

**NOVI COMMUNITY SCHOOL  
DISTRICT, MICHIGAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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## 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, 2006 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, 2006, 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 September 21, 2006 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

September 21, 2006  
Troy, Michigan

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

The Novi Community School District's (the District) financial year is from July 1<sup>st</sup> through June 30<sup>th</sup>. 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**

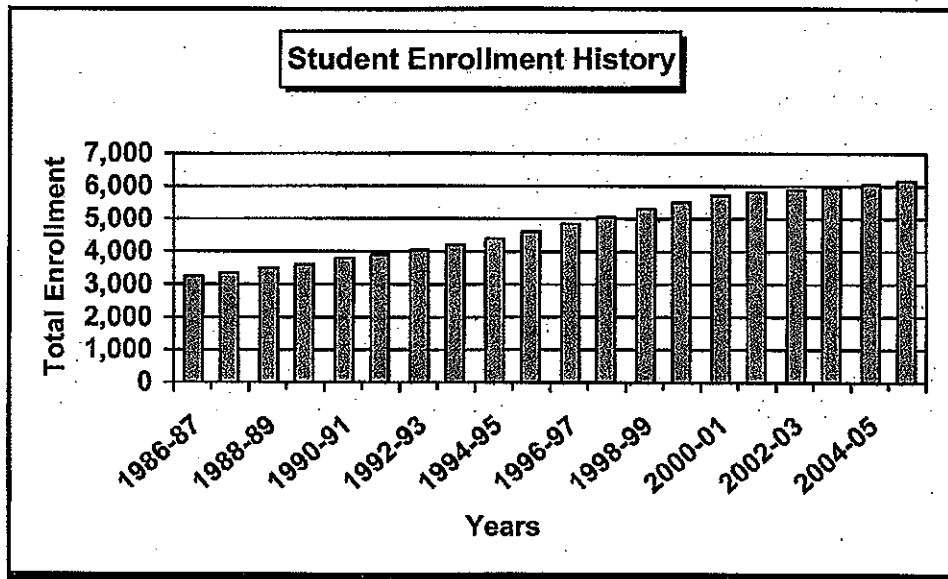
The Novi Community School District is an independent school district operating under the laws of the State of Michigan and is governed by an elected (at large) seven-member Board of Education. The District is located in southern Oakland County and encompasses 17.9 square miles with the vast majority of its area within the City of Novi except for a small parcel of land in the City of Wixom. The District has seen and continues to see growth and development of both its residential and non-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 has grown from 3,303 in 1985-86 to the current (2006) population of 6,298. The projection for 2006-07 shows a conservative growth of an additional 40 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 two types of property: Homestead (residential) and Non-Homestead (non-residential). In addition, the State of Michigan levies a fixed 6.0000 mills against these 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 2006, the District levies against these two property classifications can be summarized below:

<u>Tax Description</u>	<u>Homestead</u>	<u>Non-Homestead</u>
General Operating	4.5462	18.9800
Sinking Fund	.4932	.4932
All Debt Millage	<u>6.6800</u>	<u>6.6800</u>
<b>TOTAL</b>	<b><u>11.7194</u></b>	<b><u>26.1532</u></b>

## 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' eight schools reflect seven A's and one B. MEAP scores for Novi's 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, 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, 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, including one building that was designed and built around a "teaming concept" and another that features a simulated "community" environment for learning.

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 features a "four block schedule" and a new "Freshman Academic Seminar" 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. 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 2006 annual financial report presents our discussion and analysis of the School District's financial performance during the year ended 2006. 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 Financials by providing information about the District's most significant fund, the General Fund. All other funds are presented in one column and listed as "nonmajor" funds which include: 2001 Capital Improvement Fund, 2001 Sinking Fund, 1993 Debt Fund, 1997 Debt (Refinancing) Fund, 1998 Debt Fund, 2001 Debt Fund, 2002 Debt (Refinancing) Fund, 2005 Debt (Refinancing) Fund, Food Service Fund, and Athletic Fund.

The last basic financial statement is the *Fiduciary Fund Statements*. These are funds with which the District act as the trustee, or fiduciary, for the assets that belong to others. The funds in this category are the Scholarship Funds (Richard Erwin Memorial Scholarship, Mary B. Baber Memorial Scholarship Fund), and 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, 2006:

<b>Table I</b>		
<b>Novi Community School District</b>		
<b>Net Assets - Governmental Activities</b>		
<b>As of June 30, 2006 and 2005</b>		
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and Other Assets	\$ 22,207,956	\$ 28,859,501
Capital Assets	<u>143,862,137</u>	<u>148,211,249</u>
<b>Total Assets</b>	<b>166,070,093</b>	<b>177,070,750</b>
<b>Liabilities</b>		
Current Liabilities	15,601,062	17,040,803
Long-term Liabilities	<u>119,397,321</u>	<u>126,169,991</u>
<b>Total Liabilities</b>	<b>134,998,383</b>	<b>143,210,794</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	18,059,078	16,137,625
Restricted	3,415,002	9,017,049
Unrestricted	<u>9,597,630</u>	<u>8,705,282</u>
<b>Total Net Assets</b>	<b><u>\$ 31,071,710</u></b>	<b><u>\$ 33,859,956</u></b>

The District's net assets were \$31,071,710 at June 30, 2006. Capital assets, net of related debt, totaled \$18,059,078. 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 \$3,415,002 are reported separately and include 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, \$9,597,630, was unrestricted.

The \$9,597,630 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.

**Credit, Gail**

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**From:** James Koepke [Koepke@doeren.com]  
**Sent:** Friday, January 19, 2007 1:22 PM  
**To:** Credit, Gail  
**Subject:** RE: Novi Schools - 2006 Mgmt. Letter

Our report on the financial statements was an unqualified opinion, which is the best you can do. There is no such thing in reference to a management letter.

---

**From:** Credit, Gail [mailto:gcredit@novi.k12.mi.us]  
**Sent:** Friday, January 19, 2007 12:51 PM  
**To:** James Koepke  
**Subject:** RE: Novi Schools - 2006 Mgmt. Letter

Would it be a true statement that this was an "unqualified opinion" and that an unqualified opinion is the highest rating possible?

-----Original Message-----

**From:** James Koepke [mailto:Koepke@doeren.com]  
**Sent:** Friday, January 19, 2007 10:28 AM  
**To:** Credit, Gail  
**Subject:** FW: Novi Schools - 2006 Mgmt. Letter

Any more info needed, please let me know.

Thanks - Jim

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**From:** Marianne Carrata  
**Sent:** Friday, January 19, 2007 10:09 AM  
**To:** James Koepke  
**Subject:** Novi Schools - 2006 Mgmt. Letter



September 21, 2006

Members of the Board of Education  
Novi Community School District, Michigan  
25345 Taft Road  
Novi, Michigan 48374-2423

Dear Board Members:

We have recently completed an audit of the financial statements of the Novi Community School District, Michigan for the year ended June 30, 2006. Our audit was made primarily for the purpose of expressing our opinion on these statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls.

We would like to compliment the business office for the excellent job that they have done this past year. We completed the audit with a minimum of adjustments and enjoyed working again with your highly professional staff.

DOEREN MAYHEW

# **Compare Financials**

	<u>2005/06</u>	<u>2006/07</u>	<u>Dif</u>	<u>%</u>
<b>REVENUE</b>				
Local				
Taxes	23,962,765	23,224,845	737,920	3.08%
Interest	380,766	203,671	177,095	46.51%
Other	2,573,854	2,316,885	256,969	9.98%
State				
Restricted	2,190,376	3,292,183	(1,101,807)	-50.30%
Unrestricted	32,253,939	30,709,171	1,544,768	4.79%
Federal				
Restricted	1,293,743	1,231,806	61,937	4.79%
ISD	5,121,074	4,577,657	543,417	10.61%
Sale Fixed Assets	<u>34,248</u>	<u>0</u>	<u>34,248</u>	100.00%
<b>TOTAL REVENUE</b>	<b>67,810,765</b>	<b>65,556,218</b>	<b>2,254,547</b>	
<b>EXPENDITURES</b>				
Expenditure				
Instruc	41,643,271	38,869,891	2,773,380	6.66%
Support	24,289,388	22,398,100	1,891,288	7.79%
Community	<u>2,134,914</u>	<u>2,022,896</u>	<u>112,018</u>	5.25%
<b>TOTAL EXPENDITURE</b>	<b>68,067,573</b>	<b>63,290,887</b>	<b>4,776,686</b>	
<b>OTHER FIN SOURCES (USES)</b>				
Bus loan recpt	250,000	0	250,000	100.00%
Trans Out	(686,388)	(634,614)	(51,774)	7.54%
Tuition	0	(551,712)	551,712	
Subgrantee	(8,286)	0	(8,286)	100.00%
Bus loan pmnt	<u>(91,587)</u>	<u>(192,792)</u>	<u>101,205</u>	-110.50%
<b>TOTAL</b>	<b>(536,261)</b>	<b>(1,379,118)</b>	<b>842,857</b>	
<b>Beginning Fund Bal</b>	<b>11,843,973</b>	<b>10,957,760</b>	<b>886,213</b>	
<b>Change in Fund Bal</b>	<b>(793,069)</b>	<b>886,213</b>		
<b>Ending Fund Bal</b>	<b>11,050,904</b>	<b>11,843,973</b>	<b>(793,069)</b>	

### 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 2006.

<b>Table II</b>		
<b>Novi Community School District</b>		
<b>Change in Net Assets</b>		
<b>For the Years Ended June 30, 2006 and 2005</b>		
	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 4,392,870	\$ 4,067,208
Operating grants and contributions	1,468,059	1,394,247
General Revenues		
Property taxes	38,700,178	37,493,482
State aid	34,562,839	34,035,420
Other	<u>6,560,961</u>	<u>3,099,036</u>
<b>Total Revenues</b>	<b>85,684,907</b>	<b>80,089,393</b>
<b>Expenses</b>		
Instruction	44,019,697	42,095,806
Support services	25,921,282	23,819,822
Community services	2,268,024	2,157,078
Food services	2,471,610	2,315,889
Athletics	828,631	762,352
Principal	68,425	61,737
Interest on long-term debt	7,368,945	7,267,757
Buildings and additions	5,518,253	3,035,041
Other	<u>8,286</u>	<u>551,714</u>
<b>Total Expenses</b>	<b>88,473,153</b>	<b>82,067,196</b>
<b>Decrease in Net Assets</b>	<b>\$ (2,788,246)</b>	<b>\$ (1,977,803)</b>

As reported in the statement of activities, the revenue for all *governmental* activities this year was \$85,684,907. Certain activities were partially funded from those who benefited from the programs, such as food service, athletics, and community service (\$4,392,870); or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,468,059). The remaining "public benefit" portion of governmental activities was funded by the \$38,700,178 in property taxes, \$34,562,839 in State aid, and with other revenues (\$6,560,961) such as interest, transfers from the Oakland Intermediate School District, and general entitlements. The Novi Community School District experienced a decrease in net assets of (\$2,788,246).

## 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 \$14,623,826, a decrease of \$5,767,298 from the previous year. These changes are summarized below:

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Beginning fund balances	\$ 11,843,973	\$ 8,547,151	\$ 20,391,124
Decrease	<u>(793,069)</u>	<u>(4,974,229)</u>	<u>(5,767,298)</u>
Ending fund balances	<u>\$ 11,050,904</u>	<u>\$ 3,572,922</u>	<u>\$ 14,623,826</u>

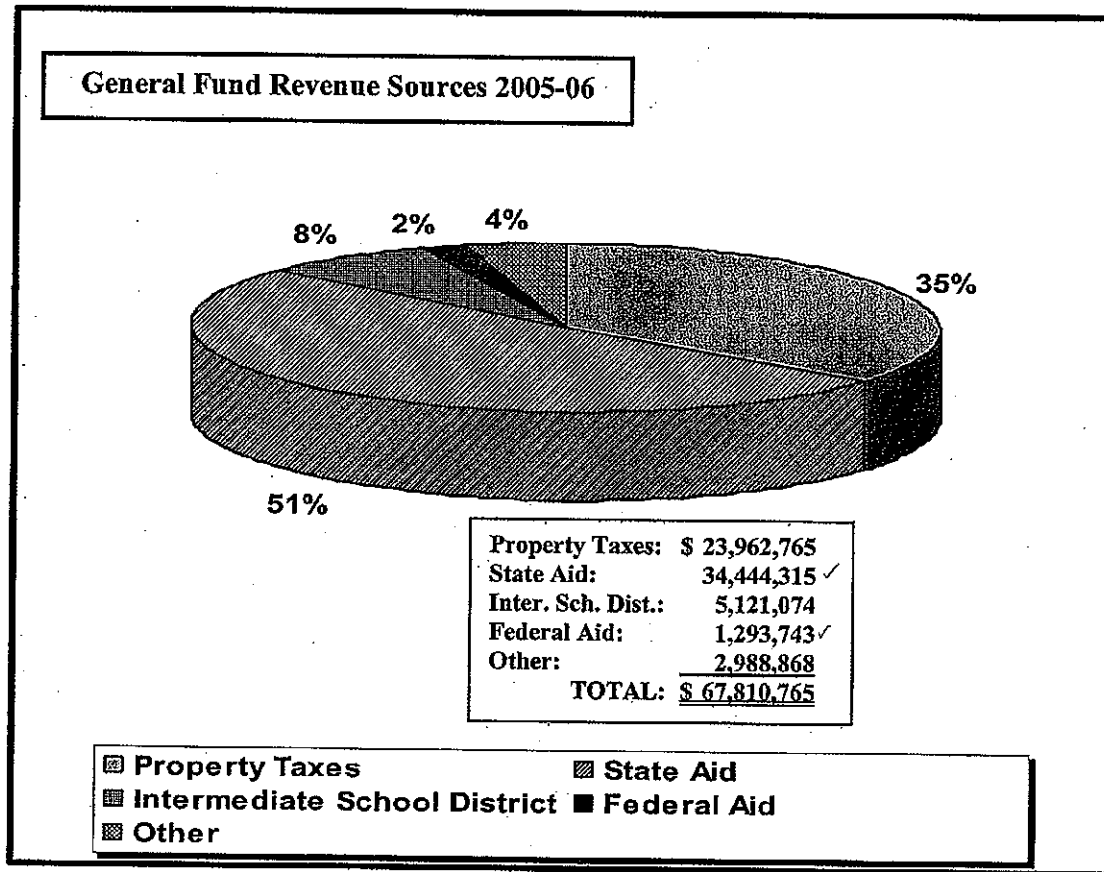
The reason for the decrease in equity is a direct result of projects being completed in the 2001 Capital Projects Fund. In this last year, there have been additions and renovations to the Bus Garage, Warehouse, and Novi High School.



## General Fund

The General Fund is the primary operating fund of the District, and provides all the educational services to our students. Revenues totaled \$67,810,765 and expenses totaled \$68,603,834 for a net decrease in the fund balance of \$793,069. As a result of this net decrease, the fund's equity decreased from \$11,843,973 in 2004-05 to the current balance of \$11,050,904. This balance is available to fund costs related to allowable school operating expense.

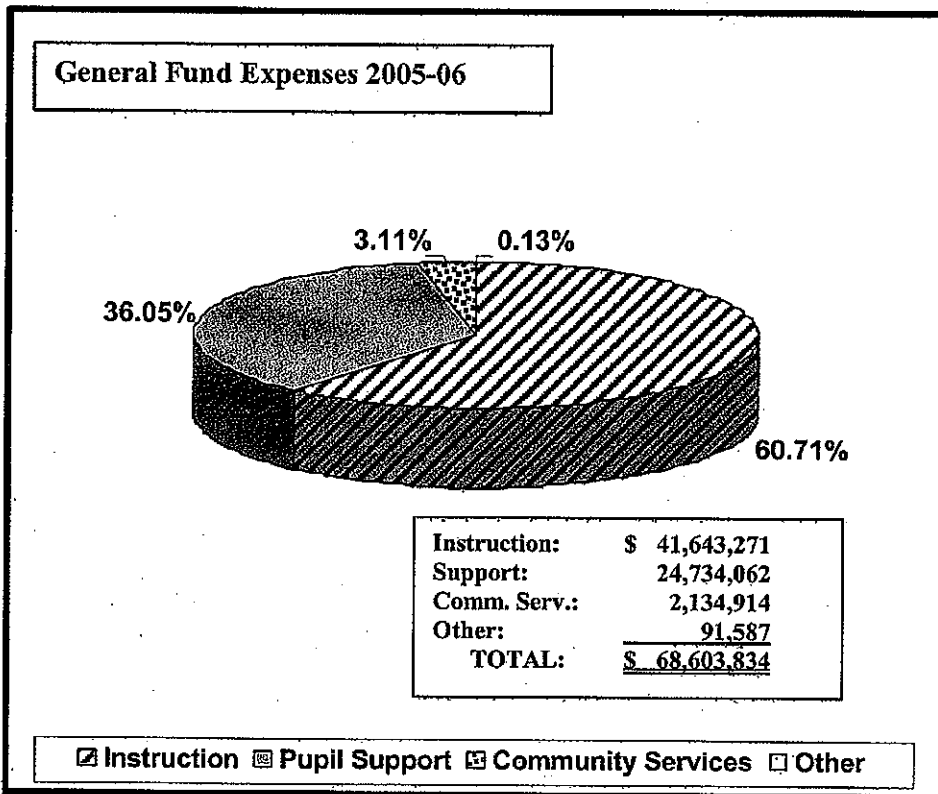
An analysis of the General Fund's revenues reveals that the District is dependant upon the State for the majority of its income. A listing of the revenue sources and their respective percentage to total income is shown on the chart below:



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, pupil support services, community services, and other. *Instructional services* are those that are directly related to the teacher in the classroom. *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. Also under this category is all operational expenses such 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.



## Other Nonmajor Funds

The nonmajor funds consist of the 2001 Capital Project Fund, Food Service Fund, Athletic Fund, Debt Funds, and the Sinking Fund. The 2001 Capital Project Fund had a decrease in its equity from \$5,990,960 in 2005 to the current equity of \$695,954. This is primarily the result of expending these funds on numerous construction projects. The Food Service Fund had an increase in its equity amounting to \$163,788. The remaining 2006 equity of \$568,666 leaves the fund financially sound. The Athletic Fund had an operating loss of \$686,388 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 six Debt Funds (1993 Debt Fund, 1997 Debt Fund, 1998 Debt Fund, 2001 Debt Fund, 2002 Debt Fund, and the 2005 Debt Fund) have a combined equity of \$2,134,832 which is available for future debt obligations. This is an increase of \$602,647 from the 2005 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 \$445,658 to cause the 2006 equity to be \$173,470.

### 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 are unknown. In early 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 supplemental information of these financial statements.

### Capital Asset and Debt Administration

#### **Capital Assets**

By the end of 2006, the District had invested \$143,862,137 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).

<b>Table III</b>	
<b>Novi Community School District</b>	
<b>Capital Assets</b>	
<b>As of June 30, 2006</b>	
<u>Item</u>	<u>Amount</u>
Land	\$ 9,607,341
Construction-in-Progress	434,231
Buildings	84,349,818
Building Improvements	35,901,449
Grounds Improvements	7,927,603
Vehicles, Equipment, and Other	<u>5,641,695</u>
<b>Total capital assets</b>	<b><u>\$143,862,137</u></b>

## Capital Asset and Debt Administration - Continued

### Debt

At the end of this fiscal year, the District had \$125,143,663 in bonds outstanding versus \$131,397,062 in the previous year. These bonds consisted of the following:

<u>Bond Issue</u>	<u>Bonds Outstanding</u>
1993 Bond Issue	\$ 2,093,663
1997 Bond Issue	15,380,000
1998 Bond Issue	965,000
2001 Bond Issue	69,255,000
2002 Bond Issue	25,530,000
2005 Bond Issue	<u>11,920,000</u>
Total bonds outstanding	<u>\$ 125,143,663</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 \$363,164,016 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 dependant 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 both the 2003-04 and 2004-05 fiscal years the State had not increased the per pupil allocation. This was primarily due to the weak condition of the State's economy. In 2005-06, the State increased the allocation by \$175 per child. Despite the precarious Michigan economy, the State has thus far granted an increase for 2006-07 to be \$210 per child. Predictions for the following years are nebulous at best. However, it appears as though the State recognizes the importance of education and its impact on "job creation".

### **Factors Bearing on the District's Future - Continued**

The Novi Community School District is concerned about the future lack of State funding. The District's equity is sufficient to meet current estimated reductions, but it cannot continue to meet sustained losses over a period of time. 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 48375.

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (note 3)	\$ 13,756,142
Property taxes receivable	1,162,326
Other receivables	
State aid	6,120,203
Federal aid	417,503
Other	327,240
Inventories and prepaid expenses	424,542
Capital assets, net of accumulated depreciation (note 5)	<u>143,862,137</u>
<b>Total assets</b>	<b>166,070,093</b>
<b>Liabilities</b>	
Accounts payable	2,699,480
Accrued payroll and benefits	4,564,333
Interest payable	1,189,391
Long-term liabilities (note 9)	
Long-term liabilities due within one year	7,147,858
Debt, net of premiums and discounts	118,887,434
Postemployment severance and employee benefits payable	<u>509,887</u>
<b>Total liabilities</b>	<b>134,998,383</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	18,059,078
Restricted for	
Specific purpose	410,744
Debt service	2,134,834
Capital assets	869,424
Unrestricted	<u>9,597,630</u>
<b>Total net assets</b>	<b>\$ <u>31,071,710</u></b>

See accompanying notes to financial statements

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets
Governmental activities				
Instruction	\$ 44,019,697	\$ -	\$ 1,084,834	\$ (42,934,863)
Support services	25,921,282	12,506	208,909	(25,699,867)
Food services	2,471,610	2,131,818	174,316	(165,475)
Athletic program	828,631	115,287	-	(713,344)
Community services	2,268,024	2,133,259	-	(134,765)
Principal	68,425	-	-	(68,425)
Interest on long-term debt	7,368,945	-	-	(7,368,945)
Buildings and additions	5,518,253	-	-	(5,518,253)
Other	8,286	-	-	(8,286)
Total governmental activities	<u>\$ 88,473,153</u>	<u>\$ 4,392,870</u>	<u>\$ 1,468,059</u>	(82,612,224)
General revenues				
Taxes				
Property taxes, levied for general purpose				23,767,725
Property taxes, levied for debt service				13,903,051
Property taxes, levied for capital assets				1,029,402
State aid				
Formula grants - unrestricted				32,372,463
Restricted				2,190,376
Intermediate school district				5,121,074
Investment earnings				861,698
Miscellaneous				714,495
Special item - loss on disposal of capital assets				(136,306)
Total general revenues and special item				<u>79,823,978</u>
Change in Net Assets				(2,788,246)
Net Assets - July 1, 2005				<u>33,859,956</u>
Net Assets - June 30, 2006				<u>\$ 31,071,710</u>

See accompanying notes to financial statements

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

**ASSETS**

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents (note 3)	\$ 10,040,450	\$ 3,715,692	\$ 13,756,142
Property taxes receivable	747,001	415,326	1,162,327
Other receivables			
State aid	6,105,258	14,945	6,120,203
Federal aid	392,295	25,208	417,503
Other	324,768	2,471	327,239
Due from other funds (note 6)	205,915	35,172	241,087
Inventories	185,589	36,932	222,521
Prepaid expenses	182,594	19,427	202,021
Total assets	<u>\$ 18,183,870</u>	<u>\$ 4,265,173</u>	<u>\$ 22,449,043</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>			
Accounts payable	\$ 2,312,847	\$ 220,813	\$ 2,533,660
Accrued payroll and benefits	4,552,981	11,352	4,564,333
Due to other funds (note 6)	-	241,087	241,087
Deferred property tax revenue (note 4)	267,138	218,999	486,137
Total liabilities	7,132,966	692,251	7,825,217
<b>Fund Balances</b>			
Reserved for			
Inventories	185,589	-	185,589
Prepaid expenses	182,594	-	182,594
Encumbrances	410,744	-	410,744
Unreserved			
Designated	312,984	-	312,984
Designated for debt service	-	2,134,834	2,134,834
Designated for capital projects	-	869,424	869,424
Undesignated	9,958,993	568,664	10,527,657
Total fund balances	11,050,904	3,572,922	14,623,826
Total liabilities and fund balances	<u>\$ 18,183,870</u>	<u>\$ 4,265,173</u>	<u>\$ 22,449,043</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, 2006**

Total fund balances - governmental funds	\$	14,623,826
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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		178,509,972
Accumulated depreciation		(34,647,835)

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		486,136
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:

Bonds payable		(125,143,663)
Bus loans payable		(108,343)
Capital leases payable		(551,053)
Capital project retainages payable		(165,819)
Compensated absences		(201,906)
Severance packages payable		(540,214)

Accrued interest payable is not included as a liability in governmental activities		(1,189,391)
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Total net assets - governmental activities	\$	<u>31,071,710</u>
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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, 2006**

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 23,962,765	\$ 15,019,411	\$ 38,982,176
Interest/earnings on investments	380,766	480,931	861,697
Fees and charges	2,573,854	2,131,676	4,705,530
State aid	34,444,315	118,523	34,562,838
Federal aid	1,293,743	174,316	1,468,059
Incoming transfers - ISD	5,121,074	-	5,121,074
Other	-	97,424	97,424
Proceeds - sale of fixed assets	34,248	-	34,248
<b>Total revenues</b>	<b>67,810,765</b>	<b>18,022,281</b>	<b>85,833,046</b>
<b>Expenditures</b>			
Current			
Instruction and instructional - related services	41,643,271	-	41,643,271
Support services	24,289,388	-	24,289,388
Community services	2,134,914	-	2,134,914
Food services	-	2,326,551	2,326,551
Athletics	-	779,999	779,999
Debt service			
Principal	85,591	6,253,399	6,338,990
Interest	5,996	7,407,991	7,413,987
Buildings and additions	-	4,842,819	4,842,819
Capital outlay	-	2,053,713	2,053,713
Other	-	18,426	18,426
<b>Total expenditures</b>	<b>68,159,160</b>	<b>23,682,898</b>	<b>91,842,058</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(348,395)</b>	<b>(5,660,617)</b>	<b>(6,009,012)</b>
<b>Other Financing Sources (Uses)</b>			
Loan proceeds	250,000	-	250,000
Payments to other governmental and not-for-profit entities - subgrantee relationships only	(8,286)	-	(8,286)
Operating transfers	(686,388)	686,388	-
<b>Total other financing sources (uses)</b>	<b>(444,674)</b>	<b>686,388</b>	<b>241,714</b>
<b>Net Change in Fund Balances</b>	<b>(793,069)</b>	<b>(4,974,229)</b>	<b>(5,767,298)</b>
<b>Fund Balances - July 1, 2005</b>	<b>11,843,973</b>	<b>8,547,151</b>	<b>20,391,124</b>
<b>Fund Balances - June 30, 2006</b>	<b>\$ 11,050,904</b>	<b>\$ 3,572,922</b>	<b>\$ 14,623,826</b>

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, 2006**

Total net change in fund balances - governmental funds	\$ (5,767,298)
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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	(4,437,648)
Capital outlay subject to capitalization	1,396,706

The net effect of other transactions involving capital assets that decreased net assets:

Proceeds from capital leases on buses	(250,000)
Loss on disposal of capital assets	(136,306)

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

(261,836)

Some expenses are recorded in the statement of activities when incurred; they are  
not reported in governmental funds until paid:

Accrued interest	45,042
Compensated absences	(37,685)
Severance liabilities	(90,000)

Repayment of principal is an expenditure in the governmental funds but not in the  
statement of activities (where it reduces long-term debt):

Debt service principal	6,253,399
Installment loans on buses	50,785
Capital lease expenditures	216,380

Decreases in severance liabilities are reported as expenditures when financial  
resources are used in the governmental funds

230,215

Change in net assets of governmental activities	\$ <u><u>(2,788,246)</u></u>
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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, 2006**

**Assets**

Cash and cash equivalents	\$ 1,164,943
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**Liabilities**

Accounts payable	700
Due to student groups	<u>1,140,589</u>

Total liabilities	<u>1,141,289</u>
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**Net Assets**

Restricted for specific purpose	<u><u>\$ 23,654</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, 2006**

**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, 2006**

**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, 2006**

**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, 2006**

**Note 1 - Significant Accounting Policies - Continued**

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

**Fund-based Statements - Continued**

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 Capital Project Fund is used to record bond proceeds and other revenue and the disbursement of money specifically designated for building construction and renovation.

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, 2006**

**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 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> 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, 2006**

**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 and 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, 2006**

**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. 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.

**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 1<sup>st</sup>. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

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

**Budgetary Information - Continued**

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, 2006, are composed of the following:

	<b><u>Cash and Cash Equivalents</u></b>
Demand deposits and certificates of deposit	\$ 6,969,734
Investments in Michigan School District - Liquid Asset Fund (CADRE)	6,782,748
Petty cash and cash on hand	<u>3,660</u>
Total	<b><u>\$ 13,756,142</u></b>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 3 - Deposits and Investments - Continued**

**Deposits**

At June 30, 2006, the carrying amount of cash and cash equivalents was \$14,921,086, and the bank balance was \$16,504,611. Of that amount, \$500,000 was covered by Federal Depository Insurance and \$16,004,611 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.

Investments in the School District's investment pools are stated at market value. At June 30, 2006, the School District had no investment balances.

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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, 2006**

**Note 5 - Capital Assets**

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

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions/ Disposals</u>	<u>Balance June 30, 2006</u>
Assets not being depreciated:				
Land	\$ 9,607,341	\$ -	\$ -	\$ 9,607,341
Construction-in-progress	6,302,004	3,082,776	(8,950,549)	434,231
Assets being depreciated:				
Buildings	96,530,467	3,169,941	(37,000)	99,663,408
Building improvements	43,175,124	694,412	(170,000)	43,699,536
Ground improvements	10,696,254	212,096	(125,000)	10,783,350
Equipment	9,702,363	1,715,402	(87,000)	11,330,765
Buses and equipment	2,821,161	260,054	(532,955)	2,548,260
Vehicles	308,737	40,710	-	349,447
Other	93,634	-	-	93,634
Subtotal	<u>163,327,740</u>	<u>6,092,615</u>	<u>(951,955)</u>	<u>168,468,400</u>
Accumulated depreciation:				
Buildings	13,633,391	1,686,583	(6,384)	15,313,590
Building improvements	6,955,627	963,020	(120,560)	7,798,087
Ground improvements	2,344,199	580,298	(68,750)	2,855,747
Equipment	6,052,855	786,909	(87,000)	6,752,764
Buses and equipment	1,762,214	374,611	(532,955)	1,603,870
Vehicles	242,289	42,497	-	284,786
Other	35,261	3,730	-	38,991
Subtotal	<u>31,025,836</u>	<u>4,437,648</u>	<u>(815,649)</u>	<u>34,647,835</u>
Net capital assets being depreciated	<u>132,301,904</u>	<u>1,654,967</u>	<u>(136,306)</u>	<u>133,820,565</u>
Net capital assets	<u>\$148,211,249</u>	<u>\$ 4,737,743</u>	<u>\$ (9,086,855)</u>	<u>\$143,862,137</u>

*Does not  
include  
depreciation*

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 5 - Capital Assets - Continued**

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

Governmental activities:

Instruction	\$ 2,598,555
Support services	1,497,372
Food services	154,841
Athletics	51,644
Community services	<u>135,236</u>

Total governmental activities	\$ <u>4,437,648</u>
-------------------------------	---------------------

**Construction Commitments**

The School District has active construction projects at year-end. The projects include the 2001 Bond issue and various other projects. At year-end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2001 Bond issue	\$ 79,648,304	\$ 452,794
High school auditorium seats	<u>3,252</u>	<u>60,500</u>
Total	\$ <u>79,651,556</u>	\$ <u>513,294</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 6 - Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Funds Due To</u>	<u>Funds Due From Nonmajor Governmental Funds</u>
General Fund	\$ 205,915
Nonmajor Governmental Funds	<u>35,172</u>
Total	<u>\$ 241,087</u>

The composition of interfund balances is as follows:

	<u>Transfers - Out General Fund</u>
Transfers - in: Nonmajor Governmental Funds	<u>\$ 686,388</u>



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 (989) 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, 2006 and 2005 were 16.34% and 14.87%, respectively, of annual covered payroll. The actual contribution rates for pension benefits for the fiscal years ended September 30, 2006 and 2005 were 5.47% and 6.31%, respectively. The fiscal year 2005 annual covered payroll is not yet available.

The 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, 2006**

**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, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 131,397,062	\$ -	\$ 6,253,399	\$ 125,143,663	\$ 6,644,077
Other obligations	<u>1,521,212</u>	<u>377,685</u>	<u>497,381</u>	<u>1,401,516</u>	<u>503,781</u>
<b>Total governmental activities</b>	<u>\$ 132,918,274</u>	<u>\$ 377,685</u>	<u>\$ 6,750,780</u>	<u>\$ 126,545,179</u>	<u>\$ 7,147,858</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

Total long-term debt at June 30, 2006, consists of the following:

**Bonds Payable**

1993 bond issue - original amount	\$ 31,898,736
Less: Bonds paid in prior years	28,531,674
Bonds paid May 1, 2006	<u>1,273,399</u>
Bonds outstanding - June 30, 2006	<u>\$ 2,093,663</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	6.200	\$ 1,550,923	\$ 1,119,077	\$ 2,670,000
2008	6.250	<u>1,515,414</u>	<u>974,586</u>	<u>2,490,000</u>
		<u>\$ 3,066,337</u>	<u>\$ 2,093,663</u>	<u>\$ 5,160,000</u>

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**Note 9 - Long-Term Debt - Continued**

**Bonds Payable - Continued**

1997 bond issue - original amount	\$ 19,190,000
Less: Bonds paid in prior years	3,730,000
Bonds paid May 1, 2006	<u>80,000</u>
Bonds outstanding - June 30, 2006	<u>\$ 15,380,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.700	\$ 783,220	\$ 85,000	\$ 868,220
2008	4.750	779,225	90,000	869,225
2009	4.850	774,950	1,585,000	2,359,950
2010	4.950	698,078	1,570,000	2,268,078
2011	5.000	620,363	1,555,000	2,175,363
2012	5.050	542,613	1,540,000	2,082,613
2013	5.100	464,843	1,525,000	1,989,843
2014	5.150	387,068	1,515,000	1,902,068
2015	5.200	309,045	1,500,000	1,809,045
2016	5.200	231,045	1,485,000	1,716,045
2017	5.250	153,825	1,475,000	1,628,825
2018	5.250	<u>76,388</u>	<u>1,455,000</u>	<u>1,531,388</u>
		<u>\$ 5,820,663</u>	<u>\$ 15,380,000</u>	<u>\$ 21,200,663</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Bonds Payable - Continued**

1998 bond issue - original amount	\$ 17,300,000
Less: Bonds paid in prior years	15,445,000
Bonds paid May 1, 2006	<u>890,000</u>
Bonds outstanding - June 30, 2006	<u>\$ 965,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.500	<u>\$ 43,426</u>	<u>\$ 965,000</u>	<u>\$ 1,008,426</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Bonds Payable - Continued**

2001 bond issue - original amount	\$ 75,640,000
Less: Bonds paid in prior years	3,650,000
Bonds paid May 1, 2006	<u>2,735,000</u>
Bonds outstanding - June 30, 2006	<u>\$ 69,255,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.100	\$ 3,200,761	\$ 3,030,000	\$ 6,230,761
2008	4.125	3,076,531	3,300,000	6,376,531
2009	4.125	2,940,406	3,875,000	6,815,406
2010	4.125	2,780,563	4,050,000	6,830,563
2011	4.125	2,613,500	4,225,000	6,838,500
2012	4.250	2,439,219	4,400,000	6,839,219
2013	4.375	2,252,219	4,450,000	6,702,219
2014	4.500	2,057,531	4,500,000	6,557,531
2015	4.500	1,855,031	4,550,000	6,405,031
2016	4.500	1,650,281	4,600,000	6,250,281
2017	5.000	1,443,281	4,650,000	6,093,281
2018	5.125	1,210,781	4,700,000	5,910,781
2019	5.125	969,906	4,725,000	5,694,906
2020	5.125	727,750	4,725,000	5,452,750
2021	5.125	485,594	4,725,000	5,210,594
2022	5.125	<u>243,438</u>	<u>4,750,000</u>	<u>4,993,438</u>
		<u>\$ 29,946,792</u>	<u>\$ 69,255,000</u>	<u>\$ 99,201,792</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Bonds Payable - Continued**

2002 bond issue - original amount	\$ 28,460,000
Less: Bonds paid in prior years	1,655,000
Bonds paid May 1, 2006	<u>1,275,000</u>
Bonds outstanding - June 30, 2006	<u>\$ 25,530,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	2.500	\$ 1,055,982	\$ 1,445,000	\$ 2,500,982
2008	5.000	1,019,858	1,615,000	2,634,858
2009	3.000	939,108	1,850,000	2,789,108
2010	3.150	883,608	1,815,000	2,698,608
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>73,260</u>	<u>1,665,000</u>	<u>1,738,260</u>
		<u>\$ 9,005,928</u>	<u>\$ 25,530,000</u>	<u>\$ 34,535,928</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Bonds Payable - Continued**

2005 bond issue - original amount	\$ 11,920,000
Less: Bonds paid in prior years	-
Bonds paid May 1, 2006	-
	<hr/>
Bonds outstanding - June 30, 2006	<u>\$ 11,920,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	-	\$ 502,038	\$ -	\$ 502,038
2008	3.000	1,572,038	1,070,000	2,642,038
2009	3.000	1,544,938	1,075,000	2,619,938
2010	3.500	1,512,688	1,075,000	2,587,688
2011	3.500	1,475,063	1,075,000	2,550,063
2012	3.875	1,437,438	1,075,000	2,512,438
2013	5.000	1,395,781	1,075,000	2,470,781
2014	4.375	1,342,031	1,075,000	2,417,031
2015	5.000	1,320,000	1,100,000	2,420,000
2016	5.000	1,265,000	1,100,000	2,365,000
2017	5.000	1,210,000	1,100,000	2,310,000
2018	5.000	1,155,000	1,100,000	2,255,000
		<u>\$ 15,732,015</u>	<u>\$ 11,920,000</u>	<u>\$ 27,652,015</u>



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 30<sup>th</sup>:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,644,077	\$ 7,136,350	\$ 13,780,427
2008	7,049,586	7,963,066	15,012,652
2009	8,385,000	6,199,402	14,584,402
2010	8,510,000	5,874,937	14,384,937
2011	8,640,000	5,535,362	14,175,362
2012 - 2016	44,155,000	22,028,781	66,183,781
2017 - 2021	37,010,000	8,633,825	45,643,825
2022 - 2026	4,750,000	243,438	4,993,438
Total	<u>\$ 125,143,663</u>	<u>\$ 63,615,161</u>	<u>\$ 188,758,824</u>

**Capital Leases**

The School District leases copy machines under separate capital lease arrangements in April and October 2003. The leases call for annual payments of \$203,655 including interest through March 2009.

The minimum future lease payments under the capital lease obligations as of June 30, 2006 are as follows:

<u>Year Ending June 30<sup>th</sup>:</u>	<u>Total</u>
2007	\$ 203,655
2008	154,139
2009	932
Total minimum lease payments	358,726
Less portion representing interest	<u>22,865</u>
Present value of net minimum lease payments	<u>\$ 335,861</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Capital Leases - Continued**

180,000  
5 yr x 38,825  
03/04 - 07/08

The School District entered into a Lease Purchase Agreement for the purchase of three (3) school buses. The lease calls for annual payments of \$38,826 including interest through 2008.

The minimum future lease payments under the capital lease obligations as of June 30, 2006 are as follows:

<u>Year Ending June 30<sup>th</sup>:</u>	<u>Total</u>
2007	\$ 38,826
2008	<u>38,826</u>
Total minimum lease payments	77,652
Less portion representing interest	<u>4,117</u>
Present value of net minimum lease payments	<u>\$ 73,535</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - Long-Term Debt - Continued**

**Capital Leases - Continued**

4 BUSES (1 NEW, 3 REPLACED)  
250,000  
5 YR 5% 50000 + INT = 55888 - 52,120  
05/06 - 04/10

The School District entered into a Lease Purchase Agreement for the purchase of three (3) school buses. The lease calls for annual payments of \$52,120 including interest through 2011.

The minimum future lease payments under the capital lease obligations as of June 30, 2006 are as follows:

<u>Year Ending June 30<sup>th</sup>:</u>	<u>Total</u>
2007	\$ 55,889
2008	58,480
2009	56,360
2010	54,240
2011	<u>52,120</u>
Total minimum lease payments	277,089
Less portion representing interest	<u>27,089</u>
Present value of net minimum lease payments	<u>\$ 250,000</u>

**Other Long-Term Obligations**

Other long-term obligations consist of the following:

Severance liability	\$ 540,214
Compensated absences liability	<u>201,906</u>
Total	<u>\$ 742,120</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 10 - Capital Projects Fund**

The 2001 Capital Projects Fund includes activities funded with bonds issued after May 1, 1994. The 2001 Sinking Fund includes capital project activities funded by a .5 millage rate. The following is a summary of the revenues and expenditures in the 2001 Capital Projects Fund and the 2001 Sinking Fund from inception of the funds through the current fiscal year:

	<u>2001 Capital Projects Fund</u>	<u>2001 Sinking Fund</u>
Revenues	\$ 80,344,258	\$ 4,633,993
Expenditures	79,648,304	4,460,523

For the Capital Projects Fund and Sinking Fund, the School District has complied with the applicable provisions of Sections 1351(a) and 380.1212(1) of the Revised School Code.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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, 2006, 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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.

Custodians 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 custodian's daily rate. Eligible custodians 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 SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
<b>Revenues</b>				
Local sources				
Taxes	\$ 24,235,571	\$ 24,057,609	\$ 23,962,765	\$ (94,844)
Interest	100,000	300,000	380,766	80,766
Other sources	2,350,100	2,507,733	2,573,854	66,121
State sources - state school aid				
Restricted	2,926,979	2,427,340	2,190,376	(236,964)
Unrestricted	31,654,087	32,196,513	32,253,939	57,426
Federal sources				
Restricted grants	1,285,801	1,388,109	1,293,743	(94,366)
Payments from other schools and intermediate school districts	4,949,399	5,133,566	5,121,074	(12,492)
Proceeds from sale of fixed assets	-	-	34,248 X	34,248
Total revenues	67,501,937	68,010,870	67,810,765 <i>(A) + 250,000 68,060,765</i>	<i>FL TO REV 14.23%</i> (200,105)
<b>Expenditures</b>				
Instructional	41,844,523	41,968,101	41,643,271	(324,830)
Supporting services	24,075,396	24,397,867	24,289,388	(108,479)
Community services	2,181,396	2,187,763	2,134,914	(52,849)
Total expenditures	68,101,315	68,553,731	68,067,573 <i>(B) 978,732 68,067,573</i>	<i>FL TO EXP 16.04%</i> (486,158)
<b>Other Financing Sources (Uses)</b>				
Other financing sources	250,000	250,000	<i>(A) 250,000</i>	-
Operating transfers - out	(707,601)	(713,100)	<i>(B) (686,388)</i>	26,712
Payments to other governmental and not-for-profit entities - subgrantee relationships only	-	-	<i>(B) (8,286)</i>	(8,286)
Payments to other governmental units	(674,995)	-	-	-
Principal and interest payments on loans	(146,014)	(91,587)	<i>(B) (91,587)</i>	-
Total other financing sources (uses)	(1,278,610)	(554,687)	(536,261)	18,426
<b>Net Change in Fund Balance</b>	(1,877,988)	(1,097,548)	(793,069)	304,479
<b>Fund Balance - July 1, 2005</b>	11,843,973	11,843,973	11,843,973	-
<b>Fund Balance - June 30, 2006</b>	\$ 9,965,985	\$ 10,746,425	\$ 11,050,904 <i>16.23%</i>	\$ 304,479



## **OTHER SUPPLEMENTAL INFORMATION**

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

**OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	ASSETS			
	Special Revenue Funds		Debt Service Funds	
	Cafeteria Fund	Athletic Fund	1993 Debt Fund	1997 Debt Fund
Cash and cash equivalents	\$ 851,858	\$ -	\$ 344,823	\$ 202,069
Receivables				
Accounts	42,624	-	-	-
Taxes	-	-	98,828	28,027
Due from other funds	-	35,172	-	-
Inventories	36,932	-	-	-
Prepaid expenses	19,427	-	-	-
Total assets	<u>\$ 950,841</u>	<u>\$ 35,172</u>	<u>\$ 443,651</u>	<u>\$ 230,096</u>

LIABILITIES AND FUND BALANCES				
Salaries payable	\$ 11,352	\$ -	\$ -	\$ -
Accounts payable	78,717	13,496	-	-
Deferred revenue	51,019	21,676	38,343	9,657
Due to other funds	241,087	-	-	-
Total liabilities	382,175	35,172	38,343	9,657
Fund balances	568,666	-	405,308	220,439
Total liabilities and fund balances	<u>\$ 950,841</u>	<u>\$ 35,172</u>	<u>\$ 443,651</u>	<u>\$ 230,096</u>

Debt Service Funds				Capital Projects Funds		Total
1998 Debt Fund	2001 Debt Fund	2002 Debt Fund	2005 Debt Fund	2001 Capital Projects Fund	2001 Sinking Fund	
\$ 235,468	\$ 61,768	\$ 882,881	\$ 156,690	\$ 824,052	\$ 156,083	\$ 3,715,692
-	-	-	-	-	-	42,624
31,817	140,435	76,106	12,946	-	27,167	415,326
-	-	-	-	-	-	35,172
-	-	-	-	-	-	36,932
-	-	-	-	-	-	19,427
<u>\$ 267,285</u>	<u>\$ 202,203</u>	<u>\$ 958,987</u>	<u>\$ 169,636</u>	<u>\$ 824,052</u>	<u>\$ 183,250</u>	<u>\$ 4,265,173</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,352
-	-	-	-	128,098	502	220,813
13,682	46,134	27,869	1,341	-	9,278	218,999
-	-	-	-	-	-	241,087
13,682	46,134	27,869	1,341	128,098	9,780	692,251
253,603	156,069	931,118	168,295	695,954	173,470	3,572,922
<u>\$ 267,285</u>	<u>\$ 202,203</u>	<u>\$ 958,987</u>	<u>\$ 169,636</u>	<u>\$ 824,052</u>	<u>\$ 183,250</u>	<u>\$ 4,265,173</u>

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

**OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds		Debt Service Funds	
	Cafeteria Fund	Athletic Fund	1993 Debt Fund	1997 Debt Fund
<b>Revenues</b>				
Local sources				
Taxes	\$ -	\$ -	\$ 3,089,078	\$ 928,420
Interest	65,824	-	68,930	17,506
Cafeteria sales	2,131,676	-	-	-
Other sources	-	93,611	-	-
State sources - state school aid	118,523	-	-	-
Federal sources	174,316	-	-	-
<b>Total revenues</b>	<b>2,490,339</b>	<b>93,611</b>	<b>3,158,008</b>	<b>945,926</b>
<b>Expenditures</b>				
Supporting services	2,326,551	779,999	-	-
Buildings and additions	-	-	-	-
Capital outlay	-	-	1,273,399	80,000
Principal	-	-	1,566,601	787,240
Interest and fees	-	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>2,326,551</b>	<b>779,999</b>	<b>2,840,000</b>	<b>867,240</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>163,788</b>	<b>(686,388)</b>	<b>318,008</b>	<b>78,686</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers - in	-	686,388	-	-
<b>Net Change in Fund Balances</b>	<b>163,788</b>	<b>-</b>	<b>318,008</b>	<b>78,686</b>
<b>Fund Balances - July 1, 2005</b>	<b>404,878</b>	<b>-</b>	<b>87,300</b>	<b>141,753</b>
<b>Fund Balances - June 30, 2006</b>	<b>\$ 568,666</b>	<b>\$ -</b>	<b>\$ 405,308</b>	<b>\$ 220,439</b>

Debt Service Funds				Capital Projects Funds		Total
1998 Debt Fund	2001 Debt Fund	2002 Debt Fund	2005 Debt Fund	2001 Capital Projects Fund	2001 Sinking Fund	
\$ 1,050,969	\$ 5,455,187	\$ 2,791,403	\$ 669,451	\$ -	\$ 1,034,903	\$ 15,019,411
24,985	92,748	62,793	8,754	122,426	16,965	480,931
-	-	-	-	-	-	2,131,676
-	-	-	3,813	-	-	97,424
-	-	-	-	-	-	118,523
-	-	-	-	-	-	174,316
1,075,954	5,547,935	2,854,196	682,018	122,426	1,051,868	18,022,281
-	-	-	-	-	-	3,106,550
-	-	-	-	3,345,293	-	3,345,293
-	-	-	-	2,053,713	1,497,526	3,551,239
890,000	2,735,000	1,275,000	-	-	-	6,253,399
83,775	3,310,436	1,120,008	539,931	-	-	7,407,991
-	-	-	-	18,426	-	18,426
973,775	6,045,436	2,395,008	539,931	5,417,432	1,497,526	23,682,898
102,179	(497,501)	459,188	142,087	(5,295,006)	(445,658)	(5,660,617)
-	-	-	-	-	-	686,388
102,179	(497,501)	459,188	142,087	(5,295,006)	(445,658)	(4,974,229)
151,424	653,570	471,930	26,208	5,990,960	619,128	8,547,151
\$ 253,603	\$ 156,069	\$ 931,118	\$ 168,295	\$ 695,954	\$ 173,470	\$ 3,572,922

**ANALYSIS OF 2005 TAX LEVIES**  
**AND**  
**SUMMARY OF DELINQUENT TAXES**

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

**ANALYSIS OF 2005 TAX LEVIES  
FOR THE YEAR ENDED JUNE 30, 2006**

**Tax Rates:**

**General Fund**

**Homestead**

Hold Harmless 3.5662

Recreational 0.9800

Sinking Fund 0.4932

State Millage 6.0000

Total homestead 11.0394

**Non-Homestead**

General Operating 18.0000

Recreational 0.9800

Sinking Fund 0.4932

State Millage 6.0000

Total non-homestead 25.4732

**Debt Fund**

1993 Debt 1.4800

1997 Debt 0.4500

1998 Debt 0.5000

2001 Debt 2.6000

2002 Debt 1.3300

2005 Debt 0.3200

Total debt fund 6.6800

Total tax rate - Homestead 17.7194

Total tax rate - Non-Homestead 32.1532

**Taxable Values:**

City of Novi \$ 2,124,073,840

City of Wixom 2,353,170

Total taxable values \$ 2,126,427,010

**Taxes Levied**

City of Novi \$ 23,854,815 \$ 1,032,696 \$ 13,955,227 \$ 38,842,738

City of Wixom 44,664 1,161 15,720 61,545

Total taxes levied 23,899,479 1,033,857 13,970,947 38,904,283

**Taxes Collected**

City of Novi 23,319,555 1,012,743 13,675,101 38,007,399

City of Wixom 44,664 1,161 15,720 61,545

Total taxes collected 23,364,219 1,013,904 13,690,821 38,068,944

**Delinquent Taxes**

City of Novi \$ 535,260 \$ 19,953 \$ 280,126 \$ 835,339

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

**SUMMARY OF DELINQUENT TAXES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Debt Fund</u>	<u>Total</u>
<b>Balance - July 1, 2005</b>	\$ 462,177	\$ 14,780	\$ 218,483	\$ 695,440
<b>Additions</b>				
2005 delinquent taxes	535,260	19,953	280,126	835,339
<b>Deductions</b>				
Delinquent tax collections	118,683	3,111	42,554	164,348
Prior year taxes written-off	<u>131,753</u>	<u>4,455</u>	<u>67,898</u>	<u>204,106</u>
<b>Balance - June 30, 2006</b>	<u>\$ 747,001</u>	<u>\$ 27,167</u>	<u>\$ 388,157</u>	<u>\$ 1,162,325</u>



