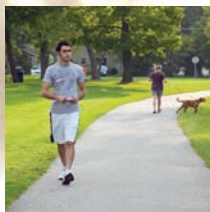




NOVI responsible

ensuring our community's sustainable future through proper planning



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010 • Novi, Michigan



Comprehensive Annual Financial Report

City of Novi, Michigan

Fiscal Year Ended June 30, 2010

City of Novi, Michigan
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Contents

Introductory Section

Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	vi
Organizational Charts.....	vii
List of Principal Officials.....	ix
Fund Organization Chart.....	x

Financial Section

Report of Independent Auditors.....	1
Management’s Discussion and Analysis.....	3

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets.....	20
Statement of Revenue, Expenses, and Changes in Net Assets.....	21
Statement of Cash Flows.....	23
Fiduciary Funds:	
Statement of Net Assets.....	24
Statement of Changes in Net Assets.....	25
Notes to Financial Statements	26

City of Novi, Michigan
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Contents (continued)

Required Supplemental Information

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – General Fund.....	50
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – Municipal Street Fund	54
Note to Required Supplemental Information	55

Other Supplemental Information

Combining Balance Sheet – Nonmajor Governmental Funds.....	57
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	61
Budgetary Comparison Schedule – Nonmajor Governmental Funds	65
Statement of Changes in Assets and Liabilities – Agency Fund.....	76

Statistical Section..... 77

Net Assets by Component.....	78
Change in Net Assets – Governmental Activities	79
Change in Net Assets – Business-type Activities	80
Fund Balances – Governmental Funds.....	81
Changes in Fund Balances – Governmental Funds	83
Assessed Value and Actual Value of Taxable Property	87
Direct and Overlapping Property Tax Rates.....	89
Principal Taxpayers	92
Property Tax Levies and Collections	93
Ratios of Outstanding Debt by Type.....	94
Ratios of General Bonded Debt Outstanding.....	96
Direct and Overlapping Governmental Activities Debt.....	97
Legal Debt Margin Information.....	98
Pledged-revenue Coverage.....	100
Demographic and Economic Statistics.....	101
Principal Employers	102
Full-time Equivalent City Government Employees by Function/Program	103
Operating Indicators by Function/Program	105
Capital Asset Statistics by Function/Program.....	109



October 12, 2010

Honorable Mayor David Landry
Members of the City Council
Citizens of the City of Novi, Michigan

CITY COUNCIL

Mayor
David B. Landry

Mayor Pro Tem
Kim Capello

Bob Gatt

Terry K. Margolis

Andrew Mutch

Kathy Crawford

Dave Staudt

City Manager
Clay J. Pearson

City Clerk
Maryanne Cornelius

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi for the fiscal year ended June 30, 2010. 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 that 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 record keeping 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 City serves over 51,000 residents 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.

City of Novi
45175 W. Ten Mile Road
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 web site (InvestNovi.org), devoted entirely for 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's comprehensive web site cityofnovi.org draws 1,000 visitors daily.

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 protection; public services, parks, recreational and cultural activities; 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 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 (that is the level at which expenditures cannot exceed the appropriated amount) is established by function and category. It takes a five-vote majority to amend the budget.

Factors Affecting Financial Condition

Local Economy – Standard & Poor's, which provides credit ratings and other financial analysis, upgraded the City of Novi's rating on general obligation bonds two increments from AA- to AA+ in June 2008, which was affirmed in March 2010. Standard & Poor's defines an AA+ rating as "having excellent financial security and being highly safe." "The upgrade is a testament to the City's low debt, excellent fiscal management, healthy reserves and commitment to long-term planning," explained Clay J. Pearson, City Manager. "We are very fortunate to have a diverse, solid tax base and a strong financial profile." Moody's Investor Service has also affirmed the City's rating at Aa2. This rating places Novi in an elite group of communities throughout the country. Only 15% of communities nationwide receive Aa2 status. Moody's defines Aa2 as bonds judged to be of high quality by *all* standards.

Novi is proud of several recently completed key developments. **Ryder Systems Inc.** constructed a new regional headquarters, representing a \$22 million investment in the community. **ITC Transmission Company**, the nation's largest independent electrical transmission company, made Novi its national headquarters. And, after nearly two years of construction, in 2008, **St. John Providence Park** opened a 200-bed hospital on a 200-acre total, health campus. In addition to the full-service hospital, the campus provides an array of services in a beautiful wooded setting, complete with walking and cycling paths and 18 acres devoted to health-related retail establishments.

Over the last few years, Novi has focused its economic development efforts on the telematics and car connectivity industries due to its emerging growth. Novi and southeast Michigan have untapped advantages to have a large presence in the Intelligent Transportation Systems (ITS) market. Within the telematics industry, more than 5,000 firms employ approximately 70,000 people in Oakland County, many of them are employed in Novi. Those firms in Novi include **Freescale Semiconductor**, **Elektrobit**, and **Harman/Becker Automotive**. Novi has established an economic development opportunity to lead the region "early" in supporting a market cluster and not chasing after players in a developed market with established roots elsewhere.

Novi remains strong as a result of sustained residential and commercial development experienced over the past ten years. The diverse tax mix of residential, manufacturing, office, service and technology, and retail-recreational centers will continue to provide a stable environment to attract new investment within Novi as we continue to navigate through the adverse economic cycles currently affecting the Michigan economy.

Long-term Financial Planning – The dependency on sales tax collections in Michigan as the sole source for the state revenue sharing pool injects a degree of instability within this revenue source during these periods of economic downturn. On average state revenue sharing for cities ranges from a low of 5.7% of general fund revenue to a high of 45.2% with an average of 19%. For the fiscal year ended June 30, 2010, Novi's reliance on revenue sharing payments represents 13% of total general fund revenues or \$3,046,979. Novi's total revenue sharing declined by over 11% or \$378,903 from the prior fiscal year. There are two ways that local units share in a portion of sales tax revenue. A constitutional portion is distributed to cities, villages and townships based on a community's population. A second portion of sales tax, the statutory portion is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. It is this portion that is determined by the Governor and State legislature and can be changed at their discretion. Novi's reliance on this statutory portion of revenue sharing is approximately 1% of its total annual distribution. The majority of Novi's state revenue payments is constitutional and cannot be eliminated without a vote of the people.

Cash Management Policies and Practices – The City complies with Public Act 20 of 1943 and Public Act 367 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts and commercial paper. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the State of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City has an investment policy in accordance with the above statements. The City invested in institutions that participated in the FDIC-TAG (Transaction Account Guarantee Program)

to secure investments during the uncertain financial times. The fees for participation in this program, generally around 0.25%, were netted against investment earnings.

Risk Management – Effective July 1, 2003 the City terminated its participation in the Michigan Municipal League general liability and property insurance program and is now insured through the Municipal Insurance Alliance. The City of Novi still continues to participate in the Michigan Municipal League Workers' Compensation Fund which is a group self-insured program which provides workers' disability compensation benefits to injured employees of Fund Members. The Fund is comprised of public employers of the State of Michigan which are authorized and approved under Section 611(2) of the Workers' Disability Compensation Act, PA 317 of 1969, as amended, to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers. Additional information on the City of Novi's risk management activity can be found in Note 8 of the notes to the financial statements.

Pension and Other Postemployment Benefits – The City participates in the Michigan Municipal Employee's Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The City's annual required contribution is calculated as a percentage of payroll each year by an independent actuary engaged by MERS. As a matter of policy, the City of Novi fully funds each year's annual required contribution to the pension plan. Effective May 1, 2006, December 1, 2006, and June 1, 2009, all new administrative, Michigan Association of Public Employees or MAPE (formally Teamster), and fire employees, respectively, are no longer eligible for participation in Novi's defined benefit pension plan. The City will instead contribute 8% of an employee's eligible compensation into a defined contribution plan for administrative and MAPE employees, and 10% for fire. Effective July 1, 2007, all newly hired eligible Library employees now participate in a defined contribution plan as well.

The City of Novi also provides retiree health care benefits to qualifying full-time employees upon retirement, in accordance with labor contracts. Currently, 62 retirees are eligible. Expenditures for retiree health care benefits are recognized in the General Fund as the insurance premiums become due for individuals retired before June 30, 1994. For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Expendable Trust Fund. Employer contributions are made annually to this fund and charged as expenditures to individual departmental budgets based on a percentage of wages.

All administrative employees hired after May 1, 2006, MAPE employees hired after December 1, 2006 and fire employees hired after June 1, 2009 will be enrolled into a Retiree Health Care Savings Account with a City contribution of \$50 per pay.

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, 2009. This was the twelfth 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 independent auditing firm of Andrews Hooper Pavlik PLC who provided assistance during the audit by way of document reviews. Appreciation is also expressed to the Mayor and City Council members and Clay Pearson, City Manager, for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Marina Neumaier
Assistant Finance Director



Kathy A. Smith-Roy
Finance Director

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

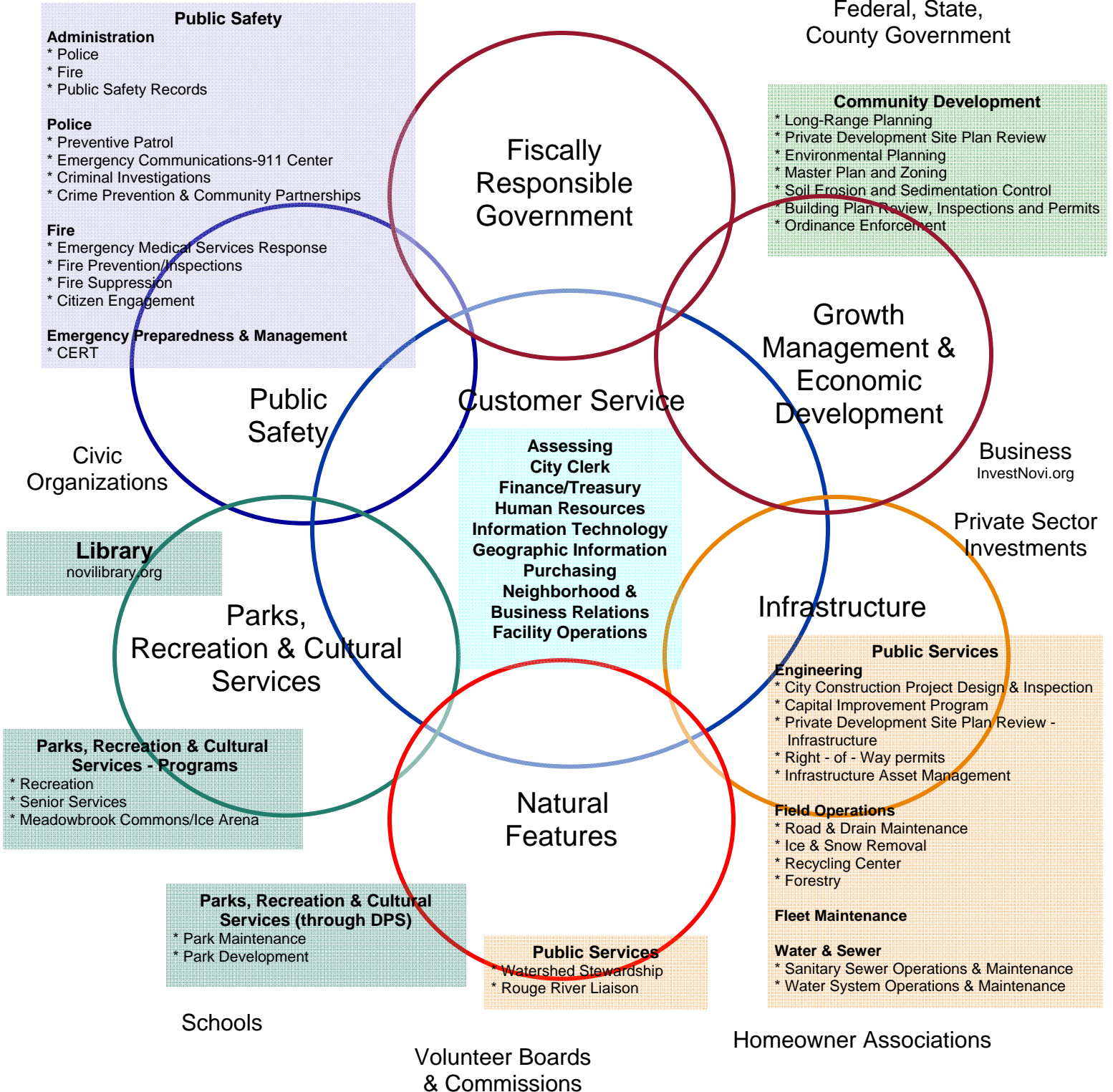
Executive Director

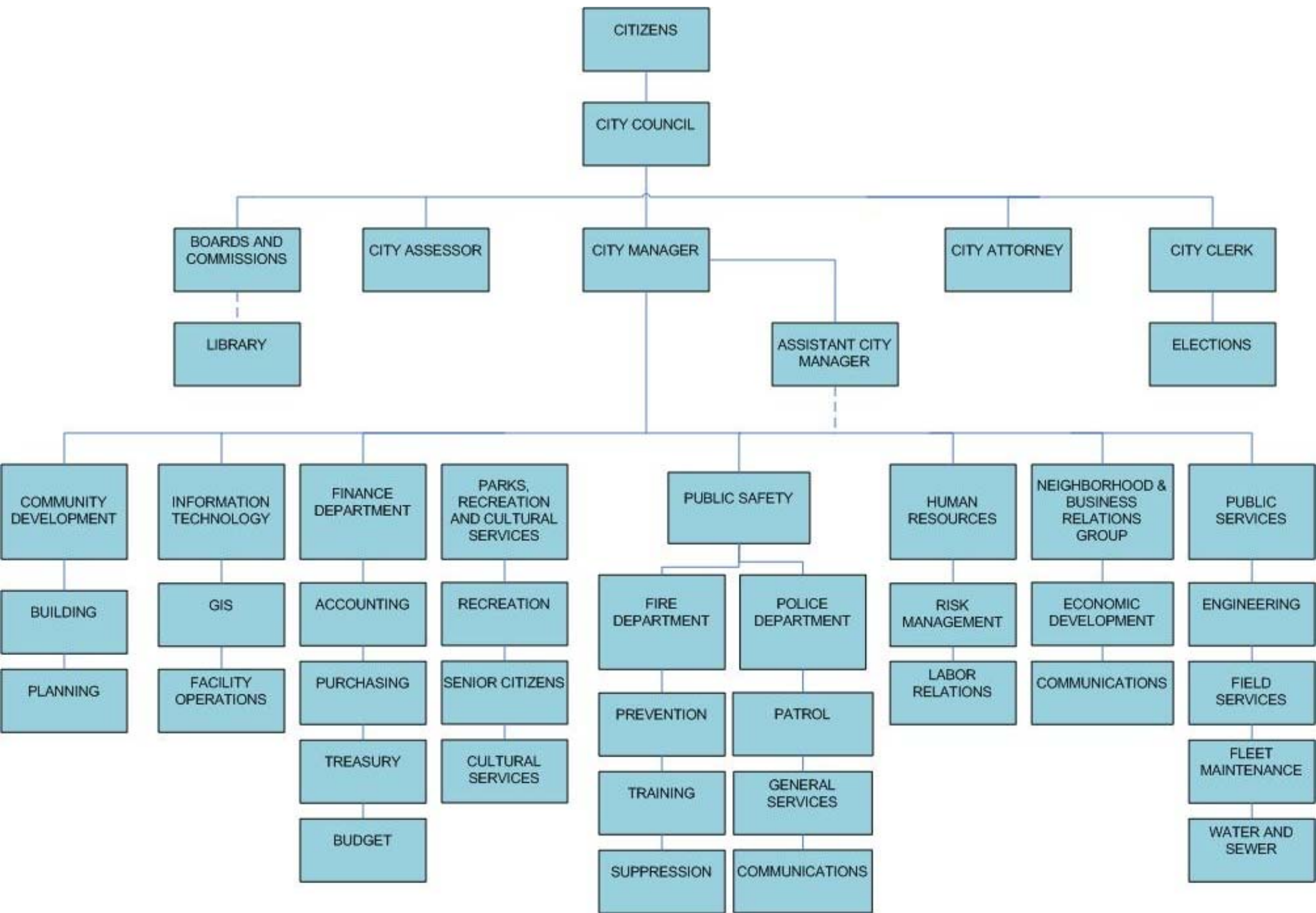


Organizational Chart

Mayor and City Council
Office of the City Manager

Citizens





City of Novi, Michigan
List of Principal Officials
June 30, 2010

<u>Title</u>	<u>Name</u>
City Manager	Clay J. Pearson
Assistant City Manager	Victor Cardenas
Assessor	David G. Lemmon
Deputy Assessor	Marjorie D. Bixby
City Clerk	Maryanne Cornelius
Deputy City Clerk	Cortney A. Brennan
Director of Human Resources	Tia M. Gronlund-Fox
Director of Communications	Sheryl L. Walsh
Roadway Asset Manager	Gerald P. Tremblay
Water and Sewer Manager	Timothy J. Sikma
Director of Public Services/City Engineer	Robert F. Hayes
Engineering Manager	Brian T. Coburn
Fleet Asset Manager/Analyst Planner	Becky C. Arold
Director of Information Technology/Facilities Operations	Robert L. Petty
GIS Manager	Christopher A. Blough
Director of Economic Development	Ara Topouzian
Community Development Director	Charles S. Boulard
Building Official	Andrew P. Gerecke
Director of Emergency Medical Services and Fire Operations	Jeffery R. Johnson
Acting Parks, Recreation, and Cultural Services Director	Nancy A. Cowan
Field Operation Services Manager	Matthew T. Wiktorowski
Senior Services Manager	Rachel A. Zagaroli
Director of Public Safety	David E. Molloy
Deputy Police Chief	Thomas C. Lindberg
Assistant Police Chief	Victor C.M. Lauria
Analyst Planner	Patricia A. Cauchi
Library Director	Julie E. Farkas
Water and Sewer Financial Services Manager	Tina M. Glenn
Community Development Deputy Director	Barbara E. McBeth
Purchasing Manager	Susan J. Morianti
Assistant Finance Director	Marina Neumaier
Assistant City Treasurer	Beverly A. Valente
Senior Financial Manager	Suzanne B. Moreno
Finance Director/Treasurer	Kathy A. Smith-Roy

City of Novi, Michigan
Fund Organization Chart

Governmental Funds

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
Special Assessments 2000 Voted Street 2000 Limited Tax Debt 2002 Michigan Transportation Debt 2003 Refunding Debt 2002 Street and Refunding Debt 2008 Library Construction Debt 1993 Refunding Debt	Major Street Local Street Municipal Street Police and Fire Parks, Recreation, and Cultural Services Tree Fund Drain Revenue Drain Perpetual Maintenance Special Assessment Revolving Judgment Trust Contributions and Donations Forfeiture Library Walker Library
<u>Capital Projects</u>	
2008 Library Construction	

Proprietary Fund - 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	Agency

Component Unit

Economic Development Corporation

Report of Independent Auditors

To the City Council
City of Novi, Michigan

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 (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Novi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of the City of Novi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that

report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other required supplemental information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi's basic financial statements. The other supplemental information (identified in the table of contents) is presented for the purpose of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables (identified in the table of contents), are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Andrews Hooper Paulik PLC

Auburn Hills, Michigan
October 12, 2010

City of Novi, Michigan

Management's Discussion and Analysis

The City of Novi, Michigan's (City) discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2010. 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, 2010 by \$152,904,802.
- Investment in capital assets (net of depreciation and related debt) accounts for over half of this amount, with a value of \$98,921,906.
- Of the remaining net assets, \$8,329,201 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- Net assets related to the City's governmental activities increased by \$4,007,684, or 2.7% during fiscal year 2009-2010. As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$48,809,690. Fund balance of the General Fund totaled \$9,710,403 at June 30, 2010, of which \$1,164,935 was designated for future expenditures, leaving \$8,545,468 unreserved and undesignated. Unreserved fund balance represents the amount of financial resources available for future spending or appropriation.
- Total direct debt at June 30, 2010 was \$64,613,290.

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 revenues (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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets 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 each program relies on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are 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 No. 14, *The Financial Reporting Entity*, 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 maintains 24 individual governmental funds. The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund, Municipal Street Fund, and the 2008 Library Construction Fund. These funds are considered major funds as of June 30, 2010. 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. Such 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 revenues, expenditures, and changes in fund balances provide a 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 and Municipal Street 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 assets to the business-type column on the government-wide statement of net assets, the total net assets agree and, therefore, need no reconciliation.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund, 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 of Novi'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.

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

City of Novi, Michigan
Management's Discussion and Analysis (continued)

Government-wide Financial Analysis

Statement of Net Assets – As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City's assets exceeded total liabilities by \$325,833,457 at the close of June 30, 2010. The following table shows, in a condensed format, the net assets as of June 30, 2010 and 2009.

	Governmental Activities		Business-type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 53,634,208	\$ 53,535,278	\$ 46,730,324	\$ 44,444,899	\$100,364,532	\$ 97,980,177
Noncurrent assets:						
Restricted assets	10,682,402	21,832,340	8,429,638	8,748,604	19,112,040	30,580,944
Capital assets	142,382,892	135,710,491	141,638,638	144,303,595	284,021,530	280,014,086
Other	267,937	156,280	23,367	-	291,304	156,280
Total assets	206,967,439	211,234,389	196,821,967	197,497,098	403,789,406	408,731,487
Liabilities						
Current liabilities	15,385,533	15,649,920	5,500,769	5,824,305	20,886,302	21,474,225
Long-term liabilities	38,677,104	46,687,351	18,392,543	19,519,656	57,069,647	66,207,007
Total liabilities	54,062,637	62,337,271	23,893,312	25,343,961	77,955,949	87,681,232
Net Assets						
Invested in capital assets-						
Net of related debt	98,921,906	95,693,089	122,111,095	123,683,939	221,033,001	219,377,028
Restricted	45,653,695	43,593,310	8,429,638	8,680,849	54,083,333	52,274,159
Unrestricted	8,329,201	9,610,719	42,387,922	39,788,349	50,717,123	49,399,068
Total net assets	\$152,904,802	\$148,897,118	\$172,928,655	\$172,153,137	\$ 325,833,457	\$ 321,050,255

Over 67% of the City's net assets reflect its investment in capital, 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 assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets related to governmental activities of \$8,329,201 represent the amount that may be used to meet the City's ongoing obligations.

City of Novi, Michigan
Management's Discussion and Analysis (continued)

Changes in Net Assets – The City's total net assets increased by \$4,783,202 during fiscal year 2009-2010. Governmental activities increased net assets by \$4,007,684, which represents 84% of the total growth in net assets for the City. The unrestricted portion of net assets related to governmental activities decreased by \$1,281,518. This decrease in unrestricted net assets is primarily a result of reductions in property tax revenue and unrestricted interest earnings. This reduction was due to a projected decline in investment yields as a result of market conditions during the year as well as a less than 1% reduction in taxable value from the previous year.

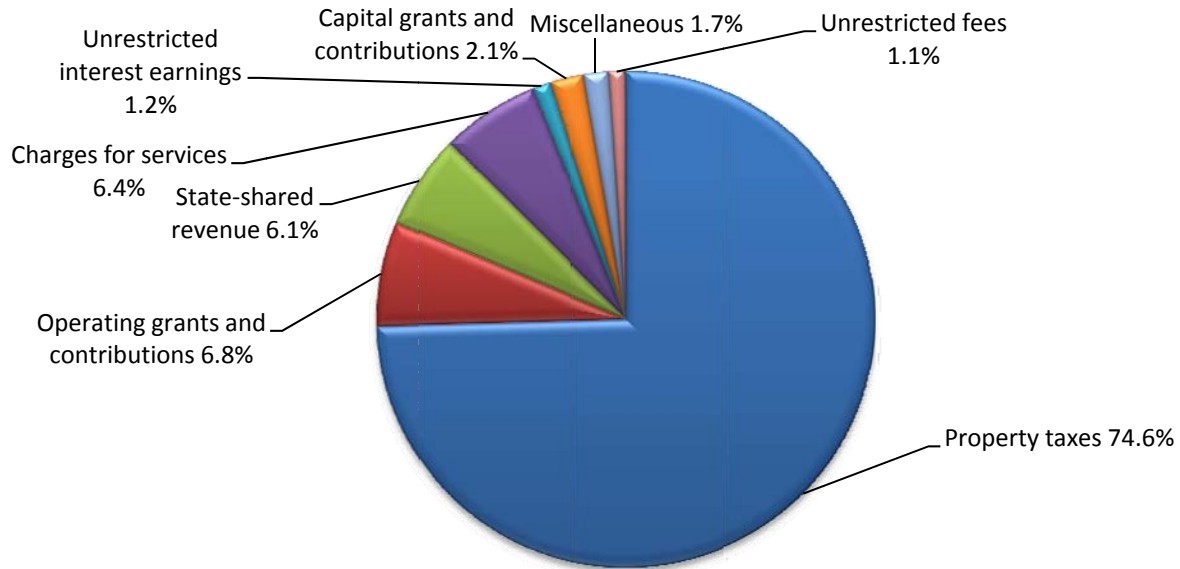
Business-type activities increased net assets by \$775,518, which represents 16% of the total growth in net assets for the City. This increase is a result of savings recognized in the Senior Housing Fund due to the refunding of bonds which were sold March 2, 2010. The City refunded two of its existing debt obligations to take advantage of cost savings due to lower interest rates. In addition, the City's bond rating with Standard & Poor's of AA+ was affirmed. Standard & Poor's defines AA+ rating as having excellent financial security and being highly safe. In addition, the Water and Sewer Fund recognized \$1.3 million in system-connection related fees and water and sewer lines contributed by developers. Key elements of this increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 3,198,540	\$ 2,927,831	\$ 20,231,325	\$ 20,282,908	\$ 23,429,865	\$ 23,210,739
Operating grants and contributions	3,391,897	3,915,138	-	-	3,391,897	3,915,138
Capital grants and contributions	1,070,050	1,882,357	1,443,974	3,087,188	2,514,024	4,969,545
General revenue:						
Property taxes	37,137,888	37,776,272	-	-	37,137,888	37,776,272
State-shared revenue	3,046,979	3,425,882	-	-	3,046,979	3,425,882
Unrestricted investment earnings	593,064	2,375,074	388,711	167,462	981,775	2,542,536
Franchise fees	535,804	422,430	-	-	535,804	422,430
Other	823,054	1,369,730	-	-	823,054	1,369,730
Total revenue	49,797,276	54,094,714	22,064,010	23,537,558	71,861,286	77,632,272
Expenses						
General government	6,404,820	6,857,555	-	-	6,404,820	6,857,555
Public safety	18,735,448	19,619,207	-	-	18,735,448	19,619,207
Public works	9,831,873	10,898,774	-	-	9,831,873	10,898,774
Community and economic development	1,317,373	1,277,239	-	-	1,317,373	1,277,239
Recreation and culture	7,719,230	5,389,349	-	-	7,719,230	5,389,349
Interest on long-term debt	1,780,848	2,343,833	-	-	1,780,848	2,343,833
Water and sewer	-	-	18,043,772	18,216,338	18,043,772	18,216,338
Ice arena	-	-	1,669,542	1,755,459	1,669,542	1,755,459
Senior housing	-	-	1,575,178	1,736,707	1,575,178	1,736,707
Total expenses	45,789,592	46,385,957	21,288,492	21,708,504	67,078,084	68,094,461
Change in Net Assets	4,007,684	7,708,757	775,518	1,829,054	4,783,202	9,537,811
Net Assets – Beginning of year	148,897,118	141,188,361	172,153,137	170,324,083	321,050,255	311,512,444
Net Assets – End of year	\$152,904,802	\$148,897,118	\$172,928,655	\$172,153,137	\$325,833,457	\$321,050,255

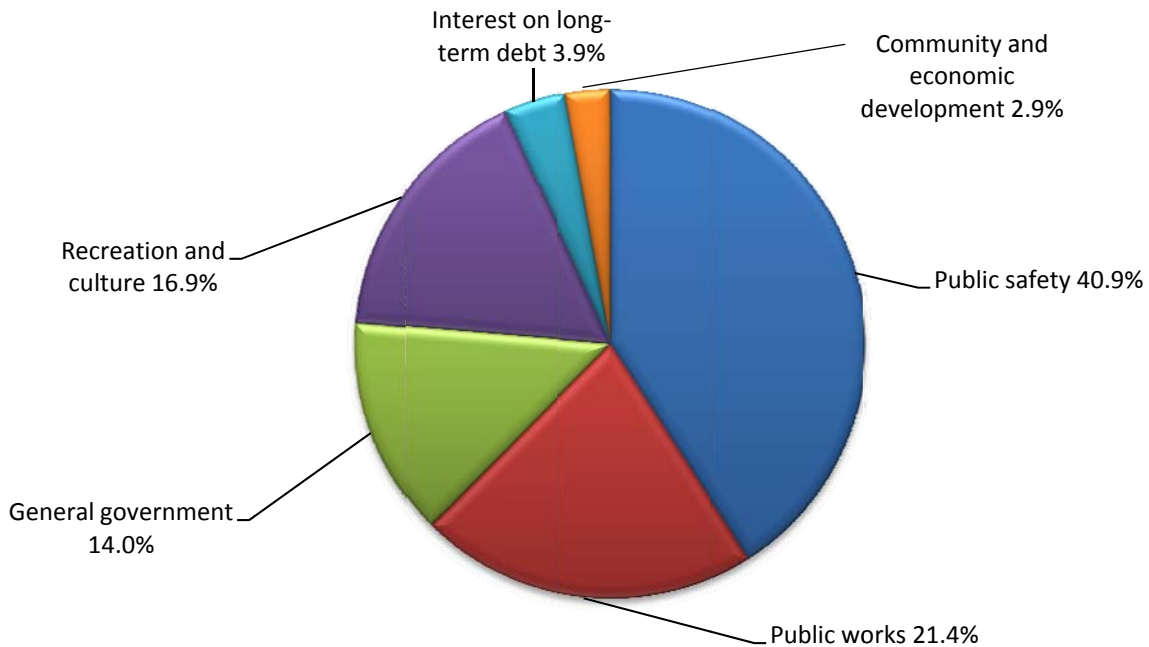
City of Novi, Michigan
Management's Discussion and Analysis (continued)

Governmental Activities – Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 15.3% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.

Revenue by Source - Governmental Activities



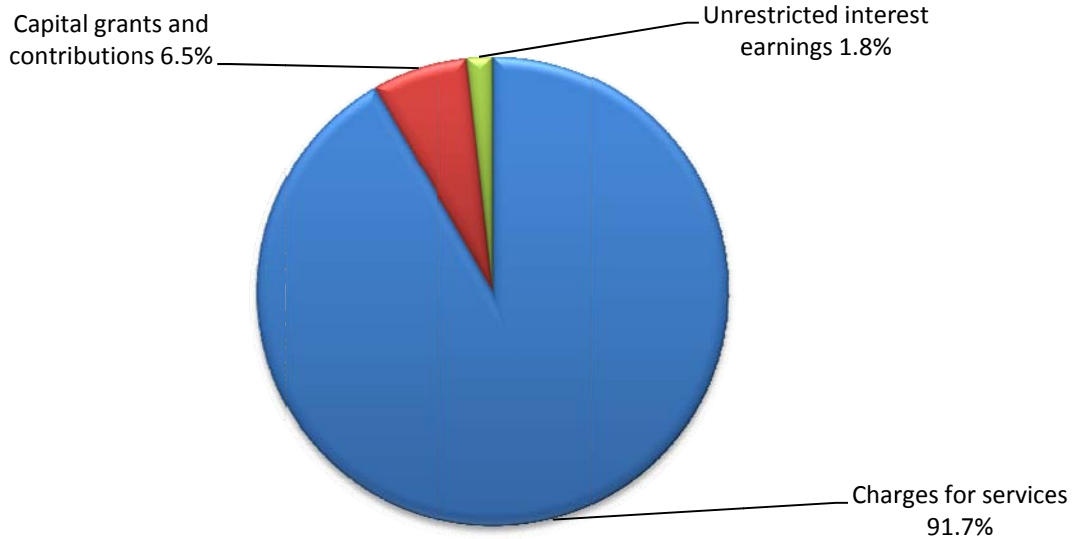
Expenses by Activity - Governmental Activities



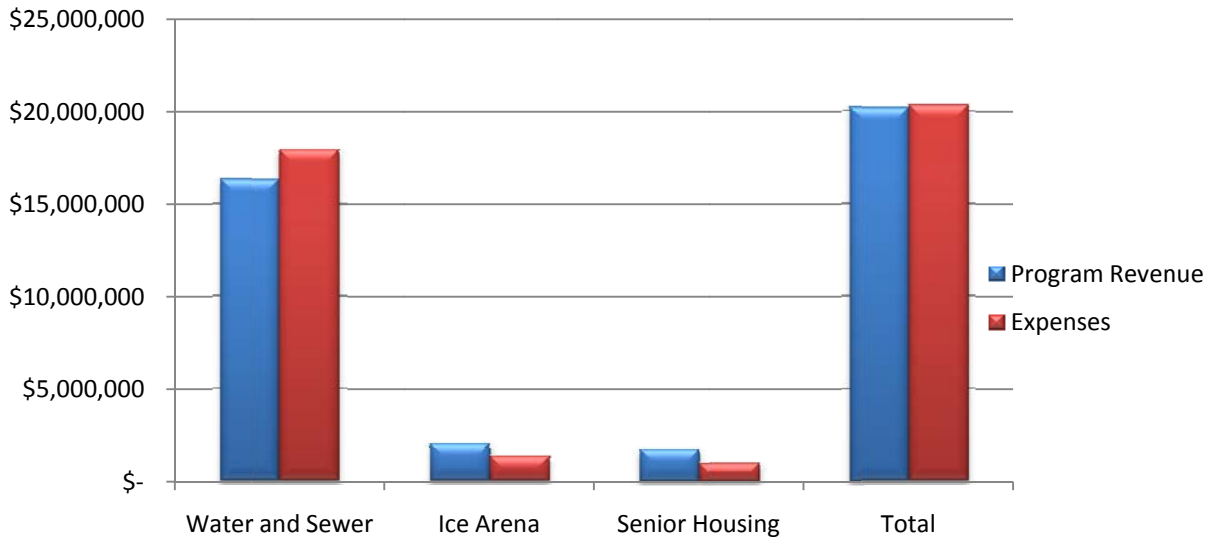
City of Novi, Michigan
Management's Discussion and Analysis (continued)

Business-type Activities – Business-type activities increased the City's net assets by \$775,518. During the year the City sold refunding bonds for the Meadowbrook Commons Senior Housing facility recognizing a net present value benefit of \$165,981. In addition, cost savings were recognized in the operations of the ice arena due to changes in operations implemented by the City's management firm.

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 24 governmental funds, categorized into four fund types. Each fund type has a unique purpose. Three funds are classified as major funds for the purpose of this report based on criteria set forth by the Governmental Accounting Standards Board. Those funds are the General Fund, the Municipal Street Fund, and the 2008 Library Construction Fund.

As of June 30, 2010, the governmental funds of the City reported a combined fund balance of \$48,809,690, a decrease of \$9,290,095 in comparison with the prior year. The majority of this decrease is due to the spending of bond proceeds in the amount of \$11,030,060 to construct the new Novi public library and the reduction in unrestricted interest earnings in the amount of \$1,869,965 as a result of declines in investment yields during the year.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets increased slightly from the prior year by approximately 7%.

General Fund Budgetary Highlights

The City's budget results for the fiscal year ended June 30, 2010 were even better than anticipated. For the fiscal year ended June 30, 2010, actual results of operations exceeded projections for the year by \$2.1 million, primarily as a result of cost savings measures implemented during the year by way of staff reductions, reductions in overtime within public safety, and a continuous review of operations and effective management oversight.

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, 2010 totals \$284,021,530 (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	
	2010	2009	2010	2009	2010	2009
Land	\$ 26,865,660	\$ 26,297,608	\$ 2,115,198	\$ 2,102,076	\$ 28,980,858	\$ 28,399,684
Buildings and improvements	28,123,968	21,309,587	16,628,026	17,111,134	44,751,994	38,420,721
Machinery and equipment and library books	7,219,605	6,959,450	359,579	435,355	7,579,184	7,394,805
Infrastructure	80,173,659	81,143,846	116,437,009	118,266,589	196,610,668	199,410,435
Construction in progress	-	-	6,098,826	6,388,441	6,098,826	6,388,441
Total	\$ 142,382,892	\$ 135,710,491	\$ 141,638,638	\$ 144,303,595	\$ 284,021,530	\$ 280,014,086

Additional information on the City's capital assets can be found in Note 5 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, 2010 and 2009:

	Governmental Activities		Business-type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 36,020,747	\$ 41,845,000	\$ -	\$ -	\$ 36,020,747	\$ 41,845,000
Michigan transportation fund bonds	315,000	610,000	-	-	315,000	610,000
Special assessment debt with government commitment	8,750,000	10,200,000	1,330,000	1,530,000	10,080,000	11,730,000
County contractual obligations	-	-	-	-	-	-
Building authority bonds	-	-	18,197,543	19,089,656	18,197,543	19,089,656
Total	\$ 45,085,747	\$ 52,655,000	\$ 19,527,543	\$ 20,619,656	\$ 64,613,290	\$ 73,274,656

Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget plan, as approved in the fiscal year 2010-2011 budget, continues to maintain an amount above the minimum of 14% of current year's expenditures to be set aside for unforeseen emergencies. The General Fund property tax revenue is estimated at \$15,605,000 for 2010-2011. The State Shared Revenue projections for 2010-2011 are based on the State's estimate. The 2010 Census will likely result 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. This may assist in offsetting any further reductions in the statutory portion as budgeted by the State. A reduction of approximately 10% of our full-time staffing positions has been achieved. The Police and Fire Fund transfer covers some personnel, operating, and capital costs. The 2010-2011 transfer is \$4,940,000.

The 2010 approved tax millage rate continues to remain at 10.5416 mills. Unreserved fund balance in the General Fund is \$9,710,403; of this amount, \$1,164,935 has been designated for subsequent year's expenditures.

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 W. 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 Assets
June 30, 2010

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 42,014,416	\$ 42,546,793	\$ 84,561,209	\$ 94,532
Accounts receivable:				
Other governmental units	996,583	96,750	1,093,333	-
Water and sewer billings	-	3,771,345	3,771,345	-
Taxes	9,838	114,861	124,699	-
Special assessments	10,453,611	-	10,453,611	-
Other	124,825	113,605	238,430	35,000
Prepaid and other assets	34,935	1,537	36,472	-
Inventory	-	85,433	85,433	-
Restricted assets (Note 4)	10,682,402	8,429,638	19,112,040	-
Other postemployment benefits asset (Note 13)	267,937	23,367	291,304	-
Capital assets - Net (Note 5):				
Depreciable	115,517,232	133,424,614	248,941,846	-
Nondepreciable	26,865,660	8,214,024	35,079,684	-
Total assets	206,967,439	196,821,967	403,789,406	129,532
Liabilities				
Accounts payable	3,145,649	2,873,271	6,018,920	-
Accrued and other liabilities	2,199,056	368,630	2,567,686	-
Due to other governmental units	-	875,275	875,275	-
Unearned revenue (Note 6)	210,624	9,005	219,629	-
Receipts refundable	-	127,826	127,826	-
Noncurrent liabilities:				
Bonds payable (Note 7):				
Due within one year	7,685,000	1,135,000	8,820,000	-
Due in more than one year	37,400,747	18,392,543	55,793,290	-
Employee compensated absences (Note 1):				
Due within one year	1,811,709	111,762	1,923,471	-
Due in more than one year	1,276,357	-	1,276,357	-
Claims and judgments due within one year (Note 8)	333,495	-	333,495	-
Total liabilities	54,062,637	23,893,312	77,955,949	-
Net Assets				
Invested in capital assets - Net of related debt	98,921,906	122,111,095	221,033,001	-
Restricted:				
Streets and highways	4,203,890	-	4,203,890	-
Drains	11,272,157	-	11,272,157	-
Debt service	1,747,094	-	1,747,094	-
Special assessments	17,115,517	8,429,638	25,545,155	-
Police and fire	3,820,919	-	3,820,919	-
Federal forfeitures	915,092	-	915,092	-
Parks, recreation, and cultural services	1,132,747	-	1,132,747	-
Library	2,525,067	-	2,525,067	-
Donations	1,607,480	-	1,607,480	-
Tree fund	1,313,732	-	1,313,732	-
Unrestricted	8,329,201	42,387,922	50,717,123	129,532
Total net assets	\$ 152,904,802	\$ 172,928,655	\$ 325,833,457	\$ 129,532

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

City of Novi, Michigan
Statement of Activities
June 30, 2010

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 6,404,820	\$ 87,344	\$ -	\$ 64,230
Public safety	18,735,448	1,780,059	510,900	-
Public works	9,831,873	38,823	2,738,872	628,317
Community and economic development	1,317,373	82,275	-	-
Recreation and culture	7,719,230	1,210,039	142,125	377,503
Interest on long-term debt	1,780,848	-	-	-
Total governmental activities	45,789,592	3,198,540	3,391,897	1,070,050
Business-type activities:				
Water and sewer	18,043,772	16,359,420	-	1,443,974
Ice arena	1,669,542	2,067,836	-	-
Senior housing	1,575,178	1,804,069	-	-
Total business-type activities	21,288,492	20,231,325	-	1,443,974
Total primary government	\$ 67,078,084	\$ 23,429,865	\$ 3,391,897	\$ 2,514,024
Component unit - Economic Development Corporation	\$ 3,996	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted interest earnings				
Cable television franchise fees (unrestricted)				
Miscellaneous				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

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

City of Novi, Michigan

Statement of Activities (continued)

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit- Economic Development Corporation
\$ (6,253,246)	\$ -	\$ (6,253,246)	\$ -
(16,444,489)	-	(16,444,489)	-
(6,425,861)	-	(6,425,861)	-
(1,235,098)	-	(1,235,098)	-
(5,989,563)	-	(5,989,563)	-
(1,780,848)	-	(1,780,848)	-
(38,129,105)	-	(38,129,105)	-
-	(240,378)	(240,378)	-
-	398,294	398,294	-
-	228,891	228,891	-
-	386,807	386,807	-
(38,129,105)	386,807	(37,742,298)	-
-	-	-	(3,996)
37,137,888	-	37,137,888	-
3,046,979	-	3,046,979	-
593,064	388,711	981,775	145
535,804	-	535,804	-
823,054	-	823,054	68,729
42,136,789	388,711	42,525,500	68,874
4,007,684	775,518	4,783,202	64,878
148,897,118	172,153,137	321,050,255	64,654
\$ 152,904,802	\$ 172,928,655	\$ 325,833,457	\$ 129,532

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

City of Novi, Michigan
Governmental Funds
Balance Sheet
June 30, 2010

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 2)	\$ 11,097,810	\$ 2,559,143	\$ -	\$ 28,357,463	\$ 42,014,416
Accounts receivable:					
Other governmental units	464,275	-	-	532,308	996,583
Taxes	9,838	-	-	-	9,838
Special assessments	-	9,754,693	-	107,000	9,861,693
Other	88,291	-	-	36,534	124,825
Prepaid expense	34,935	-	-	-	34,935
Restricted assets (Note 4)	-	3,892,216	2,413,015	4,377,171	10,682,402
Total assets	\$ 11,695,149	\$ 16,206,052	\$ 2,413,015	\$ 33,410,476	\$ 63,724,692
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 968,955	\$ 56,588	\$ 788,254	\$ 1,331,852	\$ 3,145,649
Accrued and other liabilities	1,015,791	80,089	-	601,156	1,697,036
Deferred revenue (Note 6)	-	9,754,693	-	317,624	10,072,317
Total liabilities	1,984,746	9,891,370	788,254	2,250,632	14,915,002
Fund Balances					
Reserved for restricted assets	-	3,892,216	1,624,761	4,375,565	9,892,542
Unreserved, reported in:					
General Fund - Designated (Note 10)	1,164,935	-	-	-	1,164,935
General Fund - Undesignated	8,545,468	-	-	-	8,545,468
Special Revenue Funds - Designated (Note 10)	-	793,865	-	2,326,990	3,120,855
Special Revenue Funds - Undesignated	-	1,628,601	-	22,710,195	24,338,796
Debt Service Funds - Undesignated	-	-	-	1,747,094	1,747,094
Total fund balances	9,710,403	6,314,682	1,624,761	31,159,844	48,809,690
Total liabilities and fund balances	\$ 11,695,149	\$ 16,206,052	\$ 2,413,015	\$ 33,410,476	\$ 63,724,692

City of Novi, Michigan
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total Fund Balances for Governmental Funds	\$ 48,809,690
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	142,382,892
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures (including \$591,918 of accrued interest on special assessments)	10,453,611
Other postemployment benefits assets are not financial resources and are not reported in the funds	267,937
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(45,085,747)
Compensated absences are not due and payable in the current period and are not reported in the funds	(3,088,066)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(333,495)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	(502,020)
Net Assets of Governmental Activities	\$ 152,904,802

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

City of Novi, Michigan
 Governmental Funds
 Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2010

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 17,593,261	\$ 2,674,686	\$ -	\$ 16,869,941	\$ 37,137,888
Licenses, permits, and charges for services	1,981,548	-	-	-	1,981,548
Federal grants	164,674	-	-	182,048	346,722
State sources	3,076,658	-	-	2,849,660	5,926,318
Special assessments collected	-	1,416,589	-	107,000	1,523,589
Fines and forfeitures	533,262	-	-	485,923	1,019,185
Interest income	220,390	676,183	13,923	367,511	1,278,007
Recreational programs	-	-	-	1,064,430	1,064,430
Gifts and donations	-	-	-	110,815	110,815
Other revenue	584,600	178,275	100	226,237	989,212
Total revenue	24,154,393	4,945,733	14,023	22,263,565	51,377,714
Expenditures					
Current services:					
City Council	9,242	-	-	-	9,242
City manager	411,411	-	-	-	411,411
Finance department	812,468	-	-	-	812,468
Information technology	685,954	-	-	-	685,954
Assessing	841,391	-	-	-	841,391
City attorney	347,976	-	-	-	347,976
City clerk	565,152	-	-	-	565,152
Treasury	295,806	-	-	-	295,806
Buildings and grounds	1,154,049	-	-	-	1,154,049
Neighborhood and business relations group	685,791	-	-	-	685,791
General administration	1,597,272	-	-	1,500	1,598,772
Police department	11,464,834	-	-	-	11,464,834
Fire department	4,813,234	-	-	-	4,813,234
Community development - Building division	1,438,146	-	-	-	1,438,146
Community development - Planning division	625,365	-	-	-	625,365
Department of public services	2,254,978	-	-	-	2,254,978
Planning Commission	3,366	-	-	-	3,366
Construction	-	1,402,164	11,026,219	2,161,604	14,589,987
Street maintenance	-	266,418	-	2,099,990	2,366,408
Drain maintenance	-	-	-	635,237	635,237
Recreational programs	-	-	-	1,942,282	1,942,282
Forestry and park maintenance	-	-	-	200,962	200,962
Library programs	-	-	-	2,578,916	2,578,916
Other	-	11,855	3,841	301,925	317,621
Capital outlay	-	-	-	503,397	503,397
Debt service:					
Principal	-	1,450,000	-	5,875,001	7,325,001
Interest and other	-	451,163	-	1,504,647	1,955,810
Advance refunding escrow	-	-	-	109,181	109,181
Total expenditures	28,006,435	3,581,600	11,030,060	17,914,642	60,532,737
Excess of Revenue Over (Under) Expenditures	(3,852,042)	1,364,133	(11,016,037)	4,348,923	(9,155,023)

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

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

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Refunding bonds issued	\$ -	\$ -	\$ -	\$ 4,895,000	\$ 4,895,000
Payment to refunded bond escrow agent	-	-	-	(5,030,072)	(5,030,072)
Transfers in (Note 3)	3,490,000	-	3,200	2,603,896	6,097,096
Transfers out (Note 3)	(241,775)	(940,000)	-	(4,915,321)	(6,097,096)
Total other financing sources (uses)	3,248,225	(940,000)	3,200	(2,446,497)	(135,072)
Net Change in Fund Balances	(603,817)	424,133	(11,012,837)	1,902,426	(9,290,095)
Fund Balances - Beginning of year	10,314,220	5,890,549	12,637,598	29,257,418	58,099,785
Fund Balances - End of year	\$ 9,710,403	\$ 6,314,682	\$ 1,624,761	\$ 31,159,844	\$ 48,809,690

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

June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (9,290,095)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	17,296,724
Statement of activities records depreciation on capital assets in the statement of activities; these costs are allocated	(10,624,322)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(1,580,440)
Proceeds from bonds are reported as other financing sources in the governmental funds, but not in the statement of activities	(4,895,000)
Governmental funds do not report contributions to other postemployment benefits as an asset; in the statement of activities, contributions in excess of the actuarial recommended contribution are recorded as an asset	111,657
Repayment of bond principal is recorded as an expenditure in the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability)	12,355,072
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	124,955
Decrease in estimated general liability is recorded when paid in the governmental funds	307,528
Interest accrued on long-term debt is an expenditure in the statement of activities, but not in the governmental funds	201,605

Change in Net Assets of Governmental Activities \$ 4,007,684

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

City of Novi, Michigan
Proprietary Funds
Statement of Net Assets
June 30, 2010

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 40,110,449	\$ 1,331,906	\$ 1,104,438	\$ 42,546,793
Accounts receivable:				
Water and sewer billing	3,771,345	-	-	3,771,345
Taxes	114,861	-	-	114,861
Other	67,918	28,564	17,123	113,605
Due from other governmental units	96,750	-	-	96,750
Prepaid expense	-	1,202	335	1,537
Inventory	80,625	4,808	-	85,433
Other postemployment benefits asset (Note 13)	23,367	-	-	23,367
Total current assets	44,265,315	1,366,480	1,121,896	46,753,691
Noncurrent assets:				
Restricted assets (Note 4)	8,429,638	-	-	8,429,638
Capital assets (Note 5)	122,739,514	6,652,884	12,246,240	141,638,638
Total noncurrent assets	131,169,152	6,652,884	12,246,240	150,068,276
Total assets	175,434,467	8,019,364	13,368,136	196,821,967
Liabilities				
Current liabilities:				
Accounts payable	2,793,539	52,891	26,841	2,873,271
Accrued and other liabilities	131,761	66,963	281,668	480,392
Due to other governmental units	875,275	-	-	875,275
Deferred charges	-	-	9,005	9,005
Receipts refundable	127,826	-	-	127,826
Current portion of long-term liabilities (Note 7)	175,000	345,000	615,000	1,135,000
Total current liabilities	4,103,401	464,854	932,514	5,500,769
Noncurrent liabilities - Long -term debt - Net of deferred amount on refunding				
Total liabilities	1,155,000	5,578,136	11,659,407	18,392,543
Total liabilities	5,258,401	6,042,990	12,591,921	23,893,312
Net Assets				
Invested in capital assets - Net of related debt	121,409,514	729,748	(28,167)	122,111,095
Restricted for:				
Special assessments	8,429,638	-	-	8,429,638
Unrestricted	40,336,914	1,246,626	804,382	42,387,922
Total net assets	\$ 170,176,066	\$ 1,976,374	\$ 776,215	\$ 172,928,655

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 Assets
June 30, 2010

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Operating Revenue				
Water sales	\$ 8,908,123	\$ -	\$ -	\$ 8,908,123
Sewer service charges	7,075,061	-	-	7,075,061
Concession sales	-	121,100	-	121,100
Rentals and other charges for services	-	1,839,323	1,782,208	3,621,531
Penalties	150,188	-	-	150,188
Inspection fees	9,990	-	-	9,990
Installation charges	157,506	-	-	157,506
Miscellaneous revenue	58,552	107,413	21,860	187,825
	<hr/>			
Total operating revenue	16,359,420	2,067,836	1,804,068	20,231,324
Operating Expenses				
Cost of water	7,030,414	-	-	7,030,414
Cost of sewage disposal	5,739,276	-	-	5,739,276
Cost of goods sold	-	57,039	-	57,039
Salaries and fringe benefits	916,526	-	-	916,526
Contractual services	46,843	483,421	241,632	771,896
Management contract	-	134,691	53,364	188,055
Municipal service charges	311,080	-	-	311,080
Depreciation	3,392,130	241,801	361,700	3,995,631
Repairs and maintenance	189,620	75,429	174,590	439,639
Utilities	13,921	223,351	96,960	334,232
Insurance	13,878	10,892	31,714	56,484
Office supplies	24,001	6,591	18,197	48,789
Advertising	-	6,782	3,044	9,826
Professional services	112,920	9,535	4,842	127,297
Operating supplies	20,936	20,520	18,841	60,297
Installation expenses	107,623	-	-	107,623
Vehicle expenses	47,463	-	-	47,463
Education and training	5,921	737	1,151	7,809
Recreational programs	-	96,453	-	96,453
Miscellaneous expenses	24,049	1,866	9,733	35,648
	<hr/>			
Total operating expenses	17,996,601	1,369,108	1,015,768	20,381,477
	<hr/>			
Operating (Loss) Income	(1,637,181)	698,728	788,300	(150,153)

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 Assets (continued)

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Nonoperating Income (Expense)				
Interest earned	\$ 487,377	\$ 9,335	\$ 11,257	\$ 507,969
Interest and other expense	(47,175)	(300,431)	(559,407)	(907,013)
Total nonoperating income (expense)	440,202	(291,096)	(548,150)	(399,044)
(Loss) Income - Before capital contributions	(1,196,979)	407,632	240,150	(549,197)
Capital Contributions				
Donated water and sewer lines	404,282	-	-	404,282
Customer assessments - Tap fees	920,433	-	-	920,433
Total capital contributions	1,324,715	-	-	1,324,715
Change in Net Assets	127,736	407,632	240,150	775,518
Net Assets - Beginning of year	170,048,330	1,568,742	536,065	172,153,137
Net Assets - End of year	\$ 170,176,066	\$ 1,976,374	\$ 776,215	\$ 172,928,655

City of Novi, Michigan
Proprietary Funds
Statement of Cash Flows
June 30, 2010

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 16,756,618	\$ 1,946,759	\$ 1,766,597	\$ 20,469,974
Payments to suppliers	(14,046,100)	(1,133,744)	(648,241)	(15,828,085)
Payments to employees	(916,526)	-	-	(916,526)
Payments to/from other governmental units	(43,388)	-	-	(43,388)
Other receipts	58,552	108,155	21,860	188,567
Net cash provided by operating activities	<u>1,809,156</u>	<u>921,170</u>	<u>1,140,216</u>	<u>3,870,542</u>
Cash Flows from Capital and Related Financing Activities				
Collection of customer assessments (principal and interest)	920,433	-	-	920,433
Purchase of capital assets	(817,108)	(83,182)	(26,102)	(926,392)
Principal and interest paid on capital debt	(247,175)	(623,869)	(1,128,082)	(1,999,126)
Net cash used in capital and related financing activities	<u>(143,850)</u>	<u>(707,051)</u>	<u>(1,154,184)</u>	<u>(2,005,085)</u>
Cash Flows from Investing Activities - Interest received on investments				
	487,377	9,335	11,257	507,969
Net Increase in Cash and Cash Equivalents	2,152,683	223,454	(2,711)	2,373,426
Cash and Cash Equivalents - Beginning of year	44,095,135	1,108,452	1,107,149	46,310,736
Cash and Cash Equivalents - End of year	<u>\$ 46,247,818</u>	<u>\$ 1,331,906</u>	<u>\$ 1,104,438</u>	<u>\$ 48,684,162</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 40,110,449	\$ 1,331,906	\$ 1,104,438	\$ 42,546,793
Restricted investments (Note 4)	6,137,369	-	-	6,137,369
Total cash and cash equivalents	<u>\$ 46,247,818</u>	<u>\$ 1,331,906</u>	<u>\$ 1,104,438</u>	<u>\$ 48,684,162</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (1,637,181)	\$ 698,728	\$ 788,300	\$ (150,153)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	3,392,130	241,801	361,700	3,995,631
Changes in assets and liabilities:				
Receivables	455,750	(13,664)	(15,611)	426,475
Inventory	(7,870)	-	-	(7,870)
Other assets	-	742	11,170	11,912
Accounts payable	(336,759)	9,793	4,107	(322,859)
Accrued and other liabilities	9,841	(16,230)	(9,450)	(15,839)
Due to other governmental units	(19,838)	-	-	(19,838)
Due from other governmental units	(23,550)	-	-	(23,550)
Other postemployment benefit asset	(23,367)	-	-	(23,367)
Net cash provided by operating activities	<u>\$ 1,809,156</u>	<u>\$ 921,170</u>	<u>\$ 1,140,216</u>	<u>\$ 3,870,542</u>

City of Novi, Michigan
 Fiduciary Funds
 Statement of Net Assets
 June 30, 2010

	Postemployment Benefits - Retiree Health Care Benefits	Agency
Assets		
Cash and cash equivalents (Note 2)	\$ 421,728	\$ 10,048,124
U.S. government securities	2,411,241	-
Bank investment pools	2,898,218	-
Common stock	4,832,808	-
Mutual funds	740,720	-
Total assets	11,304,715	<u><u>\$ 10,048,124</u></u>
Liabilities		
Due to builders and developers	-	\$ 10,028,124
Due to school and other governmental units	-	20,000
Total liabilities	-	<u><u>\$ 10,048,124</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 11,304,715</u></u>	

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

City of Novi, Michigan
 Fiduciary Funds
 Statement of Changes in Net Assets
 June 30, 2010

	Postemployment Benefits - Retiree Health Care Benefits
Additions	
Net investment gain	\$ 1,108,369
Contributions - Employer	1,493,748
Total additions	2,602,117
Deductions	
Healthcare insurance premiums	376,640
Administration	12,300
Total deductions	388,940
Change in Net Assets	2,213,177
Net Assets - Beginning of year	9,091,538
Net Assets - End of year	\$ 11,304,715

City of Novi, Michigan
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Novi (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member City Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit – The Economic Development Corporation of the City of Novi 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 combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. A separate financial report for the Economic Development Corporation may be obtained from the finance department located at the City of Novi Civic Center, 45175 W. Ten Mile Road, Novi, MI 48375.

Blended Component Unit – 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. The Building Authority is also overseeing the construction of the new Novi public library.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. This also includes unrestricted franchise fees that result from cable television fees, not a program of the City.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, state-shared revenue (which is unrestricted), and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

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

Note 1 – Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

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.

Municipal Street Fund – The Municipal Street Fund is used to enhance the Major and Local Streets Funds. This fund receives its revenue pursuant to a special millage as designated by Charter for street and highway improvement purposes.

Library Construction Fund – The Library Construction Fund is the City’s Capital Projects Fund used to account for the construction of the new, two-story, 55,000 square-foot Novi public library facility.

The City reports the following major proprietary 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.

Additionally, the City reports the following fiduciary fund types:

Retiree Health Care Benefits Fund – The Retiree Health Care Benefits Fund accounts for medical benefits provided to retirees.

Agency Fund – The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. It primarily holds deposits from builders and developers and tax remittances due to schools and other governmental units.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial 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 revenues reported for the various functions concerned.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include (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. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, recreational services, and senior housing in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary 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.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and investments include amounts in demand deposits, time deposits, U.S. governmental securities, interlocal agreements, bank investment pools, and mutual funds. Investments of the Retiree Health Care Benefits Fund are reported at fair value, based on quoted market prices.

Cash Equivalents – For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and personal property tax receivables are shown as net of allowance for uncollectible amounts, if applicable.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Property Tax Revenue – Properties are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls. The County Tax Revolving Fund reimburses the City for the real property portion of these taxes and assumes collection responsibilities.

The 2009 taxable valuation of the City totaled approximately \$3.55 billion and is used for the July 1, 2009 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	4.9027	\$ 17,056,460
Police and fire supplemental millage	1.4282	4,948,811
Parks and recreation operations	0.3857	1,336,479
Library operations	0.7719	2,674,686
Drain maintenance operations	0.1765	619,415
Street maintenance operations	0.7719	2,674,686
Debt levies for streets, library, and refunding debt	2.1047	7,282,857

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – The City has classified as restricted assets those amounts due from contributions and donations, special assessment contracts with property owners for water and sewer system, road construction, drain improvements, and related debt payments due to the restricted nature of these funds once they are received.

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 estimated fair market value at the date of donation.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, bridges, and nonmotorized improvements	25 to 30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and building improvements	35 to 40 years
Machinery and equipment	4 to 10 years
Library books	10 years

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits up to the maximum caps. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

The City’s liability for compensated absences at June 30, 2010 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Due within one year	\$ 1,811,709	\$ 111,762	\$ 1,923,471
Due in more than one year	1,276,357	-	1,276,357
Total compensated absences	<u>\$ 3,088,066</u>	<u>\$ 111,762</u>	<u>\$ 3,199,828</u>

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

Note 1 – Summary of Significant Accounting Policies (continued)

Changes in the liability for compensated absences are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities	\$ 3,213,021	\$ 1,969,133	\$ (2,094,088)	\$ 3,088,066
Business-type activities	117,222	64,777	(70,237)	111,762
Total compensated absences	<u>\$ 3,330,243</u>	<u>\$ 2,033,910</u>	<u>\$ (2,164,325)</u>	<u>\$ 3,199,828</u>

Pension and Other Postemployment Benefit Costs – The City offers both pension and 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, pension and 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 balance, if any.

Claims and Judgments – The liability for claims and judgments has typically been charged to operations in the Judgment Trust and General Fund.

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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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

Note 2 – 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 City 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 Health Care Benefits Fund is also authorized by Michigan Public Act 149 of 1999, 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 approved 26 banks and other financial service institutions for the deposit of its funds according to its investment policy. The investment policy adopted by the Council 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 policy for custodial credit risk of deposits. At year end, the City had \$17,732,711 of bank deposits (certificates of deposit, checking, savings, and money market 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.

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

Note 2 – Deposits and Investments (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. At year-end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

Type of Investment	Carrying Value	How Held
Government-wide – U.S. government and agency securities	\$ 24,120,000	Counterparty
Retiree Health Care Benefits Fund – U.S. government and agency securities	4,140,951	Counterparty

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 maximum 270-day maturity. At year-end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government-wide:		
Commercial paper	\$ 500,062	.25 years
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	1,000,000	6 years
Fannie Mae	26,460,000	3.5 years
Federal Home Loan Banks	39,465,000	2 years
Federal Farm Credit Banks	1,500,000	2.25 years
Retiree Health Care Benefits Fund:		
U.S. government and agency securities:		
T-Notes	1,175,614	4.25 years
Federal Home Loan Mortgage Corporation	394,930	5.25 years
Fannie Mae	840,697	17.75 years

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

Note 2 – 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's investment policy does not further limit its investment choices. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
U.S. government and agency securities	\$ 68,425,000	AAA	S&P
Bank investment pool:			
Ambassador	1,401,054	AAA	S&P
MBIA	1,591,927	AAA	S&P
Federated	1,219,947	AAA	S&P
Commercial paper	500,062	A1 & P1	S&P
Retiree Health Care Benefits Fund:			
U.S. government and agency securities	2,411,241		Not rated
Bank investment pools	2,898,218		Not rated

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has more than 5% of its investments in the following:

Government-wide – U.S. government agencies:	
Federal Home Loan Bank	53.96%
Fannie Mae	36.18%
Retiree Health Care Benefits Fund – Fannie Mae	7.44%

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

Note 3 – Interfund Receivables, Payables, and Transfers

The following is a summary of the interfund transfers:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 3,490,000
Transfers of resources related to street expenditures (certain funds account for resources that are intended to be spent in other funds):	
Transfer from Major Street Fund to Local Street Fund	504,355
Transfer from Major Street Fund to 2002 Michigan Transportation Refunding Debt Fund	114,542
Transfer from Municipal Street Fund to the Major Street Fund	830,000
Transfer from Municipal Street Fund to Local Street Fund	110,000
Transfer from Special Assessment Revolving Fund to Local Street Fund	281,250
Transfer from Special Assessment Revolving Fund to Major Street Fund	218,750
Transfer from 1993 Refunding Debt Fund to 2002 Street and Refunding Debt Fund	169,938
Transfer from Walker Library Fund to Library Fund to reimburse expenditures used for the planning and building of the new library	130,924
Transfer from General Fund to fund debt service of the 2000 Limited Tax Debt Fund	241,775
Transfer of contributions recorded in the Walker Library Fund to the 2008 Library Construction Fund	3,200
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	2,362
Total interfund transfers	\$ 6,097,096

Note 4 – Restricted Assets and Reserves

Governmental Activities

The following is the detail of the governmental activities restricted assets at June 30, 2010:

Special Revenue Funds:	
Cash and investments restricted for special assessments	\$ 6,661,907
Cash and investments restricted for contributions and donations*	1,607,480
Total Special Revenue Funds	\$ 8,269,387
Capital Projects Funds – cash and investments restricted for capital projects	\$ 2,413,015

* Includes \$1,404,354 restricted for the Walker Library Fund and \$132,873 restricted for the Fuerst Estate gift for older adult facilities.

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

Note 4 – Restricted Assets and Reserves (continued)

Business-type Activities

Specific assets of the business-type activities have been restricted by City ordinances, contracts with Oakland County, and special assessment contracts with property owners for water and sewer system construction and related debt payments.

The following is the detail of the business-type activities restricted assets at June 30, 2010:

Water and Sewer Fund – cash and investments restricted for special assessments	\$ 6,137,369
Special assessments receivable	2,292,269
Net assets restricted in Water and Sewer Fund	\$ 8,429,638

Note 5 – Capital Assets

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

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 26,297,608	\$ 568,052	\$ -	\$ 26,865,660
Capital assets being depreciated:				
Roads	116,415,881	3,688,626	4,374,572	115,729,935
Non-motorized pathway improvements	4,144,822	638,784	-	4,783,606
Bridges	1,908,914	-	-	1,908,914
Drains	22,525,368	321,314	-	22,846,682
Buildings and improvements	32,719,264	8,471,114	1,694,440	39,495,938
Machinery and equipment	13,439,610	2,998,833	6,510,274	9,928,169
Library books	4,113,480	610,000	1,555,956	3,167,524
Subtotal	195,267,339	16,728,671	14,135,242	197,860,768
Accumulated depreciation:				
Roads	49,003,185	4,613,033	4,374,572	49,241,646
Non-motorized pathway improvements	1,544,503	170,131	-	1,714,634
Bridges	567,571	76,399	-	643,970
Drains	12,735,880	759,348	-	13,495,228
Buildings and improvements	11,409,677	1,656,733	1,694,440	11,371,970
Machinery and equipment	8,908,578	1,494,653	6,510,274	3,892,957
Library books	1,685,062	1,854,025	1,555,956	1,983,131
Subtotal	85,854,456	10,624,322	14,135,242	82,343,536
Net capital assets being depreciated	109,412,883	6,104,349	-	115,517,232
Net capital assets	\$135,710,491	\$ 6,672,401	\$ -	\$142,382,892

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

Note 5 – Capital Assets (continued)

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 2,102,076	\$ 13,122	\$ -	\$ 2,115,198
Construction in progress	6,388,441	762,718	1,052,333	6,098,826
Subtotal	8,490,517	775,840	1,052,333	8,214,024
Capital assets being depreciated:				
Water and sewer distribution systems	165,571,647	1,502,366	-	167,074,013
Buildings and building improvements	23,165,018	96,163	-	23,261,181
Machinery and equipment	1,974,204	8,638	-	1,982,842
Subtotal	190,710,869	1,607,167	-	192,318,036
Accumulated depreciation:				
Water and sewer distribution systems	47,305,058	3,331,946	-	50,637,004
Buildings and building improvements	6,053,884	579,271	-	6,633,155
Machinery and equipment	1,538,849	84,414	-	1,623,263
Subtotal	54,897,791	3,995,631	-	58,893,422
Net capital assets being depreciated	135,813,078	(2,388,464)	-	133,424,614
Net capital assets	\$144,303,595	\$ (1,612,624)	\$ 1,052,333	\$ 141,638,638

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

Governmental activities:	
General government	\$ 213,556
Public safety	1,119,243
Public works	5,887,159
Community and economic development	4,954
Recreation and culture	3,399,410
Total governmental activities	<u>\$ 10,624,322</u>
Business-type activities:	
Water and sewer	\$ 3,392,130
Ice arena	241,801
Senior housing	361,700
Total business-type activities	<u>\$ 3,995,631</u>

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

Note 5 – Capital Assets (continued)

Construction Commitments

The City has active construction projects as of June 30, 2010. At year-end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street construction	\$ 5,941,013	\$ 1,042,096
Sidewalks and pathways	374,072	127,211
Building improvements	12,022,852	411,923
Sewer projects	637,333	182,756
Water mains	1,681,082	61,360
Detention basins	484,967	26,490
Park improvements	1,505,475	-
Total	<u>\$ 22,646,794</u>	<u>\$ 1,851,836</u>

Note 6 – Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 9,861,693	\$ -
Recreation fees and other	-	210,624
Total	<u>\$ 9,861,693</u>	<u>\$ 210,624</u>

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

Note 7 – 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.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General Obligation Bonds:							
1993 Unlimited Tax Refunding Bonds:							
Amount of issue - \$10,230,000							
Maturing through 2009							
	5.10% -	\$ 740,000 -					
	5.25%	\$1,350,000	\$ 740,000	\$ -	\$ (740,000)	\$ -	\$ -
2000 Unlimited Tax Road Bonds:							
Amount of issue - \$10,000,000							
Maturing through 2015*							
	3.90% -	\$ 600,000 -					
	4.50%	\$1,100,000	6,575,000	-	(5,725,000)	850,000	850,000
2002 Limited Tax Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2012							
	4.00% -	\$200,000 -					
	5.00%	\$275,000	950,000	-	(200,000)	750,000	200,000
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017							
	3.00% -	\$ 595,000 -					
	5.25%	\$3,740,000	13,860,000	-	(3,020,000)	10,840,000	3,740,000
2003 Unlimited Tax Refunding Bonds:							
Amount of issue - \$6,565,000							
Maturing through 2012							
	2.25% -	\$ 740,000 -					
	3.50%	\$1,000,000	3,720,000	-	(820,000)	2,900,000	915,000
2002 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$2,280,000							
Maturing through 2010							
	3.00% -	\$295,000 -					
	3.50%	\$315,000	610,000	-	(295,000)	315,000	315,000
2008 Unlimited Tax Library Bonds:							
Amount of issue - \$16,000,000							
Maturing through 2027							
	3.50% -	\$ 250,000 -					
	4.50%	\$1,750,000	16,000,000	-	-	16,000,000	250,000
2010 Unlimited Tax Refunding Bonds:							
Amount of Issue - \$4,895,000							
Maturing through 2015							
	2.00% -	\$200,000 -					
	5.00%	\$275,000	-	4,895,000	-	4,895,000	15,000
Less deferred amount on refunding				(214,253)	-	(214,253)	

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

Note 7 – Long-term Debt (continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities (continued)							
Special Assessment Bonds:							
1995 Special Assessment Bonds:							
Amount of issue - \$1,700,000							
Maturing through 2009	6.00% - 6.75%	\$100,000 - \$125,000	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
2000 Special Assessment Limited Tax Bonds:							
Amount of issue - \$18,435,000							
Maturing through 2015	4.75%	\$1,300,000 - \$1,500,000	10,100,000	-	(1,350,000)	8,750,000	1,400,000
Total governmental activities			<u>\$52,655,000</u>	<u>\$4,680,747</u>	<u>\$(12,250,000)</u>	<u>\$45,085,747</u>	<u>\$ 7,685,000</u>
Business-type Activities							
Special Assessment Bonds:							
2003 Special Assessment Limited Tax Bonds:							
Amount of issue - \$2,330,000							
Maturing through 2017	2.00% - 4.00%	\$150,000 - \$200,000	\$ 1,530,000	\$ -	\$ (200,000)	\$ 1,330,000	\$ 175,000
Building Authority Bonds:							
2004 Ice Arena Refunding Bonds:							
Amount of issue - \$7,630,000							
Maturing through 2024	3.00% - 4.65%	\$310,000 - \$560,000	6,645,000	-	(350,000)	6,295,000	345,000
Less deferred amount on refunding			(398,426)	-	26,561	(371,865)	-
1999 Senior Housing Facility Bonds:							
Amount of issue - \$15,300,000							
Maturing through 2016*	5.10% - 5.50%	\$400,000 - \$625,000	3,850,000	-	(3,350,000)	500,000	500,000
2005 Senior Housing Facility Bonds:							
Amount of issue - \$9,920,000							
Maturing through 2025	3.25% - 5.00%	\$ 20,000 - \$1,100,000	9,675,000	-	(50,000)	9,625,000	80,000
Less deferred amount on refunding			(681,918)	(178,787)	40,113	(820,592)	-
2010 Senior Housing Refunding Bonds:							
Amount of Issue - \$2,970,000							
Maturing through 2015	2.00% - 2.75%	\$ 35,000 - \$625,000	-	2,970,000	-	2,970,000	35,000
Total business-type activities			<u>\$20,619,656</u>	<u>\$2,791,213</u>	<u>\$(3,883,326)</u>	<u>\$19,527,543</u>	<u>\$ 1,135,000</u>

* Bond was refunded during the year.

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

Note 7 – Long-term Debt (continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 7,685,000	\$ 1,814,765	\$ 9,499,765	\$ 1,135,000	\$ 801,442	\$1,936,442
2012	6,855,000	1,485,700	8,340,700	1,180,000	756,778	1,936,778
2013	5,205,000	1,227,775	6,432,775	1,235,000	724,828	1,959,828
2014	3,535,000	1,033,175	4,568,175	1,245,000	689,718	1,934,718
2015	3,615,000	877,769	4,492,769	1,305,000	651,534	1,956,534
2016-2020	8,155,000	2,878,581	11,033,581	6,780,000	2,467,534	9,247,534
2021-2025	5,500,000	1,681,250	7,181,250	6,740,000	999,023	7,739,023
2026-2028	4,750,000	328,125	5,078,125	1,100,000	23,649	1,123,649
Deferred amount on refundings	(214,253)	-	(214,253)	(1,192,457)	-	(1,192,457)
Total	\$ 45,085,747	\$ 11,327,140	\$ 56,412,887	\$ 19,527,543	\$ 7,114,506	\$ 26,642,049

The City refunded \$2,850,000 of Senior Complex Recreation Building Authority Bonds, Series 1999 with an average interest rate of 5.8%. These bonds were refunded through the issuance of \$2,970,000 of Building Authority Refunding Bonds with an average interest rate of 2.5%. The net proceeds of \$3,028,788 (after payment of \$58,664 in underwriter's fees and issuance costs and considering a premium of \$42,588) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets. The City realized an economic gain of \$165,981 as a result of the refunding.

In addition, the City also refunded \$4,925,000 of General Obligation Unlimited Tax Road Bonds, Series 2000 with an average interest rate of 4.6%. These bonds were refunded through the issuance of \$4,895,000 of General Obligation Unlimited Tax Bonds with an average interest rate of 2.5%. The net proceeds of \$5,139,253 (after payment of \$82,536 in underwriter's fees and issuance costs and considering a premium of \$220,004) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets. The City realized an economic gain of \$224,214 as a result of the refunding.

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

Note 8 – 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 and is covered by the Municipal Insurance Alliance for property and casualty claims, and for vehicle and contractor equipment physical 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 three fiscal years.

From July 1, 1994 through June 30, 2003, the City participated in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Since July 1, 2003, the City has participated in the Municipal Insurance Alliance Program. The Alliance provides property and liability insurance through a single A-rated insurance company.

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 liabilities of the Michigan Municipal Risk Management Authority program through June 30, 1994, estimated liabilities of the Michigan Municipal League program from July 1, 1994 through June 30, 2003, and estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

Changes in the estimated liability for the past two fiscal years were as follows:

	2010	2009
Estimated liability – beginning of year	\$ 641,023	\$ 733,766
Estimated claims incurred, including changes in estimates	739,566	734,700
Claim payments	(1,047,094)	(827,443)
Estimated liability – end of year	\$ 333,495	\$ 641,023

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

Note 9 – 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. Beginning January 1, 2000, 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 shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2009		\$ (1,325,025)
Current year building permit revenue		779,534
Related expenses:		
Direct costs	\$ 1,438,145	
Estimated indirect costs	203,855	
Total construction code expenses		1,642,000
Cumulative shortfall at June 30, 2010		\$ (2,187,491)

Note 10 – Designated Fund Balances

The fund balances of the following funds have been designated for the following purposes:

	General Fund	Municipal Street Fund	Other Nonmajor Governmental Funds
Subsequent years’ budgeted expenditures	\$ 1,164,935	\$ 793,865	\$ 2,326,990

Note 11 – Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The authority to contribute to and maintain the system for these employees was established by negotiation with the City’s collective bargaining units and requires contributions of 2.43% to 9.24% from 100% of the covered or eligible employees.

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

Note 11 – Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$2,188,904 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected wage inflation assumption of 4.5%, and (c) an increase based on an age-related scale to reflect merit, longevity, and promotional pay increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll expense over 28 years. The amortization period is open.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2009	2010
Annual pension cost (APC)	\$ 1,965,244	\$ 2,231,166	\$ 2,188,904
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

	Actuarial Valuation as of December 31		
	2007	2008	2009
Actuarial value of assets	\$41,996,050	\$ 44,163,168	\$ 46,311,532
Actuarial accrued liability (AAL)			
(entry age normal cost method)	60,092,002	64,969,356	67,225,390
Unfunded AAL (UAAL)	18,095,952	20,806,188	20,913,858
Funded ratio	70%	68%	69%
Covered payroll	15,605,658	16,092,414	15,929,804
UAAL as a percentage of covered payroll	116%	129%	131%

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

Note 12 – Defined Contribution Plan Description

Effective May 1, 2006, December 1, 2006, July 1, 2007, and June 1, 2009, all new administrative, Michigan Association of Public Employees (MAPE), library, and fire employees, 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 Program to the Defined Contribution Program on December 1, 2006. MAPE employees hired prior to December 1, 2006 had an irrevocable option to transfer from the Defined Benefit Program to the Defined Contribution Program on June 1, 2007. The City contributes 8% of eligible earnings and each member contributes 3% to an individual account established for each administrative and MAPE participant. For the library employees, the library contributes 6% of eligible earnings and each member contributes 3% to an individual account established for each participant. For fire employees, the City contributes 10% of eligible earnings and each member contributes 6% to an individual account established for each participant. 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 25 members participating in the DC plan as of June 30, 2010.

Note 13 – Other Postemployment Benefits

Plan Description

The City provides healthcare benefits to most full-time employees upon retirement. As of June 30, 2010, 62 retirees are eligible and 51 are receiving benefits. 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, and fire employees hired after June 1, 2009. These employees are enrolled into an individual Retiree Health Care 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.

Funding Policy

The collective bargaining units require a contribution by the participant for 20% of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2010, the City made payments for postemployment health benefit premiums of approximately \$59,900 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$376,640 paid out of the Retiree Health Care Benefits Fund for individuals retiring after June 30, 1994. The City also contributed another \$1,493,748 to the Retiree Health Care Benefits Fund to pre-fund future retiree healthcare benefits. The pre-funding plan required an average contribution of 10.13% of active payroll payable. The Fund has a fund balance of \$11,304,715 as of June 30, 2010.

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

Note 13 – Other Postemployment Benefits (continued)

Funding Progress

For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation:

Annual required contribution (recommended)	\$ 1,430,047
Interest on net OPEB asset	(13,070)
Adjustment to annual required contribution	<u>8,762</u>
Annual OPEB cost (expense)	1,425,739
Contributions made	<u>1,553,667</u>
Increase in net OPEB asset	127,928
Net OPEB asset – beginning of year	<u>163,376</u>
Net OPEB asset – end of year *	<u>\$ 291,304</u>

* Included in the net OPEB asset is \$267,937 related governmental activities and \$23,367 related to business-type activities.

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

Annual OPEB cost	\$ 1,425,739
Percentage contributed	109%
Net OPEB asset	291,304

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of July 1, 2009:	
Actuarial value of assets	\$ 9,091,538
Actuarial accrued liability (AAL)	19,936,733
Unfunded AAL (UAAL)	10,845,196
Funded ratio	45.60%

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

Note 13 – Other Postemployment Benefits (continued)

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 above presents 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.

In the July 1, 2009 actuarial valuation, the individual entry-age normal cost method was used. The actuarial assumptions included an 8% 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% initially, reduced by decrements to an ultimate rate of 4.5% after 10 years. Both rates included a 4.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount over a period of 28 years.

Note 14 – Joint Venture

The City participates in the Southwest Oakland Cable Commission (Cable Commission) with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5% of the total cable television charges from the cable television company as franchise fees and a 1% PEG fee. The Cable Commission retains 3% of these fees and submits the additional 3% to the City. Financial information of the joint venture as of June 30, 2010 can be obtained from the administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

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

Note 14 – Joint Venture (continued)

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (Authority). The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of South Lyon. The City appoints one member to the joint venture's governing board, which then approves the annual budget. The joint venture receives its operating revenue from member contributions and miscellaneous income. The financial information of the joint venture as of June 30, 2010 can be obtained from the Authority's administrative offices at 20000 West 8 Mile Road, Southfield, Michigan.

For both joint ventures, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 15 – Upcoming Reporting Changes

In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ended June 30, 2011.

In June 2010, the Governmental Accounting Standards Board issued Statement No. 59, *Financial Instruments Omnibus*, effective for the City's year ending June 30, 2011. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. This statement includes guidance that emphasizes the applicability of U.S. Securities and Exchange Commission requirements to certain external investment pools to provide users more consistent information on qualifying pools, addresses the applicability of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to certain financial instruments to clarify which financial instruments are within the scope of that pronouncement and to provide greater consistency in financial reporting, and applies the reporting provisions for interest-earning investment contracts of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to unallocated insurance contracts to improve the consistency of reporting by pension and OPEB plans.

Required Supplemental Information

City of Novi, Michigan
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes:				
Current property taxes	\$ 16,979,000	\$ 16,979,000	\$ 17,056,460	\$ 77,460
Trailer fees	8,390	8,390	8,071	(319)
Penalty and interest	201,000	406,000	528,730	122,730
	<u>17,188,390</u>	<u>17,393,390</u>	<u>17,593,261</u>	<u>199,871</u>
Licenses, Permits, and Charges for Services	1,537,140	1,917,240	1,981,548	64,308
Intergovernmental Revenue:				
State-shared revenue	3,440,610	2,975,610	3,046,979	71,369
Federal grants	73,180	152,430	164,674	12,244
Police training grant	29,155	29,155	29,679	524
	<u>3,542,945</u>	<u>3,157,195</u>	<u>3,241,332</u>	<u>84,137</u>
Fines and Forfeitures	385,830	493,130	533,262	40,132
Interest Income	379,000	169,000	220,390	51,390
Other Revenue	589,045	609,045	584,600	(24,445)
Transfers In	3,490,000	3,490,000	3,490,000	-
	<u>27,112,350</u>	<u>27,229,000</u>	<u>27,644,393</u>	<u>415,393</u>
Expenditures				
City Council:				
Personal services	5,305	4,305	4,182	123
Other services and charges	5,300	5,300	5,060	240
	<u>10,605</u>	<u>9,605</u>	<u>9,242</u>	<u>363</u>
City Manager:				
Personal services	407,610	407,610	396,052	11,558
Supplies	700	700	500	200
Other services and charges	19,510	16,510	14,859	1,651
	<u>427,820</u>	<u>424,820</u>	<u>411,411</u>	<u>13,409</u>
Finance Department:				
Personal services	766,875	731,875	698,531	33,344
Other services and charges	66,070	66,070	64,534	1,536
Capital outlay	-	120,200	49,403	70,797
	<u>832,945</u>	<u>918,145</u>	<u>812,468</u>	<u>105,677</u>

City of Novi, Michigan
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures (continued)</u>				
Information Technology:				
Personal services	\$ 490,995	\$ 490,995	\$ 479,000	\$ 11,995
Supplies	45,500	45,500	43,082	2,418
Other services and charges	141,635	131,635	114,588	17,047
Capital outlay	50,900	50,900	49,284	1,616
Total information technology	729,030	719,030	685,954	33,076
Assessing:				
Personal services	641,565	626,565	591,182	35,383
Supplies	1,750	5,350	5,152	198
Other services and charges	271,350	251,350	245,057	6,293
Total assessing	914,665	883,265	841,391	41,874
City Attorney - Other services and charges	436,990	334,990	347,976	(12,986)
City Clerk:				
Personal services	527,050	527,050	521,000	6,050
Supplies	26,100	17,600	19,586	(1,986)
Other services and charges	27,440	47,940	24,566	23,374
Total city clerk	580,590	592,590	565,152	27,438
Treasury:				
Personal services	254,445	249,445	247,715	1,730
Supplies	20,250	20,250	20,596	(346)
Other services and charges	41,275	30,275	27,495	2,780
Total treasury	315,970	299,970	295,806	4,164
Buildings and Grounds:				
Personal services	477,325	477,325	472,462	4,863
Supplies	26,250	41,250	31,738	9,512
Other services and charges	477,675	382,675	358,180	24,495
Capital outlay	288,575	448,575	291,669	156,906
Total building and grounds	1,269,825	1,349,825	1,154,049	195,776
Neighborhood and Business Relations Group:				
Personal services	414,325	376,325	366,021	10,304
Supplies	12,080	12,080	8,922	3,158
Other services and charges	308,765	308,765	310,848	(2,083)
Total neighborhood and business relations group	735,170	697,170	685,791	11,379

City of Novi, Michigan
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures (continued)</u>				
General Administration:				
Personal services	\$ 894,885	\$ 869,885	\$ 871,027	\$ (1,142)
Supplies	87,835	69,835	37,343	32,492
Other services and charges	638,615	648,615	679,192	(30,577)
Capital outlay	-	9,800	9,710	90
Total general administration	1,621,335	1,598,135	1,597,272	863
Police Department:				
Personal services	10,601,975	10,601,975	10,472,356	129,619
Supplies	207,720	177,720	166,201	11,519
Other services and charges	919,345	910,745	783,630	127,115
Capital outlay	22,750	56,550	42,647	13,903
Total police department	11,751,790	11,746,990	11,464,834	282,156
Fire Department:				
Personal services	4,321,220	4,311,220	4,231,041	80,179
Supplies	126,625	140,425	131,769	8,656
Other services and charges	438,710	467,410	403,807	63,603
Capital outlay	52,130	66,130	46,617	19,513
Total fire department	4,938,685	4,985,185	4,813,234	171,951
Community Development:				
Personal services	2,022,515	1,832,515	1,829,836	2,679
Supplies	58,810	49,310	28,650	20,660
Other services and charges	207,195	248,695	205,025	43,670
Total community development	2,288,520	2,130,520	2,063,511	67,009
Department of Public Services:				
Personal services	3,283,890	3,237,890	3,252,224	(14,334)
Supplies	188,245	188,245	162,340	25,905
Other services and charges	775,003	730,003	628,956	101,047
Capital outlay	625,350	648,850	159,757	489,093
Allocated to other operations	(2,254,635)	(1,858,635)	(1,948,299)	89,664
Total department of public services	2,617,853	2,946,353	2,254,978	691,375
Planning Commission:				
Supplies	400	400	250	150
Other services and charges	53,300	26,300	3,116	23,184
Total planning commission	53,700	26,700	3,366	23,334

City of Novi, Michigan
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund (continued)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures (continued)</u>				
Transfers Out	\$ 243,000	\$ 243,000	\$ 241,775	\$ 1,225
Contingencies	327,000	-	-	-
Total expenditures	<u>30,095,493</u>	<u>29,906,293</u>	<u>28,248,210</u>	<u>1,658,083</u>
Net Change in Fund Balance	(2,983,143)	(2,677,293)	(603,817)	2,073,476
Fund Balance - Beginning of year	<u>10,314,220</u>	<u>10,314,220</u>	<u>10,314,220</u>	-
Fund Balance - End of year	<u>\$ 7,331,077</u>	<u>\$ 7,636,927</u>	<u>\$ 9,710,403</u>	<u>\$ 2,073,476</u>

City of Novi, Michigan
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 Municipal Street Fund
 Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue:				
Property taxes	\$ 2,673,000	\$ 2,673,000	\$ 2,674,686	\$ 1,686
Special assessments	1,411,177	1,411,177	1,416,589	5,412
Interest income	726,060	677,860	676,183	(1,677)
Miscellaneous income	206,000	178,300	178,275	(25)
Total revenue	5,016,237	4,940,337	4,945,733	5,396
Expenditures:				
Construction	2,375,380	2,102,410	1,173,121	929,289
Maintenance	612,045	577,445	266,418	311,027
Administration	2,470	1,700	1,700	-
Street lighting	18,900	18,900	10,155	8,745
Bikes, trails, and sidewalks	265,100	360,200	229,043	131,157
Debt service	1,905,500	1,905,500	1,901,163	4,337
Transfers out	940,000	940,000	940,000	-
Total expenditures	6,119,395	5,906,155	4,521,600	1,384,555
Net Change in Fund Balance	(1,103,158)	(965,818)	424,133	1,389,951
Fund Balance - Beginning of year	5,890,549	5,890,549	5,890,549	-
Fund Balance - End of year	\$ 4,787,391	\$ 4,924,731	\$ 6,314,682	\$ 1,389,951

City of Novi, Michigan
Note to Required Supplemental Information
Year Ended June 30, 2010

Note – Basis of Budgeting

The City adopts a formal budget for the General Fund and all Special Revenue Funds. All department heads submit spending requests to the city manager so that a budget may be prepared. Before the third Monday in April, the proposed budget is submitted to the City Council for review. Public hearings are held and a final budget is adopted no later than the third Monday in May. Adoption of the budget requires approval of five votes of the seven-member City Council. The City Council must approve any budget amendments.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General and Municipal Street Funds is presented as required supplemental information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor 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. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services.

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)."

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City incurred expenditures that were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year. There were a total of seven budget overruns within the General Fund as follows:

- City Attorney – Other services and charges exceeded budget by \$12,986 during the year primarily due to legal costs incurred resulting from increased abatement activities and legal services associated with recent Zoning ordinance text amendments to streamline the development process to include modified residential options.
- City Clerk – Supplies exceeded budget by \$1,986 and is related to costs associated with preparing for the August 2010 primary election.
- Treasury – Supplies exceeded budget by \$346 and is related to costs associated with the 2009 Winter tax bill processing through Oakland County. Beginning with the 2010 Summer tax bills, cost saving measures have been implemented within this category which include no longer processing tax bills for individual mortgage escrow accounts.

City of Novi, Michigan
Note to Required Supplemental Information (continued)

- Neighborhood and Business Relations Group – Other services and charges exceed budget by \$2,083 primarily due to overages in printing and publishing costs, community newsletter and cable production due to the pay out of benefits under a contractual agreement with the Southwestern Oakland Cable Commission.
- General Administration – Personal Services exceeded budget by \$1,152 and are related to staffing changes in the Human Resources Department which resulted in less than a 1% variance within this category.
- General Administration – Other services and changes exceeded budget by \$30,577 primarily due to overages within the professional services category and costs associated with the Energy Efficiency and Conservation Block Grant program which were offset by grant revenue.
- Department of Public Services – Personal services exceeded budget by \$14,334 and are related to staffing changes in the Department of Public Services Department which resulted in less than a 1% variance within this category.

Other Supplemental Information

City of Novi, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
Assets					
Cash and investments:	\$ 1,219,732	\$ 839,687	\$ 3,981,120	\$ 1,395,940	\$ 1,476,472
Accounts receivable:					
Other governmental units	330,219	118,352	-	-	83,737
Special assessments	107,000	-	-	-	-
Other	-	-	-	-	26,238
Restricted assets	1,131,113	315,269	-	-	-
Total assets	\$ 2,788,064	\$ 1,273,308	\$ 3,981,120	\$ 1,395,940	\$ 1,586,447
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 448,147	\$ 278,419	\$ 12,017	\$ 82,208	\$ 132,796
Accrued and other liabilities	-	-	148,185	-	110,280
Deferred revenue	107,000	-	-	-	210,624
Total liabilities	555,147	278,419	160,202	82,208	453,700
Fund Balances:					
Reserved - Restricted assets	1,131,113	315,269	-	-	-
Unreserved:					
Designated for subsequent years' budgeted expenditures	302,780	39,590	457,700	188,450	-
Undesignated	799,024	640,030	3,363,218	1,125,282	1,132,747
Total fund balances	2,232,917	994,889	3,820,918	1,313,732	1,132,747
Total liabilities and fund balances	\$ 2,788,064	\$ 1,273,308	\$ 3,981,120	\$ 1,395,940	\$ 1,586,447

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

Special Revenue Funds								
Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund	
\$ 5,365,188	\$ 6,050,102	\$ 1,938,085	\$ 466,443	\$ -	\$ 919,971	\$ 2,727,961	\$ -	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	10,296	-	-
1,323,309	-	-	-	203,126	-	-	-	1,404,354
<u>\$ 6,688,497</u>	<u>\$ 6,050,102</u>	<u>\$ 1,938,085</u>	<u>\$ 466,443</u>	<u>\$ 203,126</u>	<u>\$ 919,971</u>	<u>\$ 2,738,257</u>	<u>\$ 1,404,354</u>	
\$ 121,478	\$ -	\$ -	\$ 128,480	\$ 1,248	\$ 4,878	\$ 105,418	\$ 358	
21,655	-	-	-	-	-	107,771	-	
-	-	-	-	-	-	-	-	
143,133	-	-	128,480	1,248	4,878	213,189	358	
1,323,309	-	-	-	201,878	-	-	-	1,403,996
554,775	-	-	274,100	-	248,170	261,425	-	
4,667,280	6,050,102	1,938,085	63,863	-	666,923	2,263,643	-	
<u>6,545,364</u>	<u>6,050,102</u>	<u>1,938,085</u>	<u>337,963</u>	<u>201,878</u>	<u>915,093</u>	<u>2,525,068</u>	<u>1,403,996</u>	
<u>\$ 6,688,497</u>	<u>\$ 6,050,102</u>	<u>\$ 1,938,085</u>	<u>\$ 466,443</u>	<u>\$ 203,126</u>	<u>\$ 919,971</u>	<u>\$ 2,738,257</u>	<u>\$ 1,404,354</u>	

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

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Assets				
Cash and investments:	\$ 704,448	\$ 197,198	\$ -	\$ -
Accounts receivable:				
Other governmental units	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Restricted assets	-	-	-	-
Total assets	\$ 704,448	\$ 197,198	\$ -	\$ -
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,417	\$ -	\$ -
Accrued and other liabilities	-	33,000	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	35,417	-	-
Fund Balances:				
Reserved - Restricted assets	-	-	-	-
Unreserved:				
Designated for subsequent years' budgeted expenditures	-	-	-	-
Undesignated	704,448	161,781	-	-
Total fund balances	704,448	161,781	-	-
Total liabilities and fund balances	\$ 704,448	\$ 197,198	\$ -	\$ -

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

Debt Service Funds				
2003 Refunding Debt Fund	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	1993 Refunding Debt Fund	Total Nonmajor Governmental Funds
\$ 216,921	\$ 688,820	\$ 169,375	\$ -	\$ 28,357,463
-	-	-	-	532,308
-	-	-	-	107,000
-	-	-	-	36,534
-	-	-	-	4,377,171
\$ 216,921	\$ 688,820	\$ 169,375	\$ -	\$ 33,410,476
\$ 1	\$ 13,461	\$ 526	\$ -	\$ 1,331,852
27,958	134,594	17,713	-	601,156
-	-	-	-	317,624
27,959	148,055	18,239	-	2,250,632
-	-	-	-	4,375,565
-	-	-	-	2,326,990
188,962	540,765	151,136	-	24,457,289
188,962	540,765	151,136	-	31,159,844
\$ 216,921	\$ 688,820	\$ 169,375	\$ -	\$ 33,410,476

City of Novi, Michigan
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Cultural Services
Revenue					
Property taxes	\$ -	\$ -	\$ 4,948,811	\$ -	\$ 1,336,479
Federal grants	-	-	-	20,000	162,048
State sources	2,016,261	722,611	-	-	84,640
Special assessments	107,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	19,152	1,639	29,942	2,390	2,606
Recreational programs	-	-	-	-	1,064,430
Gifts and donations	-	-	-	-	-
Other revenue	8,416	-	-	142,125	7,798
Total revenue	2,150,829	724,250	4,978,753	164,515	2,658,001
Expenditures					
Administration	500	500	-	-	-
Construction	430,258	1,336,563	-	-	-
Street maintenance	1,123,470	976,520	-	-	-
Drain maintenance	-	-	-	-	-
Recreational programs	-	-	-	-	1,942,282
Forestry and park maintenance	-	-	-	200,962	-
Library programs	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	122,509
Debt service:					
Principal	186,824	-	-	-	-
Interest	10,130	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Total expenditures	1,751,182	2,313,583	-	200,962	2,064,791
Excess of Revenue Over (Under) Expenditures	399,647	(1,589,333)	4,978,753	(36,447)	593,210
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	1,048,750	895,605	-	-	2,362
Transfers out	(618,897)	-	(3,490,000)	-	-
Total other financing sources (uses)	429,853	895,605	(3,490,000)	-	2,362
Net Change in Fund Balances	829,500	(693,728)	1,488,753	(36,447)	595,572
Fund Balances - Beginning of year	1,403,417	1,688,617	2,332,165	1,350,179	537,175
Fund Balances - End of year	\$ 2,232,917	\$ 994,889	\$ 3,820,918	\$ 1,313,732	\$ 1,132,747

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

Special Revenue Funds

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Library Fund
\$ 619,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,682,379	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,148	-
-	-	-	-	-	-	-	-
-	-	-	-	-	379,403	106,520	-
112,313	100,261	60,871	1,036	326	2,702	7,069	24,069
-	-	-	-	-	-	-	-
-	-	-	-	47,894	-	-	62,921
-	225	-	34,905	-	-	32,768	-
731,728	100,486	60,871	35,941	48,220	382,105	2,854,884	86,990
-	-	500	-	-	-	-	-
394,783	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
635,237	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,576,299	2,617
-	-	-	224,029	2,065	75,831	-	-
-	-	-	-	-	380,888	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,030,020	-	500	224,029	2,065	456,719	2,576,299	2,617
(298,292)	100,486	60,371	(188,088)	46,155	(74,614)	278,585	84,373
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	130,924	-
-	-	(500,000)	-	(2,362)	-	-	(134,124)
-	-	(500,000)	-	(2,362)	-	130,924	(134,124)
(298,292)	100,486	(439,629)	(188,088)	43,793	(74,614)	409,509	(49,751)
6,843,656	5,949,616	2,377,714	526,051	158,085	989,707	2,115,559	1,453,747
\$ 6,545,364	\$ 6,050,102	\$ 1,938,085	\$ 337,963	\$ 201,878	\$ 915,093	\$ 2,525,068	\$ 1,403,996

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

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Revenue				
Property taxes	\$ -	\$ 1,119,486	\$ -	\$ -
Federal grants	-	-	-	-
State sources	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest income	106	461	-	-
Recreational programs	-	-	-	-
Gifts and donations	-	-	-	-
Other revenue	-	-	-	-
Total revenue	106	1,119,947	-	-
Expenditures				
Administration	-	-	-	-
Construction	-	-	-	-
Street maintenance	-	-	-	-
Drain maintenance	-	-	-	-
Recreational programs	-	-	-	-
Forestry and park maintenance	-	-	-	-
Library programs	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	800,000	200,000	108,177
Interest and other	-	23,964	41,775	6,365
Advance refunding escrow	-	109,181	-	-
Total expenditures	-	933,145	241,775	114,542
Excess of Revenue Over (Under) Expenditures	106	186,802	(241,775)	(114,542)
Other Financing Sources (Uses)				
Refunding bonds issued	-	4,895,000	-	-
Payment to refunded bond escrow agent	-	(5,030,072)	-	-
Transfers in	-	-	241,775	114,542
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(135,072)	241,775	114,542
Net Change in Fund Balances	106	51,730	-	-
Fund Balances - Beginning of year	704,342	110,051	-	-
Fund Balances - End of year	\$ 704,448	\$ 161,781	\$ -	\$ -

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

Debt Service Funds					
2003 Refunding Debt Fund	2002 Street and Refunding Debt	2008 Library Construction Debt Fund	1993 Refunding Debt Fund	Total Nonmajor Governmental Funds	
\$ 960,821	\$ 3,701,896	\$ 699,538	\$ 801,116	\$	16,869,941
-	-	-	-	-	182,048
-	-	-	-	-	2,849,660
-	-	-	-	-	107,000
-	-	-	-	-	485,923
433	1,082	709	344	-	367,511
-	-	-	-	-	1,064,430
-	-	-	-	-	110,815
-	-	-	-	-	226,237
961,254	3,702,978	700,247	801,460	-	22,263,565
-	-	-	-	-	1,500
-	-	-	-	-	2,161,604
-	-	-	-	-	2,099,990
-	-	-	-	-	635,237
-	-	-	-	-	1,942,282
-	-	-	-	-	200,962
-	-	-	-	-	2,578,916
-	-	-	-	-	301,925
-	-	-	-	-	503,397
820,000	3,020,000	-	740,000	-	5,875,001
106,425	618,563	677,000	20,425	-	1,504,647
-	-	-	-	-	109,181
926,425	3,638,563	677,000	760,425	-	17,914,642
34,829	64,415	23,247	41,035	-	4,348,923
-	-	-	-	-	4,895,000
-	-	-	-	-	(5,030,072)
-	169,938	-	-	-	2,603,896
-	-	-	(169,938)	-	(4,915,321)
-	169,938	-	(169,938)	-	(2,446,497)
34,829	234,353	23,247	(128,903)	-	1,902,426
154,133	306,412	127,889	128,903	-	29,257,418
\$ 188,962	\$ 540,765	\$ 151,136	\$ -	\$	31,159,844

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

Special Revenue - Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 2,032,765	\$ 2,005,285	\$ 2,016,261	\$ 10,976
Federal grants	1,008,000	-	-	-
Special assessments	107,000	107,000	107,000	-
Interest Income	36,255	24,455	19,152	(5,303)
Transfers in	1,048,750	1,048,750	1,048,750	-
Other	-	8,415	8,416	1
Total revenue	4,232,770	3,193,905	3,199,579	5,674
Expenditures				
Administration	500	500	500	-
Construction	1,269,580	575,630	430,258	145,372
Routine maintenance	816,200	716,200	448,892	267,308
Capital and preventive maintenance	218,750	152,550	60,280	92,270
Traffic services	288,200	288,200	230,371	57,829
Winter maintenance	343,000	298,700	383,927	(85,227)
Debt service	202,695	202,695	196,954	5,741
Transfers out	623,145	616,255	618,897	(2,642)
Total expenditures	3,762,070	2,850,730	2,370,079	480,651
Net Change in Fund Balance	470,700	343,175	829,500	486,325
Fund Balance - Beginning of year	1,403,417	1,403,417	1,403,417	-
Fund Balance - End of year	\$ 1,874,117	\$ 1,746,592	\$ 2,232,917	\$ 486,325

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Local Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 721,115	\$ 718,365	\$ 722,611	\$ 4,246
Interest income	11,665	1,600	1,639	39
Transfers in	899,440	892,550	895,605	3,055
Total revenue	1,632,220	1,612,515	1,619,855	7,340
Expenditures				
Administration	500	500	500	-
Construction	1,248,320	1,460,320	1,336,563	123,757
Routine maintenance	567,670	550,000	499,163	50,837
Capital preventive maintenance	281,250	281,250	71,372	209,878
Traffic services	156,420	156,420	115,725	40,695
Winter maintenance	326,000	249,000	290,260	(41,260)
Total expenditures	2,580,160	2,697,490	2,313,583	383,907
Net Change in Fund Balance	(947,940)	(1,084,975)	(693,728)	391,247
Fund Balance - Beginning of year	1,688,617	1,688,617	1,688,617	-
Fund Balance - End of year	\$ 740,677	\$ 603,642	\$ 994,889	\$ 391,247

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Police and Fire

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 4,946,000	\$ 4,946,000	\$ 4,948,811	\$ 2,811
Interest income	31,650	31,650	29,942	(1,708)
Total revenue	4,977,650	4,977,650	4,978,753	1,103
Expenditures - Transfers out	3,490,000	3,490,000	3,490,000	-
Net Change in Fund Balance	1,487,650	1,487,650	1,488,753	1,103
Fund Balance - Beginning of year	2,332,165	2,332,165	2,332,165	-
Fund Balance - End of year	\$ 3,819,815	\$ 3,819,815	\$ 3,820,918	\$ 1,103

City of Novi, Michigan
 Budgetary Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Parks, Recreation, and Cultural Services

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 1,336,000	\$ 1,336,000	\$ 1,336,479	\$ 479
Grants	111,900	216,540	246,688	30,148
Program revenue	970,790	904,000	936,748	32,748
Older adults program revenue	149,897	124,990	127,682	2,692
Interest income	9,895	2,995	2,606	(389)
Other	5,000	9,000	7,798	(1,202)
Transfers in	1,000	1,000	2,362	1,362
Total revenue	2,584,482	2,594,525	2,660,363	65,838
Expenditures				
Personal services	865,410	796,710	806,257	(9,547)
Supplies	56,745	51,005	39,764	11,241
Other services and charges	1,261,607	1,150,000	1,096,261	53,739
Capital outlay	133,675	163,675	122,509	41,166
Total expenditures	2,317,437	2,161,390	2,064,791	96,599
Net Change in Fund Balance	267,045	433,135	595,572	162,437
Fund Balance - Beginning of year	537,175	537,175	537,175	-
Fund Balance - End of year	\$ 804,220	\$ 970,310	\$ 1,132,747	\$ 162,437

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Tree Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Federal grants	\$ -	\$ -	\$ 20,000	\$ 20,000
Tree fund	50,000	50,000	141,725	91,725
Tree fund maintenance	2,500	2,500	400	(2,100)
Interest income	19,700	19,700	2,390	(17,310)
Total revenue	72,200	72,200	164,515	92,315
Expenditures - Tree plantings and maintenance	200,250	331,050	200,962	130,088
Net Change in Fund Balance	(128,050)	(258,850)	(36,447)	222,403
Fund Balance - Beginning of year	1,350,179	1,350,179	1,350,179	-
Fund Balance - End of year	\$ 1,222,129	\$ 1,091,329	\$ 1,313,732	\$ 222,403

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Drain Revenue

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 611,000	\$ 611,000	\$ 619,415	\$ 8,415
Interest income	53,150	68,350	112,313	43,963
Total revenue	664,150	679,350	731,728	52,378
Expenditures				
Construction	971,445	1,039,845	394,783	645,062
Maintenance	697,400	764,700	635,237	129,463
Total expenditures	1,668,845	1,804,545	1,030,020	774,525
Net Change in Fund Balance	(1,004,695)	(1,125,195)	(298,292)	826,903
Fund Balance - Beginning of year	6,843,656	6,843,656	6,843,656	-
Fund Balance - End of year	\$ 5,838,961	\$ 5,718,461	\$ 6,545,364	\$ 826,903

Special Revenue - Drain Perpetual Maintenance

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Tap-in fees	5,000	5,000	225	(4,775)
Interest income	71,500	71,500	100,261	28,761
Total revenue	76,500	76,500	100,486	23,986
Net Change in Fund Balance	76,500	76,500	100,486	23,986
Fund Balance - Beginning of year	5,949,616	5,949,616	5,949,616	-
Fund Balance - End of year	\$ 6,026,116	\$ 6,026,116	\$ 6,050,102	\$ 23,986

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Special Assessment Revolving

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue - Interest income	\$ 21,560	\$ 21,560	\$ 60,871	\$ 39,311
Expenditures				
Independent audit	550	550	500	50
Transfer out	500,000	500,000	500,000	-
Total expenditures	500,550	500,550	500,500	50
Net Change in Fund Balance	(478,990)	(478,990)	(439,629)	39,361
Fund Balance - Beginning of year	2,377,714	2,377,714	2,377,714	-
Fund Balance - End of year	\$ 1,898,724	\$ 1,898,724	\$ 1,938,085	\$ 39,361

Special Revenue - Judgment Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 1,450	\$ 1,450	\$ 1,036	\$ (414)
Other revenue	-	-	34,905	34,905
Total revenue	1,450	1,450	35,941	34,491
Expenditures - Settlements and insurance claims				
	123,500	123,500	224,029	(100,529)
Net Change in Fund Balance	(122,050)	(122,050)	(188,088)	(66,038)
Fund Balance - Beginning of year	526,051	526,051	526,051	-
Fund Balance - End of year	\$ 404,001	\$ 404,001	\$ 337,963	\$ (66,038)

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Contributions and Donations

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 100	\$ 100	\$ 326	\$ 226
Donations	2,980	2,980	47,894	44,914
Total revenue	3,080	3,080	48,220	45,140
Expenditures				
Other	-	-	2,065	(2,065)
Transfers out	1,000	1,000	2,362	(1,362)
Total expenditures	1,000	1,000	4,427	(3,427)
Net Change in Fund Balance	2,080	2,080	43,793	41,713
Fund Balance - Beginning of year	158,085	158,085	158,085	-
Fund Balance - End of year	\$ 160,165	\$ 160,165	\$ 201,878	\$ 41,713

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Forfeiture Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State forfeiture funds	\$ 25,000	\$ 25,000	\$ 16,567	\$ (8,433)
Federal forfeiture funds	-	-	344,583	344,583
Local forfeiture funds	-	-	18,253	18,253
Interest income	2,750	2,750	2,702	(48)
Total revenue	27,750	27,750	382,105	354,355
Expenditures				
Supplies	33,300	41,800	39,722	2,078
Other services and charges	45,460	69,460	36,109	33,351
Capital outlay	220,000	407,400	380,888	26,512
Total expenditures	298,760	518,660	456,719	61,941
Net Change in Fund Balance	(271,010)	(490,910)	(74,614)	416,296
Fund Balance - Beginning of year	989,707	989,707	989,707	-
Fund Balance - End of year	\$ 718,697	\$ 498,797	\$ 915,093	\$ 416,296

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 2,680,700	\$ 2,680,700	\$ 2,682,379	\$ 1,679
State sources	17,000	17,000	26,148	9,148
Fines and forfeitures	99,600	99,600	106,520	6,920
Interest income	30,000	30,000	7,069	(22,931)
Other	21,250	21,250	32,768	11,518
Transfers in	-	130,924	130,924	-
Total revenue	2,848,550	2,979,474	2,985,808	6,334
Expenditures				
Personal services	1,851,150	1,851,150	1,814,083	37,067
Supplies	571,600	571,600	437,438	134,162
Other services and charges	415,800	415,800	324,778	91,022
Capital outlay	10,000	10,000	-	10,000
Total expenditures	2,848,550	2,848,550	2,576,299	272,251
Net Change in Fund Balance	-	130,924	409,509	278,585
Fund Balance - Beginning of year	2,115,559	2,115,559	2,115,559	-
Fund Balance - End of year	\$ 2,115,559	\$ 2,246,483	\$ 2,525,068	\$ 278,585

City of Novi, Michigan
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds (continued)

Special Revenue - Walker Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 17,100	\$ 17,100	\$ 24,069	\$ 6,969
Donations	-	-	62,921	62,921
Total revenue	17,100	17,100	86,990	69,890
Expenditures				
Library programs	-	-	2,617	(2,617)
Transfers out	-	130,924	134,124	(3,200)
Total expenditures	-	130,924	136,741	(5,817)
Net Change in Fund Balance	17,100	(113,824)	(49,751)	64,073
Fund Balance - Beginning of year	1,453,747	1,453,747	1,453,747	-
Fund Balance - End of year	\$ 1,470,847	\$ 1,339,923	\$ 1,403,996	\$ 64,073

City of Novi, Michigan
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Agency Fund</u>				
Assets - Cash, cash equivalents, and other	\$ 10,729,422	\$ 143,212,769	\$ (143,894,067)	\$ 10,048,124
Liabilities				
Due to builders and developers	\$ 10,705,175	\$ 5,610,657	\$ (6,287,708)	\$ 10,028,124
Due to schools and other governmental units	24,247	141,497,360	(141,501,607)	20,000
Total liabilities	<u>\$ 10,729,422</u>	<u>\$ 147,108,017</u>	<u>\$ (147,789,315)</u>	<u>\$ 10,048,124</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, the property tax.

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
 Net Assets by Component
 Last Four Fiscal Years

	June 30			
	2007	2008	2009	2010
Governmental Activities				
Invested in capital assets - Net of related debt	\$ 75,202,275	\$ 84,846,486	\$ 95,693,089	\$ 98,921,906
Restricted	48,704,895	44,064,821	43,593,310	45,653,695
Unrestricted	9,883,457	12,277,054	9,610,719	8,329,201
Total net assets	<u>\$ 133,790,627</u>	<u>\$ 141,188,361</u>	<u>\$ 148,897,118</u>	<u>\$ 152,904,802</u>
Business-type Activities				
Invested in capital assets - Net of related debt	\$ 121,256,602	\$ 122,696,571	\$ 123,683,939	\$ 122,111,095
Restricted	9,539,969	9,253,056	8,680,849	8,429,638
Unrestricted	37,833,568	38,374,456	39,788,349	42,387,922
Total net assets	<u>\$ 168,630,139</u>	<u>\$ 170,324,083</u>	<u>\$ 172,153,137</u>	<u>\$ 172,928,655</u>
Primary Government in Total				
Invested in capital assets - Net of related debt	\$ 196,458,877	\$ 207,543,057	\$ 219,377,028	\$ 221,033,001
Restricted	58,244,864	53,317,877	52,274,159	54,083,333
Unrestricted	47,717,025	50,651,510	49,399,068	50,717,123
Total net assets	<u>\$ 302,420,766</u>	<u>\$ 311,512,444</u>	<u>\$ 321,050,255</u>	<u>\$ 325,833,457</u>

Source: City's annual financial statements

City of Novi, Michigan
Changes in Net Assets
Governmental Activities
Last Four Fiscal Years

	Year Ended June 30			
	2007	2008	2009	2010
Expenses				
General government	\$ 7,596,971	\$ 8,527,694	\$ 6,857,555	\$ 6,404,820
Public safety	18,364,779	20,006,508	19,619,207	18,735,448
Public works	9,718,720	9,993,071	10,898,774	9,831,873
Community and economic development	976,357	774,299	1,277,239	1,317,373
Recreation and culture	5,427,777	5,412,373	5,389,349	7,719,230
Interest on long-term debt	2,293,205	2,221,714	2,343,833	1,780,848
Total expenses	44,377,809	46,935,659	46,385,957	45,789,592
Program Revenue				
Charges for services:				
Public safety	3,893,549	2,688,989	1,486,140	1,780,059
Recreation and culture	1,072,208	1,212,573	1,132,512	1,210,039
Other activities	695,444	424,270	309,179	208,442
Total charges for services	5,661,201	4,325,832	2,927,831	3,198,540
Operating grants and contributions	6,462,178	3,271,673	3,915,138	3,391,897
Capital grants and contributions	1,051,753	1,023,837	1,882,357	1,070,050
Total program revenue	13,175,132	8,621,342	8,725,326	7,660,487
Net Expense	(31,202,677)	(38,314,317)	(37,660,631)	(38,129,105)
General Revenue				
Property taxes	34,954,183	37,030,496	37,776,272	37,137,888
State-shared revenue	3,613,152	3,613,152	3,425,882	3,046,979
Unrestricted interest earnings	3,556,170	3,604,198	2,375,074	593,064
Unrestricted cable television franchise fees	335,863	352,197	422,430	535,804
Miscellaneous	855,834	1,112,008	1,369,730	823,054
Total general revenue	43,315,202	45,712,051	45,369,388	42,136,789
Change in Net Assets Before Transfers	12,112,525	7,397,734	7,708,757	4,007,684
Transfers	(694,000)	-	-	-
Change in Net Assets	\$ 11,418,525	\$ 7,397,734	\$ 7,708,757	\$ 4,007,684

Source: City's annual financial statements

City of Novi, Michigan
 Changes in Net Assets
 Business-type Activities
 Last Four Fiscal Years

	Year Ended June 30			
	2007	2008	2009	2010
Expenses				
Water and sewer	\$ 17,283,267	\$ 18,816,944	\$ 18,216,338	\$ 18,043,772
Ice arena	1,719,682	1,785,941	1,755,459	1,669,542
Senior housing	1,829,283	1,829,889	1,736,707	1,575,178
Total expenses	20,832,232	22,432,774	21,708,504	21,288,492
Program Revenue				
Charges for services:				
Water and sewer	14,156,642	15,842,032	16,460,328	16,359,420
Ice arena	1,953,805	2,096,064	2,020,838	2,067,836
Senior housing	1,781,596	1,821,871	1,801,742	1,804,069
Total charges for services	17,892,043	19,759,967	20,282,908	20,231,325
Capital grants and contributions	4,429,990	3,417,107	3,087,188	1,443,974
Total program revenue	22,322,033	23,177,074	23,370,096	21,675,299
Net Revenue	1,489,801	744,300	1,661,592	386,807
General Revenue				
Unrestricted interest earnings	2,374,026	949,644	167,462	388,711
Total general revenue	2,374,026	949,644	167,462	388,711
Transfers in	694,000	-	-	-
Change in Net Assets	\$ 4,557,827	\$ 1,693,944	\$ 1,829,054	\$ 775,518

Source: City's annual financial statements

City of Novi, Michigan
Fund Balances
Governmental Funds
Last Ten Fiscal Years

	Year Ended June 30			
	2001	2002	2003	2004
General Fund				
Reserved	\$ 66,386	\$ 48,879	\$ 4,910	\$ -
Unreserved	4,337,737	4,651,976	5,288,136	5,133,307
Total general fund	<u>\$ 4,404,123</u>	<u>\$ 4,700,855</u>	<u>\$ 5,293,046</u>	<u>\$ 5,133,307</u>
All Other Governmental Funds				
Reserved	\$ 13,785,461	\$ 109,290	\$ 1,572,501	\$ 6,311,395
Unreserved, reported in:				
Special Revenue Funds	14,544,390	23,992,512	20,300,100	17,299,383
Capital Project Funds	17,065,462	13,363,003	17,322,795	7,645,115
Debt Service Funds	754,779	823,211	958,761	1,372,204
Total all other governmental funds	<u>\$ 46,150,092</u>	<u>\$ 38,288,016</u>	<u>\$ 40,154,157</u>	<u>\$ 32,628,097</u>

Source: City's annual financial statements

City of Novi, Michigan
Fund Balances
Governmental Funds (continued)
Last Ten Fiscal Years

		Year Ended June 30					
2005	2006	2007	2008	2009	2010		
\$ 64,742	\$ 454,025	\$ 1,037,182	\$ 172,263	\$ -	\$ -		
7,139,595	10,059,345	10,577,595	12,240,776	10,314,220	9,710,403		
<u>\$ 7,204,337</u>	<u>\$ 10,513,370</u>	<u>\$ 11,614,777</u>	<u>\$ 12,413,039</u>	<u>\$ 10,314,220</u>	<u>\$ 9,710,403</u>		
\$ 6,032,947	\$ 6,731,963	\$ 7,660,714	\$ 21,943,866	\$ 20,841,560	\$ 9,892,542		
19,653,909	20,009,494	26,857,209	26,824,183	25,412,275	27,459,651		
4,456,497	4,523,656	2,744,792	-	-	-		
1,022,959	1,491,063	1,449,850	1,417,823	1,531,730	1,747,094		
<u>\$ 31,166,312</u>	<u>\$ 32,756,176</u>	<u>\$ 38,712,565</u>	<u>\$ 50,185,872</u>	<u>\$ 47,785,565</u>	<u>\$ 39,099,287</u>		

City of Novi, Michigan
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years

	Year Ended June 30			
	2001	2002	2003	2004
Revenue				
Taxes	\$ 22,119,501	\$ 24,295,219	\$ 26,579,364	\$ 28,321,001
Licenses, permits, and charges for services	2,472,503	2,394,190	2,710,259	3,067,750
Federal grants	536,154	820,901	554,498	300,066
State sources	6,622,204	7,104,544	7,012,000	6,859,367
Special assessments	668,661	1,109,137	1,096,950	1,137,287
Fines and forfeitures	350,737	359,760	384,847	469,068
Interest income	3,866,470	3,005,912	2,503,750	2,109,486
Recreational programs	676,415	758,648	897,234	771,552
Donations	-	-	1,470	1,008,007
Other revenue	714,708	1,840,213	2,435,998	1,023,024
Total revenue	38,027,353	41,688,524	44,176,370	45,066,608
Expenditures				
Current services:				
City Council	16,178	8,011	4,659	4,517
City manager	431,169	493,779	507,418	538,867
Finance	474,103	499,907	522,386	638,614
Information technology	237,050	325,008	345,997	347,143
Assessing	545,524	569,351	546,446	610,956
City attorney	386,080	960,517	428,163	548,850
City clerk	426,546	426,755	472,592	446,794
Treasury	283,244	243,738	251,015	272,318
Buildings and grounds	605,675	626,629	657,638	822,787
Neighborhood and business relations group (1)	190,932	158,654	260,243	254,535
General administration	1,393,840	1,367,451	1,404,932	1,498,761
Police department	7,861,860	7,846,717	8,400,100	9,020,762
Coalition that Cares	252,266	194,693	-	-
Fire department	2,680,184	3,190,241	3,269,965	3,452,750
Building division - Community development (2)	1,081,448	1,346,052	1,447,435	1,536,733
Neighborhood services	254,655	294,141	311,996	411,568
Department of public services	701,037	948,541	736,403	1,031,675
Municipal garage	(119,584)	-	-	-
Engineering	-	-	214,061	202,373
Planning commission	33,600	9,291	4,093	26,712
Planning division - Community development (2)	484,733	707,290	736,773	675,693
Construction	11,462,547	14,042,915	11,354,818	13,859,945
Street maintenance	2,141,759	2,228,811	2,716,638	2,182,470
Drain maintenance	-	-	-	407,066
Recreational programs	1,413,103	1,457,300	1,671,287	1,697,907
Forestry and park maintenance	599,921	664,061	720,223	898,072
Library programs	1,774,198	1,879,807	2,063,764	2,167,782
Other	-	206,545	2,930,374	330,636

City of Novi, Michigan
 Changes in Fund Balances
 Governmental Funds (continued)
 Last Ten Fiscal Years

		Year Ended June 30									
		2005	2006	2007	2008	2009	2010				
\$	30,565,342	\$	32,741,087	\$	34,954,183	\$	37,030,496	\$	37,776,272	\$	37,137,888
	3,722,805		3,835,567		4,464,140		3,100,389		1,825,491		1,981,548
	691,007		437,956		194,188		270,420		483,550		346,722
	6,820,821		7,075,986		6,640,108		6,651,174		7,032,331		5,926,318
	1,358,180		1,271,778		1,469,927		1,371,526		1,438,220		1,523,589
	1,841,171		3,070,343		3,223,117		658,388		1,262,933		1,019,185
	2,451,375		3,735,575		4,529,431		4,460,935		3,147,972		1,278,007
	847,606		918,047		864,760		962,418		967,156		1,064,430
	13,782		340,147		5,650		49,346		49,226		110,815
	1,015,413		2,526,651		1,671,891		1,197,343		1,601,451		989,212
	49,327,502		55,953,137		58,017,395		55,752,435		55,584,602		51,377,714
	5,142		6,714		4,833		21,580		8,965		9,242
	588,392		405,829		410,554		425,576		420,710		411,411
	683,494		721,668		893,732		876,915		906,598		812,468
	335,892		453,963		473,271		574,817		621,582		685,954
	628,395		660,643		695,564		791,884		881,136		841,391
	460,265		393,687		386,133		463,023		390,220		347,976
	545,666		485,907		527,221		543,327		636,981		565,152
	274,503		260,768		286,102		285,331		295,127		295,806
	699,789		648,426		1,026,280		960,778		1,669,302		1,154,049
	280,850		293,175		334,545		578,654		717,049		685,791
	1,342,756		1,708,636		2,568,173		1,870,418		1,728,883		1,598,772
	9,706,073		10,248,128		10,683,107		11,125,764		11,840,227		11,464,834
	-		-		-		-		-		-
	3,740,265		4,707,555		5,046,849		5,209,761		6,351,188		4,813,234
	1,769,951		1,746,988		2,132,757		2,495,615		2,012,522		1,438,146
	425,959		449,562		493,726		-		-		-
	665,697		961,073		737,554		998,536		1,177,144		2,254,978
	-		-		-		-		-		-
	374,411		277,607		367,279		364,198		476,489		-
	55,580		1,034		3,755		7,912		9,909		3,366
	607,832		621,035		673,842		743,118		615,171		625,365
	8,266,582		7,254,583		3,933,162		6,301,555		7,629,512		14,589,987
	2,724,585		2,691,092		2,361,203		2,840,343		3,125,742		2,366,408
	429,265		490,658		589,733		547,477		610,898		635,237
	1,802,210		1,912,578		1,878,091		1,921,020		2,039,331		1,942,282
	1,009,631		1,485,440		1,164,713		1,155,892		912,323		200,962
	2,222,296		2,313,923		2,386,812		2,529,724		2,531,152		2,578,916
	177,186		356,326		547,425		1,430,650		184,026		317,621

City of Novi, Michigan
Changes in Fund Balances
Governmental Funds (continued)
Last Ten Fiscal Years

	Year Ended June 30			
	2001	2002	2003	2004
Expenditures (continued)				
Current services (continued):				
Capital outlay	\$ 804,599	\$ 1,407,294	\$ 696,526	\$ 548,054
Debt service principal	3,868,592	3,488,000	4,114,000	4,836,319
Debt service interest	3,117,574	3,662,369	3,233,210	3,562,704
Advance refunding escrow	-	-	-	-
Total expenditures	43,402,833	49,253,868	50,023,155	52,833,363
Excess of Revenue Over (Under) Expenditures	(5,375,480)	(7,565,344)	(5,846,785)	(7,766,755)
Other Financing Sources (Uses)				
Refunding bonds issued	28,435,000	-	30,655,000	6,565,000
Payment to refunded bond escrow agent	-	-	(22,777,930)	(6,484,044)
Transfers in	5,804,407	5,287,337	9,132,839	6,249,401
Transfers out	(5,804,407)	(5,287,337)	(8,892,195)	(6,249,401)
Total other financing sources (uses)	28,435,000	-	8,117,714	80,956
Transfers in Residual Equity	2,198,191	-	-	-
Net Change in Fund Balances	25,257,711	(7,565,344)	2,270,929	(7,685,799)
Fund Balances - Beginning of year	25,296,504	50,554,215	43,176,274	45,447,203
Fund Balances - End of year	\$ 50,554,215	\$ 42,988,871	\$ 45,447,203	\$ 37,761,404
Debt Service as a Percentage of Noncapital Expenditures	17.5%	15.4%	19.4%	22.6%

(1) Formerly "community relations"

(2) Formerly "building, planning, and neighborhood services" combined into "community development"

Source: City's annual financial statements

City of Novi, Michigan
 Changes in Fund Balances
 Governmental Funds (continued)
 Last Ten Fiscal Years

Year Ended June 30					
2005	2006	2007	2008	2009	2010
\$ 238,090	\$ 688,050	\$ 949,021	\$ 2,684,008	\$ 2,847,879	\$ 503,397
5,667,000	6,059,000	6,190,000	9,525,000	7,075,000	7,325,001
2,990,500	2,750,192	2,520,162	2,207,990	2,368,662	1,955,810
-	-	-	-	-	109,181
48,718,257	51,054,240	50,265,599	59,480,866	60,083,728	60,532,737
609,245	4,898,897	7,751,796	(3,728,431)	(4,499,126)	(9,155,023)
-	-	-	16,000,000	-	4,895,000
-	-	-	-	-	(5,030,072)
8,235,372	10,257,998	8,740,129	12,277,286	7,638,046	6,097,096
(8,235,372)	(10,257,998)	(9,434,129)	(12,277,286)	(7,638,046)	(6,097,096)
-	-	(694,000)	16,000,000	-	(135,072)
-	-	-	-	-	-
609,245	4,898,897	7,057,796	12,271,569	(4,499,126)	(9,290,095)
37,761,404	38,370,649	43,269,546	50,327,342	62,598,911	58,099,785
\$ 38,370,649	\$ 43,269,546	\$ 50,327,342	\$ 62,598,911	\$ 58,099,785	\$ 48,809,690
21.9%	21.3%	20.0%	24.2%	20.6%	21.5%

City of Novi, Michigan
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (dollars in thousands)

Taxable Value by Property Type				
Real Property				
Year Ended June 30	Residential	Commercial	Industrial	Developmental
2001	\$ 1,251,256	\$ 480,266	\$ 159,582	\$ 33,876
2002	1,366,840	540,246	172,722	25,789
2003	1,498,310	611,164	188,025	24,604
2004	1,605,730	639,737	205,969	21,819
2005	1,746,995	703,099	225,091	19,225
2006	1,932,745	738,891	232,970	-
2007	2,144,509	785,263	239,100	-
2008	2,259,984	840,511	249,294	-
2009	2,238,676	875,710	257,605	-
2010	2,118,749	934,816	268,209	-

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

Source: City's assessor department records

City of Novi, Michigan
 Assessed Value and Actual Value of Taxable Property (continued)
 Last Ten Fiscal Years
 (dollars in thousands)

	Personal Property	Total Taxable Value	Tax Rate (Mills)	State Equalized Value	Taxable Value as a Percent of SEV
\$	170,023	\$ 2,095,003	10.5416	\$ 2,440,876	86
	174,798	2,280,396	10.5416	2,677,663	85
	188,178	2,510,282	10.5416	2,971,901	84
	205,961	2,679,216	10.5416	3,196,089	84
	206,140	2,900,549	10.5416	3,407,207	85
	194,212	3,098,818	10.5416	3,580,551	87
	195,190	3,364,062	10.5416	3,848,565	87
	200,618	3,550,407	10.5416	3,946,242	90
	210,457	3,582,448	10.5416	3,876,955	92
	233,170	3,554,944	10.5416	3,742,062	95

City of Novi, Michigan
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (dollars in thousands)

City of Novi								
Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
2001	4.1215	0.6815	1.4567	0.3937	0.6005	0.7874	2.5003	10.5416
2002	4.4485	0.6815	1.4443	0.3902	0.6005	0.7806	2.1960	10.5416
2003	4.4551	0.7791	1.4416	0.3894	0.6005	0.7791	2.0968	10.5416
2004	4.4985	0.7776	1.4388	0.3886	0.6005	0.7776	2.0600	10.5416
2005	4.6422	0.7719	1.4282	0.3857	0.5105	0.7719	2.0312	10.5416
2006	4.6802	0.7719	1.4282	0.3857	0.5105	0.7719	1.9932	10.5416
2007	4.8051	0.7719	1.4282	0.3857	0.5105	0.7719	1.8683	10.5416
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

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

Source: City's finance department records

City of Novi, Michigan
 Direct and Overlapping Property Tax Rates (continued)
 Last Ten Fiscal Years
 (dollars in thousands)

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
10.3582	23.2663	8.0000	25.8524	8.0982	23.1000	5.0000	23.0000
12.1574	25.6000	8.0000	26.0000	7.9538	23.1000	5.0500	23.0500
11.6782	25.3453	8.0000	26.0000	7.4728	22.9884	4.7800	22.7800
11.3460	25.3049	8.0000	26.0000	7.5248	23.1000	4.7500	22.7500
12.0413	26.2032	8.5000	26.5000	7.0548	22.7900	5.2200	23.2200
11.7194	26.1532	8.5000	26.5000	6.8975	22.7900	4.9500	22.9500
10.6182	25.6732	8.5000	26.5000	6.7841	22.7900	4.4000	22.4000
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

City of Novi, Michigan
 Direct and Overlapping Property Tax Rates (continued)
 Last Ten Fiscal Years
 (dollars in thousands)

Fiscal Year	Overlapping Government					
	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
2001	4.6478	1.6109	1.8311	2.0752	1.9789	6.0000
2002	4.6438	1.5952	1.8195	3.4526	1.9753	6.0000
2003	4.6523	1.6090	1.8043	3.4224	3.4643	6.0000
2004	4.6497	1.5983	1.8024	3.3991	3.4643	5.0000 (1)
2005	4.6476	1.5889	1.7967	3.3789	3.4643	6.0000
2006	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2007	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
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

(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.

City of Novi, Michigan
Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	2009 Taxable Value	Percentage of Total	2009 Rank	2000 Taxable Value	Percentage of Total	2000 Rank
Twelve Oaks Mall, LLC/Taubman	\$ 70,707,150	1.99	1	\$ 54,594,200	2.61	1
Singh Development*	66,041,990	1.86	2	18,178,200	0.87	4
Northern Equities	62,605,460	1.76	3	10,258,130	0.49	10
Novi Campus LLC - Fox Run*	57,167,690	1.61	4			
International Transmission Co	35,847,920	1.01	5			
Occidental Development Ltd.	30,537,400	0.86	6	23,900,280	1.14	3
Providence Hospital	30,309,730	0.85	7			
HHT Devco, LLC (Fountain Walk)*	24,122,950	0.68	8			
Tbon, LLC; et al	23,291,360	0.66	9			
DTE Energy	21,903,650	0.62	10	28,669,840	1.37	2
Ramco Novi I Co.				17,082,910	0.66	5
Aetna REI 4226				16,423,230	0.66	6
Solomon Properties Inc.				14,476,380	0.73	7
Northwestern Mutual				13,289,050	0.66	8
Progressive Tool & Industries				11,762,330	0.56	9

* Properties with pending tax tribunal cases.

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

City of Novi, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
2000	2001	\$ 22,009,796	\$ 21,028,299	95.5	\$ 408,391	\$ 21,436,690	97.4
2001	2002	24,039,024	23,094,132	96.1	382,992	23,477,124	97.7
2002	2003	26,360,044	24,761,058	93.9	772,972	25,534,030	96.9
2003	2004	28,243,224	27,076,470	95.9	547,389	27,623,859	97.8
2004	2005	30,576,422	28,583,217	93.5	896,068	29,479,285	96.4
2005	2006	32,666,495	31,511,671	96.5	523,589	32,035,260	98.1
2006	2007	35,515,881	33,701,763	94.9	804,920	34,506,683	97.2
2007	2008	37,235,244	34,722,648	93.3	1,208,158	35,930,806	96.5
2008	2009	37,786,170	36,240,984	95.9	1,242,184	37,483,168	99.2
2009	2010	37,360,762	34,997,428	93.7	2,057,564	37,054,992	99.2

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

Source: City's finance department records

City of Novi, Michigan
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

	2001	2002	2003	2004
Governmental Activities				
General obligation bonds	\$ 56,463	\$ 53,861	\$ 57,884	\$ 54,640
Installment purchase agreements	154	126	97	66
Special assessment bonds	19,525	18,650	17,590	16,465
Equipment loan	-	-	-	-
Land contract	-	-	-	-
Total	76,142	72,637	75,571	71,171
Business-type Activities				
General obligation bonds	28,535	27,735	26,675	25,525
Special assessment bonds	400	200	-	2,330
Installment loans	35	7	-	-
Revenue bonds	14,965	14,535	14,105	13,680
Total	43,935	42,477	40,780	41,535
Total debt of the government	\$ 120,077	\$ 115,114	\$ 116,351	\$ 112,706
Total taxable value	\$ 2,095,003	\$ 2,280,396	\$ 2,510,282	\$ 2,679,216
Ratio of total debt to taxable value	5.73%	5.05%	4.63%	4.21%
Total population*	48,784	49,359	50,223	51,518
Total debt per capita	\$ 2,461	\$ 2,332	\$ 2,317	\$ 2,188

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

Source: City's annual financial statements

City of Novi, Michigan
 Ratios of Outstanding Debt by Type (continued)
 Last Ten Fiscal Years
 (dollars in thousands, except per capita)

	2005	2006	2007	2008	2009	2010
\$	50,130	\$ 45,230	\$ 40,165	\$ 48,065	\$ 42,455	\$ 36,336
	34	-	-	-	-	-
	15,340	14,215	13,090	11,665	10,200	8,750
	-	-	-	-	-	-
	-	-	-	-	-	-
	65,504	59,445	53,255	59,730	52,655	45,086
	24,393	23,030	21,491	19,933	19,090	18,197
	2,255	2,080	1,905	1,730	1,530	1,330
	-	-	-	-	-	-
	13,155	-	-	-	-	-
	39,803	25,110	23,396	21,663	20,620	19,527
\$	105,307	\$ 84,555	\$ 76,651	\$ 81,393	\$ 73,275	\$ 64,613
\$	2,900,549	\$ 3,098,818	\$ 3,364,062	\$ 3,550,407	\$ 3,582,448	\$ 3,554,944
	3.63%	2.73%	2.28%	2.29%	2.05%	1.82%
	52,921	53,941	54,609	54,688	54,376	51,189
\$	1,990	\$ 1,568	\$ 1,404	\$ 1,488	\$ 1,348	\$ 1,262

City of Novi, Michigan
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (dollars in thousands, except per capita)

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Obligation Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population*	Debt per Capita
2001	\$ -	\$ 53,888	\$ 2,575	\$ 154	\$ 56,617	\$ 2,095,003	2.70	48,784	\$ 1,161
2002	-	51,436	2,425	126	53,987	2,280,396	2.37	49,359	1,094
2003	2,000	53,604	2,280	97	57,981	2,510,282	2.31	50,223	1,154
2004	1,850	50,775	2,015	66	54,706	2,679,216	2.04	51,518	1,062
2005	1,700	46,685	1,745	34	50,164	2,900,549	1.73	52,921	948
2006	1,525	42,225	1,480	-	45,230	3,098,818	1.46	53,941	839
2007	1,350	37,600	1,215	-	40,165	3,364,062	1.19	54,609	736
2008	1,150	46,005	910	-	48,065	3,550,407	1.35	54,688	879
2009	950	40,895	610	-	42,455	3,582,448	1.19	54,376	781
2010	750	35,485	315	-	36,550	3,554,944	1.03	51,189	714

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

Source: City's finance department records

City of Novi, Michigan
Direct and Overlapping Governmental Activities Debt
June 30, 2010
(dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (2)	Estimated Share of Overlapping Debt
Novi School District	\$ 119,565	99.88	\$ 119,422
Northville School District	75,465	18.36	13,855
Walled Lake School District	154,285	12.68	19,563
South Lyon School District	189,635	2.45	4,646
Oakland County	97,719	5.69	5,560
Oakland Intermediate School District	64,735	4.94	3,198
Oakland Community College	6,005	4.74	285
Total overlapping debt			<u>166,529</u>
Direct City debt (1)			<u>36,235</u>
Total direct and overlapping debt			<u><u>\$ 202,764</u></u>

(1) Amount does not include water and sewer general obligations, MTF Transportation obligations, or Special Assessment obligations

(2) Percent obtained from Municipal Advisory Council of Michigan

Source: Various taxing authorities

City of Novi, Michigan
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (dollars in thousands)

	2001	2002	2003	2004
Calculation of Debt Limit				
State equalized valuation (2)	\$ 2,440,876	\$ 2,677,663	\$ 2,971,901	\$ 3,196,089
Assessed value equivalent of Act 198 exemptions (1)	-	-	-	-
Debt Limit (10% of SEV)	244,088	267,766	297,190	319,609
Calculation of Debt Subject to Limit				
Total debt	120,077	115,114	116,351	112,706
Less:				
Special assessment bonds	19,925	18,850	17,590	18,795
Michigan Transportation Fund bonds	2,575	2,425	2,280	2,015
Revenue bonds	14,965	14,535	14,105	13,680
Net Debt Subject to Limit	82,612	79,304	82,376	78,216
Legal Debt Margin	\$ 161,476	\$ 188,462	\$ 214,814	\$ 241,393
Net Debt Subject to Limit as Percent of Debt Limit	33.85%	29.62%	27.72%	24.47%

(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.

City of Novi, Michigan
 Legal Debt Margin Information (continued)
 Last Ten Fiscal Years
 (dollars in thousands)

	2005	2006	2007	2008	2009	2010
\$	3,407,207	\$ 3,580,551	\$ 3,848,565	\$ 3,946,242	\$ 3,876,955	\$ 3,742,062
	-	8,350	8,386	8,423	8,423	8,414
	340,721	358,890	385,695	395,467	388,538	375,048
	106,654	84,554	76,651	81,393	73,275	64,613
	17,595	16,295	14,995	13,395	11,730	10,080
	1,745	1,480	1,215	910	610	315
	13,155	-	-	-	-	-
	74,159	66,779	60,441	67,088	60,935	54,218
\$	266,562	\$ 292,111	\$ 325,254	\$ 328,379	\$ 327,603	\$ 320,830
	21.77%	18.61%	15.67%	16.96%	15.68%	14.46%

City of Novi, Michigan
Pledged-revenue Coverage
Last Nine Fiscal Years
(dollars in thousands)

Fiscal Year	Water and Sewer Revenue Bonds							Special Assessment Bonds			
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Coverage	Special Assessment Collections	Debt Service		
				Principal	Interest			Principal	Interest	Coverage	
2002	\$ 10,731	\$ 8,457	\$ 2,274	\$ 430	\$ 720	1.98	\$ 2,449	\$ 1,075	\$ 1,010	1.17	
2003	12,582	10,684	1,899	430	690	1.70	2,606	1,260	932	1.19	
2004	13,337	11,582	1,755	425	678	1.59	2,670	1,125	853	1.35	
2005	14,416	12,885	1,531	525	652	1.30	2,715	1,200	866	1.31	
2006	-	-	-	-	-	-	2,679	1,300	775	1.29	
2007	-	-	-	-	-	-	2,759	1,300	715	1.37	
2008	-	-	-	-	-	-	2,589	1,600	649	1.15	
2009	-	-	-	-	-	-	2,481	1,665	574	1.11	
2010	-	-	-	-	-	-	2,583	1,650	499	1.20	

Source: City's annual financial statements

City of Novi, Michigan
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2001	48,784	*	*	1.6
2002	49,359	*	*	2.9
2003	50,223	*	*	3.5
2004	51,518	*	*	4.2
2005	52,921	*	*	3.9
2006	53,941	*	*	3.5
2007	54,609	*	*	4.3
2008	54,688	*	*	4.1
2009	54,376	*	*	5.9
2010	51,189	*	*	8.4

* Not available

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

City of Novi, Michigan
Principal Employers
June 30, 2010

Employer	2010 Employees	Percentage of Total
1 Novi Community Schools	807	3.11
2 Intier/Magna	600	2.31
3 Ryder System	548	2.11
4 St. John Health/Providence Park Hospital	500	1.93
5 Comau North America	325	1.25
6 Rock Financial Showplace	280	1.08
7 City of Novi	254	0.98
8 Michigan Cat	250	0.96
9 Caparo Vehicle Component	250	0.96
10 ITC Holding, Inc.	230	0.89
11 Toyota Boshoku America	180	0.69
12 TaTa Technologies	120	0.46

Sources: City's Neighborhood and Business Relations Group
Employee count does not include part-time employees

City of Novi, Michigan
Full-time City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004
City manager	3	4	4	4
Finance	6	6	6	7
Information technology	3	3	3	3
Assessing	8	7	7	7
City clerk	6	6	6	6
Treasury	3	3	3	3
Facility Operations	2	2	2	2
Human resources (3)	-	-	-	-
General administration	8	7	7	7
Department of Public Safety	-	-	-	-
Police department (4)	88	90	89	94
Fire department (4)	25	27	28	29
Building department	17	18	18	18
Neighborhood services	5	4	4	5
Department of Public Services (5)	26	30	26	25
Engineering	-	-	4	4
Parks, recreation, and cultural services (6)	15	17	17	18
Water and sewer	12	11	12	12
Library	18	19	19	21
Community relations	1	1	2	2
Neighborhood and Business Relations Group (1)	-	-	-	-
Planning	8	9	8	8
Community development - Building, planning, and neighborhood services (2)	-	-	-	-
Total	254	264	265	275

(1) Formerly "community relations"

(2) Combined building, planning, and neighborhood services

(3) Employees included under General Administration

(4) Combined Police and Fire Departments

(5) Engineering staff combined with DPS

(6) Forestry and park maintenance staff combined with DPS

Source: City's finance department records

City of Novi, Michigan
 Full-time City Government Employees by Function/Program (continued)
 Last Ten Fiscal Years

2005	2006	2007	2008	2009	2010
4	3	3	3	3	3
7	8	8	8	8	8
3	4	4	5	5	5
7	7	7	7	7	7
6	6	6	6	6	6
3	3	3	3	3	3
2	2	2	2	2	4
-	-	-	-	-	5
6	6	7	5	6	-
-	-	-	-	-	128
97	97	99	99	99	-
31	30	31	31	31	-
18	18	18	-	-	-
5	5	5	-	-	-
25	23	23	23	24	36
5	5	5	6	6	-
18	18	18	19	17	11
12	13	13	12	12	12
20	20	20	20	20	20
2	2	3	-	-	-
-	-	-	4	4	3
8	8	8	-	-	-
-	-	-	31	31	21
<u>279</u>	<u>278</u>	<u>283</u>	<u>284</u>	<u>284</u>	<u>272</u>

City of Novi, Michigan
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005
Election data:					
Registered voters	31,972	30,534	30,428	30,572	32,131
Voters at polls	17,246	6,601	13,814	3,962	25,432
Absentee ballots	4,399	1,368	2,742	1,343	5,783
Percent voting	67.70%	26.10%	54.41%	17.35%	79.15%
Police:					
Part A crimes	2,768	2,682	2,509	2,530	2,426
Part B crimes	1,569	1,496	1,681	1,766	1,216
Injury accidents	278	325	281	266	277
Property damage	2,229	2,200	2,146	2,221	2,004
Moving traffic violations	7,035	7,280	6,161	10,353	10,451
Parking violations	721	706	542	620	448
Adult arrests	1,447	1,328	1,541	1,709	1,630
Juvenile arrests	187	210	227	261	208
OUIL arrests	302	259	306	451	460
False alarms	2,673	2,310	2,554	2,527	2,470
Fire:					
Fire incidents	130	135	154	137	305
Service incidents	949	1,062	1,215	1,343	1,124
Fire inspections conducted	2,263	2,691	3,054	2,849	2,280
Medical emergencies	1,968	2,052	2,083	2,187	2,430
Paid-on-call staff	56	56	60	55	48
Parks and recreation:					
Youth classes/clinics	743	832	250	1,000	240
Adult classes/clinics	300	312	300	400	100
Youth leagues	4,500	4,672	3,732	4,900	2,891
Adult leagues	2,915	2,775	2,640	2,010	2,138
Summer day camp	360	440	420	416	425
Lakeshore Park vehicle entry	3,523	4,140	3,850	3,410	3,456
Lakeshore Park attendance	7,078	9,050	8,740	10,230	10,368
Lakeshore Park picnic shelter rental	107	86	79	117	82
Senior citizens served (1)	96,000	90,500	90,700	90,680	63,676
Special event attendance	7,600	8,500	8,813	10,966	9,250
Civic Center rentals	2,532	2,596	2,807	3,765	1,799
Civic Center attendance	90,167	99,880	89,070	99,312	57,352
Novi Theaters - Cast	723	785	821	817	367
Novi Theaters - Audience	9,672	10,110	8,005	10,380	6,341
Library:					
Items circulated	335,185	352,814	400,441	411,599	464,991
Book collections	108,124	109,710	107,236	113,384	119,273
Audio/Video/CD collections	8,783	9,394	10,042	11,075	11,552
Periodical subscriptions	269	398	189	195	189
Requests of information	73,376	79,071	88,873	86,403	115,623
Youth Summer Reading	1,249	1,354	1,547	1,577	1,687
Program participants	19,165	21,822	23,342	28,824	26,940
Visitors	-	-	-	-	-
Interlibrary loans	-	-	-	-	-

(1) Beginning in fiscal year 2007-2008, 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.

City of Novi, Michigan
 Operating Indicators by Function/Program (continued)
 Last Ten Fiscal Years

2006	2007	2008	2009	2010
32,301	33,253	35,117	36,320	35,764
4,495	20,612	9,020	19,684	2,887
2,256	4,500	2,768	8,455	2,212
20.90%	62.00%	26.00%	77.48%	14.26%
2,312	2,077	2,102	2,018	1,868
1,246	1,388	987	721	793
248	203	242	264	216
1,986	1,853	1,825	1,737	1,602
12,219	11,486	6,813	11,184	11,635
437	427	N/A	N/A	512
1,780	2,001	1,703	1,987	2,353
211	237	189	229	201
380	398	266	369	363
2,677	2,664	2,403	2,275	2,262
309	287	266	1,015	134
1,013	1,207	1,218	567	2,006
2,291	2,301	2,619	3,049	2,341
2,424	2,458	2,724	2,766	2,957
54	59	56	68	68
248	780	572	715	1,154
106	493	428	213	439
3,002	3,091	2,983	2,198	2,585
2,146	1,980	2,240	2,394	2,750
431	367	341	339	742
3,502	7,910	10,335	7,065	11,533
12,224	17,120	17,777	17,663	28,833
85	104	163	11,355	128
64,189	106,522	87,188	78,978	78,432
10,009	9,981	11,413	11,049	12,071
2,700	2,746	2,731	2,985	1,060
86,860	96,503	97,249	81,810	57,519
372	284	226	214	206
6,640	4,929	6,392	4,548	5,041
508,405	544,874	580,438	628,724	556,582
123,897	126,259	128,711	123,884	137,220
12,581	13,805	13,774	13,232	14,295
153	170	179	162	185
136,448	158,265	159,485	154,735	171,324
1,698	1,171	1,491	1,491	1,061
26,160	26,720	35,062	18,772	24,145
285,777	265,795	269,815	280,560	262,826
46,057	55,102	60,182	78,214	67,615

City of Novi, Michigan
 Operating Indicators by Function/Program (continued)
 Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005
Water and sewer - Customers:					
Residential	11,780	10,040	12,504	10,684	11,107
Commercial	879	949	1,020	1,014	1,024
Water (in thousand gallons):					
Purchased from Detroit	1,980,099	1,984,209	2,204,351	2,213,689	2,267,616
Sold to customers	1,771,266	1,633,165	2,099,575	2,032,995	2,117,038
Rates:					
Minimum 7,000 gallons	\$ 21.75	\$ 27.00	\$ 27.00	\$ 28.00	\$ 29.00
Additional usage per 1,000 gallons	\$ 1.90	\$ 2.48	\$ 2.48	\$ 2.55	\$ 2.78
Sewer (per thousand gallons of water usage)	\$ 1.44	\$ 1.75	\$ 1.75	\$ 1.93	\$ 2.05

Source: City's finance department records

City of Novi, Michigan
 Operating Indicators by Function/Program (continued)
 Last Ten Fiscal Years

	2006	2007	2008	2009	2010
	12,306	12,708	12,716	12,641	12,874
	1,108	1,399	1,280	1,287	1,225
	2,431,591	2,424,237	2,402,589	2,182,409	2,041,594
	2,256,309	2,355,938	2,192,050	2,079,696	1,919,763
\$	31.00	\$ 31.00	\$ 33.00	\$ 41.00	\$ 42.00
\$	2.94	\$ 2.94	\$ 3.17	\$ 3.95	\$ 4.06
\$	2.21	\$ 2.21	\$ 2.32	\$ 2.51	\$ 2.67

City of Novi, Michigan
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004
Police - Stations	1	1	1	1
Fire - Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	31	31	32	39
Local	126	135	159	107
Estimated sidewalks in miles (1)	37	39	41	39
Bridges	4	4	4	4
Street lights	400	400	400	401
Parks and recreation:				
Acres	844	844	844	844
Locations	10	10	9	10
Library - Branches	1	1	1	1
Water and sewer:				
Miles of water mains	175	180	180	180
Miles of sanitary sewers	200	203	215	227
Fire hydrants	3,000	3,080	-	3,077

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

Source: City's department of Public Services

City of Novi, Michigan
 Capital Asset Statistics by Function/Program (continued)
 Last Ten Fiscal Years

2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
4	4	4	4	4	4
39	39	39	39	39	39
116	116	123	127	128	132
69	170	226	227	228	230
4	4	4	4	4	4
401	401	402	402	418	421
894	894	894	894	991	1,138
7	7	7	7	11	11
1	1	1	1	1	1
280	288	288	288	306	306
230	230	230	230	243	243
3,139	3,763	4,010	4,011	4,003	4,003



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010 • Novi, Michigan

45175 W. TEN MILE ROAD

NOVI, MICHIGAN 48375

CITYOFNOVI.ORG