

**NOVI COMMUNITY SCHOOL
DISTRICT, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2010

C O N T E N T S

	<u>Page</u>
 FINANCIAL STATEMENTS	
Independent auditor's report	1
Management's discussion and analysis	3
 BASIC FINANCIAL STATEMENTS	
District-wide financial statements:	
Statement of net assets	16
Statement of activities	17
Fund financial statements:	
Governmental Funds:	
Balance sheet	18
Reconciliation of the governmental funds balance to governmental net assets	19
Statement of revenues, expenditures, and changes in fund balances	20
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities	21
Statement of net assets	
Fiduciary Funds - trust and agency	22
Notes to financial statements	23
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - general fund	49

C O N T E N T S - Continued

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	50
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	51
Analysis of 2009 tax levies	52
Summary of delinquent taxes	53

Independent Auditor's Report

To the Board of Education of the
Novi Community School District, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Novi Community School District, Michigan as of June 30, 2010 and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Novi Community School District, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Novi Community School District, Michigan as of June 30, 2010, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and page 49 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DOEREN MAYHEW

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Novi Community School District, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2010 on our consideration of the Novi Community School District, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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* and should be read in conjunction with this report in considering the results of our audit.



DOEREN MAYHEW

October 28, 2010
Troy, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Novi Community School District's (the District) financial year is from July 1st through June 30th. Each year the District's financial records are audited by a third party independent auditor and the results are published. The audit is performed 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* as issued by the Governmental Accounting Standards Board (GASB). These standards require the inclusion of meaningful and useful data which broaden the reader's understanding of the District.

District Characteristics

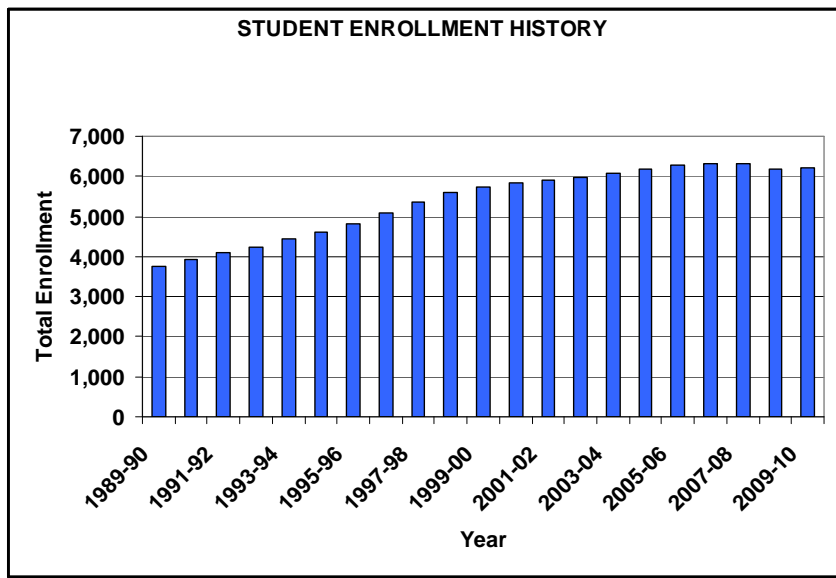
The Novi Community School District is an independent school district operating under the laws of the State of Michigan and is governed by an elected (at large) seven-member Board of Education. The District is located in southern Oakland County and encompasses 17.9 square miles with the vast majority of its area within the City of Novi except for a small parcel of land in the City of Wixom. The District has seen growth and development, slowed in recent years, of its non-residential properties, and a slight decrease this year in taxable value of its residential properties.

The School District has five (5) elementary schools, grades K-4; one (1) upper elementary school, grades 5-6; one (1) middle school, grades 7-8; and one (1) high school, grades 9-12. All eligible schools are accredited by the North Central Association of Colleges and Schools (NCA) and one school, Novi High School, has achieved recognition as a National Blue Ribbon School. The District also has a pre-school building, Board of Education office, a transportation facility, and a maintenance facility.

Enrollment

As shown in the following chart the District's student population grew from 3,303 in 1985-86 to a high of 6,324 in 2007. In 2007-08 and 2008-09, the District experienced enrollment reductions of 14 and 114 students, respectively. In 2009-10, the District enrollment increased by 26 students. Enrollment projections are completed annually. In each five year interval, the District convenes a citizen's committee and performs a comprehensive enrollment projection analysis. Information used to complete this analysis consists of housing data (both current and proposed), economic factors, land availability and zoning, and the assistance of Michigan State University's analysis of the District's births and cohort survival ratios. To date, the studies have proven to be accurate in planning for future facility needs.

Enrollment - Continued



Tax Structure

Per the Tax Code of the State of Michigan, public school districts levy taxes on four types of property: Homestead (residential), Industrial-Personal, Industrial-Commercial and Non-Homestead (non-residential). In addition, the State of Michigan levies a fixed 6.0000 mills against all properties. The tax levies are applied against the Taxable Value of properties or approximately 50% of the market value of the properties. A complete analysis of the tax levies can be found in the "Other Supplemental Information" portion of the audit.

In 2010, the District levies against these four property classifications can be summarized below:

<u>Tax Description</u>	<u>Homestead</u>	<u>Industrial- Personal</u>	<u>Industrial- Commercial</u>	<u>Non-Homestead</u>
General Operating	3.6268	3.6268	9.6268	18.9800
Sinking Fund	0.4932	0.4932	0.4932	0.4932
All Debt Millage	6.2600	6.2600	6.2600	6.2600
TOTAL	10.3800	10.3800	16.3800	25.7332

Curriculum

Novi Community School District has an extensive academic and extra-curricular program that provides comprehensive educational, athletic, and organizational opportunities to students from pre-school age through high school. An extensive curriculum, based predominantly on the Michigan Curriculum Framework and enriched with additional programs for all ages is ranked among one of the State's highest in terms of achievement levels and success rates (high school graduation, college entrance, above average scores on state and national tests).

Curriculum - Continued

No Child Left Behind (NCLB), a federal law enacted in 2001, issued directives to states to require Adequate Yearly Progress (AYP) for its districts and schools within them such that all students would meet 100% proficiency in English/language arts (reading and writing) and mathematics by 2014. States were required to establish a way to measure each district and school, and students within each school's demographic strands based on proficiency on the state's academic assessment (in Michigan, this assessment is the Michigan Educational Assessment Program, or MEAP). Michigan also established a report card system. The report cards for Novi Community Schools' reflect that all eight schools received A's. MEAP scores for Novi Community Schools' remain within the top 3-5 districts in the county out of 28 school districts and always well above the state averages.

There are two important notes to add to NCLB and AYP. The first is that it is important that MEAP (a set of tests), and through its AYP, only measures a small part of the broad range of academic achievement students demonstrate. As a result, though our School District scores are consistently very high, the School District also feels compelled to advocate for a broader representation of what our students actually do. Hence, we continually showcase the superb achievements our students have contributed to our community and to their futures. All academics as well as the arts, physical fitness, etc. are described. We feel strongly that this broad representation of achievement captures the integrity of why we educate in the first place - to develop an informed citizen who participates in and supports a vibrant Democracy.

The second critical note to express here is the disregard that NCLB has on including in its reporting the educational innovations that communities, districts, and schools have implemented. These educational innovations comprehensively impact achievement through their focus on making smaller, more personally responsive learning environments for students. Examples include: schools within a school, teaming, professional learning communities, multi-age learning, continuous progress, etc. Our District has embraced these innovations because we realize they are an investment in safety, achievement, joyfulness in learning, and an expression of our local voice in the greater conversation about the future of public schooling in the United States - an integrity we value.

There is an extensive Community Education program that features a full day and half day pre-school program, child care for students both before and after school and all summer, an extensive English as a Second Language program, and programs for community residents and parents who are new to the District.

At the elementary levels, five (5) schools provide K-4 educational programming. There is one 5/6 elementary building and a 7/8 middle school, as well as a 9/12 comprehensive high school. The high school endeavors to integrate entering students into a very large school by keeping 'big small' in the way students are handled. The high school curriculum also features an extensive Advanced Placement curriculum and special education programs and services.

Curriculum - Continued

Professional staff development is a priority in the District. Professional Learning Communities are functioning at every school, wherein groups of teachers meet frequently to discuss student learning issues, remediation strategies and best practices. Many factions of the staff (including support as well as instructional staff) are well versed in the theories of Choice Theory, and a climate of respect and a 'joy for learning' is conveyed from the Superintendent's office throughout the entire school community.

Financial Information

This section of the 2010 annual financial report presents our discussion and analysis of the School District's financial performance during the year ended 2010. Please read this in conjunction with the District's actual financial statements which immediately follow this section.

This annual report consists of three (3) parts: management's discussion and analysis (this section), the three basic financial statements, and required supplementary information. In addition, there is a section which provides other supplementary information. The statements are organized so the reader can understand the Novi Community School District financially as a whole.

The first of the basic financial statements is the *District Wide Financial Statements* which provide information about the activities of the "whole" District, presenting both an aggregate view of the District's finances and long-term view of those finances.

The second of the basic financial statements are the *Fund Financial Statements* which indicate how governmental services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements look at the District's operations in more detail than the District Wide Financial Statements by providing information about the District's most significant funds, the General Fund and the 2007 Capital Projects Fund. All other funds are presented in one column and listed as "nonmajor" funds which include: 2001 Sinking Fund, 2001 Debt Fund, 2002 Debt (Refinancing) Fund, 2005 Debt (Refinancing) Fund, 2007 Debt (Refinancing) Fund, 2007 Debt Fund, Food Service Fund, and Athletic Fund.

The last basic financial statement is the *Fiduciary Fund Statements*. These are funds with which the District acts as the trustee, or fiduciary, for the assets that belong to others. The funds in this category are comprised of all of the schools' student activity funds. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance operations.

Reporting the School District as a Whole - District-wide Financial Statements

There are two (2) types of statements under this category: the statement of net assets and the statement of activities. These statements report information about the District as a whole using accounting methods normally used in private industry. All of the current year's revenues and expenses are accounted for in these statements regardless from which fund or when they were collected or paid.

The statements show the difference between all of the District's assets and liabilities, thereby indicating the District's net asset worth, and is one way to measure the District's financial health or complete financial position. Over time, increases or decreases in the District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, it must be remembered it is not the function of a public school system to generate profits; instead, a district's worth is measured by its quality of instruction and the efficiency and effectiveness of its delivery.

The statement of net assets and statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food service. Property taxes, state aid, and State and Federal grants finance most of these activities.

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

As heretofore mentioned, the District's fund financial statements provide detailed information about its most significant funds. Within these governmental funds all of the District's services are reported. 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 future spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. These statements provide a detailed short-term view of the District's operations and help to determine whether or not there may be monies available in the near future to finance the District's programs.

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

All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

The "Statement of Net Assets" provides the perspective of the District as a whole. The table below provides a summary of the net assets as of June 30, 2010:

	<u>2010</u>	<u>2009</u>
Assets		
Current and Other Assets	\$ 27,277,915	\$ 32,735,494
Capital Assets	<u>151,143,217</u>	<u>151,772,100</u>
Total Assets	178,421,132	184,507,594
Liabilities		
Current Liabilities	9,585,870	9,731,177
Long-term Liabilities	<u>124,285,457</u>	<u>132,422,772</u>
Total Liabilities	133,871,327	142,153,949
Net Assets		
Invested in Capital Assets, Net of Related Debt	28,682,052	20,167,741
Restricted	7,540,554	11,063,188
Unrestricted	<u>8,327,199</u>	<u>11,122,716</u>
Total Net Assets	<u>\$ 44,549,805</u>	<u>\$ 42,353,645</u>

The District's net assets were \$44,549,805 at June 30, 2010. Capital assets, net of related debt, totaled \$28,682,052. This compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. The majority of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$7,540,554 are reported separately and include those funds deposited in the 2007 Capital Projects Fund which are legally obligated to pay for the projects, as well as equity from the debt funds which are legally obligated for debt payments only and not for the day-to-day operations of the District. The remaining amount of net assets, \$8,327,199, was unrestricted. The \$8,327,199 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year-to-year.

Financial Analysis of the District as a Whole - Continued

The results of this year's operations as a whole are reported in the "Statement of Activities" (Table II, below). This table illustrates the changes in net assets for fiscal year 2010.

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues		
Charges for services	\$ 4,677,567	\$ 4,720,005
Operating grants and contributions	4,385,247	3,771,162
General Revenues		
Property taxes	41,021,670	39,496,913
State aid	31,459,218	33,930,125
Other	<u>5,388,360</u>	<u>5,238,825</u>
Total Revenues	86,932,062	87,157,030
Expenses		
Instruction	49,980,971	47,759,701
Support services	23,285,660	24,088,647
Community services	2,265,590	2,425,464
Food services	2,440,547	2,576,550
Athletics	792,545	839,084
Principal	11,573	16,056
Interest on long-term debt	5,722,064	6,021,434
Buildings and additions	187,189	41,171
Other	<u>49,763</u>	<u>45,351</u>
Total Expenses	<u>84,735,902</u>	<u>83,813,458</u>
Increase in Net Assets	<u>\$ 2,196,160</u>	<u>\$ 3,343,572</u>

As reported in the statement of activities, the revenue for all *governmental* activities this year was \$86,932,062. Certain activities were partially funded from those who benefited from the programs, such as food service, athletics, and community service (\$4,677,567); or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,385,247). The remaining "public benefit" portion of governmental activities was funded by the \$41,021,670 in property taxes, \$31,459,218 in State aid, and with other revenues (\$5,388,360) such as interest, transfers from the Oakland Intermediate School District, and general entitlements. The Novi Community School District experienced an increase in net assets of \$2,196,160.

Financial Analysis of the District as a Whole - Continued

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and State aid constitute the vast majority of the District's operating revenue, the Board of Education and the Administration must annually evaluate the needs of the District and balance those needs with the availability of these two revenue sources.

The School District's Funds

The financial performance of the Novi Community School District as a whole is also reflected in its governmental funds. Looking at the individual funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$17,474,623, a decrease of \$5,652,570 from the previous year. These changes are summarized below:

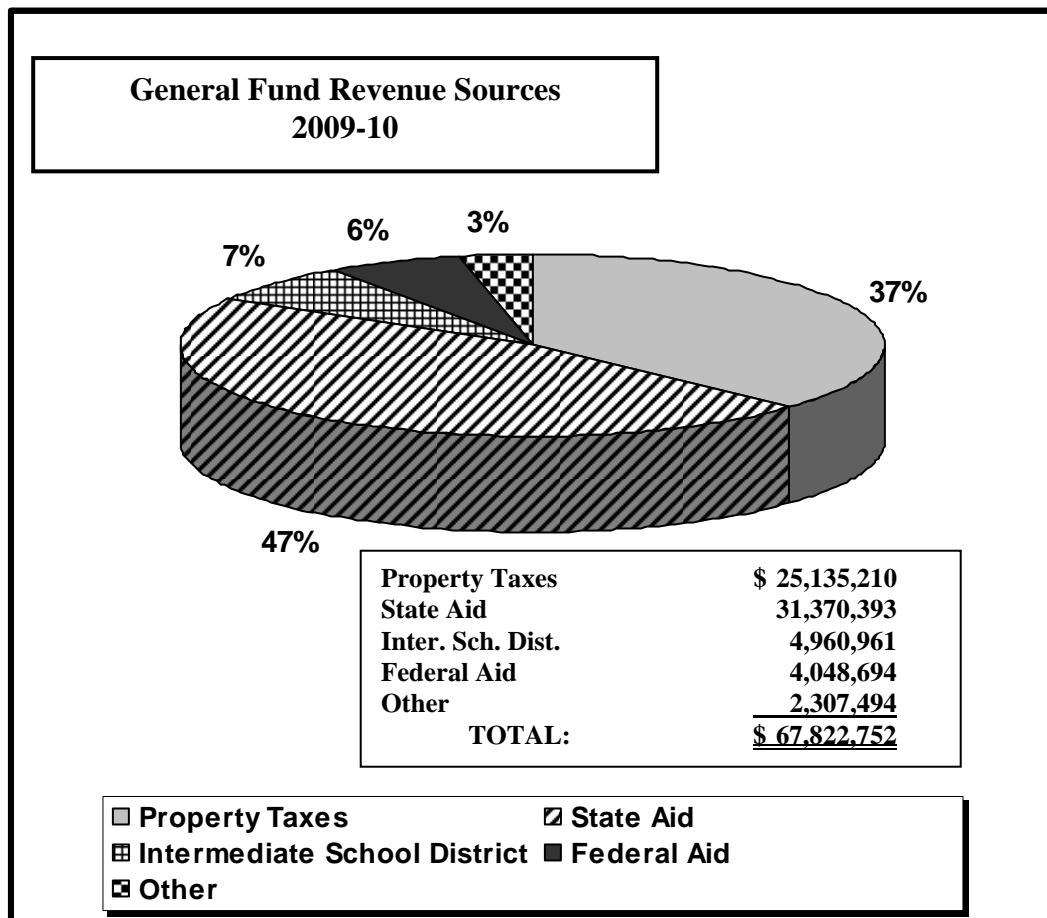
	<u>General Fund</u>	<u>2007 Capital Projects Fund</u>	<u>Other Nonmajor Govern- mental Funds</u>	<u>Total</u>
Beginning fund balances	\$ 11,851,860	\$ 8,368,474	\$ 2,906,859	\$ 23,127,193
Increase (decrease)	<u>(2,325,405)</u>	<u>(3,380,403)</u>	<u>53,238</u>	<u>(5,652,570)</u>
Ending fund balances	<u>\$ 9,526,455</u>	<u>\$ 4,988,071</u>	<u>\$ 2,960,097</u>	<u>\$ 17,474,623</u>

The reason for the net decrease in equity is due primarily to expending of funds from the General Fund and the 2007 Capital Projects Fund.

General Fund

The General Fund is the primary operating fund of the District, and provides all the educational services to our students. Revenues totaled \$67,822,752 and expenses totaled \$69,883,324 and a net decrease in the fund balance of \$2,325,405. As a result of this net decrease, the fund's equity decreased from \$11,851,860 in 2008-09 to the current balance of \$9,526,455. This balance is available to fund costs related to allowable school operating expense.

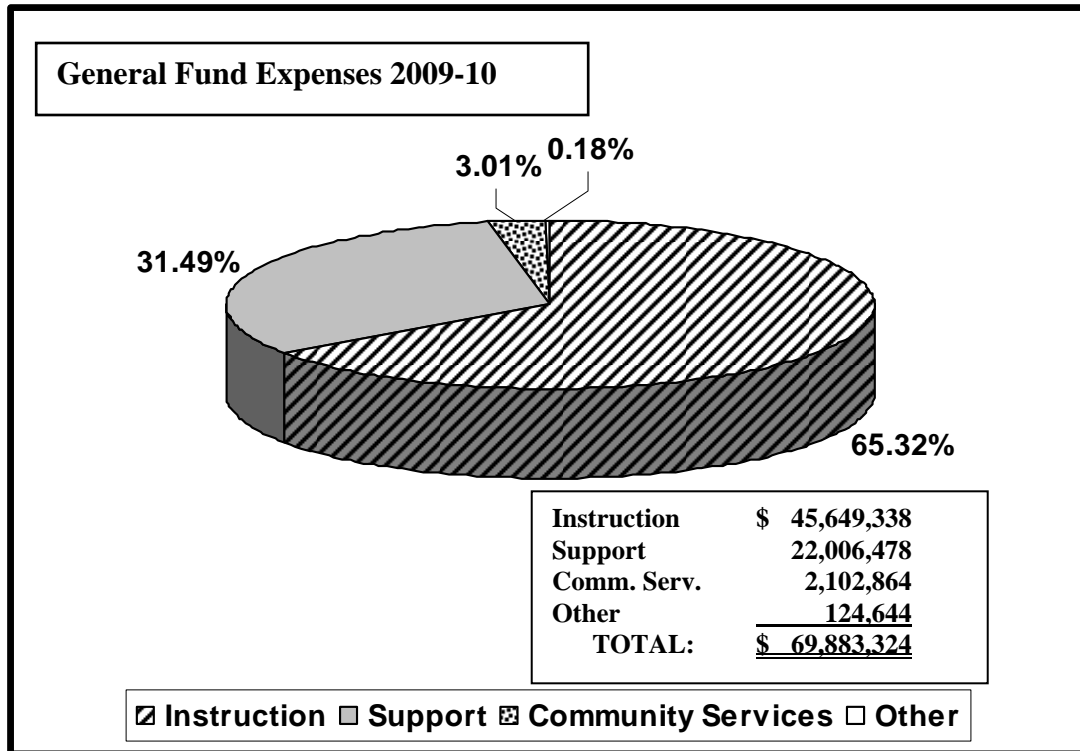
An analysis of the General Fund's revenues reveals that the District is dependent upon the State for the majority of its income. A listing of the revenue sources and their respective percentage to total income is shown on the chart below:



The General Fund expenses include those that are necessary to run the operations of the District. Basically, these expenses are categorized into four main areas: instructional services, support services, community services, and other. *Instructional services* are those that are directly related to the teacher in the classroom. *Support services* include pupil support services and operational expenses. Pupil support services include those things that "support" the student body, classroom instruction and student achievement, such as media, counseling, testing, psychological, and social work services. Operational expenses include such expenses as utilities, insurances, custodial, transportation, and administrative. *Community services* are those expenses related to community education including community academic and recreational classes as well as early childhood programs. *Other services* include debt payments and inter-fund and inter-school district transfers.

General Fund - Continued

The chart below breaks down the General Fund's expenses in broad categories and indicates their respective percentages.



2007 Capital Projects Fund

This fund is used to pay for major construction projects within the District as indicated in a bond proposition that was passed by the voters on May 8, 2007. The bond issue generated proceeds of \$26,436,689. The bond proposition was passed for the purpose of erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping school district buildings; acquiring and installing educational technology improvements; acquiring and installing building security systems; and developing and improving playground sites. Work on the various projects is essentially complete, with the exception of educational technology improvements, which are well underway and progressing per plan. This fund's equity is \$4,988,071 as of June 30, 2010.

Other Nonmajor Funds

The nonmajor funds consist of the Food Service Fund, Athletic Fund, Debt Funds, and the Sinking Fund. The Food Service Fund had an increase in its equity amounting to \$115,251, despite a transfer of \$146,000 to the General Fund, a practice that will occur each year until the fund equity is drawn down to five (5%) percent. The increase in fund equity is due primarily to cost-saving measures implemented by the department. The remaining 2010 equity of \$561,681 leaves the fund financially sound. The Athletic Fund had an operating loss of \$410,833 which is offset by a transfer from the General Fund. This is a common occurrence in Michigan school districts and, as such, is normally budgeted in the General Fund. The five Debt Funds (2001 Debt Fund, 2002 Debt Fund, 2005 Debt Fund, 2007 Debt Fund-Refunding, and the 2007 Debt Fund) have a combined equity of \$719,003 which is available for future debt obligations. This is an increase of \$130,625 from the 2009 equity position. Debt millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue related debt service. The Sinking Fund had a decrease in its equity position by \$192,638 to cause the 2010 equity to be \$1,679,413.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and disbursements. In June of each year the original budget is adopted. This is normally based on estimates since the student count, state aid, and, oftentimes, salaries and benefit costs are unknown. In the fall, and again in winter, the budget is then amended to reflect actual data available. The final amendment to the budget is then adopted near the end of the fiscal year. A schedule showing the District's original and final budget amounts compared with actual amounts is provided in the required supplementary information of these financial statements.

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the District had invested \$151,143,217, net of depreciation, in a broad range of capital assets, including land, school buildings, athletic facilities, technology and other equipment. Table III summarizes these assets (more detailed information is found in Note 5).

<u>Item</u>	<u>Amount</u>
Land	\$ 9,607,341
Construction-in-Progress	7,242
Buildings	90,615,178
Building Improvements	36,747,747
Grounds Improvements	7,237,916
Vehicles, Equipment, and Other	<u>6,927,793</u>
Total capital assets	<u>\$151,143,217</u>

Debt

At the end of this fiscal year, the District had \$119,565,000 in bonds outstanding versus \$128,305,000 in the previous year. These bonds consisted of the following:

<u>Bond Issue</u>	<u>Bonds Outstanding</u>
2001 Bond Issue	\$ 4,225,000
2002 Bond Issue	18,805,000
2005 Bond Issue	8,700,000
2007 Bond Issue	62,185,000
2007 Bond Issue	<u>25,650,000</u>
Total bonds outstanding	<u>\$ 119,565,000</u>

The State limits the amount of bonded indebtedness that school districts can issue to 15% of the assessed value of all its taxable property. This amount is far below the \$374,710,182 statutorily imposed limit.

Other obligations include accrued leases on copiers, bus notes, sick leave, and severance pay. These are detailed in Note 9.

Factors Bearing on the District's Future

The Board of Education and the administration consider many factors when developing the District's budget. As mentioned earlier, the District is very dependent upon the State for its funding. Since 1995, school districts cannot levy any additional property taxes for general operating purposes; thus, the dependency upon State resources is magnified that much more. The majority of State aid that a district receives is calculated on a per pupil amount multiplied by a district's total enrollment (converted to full time equivalencies). Annually, the State legislature determines this per pupil amount. From 1995 to 2002 this amount has been helpful toward assisting the District to meet its financial obligations. In the seven school years since 2002-03, the State made minimal increases of \$175, \$210, \$48 and \$56 per child in four years, 2006, 2007, 2008 and 2009, respectively, but made no increases in three years, 2004, 2005 and 2010. In fact, during the last school year (2009-10), the State imposed a pro-rated reduction of \$165 per pupil, amounting to a \$1,024,875 reduction in aid, and eliminated funding of Section 20j of the State School Aid Act, which further reduced the District's State Aid allocation by \$1,714,249, for a total reduction of \$2,739,124, this despite the fact that American Recovery and Reinvestment Act (ARRA) funds were received by the State for the purpose of aiding schools. In 2008-09, the State began relying on these Federal funds from ARRA to fill shortfalls in the School Aid Fund. Predictions are that when the Federal funds are depleted in the next year or two, the State will be unable to fund schools at previous funding levels. Although it appears that the State recognizes the importance of education and its impact on job creation, future funding is precarious given the weakening economy of the State.

The Novi Community School District is concerned about the future lack of State funding and has worked diligently in recent years to reduce expenditures, particularly in the operational areas, sufficiently to maintain fund equity. The District's current equity is sufficient to meet current estimated reductions, but it cannot continue to meet sustained losses over a period of time. Michigan's perpetual economic struggles will continue to negatively impact funding for public schools. The level of funding provided to schools is not aligned with the increasing costs to deliver the same quality education. In spite of this environment, the District will strive to maintain its long-standing commitment to academic excellence and educational opportunities for students within any financial framework.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Novi Community School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Novi Community School District, 25345 Taft Road, Novi, Michigan 48374.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (note 3)	\$ 17,441,761
Investments (note 3)	2,642,263
Property taxes receivable - net of allowance	259,575
Other receivables	
State aid	5,743,750
Federal aid	284,389
Other	144,947
Inventories and prepaid expenses	761,230
Capital assets, net of accumulated depreciation (note 5)	<u>151,143,217</u>
Total assets	178,421,132
Liabilities	
Accounts payable	2,334,140
Accrued payroll and benefits	6,344,394
Interest payable	907,336
Long-term liabilities (note 9)	
Long-term liabilities due within one year	10,143,154
Debt, net of premiums and discounts	110,526,807
Deferred bond premiums	2,490,596
Postemployment severance and employee benefits payable	<u>1,124,900</u>
Total liabilities	133,871,327
Net Assets	
Invested in capital assets, net of related debt	28,682,052
Restricted for	
Specific purpose	154,067
Debt service	719,003
Capital assets	6,667,484
Unrestricted	<u>8,327,199</u>
Total net assets	<u><u>\$ 44,549,805</u></u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

		Program Revenues		Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets	
Functions/Programs				
Governmental activities				
Instruction	\$ 49,980,971	\$ -	\$ 3,834,336	\$ (46,146,635)
Support services	23,285,660	-	214,358	(23,071,302)
Food services	2,440,547	2,113,589	336,553	9,595
Athletic program	792,545	327,470	-	(465,075)
Community services	2,265,590	2,236,508	-	(29,082)
Principal	11,573	-	-	(11,573)
Interest on long-term debt	5,722,064	-	-	(5,722,064)
Buildings and additions	187,189	-	-	(187,189)
Other	49,763	-	-	(49,763)
	\$ 84,735,902	\$ 4,677,567	\$ 4,385,247	
Total governmental activities				(75,673,088)
General revenues				
Taxes				
Property taxes, levied for general purpose				25,175,503
Property taxes, levied for debt service				14,676,451
Property taxes, levied for capital assets				1,169,716
State aid				
Formula grants - unrestricted				28,402,920
Restricted				3,056,298
Intermediate school district				4,960,961
Investment earnings				74,908
Miscellaneous				408,854
Special item - loss on disposal of capital assets				(56,363)
				77,869,248
Total general revenues				77,869,248
Change in Net Assets				2,196,160
Net Assets - July 1, 2009				42,353,645
Net Assets - June 30, 2010				\$ 44,549,805

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS

	<u>General Fund</u>	<u>2007 Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents (note 3)	\$ 12,109,237	\$ 2,367,561	\$ 2,964,963	\$ 17,441,761
Investments (note 3)	-	2,642,263	-	2,642,263
Property taxes receivable - net of allowances	162,806	-	96,769	259,575
Other receivables				
State aid	5,727,235	-	16,515	5,743,750
Federal aid	263,543	-	20,846	284,389
Other	98,774	36,688	9,485	144,947
Due from other funds (note 6)	5,813	-	40	5,853
Inventories	55,239	-	36,032	91,271
Prepaid expenses	73,094	-	15,457	88,551
	<u>18,495,741</u>	<u>5,046,512</u>	<u>3,160,107</u>	<u>26,702,360</u>
Total assets	<u>\$ 18,495,741</u>	<u>\$ 5,046,512</u>	<u>\$ 3,160,107</u>	<u>\$ 26,702,360</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 2,249,606	\$ 58,441	\$ 26,093	\$ 2,334,140
Accrued payroll and benefits	6,331,878	-	12,516	6,344,394
Due to other funds (note 6)	-	-	5,853	5,853
Deferred revenue (note 4)	387,802	-	155,548	543,350
	<u>8,969,286</u>	<u>58,441</u>	<u>200,010</u>	<u>9,227,737</u>
Total liabilities	8,969,286	58,441	200,010	9,227,737

Fund Balances

Reserved for				
Inventories	55,239	-	-	55,239
Prepaid expenses	73,094	-	-	73,094
Encumbrances	17,889	-	-	17,889
Unreserved				
Designated	248,602	-	-	248,602
Designated for debt service	-	-	719,003	719,003
Designated for capital projects	-	4,988,071	1,679,413	6,667,484
Undesignated	9,131,631	-	561,681	9,693,312
	<u>9,526,455</u>	<u>4,988,071</u>	<u>2,960,097</u>	<u>17,474,623</u>
Total fund balances	9,526,455	4,988,071	2,960,097	17,474,623
	<u>\$ 18,495,741</u>	<u>\$ 5,046,512</u>	<u>\$ 3,160,107</u>	<u>\$ 26,702,360</u>
Total liabilities and fund balances	<u>\$ 18,495,741</u>	<u>\$ 5,046,512</u>	<u>\$ 3,160,107</u>	<u>\$ 26,702,360</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO GOVERNMENTAL NET ASSETS**

JUNE 30, 2010

Total fund balances - governmental funds	\$ 17,474,623
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds:	
Cost of capital assets	201,298,535
Accumulated depreciation	(50,155,318)
Deferred bond issue costs recorded as an asset in the governmental activities - net of amortization	581,408
Property taxes and other miscellaneous receivables will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds	543,350
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:	
Bonds payable	(119,565,000)
Deferred bond premiums	(2,714,413)
Bus loans payable	(230,000)
Capital leases payable	(175,569)
Compensated absences	(157,475)
Severance packages payable	(1,443,000)
Accrued interest payable is not included as a liability in governmental activities	<u>(907,336)</u>
Total net assets - governmental activities	<u><u>\$ 44,549,805</u></u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>2007 Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 25,135,210	\$ -	\$ 15,812,555	\$ 40,947,765
Interest/earnings on investments	19,592	46,973	8,343	74,908
Fees and charges	2,287,902	-	2,439,064	4,726,966
State aid	31,370,393	-	88,825	31,459,218
Federal aid	4,048,694	-	336,553	4,385,247
Incoming transfers - ISD	4,960,961	-	-	4,960,961
	<u>67,822,752</u>	<u>46,973</u>	<u>18,685,340</u>	<u>86,555,065</u>
Expenditures				
Current				
Instruction and instructional - related services	45,649,338	-	-	45,649,338
Support services	22,006,478	-	-	22,006,478
Community services	2,102,864	-	-	2,102,864
Food services	-	-	2,277,821	2,277,821
Athletics	-	-	738,303	738,303
Debt service				
Principal	-	-	8,740,000	8,740,000
Interest	-	-	5,777,708	5,777,708
Capital outlay	-	3,427,376	1,361,762	4,789,138
Other	124,644	-	1,341	125,985
	<u>69,883,324</u>	<u>3,427,376</u>	<u>18,896,935</u>	<u>92,207,635</u>
Deficiency of Revenues Over Expenditures	(2,060,572)	(3,380,403)	(211,595)	(5,652,570)
Other Financing Sources (Uses)				
Operating transfers (note 6)	(264,833)	-	264,833	-
Net Change in Fund Balances	(2,325,405)	(3,380,403)	53,238	(5,652,570)
Fund Balances - July 1, 2009	<u>11,851,860</u>	<u>8,368,474</u>	<u>2,906,859</u>	<u>23,127,193</u>
Fund Balances - June 30, 2010	<u>\$ 9,526,455</u>	<u>\$ 4,988,071</u>	<u>\$ 2,960,097</u>	<u>\$ 17,474,623</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds	\$ (5,652,570)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(5,424,208)
Capital outlay subject to capitalization	4,972,148
The net effect of other transactions involving capital assets that decreased net assets:	
Loss on disposal of capital assets	(56,363)
Because some property taxes and other miscellaneous revenues will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities	
	209,545
Some expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid:	
Accrued interest	55,644
Compensated absences	107,121
Severance liabilities	(1,245,000)
Repayment of principal and issuance costs are an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt):	
Debt service principal	8,740,000
Installment loans on buses	50,000
Capital lease expenditures	129,377
Decreases in severance liabilities are reported as expenditures when financial resources are used in the governmental funds	
	132,000
Amortization of bond premiums in the statement of activities	
	223,817
Amortization of bond issuance costs in the statement of activities	
	(45,351)
Change in net assets of governmental activities	\$ 2,196,160

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY
JUNE 30, 2010**

Assets

Cash and cash equivalents	\$ 863,554
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Liabilities

Due to student groups	<u>863,554</u>
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Net Assets

Restricted for specific purpose	<u><u>\$ -</u></u>
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See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies

The accounting policies of the Novi Community School District, Michigan, (the School District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the more significant policies used by the School District:

A. Reporting Entity

The School District is governed by an elected 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 and financial relationships that determine which of the governmental organizations are part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on application of the criteria, the entity does not contain component units.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Substantially all 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 the School District's government-wide activities are considered governmental activities.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

B. District-wide and Fund Financial Statements - Continued

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, although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements

The district-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.

The effect of interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicant 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.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Fund-based 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 government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required 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 government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are custodial in nature (assets equal liabilities) and do not report the measurement of results of operations.

The School District reports the following major governmental funds:

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.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Fund-based Statements - Continued

The Capital Projects Funds are used to record bond proceeds and other revenue and the disbursement of money specifically designated for building construction and renovation.

The School District's only Fiduciary Fund is the Trust Fund, which is a nonexpendable trust fund, used to account for the cash receipts and disbursements of the various student activity clubs of the School District.

Additionally, the School District reports the following nonmajor governmental fund types:

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

The School District maintains two nonmajor governmental Special Revenue Funds, which account for the School District's food service and athletic activities.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Cash and cash equivalents 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. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund using a weighted average of balance for the principal invested.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds".

All property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied on July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year at which time penalties and interest are assessed and the total obligation is added to county tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Inventories and Prepaid Items

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 items in both government-wide and fund financial statements.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

Restricted Assets

The unspent bond proceeds of the Capital Projects Fund require amounts to be set aside for construction and capital asset acquisition. The property taxes levied in the Debt Service Fund are required to be set aside for future principal and interest payments on bonded debt. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, improvements other than 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 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. 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 any infrastructure-type assets.

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

Buildings	20 - 50 years
Improvements other than buildings	15 - 30 years
Equipment	5 - 20 years
Vehicles	5 - 10 years

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period.

Fund Equity

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

Comparative Data

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 28, 2010, which is the date the financial statements were available to be issued.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 all governmental funds. All annual appropriations lapse at the fiscal year end. The budget document presents information by the general and major Special Revenue Fund by 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 functional level. State law requires the School District to have its budget in place by July 1st. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District increased/decreased budgeted amounts during the year in response to changes in anticipated spending for salaries, benefits, and other expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end. The commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

The School District's deposits and investments at June 30, 2010, are composed of the following:

	<u>Cash and Cash Equivalents</u>
Demand deposits and certificates of deposit	\$ 8,026,547
Investments in Michigan School District - Liquid Asset Fund (CADRE)	9,415,114
Petty cash and cash on hand	<u>100</u>
Total	<u>\$ 17,441,761</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 - Deposits and Investments - Continued

Custodial Credit Risk of Bank Deposits

At June 30, 2010, the carrying amount of cash and cash equivalents was \$18,305,315, and the bank balance was \$19,764,214. Of that amount, \$1,250,000 was covered by Federal Depository Insurance and \$18,514,214 was 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 bank deposits. As a result, the School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The School District is authorized by Michigan Public Act 132 of 1986 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Custodial Credit Risk of Investments

Custodial credit risk is that 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 the School District will minimize this risk by limiting the types of investments and prequalifying the financial institutions, brokers/dealers, and advisors with which the School District will do business. At June 30, 2010, the School District does not have investments with custodial credit risk.

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 states that where there is a possibility that the interest changes could adversely affect the fair value of a district's investment, as determined under the generally accepted accounting principles (GAAP) standards, the following method(s) will be used to assess and control such risks: segmented timed distribution, specific identification, weighted average maturity, duration, and simulation model.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, nor does it place limits on the amount the School District may invest in any one issuer.

At June 30, 2010, the School District held investments in U.S. Government and Agency bonds with a Standard & Poor's rating of Aaa. The description, fair value, and maturity range of investments held at June 30, 2010 are as follows:

<u>Name of Investment/Description</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Government Bonds	\$ 437,530	7/31/11 - 9/30/11
U.S. Agency Bonds	2,204,733	7/12/10 - 10/15/11
Total	\$ 2,642,263	

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 prohibits investments in foreign currency.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of property taxes and fees for services received prior to meeting spending restrictions or providing the related services.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - Capital Assets

Capital assets activity for the School District's governmental activities was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions/ Disposals</u>	<u>Balance June 30, 2010</u>
Assets not being depreciated:				
Land	\$ 9,607,341	\$ -	\$ -	\$ 9,607,341
Construction-in-progress	546,334	4,334	(543,426)	7,242
Assets being depreciated:				
Buildings	112,797,625	241,960	-	113,039,585
Building improvements	46,649,347	703,247	(92,675)	47,259,919
Ground improvements	10,965,694	1,669,841	(103,441)	12,532,094
Equipment	13,264,390	2,762,636	(12,500)	16,014,526
Buses and equipment	2,354,483	-	-	2,354,483
Vehicles	376,615	13,096	-	389,711
Other	<u>93,634</u>	<u>-</u>	<u>-</u>	<u>93,634</u>
Subtotal	<u>186,501,788</u>	<u>5,390,780</u>	<u>(208,616)</u>	<u>191,683,952</u>
Accumulated depreciation:				
Buildings	20,530,461	1,893,946	-	22,424,407
Building improvements	9,435,899	1,153,906	(77,633)	10,512,172
Ground improvements	4,642,286	714,012	(62,120)	5,294,178
Equipment	8,297,512	1,472,300	(12,500)	9,757,312
Buses and equipment	1,635,324	180,406	-	1,815,730
Vehicles	291,700	5,908	-	297,608
Other	<u>50,181</u>	<u>3,730</u>	<u>-</u>	<u>53,911</u>
Subtotal	<u>44,883,363</u>	<u>5,424,208</u>	<u>(152,253)</u>	<u>50,155,318</u>
Net capital assets being depreciated	<u>141,618,425</u>	<u>(33,428)</u>	<u>(56,363)</u>	<u>141,528,634</u>
Net capital assets	<u>\$151,772,100</u>	<u>\$ (29,094)</u>	<u>\$ (599,789)</u>	<u>\$151,143,217</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - Capital Assets - Continued

Depreciation expense was charged to specific activities of the School District as follows:

Governmental activities:	
Instruction	\$ 3,308,767
Support services	1,735,747
Food services	162,726
Athletics	54,242
Community services	<u>162,726</u>
Total governmental activities	<u>\$ 5,424,208</u>

Construction Commitments

The School District has active construction projects in the Sinking Fund. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Orchard Hills Construction	\$ 151,815	\$ 2,900
District-wide Technology/Security	<u>2,631,019</u>	<u>46,290</u>
Total	<u>\$ 2,782,834</u>	<u>\$ 49,190</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6 - Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Funds Due To	Funds Due From Nonmajor Governmental Funds
General Fund	\$ 5,813
Nonmajor Governmental Funds	40
Total	\$ 5,853
	Transfers - Out General Fund
Transfers - in: Nonmajor Governmental Funds	\$ 410,833
	Transfers - Out Nonmajor Governmental Funds
Transfers - in: General Fund	\$ 146,000

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), which is a cost-sharing multiple employer, state-wide pension plan governed by the State of Michigan. The plan provides retirement, health and death and disability benefits. Public Act Number 136 of 1945, recodified and currently operating under the provisions of Public Act Number 300 of 1980, as amended assigns the authority to establish and amend the benefit provisions of the MPERS plan document. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees' Retirement Systems, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy

The contribution requirements of the School District are established by the State of Michigan statutes and may be amended only by action of the State of Michigan Legislature. The School District is required to contribute at an actuarially determined rate. The required employer contribution rates for retirement benefits, including pension and health care benefits for the fiscal years ended September 30, 2010 and 2009 were 16.94% and 16.54%, respectively, of annual covered payroll. The actual contribution rates for pension benefits for the fiscal years ended September 30, 2010 and 2009 were 3.98% and 5.17%, respectively. The fiscal year 2009 annual covered payroll is not yet available.

The School District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to 10 percent of the monthly premium amount for the dental and vision coverages. Retirees who are not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Middle Cities Risk Management Trust risk pool for claims relating to property liability, and errors and omissions; the School District is partially insured for medical benefits provided to the employees and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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.

Note 9 - 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. Other long-term obligations include installment loans, compensated absences, and severance benefits.

Long-term obligation activity can be summarized as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds	\$ 128,305,000	\$ -	\$ 8,740,000	\$ 119,565,000	\$ 9,260,000
Other obligations	<u>4,117,772</u>	<u>1,245,000</u>	<u>642,315</u>	<u>4,720,457</u>	<u>883,154</u>
Total governmental activities	<u>\$ 132,422,772</u>	<u>\$ 1,245,000</u>	<u>\$ 9,382,315</u>	<u>\$ 124,285,457</u>	<u>\$ 10,143,154</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Total long-term debt at June 30, 2010, consists of the following:

Bonds Payable

2001 bond issue - original amount	\$ 75,640,000
Less: Bonds paid in prior years	16,590,000
Bonds paid May 1, 2010	4,050,000
Bonds refinanced	<u>50,775,000</u>
 Bonds outstanding - June 30, 2010	 <u>\$ 4,225,000</u>

Bonds payable are as follows:

Year	Rate	Interest	Principal	Total
2011	4.125	<u>\$ 174,282</u>	<u>\$ 4,225,000</u>	<u>\$ 4,399,282</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2002 bond issue - original amount	\$ 28,460,000
Less: Bonds paid in prior years	7,840,000
Bonds paid May 1, 2010	<u>1,815,000</u>
 Bonds outstanding - June 30, 2010	 <u><u>\$ 18,805,000</u></u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	4.000	\$ 826,436	\$ 1,785,000	\$ 2,611,436
2012	3.350	755,036	1,770,000	2,525,036
2013	5.000	695,740	1,740,000	2,435,740
2014	3.700	608,740	1,740,000	2,348,740
2015	4.000	544,360	1,715,000	2,259,360
2016	4.000	475,760	1,700,000	2,175,760
2017	5.000	407,760	1,680,000	2,087,760
2018	5.000	323,760	1,675,000	1,998,760
2019	5.000	240,010	1,670,000	1,910,010
2020	5.000	156,510	1,665,000	1,821,510
2021	4.000	<u>73,257</u>	<u>1,665,000</u>	<u>1,738,257</u>
		<u>\$ 5,107,369</u>	<u>\$ 18,805,000</u>	<u>\$ 23,912,369</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2005 bond issue - original amount	\$ 11,920,000
Less: Bonds paid in prior years	2,145,000
Bonds paid May 1, 2010	<u>1,075,000</u>
Bonds outstanding - June 30, 2010	<u>\$ 8,700,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	3.500	\$ 400,063	\$ 1,075,000	\$ 1,475,063
2012	3.875	362,438	1,075,000	1,437,438
2013	5.000	320,781	1,075,000	1,395,781
2014	4.375	267,031	1,075,000	1,342,031
2015	5.000	220,000	1,100,000	1,320,000
2016	5.000	165,000	1,100,000	1,265,000
2017	5.000	110,000	1,100,000	1,210,000
2018	5.000	<u>54,998</u>	<u>1,100,000</u>	<u>1,154,998</u>
		<u>\$ 1,900,311</u>	<u>\$ 8,700,000</u>	<u>\$ 10,600,311</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2007 Refinanced bond issue - original amount	\$ 64,360,000
Less: Bonds paid in prior years	875,000
Bonds paid May 1, 2010	<u>1,300,000</u>
 Bonds outstanding - June 30, 2010	 <u><u>\$ 62,185,000</u></u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	4.000	\$ 2,908,550	\$ 1,475,000	\$ 4,383,550
2012	4.000	2,849,550	5,845,000	8,694,550
2013	4.000	2,557,300	5,905,000	8,462,300
2014	4.000	2,262,050	5,970,000	8,232,050
2015	4.000	1,963,550	6,025,000	7,988,550
2016	4.000	1,662,300	6,075,000	7,737,300
2017	4.000	1,358,550	6,135,000	7,493,550
2018	4.000	1,051,800	6,160,000	7,211,800
2019	5.000	743,800	4,725,000	5,468,800
2020	4.250	554,800	4,670,000	5,224,800
2021	4.250	368,000	4,615,000	4,983,000
2022	5.000	<u>183,400</u>	<u>4,585,000</u>	<u>4,768,400</u>
		<u><u>\$ 18,463,650</u></u>	<u><u>\$ 62,185,000</u></u>	<u><u>\$ 80,648,650</u></u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2007 bond issue - original amount	\$ 26,375,000
Less: Bonds paid in prior years	225,000
Bonds paid May 1, 2010	500,000
Bonds outstanding - June 30, 2010	<u>\$ 25,650,000</u>

Bonds payable are as follows:

Year	Rate	Interest	Principal	Total
2011	4.000	\$ 1,134,688	\$ 700,000	\$ 1,834,688
2012	4.000	1,106,688	925,000	2,031,688
2013	4.000	1,069,688	1,150,000	2,219,688
2014	4.000	1,023,688	1,200,000	2,223,688
2015	4.000	975,688	1,275,000	2,250,688
2016	4.000	924,688	1,325,000	2,249,688
2017	4.000	871,688	1,375,000	2,246,688
2018	4.000	816,688	1,425,000	2,241,688
2019	5.000	759,688	1,500,000	2,259,688
2020	4.250	684,688	1,575,000	2,259,688
2021	4.250	617,750	1,650,000	2,267,750
2022	5.000	547,626	1,775,000	2,322,626
2023	5.000	458,876	1,875,000	2,333,876
2024	5.000	365,126	1,925,000	2,290,126
2025	4.500	268,876	1,975,000	2,243,876
2026	4.500	180,000	2,000,000	2,180,000
2027	4.500	90,000	2,000,000	2,090,000
		<u>\$ 11,896,134</u>	<u>\$ 25,650,000</u>	<u>\$ 37,546,134</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 9,260,000	\$ 5,444,019	\$ 14,704,019
2012	9,615,000	5,073,712	14,688,712
2013	9,870,000	4,643,509	14,513,509
2014	9,985,000	4,161,509	14,146,509
2015	10,115,000	3,703,598	13,818,598
2016 - 2020	46,655,000	11,362,488	58,017,488
2021 - 2025	20,065,000	2,882,911	22,947,911
2026 - 2030	<u>4,000,000</u>	<u>270,000</u>	<u>4,270,000</u>
Total	<u>\$ 119,565,000</u>	<u>\$ 37,541,746</u>	<u>\$ 157,106,746</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Capital Leases

The School District leases copy machines under a separate capital lease arrangement entered into during May 2008. The lease calls for monthly payments of \$7,182 including interest through June 2013.

The minimum future lease payments under the capital lease obligation as of June 30, 2010 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2011	\$ 86,182
2012	86,183
2013	<u>86,182</u>
Total minimum lease payments	258,547
Less portion representing interest	<u>22,978</u>
Present value of net minimum lease payments	<u>\$ 235,569</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 9 - Long-Term Debt - Continued

Capital Leases - Continued

The School District entered into a Lease Purchase Agreement for the purchase of four (4) school buses. The lease calls for annual payments ranging from \$52,120 to \$58,480, including interest, through 2011.

The minimum future lease payments under the capital lease obligations as of June 30, 2010 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2011	\$ 52,120
Less portion representing interest	<u>2,120</u>
Present value of net minimum lease payments	<u>\$ 50,000</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - Long-Term Debt - Continued

Capital Leases - Continued

The School District entered into a Lease Purchase Agreement for the purchase of five (5) school buses. The lease calls for annual payments ranging from \$62,469 to \$70,428, including interest, through 2012.

The minimum future lease payments under the capital lease obligations as of June 30, 2010 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2011	\$ 64,939
2012	<u>62,469</u>
Total minimum lease payments	127,408
Less portion representing interest	<u>7,408</u>
Present value of net minimum lease payments	<u>\$ 120,000</u>

Other Long-Term Obligations

Other long-term obligations consist of the following:

Severance liability	\$ 1,443,000
Compensated absences liability	<u>157,475</u>
Total	<u>\$ 1,600,475</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 - Capital Projects Funds

The 2001 Sinking Fund includes capital project activities funded by a .5 millage rate. The 2007 Capital Projects Fund includes activities funded with bonds issued after June 28, 2007. The following is a summary of the revenues and expenditures in the 2001 Sinking Fund and the 2007 Capital Projects Fund from inception of the funds through the current fiscal year:

	2001 Sinking Fund	2007 Capital Projects Fund
Revenues	\$ 9,321,802	\$ 28,429,503
Expenditures	7,642,389	23,441,432

For the 2007 Capital Projects Fund and 2001 Sinking Fund, the School District has complied with the applicable provisions of Sections 1351(a) of the Revised School Code.

Note 11 - Contingent Liabilities

The School District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits as described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*. The audits of these programs for and including the year ended June 30, 2010, have been conducted and reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the School District expects such amounts, if any, to be immaterial.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12 - Governmental Regulation

Substantially all of the School District's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures, or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal, state, and local requirements.

Note 13 - Compensated Absences

Teachers are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 35 days at rates ranging from \$50 to \$70 per day. Eligible teachers must have ten or more years of service in the School District and have not used more than six paid (sick) leave allowance days during five of the ten years preceding the severance of employment. In addition, each eligible teacher must have accumulated at least 80 days in their sick leave allowance bank.

Secretaries are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 35 days at rates ranging from \$20 to \$40 per day. Eligible secretaries must have ten or more years of service in the School District and have not used more than six paid (sick) leave allowance days during five of the ten years preceding the severance of employment. In addition, each eligible secretary must have accumulated at least 130 days in their sick leave allowance bank.

Maintenance Workers are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 50 days at the maintenance worker's daily rate. Eligible maintenance workers must have ten or more years of service in the School District and have accumulated at least 50 days in their sick leave allowance bank.

Bus drivers are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse accumulated days exceeding 100 at the rate of 50% of the average daily rate of pay at the time of retirement. Eligible bus drivers must have ten or more years of service in the School District and have accumulated at least 100 days in their sick leave allowance bank.

REQUIRED SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Final Budget</u>
Revenues				
Local sources				
Taxes	\$ 25,483,398	\$ 25,244,369	\$ 25,135,210	\$ (109,159)
Interest	200,000	18,000	19,592	1,592
Other sources	2,033,447	1,949,985	2,287,902	337,917
State sources - state school aid				
Restricted	3,025,127	2,992,237	3,056,298	64,061
Unrestricted	27,806,629	28,086,917	28,314,095	227,178
Federal sources				
Restricted grants	5,535,595	4,562,887	2,302,303	(2,260,584)
Unrestricted grants	-	-	1,746,391	1,746,391
Payments from other schools and intermediate school districts	4,710,962	4,728,006	4,960,961	232,955
Total revenues	<u>68,795,158</u>	<u>67,582,401</u>	<u>67,822,752</u>	<u>240,351</u>
Expenditures				
Instructional	45,674,875	46,354,577	45,649,338	(705,239)
Supporting services	23,091,448	22,071,465	22,006,478	(64,987)
Community services	2,241,196	2,172,127	2,102,864	(69,263)
Total expenditures	<u>71,007,519</u>	<u>70,598,169</u>	<u>69,758,680</u>	<u>(839,489)</u>
Other Financing Sources (Uses)				
Other financing sources	-	-	(3,071)	(3,071)
Operating transfers - out	(478,188)	(467,826)	(410,833)	56,993
Operating transfers - in	170,000	170,000	146,000	(24,000)
Principal and interest payments on loans	(121,512)	(121,512)	(121,573)	(61)
Total other financing sources (uses)	<u>(429,700)</u>	<u>(419,338)</u>	<u>(389,477)</u>	<u>29,861</u>
Net Change in Fund Balance	(2,642,061)	(3,435,106)	(2,325,405)	(1,109,701)
Fund Balance - July 1, 2009	<u>11,851,860</u>	<u>11,851,860</u>	<u>11,851,860</u>	<u>-</u>
Fund Balance - June 30, 2010	<u><u>\$ 9,209,799</u></u>	<u><u>\$ 8,416,754</u></u>	<u><u>\$ 9,526,455</u></u>	<u><u>\$ (1,109,701)</u></u>

OTHER SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS

	Special Revenue Funds		Debt Service Funds	
	Cafeteria Fund	Athletic Fund	2001 Debt Fund	2002 Debt Fund
	Cash and cash equivalents	\$ 569,694	\$ -	\$ 222,271
Receivables				
Accounts	40,799	-	1,675	1,059
Taxes	-	-	27,172	16,782
Due from other funds	-	40	-	-
Inventories	36,032	-	-	-
Prepaid expenses	15,457	-	-	-
	<u>\$ 661,982</u>	<u>\$ 40</u>	<u>\$ 251,118</u>	<u>\$ 108,235</u>

LIABILITIES AND FUND BALANCES

Salaries payable	\$ 12,516	\$ -	\$ -	\$ -
Accounts payable	23,153	40	-	-
Deferred revenue	58,779	-	27,172	16,782
Due to other funds	5,853	-	-	-
	<u>100,301</u>	<u>40</u>	<u>27,172</u>	<u>16,782</u>
Total liabilities				
Fund balances	561,681	-	223,946	91,453
	<u>\$ 661,982</u>	<u>\$ 40</u>	<u>\$ 251,118</u>	<u>\$ 108,235</u>
Total liabilities and fund balances				

Debt Service Funds			Capital Project Fund	
2005 Debt Fund	2007 Refinanced Debt Fund	2007 Debt Fund	Sinking Fund	Total
\$ 80,309	\$ 298,707	\$ 21,723	\$ 1,681,865	\$ 2,964,963
562	1,634	669	448	46,846
9,169	27,063	8,199	8,384	96,769
-	-	-	-	40
-	-	-	-	36,032
-	-	-	-	15,457
<u>\$ 90,040</u>	<u>\$ 327,404</u>	<u>\$ 30,591</u>	<u>\$ 1,690,697</u>	<u>\$ 3,160,107</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,516
-	-	-	2,900	26,093
9,169	27,063	8,199	8,384	155,548
-	-	-	-	5,853
9,169	27,063	8,199	11,284	200,010
80,871	300,341	22,392	1,679,413	2,960,097
<u>\$ 90,040</u>	<u>\$ 327,404</u>	<u>\$ 30,591</u>	<u>\$ 1,690,697</u>	<u>\$ 3,160,107</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>Cafeteria Fund</u>	<u>Athletic Fund</u>	<u>2001 Debt Fund</u>	<u>2002 Debt Fund</u>
Revenues				
Local sources				
Taxes	\$ -	\$ -	\$ 4,425,713	\$ 2,717,682
Interest	2,100	-	1,328	845
Cafeteria sales	2,111,594	-	-	-
Other sources	-	327,470	-	-
State sources - state school aid	88,825	-	-	-
Federal sources	336,553	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,539,072	327,470	4,427,041	2,718,527
Expenditures				
Supporting services	2,277,821	738,303	-	-
Buildings and additions	-	-	-	-
Principal	-	-	4,050,000	1,815,000
Interest and fees	-	-	341,344	883,607
Other	-	-	275	275
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,277,821	738,303	4,391,619	2,698,882
Excess of Revenues Over (Under) Expenditures	261,251	(410,833)	35,422	19,645
Other Financing Sources (Uses)				
Operating transfers - in/(out)	(146,000)	410,833	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	115,251	-	35,422	19,645
Fund Balances - July 1, 2009	446,430	-	188,524	71,808
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - June 30, 2010	<u>\$ 561,681</u>	<u>\$ -</u>	<u>\$ 223,946</u>	<u>\$ 91,453</u>

Debt Service Funds			Capital Project Fund	
2005 Debt Fund	2007 Refinanced Debt Fund	2007 Debt Fund	Sinking Fund	Total
\$ 1,514,596	\$ 4,330,285	\$ 1,656,952	\$ 1,167,327	\$ 15,812,555
455	1,321	497	1,797	8,343
-	-	-	-	2,111,594
-	-	-	-	327,470
-	-	-	-	88,825
-	-	-	-	336,553
1,515,051	4,331,606	1,657,449	1,169,124	18,685,340
-	-	-	-	3,016,124
-	-	-	1,361,762	1,361,762
1,075,000	1,300,000	500,000	-	8,740,000
437,688	2,960,550	1,154,519	-	5,777,708
241	225	325	-	1,341
1,512,929	4,260,775	1,654,844	1,361,762	18,896,935
2,122	70,831	2,605	(192,638)	(211,595)
-	-	-	-	264,833
2,122	70,831	2,605	(192,638)	53,238
78,749	229,510	19,787	1,872,051	2,906,859
\$ 80,871	\$ 300,341	\$ 22,392	\$ 1,679,413	\$ 2,960,097

**ANALYSIS OF 2009 TAX LEVIES
AND
SUMMARY OF DELINQUENT TAXES**

BOARD OF EDUCATION NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN

ANALYSIS OF 2009 TAX LEVIES FOR THE YEAR ENDED JUNE 30, 2010

Tax Rates:

General Fund		
Homestead		
Hold Harmless	2.6468	
Recreational	0.9800	
Sinking Fund	0.4932	
State Millage	<u>6.0000</u>	
Total homestead	10.1200	
Industrial - Personal		
Hold Harmless	2.6468	
Recreational	0.9800	
Sinking Fund	0.4932	
State Millage	<u>6.0000</u>	
Total industrial - personal	10.1200	
Commercial - Personal		
General Operating	6.0000	
Hold Harmless	2.6468	
Recreational	0.9800	
Sinking Fund	0.4932	
State Millage	<u>6.0000</u>	
Total commercial - personal	16.1200	
Non-Homestead		
General Operating	18.0000	
Recreational	0.9800	
Sinking Fund	0.4932	
State Millage	<u>6.0000</u>	
Total non-homestead	25.4732	
Debt Fund		
2001 Debt	1.8700	
2002 Debt	1.1900	
2005 Debt	0.6400	
2007 Refinanced Debt	1.8600	
2007 Debt	<u>0.7000</u>	
Total debt fund	6.2600	
Total tax rate - Homestead	16.3800	
Total tax rate - Industrial - Personal	16.3800	
Total tax rate - Commercial - Personal	22.3800	
Total tax rate - Non-Homestead	31.7332	

Taxable Values:

City of Novi	\$ 2,378,974,820
City of Wixom	<u>2,768,470</u>
Total taxable values	<u>\$ 2,381,743,290</u>

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Debt Fund</u>	<u>Total</u>
Taxes Levied				
City of Novi	\$ 25,141,963	\$ 1,168,533	\$ 14,661,250	\$ 40,971,746
City of Wixom	<u>50,960</u>	<u>1,365</u>	<u>17,331</u>	<u>69,656</u>
Total taxes levied	25,192,923	1,169,898	14,678,581	41,041,402
Taxes Collected				
City of Novi	25,012,643	1,164,101	14,605,646	40,782,390
City of Wixom	<u>50,960</u>	<u>1,365</u>	<u>17,331</u>	<u>69,656</u>
Total taxes collected	<u>25,063,603</u>	<u>1,165,466</u>	<u>14,622,977</u>	<u>40,852,046</u>
Delinquent Taxes				
City of Novi	<u>\$ 129,320</u>	<u>\$ 4,432</u>	<u>\$ 55,604</u>	<u>\$ 189,356</u>
City of Wixom	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

SUMMARY OF DELINQUENT TAXES
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Sinking Fund	Debt Fund	Total
Balance - July 1, 2009	\$ 122,513	\$ 5,995	\$ 57,161	\$ 185,669
Additions				
2009 delinquent taxes	129,320	4,432	55,604	189,356
Deductions				
Delinquent tax collections	71,607	1,861	22,250	95,718
Prior year taxes written-off	17,420	182	2,130	19,732
Balance - June 30, 2010	\$ 162,806	\$ 8,384	\$ 88,385	\$ 259,575