,607	46,158	42,274	3,884
Total treasury	346,408	341,408	329,479	11,929

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Facility Operations				
Personnel services	\$ 311,741	\$ 329,316	\$ 319,313	\$ 10,003
Supplies	23,500	28,695	27,244	1,451
Other services and charges	421,870	514,005	479,992	34,013
Capital outlay	143,439	162,789	117,316	45,473
Total facility operations	900,550	1,034,805	943,865	90,940
Parks Maintenance				
Personnel services	727,604	745,621	742,200	3,421
Supplies	21,500	34,373	32,918	1,455
Other services and charges	294,650	256,431	250,311	6,120
Capital outlay	32,000	476,765	185,178	291,587
Allocated to other funds	(339,605)	(367,897)	(367,898)	1
Total facility operations	736,149	1,145,293	842,709	302,584
Human Resources				
Personnel services	349,494	316,214	316,193	21
Supplies	1,000	2,380	2,380	-
Other services and charges	131,363	106,263	70,012	36,251
Capital outlay	-	15,000	5,808	9,192
Total human resources	481,857	439,857	394,393	45,464
Community Relations				
Personnel services	424,537	338,009	335,123	2,886
Supplies	10,900	16,195	12,680	3,515
Other services and charges	382,708	472,412	432,429	39,983
Allocated to other funds	(65,485)	-	-	-
Program expenditures	1,000	1,000	921	79
Total community relations	753,660	827,616	781,153	46,463
Public Safety - Police Department				
Personnel services	10,817,761	10,846,440	10,799,196	47,244
Supplies	260,000	280,950	274,192	6,758
Other services and charges	1,112,952	1,137,842	1,086,114	51,728
Capital outlay	387,675	401,012	390,659	10,353
Allocated to other funds	-	(1,238,982)	(1,238,982)	-
Total public safety - Police department	12,578,388	11,427,262	11,311,179	116,083
Public Safety - Fire Department				
Personnel services	4,407,691	4,401,840	4,385,453	16,387
Supplies	156,845	192,845	180,078	12,767
Other services and charges	623,189	684,494	646,867	37,627
Capital outlay	535,820	548,950	548,948	2
Total public safety - Fire department	5,723,545	5,828,129	5,761,346	66,783

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued) General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Community Development - Building Division				
Personnel services	\$ 1,524,499	\$ 1,490,411	\$ 1,489,857	\$ 554
Supplies	33,200	26,144	26,140	4
Other services and charges	145,893	385,533	362,013	23,520
Capital outlay	50,000	48,094	48,094	-
Allocated to other funds	(17,000)	-	-	-
Total community development - Building division	1,736,592	1,950,182	1,926,104	24,078
Community Development - Planning Division				
Personnel services	469,807	463,162	463,143	19
Supplies	7,450	5,430	3,311	2,119
Other services and charges	103,567	152,016	63,931	-
Capital outlay	80,000	80,000	-	80,000
Total community development - Planning division	660,824	700,608	530,385	82,138
Department of Public Services				
Personnel services	3,159,233	2,816,691	2,715,877	100,814
Supplies	128,700	170,207	152,876	17,331
Other services and charges	1,241,307	1,280,038	1,082,724	197,314
Capital outlay	1,123,230	2,073,775	1,597,816	475,959
Allocated to other funds	(1,997,784)	(2,008,944)	(1,857,045)	(151,899)
Maintenance	66,000	23,000	21,780	1,220
Total department of public works	3,720,686	4,354,767	3,714,028	640,739
Recreation and Culture				
Personnel services	46,689	46,828	46,655	173
Supplies	9,642	9,503	5,023	4,480
Total recreation and culture	56,331	56,331	51,678	4,653
Transfers Out	450,000	1,494,000	1,472,736	21,264
Total expenditures	33,288,909	34,578,918	32,855,622	1,635,211
Net Change in Fund Balance	-	(2,713,905)	(839,361)	1,874,544
Fund Balance - Beginning of year	13,745,202	13,745,202	13,745,202	-
Fund Balance - End of year	<u>\$ 13,745,202</u>	<u>\$ 11,031,297</u>	<u>\$ 12,905,841</u>	<u>\$ 1,874,544</u>

City of Novi, Michigan

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Total Pension Liability			
Service cost	\$ 1,279,328	\$ 1,402,754	\$ 1,495,687
Interest	7,325,066	6,983,009	6,687,807
Changes in benefit terms	-	23,615	-
Differences between expected and actual experience	248,579	301,433	-
Changes in assumptions	-	3,305,619	-
Benefit payments, including refunds	(5,335,884)	(4,731,967)	(4,385,711)
Net Change in Total Pension Liability	3,517,089	7,284,463	3,797,783
Total Pension Liability - Beginning of year	93,591,608	86,307,145	82,509,362
Total Pension Liability - End of year	\$ 97,108,697	\$ 93,591,608	\$ 86,307,145
Plan Fiduciary Net Position			
Contributions - Employer	\$ 3,115,902	\$ 3,024,626	\$ 3,648,998
Contributions - Employee	602,714	652,652	712,076
Net investment income (loss)	6,176,312	(898,140)	3,399,244
Administrative expenses	(122,174)	(124,928)	(126,196)
Benefit payments, including refunds	(5,335,884)	(4,731,967)	(4,385,711)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	4,436,870	(2,077,757)	3,248,411
Plan Fiduciary Net Position - Beginning of year	54,990,980	57,068,737	53,820,326
Plan Fiduciary Net Position - End of year	\$ 59,427,850	\$ 54,990,980	\$ 57,068,737
City's Net Pension Liability - Ending	\$ 37,680,847	\$ 38,600,628	\$ 29,238,408
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.20 %	58.76 %	66.12 %
Covered Employee Payroll	\$ 10,614,530	\$ 11,371,927	\$ 12,101,246
City's Net Pension Liability as a Percentage of Covered Employee Payroll	355.0 %	339.4 %	241.6 %

City of Novi, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,137,158	\$ 3,054,597	\$ 2,628,762	\$ 2,475,532	\$ 2,144,511	\$ 2,380,929	\$ 2,486,069	\$ 2,188,904	\$ 2,231,166	\$ 1,965,244
Contributions in relation to the actuarially determined contribution	<u>3,137,158</u>	<u>3,054,597</u>	<u>2,628,762</u>	<u>2,475,532</u>	<u>2,144,511</u>	<u>2,380,929</u>	<u>2,486,069</u>	<u>2,188,904</u>	<u>2,231,166</u>	<u>1,965,244</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 10,614,530	\$ 11,371,927	\$ 12,101,246	\$ 11,995,155	\$ 12,338,686	\$ 13,511,225	\$ 13,817,418	\$ 15,929,804	\$ 16,092,414	\$ 15,605,658
Contributions as a Percentage of Covered Employee Payroll	29.6 %	26.9 %	21.7 %	20.6 %	17.4 %	17.6 %	18.0 %	13.7 %	13.9 %	12.6 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	13 - 24 years (depends on division)
Asset valuation method	10-year smoothed market
Inflation	3.0 percent
Salary increases	4.5 - 17.5 percent, including inflation
Investment rate of return	8.25 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the 1994 Group Annuity Mortality Table
Other information	None

City of Novi, Michigan

Required Supplemental Information Retiree Health Care System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2017

The schedule of funding progress as determined by an actuarial valuation for the purpose of determining the annual required contribution 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 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

City of Novi, Michigan

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following is a summary of the requirements of this act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- a. Budgets must be adopted for the General Fund and special revenue funds.
- b. Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

The City adopts a formal budget for the General Fund and all special revenue funds. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the nonmajor governmental funds is presented as other supplemental 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.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the third Monday in May, the budget is legally enacted through passage of an ordinance.

During the current year, the budgets were approved and amended in a legally permissible manner.

City of Novi, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2017

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)." A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 32,016,261	\$ 31,382,886
Operating transfers budgeted as revenue and expenditures	<u> -</u>	<u>1,472,736</u>
Amounts per budget statement	<u>\$ 32,016,261</u>	<u>\$ 32,855,622</u>

City of Novi, Michigan

Required Supplemental Information OPEB Plan Schedule of Changes in the City's Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Schedule is built prospectively upon implementation of GASB No. 74)

	2017
Total OPEB Liability	
Service cost	\$ 440,432
Interest	2,030,554
Changes in benefit terms	-
Differences between expected and actual experience	(86,522)
Changes in assumptions	-
Benefit payments, including refunds	(885,353)
Net Increase in Total OPEB Liability	1,499,111
Total OPEB Liability - Beginning of year	27,296,517
Total OPEB Liability - End of year	\$ 28,795,628
Plan Fiduciary Net Position	
Contributions - Employer	\$ 617,207
Contributions - Active and inactive plan members not yet receiving benefits	-
Net investment income	3,399,591
Administrative expenses	(245,933)
Benefit payments, including refunds	(885,353)
Other	-
Net Increase in Plan Fiduciary Net Position	2,885,512
Plan Fiduciary Net Position - Beginning of year	24,429,653
Plan Fiduciary Net Position - End of year	\$ 27,315,165
Net OPEB Liability - Ending	\$ 1,480,463
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	94.86 %
Covered Employee Payroll	\$ 10,712,843
Net OPEB Liability as a Percentage of Covered Employee Payroll	13.8 %

City of Novi, Michigan

Required Supplemental Information OPEB Plan Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 617,207	\$ 871,702	\$ 875,196	\$ 1,393,087	\$ 1,399,119	\$ 1,498,004	\$ 1,500,006	\$ 1,430,047	\$ 1,453,481	\$ 1,345,454
Contributions in relation to the actuarially determined contribution	651,312	904,483	1,005,247	1,525,297	1,635,624	1,596,469	1,586,557	1,553,667	1,616,857	1,733,454
Contribution (Excess) Deficiency	<u>\$ (34,105)</u>	<u>\$ (32,781)</u>	<u>\$ (130,051)</u>	<u>\$ (132,210)</u>	<u>\$ (236,505)</u>	<u>\$ (98,465)</u>	<u>\$ (86,551)</u>	<u>\$ (123,620)</u>	<u>\$ (163,376)</u>	<u>\$ (388,000)</u>
Covered Employee Payroll	\$ 10,711,843	\$ 12,101,246	\$ 12,101,246	\$ 11,995,155	\$ 11,995,155	\$ 13,511,225	\$ 13,511,225	\$ 15,929,804	\$ 15,929,804	\$ 13,605,857
Contributions as a Percentage of Covered Employee Payroll	6.1 %	7.5 %	8.3 %	12.7 %	13.6 %	11.8 %	11.7 %	9.8 %	10.1 %	12.7 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry-age normal
Amortization method	Level dollar, closed
Remaining amortization period	22 years
Asset valuation method	Market value of assets
Inflation	2.75 percent
Healthcare cost trend rates	9.0 percent, gradually decreasing to 4.0 percent in year 10
Salary increases	4.0 to 17.0 percent, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2000 Mortality Table projected 20 years with Scale BB
Other information	There were no benefit changes during the year.

City of Novi, Michigan

Required Supplemental Information OPEB Plan Schedule of Investment Returns Last Ten Fiscal Years

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.2 %

Other Supplemental Information

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Major Street Fund: The Major Street Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the major street portion (as defined by State Act 51) of the City's street network. Of the 187.47 total centerline miles that make up the City of Novi road network, the City has 43.5 centerline miles of major streets. Financing is primarily provided by the City's share of state gas and weight taxes.

Local Street Fund: The Local Street Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the City's 143.97 centerline miles of local streets as defined by State Act 51. Financing is provided by the City's share of state gas and weight taxes and transfers from other funds.

Municipal Streets Fund: The Municipal Streets Fund is used to enhance the Major and Local Street Funds and to provide matching funds for county roads. This fund accounts for a City Charter-authorized property tax millage to supplement the Major and Local Street Funds that have limited resources due to the reliance on the state gas and weight tax.

Police and Fire Fund: The revenue for this fund is generated from property taxes in accordance with a special City Charter millage that was authorized to supplement the operations of the police and fire departments, including payment for personnel-related expenditures and for the purchase of fire trucks, apparatus, and equipment. The fund was closed during 2017, resulting in all future activity being reported in the General Fund.

Parks, Recreation, and Cultural Services Fund: The departments within this fund administer all parks, recreation, and cultural services operations, including strategic direction, policy development, resource identification, and serves as the liaison to the Parks, Recreation, and Cultural Services Commission and the Novi Parks Foundation.

Tree Fund: This fund was established to cover most of the cost of City tree replacement and future maintenance costs. Proceeds vary from year to year and come from fines, fees paid by developers, and street tree maintenance charges pursuant to the City Charter and Code of Ordinances.

Drain Revenue Fund: This fund includes a special property tax millage that was approved for the purpose of improving and maintaining the City's regional and arterial detention system.

PEG Cable Fund: This fund was established to track the revenue and expenditures related to providing cable services to the City, including cable franchise revenue and cable production fees.

Community Development Block Grant (CDBG) Fund: This fund records federal grant monies passed through to the City from Oakland County. These funds are used to support the youth assistance program and minor home repair program.

Forfeiture Fund: This fund records all receipts and expenditures relating to federal, state, local, and OWI, forfeited and legally restricted, funds relating to narcotic trafficking, money laundering, state laws, and ordinances.

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

Library Fund: Novi Public Library provides the resources and programs to support the educational, cultural, informational, and recreational needs of its diverse community. The Library supports intellectual freedom and access to information resources for all, while maintaining the privacy of its patrons and providing a safe and secure environment. The Library is funded primarily from property taxes in accordance with a special City Charter millage.

Library Contribution Fund: In May 2004, the City of Novi, Michigan's library received a generous gift of \$1,000,000 from Charles and Myrtle Walker for use in the replacement or expansion of the then-existing library building. The Library Board also entered into a Library Building Fund Gift Agreement with the Walker family to encourage additional donations. The Library has continued to receive donations. As of January 1, 2014, the restrictions on the use of these funds expired.

Rubbish Collection Fund: On May 23, 2016, City Council approved a contract for the collection of solid waste, recycling, yard waste, and other services. This fund was established to account for the rubbish collection activities.

Street Lighting (West Oak Street) Fund: This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to West Oak Street.

Street Lighting (West Lake Drive) Fund: This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to West Lake Drive.

Street Lighting (Town Center Street) Fund: This fund was established by a vote of the City Council to account for a special assessment levy to provide street lighting to Town Center Street.

2002 Street and Refunding Debt Fund: This fund was established to account for annual debt service payments for a bond that was issued for paving purposes, the remaining park debt, and the fire debt. The annual debt service is paid from property tax collections authorized by a voter-approved millage. The bond was paid in full and the fund was closed as of June 30, 2017

2008 Library Construction Debt Fund: This fund was established to account for annual debt service payments for a bond that was issued to construct a new library building. The annual debt service is paid from property tax collections authorized by a voter-approved millage.

Special Assessment Revolving Fund: This fund is used to account for the construction of capital assets funded in whole or in part by long-term special assessment debt. The City has self funded previous projects and has elected to maintain the cumulative interest as well as the initial General Fund contribution in this fund. All future uses of this fund will be determined as part of the City's annual capital improvement plan (CIP).

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

Capital Improvement Program: This fund is used to account for the collection and corresponding expenditures related to the August 2016 voter-approved CIP millage (1 mill) to be levied beginning on July 1, 2017.

Street Improvement Fund: As of fiscal year 2013-2014, the City Council has elected to transfer the remaining unspent balances for ongoing construction projects in the Major, Local, and Municipal Street funds into this separate capital improvement fund until completion. The City expects all projects in this fund to be completed before the end of the following fiscal year.

Gun Range Facility Fund: As of July 1, 2014, the City Council has elected to place the gross revenue from users of the gun range facility (previously in the General Fund) into a separate capital project fund to be used toward planned future capital improvements.

Drain Perpetual Maintenance Fund: A citizen's committee has been established to oversee the building and maintenance of the drain system. This fund was initially created with allocations from the Drain Fund. Additional revenue has come from tap fees for properties connecting to regional systems. The intent is to build an investment base in which earnings will eventually cover the cost of maintaining the system and reduce or eliminate the need for the Drain Fund millage.

City of Novi, Michigan

	Special Revenue Funds					
	Major Street Fund	Local Street Fund	Municipal Streets Fund	Police and Fire Fund	Parks, Recreation, and Cultural Services Fund	Tree Fund
Assets						
Cash and cash equivalents	\$ 372,496	\$ 278,948	\$ 280,325	\$ -	\$ 131,734	\$ 154,054
Investments	158,953	747,153	3,417,664	-	1,324,458	4,159,342
Accounts receivable:						
Special assessments	-	-	24,589	-	-	-
Other	-	-	-	-	31,269	-
Due from other governmental units	623,976	218,441	-	-	-	-
Prepays and other assets	-	-	-	-	473	-
Total assets	\$ 1,155,425	\$ 1,244,542	\$ 3,722,578	\$ -	\$ 1,487,934	\$ 4,313,396
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 528,668	\$ 602,078	\$ 359,733	\$ -	\$ 139,784	\$ 158,003
Due to other funds	-	-	-	-	-	-
Refundable deposits	-	-	-	-	7,949	-
Accrued and other liabilities	-	-	297,818	-	62,841	312,946
Total liabilities	528,668	602,078	657,551	-	210,574	470,949
Deferred Inflows of Resources - Unavailable revenue						
Other	-	-	-	-	2,200	-
Special assessments	-	-	24,589	-	-	-
Grants	-	-	-	-	-	-
Total deferred inflows of resources	-	-	24,589	-	2,200	-
Fund Balances						
Nonspendable - Prepays	-	-	-	-	473	-
Restricted:						
Roads	626,757	642,464	3,040,438	-	-	-
Public safety	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Infrastructure improvements	-	-	-	-	-	-
Parks, recreation, and cultural services	-	-	-	-	1,274,687	-
Library	-	-	-	-	-	-
Storm water systems	-	-	-	-	-	-
Tree replacement and maintenance	-	-	-	-	-	3,842,447
Street lighting improvements	-	-	-	-	-	-
PEG access support fees	-	-	-	-	-	-
Assigned for infrastructure improvements	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	626,757	642,464	3,040,438	-	1,275,160	3,842,447
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,155,425	\$ 1,244,542	\$ 3,722,578	\$ -	\$ 1,487,934	\$ 4,313,396

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

Special Revenue Funds									
Drain Revenue Fund	PEG Cable Fund	Community Development Block Grant Fund	Forfeiture Fund	Library Fund	Library Contribution Fund	Rubbish Collection Fund	West Oak Street Lighting Fund	West Lake Drive Street Lighting Fund	Town Center Street Lighting Fund
\$ 32,181	\$ 40,825	\$ -	\$ 12,720	\$ 76,783	\$ 70,422	\$ 50,566	\$ 44,157	\$ 3,117	\$ 7,378
2,480,566	333,407	-	446,730	1,974,570	1,629,020	260,331	-	-	-
-	-	-	-	-	-	-	-	-	-
-	275,760	-	-	-	-	8,235	-	-	-
-	-	38,386	-	-	-	-	-	-	-
-	-	-	-	18,478	-	-	-	-	-
\$ 2,512,747	\$ 649,992	\$ 38,386	\$ 459,450	\$ 2,069,831	\$ 1,699,442	\$ 319,132	\$ 44,157	\$ 3,117	\$ 7,378
\$ 304,883	\$ 1,658	\$ 33,436	\$ 967	\$ 167,998	\$ 1,496	\$ 319,132	\$ 1,890	\$ 752	\$ 5,090
-	-	4,950	-	-	-	-	-	-	-
-	-	-	-	500	-	-	-	-	-
2,000	5,700	-	-	61,343	-	-	-	-	-
306,883	7,358	38,386	967	229,841	1,496	319,132	1,890	752	5,090
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1,487	-	-	-	-	-	-	-
-	-	1,487	-	-	-	-	-	-	-
-	-	-	-	18,478	-	-	-	-	-
-	-	-	458,483	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,821,512	1,697,946	-	-	-	-
2,205,864	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	642,634	-	-	-	-	-	42,267	2,365	2,288
-	-	-	-	-	-	-	-	-	-
-	-	(1,487)	-	-	-	-	-	-	-
2,205,864	642,634	(1,487)	458,483	1,839,990	1,697,946	-	42,267	2,365	2,288
\$ 2,512,747	\$ 649,992	\$ 38,386	\$ 459,450	\$ 2,069,831	\$ 1,699,442	\$ 319,132	\$ 44,157	\$ 3,117	\$ 7,378

City of Novi, Michigan

	Debt Service Funds		Capital Projects Funds		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	Special Assessment Revolving Fund	Capital Improvement Program	Street Improvement Fund
Assets					
Cash and cash equivalents	\$ -	\$ 352,141	\$ 38,844	\$ 296,378	\$ -
Investments	-	-	3,889,762	-	4,055,000
Accounts receivable:					
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepays and other assets	-	-	-	-	-
Total assets	\$ -	\$ 352,141	\$ 3,928,606	\$ 296,378	\$ 4,055,000
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 293,885	\$ -
Due to other funds	-	-	-	-	-
Refundable deposits	-	-	-	-	-
Accrued and other liabilities	-	11,000	-	-	-
Total liabilities	-	11,000	-	293,885	-
Deferred Inflows of Resources - Unavailable revenue					
Other	-	-	-	-	-
Special assessments	-	-	-	-	-
Grants	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances					
Nonspendable - Prepays	-	-	-	-	-
Restricted:					
Roads	-	-	-	-	4,055,000
Public safety	-	-	-	-	-
Debt service	-	341,141	-	-	-
Infrastructure improvements	-	-	3,928,606	-	-
Parks, recreation, and cultural services	-	-	-	-	-
Library	-	-	-	-	-
Storm water systems	-	-	-	-	-
Tree replacement and maintenance	-	-	-	-	-
Street lighting improvements	-	-	-	-	-
PEG access support fees	-	-	-	-	-
Assigned for infrastructure improvements	-	-	-	2,493	-
Unassigned	-	-	-	-	-
Total fund balances	-	341,141	3,928,606	2,493	4,055,000
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 352,141	\$ 3,928,606	\$ 296,378	\$ 4,055,000

City of Novi, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2017

Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	Drain Perpetual Maintenance Fund	
Gun Range Facility Fund		
\$ 65,017	\$ 93,567	\$ 2,401,653
258,897	6,661,320	31,797,173
-	-	24,589
10,400	-	325,664
-	-	880,803
-	-	18,951
\$ 334,314	\$ 6,754,887	\$ 35,448,833
\$ 17,821	\$ -	\$ 2,937,274
-	-	4,950
-	-	8,449
-	-	753,648
17,821	-	3,704,321
-	-	2,200
-	-	24,589
-	-	1,487
-	-	28,276
-	-	18,951
-	-	8,364,659
316,493	-	774,976
-	-	341,141
-	-	3,928,606
-	-	1,274,687
-	-	3,519,458
-	6,754,887	8,960,751
-	-	3,842,447
-	-	46,920
-	-	642,634
-	-	2,493
-	-	(1,487)
316,493	6,754,887	31,716,236
\$ 334,314	\$ 6,754,887	\$ 35,448,833

City of Novi, Michigan

	Special Revenue Funds					
	Major Street	Local Street	Municipal	Police and Fire	Parks, Recreation, and Cultural	Tree Fund
	Fund	Fund	Streets Fund	Fund	Services Fund	
Revenue						
Property taxes	\$ -	\$ -	\$ 4,931,808	\$ -	\$ 1,267,594	\$ -
Federal grants	-	-	-	-	-	-
State-shared revenue and grants	3,225,703	1,129,243	294,855	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and investment income (loss)	10,896	3,339	2,125	-	4,466	21,228
Rental income	-	-	-	-	-	-
Other revenue:						
Special assessments	-	-	14,507	-	-	-
Local donations	-	-	-	-	4,762	-
Cable franchise fees	-	-	-	-	-	-
Recreational programs	-	-	-	-	1,421,613	-
Miscellaneous	-	16,800	57,195	-	7,494	516,516
Total revenue	3,236,599	1,149,382	5,300,490	-	2,705,929	537,744
Expenditures						
Current:						
Public safety	-	-	-	1,238,982	-	-
Public services	2,055,163	3,516,478	1,763,351	-	-	411,961
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	3,512,013	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	2,055,163	3,516,478	1,763,351	1,238,982	3,512,013	411,961
Excess of Revenue Over (Under) Expenditures	1,181,436	(2,367,096)	3,537,139	(1,238,982)	(806,084)	125,783
Other Financing Sources (Uses)						
Transfers in	-	2,324,106	-	-	450,000	-
Transfers out	(1,250,000)	-	(4,504,106)	-	-	-
Total other financing (uses) sources	(1,250,000)	2,324,106	(4,504,106)	-	450,000	-
Net Change in Fund Balances	(68,564)	(42,990)	(966,967)	(1,238,982)	(356,084)	125,783
Fund Balances - Beginning of year	695,321	685,454	4,007,405	1,238,982	1,631,244	3,716,664
Fund Balances - End of year	\$ 626,757	\$ 642,464	\$ 3,040,438	\$ -	\$ 1,275,160	\$ 3,842,447

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

Special Revenue Funds

Drain Revenue Fund	PEG Cable Fund	Community Development Block Grant Fund	Forfeiture Fund	Library Fund	Library Contribution Fund	Rubbish Collection Fund	West Oak Street Lighting Fund	West Lake Drive Street Lighting Fund	Town Center Street Lighting Fund
\$ 698,072	\$ -	\$ -	\$ -	\$ 2,537,262	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	111,720	144,458	-	-	-	-	-	-
8,000	-	-	218,937	36,210	-	-	-	-	-
-	-	-	-	-	-	1,777,346	-	-	-
-	-	-	-	179,852	-	-	-	-	-
5,879	1,170	-	1,956	4,109	7,146	2,758	34	2	34
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,529	3,300	-
-	369,702	-	-	2,571	1,092	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
29,674	-	-	-	82,378	27,925	20,610	-	-	-
741,625	370,872	111,720	365,351	2,842,382	36,163	1,800,714	7,563	3,302	34
-	-	-	167,834	-	-	-	-	-	-
2,295,835	-	-	-	-	-	1,823,450	8,540	3,250	51,189
-	97,900	79,275	-	-	-	-	-	-	-
-	-	-	-	2,757,501	10,029	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,295,835	97,900	79,275	167,834	2,757,501	10,029	1,823,450	8,540	3,250	51,189
(1,554,210)	272,972	32,445	197,517	84,881	26,134	(22,736)	(977)	52	(51,155)
-	-	-	-	-	-	22,736	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	22,736	-	-	-
(1,554,210)	272,972	32,445	197,517	84,881	26,134	-	(977)	52	(51,155)
3,760,074	369,662	(33,932)	260,966	1,755,109	1,671,812	-	43,244	2,313	53,443
\$ 2,205,864	\$ 642,634	\$ (1,487)	\$ 458,483	\$ 1,839,990	\$ 1,697,946	\$ -	\$ 42,267	\$ 2,365	\$ 2,288

City of Novi, Michigan

	Debt Service Funds		Capital Projects Fund		
	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	Special Assessment Revolving Fund	Capital Improvement Program	Street Improvement Fund
Revenue					
Property taxes	\$ 749,253	\$ 1,507,421	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	-
State-shared revenue and grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and investment income (loss)	156	263	17,246	(16,793)	-
Rental income	-	-	-	-	-
Other revenue:					
Special assessments	-	-	-	-	-
Local donations	-	-	-	-	-
Cable franchise fees	-	-	-	-	-
Recreational programs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenue	749,409	1,507,684	17,246	(16,793)	-
Expenditures					
Current:					
Public safety	-	-	-	2,847,771	-
Public services	476	-	475	270,660	4,071,874
Community and economic development	-	-	-	-	-
Recreation and culture	-	475	-	202,283	-
Debt service:					
Principal	1,425,000	915,000	-	-	-
Interest on long-term debt	37,556	417,464	-	-	-
Total expenditures	1,463,032	1,332,939	475	3,320,714	4,071,874
Excess of Revenue Over (Under) Expenditures	(713,623)	174,745	16,771	(3,337,507)	(4,071,874)
Other Financing Sources (Uses)					
Transfers in	-	95,142	-	1,240,000	3,430,000
Transfers out	(95,142)	-	-	-	-
Total other financing (uses) sources	(95,142)	95,142	-	1,240,000	3,430,000
Net Change in Fund Balances	(808,765)	269,887	16,771	(2,097,507)	(641,874)
Fund Balances - Beginning of year	808,765	71,254	3,911,835	2,100,000	4,696,874
Fund Balances - End of year	\$ -	\$ 341,141	\$ 3,928,606	\$ 2,493	\$ 4,055,000

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2017

Capital Projects Fund	Permanent Funds	Total
Gun Range Facility Fund	Drain Perpetual Maintenance Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 11,691,410
-	-	256,178
-	-	4,912,948
-	-	1,777,346
-	-	179,852
1,396	29,370	96,780
104,000	-	104,000
-	-	25,336
-	-	8,425
-	-	369,702
-	-	1,421,613
11,574	-	770,166
<u>116,970</u>	<u>29,370</u>	<u>21,613,756</u>
17,820	-	4,272,407
-	-	16,272,702
-	-	177,175
-	-	6,482,301
-	-	2,340,000
-	-	455,020
<u>17,820</u>	<u>-</u>	<u>29,999,605</u>
99,150	29,370	(8,385,849)
-	-	7,561,984
-	-	(5,849,248)
<u>-</u>	<u>-</u>	<u>1,712,736</u>
99,150	29,370	(6,673,113)
<u>217,343</u>	<u>6,725,517</u>	<u>38,389,349</u>
<u>\$ 316,493</u>	<u>\$ 6,754,887</u>	<u>\$ 31,716,236</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major Street Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Gas and weight tax	\$ 3,411,852	\$ 3,411,852	\$ 3,225,703	\$ (186,149)
Interest income	2,730	2,730	10,896	8,166
Other revenue - Transfers from other funds	755,000	-	-	-
Total revenue	4,169,582	3,414,582	3,236,599	(177,983)
Expenditures - Current - Public services				
Construction	2,820,882	889,858	866,762	23,096
Routine and capital preventive maintenance	795,000	723,150	679,058	44,092
Traffic services	260,000	250,500	240,186	10,314
Winter maintenance	435,000	268,000	265,907	2,093
Administration	3,400	3,250	3,250	-
Transfers to other funds	-	1,250,000	1,250,000	-
Total expenditures	4,314,282	3,384,758	3,305,163	79,595
Net Change in Fund Balance	(144,700)	29,824	(68,564)	(98,388)
Fund Balance - Beginning of year	695,321	695,321	695,321	-
Fund Balance - End of year	\$ 550,621	\$ 725,145	\$ 626,757	\$ (98,388)

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Street Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Gas and weight tax	\$ 1,191,854	\$ 1,191,854	\$ 1,129,243	\$ (62,611)
Interest income	3,846	2,796	3,339	543
Other revenue:				
Transfers from other funds	2,755,000	2,488,200	2,324,106	(164,094)
Miscellaneous	-	1,050	16,800	15,750
Total revenue	<u>3,950,700</u>	<u>3,683,900</u>	<u>3,473,488</u>	<u>(210,412)</u>
Expenditures - Current - Public services				
Construction	2,574,640	2,078,330	2,057,640	20,690
Routine and capital preventive maintenance	907,000	1,255,538	1,106,894	148,644
Traffic services	125,000	145,020	114,512	30,508
Winter maintenance	340,000	241,000	234,182	6,818
Administration	3,400	3,250	3,250	-
Total expenditures	<u>3,950,040</u>	<u>3,723,138</u>	<u>3,516,478</u>	<u>206,660</u>
Net Change in Fund Balance	660	(39,238)	(42,990)	(3,752)
Fund Balance - Beginning of year	<u>685,454</u>	<u>685,454</u>	<u>685,454</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 686,114</u></u>	<u><u>\$ 646,216</u></u>	<u><u>\$ 642,464</u></u>	<u><u>\$ (3,752)</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Municipal Streets Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,864,695	\$ 4,919,695	\$ 4,931,808	\$ 12,113
State-shared revenue and grants	245,000	238,300	294,855	56,555
Interest income	45,000	(65,000)	2,125	67,125
Other revenue:				
Special assessments	15,200	15,200	14,507	(693)
Other miscellaneous income	35,000	110,552	57,195	(53,357)
Total revenue	<u>5,204,895</u>	<u>5,218,747</u>	<u>5,300,490</u>	<u>81,743</u>
Expenditures - Current - Public services				
Construction	1,528,637	2,335,627	1,510,381	825,246
Routine and capital preventive maintenance	227,100	202,550	103,740	98,810
Administration	20,100	20,650	20,650	-
Winter maintenance	250,000	191,000	128,580	62,420
Transfers to other funds	3,510,000	4,668,200	4,504,106	164,094
Total expenditures	<u>5,535,837</u>	<u>7,418,027</u>	<u>6,267,457</u>	<u>1,150,570</u>
Net Change in Fund Balance	(330,942)	(2,199,280)	(966,967)	1,232,313
Fund Balance - Beginning of year	<u>4,007,405</u>	<u>4,007,405</u>	<u>4,007,405</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,676,463</u></u>	<u><u>\$ 1,808,125</u></u>	<u><u>\$ 3,040,438</u></u>	<u><u>\$ 1,232,313</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Police and Fire Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,623,317	\$ -	\$ -	\$ -
Interest income	46,683	-	-	-
Total revenue	4,670,000	-	-	-
Expenditures				
Public safety	-	1,238,982	1,238,982	-
Transfers to other funds	5,855,000	-	-	-
Total expenditures	5,855,000	1,238,982	1,238,982	-
Net Change in Fund Balance	(1,185,000)	(1,238,982)	(1,238,982)	-
Fund Balance - Beginning of year	1,238,982	1,238,982	1,238,982	-
Fund Balance - End of year	\$ 53,982	\$ -	\$ -	\$ -

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parks, Recreation, and Cultural Services Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,240,051	\$ 1,265,051	\$ 1,267,594	\$ 2,543
State sources	-	402,500	-	(402,500)
Interest income	25,531	7,531	4,466	(3,065)
Other revenue:				
Donations	23,000	23,730	4,762	(18,968)
Transfers from other funds	450,000	450,000	450,000	-
Recreational programs	1,313,054	1,443,090	1,421,613	(21,477)
Miscellaneous	5,000	8,350	7,494	(856)
Total revenue	<u>3,056,636</u>	<u>3,600,252</u>	<u>3,155,929</u>	<u>(444,323)</u>
Expenditures - Current - Recreation and culture				
Personnel services	1,134,443	1,248,078	1,094,432	153,646
Supplies	68,680	66,153	47,930	18,223
Other services and charges	2,218,513	3,491,242	2,369,651	1,121,591
Total expenditures	<u>3,421,636</u>	<u>4,805,473</u>	<u>3,512,013</u>	<u>1,293,460</u>
Net Change in Fund Balance	(365,000)	(1,205,221)	(356,084)	849,137
Fund Balance - Beginning of year	<u>1,631,244</u>	<u>1,631,244</u>	<u>1,631,244</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,266,244</u></u>	<u><u>\$ 426,023</u></u>	<u><u>\$ 1,275,160</u></u>	<u><u>\$ 849,137</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Tree Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 55,415	\$ 10,415	\$ 21,228	\$ 10,813
Other revenue:				
Tree fund	330,000	424,875	494,391	69,516
Tree fund maintenance	10,000	22,125	22,125	-
Total revenue	395,415	457,415	537,744	80,329
Expenditures - Current - Public services - Tree fund expenditures	395,415	473,548	411,961	61,587
Net Change in Fund Balance	-	(16,133)	125,783	141,916
Fund Balance - Beginning of year	3,716,664	3,716,664	3,716,664	-
Fund Balance - End of year	<u>\$ 3,716,664</u>	<u>\$ 3,700,531</u>	<u>\$ 3,842,447</u>	<u>\$ 141,916</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drain Revenue Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 650,000	\$ 698,000	\$ 698,072	\$ 72
State-shared revenue and grants	-	8,000	8,000	-
Interest income	50,000	5,000	5,879	879
Other revenue:				
Transfers from other funds	-	1,900,000	-	(1,900,000)
Miscellaneous	10,000	29,600	29,674	74
Total revenue	<u>710,000</u>	<u>2,640,600</u>	<u>741,625</u>	<u>(1,898,975)</u>
Expenditures - Current - Public services				
Construction	1,174,146	5,475,502	1,480,750	3,994,752
Maintenance	714,500	819,263	747,870	71,393
Administration	113,468	82,798	67,215	15,583
Total expenditures	<u>2,002,114</u>	<u>6,377,563</u>	<u>2,295,835</u>	<u>4,081,728</u>
Net Change in Fund Balance	(1,292,114)	(3,736,963)	(1,554,210)	2,182,753
Fund Balance - Beginning of year	<u>3,760,074</u>	<u>3,760,074</u>	<u>3,760,074</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,467,960</u></u>	<u><u>\$ 23,111</u></u>	<u><u>\$ 2,205,864</u></u>	<u><u>\$ 2,182,753</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - PEG Cable Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 2,418	\$ 2,418	\$ 1,170	\$ (1,248)
Other revenue - Cable franchise fees	258,000	368,000	369,702	1,702
Total revenue	260,418	370,418	370,872	454
Expenditures - Current - Community and economic development				
Personnel services	221,718	243,112	201,329	41,783
Other services and charges	38,700	88,432	(103,429)	191,861
Total expenditures	260,418	331,544	97,900	233,644
Net Change in Fund Balance	-	38,874	272,972	234,098
Fund Balance - Beginning of year	369,662	369,662	369,662	-
Fund Balance - End of year	\$ 369,662	\$ 408,536	\$ 642,634	\$ 234,098

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Community Development Block Grant Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 75,000	\$ 108,932	\$ 111,720	\$ 2,788
Expenditures - Current - Community and economic development	<u>75,000</u>	<u>75,000</u>	<u>79,275</u>	<u>(4,275)</u>
Net Change in Fund Balance	-	33,932	32,445	(1,487)
Fund Balance (Deficit) - Beginning of year	<u>(33,932)</u>	<u>(33,932)</u>	<u>(33,932)</u>	<u>-</u>
Fund Balance (Deficit) - End of year	<u><u>\$ (33,932)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,487)</u></u>	<u><u>\$ (1,487)</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Forfeiture Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal forfeiture funds	\$ 63,000	\$ 145,218	\$ 144,458	\$ (760)
State forfeiture funds	10,000	211,555	211,260	(295)
Interest income	2,500	2,500	1,956	(544)
Other revenue - Local forfeiture funds	1,000	7,677	7,677	-
Total revenue	76,500	366,950	365,351	(1,599)
Expenditures - Current - Public safety				
Supplies	15,000	125,311	114,031	11,280
Other services and charges	20,000	53,328	53,328	-
Administration	500	475	475	-
Total expenditures	35,500	179,114	167,834	11,280
Net Change in Fund Balance	41,000	187,836	197,517	9,681
Fund Balance - Beginning of year	260,966	260,966	260,966	-
Fund Balance - End of year	\$ 301,966	\$ 448,802	\$ 458,483	\$ 9,681

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,491,457	\$ 2,491,457	\$ 2,537,262	\$ 45,805
State sources	29,000	29,000	36,210	7,210
Fines and forfeitures	153,000	153,000	179,852	26,852
Interest income	30,000	30,000	4,109	(25,891)
Other revenue:				
Donations	6,000	6,000	2,571	(3,429)
Miscellaneous	65,269	65,269	82,378	17,109
Total revenue	<u>2,774,726</u>	<u>2,774,726</u>	<u>2,842,382</u>	<u>67,656</u>
Expenditures - Current - Recreation and culture				
Personnel services	1,784,000	1,784,000	1,686,307	97,693
Supplies	601,300	601,300	544,738	56,562
Other services and charges	633,100	650,600	526,456	124,144
Total expenditures	<u>3,018,400</u>	<u>3,035,900</u>	<u>2,757,501</u>	<u>278,399</u>
Net Change in Fund Balance	(243,674)	(261,174)	84,881	346,055
Fund Balance - Beginning of year	<u>1,755,109</u>	<u>1,755,109</u>	<u>1,755,109</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,511,435</u></u>	<u><u>\$ 1,493,935</u></u>	<u><u>\$ 1,839,990</u></u>	<u><u>\$ 346,055</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Contribution Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 20,000	\$ 20,000	\$ 7,146	\$ (12,854)
Other revenue:				
Donations	12,000	5,500	1,092	(4,408)
Miscellaneous	-	6,500	27,925	21,425
Total revenue	32,000	32,000	36,163	4,163
Expenditures - Current - Recreation and culture - Other services and charges	32,000	13,000	10,029	2,971
Net Change in Fund Balance	-	19,000	26,134	7,134
Fund Balance - Beginning of year	1,671,812	1,671,812	1,671,812	-
Fund Balance - End of year	<u>\$ 1,671,812</u>	<u>\$ 1,690,812</u>	<u>\$ 1,697,946</u>	<u>\$ 7,134</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Rubbish Collection Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ -	\$ 1,795,000	\$ 1,777,346	\$ (17,654)
Interest income	-	-	2,758	2,758
Transfers from other funds	-	44,000	22,736	(21,264)
Miscellaneous	-	17,000	20,610	3,610
Total revenue	-	1,856,000	1,823,450	(32,550)
Expenditures - Current - Public services - Rubbish disposal	-	1,856,000	1,823,450	32,550
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - West Oak Street Lighting Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 100	\$ 100	\$ 34	\$ (66)
Other revenue - Special assessments	7,529	7,529	7,529	-
Total revenue	7,629	7,629	7,563	(66)
Expenditures - Current - Public services - Street lighting installation	10,000	10,000	8,540	1,460
Net Change in Fund Balance	(2,371)	(2,371)	(977)	1,394
Fund Balance - Beginning of year	43,244	43,244	43,244	-
Fund Balance - End of year	\$ 40,873	\$ 40,873	\$ 42,267	\$ 1,394

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - West Lake Drive Street Lighting Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ -	\$ -	\$ 2	\$ 2
Other revenue - Special assessments	3,300	3,300	3,300	-
Total revenue	3,300	3,300	3,302	2
Expenditures - Current - Public services - Street lighting installation	3,300	3,500	3,250	250
Net Change in Fund Balance	-	(200)	52	252
Fund Balance - Beginning of year	2,313	2,313	2,313	-
Fund Balance - End of year	<u>\$ 2,313</u>	<u>\$ 2,113</u>	<u>\$ 2,365</u>	<u>\$ 252</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Town Center Street Lighting Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 50	\$ 50	\$ 34	\$ (16)
Other revenue - Special assessments	15,000	-	-	-
Total revenue	15,050	50	34	(16)
Expenditures - Current - Public services - Street lighting installation	15,050	53,493	51,189	2,304
Net Change in Fund Balance	-	(53,443)	(51,155)	2,288
Fund Balance - Beginning of year	53,443	53,443	53,443	-
Fund Balance - End of year	<u>\$ 53,443</u>	<u>\$ -</u>	<u>\$ 2,288</u>	<u>\$ 2,288</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2002 Street and Refunding Debt Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 736,652	\$ 749,467	\$ 749,253	\$ (214)
Interest income	800	800	156	(644)
Total revenue	737,452	750,267	749,409	(858)
Expenditures				
Current:				
Public services - Other services and charges	500	475	476	(1)
Transfers to other funds	-	96,000	95,142	858
Debt service	752,169	1,462,557	1,462,556	1
Total expenditures	752,669	1,559,032	1,558,174	858
Net Change in Fund Balance	(15,217)	(808,765)	(808,765)	-
Fund Balance - Beginning of year	808,765	808,765	808,765	-
Fund Balance - End of year	<u>\$ 793,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2008 Library Construction Debt Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,482,113	\$ 1,492,113	\$ 1,507,421	\$ 15,308
Interest income	500	500	263	(237)
Transfers from other funds	-	96,000	95,142	(858)
Total revenue	1,482,613	1,588,613	1,602,826	14,213
Expenditures				
Current - Recreation and culture - Other services and charges	500	500	475	25
Debt service	1,314,250	1,332,714	1,332,464	250
Total expenditures	1,314,750	1,333,214	1,332,939	275
Net Change in Fund Balance	167,863	255,399	269,887	14,488
Fund Balance - Beginning of year	71,254	71,254	71,254	-
Fund Balance - End of year	\$ 239,117	\$ 326,653	\$ 341,141	\$ 14,488

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Capital Improvement Program Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest expense	\$ -	\$ -	\$ (16,793)	\$ (16,793)
Transfers from other funds	-	1,000,000	1,240,000	240,000
Other miscellaneous income	-	484,460	-	(484,460)
Total revenue	-	1,484,460	1,223,207	(261,253)
Expenditures				
Public safety - Capital improvements	-	3,081,432	2,847,771	233,661
Current - Public services - Capital improvements	-	230,640	270,660	(40,020)
Recreation and culture - Capital improvements	-	272,388	202,283	70,105
Total expenditures	-	3,584,460	3,320,714	263,746
Net Change in Fund Balance	-	(2,100,000)	(2,097,507)	2,493
Fund Balance - Beginning of year	2,100,000	2,100,000	2,100,000	-
Fund Balance - End of year	\$ 2,100,000	\$ -	\$ 2,493	\$ 2,493

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Special Assessment Revolving Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 65,000	\$ 15,000	\$ 17,246	\$ 2,246
Expenditures - Current - Public services - Other services and charges	<u>500</u>	<u>500</u>	<u>475</u>	<u>25</u>
Net Change in Fund Balance	64,500	14,500	16,771	2,271
Fund Balance - Beginning of year	<u>3,911,835</u>	<u>3,911,835</u>	<u>3,911,835</u>	-
Fund Balance - End of year	<u><u>\$ 3,976,335</u></u>	<u><u>\$ 3,926,335</u></u>	<u><u>\$ 3,928,606</u></u>	<u><u>\$ 2,271</u></u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Street Improvement Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Transfers from other funds	\$ -	\$ 3,430,000	\$ 3,430,000	\$ -
Expenditures - Current - Public services - Street construction	-	8,126,873	4,071,874	4,054,999
Net Change in Fund Balance	-	(4,696,873)	(641,874)	4,054,999
Fund Balance - Beginning of year	4,696,874	4,696,874	4,696,874	-
Fund Balance - End of year	<u>\$ 4,696,874</u>	<u>\$ 1</u>	<u>\$ 4,055,000</u>	<u>\$ 4,054,999</u>

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Gun Range Facility Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 2,000	\$ 2,000	\$ 1,396	\$ (604)
Licenses, permits, and charges for services	110,000	110,000	115,574	5,574
Total revenue	112,000	112,000	116,970	4,970
Expenditures - Current - Public safety	-	25,000	17,820	7,180
Net Change in Fund Balance	112,000	87,000	99,150	12,150
Fund Balance - Beginning of year	217,343	217,343	217,343	-
Fund Balance - End of year	\$ 329,343	\$ 304,343	\$ 316,493	\$ 12,150

City of Novi, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drain Perpetual Maintenance Fund Budgetary Comparison Year Ended June 30, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 135,000	\$ 12,000	\$ 29,370	\$ 17,370
Tap-in fees	25,000	25,000	-	(25,000)
Transfers to other funds	-	1,900,000	-	1,900,000
Total revenue	160,000	(1,863,000)	29,370	1,892,370
Fund Balance - Beginning of year	<u>6,725,517</u>	<u>6,725,517</u>	<u>6,725,517</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 6,885,517</u></u>	<u><u>\$ 4,862,517</u></u>	<u><u>\$ 6,754,887</u></u>	<u><u>\$ 1,892,370</u></u>

City of Novi, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2017

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
Trust and Agency				
Assets				
Cash and cash equivalents	\$ 126,096	\$ 191,317,791	\$ (191,420,619)	\$ 23,268
Investments	7,996,952	48,242,700	(47,625,367)	8,614,285
Other	-	69,728	(69,728)	-
Total assets	<u>\$ 8,123,048</u>	<u>\$ 239,630,219</u>	<u>\$ (239,115,714)</u>	<u>\$ 8,637,553</u>
Liabilities				
Accounts payable	\$ 294,529	\$ 5,766,120	\$ (5,456,446)	\$ 604,203
Due to other governmental units	218,220	177,136	(165,292)	230,064
Due to builders and developers	7,610,299	143,818,642	(143,625,655)	7,803,286
Total liabilities	<u>\$ 8,123,048</u>	<u>\$ 149,761,898</u>	<u>\$ (149,247,393)</u>	<u>\$ 8,637,553</u>

City of Novi, Michigan

Other Supplemental Information Component Unit - Economic Development Corporation Statement of Net Position and Balance Sheet June 30, 2017

	Modified Accrual Basis	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 11,901	\$ -	\$ 11,901
Other asset	35,000	-	35,000
Total assets	<u>\$ 46,901</u>	<u>\$ -</u>	46,901
Fund Balance			
Restricted for noncurrent asset	\$ 35,000	\$ (35,000)	-
Unassigned	11,901	(11,901)	-
Total fund balance	<u>\$ 46,901</u>	<u>\$ (46,901)</u>	-
Net Position - Unrestricted			<u>\$ 46,901</u>

City of Novi, Michigan

Other Supplemental Information **Component Unit - Economic Development Corporation** **Statement of Activities and Revenue, Expenditures, and Changes in** **Fund Balances** **Year Ended June 30, 2017**

	<u>Modified</u> <u>Accrual Basis</u>	<u>Statement of</u> <u>Activities</u>
Revenue - Interest income	\$ 9	\$ 9
Fund Balance/Net Position - Beginning of year	<u>46,892</u>	<u>46,892</u>
Fund Balance/Net Position - End of year	<u>\$ 46,901</u>	<u>\$ 46,901</u>

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 supplemental 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.

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

	June 30				
	2008	2009	2010	2011	2012
Governmental Activities					
Net investment in capital assets	\$ 84,846,486	\$ 95,693,089	\$ 98,921,906	\$ 101,958,721	\$ 106,988,589
Restricted	44,064,821	43,593,310	45,653,695	42,916,961	41,427,834
Unrestricted	12,277,054	9,610,719	8,329,201	12,295,232	10,690,782
Total net position	\$ 141,188,361	\$ 148,897,118	\$ 152,904,802	\$ 157,170,914	\$ 159,107,205
Business-type Activities					
Net investment in capital assets	\$ 122,696,571	\$ 123,683,939	\$ 122,111,095	\$ 120,045,947	\$ 117,789,163
Restricted	9,253,056	8,680,849	8,429,638	8,175,188	7,494,295
Unrestricted	38,374,456	39,788,349	42,387,922	45,978,922	49,270,297
Total net position	\$ 170,324,083	\$ 172,153,137	\$ 172,928,655	\$ 174,200,057	\$ 174,553,755
Primary Government in Total					
Net investment in capital assets	\$ 207,543,057	\$ 219,377,028	\$ 221,033,001	\$ 222,004,668	\$ 224,777,752
Restricted	53,317,877	52,274,159	54,083,333	51,092,149	48,922,129
Unrestricted	50,651,510	49,399,068	50,717,123	58,274,154	59,961,079
Total net position	\$ 311,512,444	\$ 321,050,255	\$ 325,833,457	\$ 331,370,971	\$ 333,660,960

Source: City's annual financial statements

**Statistical Section
Financial Trend Information
Net Position by Component
Last Ten Fiscal Years**

		June 30				
2013	2014	2015	2016	2017		
\$ 111,718,349	\$ 113,868,196	\$ 118,345,243	\$ 126,474,197	\$ 138,682,792		
37,289,012	35,240,527	38,576,210	37,216,395	31,767,695		
10,826,405	(14,622,520)	(15,525,832)	(15,805,367)	(20,402,611)		
\$ 159,833,766	\$ 134,486,203	\$ 141,395,621	\$ 147,885,225	\$ 150,047,876		
\$ 117,914,884	\$ 116,089,327	\$ 122,420,958	\$ 123,718,769	\$ 125,665,962		
7,001,295	1,136,154	-	-	-		
48,625,422	58,721,199	58,968,795	62,575,016	66,158,721		
\$ 173,541,601	\$ 175,946,680	\$ 181,389,753	\$ 186,293,785	\$ 191,824,683		
\$ 229,633,233	\$ 229,957,523	\$ 240,766,201	\$ 250,192,966	\$ 264,348,754		
44,290,307	32,593,320	38,576,210	37,216,395	31,767,695		
59,451,827	44,098,679	43,442,963	46,769,649	45,756,110		
\$ 333,375,367	\$ 306,649,522	\$ 322,785,374	\$ 334,179,010	\$ 341,872,559		

City of Novi, Michigan

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Expenses					
General government	\$ 8,527,694	\$ 6,857,555	\$ 6,404,820	\$ 6,315,571	\$ 6,610,466
Public safety	20,006,508	19,619,207	18,735,448	18,331,488	16,793,073
Public services	9,993,071	10,898,774	9,831,873	11,548,677	10,729,285
Community and economic development	774,299	1,277,239	1,317,373	1,241,411	2,617,585
Recreation and culture	5,412,373	5,389,349	7,719,230	5,151,212	5,595,861
Interest on long-term debt	2,221,714	2,343,833	1,780,848	1,759,340	1,453,161
Total governmental activities	46,935,659	46,385,957	45,789,592	44,347,699	43,799,431
Program Revenue					
Charges for services:					
Public safety	2,688,989	1,486,140	1,780,059	2,438,917	3,181,849
Recreation and culture	1,212,573	1,132,512	1,210,039	1,300,084	1,422,483
Other activities	424,270	309,179	208,442	611,929	548,787
Total charges for services	4,325,832	2,927,831	3,198,540	4,350,930	5,153,119
Operating grants and contributions	3,271,673	3,915,138	3,391,897	3,620,833	3,511,329
Capital grants and contributions	1,023,837	1,882,357	1,070,050	2,176,263	804,764
Total program revenue	8,621,342	8,725,326	7,660,487	10,148,026	9,469,212
Net Expense	(38,314,317)	(37,660,631)	(38,129,105)	(34,199,673)	(34,330,219)
General Revenue					
Property taxes	37,030,496	37,776,272	37,137,888	32,550,375	30,183,881
State-shared revenue	3,613,152	3,425,882	3,046,979	3,725,690	3,990,693
Unrestricted interest earnings	3,604,198	2,375,074	593,064	626,449	881,869
Unrealized gain on cash equivalents	-	-	-	-	-
Unrestricted cable television franchise fees	352,197	422,430	535,804	601,350	722,065
Miscellaneous	1,112,008	1,369,730	823,054	961,921	466,110
Total general revenue	45,712,051	45,369,388	42,136,789	38,465,785	36,244,618
Transfers	-	-	-	-	21,892
Implementation of GASB Statement No. 68	-	-	-	-	-
Change in Net Position	\$ 7,397,734	\$ 7,708,757	\$ 4,007,684	\$ 4,266,112	\$ 1,936,291

Note: GASB Statement No. 68 was implemented by the City in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive implementation.

Source: City's annual financial statements

**Statistical Section
Financial Trend Information
Changes in Governmental Net Position
Last Ten Fiscal Years**

Fiscal Year Ended June 30				
2013	2014	2015	2016	2017
\$ 6,943,746	\$ 6,378,078	\$ 6,073,981	\$ 7,260,647	\$ 5,064,097
16,191,890	17,216,678	17,649,289	18,811,184	22,712,180
11,741,414	12,455,654	11,305,231	12,136,916	15,781,996
2,699,301	3,072,448	3,065,875	3,954,669	3,565,698
5,730,397	6,100,940	6,004,747	5,666,367	5,697,673
<u>1,059,437</u>	<u>963,702</u>	<u>839,175</u>	<u>777,562</u>	<u>399,077</u>
44,366,185	46,187,500	44,938,298	48,607,345	53,220,721
3,186,862	1,198,711	1,026,876	1,017,405	986,285
1,655,335	1,592,012	1,622,497	2,176,230	1,688,012
<u>709,560</u>	<u>2,547,217</u>	<u>3,524,521</u>	<u>3,706,651</u>	<u>4,964,178</u>
5,551,757	5,337,940	6,173,894	6,900,286	7,638,475
3,897,155	4,525,924	5,289,006	5,663,304	5,663,346
<u>1,197,870</u>	<u>651,597</u>	<u>777,202</u>	<u>847,547</u>	<u>1,561,439</u>
<u>10,646,782</u>	<u>10,515,461</u>	<u>12,240,102</u>	<u>13,411,137</u>	<u>14,863,260</u>
(33,719,403)	(35,672,039)	(32,698,196)	(35,196,208)	(38,357,461)
29,620,564	30,059,401	31,673,469	32,932,970	33,087,219
4,074,589	4,170,809	4,696,805	4,963,301	4,651,780
(770,389)	977,005	666,771	1,828,195	219,207
-	459,611	1,465,406	627,210	1,017,539
991,272	801,256	1,105,163	1,334,136	1,304,367
<u>529,928</u>	<u>216,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>34,445,964</u>	<u>36,684,793</u>	<u>39,607,614</u>	<u>41,685,812</u>	<u>40,280,112</u>
-	-	-	-	240,000
-	(26,360,317)	-	-	-
\$ 726,561	\$ (25,347,563)	\$ 6,909,418	\$ 6,489,604	\$ 2,162,651

City of Novi, Michigan

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Expenses					
Water and sewer	\$ 18,816,944	\$ 18,216,338	\$ 18,043,772	\$ 20,419,330	\$ 23,771,121
Ice arena	1,785,941	1,755,459	1,669,542	1,704,596	1,710,615
Senior housing	1,829,889	1,736,707	1,575,178	1,577,697	1,541,251
Total expenses	22,432,774	21,708,504	21,288,492	23,701,623	27,022,987
Program Revenue					
Charges for services					
Water and sewer	15,842,032	16,460,328	16,359,420	18,494,973	20,627,062
Ice arena	2,096,064	2,020,838	2,067,836	2,078,643	2,003,689
Senior housing	1,821,871	1,801,742	1,804,069	1,903,346	1,944,912
Total charges for services	19,759,967	20,282,908	20,231,325	22,476,962	24,575,663
Capital grants and contributions	3,417,107	3,087,188	1,443,974	2,002,749	2,172,991
Total program revenue	23,177,074	23,370,096	21,675,299	24,479,711	26,748,654
Net Revenue (Expense)	744,300	1,661,592	386,807	778,088	(274,333)
General Revenue					
Unrestricted interest earnings (expense)	949,644	167,462	388,711	493,314	649,923
Miscellaneous	-	-	-	-	-
Total general revenue (expense)	949,644	167,462	388,711	493,314	649,923
Transfers	-	-	-	-	(21,892)
Implementation of GASB Statement No. 68	-	-	-	-	-
Change in Net Position	\$ 1,693,944	\$ 1,829,054	\$ 775,518	\$ 1,271,402	\$ 353,698

Source: City's annual financial statements

**Statistical Section
Financial Trend Information
Changes in Business-type Net Position
Last Ten Fiscal Years**

Fiscal Year Ended June 30					
	2013	2014	2015	2016	2017
\$	24,025,098	\$ 23,001,139	\$ 24,413,229	\$ 27,282,209	\$ 25,569,364
	1,919,478	1,771,615	2,107,211	1,735,010	1,657,727
	1,537,409	1,548,478	1,556,956	1,898,830	1,393,543
	27,481,985	26,321,232	28,077,396	30,916,049	28,620,634
	22,398,469	21,663,401	21,474,451	24,666,297	24,184,714
	2,104,536	2,143,962	2,171,061	2,202,031	2,132,426
	1,968,900	1,992,761	2,004,464	2,020,797	2,037,187
	26,471,905	25,800,124	25,649,976	28,889,125	28,354,327
	3,383,087	2,905,677	6,764,583	5,337,278	5,718,715
	29,854,992	28,705,801	32,414,559	34,226,403	34,073,042
	2,373,007	2,384,569	4,337,163	3,310,354	5,452,408
	(885,154)	622,902	1,104,990	1,593,678	318,490
	-	495,955	920	-	-
	(885,154)	1,118,857	1,105,910	1,593,678	318,490
	-	-	-	-	(240,000)
	-	(1,098,347)	-	-	-
\$	1,487,853	\$ 2,405,079	\$ 5,443,073	\$ 4,904,032	\$ 5,530,898

City of Novi, Michigan

	Year Ended June 30				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 172,263	\$ -	\$ -	\$ -	\$ -
Unreserved	12,240,776	10,314,220	9,710,403	-	-
Nonspendable - Prepays	-	-	-	1,640	-
Restricted:					
PEG access support fees	-	-	-	103,988	252,758
Public safety	-	-	-	-	-
Community	-	-	-	-	-
Assigned - Subsequent year's budget	-	-	-	4,192,010	1,185,395
Unassigned	-	-	-	7,119,437	8,126,447
Total General Fund	\$ 12,413,039	\$ 10,314,220	\$ 9,710,403	\$ 11,417,075	\$ 9,564,600
All Other Governmental Funds					
Reserved	\$ 21,943,866	\$ 20,841,560	\$ 9,892,542	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	26,824,183	25,412,275	27,549,651	-	-
Capital project funds	-	-	-	-	-
Debt service funds	1,417,823	1,531,730	1,747,094	-	-
Nonspendable - Prepays	-	-	-	-	2,500
Restricted:					
Contributions and donations	-	-	-	1,609,650	1,710,351
Roads	-	-	-	5,263,318	6,168,785
Cash and investments restricted for special assessments	-	-	-	5,077,212	4,577,626
Storm water systems	-	-	-	10,430,045	10,194,378
Parks, recreation, and cultural services	-	-	-	-	-
Debt service	-	-	-	1,240,366	307,771
Library	-	-	-	3,257,122	4,011,112
Tree replacement and maintenance	-	-	-	1,248,144	1,519,721
Law enforcement programs	-	-	-	438,121	617,763
Public safety	-	-	-	3,273,244	4,975,211
Street improvement	-	-	-	-	-
Street lighting improvements	-	-	-	-	-
PEG access support fees	-	-	-	-	-
Infrastructure improvements	-	-	-	3,098,874	3,750,110
Assigned:					
Subsequent year's budget	-	-	-	3,066,993	-
Infrastructure improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 50,185,872	\$ 47,785,565	\$ 39,189,287	\$ 38,003,089	\$ 37,835,328
Total	\$ 62,598,911	\$ 58,099,785	\$ 48,899,690	\$ 49,420,164	\$ 47,399,928

Source: City's annual financial statements

Note: For the year ended June 30, 2011, the City implemented GASB No. 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.

**Statistical Section
Financial Trend Information
Fund Balances
Governmental Funds
Last Ten Fiscal Years**

Year Ended June 30				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
5,000	13,915	16,111	164,628	486,817
179,147	272,654	-	-	-
-	-	27,894	22,958	21,907
-	-	2,282	2,282	2,282
661,639	-	981,736	1,884,723	1,408,718
<u>7,965,778</u>	<u>9,203,448</u>	<u>11,329,627</u>	<u>11,670,611</u>	<u>10,986,117</u>
<u>\$ 8,811,564</u>	<u>\$ 9,490,017</u>	<u>\$ 12,357,650</u>	<u>\$ 13,745,202</u>	<u>\$ 12,905,841</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
160,337	-	-	-	-
-	-	200	-	18,951
1,792,758	1,827,893	-	-	-
5,975,031	5,439,981	10,864,942	10,085,054	8,364,659
4,474,222	90,030	-	-	-
10,174,456	11,629,249	11,203,541	10,485,591	8,960,751
1,283,200	895,244	1,718,166	1,631,244	1,274,687
-	212,251	667,085	880,019	341,141
2,113,292	1,845,976	3,349,028	3,426,921	3,519,458
1,485,961	1,578,060	2,494,798	3,716,664	3,842,447
341,404	436,312	-	-	-
3,711,468	2,754,278	2,306,217	1,717,291	774,976
-	4,747,892	-	-	-
-	-	94,218	99,000	46,920
-	-	407,457	369,662	642,634
3,721,329	3,783,361	3,806,154	3,911,835	3,928,606
-	-	-	-	-
-	-	-	2,100,000	2,493
-	-	(15,848)	(33,932)	(1,487)
<u>\$ 35,233,458</u>	<u>\$ 35,240,527</u>	<u>\$ 36,895,958</u>	<u>\$ 38,389,349</u>	<u>\$ 31,716,236</u>
<u>\$ 44,045,022</u>	<u>\$ 44,730,544</u>	<u>\$ 49,253,608</u>	<u>\$ 52,134,551</u>	<u>\$ 44,622,077</u>

City of Novi, Michigan

	Year Ended June 30				
	2008	2009	2010	2011	2012
Revenue					
Taxes	\$ 37,030,496	\$ 37,776,272	\$ 37,137,888	\$ 32,550,376	\$ 30,183,881
Licenses, permits, and charges for services	3,100,389	1,825,491	1,981,548	2,900,982	3,749,548
Federal grants	270,420	483,550	346,722	488,948	132,764
State sources	6,651,174	7,032,331	5,926,318	6,621,830	7,294,974
Special assessments collected	1,371,526	1,438,220	1,523,589	1,351,415	1,459,685
Fines and forfeitures	658,388	1,262,933	1,019,185	828,789	839,107
Interest income (expense)	4,460,935	3,147,972	1,278,007	1,218,637	1,383,389
Unrealized gain (loss) on investments	-	-	-	-	-
Recreational programs	962,418	967,156	1,064,430	1,090,881	1,221,521
Gifts and donations	49,346	49,226	110,815	38,662	95,322
Other revenue	1,197,343	1,601,451	989,212	1,935,916	878,923
Total revenue	55,752,435	55,584,602	51,377,714	49,026,436	47,239,114
Expenditures					
Current services:					
City Council	21,580	8,965	9,242	9,213	16,012
City manager	425,576	420,710	411,411	363,513	399,594
Finance department	876,915	906,598	812,468	815,502	780,995
Information technology	574,817	621,582	685,954	710,859	628,167
Assessing	791,884	881,136	841,391	727,995	776,554
City attorney	463,023	390,220	347,976	457,054	431,011
City clerk	543,327	636,981	565,152	520,796	496,005
Treasury	285,331	295,127	295,806	274,364	284,894
Facility Operations	960,778	1,669,302	1,154,049	889,803	754,658
Human Resources (3)	-	-	-	418,994	394,009
Neighborhood and business relations group (1)	578,654	717,049	685,791	646,080	787,153
General administration	1,870,418	1,728,883	1,598,772	1,380,374	1,738,906
Public safety - Police department	11,125,764	11,840,227	11,464,834	11,481,373	11,225,698
Public safety - Fire department	5,209,761	6,351,188	4,813,234	4,730,832	4,540,765
Community development - Building division (2)	2,495,615	2,012,522	1,438,146	1,343,440	1,383,833
Community development - Planning division (2)	743,118	615,171	625,365	617,048	519,896
Neighborhood services	-	-	-	-	-
Department of public services	998,536	1,177,144	2,254,978	2,416,375	2,419,815
Engineering	364,198	476,489	-	-	-
Planning Commission	7,912	9,909	3,366	6,168	699
Construction	6,301,555	7,629,512	14,589,987	2,272,800	4,983,542
Street maintenance	2,840,343	3,125,742	2,366,408	2,780,785	1,992,964
Drain maintenance	547,477	610,898	635,237	580,337	713,607
Recreational programs	1,921,020	2,039,331	1,942,282	1,795,604	2,233,255
Forestry and park maintenance	1,155,892	912,323	200,962	63,478	41,539
Library programs	2,529,724	2,531,152	2,578,916	2,704,689	2,636,714
Other	1,430,650	184,026	317,621	360,327	82,438
Capital outlay	2,684,008	2,847,879	503,397	544,706	674,518
Debt service principal	9,525,000	7,075,000	7,325,001	7,685,000	6,855,000
Debt service interest and other	2,207,990	2,368,662	1,955,810	1,818,453	1,489,001
Advance refunding escrow	-	-	109,181	-	-
Total expenditures	59,480,866	60,083,728	60,532,737	48,415,962	49,281,242
Excess of Revenue (Under) Over Expenditures	(3,728,431)	(4,499,126)	(9,155,023)	610,474	(2,042,128)
Other Financing Sources (Uses)					
Refunding bonds issued	16,000,000	-	4,895,000	-	-
Payment to refunded bond escrow agent	-	-	(5,030,072)	-	-
Transfers in	12,277,286	7,638,046	6,097,096	10,289,946	5,118,792
Transfers out	(12,277,286)	(7,638,046)	(6,097,096)	(10,289,946)	(5,096,900)
Total other financing sources (uses)	16,000,000	-	(135,072)	-	21,892
Net Change in Fund Balances	12,271,569	(4,499,126)	(9,290,095)	610,474	(2,020,236)
Fund Balances - Beginning of year	50,327,342	62,598,911	58,099,785	48,809,690	49,420,164
Fund Balances - End of year	\$ 62,598,911	\$ 58,099,785	\$ 48,809,690	\$ 49,420,164	\$ 47,399,928
Debt Service as a Percentage of Noncapital Expenditures	19.9%	15.7%	15.3%	22.8%	21.8%

(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

Statistical Section Financial Trend Information Changes in Fund Balances Governmental Funds Last Ten Fiscal Years

Year Ended June 30					
	2013	2014	2015	2016	2017
\$	29,620,564	\$ 30,059,401	\$ 31,673,469	\$ 32,932,970	\$ 33,087,219
	4,190,121	3,848,403	3,521,819	4,542,923	4,005,981
	284,254	148,755	209,247	218,425	317,203
	7,685,394	8,114,209	8,442,213	9,435,462	9,553,621
	1,574,637	1,678,070	1,878,475	1,604,014	25,336
	856,128	1,054,660	639,474	757,403	661,549
	(60,470)	985,526	657,786	1,470,887	1,029,297
	-	506,264	155,435	391,211	(809,352)
	1,431,391	1,360,141	-	1,441,691	1,421,613
	159,548	42,406	332,799	157,434	9,507
	919,882	1,360,540	5,212,877	3,407,902	4,328,043
	46,661,449	49,158,375	52,723,594	56,360,322	53,630,017
	10,051	10,911	42,436	44,292	47,834
	423,711	399,885	508,805	605,833	601,402
	711,615	649,156	856,709	906,575	860,661
	693,974	864,178	774,627	1,058,956	1,094,249
	892,586	800,480	717,972	680,102	727,634
	384,736	375,926	707,655	736,524	634,805
	528,894	491,137	709,602	725,047	829,982
	313,156	285,976	320,633	314,398	329,479
	1,087,948	919,912	1,131,978	1,172,435	1,786,574
	408,611	423,452	422,818	414,577	394,393
	960,416	846,432	943,332	1,260,956	958,328
	2,104,447	1,596,080	2,419,173	2,395,339	3,749,428
	11,376,197	11,746,975	11,809,219	11,954,737	15,583,586
	4,548,565	5,110,195	4,742,808	4,979,561	5,761,346
	1,449,296	1,554,167	1,597,622	2,088,270	1,926,104
	489,065	586,948	513,832	736,558	530,385
	-	-	-	-	-
	2,693,588	2,960,570	173,913	255,647	746,075
	-	-	-	-	-
	6,744	-	-	-	-
	4,015,306	3,652,031	5,947,254	8,075,475	10,330,582
	2,592,208	3,616,794	3,601,702	3,760,085	5,160,645
	409,935	426,799	-	-	-
	2,254,135	2,345,313	2,377,159	3,772,846	3,765,974
	-	-	-	-	-
	2,712,163	2,843,791	2,815,266	2,779,842	2,768,005
	135,451	-	-	-	-
	2,170,216	1,555,065	727,121	-	-
	5,205,000	3,450,000	3,505,000	4,051,000	2,340,000
	1,103,341	960,680	833,894	818,163	455,020
	-	-	-	-	-
	49,681,355	48,472,853	48,200,530	53,587,218	61,382,491
	(3,019,906)	685,522	4,523,064	2,773,104	(7,752,474)
	4,165,000	-	-	9,995,301	-
	(4,500,000)	-	-	(9,887,462)	-
	8,263,793	13,758,461	13,615,847	13,834,940	7,561,984
	(8,263,793)	(13,758,461)	(13,615,847)	(13,834,940)	(7,321,984)
	(335,000)	-	-	107,839	240,000
	(3,354,906)	685,522	4,523,064	2,880,943	(7,512,474)
	47,399,928	44,045,022	44,730,544	49,253,608	52,134,551
\$	44,045,022	\$ 44,730,544	\$ 49,253,608	\$ 52,134,551	\$ 44,622,077
	17.8%	14.1%	9.9%	9.1%	4.6%

City of Novi, Michigan

Taxable Value by Property Type

Real Property

Tax Year	Fiscal Year	Residential	Commercial	Industrial	Developmental	IFT	Personal Property
2007	2008	\$ 2,259,983,800	\$ 840,511,130	\$ 249,293,980	\$ -	\$ -	\$ 200,617,830
2008	2009	2,238,676,260	875,710,130	257,605,110	-	-	210,456,740
2009	2010	2,118,748,880	934,816,000	268,208,590	-	-	233,170,160
2010	2011	1,862,673,780	900,544,230	220,883,480	-	-	220,466,950
2011	2012	1,781,997,870	923,404,500	53,530,570	-	-	220,678,540
2012	2013	1,809,105,200	846,638,040	44,245,120	-	-	220,345,290
2013	2014	1,892,836,510	815,093,230	40,453,090	-	-	223,698,750
2014	2015	1,984,120,840	822,896,230	38,788,580	-	-	225,066,560
2015	2016	2,087,604,500	840,859,240	37,269,450	-	-	239,836,740
2016	2017	2,169,188,620	878,201,150	38,362,030	-	-	237,292,830

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

Source: City's assessor's department records/State Tax Commission

Statistical Section
Revenue Capacity Information
Taxable Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Total Taxable Value	Tax Rate (mills)	State Equalized Value (SEV)	Taxable Value as a Percent of SEV
\$ 3,550,406,740	10.5416	\$ 3,946,241,780	90
3,582,448,240	10.5416	3,876,954,790	92
3,554,943,630	10.5416	3,742,061,910	95
3,204,568,440	10.5416	3,321,184,600	96
2,979,611,480	10.5416	3,063,922,590	97
2,920,333,650	10.2000	3,004,330,340	97
2,972,081,580	10.2000	3,099,733,610	96
3,070,872,210	10.2000	3,365,191,110	91
3,205,569,930	10.2000	3,704,488,760	87
3,323,044,630	9.9500	3,952,090,850	84

City of Novi, Michigan

City of Novi

Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
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
2012	5.0182	0.7719	1.4282	0.3857	0.2642	0.7719	1.9015	10.5416
2013	5.0182	0.7719	1.4282	0.3857	0.3435	0.7719	1.4806	10.2000
2014	5.0182	1.5000	1.4282	0.3857	0.1057	0.7719	0.9903	10.2000
2015	5.0182	1.5000	1.4282	0.3857	-	0.7719	1.0960	10.2000
2016	5.0056	1.4962	1.4246	0.3847	-	0.7699	1.1190	10.2000
2017	4.9925	1.4923	1.4208	0.3836	0.2120	0.7678	0.6810	9.9500

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

Source: City's finance department records

(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.

**Statistical Section
Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
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
11.3229	26.1930	10.8500	28.8000	6.8812	22.5000	5.5000	23.3800
12.3331	27.1010	10.8500	28.8500	7.0254	22.5600	5.3000	23.3000
12.3296	27.1010	10.7000	28.7000	7.4730	23.1445	5.3000	23.3000
12.1729	27.1010	10.8029	25.7310	7.6843	23.4872	4.8700	22.8700
12.0656	27.0722	10.5228	25.5294	7.2841	23.1180	4.7370	22.7937
12.0109	27.0560	9.6000	27.6000	7.0150	22.9279	5.2448	22.6248

City of Novi, Michigan

Statistical Section Revenue Capacity Information Direct and Overlapping Property Tax Rates (Continued) Last Ten Fiscal Years

Overlapping Government

Fiscal Year	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
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
2012	4.7461	1.5844	1.7967	3.3690	3.4643	6.0000
2013	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2014	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2015	4.9461	1.5844	1.7967	3.3690	3.4643	6.0000
2016	4.8450	1.5819	1.7967	3.3633	3.4643	6.0000
2017	4.7909	1.5707	1.7881	3.3398	3.4643	6.0000

City of Novi, Michigan

Statistical Section Revenue Capacity Information Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2016 Taxable Value	Percentage of Total	2016 Rank	2007 Taxable Value	2007 Rank
Taubman	\$ 52,563,830	1.64%	1	\$ 56,515,420	2
Northern Equities Et al	47,542,990	1.48%	2		
Novi Campus LLC - Fox Run	44,421,050	1.39%	3	45,609,890	4
Singh Development	44,205,470	1.38%	4	69,415,400	1
International Transmission Co	30,252,510	0.94%	5		
Occidental Development Ltd.	27,985,320	0.87%	6	28,594,590	6
Bowman	27,513,910	0.86%	7		
Detroit Edison	27,480,950	0.86%	8	19,471,860	10
Providence Hospital	21,828,260	0.68%	9	21,387,270	8
Harmon Becker	18,167,510	0.57%	10		
Fountain Walk				37,996,550	5
Haggerty Corridor Partners				47,897,910	3
TBON, LLC				25,573,930	7
Novi Town Center Investors				21,125,440	9
Total		<u>10.67%</u>			

Note: The City obtained the nine years 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 Assessor's department records

City of Novi, Michigan

Statistical Section Revenue Capacity Information Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections
2007	2008	\$ 37,235,244	\$ 34,722,648
2008	2009	37,786,170	36,240,984
2009	2010	37,360,762	34,997,428
2010	2011	33,678,282	32,529,560
2011	2012	31,153,847	30,486,979
2012	2013	29,801,091	29,155,182
2013	2014	30,206,320	29,765,634
2014	2015	31,383,505	30,973,259
2015	2016	32,612,845	32,242,851
2016	2017	32,889,924	32,493,813

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

Source: City's finance department records

City of Novi, Michigan

	2008	2009	2010	2011	2012
Governmental Activities					
General obligation bonds (1)	\$ 48,065,000	\$ 42,455,000	\$ 36,335,747	\$ 30,086,456	\$ 24,667,165
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	11,665,000	10,200,000	8,750,000	7,350,000	5,950,000
Total	59,730,000	52,655,000	45,085,747	37,436,456	30,617,165
Business-type Activities					
General obligation bonds	19,932,982	19,089,656	18,197,543	17,334,016	16,425,488
Special assessment bonds	1,730,000	1,530,000	1,330,000	1,155,000	980,000
Installment loans	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Total	21,662,982	20,619,656	19,527,543	18,489,016	17,405,488
Total debt of the government	\$ 81,392,982	\$ 73,274,656	\$ 64,613,290	\$ 55,925,472	\$ 48,022,653
Total taxable value	\$ 3,550,406,740	\$ 3,582,448,240	\$ 3,554,943,630	\$ 3,204,568,440	\$ 2,979,611,480
Ratio of total debt to taxable value	2.29%	2.05%	1.82%	1.75%	1.61%
Total population *	54,688	54,376	55,224	55,374	56,062
Total debt per capita	\$ 1,488	\$ 1,348	\$ 1,170	\$ 1,010	\$ 857

* Population estimate information obtained from the Southeast Michigan Council of Governments:
www.semco.org

(1) Less deferred amount on refunding

Note: Personal income information is not available

Source: City's annual financial statements

**Statistical Section
Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years**

2013	2014	2015	2016	2017
\$ 20,947,874	\$ 19,020,000	\$ 16,905,000	\$ 15,185,301	\$ 12,717,271
-	-	-	-	-
<u>4,165,000</u>	<u>2,750,000</u>	<u>1,360,000</u>	<u>-</u>	<u>-</u>
25,112,874	21,770,000	18,265,000	15,185,301	12,717,271
15,461,961	15,295,000	14,150,000	13,030,000	11,685,000
805,000	630,000	455,000	300,000	150,000
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16,266,961	15,925,000	14,605,000	13,330,000	11,835,000
<u>\$ 41,379,835</u>	<u>\$ 37,695,000</u>	<u>\$ 32,870,000</u>	<u>\$ 28,515,301</u>	<u>\$ 24,552,271</u>
\$ 2,920,333,650	\$ 2,972,081,580	\$ 3,070,872,210	\$ 3,205,569,930	\$ 3,323,044,630
1.42%	1.27%	1.07%	0.89%	0.74%
59,395	60,290	60,593	59,324	59,211
\$ 697	\$ 625	\$ 542	\$ 481	\$ 415

City of Novi, Michigan

Statistical Section Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	Tax-limited	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Bonded Debt	Total	Taxable Value	Debt as a		Debt per Capita
	General Obligation Bonds (LTGO)						Percentage of Taxable Value	Population (2)	
2008	\$ 1,150,000	\$ 46,005,000	\$ 910,000	\$ -	\$ 48,065,000	\$ 3,550,406,740	1.35	54,688	\$ 879
2009	950,000	40,895,000	610,000	-	42,455,000	3,582,448,240	1.19	54,376	781
2010 (1)	750,000	35,485,000	315,000	19,390,000	55,940,000	3,554,943,630	1.57	55,224	1,013
2011 (1)	550,000	29,715,000	-	18,430,000	48,695,000	3,204,568,440	1.52	55,374	879
2012	275,000	24,535,000	-	17,425,000	42,235,000	2,949,611,480	1.43	56,062	753
2013	-	21,055,000	-	16,365,000	37,420,000	2,920,333,650	1.28	59,395	630
2014	-	19,020,000	-	15,295,000	34,315,000	2,972,081,580	1.15	60,290	569
2015	-	16,905,000	-	14,150,000	31,055,000	3,070,872,210	1.01	60,593	513
2016	-	15,185,301	-	13,030,000	28,215,301	3,205,569,930	0.88	59,324	476
2017	-	12,717,271	-	11,835,000	24,552,271	3,323,044,630	0.74	59,211	415

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.semco.org

Source: City's finance department records

City of Novi, Michigan

Statistical Section Debt Capacity Information Direct and Overlapping Governmental Activities Debt Year Ended June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 108,570,000	99.84	\$ 108,396,288
Northville School District	40,710,000	18.87	7,681,977
Walled Lake School District	125,810,000	13.15	16,544,015
South Lyon School District	172,305,000	3.66	6,306,363
Oakland County	372,198,081	6.24	23,225,160
Oakland Intermediate School District	45,495,000	5.27	2,397,587
Oakland Community College	820,000	5.07	41,574
Schoolcraft Community College	21,485,000	4.86	1,044,171
			<hr/>
Total overlapping debt			165,637,135
			<hr/>
Direct City debt (1)			12,717,271
			<hr/>
Total direct and overlapping debt			<u>\$ 178,354,406</u>

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

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

City of Novi, Michigan

	2008	2009	2010	2011	2012
Calculation of Debt Limit					
State equalized valuation (2)	\$ 3,946,241,780	\$ 3,876,954,790	\$ 3,742,061,910	\$ 3,321,184,600	\$ 3,063,922,590
Assessed value equivalent of Act 198 exemptions (1)	<u>8,385,600</u>	<u>8,423,350</u>	<u>8,414,300</u>	<u>8,389,050</u>	<u>8,960,650</u>
Debt limit (10% of SEV)	395,462,738	388,537,814	375,047,621	332,957,365	307,288,324
Calculation of Debt Subject to Limit					
Total debt	81,392,982	73,274,656	64,613,290	55,925,472	48,022,653
Less:					
Special assessment bonds	13,395,000	11,730,000	10,080,000	8,505,000	6,930,000
Michigan Transportation Fund bonds	910,000	610,000	315,000	-	-
Revenue bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net debt subject to limit	<u>67,087,982</u>	<u>60,934,656</u>	<u>54,218,290</u>	<u>47,420,472</u>	<u>41,092,653</u>
Legal debt margin	<u>\$ 328,374,756</u>	<u>\$ 327,603,158</u>	<u>\$ 320,829,331</u>	<u>\$ 285,536,893</u>	<u>\$ 266,195,671</u>
Net Debt Subject to Limit as Percent of Debt Limit	16.96%	15.68%	14.46%	14.24%	13.37%

(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.

**Statistical Section
Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years**

2013	2014	2015	2016	2017
\$ 3,004,330,340	\$ 3,099,733,610	\$ 3,365,191,110	\$ 3,704,488,760	\$ 3,952,090,850
<u>8,960,650</u>	<u>10,158,950</u>	<u>13,968,800</u>	<u>14,370,350</u>	<u>21,891,300</u>
301,329,099	310,989,256	337,915,991	371,885,911	397,398,215
41,379,835	37,695,000	32,870,000	28,515,301	24,552,271
4,970,000	3,380,000	1,815,000	300,000	150,000
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
36,409,835	34,315,000	31,055,000	28,215,301	24,402,271
<u>\$ 264,919,264</u>	<u>\$ 276,674,256</u>	<u>\$ 306,860,991</u>	<u>\$ 343,670,610</u>	<u>\$ 372,995,944</u>
12.08%	11.03%	9.19%	7.59%	6.14%

City of Novi, Michigan

Water and Sewer Revenue Bonds

Debt Service

Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenue	Principal	Interest	Coverage
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013*	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

* 2012 Special Assessment Limited Tax Bond was paid in full in the current year.

Source: City's annual financial statements

**Statistical Section
Debt Capacity Information
Pledged-revenue Coverage
Last Ten Fiscal Years**

Special Assessment bonds				
Debt Service				
Special Assessment Collections	Principal	Interest	Coverage	
\$ 2,589,203	\$ 1,600	\$ 649	\$	1.15
2,480,991	1,665	574		1.11
2,583,000	1,650	499		1.20
2,660,803	1,575	425		1.33
2,700,549	1,575	354		1.40
2,503,020	1,625	140		1.42
2,137,737	1,590	130		1.24
2,277,115	1,565	83		1.38
1,798,863	1,515	34		1.16
286,913	150	3		1.88

City of Novi, Michigan

Statistical Section Demographic and Economic Information Demographic and Economic Statistics Last Twelve Fiscal Years

Fiscal Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate
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
2012	56,062	*	*	8.2
2013	59,395	*	*	9.4
2014	60,290	*	*	4.4
2015	60,593	*	*	3.6
2016	59,324	*	*	2.8
2017	59,211	*	*	1.9

* Not available

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

** U.S. Bureau of Labor Statistics - Warren, Troy, Farmington Hills

City of Novi, Michigan

Statistical Section Demographic and Economic Information Principal Employers Current Year and Nine Years Ago

Employer	2017 Rank	2017 Employees	2008 Rank	2008 Employees
St. John Health/Providence Park Hospital	1	1,600	4	500
Novi Community Schools	2	892	1	807
248.668.8703 Fox Run	3	744		
Ryder System	4	500		
248.946.3528 ITC Holding, Inc.	5	600		
248.994.7010 Eberspaecher North America, Inc	6	408		
Intier/Magna	7	396	2	650
Cooper-Standard Automotive	8	270	5	340
248.305.9662 Comau North America	9	256		
248.349.4800 Michigan Cat	10	255		
Macys			3	539
Tower Automotive			5	340
Ikon Office Solutions, Inc.			6	307
1.800.472.0072 Paychex			7	300
Polynorm Automotive, N.A.			8	250
City of Novi			9	250
CVS Michigan, LLC			10	250

Note - Employee totals do not include part-time employees

Sources: The City's Neighborhood and Business Relations Group

(1) Information for prior nine years is currently not available

Sources: The City's Neighborhood and Business Relations Group

City of Novi, Michigan

Function/Program	2008	2009	2010	2011	2012
City manager	3	3	3	3	3
Finance Department (7)	8	8	8	7	7
Information technology	5	5	5	5	5
Assessing	7	7	7	7	5
City clerk	6	6	6	5	5
Treasury	3	3	3	3	3
Facility Operations	2	2	4	2	1
Human Resources (3)	-	-	5	5	4
General administration	5	6	-	-	-
Department of Public Safety	-	-	128	118	111
Police department (4)	99	99	-	-	-
Fire department (4)	31	31	-	-	-
Building Department	-	-	-	-	-
Neighborhood services	-	-	-	-	-
Department of Public Services (5)	23	24	36	36	33
Engineering	6	6	-	-	-
Parks, Recreation, and Cultural Services (6)	19	17	11	10	10
Water and Sewer	12	12	12	12	12
Library	20	20	20	20	18
Community Relations	-	-	-	-	-
Neighborhood and Business Relations Group (1)	4	4	3	3	3
Planning	-	-	-	-	-
Community Development (2)	31	31	21	19	18
Total	284	284	272	255	238

(1) Formerly "Community Relations". Includes cable department

(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 DPS

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

(7) Finance includes both the Finance Department and Treasury Department in Fiscal Year 2013

Source: City's finance department records

**Statistical Section
Operating Information
Full-time Equivalent Government Employees
Last Ten Fiscal Years**

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
3	3	3	3	3
9	9	9	9	9
5	5	5	6	7
5	5	5	5	5
5	5	5	5	5
-	-	-	-	-
2	2	2	3	3
4	4	4	4	4
-	-	-	-	-
111	113	115	115	123
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
35	35	34	36	29
-	-	-	-	-
11	11	11	12	15
13	14	14	14	14
20	20	20	17	17
-	-	-	-	-
4	4	3	6	4
-	-	-	-	-
<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
<u>247</u>	<u>251</u>	<u>250</u>	<u>255</u>	<u>259</u>

City of Novi, Michigan

Function/Program	2008	2009	2010	2011	2012
Election data:					
Registered voters	35,117	36,320	35,764	36,921	37,366
Voters at polls	9,020	19,684	2,887	14,535	3,633
Absentee ballots	2,768	8,455	2,212	4,575	2,386
Percent voting	26.00%	77.48%	14.26%	51.76%	16.11%
Police:					
Part A crimes	2,102	2,018	1,868	1,679	1,841
Part B crimes	987	721	793	814	627
Injury accidents	242	264	216	272	288
Property damage	1,825	1,737	1,602	1,761	1,631
Moving traffic violations	6,813	11,184	11,635	10,167	9,381
Parking violations	N/A	N/A	512	285	288
Adult arrests	1,703	1,987	2,353	2,368	2,082
Juvenile arrests	189	229	201	213	166
OUIL arrests	266	369	363	415	335
False alarms	2,403	2,275	2,262	2,357	2,090
Fire:					
Fire incidents	266	1,015	134	92	120
Service incidents	1,218	567	2,006	1,311	1,249
Fire inspections conducted	2,619	3,049	2,341	2,920	3,557
Medical emergencies	2,724	2,766	2,957	3,299	3,169
Paid-on-call staff	56	68	68	66	68
Parks and recreation:					
Youth classes/clinics	572	715	1,154	1,238	1,544
Adult classes/clinics	428	213	439	458	414
Youth leagues	2,983	2,198	2,585	2,371	2,431
Adult leagues	2,240	2,394	2,750	4,024	4,120
Summer day camp	341	339	742	703	668
Lakeshore Park vehicle entry	10,335	7,065	11,533	9,846	10,822
Lakeshore Park attendance	17,777	17,663	28,833	24,615	27,055
Lakeshore Park picnic shelter rental	163	130	128	98	105
Senior citizens served (1)	87,188	78,978	78,432	68,517	76,462
Special event attendance	11,413	11,049	12,071	14,311	14,018
Civic Center Rentals	2,731	2,116	1,060	1,516	1,492
Civic Center Attendance	97,249	81,810	57,519	37,457	35,506
Novi Theaters - Cast (4)	226	214	206	181	198
Novi Theaters - Audience (4)	6,392	4,548	5,041	4,757	4,715
Library (2):					
Items circulated	580,438	628,724	556,582	759,021	803,552
Book collections	128,711	123,884	137,220	146,187	152,024
Audio/Video/CD collections	13,774	13,232	14,295	18,015	20,618
Periodical subscriptions	179	162	185	215	208
Requests of Information	159,485	154,735	171,324	220,427	210,960
Youth Summer Reading	1,491	1,491	1,061	1,261	1,338
Program participants	35,062	18,772	24,145	34,198	45,572
Visitors	269,815	280,560	262,826	371,274	378,571
Interlibrary loans	60,182	78,214	67,615	100,342	109,274
Water and Sewer - Customers:					
Residential	12,716	12,641	12,874	12,940	13,191
Commercial	1,280	1,287	1,225	1,239	1,254
Water (in thousand gallons):					
Purchased from Detroit	2,402,589	2,182,409	2,041,594	2,166,712	2,459,402
Sold to residents	2,192,050	2,079,696	1,919,763	2,024,406	2,109,414
Rates:					
Minimum 7,000 gallons (3)	\$ 33.00	\$ 41.00	\$ 42.00	\$ -	\$ -
Fixed rate quarterly water charge	-	-	-	35.00	37.00
Additional usage per 1,000 gallons	3.17	3.95	4.06	3.31	3.44
Fixed rate quarterly sewer charge	-	-	-	5.00	5.00
Sewer (per thousand gallons of water usage)	2.32	2.51	2.67	2.90	4.00

(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.

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

(4) Program eliminated in Fiscal Year 2016

Source: City's finance department records

Statistical Section Operating Information Operating Indicators Last Ten Fiscal Years

2013	2014	2015	2016	2017
38,757	39,248	39,341	38,706	39,706
20,484	4,719	14,341	3,423	20,160
8,765	2,599	5,029	2,588	9,937
75.00%	18.65%	49.24%	15.53%	75.80%
2,048	1,736	1,654	1,508	1,596
626	673	622	638	577
310	276	295	300	273
1,695	1,153	1,037	1,084	1,174
10,058	8,487	8,216	7,916	5,904
199	185	75	231	392
2,241	2,355	2,574	2,428	1,965
137	142	98	98	100
342	268	164	217	145
2,270	2,538	2,164	2,094	2,074
112	120	113	124	78
1,360	1,345	457	642	502
3,063	2,919	3,108	2,898	2,944
3,383	3,425	3,811	3,784	4,064
55	54	39	71	63
1,620	1,149	1,584	1,475	1,577
340	462	1,244	549	3,268
2,512	2,471	2,199	2,934	3,403
5,220	5,279	5,300	3,868	3,630
N/A	334	498	747	691
13,000	15,462	14,391	14,995	14,320
32,500	38,655	35,978	37,488	37,217
116	125	120	231	150
77,759	75,832	79,172	77,687	66,845
17,021	20,028	16,840	18,153	26,026
1,520	1,560	1,058	1,203	916
17,021	44,200	33,988	23,023	21,731
253	293	86	-	-
5,454	4,997	1,705	-	-
800,031	799,475	734,643	793,991	833,558
151,724	152,236	149,941	140,895	141,129
23,507	25,677	27,776	29,077	29,737
210	242	207	207	218
N/A	115,392	115,392	113,778	117,235
2,042	2,340	2,584	2,084	2,362
34,899	40,010	40,901	46,854	56,026
389,220	401,984	392,047	404,979	424,401
109,330	106,250	105,588	112,016	115,222
13,604	13,760	13,946	14,105	14,220
1,223	1,204	1,259	1,264	1,239
2,321,313	2,216,075	1,835,567	2,276,389	2,349,960
2,222,787	2,138,305	1,811,910	1,963,221	2,231,717
\$ -	\$ -	\$ -	\$ -	\$ -
40.00	57.00	57.00	80.00	56.00
3.86	4.13	4.13	3.05	3.20
6.00	6.00	6.00	30.00	30.00
4.25	4.30	4.30	3.40	3.60

City of Novi, Michigan

Function/Program	2008	2009	2010	2011	2012
Police stations	1	1	1	1	1
Fire stations	4	4	4	4	4
Public works:					
Miles of city streets:					
Major	39	40	39	39	39
Local	127	128	132	136	141
Estimated sidewalks in miles (1)	227	228	230	231	231
Bridges	4	4	4	4	4
Street lights	402	418	421	421	421
Parks and recreation:					
Acres	894	991	1,138	1,138	1,138
Locations	7	11	11	11	11
Library branches	1	1	1	1	1
Water and sewer:					
Miles of water mains	288	306	306	306	306
Miles of sanitary sewers	230	243	243	245	245
Fire hydrants	4,011	4,003	4,003	4,002	4,002

Source: City's finance department records

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

**Statistical Section
Operating Information
Capital Asset Statistics
Last Ten Fiscal Years**

2013	2014	2015	2016	2017
1	1	1	1	1
4	4	4	4	4
39	39	39	44	44
141	144	146	143	144
232	256	261	272	272
4	4	10	10	10
421	504	689	691	693
1,150	1,260	1,288	1,276	1,296
12	13	15	17	17
1	1	1	1	1
306	328	333	336	339
245	252	255	268	271
4,002	4,192	4,211	4,181	4,200