

Finance Committee of the Whole Meeting

Thursday, November 14, 2024 4:30 PM

Novi Meadows South Commons Area, 25549 Taft Road, Novi, MI 48374

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF THE AGENDA

IV. REPORTS TO THE BOARD

IV.a. Financial Audit

V. COMMENTS FROM THE AUDIENCE

VI. ADJOURNMENT

October 14, 2024

Management and the Board of Education
Novi Community School District
Novi, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Novi Community School District (School District) as of and for the year ended June 30, 2024. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

We noted no transactions entered into by the School District during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability (asset), and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

Auditors are required to use professional judgment to identify areas of the audit that have a significant risk of material misstatement and perform special audit consideration in those areas. Within our audit, we focused additional consideration in the following areas below:

- Management override of controls
- Improper revenue recognition

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements except one related to leases receivable affecting the General Fund and Governmental Activities with assets and deferred inflows being understated by approximately \$990,000.

Management has determined that the effect of the uncorrected misstatement noted above is immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatement or the matter underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of the School District as of and for the year ended June 30, 2024, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and federal compliance. This letter does not affect our report dated October 14, 2024, on the financial statements of the School District.

Food Service Net Cash Resources

As a result of the changes in the food service program including the introduction of the Michigan School Meals program, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the School District is actively working on using the funds to enhance the program.

However, the School District must continue to take action to return to compliance. They may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that the School District look at possible enhancements to the program in order to spend down the fund balance and return to compliance with this requirement.

Budget Overages

We noted some large budget overages between actual and the final amended budget in the General Fund for multiple functions and that total expenditures in General Fund were over budget by \$1.1M. While some of the overage related to Recreation Fund expenditures that were covered by General Fund subsequent to the final budget amendment, there were still functions unrelated to the Recreation Fund that were in excess. While the amounts were not material to the financial statement, state laws indicates expenditures should not exceed budget by even \$1. Sections 18 and 19 (MCL 141.438 and 141.439) of the Uniform Budgeting and Accounting Act state that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money for purposes inconsistent with those specified in the appropriations.

We recommend that management and the Board of Education monitor the budget throughout the year and establish procedures to ensure that final budget amendments reflect projected actual expenditures at year end by function level. The budget is an important tool for monitoring spending and should be as accurate as possible to aid in making financial decisions for the School District.

Capital Asset Tracking

We noted that the School District's capital assets are being tracked with a manual spreadsheet that started in 2011 to present. The spreadsheet contains a summary of beginning assets, additions, deletions and ending assets, including depreciation, that is updated each year by rolling forward the prior year balance and adjusting for current year additions and deletions. However, we noted that the amounts reported in the summary do not actually agree to the detailed listing of capital assets retained by the School District.

We recommend management look in previous year files to locate a capital asset listing prior to 2011 when the tracking spreadsheet began. Management needs to establish an accurate detail listing of assets that agrees to the summary amounts being reported in the audit. We believe some of those differences relate to assets purchased prior to 2011. Furthermore, management should inventory their current capital assets and agree to the detail to ensure all assets are properly reflected. Lastly, we recommend the School District use a software module to track capital assets. A manual spreadsheet leaves significant room for error when there is a large quantity of capital assets and has contributed to the reconciling problems identified.

Novi Community School District

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

Section	Page
1 Members of the Board of Education and Administration	1 - 1
2 Independent Auditors' Report	2 - 1
3 Management's Discussion and Analysis	3 - 1
4 Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of	
Governmental Funds to the Statement of Net Position	4 - 5
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
Notes to the Financial Statements	4 - 9

Section**Page****5 Required Supplementary Information**

Budgetary Comparison Schedule - General Fund

5 - 1

Schedule of the School District's Proportionate Share of the Net Pension Liability

5 - 2

Schedule of the School District's Pension Contributions

5 - 3

Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)

5 - 4

Schedule of the School District's OPEB Contributions

5 - 5

6 Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

Schedule of Outstanding Bonded Indebtedness

6 - 3

Novi Community School District
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

Paul Cook – President

Dr. Danielle Ruskin – Vice President

Willy Mena – Secretary

Mary Ann Roney – Treasurer

Betsy Beaudoin – Trustee

Jason Michener – Trustee

Tom Smith – Trustee

Administration

Benjamin Mainka – Superintendent

Devin Kling – Assistant Superintendent of Business and Operations

Independent Auditors' Report

Management and the Board of Education
Novi Community School District
Novi, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Novi Community School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Novi Community School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Novi Community School District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Novi Community School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Novi Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Novi Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Novi Community School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during

our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Novi Community School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024 on our consideration of the Novi Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Novi Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Novi Community School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Novi Community School District

Management Discussion and Analysis

June 30, 2024

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, debt service, capital projects, and goof services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Fund Financial Statements

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

Governmental Funds

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2024 and 2023:

Statement of Net Position

	Governmental Activities <u>June 30, 2024</u>	Governmental Activities <u>June 30, 2023</u>
Assets		
Current and other assets	\$ 112,068,029	\$ 91,510,532
Capital assets - net of accumulated depreciation	259,734,307	229,925,062
Net OPEB asset	2,595,544	-
Deferred outflows of resources	<u>55,770,933</u>	<u>62,221,654</u>
Total assets and deferred outflows	<u>430,168,813</u>	<u>383,657,248</u>
Liabilities and Deferred Inflows		
Current liabilities	25,218,736	24,222,560
Noncurrent liabilities	367,090,607	354,525,833
Deferred inflows of resources	<u>49,577,416</u>	<u>39,320,289</u>
Total liabilities and deferred inflows	<u>441,886,759</u>	<u>418,068,682</u>
Net Position		
Net investment in capital assets	99,019,739	89,622,422
Restricted	13,936,369	7,505,245
Unrestricted	<u>(124,674,054)</u>	<u>(131,539,101)</u>
Total net position	<u>\$ (11,717,946)</u>	<u>\$ (34,411,434)</u>

Novi Community School District

Management Discussion and Analysis

June 30, 2024

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(11.7) million at June 30, 2024. Net investment in capital assets totaling \$99.0 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$124.67 million) was unrestricted.

The \$(124.67) million is unrestricted net position of governmental activities represents the accumulated results of all past year's operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The net deficit position is largely due to the requirement to record the pension and OPEB liabilities (assets) on the government-wide set of financial statements.

The results of this year's operation for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2024 and 2023:

Statement of Activities

	Governmental Activities Year Ended <u>June 30, 2024</u>	Governmental Activities Year Ended <u>June 30, 2023</u>
Revenues		
Program Revenues		
Charges for services	\$ 4,589,457	\$ 5,645,832
Operating grants and contributions	37,121,817	22,710,800
General revenues		
Property taxes	46,271,616	42,306,593
State aid - unrestricted	44,411,774	42,819,556
Interest and investment earnings	3,363,948	2,673,610
Other	<u>2,537,300</u>	<u>3,786,722</u>
Total revenues	<u>138,295,912</u>	<u>119,943,113</u>
Expenses		
Instruction	57,860,793	57,556,570
Supporting services	38,237,014	34,687,594
Athletics	53,086	1,228,253
Food services	4,461,182	2,472,928
Community services	2,353,646	2,251,433
Interest and fiscal charges on long-term debt	5,559,155	5,458,259
Depreciation expense (unallocated)	<u>7,077,548</u>	<u>6,259,676</u>
Total expenses	<u>115,602,424</u>	<u>109,914,713</u>
Increase in net assets	<u>\$ 22,693,488</u>	<u>\$ 10,028,400</u>

As reported in the statement of activities, the cost of all our governmental activities this year was \$115.60 million. Certain activities were partially funded from those who benefited from the programs (\$4.59 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$37.12 million). We paid for the remaining public benefit portion of our governmental activities with \$46.27 million in taxes, \$44.41 million in

Novi Community School District Management Discussion and Analysis June 30, 2024

state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experience an increase in net position of \$22.69 million largely as a result of the significant decrease in the pension and OPEB liabilities during 2024.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$89.11 million, which is an increase of \$20.70 million from last year. The primary reasons for the net increase are as follows:

In the General Fund, our principal operating fund, fund balances increased by \$1.08 million to \$15.50 million. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

In the 2024 Capital Projects Fund, fund balance Increased by \$54.88 million as the School District issued the 2024 school building and site bonds in 2024.

In the 2022 Capital Projects Fund, fund balance decreased by \$32.06 million, as the School District continued to spend the proceeds from the voter-approved bonds.

In the 2020 Capital Projects Fund, fund balance decreased by \$5.40 million, as the School District continued to spend the proceeds from the voter-approved bonds.

Our special revenue funds increased from the prior year by approximately \$0.96 million. The Food Service Fund had a decrease in fund balance of approximately \$0.21 million, the Student Activities Fund has an increase in fund balance of approximately \$0.09 million, and the Recreation Fund had an increase in fund balance of approximately \$1.08 million.

The Debt Service Fund showed a fund balance increase of approximately \$0.89 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund fund balance is restricted since it can be used only to pay debt service obligations.

The Sinking Fund fund balance increased by approximately \$0.35 million. The School District collected \$1.53 million in voter-approved sinking fund millage. This millage is available to fund specific capital projects and repairs allowed by state law and approved by the voters.

General Fund Budgetary Highlights

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

**Novi Community School District
Management Discussion and Analysis
June 30, 2024**

Total operating revenue received decreased by \$2.11 million when compared to the final budget, including a increase to federal revenue of \$0.10 million. However, local and state revenue increased compared to the final budget by \$1.00 million and \$0.99 million, respectively.

Overall expenses increased from the final budget by \$1.12 million mainly due to operations and maintenance coming in over budget.

Capital Assets and Debt Administration

As of June 30, 2024, the School District had \$259.73 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$29.81 million from last year.

	2024	2023
Land	\$ 9,607,341	\$ 9,607,341
Construction in progress	76,034,442	55,419,388
Buildings and improvements	246,044,974	231,819,561
Site Improvements	28,432,085	27,016,652
Equipment and furniture	8,582,676	8,282,252
Buses and other vehicles	3,820,023	3,982,402
Subtotal	372,521,541	336,127,596
Less accumulated depreciation and amortization	(112,787,234)	(106,202,534)
	<u>\$ 259,734,307</u>	<u>\$ 229,925,062</u>

This year's additions of \$36.89 million included equipment, technology, building renovations, site improvements, and building additions, mainly from the renovation of Novi Meadows. The majority of the additions were funded by the voter-approved bond issues.

Debt

At the end of the year, the School District had \$191.86 million in bonds outstanding versus \$154.20 million in the previous year, an increase of 24.42%.

The School District's general obligation bond rating is Aa2 (Moody's) and AA- (Standard & Poor's). The School District's rating did not fall. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed up by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$186.09 million is significantly below this \$582.66 million statutorily imposed limit. Other obligations include accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when settling the School District's 2024-2025 fiscal year budget.

The state of Michigan did not have a budget in place for fiscal year 2024-2025 at the time that the School District had to adopt its original budget for fiscal year 2024-2025, which was in June 2024. Subsequently, the State adopted a budget that did not increase or decrease the foundation allowance. Additionally, for 2023-2024 and subsequent years, the State has returned to the pupil count formula being based on 10 percent of the February count date and 90 percent of the October count date.

**Novi Community School District
Management Discussion and Analysis
June 30, 2024**

Contacting the School District's Management

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

BASIC FINANCIAL STATEMENTS

Novi Community School District
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash	\$ 93,522,609
Accounts receivable	254,369
Due from other governmental units	13,139,552
Inventory	52,955
Investments	4,095,035
Prepaid items	1,003,509
Capital assets not being depreciated	85,641,783
Capital assets - net of accumulated depreciation	174,092,524
Net OPEB asset	<u>2,595,544</u>
 Total assets	 <u>374,397,880</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	46,163,400
Deferred amount relating to the net OPEB asset	<u>9,607,533</u>
 Total deferred outflows of resources	 <u>55,770,933</u>
 Liabilities	
Accounts payable	8,911,373
Due to other governmental units	1,650,665
Payroll deductions and withholdings	108,320
Accrued expenditures	2,264,485
Accrued salaries payable	8,505,190
Unearned revenue	3,778,703
Long-term liabilities	
Net pension liability	148,105,867
Due within one year	13,888,582
Due in more than one year	<u>205,096,158</u>
 Total liabilities	 <u>392,309,343</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount on debt refunding	\$ 2,225,621
Deferred amount relating to the net pension liability	26,442,045
Deferred amount relating to the net OPEB asset	<u>20,909,750</u>
 Total deferred inflows of resources	 <u>49,577,416</u>
 Net Position	
Net investment in capital assets	99,019,739
Restricted for:	
Food service	2,117,074
Debt service	1,136,896
Capital projects	4,485,732
Recreation	3,601,123
Other post employment benefits	2,595,544
Unrestricted	<u>(124,674,054)</u>
 Total net position	 <u>\$ (11,717,946)</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 57,860,793	\$ 722,947	\$ 19,422,447	\$ -	\$ (37,715,399)
Supporting services	38,237,014	-	13,971,522	-	(24,265,492)
Food services	4,461,182	455,618	3,727,848	-	(277,716)
Community services	2,353,646	3,036,223	-	-	682,577
Athletics	53,086	374,669	-	-	321,583
Unallocated depreciation expense	7,077,548	-	-	-	(7,077,548)
Interest and fiscal charges on long-term debt	<u>5,559,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,559,155)</u>
Total governmental activities	<u>\$ 115,602,424</u>	<u>\$ 4,589,457</u>	<u>\$ 37,121,817</u>	<u>\$ -</u>	<u>(73,891,150)</u>
General revenues					
Property taxes, levied for general purposes					22,803,574
Property taxes, levied for debt service					19,336,981
Property taxes, levied for sinking fund					1,391,779
Property taxes, levied for recreation fund					2,739,282
State aid - unrestricted					44,411,774
Interest and investment earnings					3,363,948
Other					<u>2,537,300</u>
Total general revenues					<u>96,584,638</u>
Change in net position					22,693,488
Net position - beginning					<u>(34,411,434)</u>
Net position - ending					<u>\$ (11,717,946)</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Governmental Funds
Balance Sheet
June 30, 2024

		Capital Projects Funds				Nonmajor	Total
	General	2024 Capital	2022 Capital	2020 Capital	Debt	Governmental	Governmental
	Fund	Projects Fund	Projects Fund	Projects Fund	Service Fund	Funds	Funds
Assets							
Cash	\$ 12,313,870	\$ 54,885,509	\$ 4,032,404	\$ 8,135,157	\$ 2,210,752	\$ 11,944,917	\$ 93,522,609
Accounts receivable	254,307	-	-	-	-	62	254,369
Due from other governmental units	13,139,552	-	-	-	-	-	13,139,552
Inventory	-	-	-	-	-	52,955	52,955
Investments	4,095,035	-	-	-	-	-	4,095,035
Prepaid items	819,415	-	-	-	-	184,094	1,003,509
Total assets	<u>\$ 30,622,179</u>	<u>\$ 54,885,509</u>	<u>\$ 4,032,404</u>	<u>\$ 8,135,157</u>	<u>\$ 2,210,752</u>	<u>\$ 12,182,028</u>	<u>\$ 112,068,029</u>
Liabilities							
Accounts payable	\$ 1,174,713	\$ 780	\$ 2,840,840	\$ 4,725,742	\$ -	\$ 169,298	\$ 8,911,373
Due to other governmental units	1,650,665	-	-	-	-	-	1,650,665
Payroll deductions and withholdings	108,320	-	-	-	-	-	108,320
Accrued salaries payable	8,505,190	-	-	-	-	-	8,505,190
Unearned revenue	3,681,140	-	-	-	-	97,563	3,778,703
Total liabilities	<u>15,120,028</u>	<u>780</u>	<u>2,840,840</u>	<u>4,725,742</u>	<u>-</u>	<u>266,861</u>	<u>22,954,251</u>
Fund Balances							
Non-spendable							
Inventory	-	-	-	-	-	52,955	52,955
Prepaid items	819,415	-	-	-	-	184,094	1,003,509
Restricted for							
Food service	-	-	-	-	-	1,880,025	1,880,025
Debt service	-	-	-	-	2,210,752	-	2,210,752
Capital projects	-	54,884,729	1,191,564	3,409,415	-	4,485,732	63,971,440
Recreation	-	-	-	-	-	3,601,123	3,601,123
Committed							
Student activities	-	-	-	-	-	1,711,238	1,711,238
Unassigned	14,682,736	-	-	-	-	-	14,682,736
Total fund balances	<u>15,502,151</u>	<u>54,884,729</u>	<u>1,191,564</u>	<u>3,409,415</u>	<u>2,210,752</u>	<u>11,915,167</u>	<u>89,113,778</u>
Total liabilities and fund balances	<u>\$ 30,622,179</u>	<u>\$ 54,885,509</u>	<u>\$ 4,032,404</u>	<u>\$ 8,135,157</u>	<u>\$ 2,210,752</u>	<u>\$ 12,182,028</u>	<u>\$ 112,068,029</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances for governmental funds \$ 89,113,778

Total net position for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated 85,641,783

Capital assets - net of accumulated depreciation 174,092,524

Net OPEB asset is not recorded as an asset in the governmental funds 2,595,544

Deferred outflows (inflows) of resources

Deferred inflows of resources resulting from debt refunding (2,225,621)

Deferred outflows of resources resulting from the net pension liability 46,163,400

Deferred outflows of resources resulting from the net OPEB asset 9,607,533

Deferred inflows of resources resulting from the net pension liability (26,442,045)

Deferred inflows of resources resulting from the net OPEB asset (20,909,750)

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest (1,073,856)

Incurred but not reported benefit claims (52,011)

Arbitrage (1,138,618)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Net pension liability (148,105,867)

Compensated absences (1,010,085)

Bonds payable (215,523,974)

Other loans payable and liabilities (2,450,681)

Net position of governmental activities **\$ (11,717,946)**

See Accompanying Notes to the Financial Statements

Novi Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

		Capital Projects Funds				Nonmajor	Total
	General	2024 Capital	2022 Capital	2020 Capital	Debt	Governmental	Governmental
	Fund	Projects Fund	Projects Fund	Projects Fund	Service Fund	Funds	Funds
Revenues							
Local sources	\$ 29,785,473	\$ 86,108	\$ 1,807,055	\$ 497,919	\$ 19,643,582	\$ 7,432,669	\$ 59,252,806
State sources	67,084,657	-	-	-	-	2,562,523	69,647,180
Federal sources	3,660,789	-	-	-	-	1,165,325	4,826,114
Interdistrict sources	<u>4,569,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,569,812</u>
Total revenues	<u>105,100,731</u>	<u>86,108</u>	<u>1,807,055</u>	<u>497,919</u>	<u>19,643,582</u>	<u>11,160,517</u>	<u>138,295,912</u>
Expenditures							
Current							
Education							
Instruction	63,976,655	-	-	-	-	-	63,976,655
Supporting services	38,199,415	-	2,231	-	1,800	4,131,806	42,335,252
Food services	-	-	-	-	-	4,349,643	4,349,643
Community services	1,773,287	-	-	-	-	591,258	2,364,545
Capital outlay	135,473	330	33,860,925	5,897,055	-	76,435	39,970,218
Debt service							
Principal	-	-	-	-	12,160,000	579,160	12,739,160
Interest and other expenditures	<u>-</u>	<u>347,736</u>	<u>-</u>	<u>-</u>	<u>6,589,728</u>	<u>64,931</u>	<u>7,002,395</u>
Total expenditures	<u>104,084,830</u>	<u>348,066</u>	<u>33,863,156</u>	<u>5,897,055</u>	<u>18,751,528</u>	<u>9,793,233</u>	<u>172,737,868</u>
Excess (deficiency) of revenues over expenditures	<u>1,015,901</u>	<u>(261,958)</u>	<u>(32,056,101)</u>	<u>(5,399,136)</u>	<u>892,054</u>	<u>1,367,284</u>	<u>(34,441,956)</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	General Fund	Capital Projects Funds			Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
		2024 Capital Projects Fund	2022 Capital Projects Fund	2020 Capital Projects Fund			
Other Financing Sources (Uses)							
Proceeds from issuance of bonds	\$ -	\$ 49,810,000	\$ -	\$ -	\$ -	\$ -	\$ 49,810,000
Premium on issuance of bonds	-	5,336,687	-	-	-	-	5,336,687
Transfers in	62,203	-	-	-	-	-	62,203
Transfers out	-	-	-	-	-	(62,203)	(62,203)
Total other financing sources (uses)	62,203	55,146,687	-	-	-	(62,203)	55,146,687
Net change in fund balances	1,078,104	54,884,729	(32,056,101)	(5,399,136)	892,054	1,305,081	20,704,731
Fund balances - beginning	14,424,047	-	33,247,665	8,808,551	1,318,698	10,610,086	68,409,047
Fund balances - ending	<u>\$ 15,502,151</u>	<u>\$ 54,884,729</u>	<u>\$ 1,191,564</u>	<u>\$ 3,409,415</u>	<u>\$ 2,210,752</u>	<u>\$ 11,915,167</u>	<u>\$ 89,113,778</u>

See Accompanying Notes to the Financial Statements

Novi Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - Total governmental funds	\$ 20,704,731
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(7,077,548)
Capital outlay	36,886,793
Expenses are recorded when incurred in the statement of activities.	
Interest	47,219
Benefit claims	(8,011)
Arbitrage	(1,138,618)
Compensated absences	(15,828)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	19,123,063
Net change in deferrals of resources related to the net pension liability	(13,680,156)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	12,178,511
Net change in deferrals of resources related to the net OPEB asset	(3,315,162)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(55,146,687)
Repayments of long-term debt	12,739,160
Amortization of premiums	1,108,551
Amortization of deferred amount on debt refunding	287,470
Change in net position of governmental activities	<u>\$ 22,693,488</u>

See Accompanying Notes to the Financial Statements

Novi Community School District

Notes to the Financial Statements

June 30, 2024

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Novi Community School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain

intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Novi Community School District
Notes to the Financial Statements
June 30, 2024

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

2024, 2022, and 2020 Capital Projects Funds - The Building and Site Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund, Recreation Fund, and Student Activities Fund.

Sinking Fund - The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, or repair of school buildings.

Assets, Liabilities and Net Position or Equity

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2024, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	1.11010
Non-principal residence exemption	18.00000
Commercial personal property	7.11010
Industrial personal property	1.11010
Debt Service Funds	6.50000
Sinking Fund	0.47130
Recreation Fund	0.93650

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

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.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Site improvements	15 - 30 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - The liability for compensated absences reported in the government-wide financial statements consists of earned but unused sick leave benefits and termination payments. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Novi Community School District

Notes to the Financial Statements

June 30, 2024

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also include revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Assistant Superintendent of Business and Operations. The Board of Education has granted the Assistant Superintendent of Business and Operations the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy with a goal to maintain an annual unassigned general fund balance of at least 15% of the State average, whichever is higher, of estimated expenditures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported

Novi Community School District
Notes to the Financial Statements
June 30, 2024

amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities’ column.

Adoption of New Accounting Standards

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

Upcoming Accounting and Reporting Changes

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance

its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 12,391,678	\$ 12,603,694	\$ 212,016
Instructional staff	6,884,517	6,982,789	98,272
General administration	996,998	1,039,989	42,991
School administration	4,567,679	4,689,667	121,988
Operations and maintenance	6,393,022	7,784,641	1,391,619
Pupil transportation services	2,927,558	2,954,462	26,904
Athletic activities	1,360,769	1,482,893	122,124
Community services	1,740,040	1,773,287	33,247
Food Service Fund			
Transfers out	20,000	62,203	42,203
Student Activity Fund			
Supporting services	1,820,000	2,438,587	618,587

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The projects related to the 2020 and 2022 Capital Project Funds were considered complete on June 30, 2024, which is the substantial completion date. The projects related to the 2024 Capital Project Fund are not yet substantially complete. The following is a summary of the revenue and expenditures in the 2020, 2022 and 2024 Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2020 Capital Projects Fund</u>	<u>2022 Capital Projects Fund</u>	<u>2024 Capital Projects Fund</u>
Revenues	\$ 76,716,221	\$ 59,070,987	\$ 55,232,795
Expenditures	73,306,806	57,879,423	348,066

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash	\$ 93,522,609
Investments	<u>4,095,035</u>
	<u>\$ 97,617,644</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 5,867,894
Investments in securities, mutual funds, and similar vehicles	91,749,450
Petty cash and cash on hand	<u>300</u>
Total	<u>\$ 97,617,644</u>

Novi Community School District
Notes to the Financial Statements
June 30, 2024

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 2,984,564	N/A	AAAm	S&P
MAX Class	84,669,850	N/A	AAAm	S&P
Federal agency bonds and notes	495,880	9/24/2024	AA+	S&P
Federal agency bonds and notes	490,975	5/12/2025	AA+	S&P
Federal agency bonds and notes	494,560	8/28/2025	AA+	S&P
Federal agency bonds and notes	246,200	12/12/2025	AA+	S&P
Federal agency bonds and notes	375,256	7/27/2026	AA+	S&P
Certificate of deposit	249,607	10/7/2024	N/A	N/A
Certificate of deposit	249,547	10/17/2024	N/A	N/A
Certificate of deposit	249,400	10/28/2024	N/A	N/A
Certificate of deposit	248,855	4/14/2025	N/A	N/A
Certificate of deposit	248,220	4/13/2026	N/A	N/A
Certificate of deposit	248,348	4/13/2026	N/A	N/A
Certificate of deposit	248,223	4/14/2026	N/A	N/A
Certificate of deposit	249,965	4/28/2026	N/A	N/A
	<u>\$91,749,450</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2024, the net asset value of the School District's investment in MILAF + Portfolio was \$87,654,414. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that

Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

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

Credit risk - State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$8,415,512 of the School District's bank balance of \$8,665,512 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2024:

- Federal agency bonds and notes of \$2,102,871 and certificates of deposit of \$1,992,165 are valued using quoted market prices (Level 2 inputs)

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 9,607,341	\$ -	\$ -	\$ 9,607,341
Construction-in-progress	55,419,388	36,255,900	15,640,846	76,034,442
Total capital assets not being depreciated	65,026,729	36,255,900	15,640,846	85,641,783
Capital assets being depreciated				
Buildings and improvements	231,819,561	14,225,413	-	246,044,974
Site improvements	27,016,652	1,415,433	-	28,432,085
Equipment and furniture	8,282,252	314,414	13,990	8,582,676
Buses and other vehicles	3,982,402	316,479	478,858	3,820,023
Total capital assets being depreciated	271,100,867	16,271,739	492,848	286,879,758
Less accumulated depreciation for				
Buildings and improvements	81,119,667	5,430,247	-	86,549,914
Site improvements	15,312,514	968,892	-	16,281,406
Equipment and furniture	6,735,143	371,152	13,990	7,092,305
Buses and other vehicles	3,035,210	307,257	478,858	2,863,609
Total accumulated depreciation	106,202,534	7,077,548	492,848	112,787,234
Net capital assets being depreciated	164,898,333	9,194,191	-	174,092,524
Net capital assets	\$229,925,062	\$45,450,091	\$15,640,846	\$259,734,307

Depreciation expense was \$7,077,548 for the year ended June 30, 2024. Depreciation was not charged to the School District's activities because the related assets impact multiple activities and allocation of depreciation expenses is not practical.

Construction Contracts

At year end, the School District had several uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately \$43,946,312.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Note 6 - Interfund Transfers

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling \$62,203. These transfers were made to reimburse General Fund for its share of indirect costs.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 3,464,193
Summer tuition and fall school charges received prior to services being rendered	216,947
Student meals	<u>97,563</u>
Total	<u>\$ 3,778,703</u>

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 154,205,000	\$ 49,810,000	\$ 12,160,000	\$ 191,855,000	\$ 13,150,000
Premium on bonds	<u>19,440,838</u>	<u>5,336,687</u>	<u>1,108,551</u>	<u>23,668,974</u>	<u>-</u>
Total bonds payable	173,645,838	55,146,687	13,268,551	215,523,974	13,150,000
Notes from direct borrowings and direct placements					
Installment purchase agreement	3,029,841	-	579,160	2,450,681	592,264
Other liabilities					
Compensated absences	<u>994,257</u>	<u>15,828</u>	<u>-</u>	<u>1,010,085</u>	<u>146,318</u>
Total	<u>\$ 177,669,936</u>	<u>\$ 55,162,515</u>	<u>\$ 13,847,711</u>	<u>\$ 218,984,740</u>	<u>\$ 13,888,582</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

\$51,675,000 serial bonds due in annual installments of \$650,000	
- \$5,425,000 through 2047, interest at 4.00%	\$ 42,925,000
\$27,260,000 refunding bonds due in annual installments of \$2,785,000	
- \$3,070,000 through 2033, interest at 2.85% - 3.60%	26,300,000
\$59,410,000 serial bonds due in annual installments of \$1,825,000	
- \$3,525,000 through 2044, interest at 4.00% - 5.00%	54,025,000
\$12,230,000 2017 serial bonds due in annual installments of \$550,000	
- \$780,000 through 2037, interest at 5.00%	8,830,000
\$6,515,000 serial bonds due in annual installments of \$350,000 through 2036, interest at 3.00% - 4.00%	4,200,000
\$16,145,000 refunding bonds due in annual installments of \$1,915,000	
- \$1,930,000 through 2027, interest at 2.50% - 5.00%	5,765,000
\$49,810,000 serial bonds due in annual installments of \$1,000,000	
- \$4,890,000 through 2049, interest at 5.00%	<u>49,810,000</u>
Total general obligation bonded debt	<u>\$ 191,855,000</u>

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2025	\$ 13,150,000	\$ 8,211,513	\$ 592,264	\$ 51,827
2026	13,470,000	8,083,254	605,665	38,427
2027	8,745,000	7,506,716	619,369	24,722
2028	8,385,000	7,142,816	633,383	10,708
2029	8,470,000	6,795,806	-	-
2030-2034	42,045,000	28,496,106	-	-
2035-2039	35,820,000	19,614,000	-	-
2040-2044	39,230,000	10,974,250	-	-
2045-2049	22,540,000	2,956,000	-	-
Total	<u>\$ 191,855,000</u>	<u>\$ 99,780,461</u>	<u>\$ 2,450,681</u>	<u>\$ 125,684</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$2,210,752 to pay this debt. Future debt and interest will be payable from future tax levies.

In February 2021, the School District entered into an installment purchase agreement with a bank in the amount of \$4,150,000 to acquire a building. The note bears interest at 2.25 percent. Combined principal and interest payments of \$322,046 are due semiannually in March and September, and the note matures on March 1, 2028.

Compensated Absences

Accrued compensated absences at year end, consist of \$1,010,085 of earned but unused accumulated sick leave benefits. A liability for those amounts is reported in governmental funds as it comes due for payment. 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.

Deferred Amount on Refunding

The 2016 and 2022 advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2033.

The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred inflow amount on refunding	<u>\$ 2,513,091</u>	<u>\$ -</u>	<u>\$ 287,470</u>	<u>\$ 2,225,621</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The shared-risk pool program in which the School District operate as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District is self-insured for dental and vision insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. The School District evaluates the liability related to the dental and vision claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the General Fund.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Change in estimated liabilities for claims for dental and vision benefits for the year is as follows:

	2024	2023
Estimated liability at the beginning of the year	\$ 44,000	\$ 55,597
Estimated claims incurred including changes in estimates	<u>8,011</u>	<u>(11,597)</u>
Estimated liability at the end of the year	<u>\$ 52,011</u>	<u>\$ 44,000</u>

Note 10 - Pension Plan

Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022

Novi Community School District
Notes to the Financial Statements
June 30, 2024

valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2023.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the School District were \$16,492,274 for the year ending September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$148,105,867 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.4576 percent, which was an increase of 0.0129 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized pension expense of \$18,095,319 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$19,585,561.

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 4,675,250	\$ (226,875)	\$ 4,448,375
Changes of assumptions	20,069,019	(11,571,340)	8,497,679
Net difference between projected and actual earnings on pension plan investments	-	(3,030,725)	(3,030,725)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	3,113,961	(2,538,531)	575,430
Total to be recognized in future	27,858,230	(17,367,471)	10,490,759
School District contributions subsequent to the measurement date	18,305,170	(9,074,574)	9,230,596
Total	\$ 46,163,400	\$ (26,442,045)	\$ 19,721,355

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The District will offset the contribution expense in the year ended June 30, 2025 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2024	\$ 2,810,474
2025	2,304,318
2026	7,140,683
2027	<u>(1,764,716)</u>
	<u>\$ 10,490,759</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4406 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions

will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
<u>\$ 200,090,592</u>	<u>\$ 148,105,867</u>	<u>\$ 104,826,703</u>

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Novi Community School District

Notes to the Financial Statements

June 30, 2024

Note 11 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who

first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$3,574,196 for the year ended September 30, 2023.

OPEB Liabilities or Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the School District reported an asset of (\$2,595,544) for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB asset was determined by

dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023 the School District's proportion was 0.4588 percent, which was an increase of 0.0064 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized OPEB expense of (\$4,585,033) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$3,929,973.

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (19,613,263)	\$ (19,613,263)
Changes of assumptions	5,778,134	(695,797)	5,082,337
Net difference between projected and actual earnings on OPEB plan investments	7,914	-	7,914
Changes in proportion and differences between the School District contributions and proportionate share of contributions	412,438	(600,690)	(188,252)
Total to be recognized in future	6,198,486	(20,909,750)	(14,711,264)
School District contributions subsequent to the measurement date	3,409,047	-	3,409,047
Total	\$ 9,607,533	\$ (20,909,750)	\$ (11,302,217)

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2024	\$ (4,839,983)
2025	(4,574,946)
2026	(1,809,107)
2027	(1,612,462)
2028	(1,238,994)
Thereafter	<u>(635,772)</u>
	<u>\$ (14,711,264)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.50% Year 1 graded to 3.5% Year 15; Post-65: 6.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.5099 years.

Recognition period for assets is 5 years.

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability or asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability or asset.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>\$ 2,690,800</u>	<u>\$ (2,595,544)</u>	<u>\$ (7,138,638)</u>

Novi Community School District
Notes to the Financial Statements
June 30, 2024

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (7,149,965)	\$ (2,595,544)	\$ 2,333,832

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted cities, villages and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2024, the School District's property tax revenues were reduced by \$712,240 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Novi Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 26,142,650	\$ 28,785,672	\$ 29,785,473	\$ 999,801
State sources	60,884,480	66,095,613	67,084,657	989,044
Federal sources	3,979,725	3,560,344	3,660,789	100,445
Interdistrict sources	<u>4,378,384</u>	<u>4,545,286</u>	<u>4,569,812</u>	<u>24,526</u>
Total revenues	<u>95,385,239</u>	<u>102,986,915</u>	<u>105,100,731</u>	<u>2,113,816</u>
Expenditures				
Instruction				
Basic programs	49,887,330	51,660,822	50,956,244	(704,578)
Added needs	10,849,676	12,391,678	12,603,694	212,016
Adult and continuing education	399,658	498,070	416,717	(81,353)
Supporting services				
Pupil	7,283,042	8,385,019	8,341,369	(43,650)
Instructional staff	5,930,939	6,884,517	6,982,789	98,272
General administration	787,368	996,998	1,039,989	42,991
School administration	4,278,337	4,567,679	4,689,667	121,988
Business	1,106,720	967,148	909,851	(57,297)
Operations and maintenance	6,169,375	6,393,022	7,784,641	1,391,619
Pupil transportation services	2,466,893	2,927,558	2,954,462	26,904
Central	2,497,989	3,437,338	3,418,343	(18,995)
Athletic activities	1,115,885	1,360,769	1,482,893	122,124
Other	455,438	602,942	595,411	(7,531)
Community services	1,899,478	1,740,040	1,773,287	33,247
Capital outlay	<u>233,712</u>	<u>142,872</u>	<u>135,473</u>	<u>(7,399)</u>
Total expenditures	<u>95,361,840</u>	<u>102,956,472</u>	<u>104,084,830</u>	<u>1,128,358</u>
Excess (deficiency) of revenues over expenditures	23,399	30,443	1,015,901	985,458
Other Financing Sources (Uses)				
Transfers in	<u>126,878</u>	<u>129,205</u>	<u>62,203</u>	<u>(67,002)</u>
Net change in fund balances	150,277	159,648	1,078,104	918,456
Fund balance - beginning	<u>14,424,047</u>	<u>14,424,047</u>	<u>14,424,047</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,574,324</u>	<u>\$ 14,583,695</u>	<u>\$ 15,502,151</u>	<u>\$ 918,456</u>

Novi Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of net pension liability (%)	0.45760%	0.44465%	0.45254%	0.46381%	0.46320%	0.46099%	0.45972%	0.76023%	0.46769%	0.43629%
B. School District's proportionate share of net pension liability	\$ 148,105,867	\$ 167,228,930	\$ 107,141,611	\$ 159,324,285	\$ 153,395,001	\$ 138,583,097	\$ 119,132,187	\$ 114,824,425	\$ 114,234,482	\$ 102,041,454
C. School District's covered payroll	\$ 45,865,562	\$ 43,938,029	\$ 40,647,786	\$ 40,873,626	\$ 40,611,292	\$ 39,347,566	\$ 38,560,076	\$ 38,540,672	\$ 38,955,408	\$ 37,678,292
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	322.91%	380.60%	263.59%	389.80%	377.72%	352.20%	308.95%	297.93%	293.24%	270.82%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	73.32%	59.49%	60.08%	62.12%	63.96%	63.01%	62.92%	68.15%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

Novi Community School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 19,585,561	\$ 21,242,428	\$ 15,440,165	\$ 13,550,570	\$ 12,825,056	\$ 12,432,151	\$ 11,676,588	\$ 11,076,646	\$ 10,764,810	\$ 7,781,084
B. Contributions in relation to statutorily required contributions	<u>19,585,561</u>	<u>21,242,428</u>	<u>15,440,165</u>	<u>13,550,570</u>	<u>12,825,056</u>	<u>12,432,151</u>	<u>11,676,588</u>	<u>11,076,646</u>	<u>10,764,810</u>	<u>7,781,084</u>
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. School District's covered payroll	\$ 50,089,300	\$ 44,764,681	\$ 43,749,214	\$ 39,912,706	\$ 41,347,269	\$ 40,655,331	\$ 38,768,262	\$ 38,643,725	\$ 38,567,537	\$ 37,383,521
E. Contributions as a percentage of covered payroll	39.10%	47.45%	35.29%	33.95%	31.02%	30.58%	30.12%	28.66%	27.91%	20.81%

Novi Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.458800%	0.452440%	0.449560%	0.461200%	0.464740%	0.460790%	0.459130%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (2,595,544)	\$ 9,582,967	\$ 6,861,923	\$ 24,707,945	\$ 33,358,047	\$ 36,628,054	\$ 40,657,770			
C. School District's covered payroll	\$ 45,865,562	\$ 43,938,029	\$ 40,647,786	\$ 40,873,626	\$ 40,611,292	\$ 39,347,566	\$ 38,560,076			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.66%	21.81%	16.88%	60.45%	82.14%	93.09%	105.44%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	88.87%	59.76%	48.67%	43.10%	36.53%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

Novi Community School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 3,929,973	\$ 3,603,199	\$ 3,565,211	\$ 3,299,783	\$ 3,308,608	\$ 3,193,486	\$ 2,795,424			
B. Contributions in relation to statutorily required contributions	<u>3,929,973</u>	<u>3,603,199</u>	<u>3,565,211</u>	<u>3,299,783</u>	<u>3,308,608</u>	<u>3,193,486</u>	<u>2,795,424</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 50,089,300	\$ 44,764,681	\$ 43,749,214	\$ 39,912,706	\$ 41,347,269	\$ 40,655,331	\$ 38,768,262			
E. Contributions as a percentage of covered payroll	7.85%	8.05%	8.15%	8.27%	8.00%	7.86%	7.21%			

OTHER SUPPLEMENTARY INFORMATION

Novi Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Recreation Fund	Food Service Fund	Student Activities Fund	Sinking Fund	
Assets					
Cash	\$ 3,674,343	\$ 2,046,873	\$ 1,728,940	\$ 4,494,761	\$ 11,944,917
Accounts receivable	-	62	-	-	62
Inventory	-	52,955	-	-	52,955
Prepaid items	-	184,094	-	-	184,094
Total assets	<u>\$ 3,674,343</u>	<u>\$ 2,283,984</u>	<u>\$ 1,728,940</u>	<u>\$ 4,494,761</u>	<u>\$ 12,182,028</u>
Liabilities					
Accounts payable	\$ 73,220	\$ 69,347	\$ 17,702	\$ 9,029	\$ 169,298
Unearned revenue	-	97,563	-	-	97,563
Total liabilities	<u>73,220</u>	<u>166,910</u>	<u>17,702</u>	<u>9,029</u>	<u>266,861</u>
Fund Balances					
Non-spendable					
Inventory	-	52,955	-	-	52,955
Prepaid items	-	184,094	-	-	184,094
Restricted for					
Food service	-	1,880,025	-	-	1,880,025
Capital projects	-	-	-	4,485,732	4,485,732
Recreation	3,601,123	-	-	-	3,601,123
Committed	-	-	1,711,238	-	1,711,238
Total fund balances	<u>3,601,123</u>	<u>2,117,074</u>	<u>1,711,238</u>	<u>4,485,732</u>	<u>11,915,167</u>
Total liabilities and fund balances	<u>\$ 3,674,343</u>	<u>\$ 2,283,984</u>	<u>\$ 1,728,940</u>	<u>\$ 4,494,761</u>	<u>\$ 12,182,028</u>

Novi Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Recreation Fund</u>	<u>Food Service Fund</u>	<u>Student Activities Fund</u>	<u>Sinking Fund</u>	
Revenues					
Local sources	\$ 2,791,496	\$ 583,047	\$ 2,526,260	\$ 1,531,866	\$ 7,432,669
State sources	-	2,562,523	-	-	2,562,523
Federal sources	-	1,165,325	-	-	1,165,325
Total revenues	<u>2,791,496</u>	<u>4,310,895</u>	<u>2,526,260</u>	<u>1,531,866</u>	<u>11,160,517</u>
Expenditures					
Current					
Education					
Supporting services	1,115,210	38,430	2,438,587	539,579	4,131,806
Food services	-	4,349,643	-	-	4,349,643
Community services	591,258	-	-	-	591,258
Capital outlay	2,185	74,250	-	-	76,435
Debt service					
Principal	-	-	-	579,160	579,160
Interest and other expenditures	-	-	-	64,931	64,931
Total expenditures	<u>1,708,653</u>	<u>4,462,323</u>	<u>2,438,587</u>	<u>1,183,670</u>	<u>9,793,233</u>
Excess (deficiency) of revenues over expenditures	1,082,843	(151,428)	87,673	348,196	1,367,284
Other Financing Sources (Uses)					
Transfers out	-	(62,203)	-	-	(62,203)
Net change in fund balances	1,082,843	(213,631)	87,673	348,196	1,305,081
Fund balances - beginning	<u>2,518,280</u>	<u>2,330,705</u>	<u>1,623,565</u>	<u>4,137,536</u>	<u>10,610,086</u>
Fund balances - ending	<u>\$ 3,601,123</u>	<u>\$ 2,117,074</u>	<u>\$ 1,711,238</u>	<u>\$ 4,485,732</u>	<u>\$ 11,915,167</u>

Novi Community School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2016 School Building and Site Bonds	2016 Refunding Bonds	2017 School Building and Site Bonds, Series III	2020 School Building and Site Bonds, Series I	2022 School Building and Site Bonds, Series II	2022 Refunding Bonds	2024 School Building and Site Bonds	Total
2025	\$ 350,000	\$ 1,930,000	\$ 550,000	\$ 1,825,000	\$ 5,425,000	\$ 3,070,000	\$ -	\$ 13,150,000
2026	350,000	1,915,000	575,000	2,075,000	650,000	3,015,000	4,890,000	13,470,000
2027	350,000	1,920,000	600,000	2,150,000	725,000	3,000,000	-	8,745,000
2028	350,000	-	625,000	2,200,000	1,250,000	2,960,000	1,000,000	8,385,000
2029	350,000	-	650,000	2,250,000	1,300,000	2,920,000	1,000,000	8,470,000
2030	350,000	-	650,000	2,300,000	1,350,000	2,885,000	1,050,000	8,585,000
2031	350,000	-	675,000	2,350,000	1,350,000	2,850,000	1,105,000	8,680,000
2032	350,000	-	700,000	2,400,000	1,375,000	2,815,000	1,160,000	8,800,000
2033	350,000	-	725,000	2,500,000	1,475,000	2,785,000	1,220,000	9,055,000
2034	350,000	-	750,000	2,600,000	1,600,000	-	1,625,000	6,925,000
2035	350,000	-	775,000	2,700,000	1,650,000	-	1,705,000	7,180,000
2036	350,000	-	775,000	2,800,000	1,700,000	-	1,790,000	7,415,000
2037	-	-	780,000	2,900,000	1,775,000	-	1,880,000	7,335,000
2038	-	-	-	3,000,000	1,850,000	-	1,970,000	6,820,000
2039	-	-	-	3,100,000	1,900,000	-	2,070,000	7,070,000
2040	-	-	-	3,200,000	1,950,000	-	2,175,000	7,325,000
2041	-	-	-	3,300,000	2,000,000	-	2,280,000	7,580,000
2042	-	-	-	3,400,000	2,050,000	-	2,395,000	7,845,000
2043	-	-	-	3,450,000	2,125,000	-	2,515,000	8,090,000
2044	-	-	-	3,525,000	2,225,000	-	2,640,000	8,390,000
2045	-	-	-	-	2,350,000	-	2,775,000	5,125,000
2046	-	-	-	-	2,400,000	-	2,915,000	5,315,000
2047	-	-	-	-	2,450,000	-	3,060,000	5,510,000
2048	-	-	-	-	-	-	3,215,000	3,215,000
2049	-	-	-	-	-	-	3,375,000	3,375,000
Total	<u>\$ 4,200,000</u>	<u>\$ 5,765,000</u>	<u>\$ 8,830,000</u>	<u>\$ 54,025,000</u>	<u>\$ 42,925,000</u>	<u>\$ 26,300,000</u>	<u>\$ 49,810,000</u>	<u>\$ 191,855,000</u>
Principal payments due the first day of	May	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	3.00% - 4.00%	2.50% - 5.00%	5.00%	4.00% - 5.00%	4.00%	2.60% - 3.60%	5.00%	
Original issue	<u>\$ 6,515,000</u>	<u>\$ 16,145,000</u>	<u>\$ 12,230,000</u>	<u>\$ 59,410,000</u>	<u>\$ 51,675,000</u>	<u>\$ 27,260,000</u>	<u>\$ 49,810,000</u>	

Novi Community School District

Single Audit Report

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	11



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Novi Community School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Novi Community School District's basic financial statements, and have issued our report thereon dated October 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Novi Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Novi Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Novi Community School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other

As part of obtaining reasonable assurance about whether Novi Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 14, 2024



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**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report
on Schedule of Expenditures of Federal Awards Required
by the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Novi Community School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Novi Community School District's major federal programs for the year ended June 30, 2024. Novi Community School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Novi Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Novi Community School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Novi Community School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Novi Community School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Novi Community School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Novi Community School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Novi Community School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Novi Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Novi Community School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Novi Community School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Novi Community School District's basic financial statements. We issued our report thereon dated October 14, 2024 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 14, 2024

Novi Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2023	Current Year Expenditures	Current Year Receipts (Payments)	Accrued (Unearned) Revenue June 30, 2024
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Local Food for Schools	230985	10.185	\$ 25,971	\$ 25,971	\$ 25,971	\$ -	\$ 25,971	\$ -
Child Nutrition Cluster								
School Breakfast Program	231970	10.553	73,855	63,289	-	10,566	10,566	-
School Breakfast Program	241970		120,667	-	-	120,667	120,667	-
				63,289	-	131,233	131,233	-
Cash assistance								
Seamless Summer Option (SSO)	231960	10.555	65,784	-	-	65,784	65,784	-
National School Lunch Program	241960		561,545	-	-	561,545	561,545	-
National School Lunch Program	240910		168,125	-	-	168,125	168,125	-
Noncash Assistance								
Entitlement Commodities	N/A		229,342	-	-	229,342	229,342	-
Entitlement Bonus Commodities	N/A		4,025	-	-	4,025	4,025	-
				-	-	1,028,821	1,028,821	-
Total Child Nutrition Cluster				63,289	-	1,160,054	1,160,054	-
Child and Adult Care Food Program	231920	10.558	2,045	1,430	-	615	615	-
Child and Adult Care Food Program	232010		257	-	-	257	257	-
Child and Adult Care Food Program	241920		3,217	-	-	3,217	3,217	-
Child and Adult Care Food Program	242010		1,182	-	-	1,182	1,182	-
				1,430	-	5,271	5,271	-
Total U.S. Department of Agriculture				90,690	25,971	1,165,325	1,191,296	-
U.S. Department of Treasury:								
Passed through the Oakland County Board of Commissioners								
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	N/A	21.027	350,000	58,365	(291,635)	291,635	-	-
U.S. Department of Education								
Passed through the Oakland County ISD								
Special Education Cluster								
Special Education Grants to States	220450	84.027A	839,944	839,944	15,655	-	15,655	-
Special Education Grants to States	230450		786,998	786,998	221,487	-	221,487	-
Special Education Grants to States	240450		996,637	-	-	996,637	656,312	340,325
COVID-19 American Rescue Plan IDEA Flowthrough	221280	84.027X	193,319	193,319	1,936	-	1,936	-
				1,820,261	239,078	996,637	895,390	340,325
Special Education Preschool Grants	230460	84.173	20,473	20,473	7,019	-	7,019	-
Special Education Preschool Grants	240460		44,898	-	-	44,898	22,800	22,098
				20,473	7,019	44,898	29,819	22,098
Total Special Education Cluster				1,840,734	246,097	1,041,535	925,209	362,423

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Novi Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2023	Current Year Expenditures	Current Year Receipts (Payments)	Accrued (Unearned) Revenue June 30, 2024
Passed through the Michigan Department of Education								
Adult Education - Basic Grants to States	231130	84.002	\$ 121,973	\$ 121,973	\$ 121,973	\$ -	\$ 121,973	\$ -
Adult Education - Basic Grants to States	241130		124,909	-	-	124,909	124,909	-
				<u>121,973</u>	<u>121,973</u>	<u>124,909</u>	<u>246,882</u>	<u>-</u>
Title I Grants to Local Educational Agencies	231530	84.010	101,466	101,466	27,183	-	27,183	-
Title I Grants to Local Educational Agencies	241530		109,172	-	-	109,172	109,172	-
				<u>101,466</u>	<u>27,183</u>	<u>109,172</u>	<u>136,355</u>	<u>-</u>
English Language Acquisition State Grants	230580	84.365	286,866	157,075	66,977	9,512	76,489	-
English Language Acquisition State Grants	240580		276,187	-	-	268,200	276,187	(7,987)
English Language Acquisition State Grants	230570		118,187	78,264	19,095	14,695	33,790	-
English Language Acquisition State Grants	240570		91,513	-	-	71,795	67,015	4,780
				<u>235,339</u>	<u>86,072</u>	<u>364,202</u>	<u>453,481</u>	<u>(3,207)</u>
Supporting Effective Instruction State Grants	230520	84.367	141,864	137,973	62,162	3,891	66,053	-
Supporting Effective Instruction State Grants	240520		76,293	-	-	73,725	73,725	-
				<u>137,973</u>	<u>62,162</u>	<u>77,616</u>	<u>139,778</u>	<u>-</u>
Student Support and Academic Enrichment Program	230750	84.424	20,000	19,096	11,902	904	12,806	-
Student Support and Academic Enrichment Program	240750		10,000	-	-	8,742	8,742	-
				<u>19,096</u>	<u>11,902</u>	<u>9,646</u>	<u>21,548</u>	<u>-</u>
Education Stabilization Fund (ESF):								
COVID-19 ESSER II 98c Learning Loss	213782	84.425D	342,865	342,865	342,865	-	342,865	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula)	213703	84.425U	763,581	261,578	207,476	502,003	709,479	-
American Rescue Plan - ESSER Homeless Children and Youth	211012	84.425W	6,148	-	-	4,263	4,164	99
COVID-19 ESSER III Formula 11t	213723	84.425U	6,545,146	5,262,658	65,812	1,099,050	1,080,121	84,741
				<u>5,867,101</u>	<u>616,153</u>	<u>1,605,316</u>	<u>2,136,629</u>	<u>84,840</u>
Total U.S Department of Education				<u>8,323,682</u>	<u>1,171,542</u>	<u>3,332,396</u>	<u>4,059,882</u>	<u>444,056</u>
U.S. Department of Health and Human Services:								
Passed through the Oakland County ISD								
Medicaid Cluster								
Medical Assistance Program	N/A	93.778	36,758	-	-	36,758	36,758	-
Total federal awards				<u>\$ 8,472,737</u>	<u>\$ 905,878</u>	<u>\$ 4,826,114</u>	<u>\$ 5,287,936</u>	<u>\$ 444,056</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Novi Community School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Novi Community School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Novi Community School District, it is not intended to and does not present the financial position, changes in financial positions of Novi Community School District.

Note 2 – Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Novi Community School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation to the Financial Statements

The federal revenues per the financial statements reconcile to the schedule of expenditures of federal awards without exceptions.

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Note 5 – Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Novi Community School District
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be a material weakness? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? _____ yes X no

Identification of major programs:

AL Numbers

84.425U, 84.425W
21.027

84.027, 84.173

Name of Federal Program or Cluster

Education Stabilization Fund
COVID-19 Coronavirus State and
Local Fiscal Recovery Fund
Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**Novi Community School District
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no *Government Auditing Standards* findings for the year ended June 30, 2024.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024

**Novi Community School District
Summary Schedule of Prior Audit Findings
June 30, 2024**

SECTION IV – PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

2023-001 Material Weakness

Criteria: The Schools District's internal control structure should ensure accounting data is properly calculated and reported in accordance with generally accepted accounting principles.

Status: Corrected.

FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.



Novi Community School District

**Audit Results
June 30, 2024**

PRESENTED BY
Jessica Rolfe, CPA
Principal



YEO & YEO

BUSINESS SUCCESS
PARTNERS

Audit Opinion

- Financial Statements
 - Unmodified Opinion
 - Highest level of assurance
 - School's financial records and statements are fairly and appropriately presented, and in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



Balance Sheet

Governmental Funds

	2024, 2022, & 2020				
	General Fund	Capital Projects Funds	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets	<u>\$ 30,622,179</u>	<u>\$ 67,053,070</u>	<u>\$ 2,210,752</u>	<u>\$ 12,182,028</u>	<u>\$ 112,068,029</u>
Liabilities	\$ 15,120,028	\$ 7,567,362	\$ -	\$ 266,861	\$ 22,954,251
Fund balance	<u>15,502,151</u>	<u>59,485,708</u>	<u>2,210,752</u>	<u>11,915,167</u>	<u>89,113,778</u>
Total liabilities and fund balance	<u>\$ 30,622,179</u>	<u>\$ 67,053,070</u>	<u>\$ 2,210,752</u>	<u>\$ 12,182,028</u>	<u>\$ 112,068,029</u>



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

	General Fund	2024, 2022, & 2020 Capital Projects Funds	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues and other sources	\$ 105,162,934	\$ 57,537,769	\$ 19,643,582	\$ 11,160,517	\$ 193,504,802
Expenditures and other uses	<u>104,084,830</u>	<u>40,108,277</u>	<u>18,751,528</u>	<u>9,855,436</u>	<u>172,800,071</u>
Change in fund balance	1,078,104	17,429,492	892,054	1,305,081	20,704,731
Fund balance - July 1, 2023	<u>14,424,047</u>	<u>42,056,216</u>	<u>1,318,698</u>	<u>10,610,086</u>	<u>68,409,047</u>
Fund balance - June 30, 2024	<u>\$ 15,502,151</u>	<u>\$ 59,485,708</u>	<u>\$ 2,210,752</u>	<u>\$ 11,915,167</u>	<u>\$ 89,113,778</u>



Budgetary Comparison

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>% Accurate</u>
Revenues and other sources	\$ 95,512,117	\$ 103,116,120	\$ 105,162,934	98.02%
Expenditures and other uses	<u>95,361,840</u>	<u>102,956,472</u>	<u>104,084,830</u>	98.90%
	<u>\$ 150,277</u>	<u>\$ 159,648</u>	<u>\$ 1,078,104</u>	



Prior Year Comparison

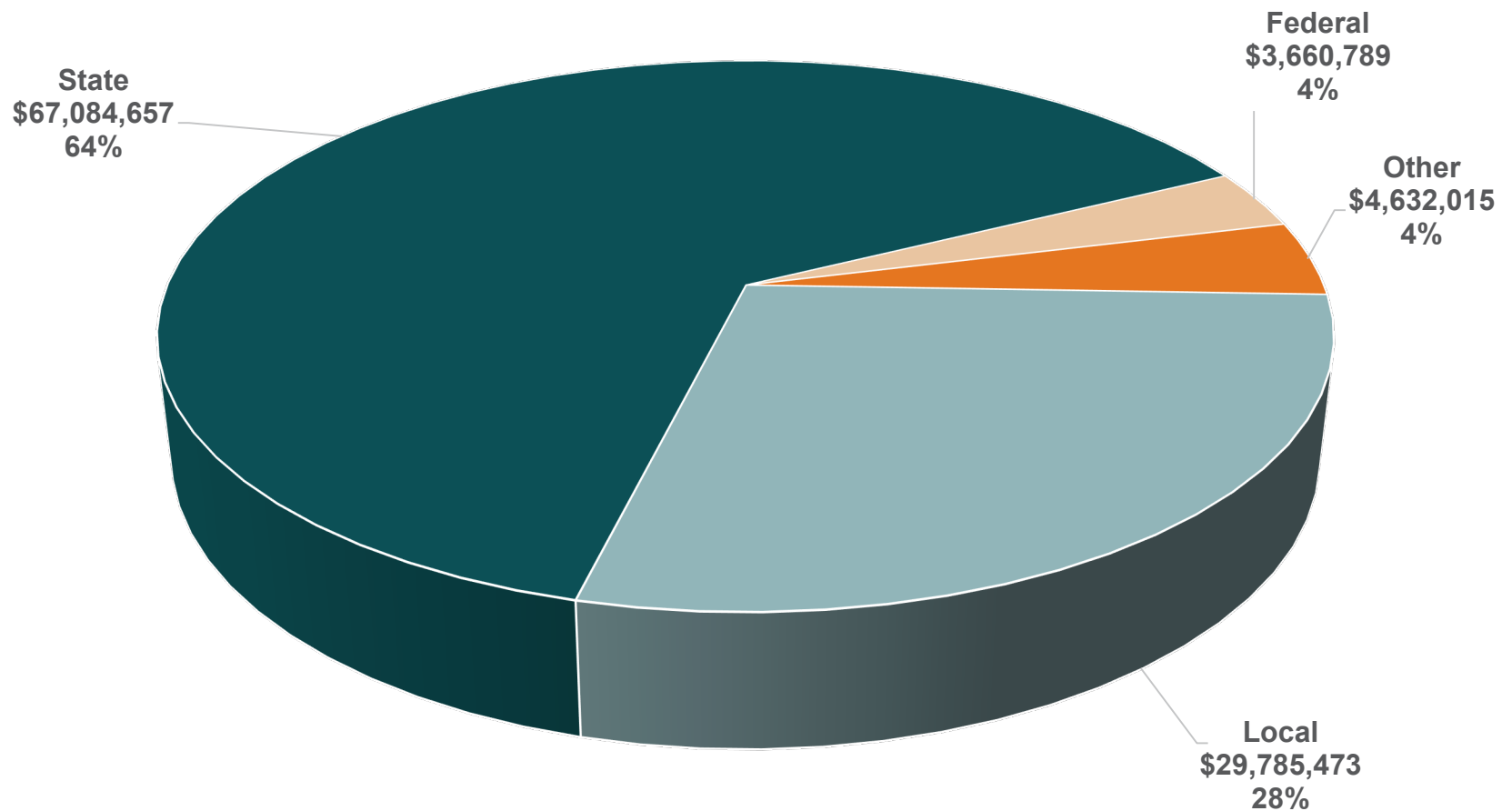
General Fund

	<u>Actual 23-24</u>	<u>Actual 22-23</u>	<u>% Change</u>
Revenues and other sources	\$ 105,162,934	\$ 95,673,344	9.9%
Expenditures and other uses	<u>104,084,830</u>	<u>96,994,130</u>	7.3%
	<u>\$ 1,078,104</u>	<u>\$ (1,320,786)</u>	



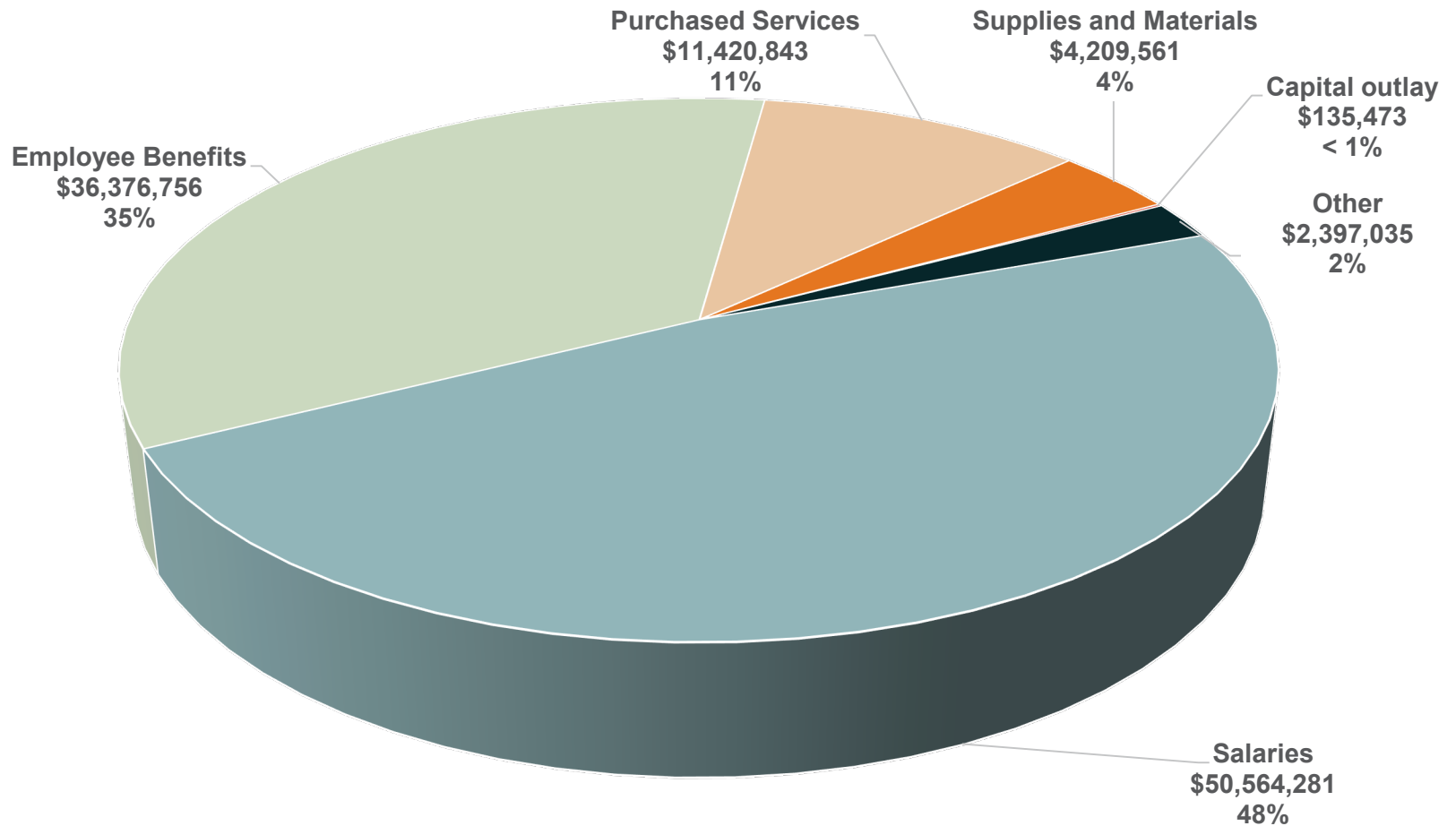
General Fund Revenue

(Includes Other Financing Sources)



General Fund Expenditures

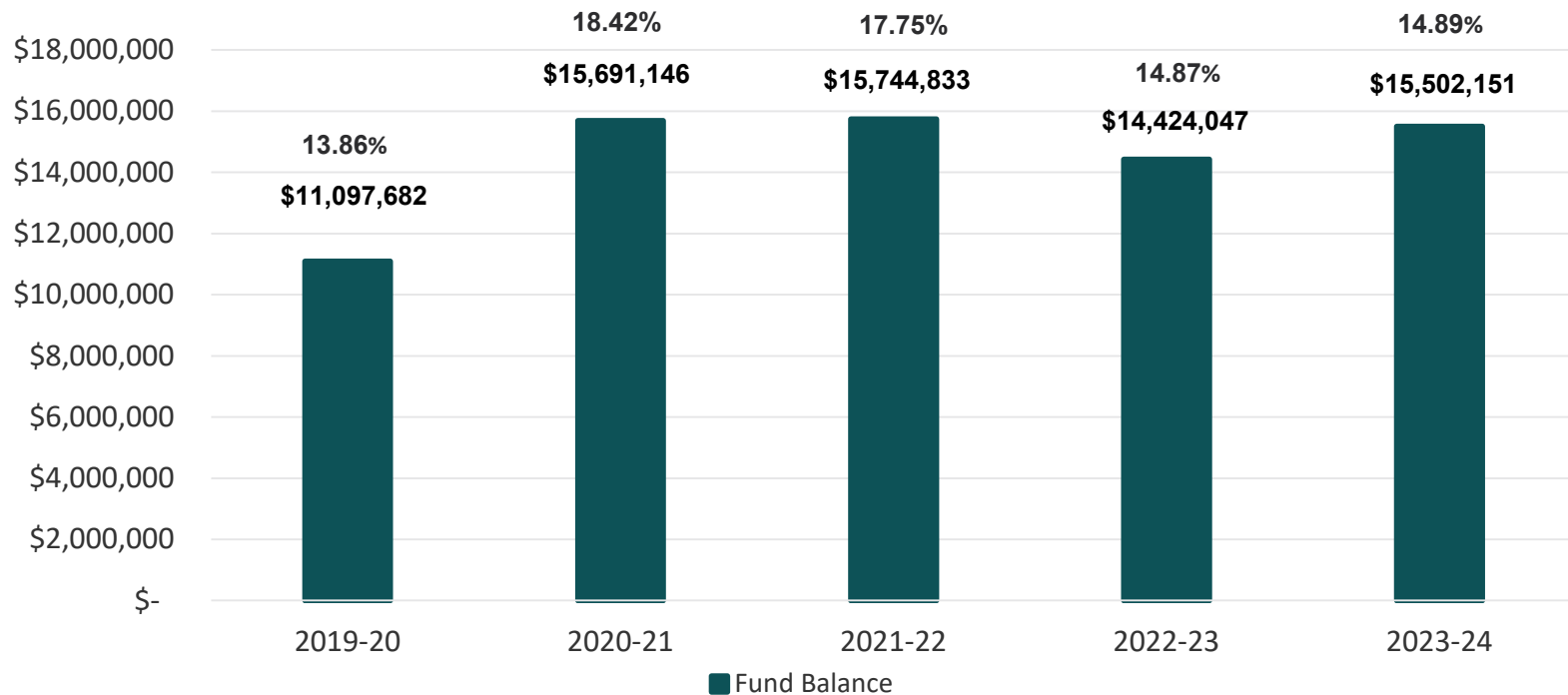
(Includes Other Financing Uses)



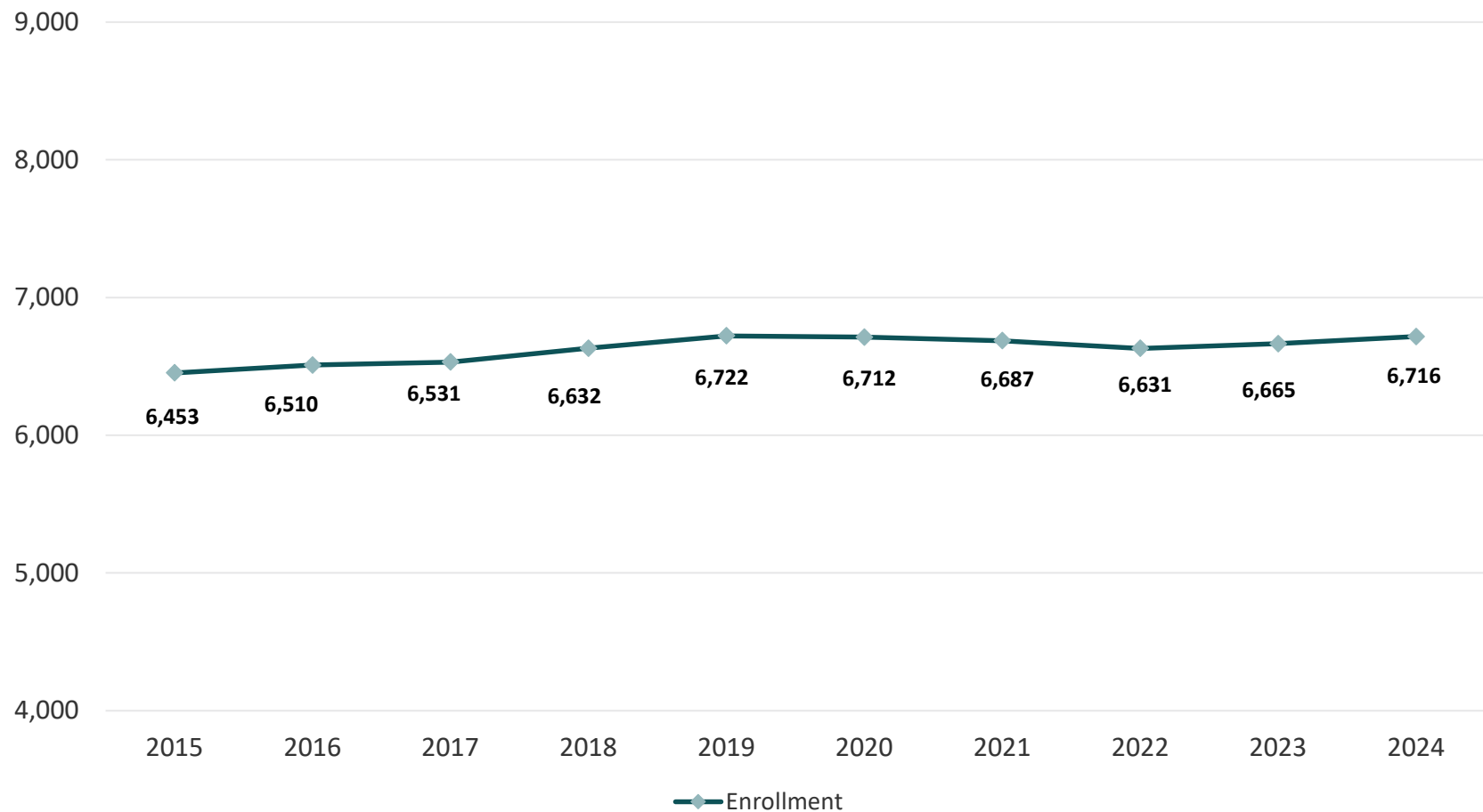
Fund Balance as Percentage of Expenditures

General Fund

	2022-23	2021-22
Peers (5,000 to 9,999)	18.69%	18.19%
State	21.87%	20.02%
MDE Recommends	15% MIN	15% MIN
Novi Community Schools	14.87%	17.75%



Ten Year Enrollment Trend Analysis



Internal Controls and Compliance

Financial Statements

- No Material Weaknesses
- No Significant Deficiencies
- No Material Noncompliance

Federal Awards

- Major Programs
 - Education Stabilization Fund
 - COVID-19 Coronavirus State and Local Fiscal Recovery Fund
 - Special Education Cluster
- No Material Weaknesses
- No Significant Deficiencies
- No Material Noncompliance



Governance Letter

- Required Communication
- Estimates
 - Useful lives of fixed assets
 - Net pension liability
 - Net OPEB liability
- Recommendations
 - Net Cash Resources – Food Service
 - Budget Overages
 - Capital Asset Tracking





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