

# **Novi Community School District**

---

**Financial Report  
with Supplemental Information  
June 30, 2017**

# Novi Community School District

---

## Contents

<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-11
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19-41
<b>Required Supplemental Information</b>	42
Budgetary Comparison Schedule - General Fund	43
Schedule of Novi Community School District's Proportionate Share of the Net Pension Liability	44
Schedule of Novi Community School District's Contributions to MPSERS	45
<b>Other Supplemental Information</b>	46
Nonmajor Governmental Funds:	
Combining Balance Sheet	47-48
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	49-50
Schedule of Bonded Indebtedness	51-53
<b>Federal Awards Supplemental Information</b>	Issued Under Separate Cover

## Independent Auditor's Report

To the Board of Education  
Novi Community School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Novi Community School District (the "School District" or the "District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Novi Community School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 from material misstatement.

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

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

To the Board of Education  
Novi Community School District

### ***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 major funds, and the aggregate remaining fund information of Novi Community School District as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, schedule of proportionate share of the net pension liability, and schedule of MPSERS pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Novi Community School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Novi Community School District

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of Novi Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Novi Community School District's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 12, 2017

# **Novi Community School District**

## **Management's Discussion and Analysis**

This section of Novi Community School District's (the "School District" or the "District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Novi Community School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2017 Capital Projects Fund, the 2016 Capital Projects Fund, and the 2014 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)*

### **Basic Financial Statements**

*Government-wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*

*Budgetary Information for Major Funds*

*Schedule of Novi Community School District's Proportionate Share of the Net Pension Liability  
as of the Plan Year Ended September 30*

*Schedule of Novi Community School District's Contributions Determined  
as of the Year Ended June 30*

*Other Supplemental Information*

# **Novi Community School District**

## **Management's Discussion and Analysis (Continued)**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, debt service, capital projects, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (e.g., the Food Service Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

# Novi Community School District

## Management's Discussion and Analysis (Continued)

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE I	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 41.6	\$ 51.5
Capital assets	<u>166.4</u>	<u>157.0</u>
Total assets	208.0	208.5
<b>Deferred Outflows of Resources</b>	<u>15.8</u>	<u>13.2</u>
Total assets and deferred outflows of resources	223.8	221.7
<b>Liabilities</b>		
Current liabilities	12.4	18.0
Long-term liabilities	<u>236.2</u>	<u>232.9</u>
Total liabilities	248.6	250.9
<b>Deferred Inflows of Resources</b>	<u>5.8</u>	<u>4.2</u>
Total liabilities and deferred inflows of resources	<u>254.4</u>	<u>255.1</u>
<b>Net Position</b>		
Net investment in capital assets	61.1	59.9
Restricted	2.5	1.8
Unrestricted	<u>(94.2)</u>	<u>(95.1)</u>
Total net position	<u>\$ (30.6)</u>	<u>\$ (33.4)</u>



# Novi Community School District

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net deficit was \$30.6 million at June 30, 2017. Net investment in capital assets, totaling \$61.1 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net deficit (\$94.2 million) was unrestricted.

The \$94.2 million in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations, as well as the net pension liability at June 30, 2017. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2017 and 2016.

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2017	2016
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 5.3	\$ 5.1
Operating grants and contributions	13.4	10.4
General revenue:		
Property taxes	38.1	37.5
State foundation allowance	37.2	36.8
Other	1.4	1.4
Total revenue	<u>95.4</u>	<u>91.2</u>
<b>Functions/Program Expenses</b>		
Instruction	48.7	46.4
Support services	29.4	26.0
Athletics	0.8	0.8
Food services	2.0	2.3
Community services	2.2	2.0
Interest on long-term debt	3.6	4.4
Debt issuance costs	0.3	0.1
Depreciation (unallocated)	5.6	5.0
Total functions/program expenses	<u>92.6</u>	<u>87.0</u>
<b>Change in Net Position</b>	2.8	4.2
<b>Net Position - Beginning of year</b>	<u>(33.4)</u>	<u>(37.6)</u>
<b>Net Position - End of year</b>	<u><b>\$ (30.6)</b></u>	<u><b>\$ (33.4)</b></u>

# **Novi Community School District**

## **Management's Discussion and Analysis (Continued)**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$92.6 million. Certain activities were partially funded from those who benefited from the programs (\$5.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$38.1 million in taxes, \$37.2 million in state foundation allowance, and with our other revenue, i.e., interest and general entitlements.

The School District experienced an increase in net position of \$2.8 million primarily as a result of ongoing operations in the School District. As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$29.7 million, which is a decrease of \$4.2 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.0 million to \$10.2 million. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2014 Capital Projects Fund fund balance was depleted as the School District spent the proceeds from the voter approved bond that was issued during the 2013-2014 fiscal year.

In the 2016 Capital Projects Fund, the fund balance decreased by \$5.0 million as the School District continued to spend the proceeds from the voter approved bonds.

In the 2017 Capital Projects Fund, the School District issued new bond amounting to an increase in fund balance of \$13.8 million.

Our Special Revenue Funds remained relatively stable from the prior years, showing a net increase of approximately \$70,000. The Cafeteria Fund incurred an approximate \$9,000 increase in fund balance while the Recreation Fund had an approximate \$60,000 increase in fund balance.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$232,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are restricted since they can only be used to pay debt service obligations.

# Novi Community School District

## Management's Discussion and Analysis (Continued)

The Capital Projects Funds (other than 2014, 2016, and 2017 Capital Projects Funds) fund balance increased as the School District primarily utilized the 2014, 2016, and 2017 Capital Projects Funds for capital improvements during 2017. The School District collected \$1,043,000 in voter-approved sinking fund millage. This millage is available to fund specific capital projects and repairs allowed by state law and approved by the voters.

### General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Revisions made to the 2016-2017 General Fund original budget revenue increased \$652,000 primarily due to changes in certain categorical revenue from the State and budgeted expenditures were increased \$615,000 to account for the increase in salaries, retirement costs, and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

There were no significant variances between the final budget and actual amounts.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2017 the School District had \$166.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$9.3 million, or 5.92 percent, from last year.

	<u>2017</u>	<u>2016</u>
Land	\$ 9,607,341	\$ 9,607,341
Construction in progress	3,401,397	17,649,262
Buildings and building improvements	199,254,180	172,820,308
Site improvements	17,109,340	15,645,983
Buses and other vehicles	3,453,561	3,129,504
Furniture and equipment	<u>6,991,463</u>	<u>6,574,730</u>
Total capital assets	239,817,282	225,427,128
Less accumulated depreciation	<u>73,368,220</u>	<u>68,281,843</u>
Net capital assets	<u><b>\$ 166,449,062</b></u>	<u><b>\$ 157,145,285</b></u>

This year's additions of \$14.9 million included vehicles, equipment, technology, building renovations, site improvements, new classroom and school construction, and buses.

# Novi Community School District

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$108.570 million in bonds outstanding versus \$109.155 million in the previous year - a decrease of 0.54 percent. Those bonds consisted of the following:

	2017	2016
General obligation bonds	<u>\$ 108,570,000</u>	<u>\$ 109,155,000</u>

The School District's general obligation bond rating is Aa2. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$62.575 million is significantly below this \$409.3 million statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2017-2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 10 percent and 90 percent of the February 2017 and October 2017 student counts, respectively. The 2017-2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in September 2017. In the 2017-2018 budget, the blended student count is projected to be 40 students higher than in 2016-2017. Approximately 51 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

The 2017-2018 General Fund budget, approved by the Board of Education in June, reflects an operating deficit of \$903,332 for the year. Despite the planned use of fund balance in 2017-2018, the Board of Education's goal of maintaining combined General Fund fund balance of at least 10 percent of General Fund expenditures, will still be met. These are difficult financial times for Michigan school districts and their employees. However, the Board of Education, administration, staff, and union leadership are committed to the students and with providing them with an education that prepares them to compete in our global society. We will continue to work together collaboratively to reach this goal no matter what challenges and financial constraints we face.

# **Novi Community School District**

---

## **Management's Discussion and Analysis (Continued)**

### **Contacting the District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

# Novi Community School District

## Statement of Net Position June 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 10,721,436
Receivables (Note 4)	9,329,367
Inventories	36,480
Prepaid costs and other assets	753,974
Restricted assets (Note 5)	20,787,988
Capital assets - Net (Note 6)	<u>166,449,062</u>
Total assets	208,078,307
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding	503,784
Deferred outflows related to pensions (Note 10)	<u>15,256,190</u>
Total deferred outflows of resources	<u>15,759,974</u>
Total assets and deferred outflows of resources	223,838,281
<b>Liabilities</b>	
Accounts payable	2,108,481
Accrued payroll-related liabilities	7,655,575
Accrued interest	950,076
Due to other governmental units	876,744
Unearned revenue (Note 4)	753,572
Noncurrent liabilities (Note 8):	
Due within one year	11,319,856
Due in more than one year	110,103,953
Net pension liability (Note 10)	<u>114,824,425</u>
Total liabilities	248,592,682
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to measurement date (Note 1)	3,514,524
Gain on debt defeasance	602,679
Deferred inflows related to pensions (Note 10)	<u>1,746,300</u>
Total deferred inflows of resources	<u>5,863,503</u>
Total liabilities and deferred inflows of resources	<u>254,456,185</u>
<b>Net Position</b>	
Net investment in capital assets	61,071,999
Restricted - Capital projects	2,456,455
Unrestricted	<u>(94,146,358)</u>
Total net position	<u><b>\$ (30,617,904)</b></u>

# Novi Community School District

## Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 48,740,193	\$ 331,085	\$ 13,051,881	\$ (35,357,227)
Support services	29,368,103	-	-	(29,368,103)
Athletics	814,708	377,272	-	(437,436)
Food services	2,046,378	1,563,334	393,415	(89,629)
Community services	2,164,047	3,014,936	-	850,889
Interest	3,640,597	-	-	(3,640,597)
Debt issuance costs	321,244	-	-	(321,244)
Depreciation expense (unallocated)	5,543,494	-	-	(5,543,494)
<b>Total primary government</b>	<b>\$ 92,638,764</b>	<b>\$ 5,286,627</b>	<b>\$ 13,445,296</b>	<b>(73,906,841)</b>
General revenue:				
Taxes:				
Property taxes, levied for general purposes				19,132,643
Property taxes, levied for debt service				15,850,552
Property taxes, levied for capital projects				1,036,751
Property taxes, levied for recreation				2,088,329
State aid not restricted to specific purposes				37,153,068
Interest and investment earnings				164,338
Other				1,261,921
<b>Total general revenue</b>				<b>76,687,602</b>
<b>Change in Net Position</b>				<b>2,780,761</b>
<b>Net Position - Beginning of year</b>				<b>(33,398,665)</b>
<b>Net Position - End of year</b>				<b>\$ (30,617,904)</b>

# Novi Community School District

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	2017 Capital Projects Fund	2016 Capital Projects Fund	2014 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 10,721,436	\$ -	\$ -	\$ -	\$ -	\$ 10,721,436
Receivables (Note 4)	9,060,485	-	-	-	268,882	9,329,367
Due from other funds (Note 7)	16,073	-	-	-	3,078	19,151
Inventories	-	-	-	-	36,480	36,480
Prepaid costs and deposits	578,973	-	-	-	175,001	753,974
Restricted assets (Note 5)	-	13,770,908	3,263,340	-	3,753,740	20,787,988
<b>Total assets</b>	<b>\$ 20,376,967</b>	<b>\$ 13,770,908</b>	<b>\$ 3,263,340</b>	<b>\$ -</b>	<b>\$ 4,237,181</b>	<b>\$ 41,648,396</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 658,423	\$ -	\$ 1,181,813	\$ -	\$ 268,245	\$ 2,108,481
Accrued payroll-related liabilities	7,655,575	-	-	-	-	7,655,575
Due to other governmental units	876,702	-	-	-	42	876,744
Due to other funds (Note 7)	-	-	14,206	-	4,945	19,151
Unearned revenue (Note 4)	655,696	-	-	-	97,876	753,572
<b>Total liabilities</b>	<b>9,846,396</b>	<b>-</b>	<b>1,196,019</b>	<b>-</b>	<b>371,108</b>	<b>11,413,523</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue (Note 4)	309,244	-	-	-	228,599	537,843
<b>Total liabilities and deferred inflows of resources</b>	<b>10,155,640</b>	<b>-</b>	<b>1,196,019</b>	<b>-</b>	<b>599,707</b>	<b>11,951,366</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	-	36,480	36,480
Prepaid costs and deposits	578,973	-	-	-	175,001	753,974
Restricted:						
Capital projects	-	13,770,908	2,067,321	-	2,369,138	18,207,367
Debt service	-	-	-	-	894,675	894,675
Food service	-	-	-	-	22,081	22,081
Recreation	-	-	-	-	349,284	349,284
Assigned - Budgeted use of fund balance in subsequent year	903,332	-	-	-	-	903,332
Unassigned	8,739,022	-	-	-	(209,185)	8,529,837
<b>Total fund balances</b>	<b>10,221,327</b>	<b>13,770,908</b>	<b>2,067,321</b>	<b>-</b>	<b>3,637,474</b>	<b>29,697,030</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 20,376,967</b>	<b>\$ 13,770,908</b>	<b>\$ 3,263,340</b>	<b>\$ -</b>	<b>\$ 4,237,181</b>	<b>\$ 41,648,396</b>



# Novi Community School District

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

<b>Fund Balance Reported in Governmental Funds</b>	\$	29,697,030
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$ 239,817,282	
Accumulated depreciation	<u>(73,368,220)</u>	166,449,062
Deferred outflows related to pension payments made subsequent to the measurement date		9,193,538
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including premiums	(121,029,078)	
Compensated absences	(353,431)	
Self-insurance claims	<u>(41,300)</u>	(121,423,809)
Accrued interest payable is not included as a liability in governmental funds		(950,076)
Deferred outflow related to pensions		6,062,652
Property taxes receivable are earned as of June 30, 2016 but the collections are not available soon enough to pay for the current period's expenditures and therefore revenue recognition is deferred in the governmental funds		537,843
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position		(3,514,524)
Gain on debt defeasance		(602,679)
Deferred charges on bond refunding		503,784
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(114,824,425)
Deferred inflows related to pensions are not reported in the governmental funds		<u>(1,746,300)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(30,617,904)</u></b>

# Novi Community School District

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

	General Fund	2017 Capital Projects Fund	2016 Capital Projects Fund	2014 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 23,802,650	\$ 35,031	\$ 59,536	\$ 66,780	\$ 20,655,485	\$ 44,619,482
State sources	45,314,339	-	-	-	96,478	45,410,817
Federal sources	1,424,517	-	-	-	393,415	1,817,932
Interdistrict sources	3,774,561	-	-	-	-	3,774,561
<b>Total revenue</b>	<b>74,316,067</b>	<b>35,031</b>	<b>59,536</b>	<b>66,780</b>	<b>21,145,378</b>	<b>95,622,792</b>
<b>Expenditures</b>						
Current:						
Instruction	48,808,479	-	-	-	2,230	48,810,709
Support services	22,250,026	-	430	5,651	1,577,814	23,833,921
Athletics	815,151	-	-	-	-	815,151
Food services	-	-	-	-	2,046,561	2,046,561
Community services	1,624,983	-	-	-	541,297	2,166,280
Debt service:						
Principal	-	-	-	-	11,295,000	11,295,000
Interest	-	-	-	-	4,280,917	4,280,917
Other	-	109,848	-	-	211,396	321,244
Capital outlay	40,222	-	5,048,627	15,168,491	158,530	20,415,870
<b>Total expenditures</b>	<b>73,538,861</b>	<b>109,848</b>	<b>5,049,057</b>	<b>15,174,142</b>	<b>20,113,745</b>	<b>113,985,653</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>777,206</b>	<b>(74,817)</b>	<b>(4,989,521)</b>	<b>(15,107,362)</b>	<b>1,031,633</b>	<b>(18,362,861)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets						
	68,895	-	-	-	-	68,895
Payment to escrow agent	-	-	-	-	(25,258,784)	(25,258,784)
Transfers in (Note 7)	142,796	-	-	-	-	142,796
Transfers out (Note 7)	-	-	-	-	(142,796)	(142,796)
Face value of debt issued	-	12,230,000	-	-	23,235,000	35,465,000
Premium on debt issued	-	1,615,725	-	-	2,239,510	3,855,235
<b>Total other financing sources</b>	<b>211,691</b>	<b>13,845,725</b>	<b>-</b>	<b>-</b>	<b>72,930</b>	<b>14,130,346</b>
<b>Net Change in Fund Balances</b>	<b>988,897</b>	<b>13,770,908</b>	<b>(4,989,521)</b>	<b>(15,107,362)</b>	<b>1,104,563</b>	<b>(4,232,515)</b>
<b>Fund Balances - Beginning of year</b>	<b>9,232,430</b>	<b>-</b>	<b>7,056,842</b>	<b>15,107,362</b>	<b>2,532,911</b>	<b>33,929,545</b>
<b>Fund Balances - End of year</b>	<b>\$ 10,221,327</b>	<b>\$ 13,770,908</b>	<b>\$ 2,067,321</b>	<b>\$ -</b>	<b>\$ 3,637,474</b>	<b>\$ 29,697,030</b>

# Novi Community School District

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(4,232,515)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$	(5,543,494)
Capitalized capital outlay	<u>14,856,937</u>	9,313,443
Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		142,450
Revenue in support of pension contributions made subsequent to the measurement date		(404,946)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities		(35,465,000)
Underwriter's premium reported as revenue in the funds and amortized in the statement of net position		(3,855,235)
Repayment of bond principal and the payment to escrow agent related to the bond refunding are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt)		36,050,000
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		640,320
In the statement of activities, in a current year bond refunding the difference between the proceeds from the bond refunding and payment to the escrow agent is amortized over the life of the new bonds		503,784
Change in pension expense related to deferred items		82,511
Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned		15,615
Loss on disposal of capital assets		<u>(9,666)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,780,761</u></b>

# Novi Community School District

---

## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2017

	<u>Agency Funds</u>
<b>Assets - Cash (Note 3)</b>	<b><u>\$ 1,033,348</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 3,923
Due to student groups	<u>1,029,425</u>
Total liabilities	<b><u>\$ 1,033,348</u></b>

# **Novi Community School District**

---

## **Notes to Financial Statements June 30, 2017**

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of Novi Community School District (the "School District") 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 School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### Note I - Nature of Business and Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund Financial Statements** - 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 School District considers revenue to be available if it is 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**2014, 2016, and 2017 Capital Project Funds** - The Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for school building and site purposes. The funds operate until the purpose for which they were created is accomplished.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Food Service Fund and the Recreation Fund are the School District's only nonmajor Special Revenue Funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. The Recreation Fund is used by the School District to account for the proceeds of the restricted voter-approved millage that is to be spent on voter-approved recreation-type activities.

Any operating deficit generated by these activities is the responsibility of the General Fund.

**Capital Projects Funds** - Capital Projects Funds are used to record bond proceeds, sinking fund millages, or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The funds operate until the purpose for which they were created is accomplished.

**Debt Service Funds** - The School District maintains seven governmental Debt Service Funds, which are used to account for property tax and other revenue legally restricted for payment of long-term debt.

**Agency Funds** - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Position or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for the investments in the Michigan Liquid Asset Fund (MILAF), which are valued at amortized cost.

**Receivables and Payables** - In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Property Taxes** - Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental 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 costs in both government-wide and fund financial statements and are accounted for using the purchases method.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets. The cash held in the Debt Service Funds is recorded as restricted as the amounts are required to be used to make the applicable bond principal and interest payments, as they are due. The cash held in the Food Service Fund and the Recreation Fund is recorded as restricted as the amounts are required to be used to operate the School District's food service program and to operate a system of public recreation and playgrounds, respectively.



# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Site improvements	15 to 30 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide financial statements consists of earned but unused sick leave benefits and termination payments. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has deferred outflows related to the Michigan Public School Employees' Retirement System (MPERS) pension plan and has deferred outflows relating to bond refundings (difference between the proceeds from refunding bonds and the payments to the escrow agent) which are recorded as a deferred outflow of resources and amortized into interest expense over the shorter of the life of the old bonds or the new bonds. As noted in the following paragraph, the difference between the proceeds from refunding bonds and payment to the escrow agent may result in a deferred inflow of resources or deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has four types of deferred inflows. The first item arises only under a modified accrual basis of accounting, and is therefore only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is deferred inflows related to the MPERS pension plan. The third item relates to funding received through state appropriations for contributions to the MPERS pension plan after the measurement date. Lastly, the difference between the proceeds from the refunding bond and the payment to the escrow agent for a bond refunding (gain on debt defeasance) is recorded as a deferred inflow of resources and amortized into interest expense over the shorter of the life of the old bonds or the new bonds.

**Fund Balance** - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or Assistant Superintendent of Business and Operations, who is authorized by resolution approved by the Board of Education to make assignments.
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**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.

**Comparative Data** - Comparative data is not included in the School District's financial statements.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

# **Novi Community School District**

---

## **Notes to Financial Statements June 30, 2017**

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)" and that capital outlay is budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund or function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended budgeted amounts during the year in response to changes in anticipated revenue and spending for salaries, benefits, and other expenditures.

### **Note 3 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated five banks for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposits.

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost except that there is a one-day minimum investment period and investments may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

The School District'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 School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$16,024,702 had \$15,009,043 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District 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 School District 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.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District did not invest in uninsured and unregistered investment securities.

**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 School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund - Investment pools	<u>\$ 17,034,248</u>	N/A	AAAm	Standard & Poor's

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

### Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, if any, are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes receivable	\$ 365,359	\$ 198,771	\$ 564,130
Due from other governmental units	8,695,126	-	8,695,126
Other	-	70,111	70,111
Total receivables	<u>\$ 9,060,485</u>	<u>\$ 268,882</u>	<u>\$ 9,329,367</u>

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 4 - Receivables and Unavailable/Unearned Revenue (Continued)

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned 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 unearned and unavailable revenue are as follows:

	<u>Governmental Funds</u>		<u>Total</u>
	<u>Deferred Inflow - Unavailable</u>	<u>Liability - Unearned</u>	
Delinquent property taxes	\$ 537,843	\$ -	\$ 537,843
Student food sales	-	97,876	97,876
Summer tuition and fall school charges received prior to services being rendered	-	655,696	655,696
Total	<u>\$ 537,843</u>	<u>\$ 753,572</u>	<u>\$ 1,291,415</u>

### Note 5 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 17,034,248
Unspent Sinking Fund revenue and related interest	2,370,132
Unspent Recreation Fund revenue and related interest	460,213
Property tax collections for repayment of bonded indebtedness	923,395
Total restricted assets	<u>\$ 20,787,988</u>

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities	Balance July 1, 2016	Transfers	Additions	Disposals / Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 9,607,341	\$ -	\$ -	\$ -	\$ 9,607,341
Construction in progress	17,649,262	(15,756,608)	2,896,503	(1,387,760)	3,401,397
Subtotal	27,256,603	(15,756,608)	2,896,503	(1,387,760)	13,008,738
Capital assets being depreciated:					
Buildings	119,727,227	9,671,091	4,163,304	-	133,561,622
Building improvements	53,093,081	5,887,382	6,712,095	-	65,692,558
Site improvements	15,645,983	198,135	1,265,222	-	17,109,340
Furniture and equipment	6,574,730	-	416,733	-	6,991,463
Buses and other vehicles	3,129,504	-	790,840	(466,783)	3,453,561
Subtotal	198,170,525	15,756,608	13,348,194	(466,783)	226,808,544
Accumulated depreciation:					
Buildings	33,567,827	-	2,072,890	-	35,640,717
Building improvements	18,215,180	-	1,746,345	-	19,961,525
Site improvements	9,625,457	-	810,684	-	10,436,141
Furniture and equipment	5,295,745	-	458,410	-	5,754,155
Buses and other vehicles	1,577,634	-	455,165	(457,117)	1,575,682
Subtotal	68,281,843	-	5,543,494	(457,117)	73,368,220
Net capital assets being depreciated	129,888,682	15,756,608	7,804,700	(9,666)	153,440,322
Net capital assets	\$ 157,145,285	\$ -	\$ 10,701,203	\$ (1,397,426)	\$ 166,449,062

Depreciation expense was not charged to activities as School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments** - The School District has active construction projects at year end. At year end, the School District's commitments with contractors related to the 2016 Capital Projects Fund and totaled \$3,191,711.



# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	2016 Capital Projects	Debt Service (Nonmajor)	
General Fund	\$ 11,128	\$ 4,945	\$ 16,073
Debt Service (nonmajor)	3,078	-	3,078
Total	\$ 14,206	\$ 4,945	\$ 19,151

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers of \$142,796 from the Recreation Fund to the General Fund were made to record the value of foregone rental income from the City of Novi.

### Note 8 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Other long-term obligations include compensated absences and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 109,155,000	\$ 35,465,000	\$ 36,050,000	\$ 108,570,000	\$ 9,975,000
Plus deferred amounts - Issuance premiums	9,333,712	3,855,235	729,868	12,459,079	1,258,556
Total bonds payable	118,488,712	39,320,235	36,779,868	121,029,079	11,233,556
Other obligations	410,345	-	15,615	394,730	86,300
Total governmental activities	\$ 118,899,057	\$ 39,320,235	\$ 36,795,483	\$ 121,423,809	\$ 11,319,856

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 8 - Long-term Debt (Continued)

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 9,975,000	\$ 5,365,953	\$ 15,340,953
2019	11,080,000	4,616,800	15,696,800
2020	11,980,000	4,116,950	16,096,950
2021	10,540,000	3,576,600	14,116,600
2022	9,615,000	3,094,000	12,709,000
2023-2027	26,925,000	10,788,250	37,713,250
2028-2032	18,050,000	5,195,000	23,245,000
2033-2037	10,405,000	1,107,500	11,512,500
Total	<u>\$ 108,570,000</u>	<u>\$ 37,861,053</u>	<u>\$ 146,431,053</u>

#### Governmental Activities

General obligation bonds consist of the following:

\$23,235,000 2017 Qualified, Refunding Bonds due in annual installments of \$4,455,000 to \$5,355,000 through May 1, 2022; interest at 5.0 percent	\$ 23,235,000
\$ 12,230,000 2017 School Building and Site Bonds Series III due in annual installments of \$475,000 to \$875,000 through May 1, 2037; interest at 3.0 percent to 5.0 percent	12,230,000
\$13,530,000 2012 Qualified, Refunding Bonds due in annual installments of \$1,645,000 to \$1,675,000 through May 1, 2021; interest at 4.0 percent to 5.0 percent	6,615,000
\$44,000,000 2014 General Obligation Bonds due in annual installments of \$950,000 to \$3,000,000 through May 1, 2034; interest at 3.0 percent to 5.0 percent	42,750,000
\$16,145,000 2016 Qualified, Refunding Bonds due in annual installments of \$600,000 to \$1,930,000 through May 1, 2027; interest at 2.5 percent to 5.0 percent	16,145,000
\$6,515,000 2016 General Obligation Bonds due in annual installments of \$315,000 to \$350,000 through May 1, 2036; interest at 3.0 percent to 4.0 percent	6,515,000
\$3,340,000 2015 Refunding Bonds due in one final installment of \$1,080,000 on May 1, 2018; interest at 1.37 percent	<u>1,080,000</u>
Total bonded debt	<u>\$ 108,570,000</u>

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 8 - Long-term Debt (Continued)

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$	353,431
Self-insurance		<u>41,300</u>
Total	\$	<u>394,731</u>

**Advance Refunding** - During the year, the School District issued \$23,235,000 in general obligation bonds with an average interest rate of 5 percent. The proceeds of these bonds were used to advance refund \$24,755,000 of outstanding 2007 refunding serial bonds with an average interest rate of 5 percent. The net proceeds of \$25,258,784 (which includes \$2,239,510 of proceeds from the premium on issuance) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$1,330,531, which represents an economic gain of \$1,293,944. The refunded bonds were callable in 2017 and were paid in full by the escrow agent in May 2017.

### Note 9 - Risk Management

The School District 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 School District participates in the Middle Cities Risk Management Trust risk pool for claims relating to property liability and errors and omissions. The shared risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The School District is fully insured for medical benefits provided to the employees and 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.

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 9 - Risk Management (Continued)

**Dental and Vision Insurance** - The School District is self-insured for dental and vision claims at June 30, 2017. The School District estimates the liability for dental and vision 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. These estimates are recorded in the government-wide financial statements. Changes in the estimated liability for the fiscal years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Estimated liability - Beginning of year	\$ 49,615	\$ 63,878
Net claims incurred - Including changes in estimates	<u>(8,315)</u>	<u>(14,263)</u>
Estimated liability - End of year	<u>\$ 41,300</u>	<u>\$ 49,615</u>

### Note 10 - Michigan Public School Employees' Retirement System

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Contributions** - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 10 - Michigan Public School Employees' Retirement System (Continued)

The range of rates is as follows:

#### School District

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2017 was \$11,154,490, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$3,514,524 of revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017.

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 10 - Michigan Public School Employees' Retirement System (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2017, the School District reported a liability of \$114,824,425 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used update procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the School District's proportion was 0.460233 percent.

For the year ended June 30, 2017, the School District recognized pension expense of \$10,879,193, inclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,431,015	\$ 272,137
Changes of assumptions	1,795,190	-
Net difference between projected and actual earnings on pension plan assets	1,908,381	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	928,066	1,474,163
The School District's contributions subsequent to the measurement date	9,193,538	-
Total	<u>\$ 15,256,190</u>	<u>\$ 1,746,300</u>

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 10 - Michigan Public School Employees' Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2018	\$ 839,226
2019	689,293
2020	2,600,594
2021	187,239
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 4,316,352</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

**Actuarial Assumptions** - The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases percent	3.50 to 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3 percent annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 10 - Michigan Public School Employees' Retirement System (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 - 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed-income pools	10.5	0.9
Real estate and infrastructure pools	10.0	4.3
Real return, opportunistic, and absolute pool	15.5	6.0
Short-term investment pools	2.0	-
Total	<u>100.0 %</u>	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending September 30, 2017.



# Novi Community School District

## Notes to Financial Statements June 30, 2017

### Note 10 - Michigan Public School Employees' Retirement System (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.0 - 8.0 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0 - 7.0 percent) or 1.00 percentage point higher (8.0 - 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 - 7.0 Percent)	Current Discount Rate (7.0 - 8.0 Percent)	1.00 Percent Increase (8.0 - 9.0 Percent)
\$147,864,957	\$114,824,425	\$86,968,080

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan** - At June 30, 2017, the School District reported a payable of \$2,408,692 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.4 percent to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### **Note 10 - Michigan Public School Employees' Retirement System (Continued)**

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were \$2,314,829, \$2,150,140, and \$2,359,904, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

### **Note 11 - Tax Abatements**

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Commercial Rehabilitation Projects (PA 210 of 2005) granted by a city within the boundaries of the School District. Industrial facility exemptions and Commercial Rehabilitation Projects are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, the School District's property tax revenue was reduced by \$138,629 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$73,600 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the sinking fund, recreation fund, or debt service millages. There are no abatements made by the School District.

### **Note 12 - Upcoming Accounting Pronouncements**

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

# Novi Community School District

---

## Notes to Financial Statements June 30, 2017

### Note 12 - Upcoming Accounting Pronouncements (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

## **Required Supplemental Information**

---

# Novi Community School District

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 23,608,270	\$ 23,681,729	\$ 23,802,650	\$ 120,921
State sources	44,511,671	45,277,938	45,314,339	36,401
Federal sources	1,765,584	1,423,740	1,424,517	777
Incoming transfers and other transactions	<u>3,795,382</u>	<u>3,949,575</u>	<u>3,986,252</u>	<u>36,677</u>
Total revenue	73,680,907	74,332,982	74,527,758	194,776
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	40,324,442	39,510,889	39,348,831	(162,058)
Added needs	8,871,954	9,269,731	9,237,580	(32,151)
Adult/Continuing education	<u>191,686</u>	<u>229,286</u>	<u>222,943</u>	<u>(6,343)</u>
Total instruction	49,388,082	49,009,906	48,809,354	(200,552)
Support services:				
Pupil services	4,396,495	4,595,036	4,512,230	(82,806)
Instructional services	4,232,569	4,583,824	4,551,373	(32,451)
General administration	532,039	536,809	521,596	(15,213)
School administration	3,664,820	3,715,660	3,719,400	3,740
Business services	919,764	844,931	752,269	(92,662)
Operations and maintenance	4,142,277	4,283,260	4,175,650	(107,610)
Transportation	2,067,642	2,254,637	2,256,155	1,518
Central services	<u>1,570,178</u>	<u>1,670,452</u>	<u>1,800,700</u>	<u>130,248</u>
Total support services	21,525,784	22,484,609	22,289,373	(195,236)
Athletics	967,504	931,968	815,151	(116,817)
Community services	1,502,692	1,619,778	1,624,983	5,205
Payments to other public schools (ISDs, LEAs)	<u>54,030</u>	<u>7,256</u>	<u>-</u>	<u>(7,256)</u>
Total expenditures	<u>73,438,092</u>	<u>74,053,517</u>	<u>73,538,861</u>	<u>(514,656)</u>
<b>Net Change in Fund Balance</b>	242,815	279,465	988,897	709,432
<b>Fund Balance - Beginning of year</b>	<u>9,232,430</u>	<u>9,232,430</u>	<u>9,232,430</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 9,475,245</u></u>	<u><u>\$ 9,511,895</u></u>	<u><u>\$ 10,221,327</u></u>	<u><u>\$ 709,432</u></u>

## **Novi Community School District**

---

### **Required Supplemental Information Schedule of Novi Community School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.46023 %	0.46769 %	0.43629 %
School District's proportionate share of the net pension liability	\$ 114,824,425	\$ 114,234,482	\$ 102,041,454
School District's covered employee payroll	38,540,672	38,955,408	37,678,292
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	297.93 %	293.24 %	271.00 %
Plan fiduciary net position as a percentage of the total pension liability	63.01 %	62.92 %	66.15 %

## **Novi Community School District**

### **Required Supplemental Information Schedule of Novi Community School District's Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 11,076,646	\$ 10,764,810	\$ 7,781,084
Contributions in relation to the statutorily required contribution	11,076,646	10,764,810	7,781,084
Contribution deficiency (excess)	-	-	-
School District's covered employee payroll	38,643,725	38,567,537	37,383,521
Contributions as a percentage of covered employee payroll	28.66 %	27.91 %	20.81 %

#### **Note to Pension Required Supplemental Information Schedules**

**Benefit Changes** - There were no changes of benefit terms for the plan year ended September 30, 2016.

**Changes in Assumptions** - There were no changes of benefit assumptions for the plan year ended September 30, 2016.

## **Other Supplemental Information**

---



# Novi Community School District

	Special Revenue Funds			Debt Service Funds		
	Food Service Fund	Recreation Fund	Total	2005	2007	2007 Debt Fund
				Refunding Debt Fund	Refinanced Debt Fund	
<b>Assets</b>						
Receivables	\$ 70,111	\$ 24,054	\$ 94,165	\$ -	\$ 75,919	\$ 25,070
Due from other funds	-	-	-	-	1,616	486
Inventories	36,480	-	36,480	-	-	-
Prepaid costs and deposits	175,001	-	175,001	-	-	-
Restricted assets	-	460,213	460,213	12,356	565,777	66,820
<b>Total assets</b>	<b>\$ 281,592</b>	<b>\$ 484,267</b>	<b>\$ 765,859</b>	<b>\$ 12,356</b>	<b>\$ 643,312</b>	<b>\$ 92,376</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 159,297	\$ 108,948	\$ 268,245	\$ -	\$ -	\$ -
Due to other governmental units	42	-	42	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	97,876	-	97,876	-	-	-
<b>Total liabilities</b>	<b>257,215</b>	<b>108,948</b>	<b>366,163</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	26,035	26,035	-	94,881	26,784
<b>Total liabilities and deferred inflows of resources</b>	<b>257,215</b>	<b>134,983</b>	<b>392,198</b>	<b>-</b>	<b>94,881</b>	<b>26,784</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	36,480	-	36,480	-	-	-
Prepaid costs and deposits	175,001	-	175,001	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	12,356	548,431	65,592
Food service	22,081	-	22,081	-	-	-
Recreation	-	349,284	349,284	-	-	-
Unassigned	(209,185)	-	(209,185)	-	-	-
<b>Total fund balances</b>	<b>24,377</b>	<b>349,284</b>	<b>373,661</b>	<b>12,356</b>	<b>548,431</b>	<b>65,592</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 281,592</b>	<b>\$ 484,267</b>	<b>\$ 765,859</b>	<b>\$ 12,356</b>	<b>\$ 643,312</b>	<b>\$ 92,376</b>

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

Debt Service Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
2012 Refinanced Debt Fund	2014 Debt Fund	2015 Refinanced Debt Fund	2017 Refinanced Debt Fund	Total	Sinking Fund	
\$ 27,627	\$ 20,868	\$ 13,712	\$ -	\$ 163,196	\$ 11,521	\$ 268,882
337	373	266	-	3,078	-	3,078
-	-	-	-	-	-	36,480
-	-	-	-	-	-	175,001
74,576	116,454	83,082	4,330	923,395	2,370,132	3,753,740
<b>\$ 102,540</b>	<b>\$ 137,695</b>	<b>\$ 97,060</b>	<b>\$ 4,330</b>	<b>\$ 1,089,669</b>	<b>\$ 2,381,653</b>	<b>\$ 4,237,181</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,245
-	-	-	-	-	-	42
-	4,945	-	-	4,945	-	4,945
-	-	-	-	-	-	97,876
-	4,945	-	-	4,945	-	371,108
29,607	24,163	14,614	-	190,049	12,515	228,599
29,607	29,108	14,614	-	194,994	12,515	599,707
-	-	-	-	-	-	36,480
-	-	-	-	-	-	175,001
-	-	-	-	-	2,369,138	2,369,138
72,933	108,587	82,446	4,330	894,675	-	894,675
-	-	-	-	-	-	22,081
-	-	-	-	-	-	349,284
-	-	-	-	-	-	(209,185)
72,933	108,587	82,446	4,330	894,675	2,369,138	3,637,474
<b>\$ 102,540</b>	<b>\$ 137,695</b>	<b>\$ 97,060</b>	<b>\$ 4,330</b>	<b>\$ 1,089,669</b>	<b>\$ 2,381,653</b>	<b>\$ 4,237,181</b>

# Novi Community School District

	Special Revenue Funds			Debt Service Funds		
	Food Service Fund	Recreation Fund	Total	2005	2007	2007 Debt Fund
				Refunding Debt Fund	Refinanced Debt Fund	
<b>Revenue</b>						
Local sources	\$ 1,732,796	\$ 2,072,989	\$ 3,805,785	\$ -	\$ 7,212,468	\$ 2,115,365
State sources	96,478	-	96,478	-	-	-
Federal sources	393,415	-	393,415	-	-	-
Total revenue	2,222,689	2,072,989	4,295,678	-	7,212,468	2,115,365
<b>Expenditures</b>						
Current:						
Instruction	-	2,230	2,230	-	-	-
Support services	159,860	1,174,717	1,334,577	-	301	798
Food services	2,046,561	-	2,046,561	-	-	-
Community services	-	541,297	541,297	-	-	-
Debt service:						
Principal	-	-	-	-	6,135,000	1,375,000
Interest	-	-	-	-	832,650	743,454
Other	-	-	-	-	-	-
Capital outlay	7,008	151,522	158,530	-	-	-
Total expenditures	2,213,429	1,869,766	4,083,195	-	6,967,951	2,119,252
<b>Excess of Revenue (Under) Over Expenditures</b>	9,260	203,223	212,483	-	244,517	(3,887)
<b>Other Financing (Uses) Sources</b>						
Payment to escrow agent	-	-	-	-	-	-
Transfers out	-	(142,796)	(142,796)	-	-	-
Face value of debt issued	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-
Total other financing (uses) sources	-	(142,796)	(142,796)	-	-	-
<b>Net Change in Fund Balances</b>	9,260	60,427	69,687	-	244,517	(3,887)
<b>Fund Balances - Beginning of year</b>	15,117	288,857	303,974	12,356	303,914	69,479
<b>Fund Balances - End of year</b>	<b>\$ 24,377</b>	<b>\$ 349,284</b>	<b>\$ 373,661</b>	<b>\$ 12,356</b>	<b>\$ 548,431</b>	<b>\$ 65,592</b>

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

Debt Service Funds					Capital Project Fund	Total Nonmajor Governmental Funds
2012 Refinanced Debt Fund	2014 Debt Fund	2015 Refinanced Debt Fund	2017 Refinanced Debt Fund	Total	Sinking Fund	
\$ 2,068,186	\$ 3,286,752	\$ 1,123,650	\$ -	\$ 15,806,421	\$ 1,043,279	\$ 20,655,485
-	-	-	-	-	-	96,478
-	-	-	-	-	-	393,415
2,068,186	3,286,752	1,123,650	-	15,806,421	1,043,279	21,145,378
-	-	-	-	-	-	2,230
149	800	498	-	2,546	240,691	1,577,814
-	-	-	-	-	-	2,046,561
-	-	-	-	-	-	541,297
1,695,000	975,000	1,115,000	-	11,295,000	-	11,295,000
381,800	2,292,941	30,072	-	4,280,917	-	4,280,917
-	-	-	211,396	211,396	-	211,396
-	-	-	-	-	-	158,530
2,076,949	3,268,741	1,145,570	211,396	15,789,859	240,691	20,113,745
(8,763)	18,011	(21,920)	(211,396)	16,562	802,588	1,031,633
-	-	-	(25,258,784)	(25,258,784)	-	(25,258,784)
-	-	-	-	-	-	(142,796)
-	-	-	23,235,000	23,235,000	-	23,235,000
-	-	-	2,239,510	2,239,510	-	2,239,510
-	-	-	215,726	215,726	-	72,930
(8,763)	18,011	(21,920)	4,330	232,288	802,588	1,104,563
81,696	90,576	104,366	-	662,387	1,566,550	2,532,911
<b>\$ 72,933</b>	<b>\$ 108,587</b>	<b>\$ 82,446</b>	<b>\$ 4,330</b>	<b>\$ 894,675</b>	<b>\$ 2,369,138</b>	<b>\$ 3,637,474</b>

# Novi Community School District

June 30	2012 Refunding Bonds		2014 School Building and Site Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,675,000	\$ 314,000	\$ 950,000	\$ 2,011,500
2019	1,650,000	247,000	2,550,000	1,983,000
2020	1,645,000	164,500	3,000,000	1,881,000
2021	1,645,000	82,250	2,575,000	1,761,000
2022	-	-	2,575,000	1,658,000
2023	-	-	2,575,000	1,555,000
2024	-	-	2,575,000	1,426,250
2025	-	-	2,575,000	1,297,500
2026	-	-	2,575,000	1,168,750
2027	-	-	2,600,000	1,040,000
2028	-	-	2,600,000	910,000
2029	-	-	2,600,000	780,000
2030	-	-	2,600,000	650,000
2031	-	-	2,600,000	520,000
2032	-	-	2,600,000	390,000
2033	-	-	2,600,000	260,000
2034	-	-	2,600,000	130,000
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
<b>Total principal</b>	<b>\$ 6,615,000</b>	<b>\$ 807,750</b>	<b>\$ 42,750,000</b>	<b>\$ 19,422,000</b>
Principal payments due	May 1		May 1	
Interest payments due	May 1 and November 1		May 1 and November 1	
Interest rate	4% - 5%		3% - 5%	
Original issue	<b>\$ 13,530,000</b>	<b>\$ -</b>	<b>\$ 44,000,000</b>	<b>\$ -</b>

**Other Supplemental Information  
Schedule of Bonded Indebtedness  
Year Ended June 30, 2017**

2015 Refunding Bonds		2016 School Building and Site Bonds		2016 Refunding Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,080,000	\$ 14,796	\$ 315,000	\$ 253,600	\$ 600,000	\$ 692,300
-	-	325,000	241,000	1,590,000	668,300
-	-	325,000	228,000	1,665,000	604,700
-	-	325,000	215,000	1,065,000	538,100
-	-	325,000	202,000	1,750,000	495,500
-	-	350,000	189,000	1,830,000	425,500
-	-	350,000	175,000	1,880,000	334,000
-	-	350,000	161,000	1,930,000	240,000
-	-	350,000	147,000	1,915,000	191,750
-	-	350,000	136,500	1,920,000	96,000
-	-	350,000	126,000	-	-
-	-	350,000	112,000	-	-
-	-	350,000	98,000	-	-
-	-	350,000	84,000	-	-
-	-	350,000	70,000	-	-
-	-	350,000	56,000	-	-
-	-	350,000	42,000	-	-
-	-	350,000	28,000	-	-
-	-	350,000	14,000	-	-
-	-	-	-	-	-
<b>\$ 1,080,000</b>	<b>\$ 14,796</b>	<b>\$ 6,515,000</b>	<b>\$ 2,578,100</b>	<b>\$ 16,145,000</b>	<b>\$ 4,286,150</b>
May 1		May 1		May 1	
May 1 and November 1		May 1 and November 1		May 1 and November 1	
1.37%		3% - 4%		2.5% -5%	
<b>\$ 3,340,000</b>	<b>\$ -</b>	<b>\$ 6,615,000</b>	<b>\$ -</b>	<b>\$ 16,145,000</b>	<b>\$ -</b>

# Novi Community School District

## Other Supplemental Information Schedule of Bonded Indebtedness (Continued) Year Ended June 30, 2017

June 30	2017 School Building and Site Bonds Series III		2017 Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$ -	\$ 695,338	\$ 5,355,000	\$ 1,384,419	\$ 15,340,953
2019	475,000	583,500	4,490,000	894,000	15,696,800
2020	875,000	569,250	4,470,000	669,500	16,096,950
2021	475,000	534,250	4,455,000	446,000	14,116,600
2022	500,000	515,250	4,465,000	223,250	12,709,000
2023	525,000	495,250	-	-	7,944,750
2024	550,000	469,000	-	-	7,759,250
2025	550,000	441,500	-	-	7,545,000
2026	575,000	414,000	-	-	7,336,500
2027	600,000	385,250	-	-	7,127,750
2028	625,000	355,250	-	-	4,966,250
2029	650,000	324,000	-	-	4,816,000
2030	650,000	291,500	-	-	4,639,500
2031	675,000	259,000	-	-	4,488,000
2032	700,000	225,250	-	-	4,335,250
2033	725,000	190,250	-	-	4,181,250
2034	750,000	154,000	-	-	4,026,000
2035	775,000	116,500	-	-	1,269,500
2036	775,000	77,750	-	-	1,216,750
2037	780,000	39,000	-	-	819,000
<b>Total principal</b>	<b>\$ 12,230,000</b>	<b>\$ 7,135,088</b>	<b>\$ 23,235,000</b>	<b>\$ 3,617,169</b>	<b>\$ 146,431,053</b>
Principal payments due	May 1		May 1		
Interest payments due	May 1 and November 1		May 1 and November 1		
Interest rate	3% -5%		5%		
<b>Original issue</b>	<b>\$ 12,230,000</b>	<b>\$ -</b>	<b>\$ 23,235,000</b>	<b>\$ -</b>	<b>\$ 119,095,000</b>