The City of Novi's Ice Arena is an enterprise fund in the City's audit. This is a typical fund assignment for activities that are meant to cover their costs and in essence, run like a business. However, with this type of fund, there is no fund balance designation. Rather, the amount available at the end of the year is considered "Unrestricted Net Position".

This distinction is important. In governmental funds (such as the General Fund), fund balance is viewed as the amount available to the governing body to spend or support various activities. In enterprise funds, the value of the assets such as buildings, equipment, etc. are included in the audit as well as any outstanding debt (i.e. pension, retiree health care, bonded debt). In order to determine how much is available to spend, Current Assets minus Current Liabilities can be a more appropriate measure.

In the June 30, 2025 audit, we see the following:

	Ice Arena		
Assets			
Current assets:			
Cash and cash equivalents	$ 115,441		
Investments	$ 619,187		
Receivables:			
Leases	$ 24,186		
Other	$ 17,062		
Inventory	$ 3,238		
Prepaid items and other assets	$ 6,609		
Total current assets	$ 785,723		
Noncurrent assets:			
Receivables:			
Leases	$ 3,185,814		
Capital assets not being depreciated	$ 409,701		
Capital assets being depreciated, net	$ 4,417,430		
Total noncurrent assets	$ 8,012,945		$411,022
Total assets	$ 8,798,668		
Liabilities			
Current liabilities:			
Accounts payable	$ 272,394		
Accrued salaries and wages	$ 9,771		
Other accrued liabilities	$ 4,513		
Refundable deposits	$ 88,023		
Total current liabilities	$ 374,701		
Deferred inflows of resources			
Deferred lease amounts	$ 3,210,000		
Total deferred inflows of resources	$ 3,210,000		
Net position			
Net investment in capital assets	$ 4,628,929	(Capital net of Construction-related payables)	
Unrestricted	$ 585,038		
Total net position	$ 5,213,967		

It would be incorrect to equate Total Net Position of $5,213,967 to "Fund Balance" as the value of the Capital Assets and Leases (Noncurrent Assets) are not liquid and cannot help pay the bills or fund various capital projects. Instead, we can look at Current Assets of $785,723 (mainly Cash and Investments) and subtract Current Liabilities of $374,701 and determine the Ice Arena has $411,022 in current available resources per the audit.

Another question that has arisen concerns how the funding previously allotted to debt service payments was spent.

Ice Arena Statement of Cash Flows History		
	6/30/2025	**6/30/2024**
Cash flows from operating activities		
Cash received from customers	$ 2,188,110	$ 2,095,596
Cash payments for goods and services	$(1,792,552)	$(2,347,989)
Net cash provided by (used in) operating activities	$ 395,558	$ (252,393)
Cash flows from capital and related financing activities		
Acquisition/construction of capital assets	$ (699,456)	$ (135,297)
Principal paid on bonds and other long-term liabilities		$ (520,000)
Interest paid on bonds and other long-term liabilities		$ (11,440)
Net cash provided by (used in) capital and related financing activitie	$ (699,456)	$ (666,737)
Cash flows from investing activities		
Sale of securities	$ 110,570	$ 622,767
Interest and dividends received	$ 134,836	$ 148,149
Net cash provided by (used in) investing activities	$ 245,406	$ 770,916
Net change in cash and cash equivalents	$ (58,492)	$ (148,214)
Cash and cash equivalents, beginning of year	$ 173,933	$ 322,147
Cash and cash equivalents, end of year	$ 115,441	$ 173,933

When we compare the Statement of Cash Flows in the audit year over year, we can see in the 2024 audit, the principal and interest paid was $531,440. In the 2025 audit, the cash was used to finance capital assets/improvements (an increase from $135K to $699K).

Finance has verified that the management fee has not exceeded the agreed upon contract amount.