

CITY OF ESCANABA, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

Prepared by:  
Office of the Controller

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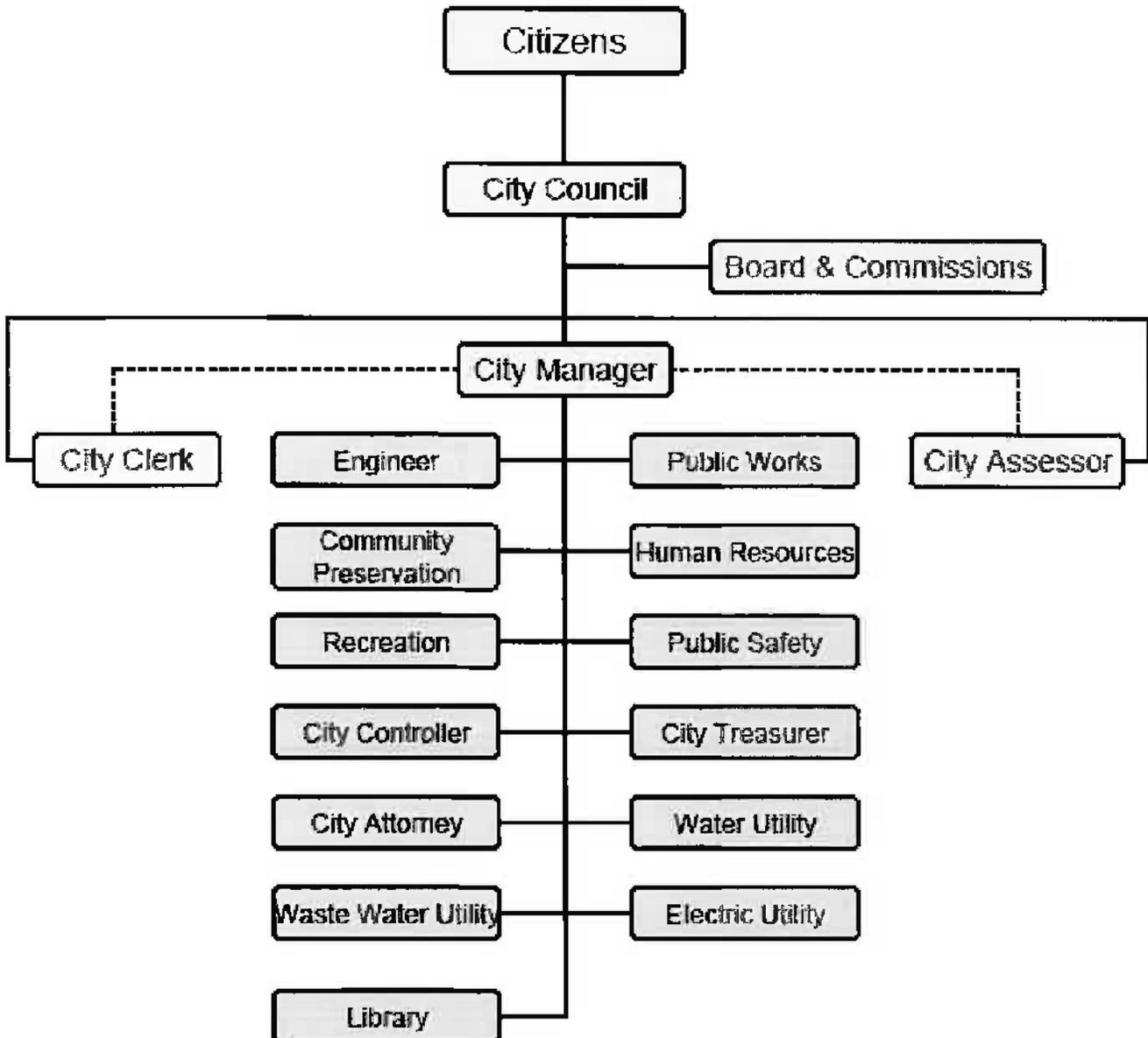
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# City of Escanaba Organization Chart



CITY COUNCIL  
( ) Expiration of Term

Mayor  
Leo J. Evans (2013)

Members of the City Council  
Brady L. Nelson - Mayor Pro-Tem (2015)  
Walter A. "Pete" Baker (2013)  
Patricia A. Baribeau (2013)  
Ronald J. Beauchamp (2015)

ADMINISTRATION

City Manager  
James V. O'Toole

Clerk  
Robert S. Richards, CMC

Public Safety Director  
Ken Vanderlinden

Assessor  
Daina Norden

Engineer/  
Supt. of Public Works  
William S. Farrell

City Treasurer/Human  
Resources Director  
Robert J. Valentine

Controller  
Michael D. Dewar, CPA

Community Preservation  
James V. O'Toole

Recreation Director  
Thomas J. Penegor

Supt. of Electric Dept.  
Michael Furmanski

Library Director  
Carolyn Stacey

Supt. of Waste Water  
and Water Departments  
Jeff Lampi

Attorney  
Ralph B. K. Peterson

December 19, 2012

Honorable Mayor, Members of the City Council and City Manager  
City of Escanaba, Michigan

The Comprehensive Annual Financial Report (CAFR) of the City of Escanaba, for the fiscal year ended June 30, 2012, is submitted herewith. This report was prepared by the City Controller's office. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This document includes reporting treatment as required under the Governmental Accounting Standards Board Statement No. 34 (GASB 34) model. While GASB has no direct authority over the City's financial reporting practices, in order for the auditors to provide the City with an unqualified opinion, we are required to comply with the provisions of GASB 34.

GASB 34 impacts the reporting of the City's operations, but does not change the way in which the City's accounting system functions. Simply put, we account for operations as we always have, using the various funds that have been established over the years. When reporting on our operations, however, we are required to make adjustments which result in financial statements which are considerably different than in the past. Schedules detailing this adjustment from historical reporting to GASB 34 reporting can be found on pages 19 and 21.

Some highlights of the adjustments required under GASB 34 include:

**Reporting information on a "government-wide" basis rather than on a "funds type" basis, as in the past.** Unlike private sector accounting, where financial reporting covers all operations of an entity, governmental accounting has traditionally focused on individual funds. This treatment was based on the fact that there were usually legal requirements which dictated the permissible uses of the various revenue sources; fund accounting allowed for this segregation. Moving to a "government-wide" reporting format is designed to create an overall financial picture, which was often difficult to do under the "funds type" approach.

**Changing the manner by which the financial information is aggregated and reported.** While GASB 34 still has certain "funds type" reporting requirements, the reporting process now requires a determination of which funds are defined as *major* individual funds. Once this determination is made, reporting requirements differ between major and non-major funds. This change is designed to provide greater focus on the most critical governmental operations.

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**Mission Statement:**



Enhancing the enjoyment and livability of our community by providing quality municipal services to our citizens.  
*The City of Escanaba is an equal opportunity employer and provider.*

**Changing the determination of operating results for governmental funds from a focus on *spendable resources* (cash in and cash out) to *total resources*.** Theoretically, this means that all activities reported in the government-wide financial statements will be reported in a manner similar to private sector accounting. The impact of this change is manifested in a number of areas, including infrastructure reporting and depreciation, debt service reporting and changes in accrual treatments.

The objectives of GASB 34 are varied; proponents believe that the treatment will help assess the City's *overall* financial condition, identify whether the current year's revenues were sufficient to pay for current year's services and illustrate the extent to which the City invested in capital assets. While no single reporting model will adequately respond to all of the varied objectives that financial reporting hopes to address, it would appear that the new reporting model represents an improvement in some areas and a failure in others.

The single greatest deficiency in historical governmental accounting was its failure to recognize the difference between operating expenses and capital expenditures. Clearly, an entity which is putting a significant amount of its resources into infrastructure should be better positioned for the future than an entity which is spending 100% of its resources on operations. Governmental accounting failed to make this differentiation, while the new model takes a step in this direction. Similarly, by recognizing depreciation on those assets, it illustrates that there are costs in running a city beyond the cash that is being expended.

Additionally, by instituting a full accrual position for expenses, the new model accounts for future obligations which could impact financial health for a number of years. Finally, the model provides information on the total costs to run the City, something that was difficult to create under the former reporting model.

On the negative side, the infrastructure reporting is, by definition, incomplete. The City's information was developed based on records from 1980 forward. Because many of the City's assets have been in place for a significantly longer period, they are ignored by this process. As time goes on, the infrastructure reporting will become more meaningful.

Additionally, the reporting format's emphasis on government-wide analysis suffers from the very diverse nature of City operations. For instance, if the City had one extremely "profitable" function, but all other functions were having difficulties, the new reporting model could net out to show that we were in good condition financially. This means little, however, if one of the struggling operations has no avenues available to it to reverse the negative trend.

With the submission of this Comprehensive Annual Financial Report, the City has met the requirements as set forth in GASB 34. While the "government-wide" reporting requirements of GASB 34 provides an important tool in analyzing City operations, analysis of this information as it relates to individual funds is very difficult. For this reason, we have also provided additional information which GASB 34 does not require, including detailed "funds type" reporting of all of the City's governmental funds. This means that readers can use either or both of the reporting models - traditional and GASB 34 - to obtain the information they require and to best determine the financial results of the City's operations.

The notes which are provided in the financial section are considered essential to fair presentation and adequate disclosure for this financial report. The notes include Note 1 - "Summary of Significant Accounting Policies" for the City, beginning on page 26, and other necessary disclosure of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

### Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Controller's Office. I would like to express my appreciation to the members of the staff who assisted and contributed to its preparation: Debbie Jussila and Melissa Becotte.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Dewar", with a long horizontal flourish extending to the right.

Michael Dewar, C.P.A.  
City Controller

**FINANCIAL SECTION**



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal

Kevin C. Pascoe, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the  
City Council and City Manager  
City of Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Escanaba, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escanaba, Michigan, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the City of Escanaba's internal control over financial reporting and on our tests of its compliance

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City Council and City Manager  
City of Escanaba, Michigan

with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 our 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escanaba, Michigan's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information

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City Council and City Manager  
City of Escanaba, Michigan

is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 17, 2012

## Management Discussion and Analysis

The City of Escanaba's Comprehensive Annual Financial Report (CAFR) consists of a variety of information, some of which is required and some of which is provided as supplementary information. All of the information is included in an effort to assist a reader in understanding the City's financial position. This section, Management Discussion and Analysis (MD&A), is a required component of the CAFR.

CAFR reporting requirements include two distinct types of governmental financial reporting – “funds-type” financial statements and “government-wide” financial statements. “Funds-type” financial statements mirror the traditional reporting methodology, while “government-wide” financial statements represent financial reporting of all City activities utilizing a common reporting format. While the differences into the two reporting models are numerous, the purpose of the “government-wide” financial statements is to consolidate the City's numerous funds into one total entity and to use accounting treatment similar to that used in the private sector. As such, it treats capital expenditures as investments, rather than expenses, and depreciates those investments over their anticipated lives. More information regarding the reporting differences between the two approaches can be found in Notes 1(b) through 1(g) in the Notes to Financial Statements.

The introduction of “government-wide” reporting is required under Governmental Accounting Standards Board Statement No. 34 (GASB 34). All of the contents of this document through page 80 are required under GASB 34; information following that point is considered supplementary information.

The reporting methodology of the City's CAFR is based upon the concept of a pyramid; the top of the pyramid is represented on pages 16 and 17 – the Statement of Net Assets and the Statement of Activities. These schedules combine all City operations and adjust their reporting format into a common methodology. The base of the pyramid is the individual fund information, which can be found from page 67 (Required Supplemental Information) on. Because an understanding of the reporting hierarchy will assist the reader in understanding the financial results of the City's operations, the following information will review the individual government statements in an order which provides a transition from “funds -type” reporting to “government -wide” reporting.

### Governmental Funds Balance Sheet

This document, found on page 18, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2012. Under this format, no recognition is made for infrastructure assets and no distinction is made between operating expenditures and capital expenditures. Each fund carries a fund balance, which represents a total of available spendable resources for future activities. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the



traditional governmental accounting format. This statement becomes the basis for transitioning to “government-wide” financial statement presentation.

### **Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

This document, which can be found on page 19, illustrates the process of converting the Governmental Funds Balance Sheet to the corresponding amounts used in the “government-wide” Statement of Net Assets (page 16). Essentially, the process recognizes the capital assets, the corresponding depreciation and the long-term borrowing which have been created by governmental funds over the years. To put it in another way, rather than treating capital expenditures as another operating expense, it treats these expenditures as an asset which will be utilized into future years.

It can be noted that the total net assets calculated on this schedule – just under \$39 million - is the same figure which is used on the previously referenced Statement of Net Assets.

### **Governmental Funds Revenues, Expenditures and Changes in Fund Balances**

This document, found on page 20, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2012. As discussed previously, uses of available resources are treated as expenditures, regardless of the character of the expenditure. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format.

During the year, the City saw an increase of over \$554,000 in the combined fund balances of these funds. If the unrealized gain on sale of investments - which is discussed in Notes to Financial Statements 1(L) - is removed from this calculation, as it neither increases or decreases available spendable resources, the increase in fund balance falls to nearly \$479,000. The increase was realized despite deficits in the General Fund and Land Development Fund, primarily attributable to large surpluses in the Major Street Fund and Local Street Fund - resulting from low snowfall amounts during the winter maintenance season - the Downtown Development Authority Fund and several of the revolving loan funds.

### **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities**

This document, which can be found on page 21, illustrates the process of converting the traditional statement of revenues, expenditures and increases(decreases) in fund balance (page 20) to the corresponding amounts used in the “government-wide” Statement of Activities (page 17). Essentially, the process eliminates expenditures which create capital assets and reduce long-term debt and recognizes depreciation expense and various transactions on a modified accrual basis. With this conversion, the City’s traditional fund basis accounting system is transformed into financial statements which would mirror private sector accounting treatment. It can be noted that once this

conversion process is completed, we see a decrease in net assets of over \$700,000, resulting primarily from the fact that depreciation on City assets exceeded capital expenditures by over \$868,000 and losses of over \$305,000 were incurred in our internal service funds during the fiscal year.

The remaining documents which are required under GASB 34 (pages 22-24) represent our enterprise and internal service funds. Because these funds have always been accounted for in a manner which mirrors private sector accounting, there is no need to “convert” this information, as was required with the governmental funds, prior to their inclusion in the “government -wide” financial statements reflected on pages 16 and 17. Detailed information in these remaining statements can be traced to the individual funds found later in the CAFR.

### Statement of Net Assets

As discussed previously, this document (page 16) summarizes the financial position of all City operations, modified as required into a private sector format, as of June 30, 2012. Below is a summarized comparison of this year's statement to last year's:

Assets	<u>Y/E 6/30/2012</u>	<u>Y/E 6/30/2011</u>	<u>Yr. to Yr. Change</u>
Current Assets			
Cash/Investments			\$743,823
Receivables	\$30,414,562	\$29,670,739	(939,357)
Other Assets	5,552,642	6,491,999	(62,871)
	3,158,042	3,220,913	
Noncurrent Assets			
Restricted Assets			(1,751,305)
Capital Assets	373,560	2,124,865	2,383,238
Accumulated Depreciation	114,226,204	111,842,966	(2,335,291)
	<u>(58,678,857)</u>	<u>(56,343,566)</u>	
<b>TOTAL ASSETS</b>	<u>\$95,046,153</u>	<u>\$97,007,916</u>	<u>(\$1,961,763)</u>
Liabilities			
Current Liabilities			(\$231,387)
Noncurrent Liabilities	\$5,648,394	\$5,879,781	(796,217)
	<u>10,321,924</u>	<u>11,118,141</u>	
<b>TOTAL LIABILITIES</b>	<u>\$15,970,318</u>	<u>\$16,997,922</u>	<u>(\$1,027,604)</u>
<b>NET ASSETS</b>	<u>\$79,075,835</u>	<u>\$80,009,994</u>	<u>(\$934,159)</u>

As noted previously, governmental activities ended the fiscal year with a decrease in net assets; business-type activities also saw a decrease in net assets. While the water utility and the wastewater utility saw increases in net assets, the electric utility incurred a decrease in net assets in excess of \$728,000. This decrease in electric utility assets had been projected and continues a period where the City has intentionally subsidized electric rates with the objective of minimizing the impact of increases on its customers. It is believed that major changes in the electric operations – including the sale of the generation operations and the purchase of power supplies by contract – will allow the City to reduce its electric rates and eliminate the operating losses of the past several years. As part of this process, the City restructured and lowered their electric rates in the fiscal year which began on July 1, 2012.

Cash and investments increased by nearly \$744,000, in part due to the reduction in receivables.

Restricted capital assets saw a decrease of over \$1.75 million, reflecting the expenditure of bond proceeds in connection with the completion of the water plant's new intake project. This project represented a major portion of the increase in capital assets, up \$2.38 million, with depreciation charges in a similar amount offsetting this investment. Detailed information on the nature and purpose of the changes in capital investments can be found under Note 7 – Capital Assets.

It should be noted that this statement includes the Escanaba Housing Commission (Harbor Towers) as a component unit; this is required under accounting convention. Other than the ability to appoint board members, however, the City exercises no control over the day to day operations of this entity, nor does it have any financial commitment.

### Statement of Activities

As discussed previously, this document (page 17) summarizes the revenues and expenses for all City operations, modified as required into a private sector format, for the year ended June 30, 2012. As discussed in the Statement of Net Assets, the results in this document show a decrease in net City assets of over \$1,000,000, with the majority of the decrease coming in the governmental activities. As discussed previously, the majority of the decrease results from the depreciation expense exceeding the capital outlay in these funds, combined with an overall loss in the internal service fund activities.

This document segments revenues into various categories and further distinguishes between direct revenues (attributable to specific functions) and general revenues, such as taxes and State shared revenues. The result, reflected in the Total column, represents the net cost of the various activities.

Total governmental activities' expenses, modified under the private sector reporting format, were \$10.5 million for the year, a decrease of \$611,000 from the prior year. Total expenses for business-type activities were \$23.1 million, a decrease of nearly \$3.7 million, primarily reflecting changes in the electric utility and the manner in which the City procures its power supply needs. Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, was nearly \$7.6 million. A significant portion of these expenses are offset, however, by the general revenues listed at the bottom of the schedule.

These revenues, which include interest earnings and gains and losses on investments, showed little change from the prior year.

While the schedules on page 16 and 17 are instructive for comparative purposes, readers need to examine the individual funds in order to isolate individual fund performance.

### **Bonded Debt**

During the fiscal year, the City made payments of \$725,000 on the City's bonded debt; as no new debt was incurred, we saw our outstanding bonded debt decrease from \$11.345 million to \$10.620 million. There are no plans for new bonding issues in the 2012-2013 fiscal year. A complete schedule of City debt, including non-bonded long-term debt, can be found in Note 9 – Long-Term Debt.

During the most recent bond sale - December, 2010 - the City received a Standard & Poor's rating of AA-.

### **Subsequent Events**

There were no material events which occurred between the end of fiscal year 6/30/12 and the date of this report. In general, the City continues to feel the impact of the overall economic slowdown which is affecting both the State and the nation. The City will still need to confront the issue of flat or declining revenues in some sectors, while our costs continue to increase. The City continues to review all aspects of its operations on an ongoing basis, but to date, all funds continue to operate above the levels required by State law.

Additionally, the City continues its efforts to sell the electric generating plant; because the City can purchase power at rates that are substantially less than the plant can produce the power, the City has been attempting to sell the plant for several years. It is anticipated that the sale of the plant will occur by the end of the 2012 calendar year.

### **Additional Information**

The City's CAFR is designed to provide both an overall and detailed analysis of the City's operations. Any questions regarding this information or requests for additional information can be directed to my attention at City Controller, 410 Ludington Street, P.O. Box 948, Escanaba, MI 49829 or by calling (906) 789-7300.

Respectfully submitted,



Michael Dewar, C.P.A.  
City Controller

**CITY OF ESCANABA, MICHIGAN**

**STATEMENT OF NET ASSETS**

June 30, 2012

	Primary Government			Component
	Governmental	Business-	Total	Unit
	Activities	type		Escanaba
		Activities		Housing
				Commission
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and equivalents	\$ 77,014	\$ 36,191	\$ 113,205	\$ 126,951
Investments, at market	14,538,278	15,359,872	29,898,150	242,247
Sequestered cash and equivalents	403,207	-	403,207	-
<b>Receivables:</b>				
Accounts	209,815	2,688,418	2,898,233	100,122
Mortgages, land contracts and other notes	1,571,354	-	1,571,354	-
Contracts for rental property	21,022	-	21,022	-
Special assessments	12,668	-	12,668	-
Accrued interest	68,110	74,140	142,250	-
Due from other funds	2,100	-	2,100	-
Due from other governments:				
State of Michigan	566,305	332	566,637	-
Local units	7,136	-	7,136	-
Advances to other funds	331,242	-	331,242	-
Real estate held for resale	8,200	-	8,200	-
Inventory	136,290	2,284,127	2,420,417	-
Prepaid expenses	361,308	368,117	729,425	42,310
<b>Total current assets</b>	<u>18,314,049</u>	<u>20,811,197</u>	<u>39,125,246</u>	<u>511,630</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Investments, at market	-	373,560	373,560	-
Capital assets	44,196,894	70,029,310	114,226,204	8,272,132
Accumulated depreciation	(19,354,727)	(39,324,130)	(58,678,857)	(5,988,802)
<b>Net noncurrent assets</b>	<u>24,842,167</u>	<u>31,078,740</u>	<u>55,920,907</u>	<u>2,283,330</u>
<b>TOTAL ASSETS</b>	<u>\$ 43,156,216</u>	<u>\$ 51,889,937</u>	<u>\$ 95,046,153</u>	<u>\$ 2,794,960</u>
<b>LIABILITIES:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 244,467	\$ 1,781,107	\$ 2,025,574	\$ 74,838
Accrued liabilities	-	-	-	86,108
Accrued interest	37,215	54,439	91,654	-
Claims payable	387,434	-	387,434	-
Accrued salaries and fringes	182,135	178,326	360,461	-
Customer deposits	-	248,155	248,155	-
Due to other funds	-	2,100	2,100	-
Due to other governments	89,524	-	89,524	-
Advances from other funds	-	331,242	331,242	-
Deferred revenue	6,287	1,175,138	1,181,425	-
Compensated absences, current portion	162,074	-	162,074	13,830
Notes payable, current portion	23,751	135,000	158,751	12,252
Bonds payable, current portion	220,000	390,000	610,000	-
<b>Total current liabilities</b>	<u>1,352,887</u>	<u>4,295,507</u>	<u>5,648,394</u>	<u>187,028</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	423,173	-	423,173	44,220
Note payable	23,751	-	23,751	1,131
Bonds payable	2,495,000	7,380,000	9,875,000	-
<b>Total noncurrent liabilities</b>	<u>2,941,924</u>	<u>7,380,000</u>	<u>10,321,924</u>	<u>45,351</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 4,294,811</u>	<u>\$ 11,675,507</u>	<u>\$ 15,970,318</u>	<u>\$ 232,379</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	\$ 21,971,869	\$ 22,468,938	\$ 44,440,807	\$ 2,269,947
<b>Restricted for:</b>				
Capital projects	1,142,929	-	1,142,929	-
Debt service	-	373,560	373,560	-
Other purposes	7,858,295	-	7,858,295	-
Unrestricted	7,888,312	17,371,932	25,260,244	292,634
<b>TOTAL NET ASSETS</b>	<u>\$ 38,861,405</u>	<u>\$ 40,214,430</u>	<u>\$ 79,075,835</u>	<u>\$ 2,562,581</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2012

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues			Primary Government		Component Unit
		Fees, Fines & charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,305,095	\$ 73,586	\$ 3,117	-	\$(1,228,392)	\$ -	\$(1,228,392)
Public safety	4,812,244	877,754	136,767	1,137	(3,794,586)	-	(3,794,586)
Highways, streets and public works	1,953,125	116,680	965,857	3,447	(867,141)	-	(867,141)
Sanitation	612,293	211,294	-	-	(400,999)	-	(400,999)
Community services	156,722	1,041	-	-	(155,681)	-	(155,681)
Recreation	756,673	69,879	-	-	(686,794)	-	(686,794)
Cultural	546,158	25,107	167,127	9,000	(344,924)	-	(344,924)
Urban redevelopment and housing	3,470	54,249	-	152,526	203,305	-	203,305
Economic development	224,278	-	-	-	(224,278)	-	(224,278)
Other functions	32,716	-	-	-	(32,716)	-	(32,716)
Interest on long-term debt	119,566	-	-	-	(119,566)	-	(119,566)
<b>Total governmental activities</b>	<u>10,522,340</u>	<u>1,429,590</u>	<u>1,274,868</u>	<u>166,110</u>	<u>(7,651,772)</u>	<u>-</u>	<u>(7,651,772)</u>
<b>Business-type activities:</b>							
Electric utility	19,645,390	19,015,416	-	-	-	(629,974)	(629,974)
Water utility	1,941,732	2,069,532	-	-	-	127,790	127,790
Waste water utility	1,204,660	1,336,012	-	-	-	131,352	131,352
Marina activity	333,767	279,178	-	-	-	(63,589)	(63,589)
<b>Total business-type activities</b>	<u>23,125,549</u>	<u>22,691,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434,421)</u>	<u>(434,421)</u>
<b>Total primary government</b>	<u>\$33,647,889</u>	<u>\$24,120,718</u>	<u>\$ 1,274,868</u>	<u>\$ 166,110</u>	<u>(7,651,772)</u>	<u>(434,421)</u>	<u>(8,086,193)</u>
<b>Component Unit:</b>							
Escanaba Housing Commission	<u>\$ 1,189,545</u>	<u>\$ 472,879</u>	<u>\$ 244,931</u>	<u>\$ 169,185</u>	<u>-</u>	<u>-</u>	<u>(301,570)</u>
<b>General revenues:</b>							
Property taxes				4,818,907	-	4,818,907	-
State revenue sharing				1,193,008	-	1,193,008	-
Unrestricted grants and contributions				20,512	-	20,512	-
Unrestricted gain (loss) on sale of assets				1,770	2,317	4,087	-
Unrestricted investment earnings (losses)				140,272	429,782	570,054	3,412
State grant				-	69,528	69,528	-
Interest subsidy				-	74,343	74,343	-
Miscellaneous				310,768	13,800	324,568	159,570
Transfers				463,624	(463,624)	-	-
<b>Total general revenues and transfers</b>				<u>6,948,861</u>	<u>126,146</u>	<u>7,075,007</u>	<u>162,982</u>
Change in net assets				(702,911)	(308,275)	(1,011,186)	(138,588)
Net assets, beginning of year				39,564,316	40,445,678	80,009,994	2,701,169
Add: Contributed capital				-	77,027	77,027	-
<b>Net assets, end of year</b>				<u>\$38,861,405</u>	<u>\$40,214,430</u>	<u>\$79,075,935</u>	<u>\$ 2,562,581</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and equivalents	\$ 10,523	\$ 66,681	\$ 77,204
Investments, at market	3,739,142	8,659,945	12,399,087
Sequestered cash and equivalents	-	403,207	403,207
Receivables:			
Accounts, net of bad debt allowance	164,100	28,114	192,214
Mortgages, land contracts and other notes	-	1,571,354	1,571,354
Contracts for rental property	21,022	-	21,022
Special assessments	8,791	3,877	12,668
Accrued interest	20,282	38,684	58,966
Due from other funds:			
Grants Fund	120,229	-	120,229
Sanitary Landfill Fund	7,996	-	7,996
Risk Retention Fund	9,560	-	9,560
Due from other governments:			
State of Michigan	29,996	341,270	371,266
Delta County	-	7,136	7,136
Advances to other funds	275,298	331,242	606,540
Real estate held for resale	-	8,200	8,200
Inventory	136,290	-	136,290
Prepaid expenses	114,550	-	114,550
<b>TOTAL ASSETS</b>	<b>\$ 4,657,779</b>	<b>\$ 11,459,710</b>	<b>\$ 16,117,489</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 142,497	\$ 75,015	\$ 217,512
Accrued salaries and fringes	161,698	-	161,698
Due to other funds	-	128,225	128,225
Due to other governments	89,404	120	89,524
Deferred revenue	54,835	58,927	113,762
<b>TOTAL LIABILITIES</b>	<b>448,434</b>	<b>262,287</b>	<b>710,721</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventory	136,290	-	136,290
Prepays	114,550	-	114,550
Restricted:			
Principal	-	1,094,634	1,094,634
Capital improvements	-	48,295	48,295
Major streets	-	1,650,480	1,650,480
Local streets	-	618,114	618,114
Economic Development	-	2,222,278	2,222,278
150 Year Celebration	-	29	29
Revolving loans	-	3,122,947	3,122,947
UPSET expenses	-	63,223	63,223
Future DDA projects	-	176,938	176,938
Brownfield	-	4,286	4,286
Assigned:			
Economic Development	-	147,880	147,880
Sanitary landfill	-	20,831	20,831
Parking lots	-	922	922
Capital improvements	-	1,716,559	1,716,559
Housing rehab	-	196,000	196,000
Library operations	-	95,096	95,096
Drug law enforcement	-	18,911	18,911
Unassigned	3,958,505	-	3,958,505
<b>TOTAL FUND BALANCES</b>	<b>4,209,345</b>	<b>11,197,423</b>	<b>15,406,768</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,657,779</b>	<b>\$ 11,459,710</b>	<b>\$ 16,117,489</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balances for governmental funds		\$ 15,406,768
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 658,955	
Land improvements	5,383,003	
Buildings and improvements	3,007,043	
Parking lots	439,709	
Vehicles and equipment	2,418,605	
Infrastructure	18,311,527	
Less:		
Accumulated depreciation	<u>(11,748,140)</u>	18,470,902
Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as enterprise activities. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.		
		5,434,583
This amount reflects the State Revenue Sharing receivable that is subject to full accrual recognition but not for modified accrual.		
		195,039
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Accrued interest on long-term debt	\$ (613)	
Bonds payable	(120,000)	
Note payable	(47,502)	
Compensated absences and FICA	<u>(585,247)</u>	(753,362)
Deferred revenue reported as a liability on the balance sheet of the fund financial statements has been recognized as a revenue in the Statement of Activities and has been removed from the Statement of Net Assets.		
		<u>107,475</u>
Total net assets of governmental activities		<u>\$38,861,405</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

For the year ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 4,626,830	\$ 307,454	\$ 4,934,284
Licenses and permits	2,015	-	2,015
Local sources	13,256	169,477	182,733
State grants	1,328,105	978,190	2,306,295
Federal sources	70,975	152,527	223,502
Charges for services	196,052	882,780	1,078,832
Fines and forfeitures	61,108	96,793	157,901
Interest and dividends	-	18,086	18,086
Miscellaneous	183,728	329,342	513,070
<b>TOTAL REVENUES</b>	<b>6,482,069</b>	<b>2,934,649</b>	<b>9,416,718</b>
EXPENDITURES:			
General government	1,134,459	-	1,134,459
Public safety	3,962,280	779,675	4,741,955
Highways, streets and public works	519,864	820,005	1,339,869
Sanitation	612,293	-	612,293
Community services	22,148	134,574	156,722
Recreation	575,595	-	575,595
Cultural	175	549,057	549,232
Urban redevelopment and housing	-	3,470	3,470
Economic development	-	210,895	210,895
Other functions	32,716	-	32,716
Debt service	-	48,582	48,582
<b>TOTAL EXPENDITURES</b>	<b>6,859,520</b>	<b>2,546,258</b>	<b>9,405,778</b>
EXCESS REVENUES (EXPENDITURES)	(377,451)	388,391	10,940
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	25,387	49,867	75,254
Operating transfers in	731,324	479,226	1,210,550
Operating transfers out	(460,590)	(282,136)	(742,726)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>296,121</b>	<b>246,957</b>	<b>543,078</b>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(81,330)	635,348	554,018
Fund balances, beginning of year	4,290,675	10,562,075	14,852,750
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,209,345</b>	<b>\$ 11,197,423</b>	<b>\$ 15,406,768</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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, 2012

Net changes in fund balances - total governmental funds	\$ 554,018
The change in net assets 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 capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$74,959) exceeds depreciation expense (\$943,023) and the removal of fixed assets (\$0).	(868,064)
Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as an enterprise activity. This is the net revenue (expense) of the internal service fund that is reported with the governmental activities.	(305,891)
Repayment of debt principal is an expenditure in the governmental funds but reduces the debt liability in the Statement of Net Assets.	
Principal repayments:	
DDA	40,000
CDBG Program	23,750
This amount reflects the deferred revenue reported in the fund financial statements that is recognized as revenue in the Statement of Activities.	(115,377)
This amount reflects the State Revenue Sharing revenue that is subject to full accrual recognition but not for modified accrual.	(69,492)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than when it accrues. This adjustment combines the following net changes:	
Compensated absences and FICA	37,941
Accrued interest on debt	204
Changes in net assets of governmental activities	<u>\$ (702,911)</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

June 30, 2012

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>						
Current assets:						
Cash and equivalents	\$ 11,916	\$ -	\$ -	\$ 24,275	\$ 36,191	\$ -
Investments, at market	12,730,908	252,328	2,289,465	87,171	15,359,872	2,139,191
Receivables:						
Accounts, net of bad debt allowance	2,180,696	313,180	187,029	7,513	2,688,418	17,601
Accrued interest	61,674	1,487	10,620	359	74,140	9,144
Due from other governments:						
State of Michigan	-	-	-	332	332	-
Due from other funds	-	-	-	-	-	2,100
Inventory	2,149,428	104,578	8,874	21,247	2,284,127	-
Prepaid expenses	320,203	47,914	-	-	368,117	246,758
Cash on deposit	-	-	-	-	-	(190)
<b>Total current assets</b>	<b>17,454,825</b>	<b>719,487</b>	<b>2,495,988</b>	<b>140,897</b>	<b>20,811,197</b>	<b>2,414,604</b>
Restricted assets:						
Investments, at market	-	138,404	235,156	-	373,560	-
Property, plant and equipment						
Less accumulated depreciation	(25,612,781)	(6,475,994)	(6,090,752)	(1,144,603)	(39,324,130)	(7,606,587)
<b>Net property, plant and equipment</b>	<b>9,261,709</b>	<b>13,681,799</b>	<b>6,110,533</b>	<b>1,651,139</b>	<b>30,705,180</b>	<b>6,371,265</b>
<b>TOTAL ASSETS</b>	<b>\$26,716,534</b>	<b>\$14,539,690</b>	<b>\$ 8,841,677</b>	<b>\$ 1,792,036</b>	<b>\$51,889,937</b>	<b>\$ 8,785,869</b>
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 1,602,723	\$ 160,196	\$ 638	\$ 17,550	\$ 1,781,107	\$ 26,955
Customer deposits	248,155	-	-	-	248,155	-
Claims payable	-	-	-	-	-	387,434
Accrued salaries, wages and fringes	63,954	49,341	65,031	-	178,326	20,437
Accrued interest payable	-	51,362	3,077	-	54,439	36,602
Due to other funds	-	-	-	2,100	2,100	9,560
Payable from restricted assets:						
Current portion of revenue bonds	-	-	135,000	-	135,000	-
Deferred revenue	1,173,252	1,300	-	586	1,175,138	-
Bonds payable:						
Current portion of revenue bonds	-	390,000	-	-	390,000	180,000
<b>Total current liabilities</b>	<b>3,088,084</b>	<b>652,199</b>	<b>203,746</b>	<b>20,236</b>	<b>3,964,265</b>	<b>660,988</b>
Long-term liabilities:						
Advance from other funds:						
Land Development Fund	-	-	-	331,242	331,242	-
General Fund	-	-	-	-	-	275,298
Bonds payable	-	6,950,000	430,000	-	7,380,000	2,415,000
<b>Total long-term liabilities</b>	<b>-</b>	<b>6,950,000</b>	<b>430,000</b>	<b>331,242</b>	<b>7,711,242</b>	<b>2,690,298</b>
<b>TOTAL LIABILITIES</b>	<b>3,088,084</b>	<b>7,602,199</b>	<b>633,746</b>	<b>351,478</b>	<b>11,675,507</b>	<b>3,351,286</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	9,261,709	6,341,799	5,545,533	1,319,897	22,468,938	3,500,967
Unrestricted	14,366,741	457,288	2,427,242	120,661	17,371,932	1,933,616
Restricted for:						
Debt service	-	138,404	235,156	-	373,560	-
<b>Total net assets</b>	<b>23,628,450</b>	<b>6,937,491</b>	<b>8,207,931</b>	<b>1,440,558</b>	<b>40,214,430</b>	<b>5,434,583</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$26,716,534</b>	<b>\$14,539,690</b>	<b>\$ 8,841,677</b>	<b>\$ 1,792,036</b>	<b>\$51,889,937</b>	<b>\$ 8,785,869</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the year ended June 30, 2012

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,199
City's contribution for employees	-	-	-	-	-	152,375
Charges for services	19,015,416	2,069,522	1,336,012	267,501	22,688,451	-
Equipment rental	-	-	-	-	-	776,541
Provision for self-insurance	-	-	-	-	-	173,926
Miscellaneous	-	-	-	2,677	2,677	472,846
<b>TOTAL OPERATING REVENUES</b>	<b>19,015,416</b>	<b>2,069,522</b>	<b>1,336,012</b>	<b>270,178</b>	<b>22,691,128</b>	<b>1,583,887</b>
<b>OPERATING EXPENSES:</b>						
General government	-	-	-	-	-	1,255,032
Enterprises	-	-	-	249,408	249,408	-
Capital projects	-	-	-	-	-	42,389
Production	16,412,800	376,867	255,642	-	17,045,309	-
Transmission and distribution	253,302	140,086	80,616	-	474,004	-
Station	-	-	22,760	-	22,760	-
Customer service	24,428	33,102	25,121	-	82,651	-
Administrative and general	1,518,202	552,530	413,649	-	2,484,381	-
Provision for depreciation	885,588	373,323	215,700	69,103	1,543,714	498,618
Overhead to utilities	551,070	187,337	178,191	-	916,598	-
<b>TOTAL OPERATING EXPENSES</b>	<b>19,645,390</b>	<b>1,663,245</b>	<b>1,191,679</b>	<b>318,511</b>	<b>22,818,825</b>	<b>1,796,039</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(629,974)</b>	<b>406,277</b>	<b>144,333</b>	<b>(48,333)</b>	<b>(127,697)</b>	<b>(212,152)</b>
<b>NON-OPERATING REVENUE (EXPENSES):</b>						
State grant	-	-	-	69,528	69,528	-
Gain (loss) on sale of investments	84,161	1,482	12,560	122	98,325	6,198
Rent received	-	13,800	-	-	13,800	-
Interest subsidy	-	74,343	-	-	74,343	-
Gain (loss) on sale of property	2,317	-	-	-	2,317	(1,533)
Interest earnings	278,749	15,514	36,500	694	331,457	38,734
Interest expense	-	(278,487)	(12,981)	(15,256)	(306,724)	(134,938)
Operating transfers out	(463,624)	-	-	-	(463,624)	(21,600)
Operating transfers in	-	-	-	-	-	17,400
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(98,397)</b>	<b>(173,348)</b>	<b>36,079</b>	<b>55,088</b>	<b>(180,578)</b>	<b>(93,739)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(728,371)</b>	<b>232,929</b>	<b>180,412</b>	<b>6,755</b>	<b>(308,275)</b>	<b>(305,891)</b>
Total net assets, beginning of year	24,279,794	6,704,562	8,027,519	1,433,803	40,445,678	5,740,474
Add: Contributed capital	77,027	-	-	-	77,027	-
<b>TOTAL NET ASSETS, END OF YEAR</b>	<b>\$24,628,450</b>	<b>\$ 6,937,491</b>	<b>\$ 8,207,931</b>	<b>\$ 1,440,558</b>	<b>\$40,214,430</b>	<b>\$ 5,434,583</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM ACTIVITIES:</b>						
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,574
Cash received from customers	19,149,257	2,018,790	1,320,045	276,874	22,764,966	46,133
Cash received from other funds for services	-	-	8,991	-	8,991	1,360,595
Cash payments to suppliers for goods and services	(14,838,670)	(243,957)	(583,303)	(168,090)	(15,834,020)	(734,091)
Cash payments to employees for services	(3,694,883)	(914,086)	(389,916)	(71,771)	(5,070,656)	(177,553)
Cash payments to other funds for services	(16,683)	(37,733)	(34,339)	(1,981)	(90,736)	-
Cash payment of benefits	-	-	-	-	-	(119,674)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>599,021</b>	<b>823,014</b>	<b>321,478</b>	<b>35,032</b>	<b>1,778,545</b>	<b>535,984</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Net interfund loan transactions	-	-	-	52,042	52,042	-
Operating transfers out	(463,624)	-	-	-	(463,624)	17,400
Operating transfers in	-	-	-	-	-	(21,600)
<b>NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(463,624)</b>	<b>-</b>	<b>-</b>	<b>52,042</b>	<b>(411,582)</b>	<b>(4,200)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from the sale of equipment	2,317	-	-	-	2,317	1,276
Acquisition and construction of capital assets	(1,372,600)	(2,001,956)	(15,221)	(139,056)	(3,528,833)	(383,452)
Principal paid on bond maturities/advances	-	(380,000)	(130,000)	-	(510,000)	(217,113)
Interest paid	-	(193,751)	(13,662)	(15,256)	(222,669)	(137,126)
State grant	-	-	-	83,450	83,450	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>(1,370,283)</b>	<b>(2,575,707)</b>	<b>(158,883)</b>	<b>(70,662)</b>	<b>(4,175,735)</b>	<b>(736,421)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Gain (loss) on sale of investments	84,161	1,482	12,560	122	98,325	-
Interest received	258,639	15,427	32,866	642	307,574	44,616
Rent received	-	13,800	-	-	13,800	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>342,800</b>	<b>30,709</b>	<b>45,426</b>	<b>764</b>	<b>419,699</b>	<b>44,616</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(892,086)</b>	<b>(1,721,984)</b>	<b>208,021</b>	<b>16,976</b>	<b>(2,389,073)</b>	<b>(160,021)</b>
Cash and equivalents, beginning of year	13,634,910	2,112,716	2,316,600	94,470	18,158,696	2,299,212
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 12,742,824</b>	<b>\$ 390,732</b>	<b>\$ 2,524,621</b>	<b>\$ 111,446</b>	<b>\$ 15,769,623</b>	<b>\$ 2,139,191</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (629,974)	\$ 386,672	\$ 144,333	\$ (48,333)	\$ (147,302)	\$ (212,152)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	885,588	373,323	215,700	69,103	1,543,714	498,618
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(369,070)	(28,882)	(6,976)	6,110	(398,818)	289,309
(Increase) decrease in inventories	(3,920)	(9,322)	(1,195)	3,461	(10,976)	-
(Increase) decrease in prepaid expenses	140,943	2,533	-	-	143,476	-
Increase (decrease) in accounts payable	107,208	143,962	(2,147)	2,005	251,028	(41,891)
Increase (decrease) in accruals and deferrals	438,695	(45,272)	(28,237)	586	365,772	2,100
Increase (decrease) in customer deposits	29,260	-	-	-	29,260	-
Increase (decrease) in due to other funds	291	-	-	2,100	2,391	-
<b>Total adjustments</b>	<b>1,228,995</b>	<b>436,342</b>	<b>177,145</b>	<b>83,365</b>	<b>1,925,847</b>	<b>748,136</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 599,021</b>	<b>\$ 823,014</b>	<b>\$ 321,478</b>	<b>\$ 35,032</b>	<b>\$ 1,778,545</b>	<b>\$ 535,984</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>	<u>Agency Funds</u>
<b>ASSETS:</b>			
Cash and equivalents	\$ 11,023	\$ -	\$ 11,390
Investments, at market	19,792,465	380,062	-
Receivables	-	1,752	-
<b>TOTAL ASSETS</b>	<u>\$ 19,803,488</u>	<u>\$ 381,814</u>	<u>\$ 11,390</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 8,265	\$ 92	\$ -
Due to other governments	-	-	11,390
<b>TOTAL LIABILITIES</b>	<u>\$ 8,265</u>	<u>\$ 92</u>	<u>\$ 11,390</u>
<b>NET ASSETS:</b>			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 113,482	
Bezold Trust Fund	-	268,240	
Employee's retirement system	19,795,223	-	
<b>TOTAL NET ASSETS</b>	<u>\$ 19,795,223</u>	<u>\$ 381,722</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2012

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>
<b>OPERATING REVENUES:</b>		
Interest and dividends	\$ 507,654	\$ 6,202
Gain (loss) on sale of investments	197,127	-
Contributions:		
City of Escanaba	844,170	-
Employees	121,726	-
<b>TOTAL OPERATING REVENUES</b>	<u>1,670,677</u>	<u>6,202</u>
<b>OPERATING EXPENSES:</b>		
Administrative and general	11,908	-
Benefits and refunds of member contributions	1,462,201	-
Cultural	-	7,786
<b>TOTAL OPERATING EXPENSES</b>	<u>1,474,109</u>	<u>7,786</u>
<b>OPERATING INCOME (LOSS)</b>	196,568	(1,584)
<b>OTHER FINANCING SOURCES (USED):</b>		
Gain (loss) on sales of investments	-	2,072
<b>NET INCOME (LOSS)</b>	196,568	488
Net assets, beginning of year	<u>19,598,655</u>	<u>381,234</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 19,795,223</u>	<u>\$ 381,722</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Escanaba conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

**A. Reporting Entity** - The City's financial statements include the accounts of all City operations. The primary criterion applied to an activity or entity to determine if that entity should be included in the financial statements is the degree of oversight responsibility over such entities by the City's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity. Based on these criteria and authoritative guidelines, the financial statements of the City of Escanaba include as blended funds the Escanaba Public Safety Pension Fund, the Downtown Development Authority and the Escanaba Building Authority, which are separately administered organizations controlled by the City. Additionally, the Escanaba Housing Commission is included as a discretely presented component unit. The Housing Commission is a separately administered organization, but is presented as a discrete component unit in that the City has the ability to significantly influence its operations.

For financial reporting purposes, in conformance with GASB Statements 14 and 39, the City of Escanaba (the primary government) includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's legislative branch, the City Council. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. In addition, State of Michigan, Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Component Units** - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

**Blended Component Units** - The City has three component units in which the financial data has been blended with the primary government financial statement.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Escanaba Public Safety Pension - For financial reporting purposes, the Escanaba Public Safety Pension is reported as if it were part of the City's operations because its board is appointed by the City Council and its purpose is to provide pension benefits to the City's Public Safety employees.

Downtown Development Authority - For financial reporting purposes, the Downtown Development Authority is reported as if it were part of the City's operations because the City Council maintains budgetary control and its purpose is to promote and provide financial support to the downtown merchants.

Escanaba Building Authority - For financial reporting purposes, the Escanaba Building Authority is reported as if it were part of the City's operations because its board is appointed by the City Council and its purpose is to account for the financing of the Public Works Complex and the financing and maintenance of the City Hall/Library Complex.

Discretely Presented Component Unit - The City has one discretely presented component unit for which the financial data has been included in this financial statement. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

Escanaba Housing Commission - For financial reporting purposes the Escanaba Housing Commission is discretely reported in these financial statements because the Housing Commission board is appointed, and may be removed, by the City Council. The data included in this report is for the Housing Commission's fiscal year ended September 30, 2011. A separate audit report is issued for the Housing Commission and a complete copy of this report can be obtained at:

Escanaba Housing Commission  
110 South 5th Street  
Escanaba, MI 49829

Joint Venture - The City of Escanaba is a participant with Delta County, the City of Gladstone, and local townships in a joint venture to provide for a landfill, the Delta Solid Waste Management Authority. The authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. Complete financial statements for the Delta Solid Waste Landfill can be obtained directly from Delta Solid Waste Management Authority. See Note 14 for additional information.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Delta Solid Waste Management Authority  
100 Delta Avenue  
Gladstone, Michigan 49837

**B. Basis of Presentation** - The City has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, as described below.

**Government-Wide Financial Statements** - The Statement of Net Assets and the Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements** - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following fund as a major governmental fund in accordance with the previously listed criteria:

General Fund

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

The City reports the following funds as major enterprise funds in accordance with the previously listed criteria:

Electric Utility Fund  
Water Utility Fund  
Waste Water Utility Fund

The funds of the City are described below:

**GOVERNMENTAL FUNDS**

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds used by the City are as follows:

Major Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

Parking Maintenance Fund - This fund accounts for revenues and expenditures related to the maintenance of parking lots.

Downtown Development Authority Fund - This fund accounts for revenues and expenditures in connection with developing and maintaining the Downtown Development Authority District.

Brownfield Fund - This fund accounts for the revenues and expenditures in connection with developing and maintaining qualifying properties in the Brownfield zone. The major source of revenue are taxes assessed on the growth and development of properties within the plan.

150 Year Celebration Fund - This fund accounts for the revenues and expenditures for the City's sesquicentennial celebration.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Drug Law Enforcement Fund - This fund accounts for the revenues and expenditures in connection with forfeitures received both locally and from UPSET.

Delta County Central Dispatch Authority - This fund accounts for the revenues and expenditures relating to the emergency dispatching services provided by the City.

Library Fund - This fund accounts for revenues and expenditures directly attributable to library operations.

Housing Rehab Fund - This fund accounts for revenues and expenditures attributable to the City's program of rehabilitating substandard rental and owner occupied housing. Major financing sources include the U. S. Department of Housing and Urban Development, the Michigan State Housing Development Authority and the reuse of UDAG/DIAL funds.

Grants Fund - This fund accounts for revenues from various sources, including City matching shares, received under one-time grants. Expenditures are restricted to accomplishing the goals as defined in the individual grant offers.

Urban Development Action Grant Fund (UDAG/DIAL) - This fund has been established to account for funds granted to the City by the U.S. Department of Housing and Urban Development to make a loan to the Dial Corporation to be used for Delta Plaza improvements and related expenditures. Collections of interest and principal on this loan must be used for economic development activities.

Farmers Home Grant Fund - This fund was established to account for funds granted to the City by the Rural Development Administration, United States Department of Agriculture. The grant produced \$200,000 to be used by Calouette Industrial Properties for the renovation of buildings on the former Harnischfeger site. The grant called for a \$50,000 loan and a \$150,000 grant.

E.D.A. Revolving Loan Fund -

M.S.C. Revolving Loan Fund II - These funds were established to account for funds granted to the City to make loans to concerns which show the capacity for the creation of jobs. The E.D.A. Revolving Loan Fund was established through the U.S. Department of Commerce, under its Economic Development Administrations's Title IX Adjustment Implementation Program. The M.S.C.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Revolving Loan Fund II was established through the State of Michigan's Department of Commerce Michigan Small Cities Program. Under each grant, loan repayments, including interest, are used to make further loans to concerns meeting specific criteria.

Land Development Fund - This fund accounts for revenues and expenditures in connection with the development and sale of City owned land. It was established to provide on-going financing for water, sewer, storm sewer and street development on City owned properties.

Sanitary Landfill Fund - This fund was established by City ordinance and records receipts of garbage pickup fees by the City utility billing department. Fees are used to offset landfill tipping expenses in the General Fund.

Permanent Fund - The Gas Retirement Fund is the City's only permanent fund. This fund accounts for funds received from the sale of the City's gas utility in June, 1965, to Michigan Consolidated Gas Company. By a vote of the citizens on November 2, 1965, the City is prohibited from expending any principal resulting from the sale. Additionally, the interest earned from the investment of the principal must be spent on "capital improvements" only.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. Enterprise Funds used by the City are as follows:

Electric Utility Fund - This fund is used to record the operations of an electrical system.

Water Utility Fund - This fund is used to record the operations of a water system.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Waste Water Utility Fund - This fund is used to record the operations of a waste water system.

Marina Fund - This fund is used to record the operations of a marina.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. In the government-wide financial statements, Internal Service Fund activity is included with the governmental activities. Internal Service Funds used by the City are as follows:

Escanaba Building Authority Fund - This fund is used to account for the financing of both the Public Works Complex and the City Hall/Library Complex. Such costs are billed to user departments in the form of rent.

Motor Vehicle Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing vehicle and equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Office Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing various office equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Risk Retention Fund - This fund is used to account for the City's partially self-insured general liability and property coverage.

Health Insurance Fund - This fund is used to account for the City's health, dental and life insurance programs, which were partially self-insured. During the fiscal year the City reverted back to purchased insurance for these programs.

Worker's Compensation Fund - This fund is used to account for the City's workers' compensation self-insurance program.

Unemployment Compensation Fund - This fund is used to account for the City's unemployment compensation self-insurance program.

**FIDUCIARY FUNDS**

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. Trust and Agency Funds of the City are as follows:

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**Private Purpose Trust Funds:**

Catherine Bonifas Trust Fund - This fund accounts for monies received from a bequest under the Last Will and Testament of Catherine Bonifas.

Bezold Trust Fund - This fund accounts for monies received from a bequest from the estate of Margaret Bezold.

**Pension Trust Fund:**

Public Safety Retirement Fund - This fund is used to record the operations of the public safety employees' retirement system.

**Agency Funds:**

Tax Collection Fund - This fund is used to account for the collections and payment of amounts received by the City in an agency capacity for governmental units assessing a property tax on property within the City limits.

**C. Measurement Focus and Basis of Accounting** - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

**Measurement Focus** - On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the "economic resources" focus, which is described in paragraph (b) below:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds, which include private purpose trust funds, utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

b. The proprietary funds, which include pension trust funds, utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus is the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency Funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

D. Basis of Accounting - In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

E. Assets, Liabilities and Net Assets/Fund Balances:

1. Cash and Equivalents - The City's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

2. Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables are written off on a policy based on how recently payments have been received.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

3. Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.
4. Inventory - Inventories are valued at the lower of cost or market, using the weighted average method. Inventories are recorded as an expenditure/expense at the time the individual items are consumed.
5. Fixed Assets - The accounting and reporting treatment applied to property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and on whether the assets are reported in the government-wide financial statements or the fund financial statements.

**Government-wide Statements** - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost was unavailable. Donated fixed assets are recorded at their estimated fair market value as of the date of donation.

Prior to July 1, 2002, the governmental funds infrastructure assets, the major and local street systems, were not capitalized. These assets have been valued at their estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful life of the asset using the straight-line method of depreciation. The range of estimated useful lives, by fund, is as follows:

<b>Electric Utility Fund:</b>	
Operating plant	3 - 34 years
Distribution system and equipment	4 - 40 years
<b>Water Utility Fund:</b>	
Water plant and distribution system	2 - 75 years
Equipment	2 - 20 years
<b>Waste Water Utility Fund:</b>	
Structures	10 - 50 years
Mains	30 - 75 years
Equipment	5 - 20 years
<b>Marina Fund:</b>	
Boat launch/parking	20 - 50 years
Furniture, fixtures and equipment	4 - 15 years
Marina docks, piers and walls	10 - 75 years
Harbor Master building	15 - 50 years

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Internal Service Funds (Governmental):	
Escanaba Building Authority	3 - 45 years
Motor Vehicles and Equipment	3 - 25 years
Office Equipment	3 - 10 years
Other Assets (Governmental):	
Land improvements	30 - 50 years
Buildings	20 - 50 years
Infrastructure	20 - 50 years
Equipment	5 - 30 years

**Fund Financial Statements** - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

6. Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide financial statements or the fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The accounting for long-term debt for the proprietary funds is the same in the fund financial statements as it is in the governmental-wide financial statements.

7. Compensated Absences - The City's policies regarding vacation and sick time allow employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.
8. Deferred Revenues - In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to being earned. In the fund financial statements, deferred revenue is recog-

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

nized when the revenue is unearned or unavailable.

9. Equity Classification

Government-wide Financial Statements - Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - This component consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid expenses and inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has various assigned fund balances that are specifically identified on the face of the financial statements.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

For purposes of fund balance classification, expenditures are to be spent from Restricted fund balances first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

**F. Revenues**

Government-wide Financial Statements - In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues that do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

Fund Financial Statements - In the governmental fund statements, revenues are reported by source, such as federal, state and taxes. Revenues consist of general-purpose revenues and restricted revenues. General-purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available only for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

When both general-purpose and restricted revenues are available for use, it is the City's policy to use restricted resources first.

G. Expenses/Expenditures

Government-wide Financial Statements - In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business type) and are classified by function.

Fund Financial Statements - In the governmental fund financial statements, expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and non-operating and are further classified by function, such as salaries, supplies and contracted services.

H. Operating Revenues and Expenses - Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

I. Other Financing Sources (Uses) - The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers, unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds, respectively.

J. Interfund Activity - As a general rule, the interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

Interfund receivables and payables have been eliminated from the Statement of Net Assets except for the residual amounts due between governmental and business-type activities.

K. Budget and Budgetary Accounting - The development and adoption of the City's budget is based upon requirements as set forth in both the City Charter and Act 2, P.A. of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act." The following is a summary of the significant legal

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

requirements and the City's policies.

Budgetary Basis of Accounting - Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site Funds, which require an "informational summary" in lieu of a formal budget. The City Charter requires submission of the budget to the City Council no later than two months prior to the beginning of the next fiscal year. The City Charter further defines the information required to be presented in the budget and the requirement for a public hearing prior to adoption. The City Charter and state law also require that an appropriations ordinance be adopted, based on the approved budgets, no later than one month prior to the ensuing fiscal year. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Appropriations Ordinance - As prescribed by state law, the City's annual appropriations ordinance includes the legal expenditure limitations for all Governmental Fund Types. This includes the General Fund and all Special Revenue Funds. Proprietary Funds do not require inclusion in the appropriations ordinance.

The appropriations ordinance prescribes the legal expenditure limits for all funds required to be included in the ordinance. The level of control for each fund is based upon the level to which the appropriation ordinance details it. Most budgets are adopted on a fund basis, but the General Fund is adopted on the activity level of various functions or programs within the General Fund. Administrative control of expenditures is maintained through the utilization of the detailed line item budgets upon which the appropriations ordinance is formulated.

Budget Amendment - The City Charter states that at any meeting after the passage of the appropriations ordinance, with at least one week's printed notice in a city newspaper, the Council may amend the appropriations ordinance. Budget amendments may be required due to several factors; receipt of outside grants during the year, expenditures for unanticipated developments and projects continuing over two fiscal years. Unexpended appropriations lapse at year end with the exception of the Capital Projects Funds. The budgeted amounts listed in this report are as originally adopted on May 19, 2011, and as amended by the Council on June 21, 2012.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Budgetary Calendar

1. The City holds public hearings on the budget from January through April. These publicized meetings are designed to encourage public input into City programs and are held at these times to allow integration of suggestions into the budgetary process.
2. Budgets are developed and reviewed with the City Council at budget work sessions open to the public. Department heads are given the opportunity to support their requests during these sessions.
3. The City holds two public hearings in May on the budgets, publicized and open to the public. At the second meeting, budgets are adopted and the appropriations ordinance is drafted based on the adopted budget.
4. The appropriations ordinance is formally adopted prior to June 1.
5. The City Manager is authorized to transfer budgeted amounts between line items within most funds. For the General Fund, this is limited to the activity level of various functions or programs. However, any revisions that alter the total expenditures of most funds or the activity level expenditures of the General Fund must be approved by the City Council.

L. Investments - In compliance with Governmental Accounting Standards Board Statement No. 31 (GASB 31), all investments are stated at market value as of June 30, 2012.

The primary purpose of GASB 31 is to alert financial statement users of any possible problems with investment portfolios, based on differences between cost and market. By requiring that financial statements reflect investments at market, it effectively requires that any differences between cost and market values - unrealized gains and losses - are treated as recognized gains and losses. The treatment of recognizing unrealized gains and losses is recorded on the City's books as "Gain (loss) on sale of investments" in each of the City's funds that this applies to.

The creation of unrealized gains and losses is a condition resulting from the change in interest rates which occurs continuously in the world's financial markets. Generally, as interest rates fall, the market value of investments rise and as interest rates rise, the market value of investments fall. While techniques can be used to minimize this impact and to predict future interest rate direction, the reality is that these changes are a simple fact of investing. GASB 31 was an attempt to recognize that as these changes occur in financial markets, it can impact an entity's future funds availability. Numerous governmental entities have suffered major financial impacts resulting

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

from these shifts in market conditions. Theoretically, by recording investments at market, financial statement readers are alerted to potential problems of this nature.

The problem with GASB 31 is that it requires the recognition of revenue that hasn't been, and may never be, received. Not only does this impact the financial statements in a manner which cannot be reasonably budgeted for, it can lead to even greater distortions in future years. The basic structure of the City's portfolio is a "laddering" approach; as funds become available for investing, they are generally invested for a duration longer than the investments which are currently owned, depending on the rates that the market is providing. As a result, the City has investments maturing on a regular basis. Having to sell investments at a loss in order to raise cash will seldom, if ever, occur.

Because the City believes that the imposition of GASB 31 on the City's financial statements has an inappropriate effect, the schedule below details, for each fund impacted, the audited results, the impact of GASB 31, and the financial results without the imposition of GASB 31.

Fund	Audited Results	GASB 31 Impact	Actual Results
General Fund	\$ (81,330)	\$ (25,387)	\$ (106,717)
Electric Utility Fund	(728,371)	(84,161)	(812,532)
Major Street Fund	293,231	(9,847)	283,384
Local Street Fund	144,349	(3,795)	140,554
Parking Maintenance Fund	(41)	37	(4)
Marina Fund	6,755	(122)	6,633
Downtown Development Authority	53,592	(642)	52,950
Brownfield Fund	88	(75)	13
Drug Law Enforcement Fund	(36,533)	(118)	(36,651)
Delta County Central Dispatch	-	166	166
Library Fund	14,159	(902)	13,257
Housing Rehab (Fund 274)	17,822	(1,046)	16,776
UDAG/DIAL Grant Fund	55,283	(7,924)	47,359
E.D.A. Revolving Loan Fund	42,865	(5,930)	36,935
Farmers Home Grant Fund	1,936	(522)	1,414
M.S.C. Revolving Loan Fund II	38,523	(5,513)	33,010
Water Utility Fund	232,929	(1,482)	231,447
Escanaba Building Authority	18,547	(2,031)	16,516
Land Development Fund	(85,140)	(7,299)	(92,439)
Waste Water Utility Fund	180,412	(12,560)	167,852
Motor Vehicle Fund	(322,113)	(1,400)	(323,513)
Office Equipment Fund	47,927	(539)	47,388
Risk Retention Fund	(44,087)	(146)	(44,233)
Health Insurance Fund	81,317	157	81,474
Catherine Bonifas Trust	2,453	(629)	1,824
Bezold Trust Fund	(1,965)	(1,443)	(3,408)
Worker's Compensation Fund	(82,594)	(2,593)	(85,187)
Gas Retirement Fund	42,275	(6,189)	36,086
Unemployment Compensation Fund	(4,888)	(1,646)	(6,534)
Sanitary Landfill Fund	(154)	(268)	(422)

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**M. Post-retirement Benefits** - Post-retirement benefits consist primarily of pension benefits as explained in Note 8.

**N. Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - BUDGET NONCOMPLIANCE**

The City has not complied with certain provisions of the Michigan Uniform Budgeting and Accounting Act. Items of noncompliance are as follows.

The following functions in the General Fund were overspent:

Community Promotion	\$ 135
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The following funds were overspent:

Land Development Fund	\$ 1,959
Sanitary Landfill Fund	57

**NOTE 3 - CASH, DEPOSITS AND INVESTMENTS**

Cash balances of most City funds are pooled for investment purposes. Interest earnings and any net short-term gains on sales of investments purchased with pooled funds are allocated monthly to each of the funds based on their daily equity balance. The carrying amount of pooled cash and investments on June 30, 2012 and 2011 was \$30,466,383 and \$29,371,202, respectively.

The City also has several funds which do not participate in the investment pool. The majority of non-pooled cash and investments is owned by the Public Safety Pension Fund. The carrying amount of non-pooled cash and investments as of June 30, 2012 and 2011 was \$20,516,679 and \$22,416,240, respectively.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3 - CASH, DEPOSITS AND INVESTMENTS - (continued)**

The investment of City funds is governed by state statutes. In general, state statutes provide that the City is authorized to invest their pooled funds in bonds, direct obligations and repurchase agreements of the United States Government or an agency of the same; deposits in insured financial institutions having their primary office in Michigan; commercial paper rated prime; banker's acceptances issued by United States banks; and mutual funds that invest in any of the preceding investments.

The major restriction placed on non-pooled investments is based on state statutes governing the Public Safety Pension Fund. These statutes define the types of investments (including equity investments, which are not legal for the pooled funds) that the fund can make and further define the permitted ratios of investments. In addition, the Public Safety Pension Fund governing board currently has a sixty-five (65) percent ceiling on equities as a proportion of total investments.

Investment requirements imposed by local bonding ordinances are an additional restriction placed on non-pooled deposits and investments. These ordinances require funds which serve as bond reserves to be separately invested in obligations of the United States Government or its agencies or instrumentalities.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Deposits - At June 30, 2012, the carrying amount of the City's deposits was \$13,621,563 and the bank balance was \$13,683,215. Of the bank balance, \$422,698 was covered by federal depository insurance and \$13,260,516 was uninsured and uncollateralized. Cash and equivalents on the statement of net assets also includes \$4,125 of cash on hand.

Cash Equivalents - Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. Examples of cash equivalents include treasury bills, commercial paper, money market funds, and cash management pools.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3 - CASH, DEPOSITS AND INVESTMENTS - (continued)**

A reconciliation of cash and investments to bank deposits and total investments is as follows:

Government-wide Statement of Net Assets

Presentation:

Cash and equivalents	\$ 113,205
Investments, at market	29,898,150
Sequestered cash and equivalents	403,207
Restricted cash and investments	<u>373,560</u>
 Subtotal	 <u>30,788,122</u>

Statement of Fiduciary Net Assets

Presentation:

Cash and equivalents	22,413
Investments, at market	<u>20,172,527</u>
 Subtotal	 <u>20,194,940</u>

**TOTAL** \$ 50,983,062

The City's investments are stated at fair value, which is determined using the current stock and bond indexes, as appropriate. For investments that do not have established market values, estimated fair value is used.

The following schedule lists the investments and maturities of the City as of June 30, 2012:

	<u>Investment Maturities (In Years)</u>				
	<u>Market</u>	<u>Less than One</u>	<u>One to Five</u>	<u>Six to Ten</u>	<u>Over Ten</u>
Investments:					
Operating Funds:					
U. S. Treasury Obligations	\$10,999,590	\$ 5,016,203	\$ 5,206,886	\$ -	\$ 776,501
CD's listed as investments	<u>5,334,743</u>	<u>4,065,797</u>	<u>1,267,946</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$16,334,333</u>	<u>\$ 9,083,000</u>	<u>\$ 6,474,832</u>	<u>\$ -</u>	<u>\$ 776,501</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3 - CASH, DEPOSITS AND INVESTMENTS - (continued)**

In addition to the above holdings, the City (which includes funds held by the Public Safety Officer Pension Trust Fund (PSO)), had the following holdings, which are also recorded at market value:

	<u>Market Value</u>
Investment:	
Operating Funds:	
Money Market Funds:	
Morgan Stanley	\$ 1,230,576
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	2,115,903
Eaton Vance Fund of Boston	2,088,468
Vanguard 500 Index Fund	4,823,770
Vanguard Total Bond Market Index Fund	5,164,557
JP Morgan Mid Cap Value Fund	4,581,173
Dimensional International Value Fund	<u>1,018,594</u>
	<u>\$21,023,041</u>

**Interest Rate Risk** - The City's investment policy follows state law with the exception that while state law has no maximum maturity on investments, the City requires that investments not exceed twelve years. None of the City's investments exceeded this threshold. The PSO's investments are in mutual fund investment pools which are not subject to interest rate risk disclosure.

**Credit Risk** - The City's and the PSO's investment policies follows state law. Of the U.S. Treasury investments listed on the previous page, \$6,270,637 was rated AAA by Moody's rating service. The balance of \$4,728,953 was not separately rated. The money market funds held by the City and the mutual funds held by the PSO were not separately rated.

**Custodial Credit Risk** - The City's investment policy states that brokerages offering securities to the City are required to maintain all securities in a separate account and to not aggregate the City's securities with those of other account holders. The PSO's investments are in mutual fund investment pools, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

**Concentration of Credit Risk** - The City's investment policy states that no more than fifty percent of its surplus funds may be invested in certificates of deposit. As of June 30, 2012, the City had 17.3% of its surplus funds invested in certificates of deposit. Additionally, the City is only allowed to invest up to ten percent of its pooled funds in commercial paper and repurchase

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3 - CASH, DEPOSITS AND INVESTMENTS - (continued)**

agreements. As of June 30, 2012, the City had no funds invested in either commercial paper or repurchase agreements.

The PSO's investment policy prohibits any one security exceeding five percent of an overall fund. No investment exceeded this threshold during the fiscal year. Additionally, no one industry can represent more than twenty percent of an individual fund. No industry represented more than twenty percent of an individual fund during the fiscal year.

**NOTE 4 - UTILITY RECEIVABLES**

The City's net receivables for utility services (Electric, Water, and Waste Water) are summarized as follows:

Billed Receivables	\$ 1,188,650
Unbilled Receivables	<u>1,144,376</u>
Total Receivables	2,333,026
Less: Allowance for doubtful accounts	<u>(29,200)</u>
Net Receivables	<u>\$ 2,303,826</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$12,449 of billed receivables and \$15,665 of unbilled receivables which are categorized under accounts receivable in the financial statements.

**NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE**

Long-term receivables due the City at June 30, 2012 and 2011 consist of the following:

<u>Debtor</u>	<u>Original Amount of Loan</u>	<u>Inter- est Rate</u>	<u>Monthly Payment</u>	<u>Collateral</u>	<u>Balance June 30,</u>	
					<u>2012</u>	<u>2011</u>
<u>UDAG/DIAL Grant Fund:</u>						
Roberta Jo and Paul Viau	\$ 10,000	0.0%	357(a)	Real Estate	\$ 357	\$ 1,786
DeGrand Enterprises	10,000	0.0%	357(a)	Real Estate	8,929	1,786
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	2,682	4,068
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	5,831	5,831
Swedish Pantry	9,742	0.0%	348(a)	Real Estate	337	780
Matt Heath	13,500	5.0%	255	Real Estate	6,396	8,227
Cal Marcoe	60,000	5.0%	1,132	Real Estate	60,367	56,410
Crispigna's	40,000	3.25%	1,168	Real Estate	34,726	-

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE - (continued)**

<u>Debtor</u>	<u>Original Amount of Loan</u>	<u>Inter- est Rate</u>	<u>Monthly Payment</u>	<u>Collateral</u>	<u>Balance June 30,</u>	
					<u>2012</u>	<u>2011</u>
<u>UDAG/DIAL Grant Fund:</u>						
Mike & Kathy Decker	\$ 19,992	0.0%	714	Real Estate	\$ 10,705	\$ 13,562
Fashion Lane/Martenson	4,026	0.0%	288	Real Estate	4,876	5,739
Pioneer TV Facade Loan #2	10,000	0.0%	357(a)	Real Estate	357	1,429
Wedding Center/Ray Krusic	10,000	0.0%	357(a)	Real Estate	714	1,786
Kenneth Schwalbach	10,000	0.0%	357(a)	Real Estate	5,054	5,054
Ludington Lofts	525,000	3.25%	(c)	Real Estate	525,000	525,000
Sviland Paint	10,000	0.0%	357(a)	Real Estate	2,222	3,650
Wickerts/Cashen	52,000	3.25%	462	Real Estate	37,568	39,569
Jim & Beverly Peacock	50,000	5.25%	499	Real Estate	18,562	23,874
Viau's	9,241	0.0%	330(a)	Real Estate	5,741	7,241
Lisa Ann's	10,000	0.0%	357(a)	Real Estate	7,143	8,214
<b>FUND TOTALS</b>					<u>737,567</u>	<u>714,006</u>
<u>EDA Revolving Loan Fund:</u>						
AM Express	150,000	3.25%	2,831	Promissory Note	35,136	66,506
Michigan Meats	335,000	3.50%(b)	2,030	Promissory Note	276,783	304,407
Michigan Meats	30,000	6.50%(b)	344	Promissory Note	17,867	22,216
EMP, Inc.	500,000	7.25%	9,960	All Assets	-	68,024
EMP, Inc.	300,000	7.00%	5,940	All Assets	-	159,292
Donalway/Waeghe	400,000	3.25%	7,232	All Assets	369,755	369,755
<b>FUND TOTALS</b>					<u>699,541</u>	<u>990,200</u>
<u>M.S.C. Revolving Loan Fund II:</u>						
E & S Eisenberger	108,800	3.25%	1,005	All Assets	53,292	57,484
P&B Associate	123,000	4.5%	910	Promissory Note	80,954	88,015
EMP, Inc.	500,000	7.25%	9,960	All Assets	-	68,025
EMP, Inc.	400,000	7.0%	7,920	All Assets	-	275,163
<b>FUND TOTALS</b>					<u>134,246</u>	<u>488,687</u>
<b>TOTALS</b>					<u>\$ 1,571,354</u>	<u>\$ 2,192,893</u>

(a) Quarterly payment.

(b) Interest rate shall be 1.75% below New York Composite Prime Rate. Simple interest and interest rate shall be adjusted every three (3) years to reflect any changes to the New York Composite Prime Rate.

(c) Quarterly interest only payments for seven years. After seven years a fifteen year amortization schedule will be computed using the prime interest rate.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 6 - PROPERTY TAXES**

The City's annual property tax on real and personal property is levied, by action of the City Council, no later than June 1 annually, and becomes an enforceable lien on July 10, payable by September 15, and is based on the taxable valuation of property on the preceding December 31. The City bills and collects its own property taxes and also acts as collection agent for all overlapping governments in the City, which includes the local school district, intermediate school district, community college and the county. Collections of property taxes for overlapping governments are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized during the year in which they are collected. An allowance for delinquent taxes is provided for receivables not expected to be collected during the year.

In 1982, Delta County established a real property tax revolving fund. Each March 1, all unpaid real property taxes become delinquent and are sold to the County. At March 1, 2011 and 2012, total delinquent real property taxes sold to the County totaled \$178,506 and \$238,135, respectively.

**NOTE 7 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements and other Deductions</u>	<u>Balance</u> <u>06/30/12</u>
Land, not being depreciated	\$ 1,261,686	\$ 23,000	\$ -	\$ 1,284,686
Land improvements	5,383,002	-	-	5,383,002
Buildings and improvements	9,409,421	15,126	-	9,424,547
Parking lots	439,709	-	-	439,709
Vehicles and equipment	9,147,363	394,531	188,471	9,353,423
Infrastructure	<u>18,426,711</u>	<u>26,254</u>	<u>141,438</u>	<u>18,311,527</u>
Total capital assets subject to depreciation	<u>42,806,206</u>	<u>435,911</u>	<u>329,909</u>	<u>42,912,208</u>
Total capital assets	\$44,067,892	\$ 458,911	\$ 329,909	\$44,196,894

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CAPITAL ASSETS - (continued)

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u> <u>and other</u> <u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
Less accumulated depreciation:				
Land improvements	\$ 1,674,209	\$ 153,820	\$ -	\$ 1,828,029
Buildings and improvements	3,828,048	222,559	-	4,050,607
Parking lots	158,146	14,693	-	172,839
Equipment	6,532,177	468,404	185,168	6,815,413
Infrastructure	<u>6,047,112</u>	<u>582,165</u>	<u>141,438</u>	<u>6,487,839</u>
Total accumulated depreciation	<u>18,239,692</u>	<u>1,441,641</u>	<u>326,606</u>	<u>19,354,727</u>
NET GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS	<u>\$25,828,200</u>	<u>\$ (982,730)</u>	<u>\$ 3,303</u>	<u>\$24,842,167</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 259,034
Public Safety	234,610
Highways, streets and public works	681,747
Recreation	181,088
Cultural	71,452
Economic development	<u>13,710</u>
Total governmental activities depreciation expense	<u>\$1,441,641</u>

A summary of business-type activities property, plant and equipment at June 30, 2012 is as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u> <u>and other</u> <u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	<u>2,945,571</u>	<u>1,493,896</u>	<u>3,519,980</u>	<u>919,487</u>
Total capital assets not subject to depreciation	<u>3,002,524</u>	<u>1,493,896</u>	<u>3,519,980</u>	<u>976,440</u>
Capital assets subject to depreciation:				
Land improvements	1,721,304	139,056	-	1,860,360
Buildings and improvements	28,408,598	3,502,592	289,148	31,622,042
Electric generating equipment	12,220,104	-	-	12,220,104
Transmission and distribution systems	21,053,771	950,475	29,294	21,974,952
Other machinery and equipment	<u>1,368,773</u>	<u>11,519</u>	<u>4,880</u>	<u>1,375,412</u>
Total capital assets subject to depreciation	<u>64,772,550</u>	<u>4,603,642</u>	<u>323,322</u>	<u>69,052,870</u>
Total capital assets	<u>67,775,074</u>	<u>6,097,538</u>	<u>3,843,302</u>	<u>70,029,310</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CAPITAL ASSETS -(continued)

	Balance 06/30/11	Additions	Retirements and other Deductions	Balance 06/30/12
Less accumulated depreciation:				
Land improvements	914,657	46,354	1	961,010
Buildings and improvements	15,170,442	774,508	289,149	15,655,801
Electric generating equipment	9,037,152	276,066	-	9,313,218
Transmission and distribution systems	11,864,163	391,435	29,492	12,226,106
Other machinery and equipment	<u>1,117,460</u>	<u>55,351</u>	<u>4,816</u>	<u>1,167,995</u>
Total accumulated depreciation	<u>38,103,874</u>	<u>1,543,714</u>	<u>323,458</u>	<u>39,324,130</u>
NET BUSINESS TYPE ACTIVITIES				
CAPITAL ASSETS	<u>\$29,671,200</u>	<u>\$ 4,553,824</u>	<u>\$ 3,519,844</u>	<u>\$30,705,180</u>

Depreciation expense was charged as follows:

Electric	\$ 885,588
Water	373,323
Waste water	215,700
Marina	<u>69,103</u>
Total business-type activities depreciation expense	<u>\$1,543,714</u>

NOTE 8 - PENSION PLANS

**Public Safety Pension Plan**

A. Plan Description - The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Pension Fund is accounted for as a separate Pension Trust Fund. At June 30, 2011, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 31 current employees and 58 retirees and beneficiaries currently receiving benefits and one terminated plan member entitled to but not yet receiving benefits.

The Public Safety Pension Fund provides retirement benefits as well as death and disability benefits. Employees who retire at any age with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount equal to 3.0% of their three-year average final compensation (AFC) multiplied by their first 25 years of service, for a maximum benefit of 75% of final average compensation. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The plan provides for a minimum retiree pension amount of \$500 per month. This minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 8 - PENSION PLANS - (continued)**

Covered employees are required to contribute 5.0% of their compensation to the plan if the City's contribution rate is below 6.83%. If the City's contribution rate rises above 6.83%, then members are required to contribute 6.0% to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. City contributions are actuarially determined and based on the individual entry-age method.

**B. Actuarial Accrued Liability** - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2011. Significant actuarial assumptions used in determining the actuarial accrued liability included (a) a rate of return on the investment of present and future assets of 7.5%, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.0% to 4.0% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2011 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION

Actuarial Accrued Liability:	
To retirants and beneficiaries	\$15,826,299
Vested terminated members	194,960
Active members	<u>10,686,271</u>
 Total actuarial accrued liability	 26,707,530
 Actuarial value of assets	 <u>18,419,861</u>
Unfunded (overfunded) actuarial accrued liability	 <u>\$ 8,287,669</u>

GASB 27 INFORMATION

**Contributions Required and Contributions Made** - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2011 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 8 - PENSION PLANS - (continued)**

a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

Year ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percent <u>Contributed</u>
2006	\$ 465,237	100%
2007	489,661	100%
2008	542,028	100%
2009	573,788	100%
2010	601,037	100%
2011	807,281	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2012 was calculated at 41.61% of the valuation payroll. This calculates out to \$844,170.

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Entry Age Actuarial Accrued Liability</u>	(b-a) <u>Unfunded Accrued Liability (UAL)</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Annual Covered Payroll</u>	[(b-a)/c] <u>UAL as a Percentage of Covered Payroll</u>
6/30/06	\$18,635,314	\$20,681,115	\$ 2,045,801	90%	\$ 1,835,787	111%
6/30/06*	18,635,314	20,634,472	1,999,158	90%	1,835,787	109%
6/30/07	19,686,269	21,845,071	2,158,802	90%	1,799,708	120%
6/30/08	20,322,502	22,861,045	2,538,543	89%	1,885,535	135%
6/30/09	17,934,203	23,803,284	5,869,081	75%	1,946,469	302%
6/30/10	17,831,177	24,631,990	6,800,813	72%	1,926,918	353%
6/30/11	18,419,861	25,428,343	7,008,482	72%	2,012,773	348%
6/30/11*	18,419,861	26,707,530	8,287,669	69%	2,012,773	412%

\*After changes in benefit provision.

**Michigan Municipal Employees Retirement System**

**A. Plan Description** - The City of Escanaba contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - PENSION PLANS - (continued)

All full-time and certain part-time City employees, except for Public Safety employees, who are covered exclusively under the Public Safety Pension Plan, are eligible to participate in either the defined benefit or defined contribution plan in MERS. In the defined benefit plan, benefits vest after 10 years of service. All members, with the exception of the part-time division, may retire with full benefits at or after age 55 with 25 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. The annual retirement benefits of part-time division employees are equal to 2.0% of their average annual compensation for their last three years of employment multiplied by their years of credited service. The Non-Union, Teamster's, Dispatcher's, Water/Waste Water and Electrician's divisions have a benefit which calls for annual retirement benefits equal to 2.25% of average annual compensation for the last three years of employment multiplied by years of credited service, with a maximum benefit of 80% of final average compensation. Benefits for all divisions except part-time include a provision for automatic non-compounded increases for all pensioners and their beneficiaries. The annual increase equals the smaller of 1% or the increase in the consumer price index.

All defined benefit divisions are now closed to new hires. New hires are now being covered with a defined contribution retirement plan.

The defined contribution plan requires the City to contribute four percent of the employee's qualified wages, with an additional matching contribution of up to three percent based on the employee's contribution. The employee vests in the City portion of the contributions after one year of service. For this fiscal year the City contributed \$64,978 to the plan and the employees contributed \$27,062.

**B. Actuarial Accrued Liability** - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2011. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional salary increases of 0.00% to 13.0% per year, depending on age, attributable to merit and longevity and (d) a 3% FAC increase factor to account for higher than expected final average compensation due to certain pay spikes in the final years of employment.

Additionally, beginning in the December 31, 2011 actuarial valuation, factors for early retirement, ranging from 1.6% to 5.75% depending upon age, and disability, ranging from .02% to .60% depending upon age, have been introduced.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 8 - PENSION PLANS - (continued)**

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2011 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/11)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 17,944,307
Vested former members	1,334,785
Active members	<u>12,401,009</u>
 Total Actuarial Accrued Liability	 \$ 31,680,101
 Net Assets Available for Benefits at Actuarial Value	 <u>20,342,748</u>
(Market Value is \$16,670,538)	
Unfunded (Overfunded) Actuarial Accrued Liability (UAL)	<u>\$ 11,337,353</u>
 Fiscal Year Beginning	 July 1, 2013
Annual Required Contribution (ARC)	\$ 1,254,780

Amortization period:

<u>Division</u>	<u>Positive UAL</u>	<u>Negative UAL</u>
Teamsters	18 years	10 years
General Electric	17 years	10 years
Non Union	18 years	10 years
Dispatchers	27 years	10 years
Part-time	20 years	10 years
Water/Waste Water	20 years	10 years

**C. Contributions Required and Contributions Made** - The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2007	\$ 644,256	100%
2008	792,785	100%
2009	800,304	100%
2010	843,426	100%
2011	989,677	100%

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 8 - PENSION PLANS - (continued)**

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2012 were \$1,026,932.

**D. Schedule of Funding Progress**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2007	\$19,569,915	\$28,323,479	\$ 8,753,564	69	\$ 3,886,862	225%
2008	19,754,963	29,283,966	9,529,003	68	3,814,034	250%
2009	19,844,840	29,928,075	10,083,235	66	3,696,064	273%
2010	20,106,664	30,655,393	10,548,729	66	3,287,962	321%
2011	20,342,748	31,680,101	11,337,353	64	3,087,935	367%

**NOTE 9 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance 06/30/11	Additions	Retire- ments	Balance 06/30/12	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Refunding of 1993 and 1994 Escanaba Building Authority bonds, variable interest rate from 2.0 to 4.55%, due in semi-annual installments of \$150,000 to \$270,000 through March 2024.	\$ 2,770,000	\$ -	\$ 175,000	\$ 2,595,000	\$ 180,000
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	160,000	-	40,000	120,000	40,000
Loan payable to the Michigan Strategic fund (CDBG program) for the Industrial Park Project. Principal payments of \$5,938 shall commence September 1, 2005 and every quarter thereafter until the debt is retired by May 31, 2014.	71,252	-	23,750	47,502	23,751
FICA on accrued compensated absences	44,286	-	2,696	41,590	11,518
Long-term portion of accrued compensated absences	578,902	-	35,245	543,657	150,556
<b>Total governmental long-term debt</b>	<b>\$ 3,624,440</b>	<b>\$ -</b>	<b>\$ 276,691</b>	<b>\$ 3,347,749</b>	<b>\$ 405,825</b>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 9 - LONG-TERM DEBT - (continued)**

	Balance 06/30/11	Additions	Retire- ments	Balance 06/30/12	Amounts Due Within One Year
<b>Business-type Activities:</b>					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 245,000	\$ -	\$ 80,000	\$ 165,000	\$ 80,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	450,000	-	50,000	400,000	55,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	1,935,000	-	130,000	1,805,000	130,000
2009 Water Utility revenue bonds, 2.125% due in semi-annual installments of \$120,000 to \$180,000 through October 1, 2027.	2,585,000	-	125,000	2,460,000	130,000
2010 Water Utility Capital Improvement bonds, 3.30% due in semi-annual installments of \$125,000 to \$210,000 through May 31, 2031.	3,200,000	-	125,000	3,075,000	130,000
Total business-type long-term Debt	<u>\$ 8,415,000</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ 7,905,000</u>	<u>\$ 525,000</u>

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2012 are as follows:

**Governmental Activities:**

Year Ending June 30	Notes Payable	Bonds Payable	Interest	Total
2013	\$ 23,751	\$ 220,000	\$ 113,483	\$ 357,234
2014	23,751	230,000	103,831	357,582
2015	-	235,000	95,385	330,385
2016	-	205,000	87,585	292,585
2017	-	215,000	79,385	294,385
2018-2022	-	1,190,000	255,660	1,445,660
2023-2027	-	420,000	25,935	445,935
<b>TOTAL</b>	<u>\$ 47,502</u>	<u>\$ 2,715,000</u>	<u>\$ 761,264</u>	<u>\$ 3,523,766</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 9 - LONG-TERM DEBT - (continued)**

**Business-type Activities:**

Year Ending June 30	Bonds Payable	Interest	Total
2013	\$ 525,000	\$ 194,420	\$ 719,420
2014	540,000	183,438	723,438
2015	460,000	172,963	632,963
2016	470,000	162,953	632,953
2017	485,000	152,522	637,522
2018-2022	2,240,000	590,390	2,830,390
2023-2027	2,205,000	299,677	2,504,677
2028-2032	980,000	73,584	1,053,584
TOTAL	<u>\$ 7,905,000</u>	<u>\$ 1,829,947</u>	<u>\$ 9,734,947</u>

**NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS**

The Upper Peninsula Power Company had contracted with the City of Escanaba to operate and maintain the City's generating plant from the date the plant began operation. On June 4, 2008, the Upper Peninsula Power Company issued the City a written notice that they intended to terminate the current plant operating agreement in June, 2011. During June 2011, the Upper Peninsula Power Company ceased to operate the Escanaba power plant. The City reached an agreement with Proenergy Services, LLC on April 13, 2011 to operate the power plant. The agreement runs for four years with termination clauses for convenience, with ninety days written notice, and for the sale of the facility, upon thirty days written notice. Under this agreement the City is responsible for the operating costs of the plant as well as a management fee.

**NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables occurred during the year for operational purposes. Interfund receivables and payables at June 30, 2012 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Grants Fund	\$ 120,229
		Sanitary Landfill	7,996
		Risk Retention Fund	<u>9,560</u>
General Fund	<u>\$ 137,785</u>	Subtotal	<u>137,785</u>
Motor Vehicle & Equipment Fund	<u>2,100</u>	Marina Fund	<u>2,100</u>
Total	<u>\$ 139,885</u>	Total	<u>\$ 139,885</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 12 - ADVANCES TO OTHER FUNDS**

Land Development Fund - The advances to other funds consist of a loan to the Marina Fund for \$350,000 made during the fiscal year ended June 30, 2001. This advance was used to finance certain capital improvements to the City's marina. The loan is to be paid back over a 25 year period with interest at 5 percent. The balance as of June 30, 2012 is \$268,200.

In the fiscal year ending June 30, 2012, an additional loan of \$65,000 was made to the Marina Fund. This advance was used to fund the City's portion of expenses related to the L-Dock project. The loan is to be repaid over a 14 year period with the interest at 4%. The balance as of June 30, 2012 is \$63,042.

General Fund - The advance to other funds consists of a loan to the Motor Vehicle Fund for \$452,825 made during the June 30, 2008 fiscal year. The advance was used to purchase refuse and recycling carts for the new automated refuse collection system. The loan is to be paid back over an 11 year period with interest at 5.5 percent. The balance as of June 30, 2012 is \$275,298.

**NOTE 13 - FUND BALANCE CLASSIFICATIONS**

Nonspendable Fund balance as reported on the Governmental Funds balance sheet are as follows:

- A. Inventory - The General Fund has \$136,290, reserved for inventory, as they do not represent expendable available financial resources.
- B. Prepaid Expenditures - The General Fund has \$114,550 reserved for prepaid expenditures, as they do not represent expendable available financial resources.

Restricted fund balance as reported on the Governmental Funds balance sheet are as follows:

- A. Gas Retirement Principal and Capital Improvements - By a voter referendum on November 2, 1965, the City is prohibited from expending any of the original principal, \$1,094,634, resulting from the sale of the City's gas utility in June, 1965. In addition, the interest earned from the investment of the principal can be spent only for capital improvements. At June 30, 2012, the amount available for expenditure is \$48,295.
- B. Major Streets - \$1,650,480 is restricted in the Major Street Fund as these resources may only be spent on major streets.
- C. Local Streets - \$618,114 is restricted in the Local Street Fund as these resources may only be spent on local streets.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 13 - FUND BALANCE CLASSIFICATIONS - (continued)**

D. Economic Development - \$2,222,278 has been restricted in the UDAG/DIAL Grant Fund due to legal restrictions that these resources may only be spent on economic development projects.

E. 150 Year Celebration - The 150 Year Celebration Fund has \$29 restricted as these funds may only be used for the City's sesquicentennial celebration.

F. Revolving Loans - The E.D.A. Revolving Loan, M.S.C. Revolving Loan Fund II, and Urban Development Action Grant Funds have \$3,122,947 restricted as these resources may only be used for revolving loan activity.

G. UPSET Expenses - The Drug Law Enforcement Fund has \$63,223 restricted for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

H. Future DDA Projects - The Downtown Development Authority Fund has \$176,938 restricted for future projects as listed in the TIF Development Plan.

I. Brownfield - The Brownfield Fund has \$4,286 restricted as these resources may only be used for Brownfield activity.

Assigned fund balance as reported on the Governmental Funds balance sheet have been set aside by the City for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Total</u>
Grants, Farmers Home Grant	Economic development	\$ 147,880
Sanitary Landfill	Sanitary landfill	20,831
Parking Maintenance	Parking lots	922
Land Development	Capital improvements	1,716,559
Housing Rehab	Housing rehab	196,000
Library	Library operations	95,096
Drug Law Enforcement	Drug law enforcement	18,911

Net asset restrictions as reported on the Proprietary Fund statement of net assets are as follows:

A. Restriction for Debt Service - In accordance with revenue bond indentures in the Water Utility Fund and the Waste Water Utility Fund, \$138,404 and \$235,156 respectively, of net assets are reserved for this specific purpose.

Net asset restrictions as reported on the Statement of Fiduciary Net Assets are as follows.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 13 - FUND BALANCE CLASSIFICATIONS - (continued)**

**A. Reserve for Bonifas Trust Fund** - Under terms of a Circuit Court decree dated March 3, 1955, the City of Escanaba was authorized to act as trustee in the administration of a bequest under the Last Will and Testament of Catherine Bonifas. The Will requested the bequest be used or applied one-third for a state office building, one-third for a city and county building, and one-third for a recreation building.

The fund balance at June 30, 2012, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	141,232	
General Fund contribution - land	20,565	
MMRMA Rap Grant	1,962	
Community Action Agency Grant	20,307	
Earnings retained	<u>327,952</u>	\$ 823,807
Deduct:		
Delta County Building Authority payment authorized by Circuit Court decree	50,000	
Contribution to State of Michigan	145,784	
Transfer to City General Fund authorized by Circuit Court decree	279,395	
Capital improvements made to William Bonifas Fine Arts Center authorized by Circuit Court decree	6,500	
Capital improvements made to Catherine Bonifas Civic Center authorized by Circuit Court decree	<u>228,646</u>	<u>710,325</u>
		<u>\$ 113,482</u>

**B. Reserve for Children's Materials** - The Bezold Trust Fund has \$268,240 for the purpose of children's materials in accordance with a donor's instructions.

**C. Reserve for Employees Retirement System** - The Public Safety Pension Fund has \$19,795,223 reserved for that retirement system.

Net assets restricted by enabling legislation amounted to \$9,001,224 as of year-end.

**NOTE 14 - JOINT VENTURE - DELTA SOLID WASTE LANDFILL**

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County, including the City of Escanaba. It was established in order to provide for a new landfill, as the former county-wide site, owned by the City of Gladstone, was approaching saturation.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 14 - JOINT VENTURE - DELTA SOLID WASTE LANDFILL - (continued)

The Authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. The three members of the Authority board from the villages and townships are selected by and from a body composed of one representative from each township or village; the three board members from the cities are selected by and from a body composed of two representatives from each city; and the member of the Delta County Board of Commissioners is chosen by said Board of Commissioners after review of recommendation by the Townships, Villages and City representatives. The Authority as described herein has no taxing power. Operation and maintenance costs are paid out of tipping fees assessed against those who dump garbage at the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone and private garbage haulers serving the other local units. The landfill began operation in December, 1985. Audited financial information of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2011 is as follows:

Total assets	<u>\$13,849,985</u>
Total current liabilities	\$ 498,799
Total long-term liabilities	13,120,560
Total net assets	<u>230,626</u>
Total liabilities and equity	<u>\$13,849,985</u>
Operating revenues	\$ 2,017,324
Operating expenses	<u>(1,617,508)</u>
Net operating income (loss)	399,816
Non-operating revenues (expense), net	<u>(242,538)</u>
Increase in net assets	<u>\$ 157,278</u>

NOTE 15 - OPERATING TRANSFERS IN AND OUT

During the year various transfers occurred between funds for operating activity purposes. Transfers between all funds are summarized as follows:

	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>Out</u>
Governmental Funds:		
Downtown Development Authority	\$ -	\$ 636
General Fund	731,324	460,590
Local Street Fund	103,000	-
Grants Fund	636	-
Parking Maintenance Fund	10,590	-

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 15 - OPERATING TRANSFERS IN AND OUT - (continued)**

Library Fund	365,000	-
Gas Retirement Fund	-	18,000
Land Development Fund	-	60,000
Sanitary Landfill Fund	-	203,500
Proprietary Funds:		
Electric Fund	-	463,624
Internal Service Funds:		
Escanaba Building Authority Fund	17,400	-
Office Equipment Fund	-	21,600
	<u>                    </u>	<u>                    </u>
Total	<u>\$1,227,950</u>	<u>\$1,227,950</u>

**NOTE 16 - CONTINGENT LIABILITIES**

The City has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City. As of the date of this report management was unaware of any disallowed claims.

**NOTE 17 - RISK MANAGEMENT**

The City maintains self insurance programs for worker's compensation, unemployment compensation, health and dental insurance that are reported as Internal Service Funds. All fund types are charged premiums at rates determined using established insurance rates and other factors which, in management's opinion, warrant consideration. For the fiscal year ended June 30, 1986, the assets of the Worker's Compensation Fund and earnings thereon, were considered sufficient to cover expected future claims and, thus, all charges to individual funds were discontinued. During the 2012 fiscal year the City reverted back to purchased insurance for health and dental benefits.

A summary of the claims activity is as follows:

	Balance	Current	Claim	Balance
	6/30/11	Year	Payments	6/30/12
	<u>                    </u>	<u>Claims</u>	<u>                    </u>	<u>                    </u>
Workers' Compensation	\$ 235,000	\$ 57,541	\$ 41,541	\$ 251,000
Unemployment Compensation	8,696	11,253	2,321	17,628
Health and Dental Insurance	124,119	63,888	182,201	5,806
	<u>\$ 367,815</u>	<u>\$ 132,682</u>	<u>\$ 226,063</u>	<u>\$ 274,434</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 17 - RISK MANAGEMENT - (continued)

The City of Escanaba participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$120,000. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of June 30, 2012, the Authority had met the minimum requirements.

At June 30, 2012, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

**Plan Description** - The City provided its retirees the opportunity to obtain health insurance through the City's insurance carrier at their own cost. As of August, 2011, the City switched insurance plans and this program was no longer available. Consequently, an OPEB obligation also ceased at that time.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 19 - UNREALIZED GAINS & LOSSES ON INVESTMENTS**

Under the requirements of Governmental Accounting Standards Board Statement 31, the City records it's investments at market value. As a result of market fluctuations an unrealized gain of \$182,914 has been recorded during the current fiscal year.

**NOTE 20 - POWER PLANT SALE**

During the 2010 fiscal year the City received the authority, by a vote of the citizens, to enter into an agreement to sell the electrical power plant. Negotiations have been ongoing and as of the date of this report they have not been finalized. It is hoped that a sale will be completed prior to the completion of the 2012 calendar year.

**NOTE 21 - CONTINGENT LIABILITY**

As discussed in Note 10, UPPCo no longer operates the Escanaba Power Plant. After UPPCo ceased operating the plant, a dispute arose between UPPCo and the City of Escanaba as to financial responsibility for severance pay and future benefit costs for the UPPCo employees that worked at the plant. The amount of that dispute is approximately \$343,000. Additionally, UPPCo claims that the City is responsible for all workers disability compensation costs arising from a claim by an UPPCo employee who worked at the plant. This claim is ongoing and cannot be reasonably estimated at this time. The City of Escanaba denies all UPPCo claims and as of the date of this report, no resolution had been reached on these matters.

**REQUIRED SUPPLEMENTAL INFORMATION**

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Current property taxes	\$ 4,609,750	\$ 4,609,750	\$ 4,559,711	\$ (50,039)
Collection on prior levies	17,500	17,500	17,672	172
Payments in lieu of taxes:				
Harbor Tower	7,500	7,500	6,795	(705)
DNR	150	150	-	(150)
West Highland	11,900	11,900	11,666	(234)
Chippewa Indians	950	950	940	(10)
Meadow Brook	2,000	2,000	2,097	97
Willow Grove	2,600	2,600	2,670	70
Bridgewood	300	300	300	-
Penalties and interest	25,000	25,000	24,979	(21)
Total taxes	<u>4,677,650</u>	<u>4,677,650</u>	<u>4,626,830</u>	<u>(50,820)</u>
Licenses and permits:				
Business licenses and permits	1,400	1,400	2,015	615
Zoning appeals fees	5,200	5,200	-	(5,200)
Total licenses and permits	<u>6,600</u>	<u>6,600</u>	<u>2,015</u>	<u>(4,585)</u>
Local sources:				
Downtown patrol	8,000	8,000	3,256	(4,744)
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
Total local sources	<u>18,000</u>	<u>18,000</u>	<u>13,256</u>	<u>(4,744)</u>
State grants:				
Anti-drug abuse	15,000	15,000	21,036	6,036
Dispatcher training funds	4,000	4,000	6,449	2,449
Arbor Day grant	-	-	350	350
State shared revenues	866,000	1,266,000	1,279,042	13,042
Supplemental Bad Driver	-	-	12,086	12,086
Criminal justice	6,000	6,000	5,680	(320)
Click it or Ticket	-	-	3,462	3,462
Total state grants	<u>891,000</u>	<u>1,291,000</u>	<u>1,328,105</u>	<u>37,105</u>
Federal sources:				
Anti-drug abuse	40,000	40,000	50,975	10,975
Project Safe Neighborhood Grant	-	-	20,000	20,000
Total federal sources	<u>40,000</u>	<u>40,000</u>	<u>70,975</u>	<u>30,975</u>

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
<b>Charges for services:</b>				
Preliminary breath tests	\$ -	\$ -	\$ 703	\$ 703
Land use fees	-	-	4,375	4,375
Sex offender fees	-	-	20	20
Flatting fees	300	300	-	(300)
Engineering Dept.	-	-	205	205
Computer printouts	-	-	260	260
Cost recovery ordinances	2,000	2,000	5,828	3,828
Wedding ceremony fees	-	-	20	20
Duplicating and photostat fees	2,200	2,200	1,574	(626)
Tax collection fees	62,500	62,500	54,806	(7,694)
Township fire protection	77,500	77,500	66,317	(11,183)
Street Department for overhead	10,000	10,000	7,810	(2,190)
Recreation program	6,400	6,400	8,208	1,808
Boat launches	14,000	14,000	13,659	(341)
Delta solid waste	9,000	9,000	13,721	4,721
Property owners share of sidewalk construction	11,500	11,500	10,650	(850)
Inspection fees	3,500	3,500	7,896	4,396
<b>Total charges for services</b>	<b>198,900</b>	<b>198,900</b>	<b>196,052</b>	<b>(2,848)</b>
<b>Fines and forfeitures:</b>				
Penalties and interest	500	500	2,981	2,481
Nonmoving violations and district court	10,000	10,000	7,890	(2,110)
Penal fines, county allocation	30,000	30,000	50,237	20,237
<b>Total fines and forfeitures</b>	<b>40,500</b>	<b>40,500</b>	<b>61,108</b>	<b>20,608</b>
<b>Miscellaneous:</b>				
Vending machine sales	1,000	1,000	881	(119)
Wage reimbursement	-	-	2,539	2,539
BCBS/DMPH Sidewalk Improvement Grant	-	3,000	3,097	97
Interest earnings	100,000	100,000	102,121	2,121
Rents	48,200	48,200	45,821	(2,379)
Jackie Sorenson aerobics fees	-	-	6,100	6,100
Sale of property	-	-	748	748
Purchase discounts	1,500	1,500	2,132	632
MMRMA Rap Grant	-	-	1,137	1,137
Other	1,000	4,100	4,035	(65)
Contributions	10,000	10,000	10,027	27
Elementary basketball	-	-	5,090	5,090
<b>Total miscellaneous</b>	<b>161,700</b>	<b>167,800</b>	<b>183,728</b>	<b>15,928</b>
<b>TOTAL REVENUES</b>	<b>6,034,350</b>	<b>6,440,450</b>	<b>6,482,069</b>	<b>41,619</b>

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with final budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES:</b>				
<b>General government:</b>				
<b>City Council:</b>				
Salaries and wages	\$ 14,800	\$ 14,800	\$ 15,110	\$ (310)
Fringe benefits	1,222	1,222	1,244	(22)
Professional services	4,200	4,200	4,250	(50)
Office supplies	500	500	422	78
Operating supplies	250	250	80	170
Communications	150	150	119	31
Transportation	1,000	1,000	202	798
Printing and publishing	-	-	94	(94)
Insurance and bonds	550	550	372	178
Memberships and dues	5,700	5,700	5,590	110
Meetings	400	400	30	370
Equipment rental	750	750	744	6
<b>Total city council</b>	<b>29,522</b>	<b>29,522</b>	<b>28,257</b>	<b>1,265</b>
<b>City manager:</b>				
Salaries and wages	121,933	121,933	121,776	157
Fringe benefits	78,288	78,288	73,260	5,028
Professional services	-	-	120	(120)
Office supplies	3,200	3,200	1,385	1,815
Communications	900	900	997	(97)
Transportation	1,500	1,500	1,057	443
Printing and publishing	650	650	1,280	(630)
Memberships and dues	250	250	-	250
Meetings	500	500	105	395
Equipment repair	200	200	725	(525)
Equipment rental	5,652	5,652	5,652	-
Books, magazines and periodicals	500	500	126	374
New equipment	-	-	76	(76)
	213,573	213,573	206,559	7,014
<b>Less amount applicable to utilities</b>	<b>(149,501)</b>	<b>(149,501)</b>	<b>(144,590)</b>	<b>(4,911)</b>
<b>Total city manager</b>	<b>64,072</b>	<b>64,072</b>	<b>61,969</b>	<b>2,103</b>
<b>City elections:</b>				
Salaries and wages	1,257	1,257	197	1,060
Fringe benefits	663	663	120	543
Professional services	3,900	5,900	4,920	980
Office supplies	1,700	2,800	4,928	(2,128)
Transportation	300	300	293	7
Printing and publishing	1,100	1,100	449	651
Meetings	200	200	930	(730)
Equipment rental	168	168	168	-
New equipment	600	600	-	600
Telephone	200	200	365	(165)
<b>Total city elections</b>	<b>10,088</b>	<b>13,188</b>	<b>12,370</b>	<b>818</b>

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with final budget Favorable (Unfavorable)
City controller:				
Salaries and wages	\$ 156,575	\$ 158,175	\$ 159,927	\$ (1,752)
Fringe benefits	123,182	123,182	122,481	701
Office supplies	6,550	6,550	5,331	1,219
Communications	1,000	1,000	627	373
Insurance and bonds	575	575	198	377
Memberships and dues	200	200	190	10
Equipment repair	950	950	1,056	(106)
Equipment rental	2,304	2,304	2,304	-
	<u>291,336</u>	<u>292,936</u>	<u>292,114</u>	<u>822</u>
Less amount applicable to utilities	<u>(174,802)</u>	<u>(174,802)</u>	<u>(175,269)</u>	<u>467</u>
Total city controller	<u>116,534</u>	<u>118,134</u>	<u>116,845</u>	<u>1,289</u>
City assessor:				
Salaries and wages	106,312	106,312	105,022	1,290
Fringe benefits	73,556	73,556	68,825	4,731
Office supplies	11,000	11,000	5,335	5,665
Communications	650	650	384	266
Transportation	50	50	137	(87)
Printing and publishing	420	420	-	420
Memberships and dues	405	405	405	-
Meetings	150	150	175	(25)
Equipment repair	4,650	4,650	4,315	335
Equipment rental	7,582	7,582	7,494	88
Books, magazines and periodicals	235	235	86	149
New equipment	-	-	176	(176)
Total city assessor	<u>205,010</u>	<u>205,010</u>	<u>192,354</u>	<u>12,656</u>
City attorney:				
Professional services	51,000	51,500	51,230	270
Office supplies	500	500	-	500
Memberships and dues	-	-	50	(50)
Books, magazines and periodicals	3,000	4,000	3,520	480
	<u>54,500</u>	<u>56,000</u>	<u>54,800</u>	<u>1,200</u>
Less amount applicable to utilities	<u>(27,250)</u>	<u>(27,250)</u>	<u>(27,400)</u>	<u>150</u>
Total city attorney	<u>27,250</u>	<u>28,750</u>	<u>27,400</u>	<u>1,350</u>
Human resources:				
Salaries and wages	57,267	57,267	57,303	(36)
Fringe benefits	49,472	49,472	43,581	5,891
Professional services	12,000	12,000	5,000	7,000
Office supplies	2,200	2,200	389	1,811
Communications	200	200	162	38
Transportation	300	300	76	224
Printing and publishing	2,000	2,000	3,482	(1,482)
Memberships and dues	180	180	180	-
Meetings	500	500	199	301
Equipment rental	708	708	708	-
Books, magazines and periodicals	200	200	179	21
New equipment	500	500	-	500
	<u>125,527</u>	<u>125,527</u>	<u>111,259</u>	<u>14,268</u>

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Less amount applicable to utilities	\$ ( 43,934)	\$ (43,934)	\$ (38,941)	\$ (4,993)
Total human resources	81,593	81,593	72,318	9,275
Board of review:				
Professional services	1,800	1,800	2,040	(240)
Office supplies	200	200	-	200
Transportation	-	-	63	(63)
Printing and publishing	400	400	170	230
Total board of review	2,400	2,400	2,273	127
Treasurer:				
Salaries and wages	119,766	119,766	117,386	2,380
Fringe benefits	95,475	95,475	93,084	2,391
Professional services	-	-	106	(106)
Office supplies	1,750	11,750	10,953	797
Communications	500	500	448	52
Transportation	200	200	-	200
Printing and publishing	1,200	1,200	1,284	(84)
Insurance and bonds	825	825	507	318
Memberships and dues	50	50	50	-
Meetings	200	200	40	160
Equipment repair	4,950	4,950	7,783	(2,833)
Equipment rental	5,784	5,784	5,784	-
Books, magazines and periodicals	400	400	484	(84)
New equipment	500	500	-	500
	231,600	241,600	237,909	3,691
Less amount applicable to utilities	(208,440)	(208,440)	(214,121)	5,681
Total treasurer	23,160	33,160	23,788	9,372
City clerk:				
Salaries and wages	72,340	72,340	73,026	(686)
Fringe benefits	58,093	58,093	55,093	3,000
Professional services	2,950	2,950	400	2,550
Office supplies	3,300	3,300	1,973	1,327
Communications	1,400	1,400	798	602
Printing and publishing	6,000	6,000	4,401	1,599
Insurance and bonds	-	-	60	(60)
Memberships and dues	300	300	230	70
Meetings	300	300	-	300
Equipment repair	700	700	598	102
Equipment rental	3,384	3,384	3,465	(81)
Books, magazines and periodicals	800	800	342	458
New equipment	-	-	100	(100)
Total city clerk	149,567	149,567	140,486	9,081
Billing department:				
Salaries and wages	127,916	127,916	137,297	(9,381)
Fringe benefits	106,038	106,038	102,672	3,366
Clothing	375	375	442	(67)
Professional services	200	200	167	33
Office supplies	26,200	26,200	27,131	(931)
Communications	700	700	674	26
Transportation	200	200	33	167
Printing and publishing	3,800	3,800	-	3,800

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Meetings	\$ 200	\$ 200	\$ -	\$ 200
Equipment repair	7,850	7,850	5,395	2,455
Equipment rental	17,928	17,928	12,335	5,593
Books, magazines and periodicals	-	-	75	(75)
New equipment	350	350	284	66
	<u>291,757</u>	<u>291,757</u>	<u>286,505</u>	<u>5,252</u>
Less amount applicable to utilities	<u>(262,581)</u>	<u>(262,581)</u>	<u>(257,653)</u>	<u>(4,728)</u>
Total billing department	<u>29,176</u>	<u>29,176</u>	<u>28,652</u>	<u>524</u>
Independent auditing:				
Professional services	16,850	16,850	16,850	-
Less amount applicable to utilities	<u>(8,425)</u>	<u>(8,425)</u>	<u>(8,425)</u>	<u>-</u>
Total independent auditing	<u>8,425</u>	<u>8,425</u>	<u>8,425</u>	<u>-</u>
Public Works - City Hall/Library:				
Building rental	71,808	71,808	71,808	-
Building lease	291,368	291,368	291,368	-
	<u>363,176</u>	<u>363,176</u>	<u>363,176</u>	<u>-</u>
Less amount applicable to utilities	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total public works - city hall/library	<u>313,176</u>	<u>313,176</u>	<u>313,176</u>	<u>-</u>
Civic center:				
Salaries and wages	17,782	17,782	15,154	2,628
Fringe benefits	17,538	17,538	16,864	674
Office supplies	1,000	1,000	238	762
Building supplies	3,500	3,500	2,786	714
Communications	1,100	1,100	709	391
Printing and publishing	200	200	-	200
Insurance and bonds	3,675	3,675	2,574	1,101
Public utilities	29,000	29,000	20,135	8,865
Building maintenance	4,346	4,346	4,522	(176)
Equipment repair	900	900	305	595
Equipment rental	1,000	1,000	159	841
New equipment	300	300	563	(263)
Building improvements	1,500	1,500	565	935
Total civic center	<u>81,841</u>	<u>81,841</u>	<u>64,574</u>	<u>17,267</u>
Tourism promotion:				
Printing and publishing	800	800	-	800
Insurance and bonds	300	300	198	102
Waterfront Art show	900	900	1,832	(932)
Logging Congress	1,000	1,000	1,000	-
Lighthouse Running Race	-	-	485	(485)
Cabela's Tournament	-	-	513	(513)
FLW Everstart Bass Tournament	2,000	2,000	-	2,000
Total tourism promotion	<u>5,000</u>	<u>5,000</u>	<u>4,028</u>	<u>972</u>

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with final</u> <u>budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Boat launches:</b>				
Salaries and wages	\$ 3,508	\$ 3,508	\$ 1,236	\$ 2,272
Fringe benefits	368	368	842	(474)
Professional services	3,500	3,500	2,700	800
Office supplies	-	-	70	(70)
Operating supplies	400	400	1,320	(920)
Printing and publishing	500	500	250	250
Insurance and bonds	100	100	37	63
Public utilities	3,200	4,800	4,598	202
Equipment rental	3,000	4,000	2,462	1,538
Repairs to structures	1,000	2,000	912	1,088
Repairs to equipment	500	500	1,025	(525)
<b>Total boat launches</b>	<b>16,076</b>	<b>19,676</b>	<b>15,452</b>	<b>4,224</b>
<b>Promotional:</b>				
Community promotion	8,128	8,628	8,763	(135)
Celebration flags	1,739	1,739	1,170	569
Fourth of July	13,889	13,889	12,159	1,730
<b>Total promotional</b>	<b>23,756</b>	<b>24,256</b>	<b>22,092</b>	<b>2,164</b>
<b>Total general government</b>	<b>1,186,646</b>	<b>1,206,946</b>	<b>1,134,459</b>	<b>72,487</b>
<b>Public safety:</b>				
<b>Public Safety Department:</b>				
Salaries and wages	2,033,348	2,033,348	1,994,845	38,503
Fringe benefits	1,385,566	1,385,566	1,356,447	29,119
Clothing	8,800	8,800	6,866	1,934
Uniform maintenance	1,300	1,300	774	526
Professional services	3,400	3,400	23	3,377
Office supplies	21,040	21,040	17,566	3,474
Building supplies	2,300	2,300	2,522	(222)
Communications	9,500	9,500	7,063	2,437
Public relations	300	300	836	(536)
Transportation	4,000	4,000	2,386	1,614
Printing and publishing	2,050	2,050	841	1,209
Insurance and bonds	28,600	28,600	20,380	8,220
Public utilities	38,500	38,500	34,989	3,511
Building maintenance	4,700	4,700	9,139	(4,439)
Memberships and dues	410	410	475	(65)
Meetings	5,500	5,500	2,251	3,249
Equipment repair	17,965	17,965	19,102	(1,137)
Equipment rental	177,830	177,830	148,945	28,885
Hydrant rental	72,800	72,800	72,800	-
Books, magazines and periodicals	1,400	1,400	539	861
New equipment	19,950	19,950	23,650	(3,700)
Building improvements	-	-	2,937	(2,937)
Computer forensic lab	-	-	1,365	(1,365)
Firearms range	-	-	17	(17)
<b>Total public safety department</b>	<b>3,839,259</b>	<b>3,839,259</b>	<b>3,726,758</b>	<b>112,501</b>
<b>Community preservation:</b>				
Salaries and wages	45,942	45,942	45,387	555
Fringe benefits	16,989	16,989	14,945	2,044
Professional services	-	-	619	(619)
Office supplies	5,700	5,700	3,034	2,666
Communications	500	500	321	179
Transportation	250	250	313	(63)
Printing and publishing	500	500	193	307
Memberships and dues	120	120	-	120

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance with final budget
	Original	Final		Favorable (Unfavorable)
Meetings	\$ 500	\$ 500	\$ 75	\$ 425
Equipment repair	200	200	-	200
Equipment rental	3,168	3,168	3,181	(13)
Books, magazines and periodicals	300	300	-	300
New equipment	-	-	100	(100)
<b>Total community preservation</b>	<b>74,169</b>	<b>74,169</b>	<b>68,168</b>	<b>6,001</b>
Anti-drug abuse grant:				
Salaries and wages	63,733	63,733	68,435	(4,702)
Fringe benefits	41,843	41,843	34,654	7,189
Clothing	100	100	-	100
Office supplies	200	200	-	200
Transportation	1,600	1,600	1,103	497
Education and training	-	-	4,806	(4,806)
Telephone	35	35	-	35
Professional services	28,250	28,250	31,818	(3,568)
<b>Total anti-drug abuse grant</b>	<b>135,761</b>	<b>135,761</b>	<b>140,816</b>	<b>(5,055)</b>
Public safety training:				
Office supplies	1,000	1,000	-	1,000
Transportation	1,000	1,000	-	1,000
Meetings	3,300	3,300	-	3,300
<b>Total public safety training</b>	<b>5,300</b>	<b>5,300</b>	<b>-</b>	<b>5,300</b>
Dispatchers:				
Transportation	1,500	1,500	1,501	(1)
Education and training	2,500	2,500	4,948	(2,448)
<b>Total dispatchers</b>	<b>4,000</b>	<b>4,000</b>	<b>6,449</b>	<b>(2,449)</b>
Project Safe Neighborhood:				
Salaries and wages	-	-	12,114	(12,114)
Fringe benefits	-	-	6,323	(6,323)
Transportation	-	-	89	(89)
Equipment rental	-	-	1,563	(1,563)
<b>Total project safe neighborhood</b>	<b>-</b>	<b>-</b>	<b>20,089</b>	<b>(20,089)</b>
<b>Total public safety</b>	<b>4,058,489</b>	<b>4,058,489</b>	<b>3,962,280</b>	<b>96,209</b>
Highways, streets and public works:				
City engineer:				
Salaries and wages	140,877	140,877	129,269	11,608
Fringe benefits	103,441	103,441	94,889	8,552
Professional services	1,000	1,000	-	1,000
Office supplies	1,750	1,750	1,510	240
Communications	1,000	1,000	1,108	(108)
Transportation	500	500	439	61
Insurance and bonds	200	200	99	101
Meetings	5,000	5,000	3,325	1,675
Equipment repair	1,000	1,000	1,092	(92)
Equipment rental	6,440	6,440	4,430	2,010
Books, magazines and periodicals	-	-	31	(31)
New equipment	2,000	2,000	-	2,000
<b>Total city engineer</b>	<b>263,208</b>	<b>263,208</b>	<b>236,192</b>	<b>27,016</b>

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with final budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Care of trees and shrubs:				
Salaries and wages	\$ 39,338	\$ 39,338	\$ 32,053	\$ 7,285
Fringe benefits	27,021	27,021	20,956	6,065
Professional services	3,000	3,000	2,375	625
Office supplies	3,000	3,000	73	2,927
Printing and publishing	-	-	97	(97)
Meetings	300	300	-	300
Equipment repair	2,000	2,000	1,431	569
Equipment rental	21,000	21,000	11,674	9,326
New equipment	500	500	1,075	(575)
Total care of trees and shrubs	<u>96,159</u>	<u>96,159</u>	<u>69,734</u>	<u>26,425</u>
Planning commission:				
Professional services	500	500	-	500
Office supplies	250	250	184	66
Transportation	300	300	-	300
Printing and publishing	1,000	1,000	706	294
Meetings	500	500	-	500
Books, magazines and periodicals	300	300	223	77
Total planning commission	<u>2,850</u>	<u>2,850</u>	<u>1,113</u>	<u>1,737</u>
Street lighting	<u>176,000</u>	<u>176,000</u>	<u>173,989</u>	<u>2,011</u>
Sidewalks:				
Salaries and wages	-	-	1,607	(1,607)
Fringe benefits	-	-	595	(595)
Professional services	5,000	8,000	4,997	3,003
Operating supplies	-	-	1,367	(1,367)
Insurance and bonds	3,000	3,000	1,272	1,728
Equipment rental	-	-	383	(383)
Overhead on salaries and wages	-	-	517	(517)
Total sidewalks	<u>8,000</u>	<u>11,000</u>	<u>10,738</u>	<u>262</u>
Crossing guards	<u>34,500</u>	<u>34,500</u>	<u>28,098</u>	<u>6,402</u>
Total highways, streets and public works	<u>580,717</u>	<u>583,717</u>	<u>519,864</u>	<u>63,853</u>
Sanitation:				
Sanitary landfill:				
Professional services	<u>206,500</u>	<u>206,500</u>	<u>200,386</u>	<u>6,114</u>
Landfill road cleanup:				
Salaries and wages	2,117	2,117	937	1,180
Fringe benefits	1,454	1,454	487	967
Professional services	1,000	1,000	-	1,000
Equipment rental	750	750	326	424
Total landfill road cleanup	<u>5,321</u>	<u>5,321</u>	<u>1,750</u>	<u>3,571</u>
Composting activities:				
Salaries and wages	15,060	19,060	18,074	986
Fringe benefits	10,345	12,345	11,214	1,131
Printing and publishing	500	500	382	118
Public utilities	450	450	-	450
Equipment rental	20,000	22,000	22,243	(243)
Total composting activities	<u>46,355</u>	<u>54,355</u>	<u>51,913</u>	<u>2,442</u>

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with final</u> <u>budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Snow plowing:				
Salaries and wages	\$ 6,356	\$ 6,356	\$ 1,413	\$ 4,943
Fringe benefits	4,366	4,366	782	3,584
Equipment rental	8,000	8,000	2,292	5,708
<u>Total snow plowing</u>	<u>18,722</u>	<u>18,722</u>	<u>4,487</u>	<u>14,235</u>
Solid waste collection:				
Salaries and wages	85,751	85,751	77,502	8,249
Fringe benefits	49,604	49,604	45,202	4,402
Office supplies	500	500	95	405
Education and training	100	100	-	100
Insurance and bonds	1,300	1,300	628	672
Equipment repair	-	-	2,419	(2,419)
Equipment rental	125,000	125,000	121,980	3,020
<u>Total solid waste collection</u>	<u>262,255</u>	<u>262,255</u>	<u>247,826</u>	<u>14,429</u>
Recycling:				
Salaries and wages	31,411	31,411	28,147	3,264
Fringe benefits	21,041	21,041	17,498	3,543
Education and training	70	70	-	70
Equipment rental	62,500	62,500	60,286	2,214
<u>Total recycling</u>	<u>115,022</u>	<u>115,022</u>	<u>105,931</u>	<u>9,091</u>
Total sanitation	<u>654,175</u>	<u>662,175</u>	<u>612,293</u>	<u>49,882</u>
Community services:				
Professional services	13,000	13,000	13,000	-
Building rental	9,148	9,148	9,148	-
<u>Total community services</u>	<u>22,148</u>	<u>22,148</u>	<u>22,148</u>	<u>-</u>
Recreation:				
Band:				
Uniform maintenance	300	300	79	221
Professional services	36,000	36,000	36,262	(262)
Office supplies	375	375	2	373
Transportation	500	500	480	20
Printing and publishing	125	125	-	125
Public utilities	350	350	547	(197)
Building maintenance	300	300	-	300
Memberships and dues	450	450	323	127
Equipment repair	200	200	180	20
Equipment rental	150	150	-	150
New equipment	100	100	-	100
<u>Total band</u>	<u>38,850</u>	<u>38,850</u>	<u>37,873</u>	<u>977</u>
Parks:				
Salaries and wages	70,210	76,210	72,623	3,587
Fringe benefits	48,227	50,227	41,307	8,920
Office supplies	4,000	4,000	2,908	1,092
Building supplies	1,000	1,000	1,454	(454)
Transportation	250	250	50	200
Printing and publishing	-	-	97	(97)
Insurance and bonds	1,000	1,000	667	333
Public utilities	11,000	11,000	11,097	(97)
Building maintenance	4,000	4,000	7,121	(3,121)
Meetings	500	500	1,568	(1,068)

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance with final budget
	Original	Final		Favorable (Unfavorable)
Equipment repair	\$ 1,000	\$ 1,000	\$ 3,209	\$ (2,209)
Equipment rental	42,000	42,000	37,468	4,532
Building improvements	-	-	3,042	(3,042)
Telephone	600	600	600	-
Repairs	-	-	219	(219)
<b>Total parks</b>	<b>193,787</b>	<b>191,787</b>	<b>183,430</b>	<b>8,357</b>
Recreation department - administration:				
Salaries and wages	76,460	76,460	83,228	(6,768)
Fringe benefits	55,152	55,152	56,444	(1,292)
Office supplies	3,000	3,000	2,118	882
Communications	1,800	1,800	1,119	681
Transportation	100	100	-	100
Printing and publishing	100	100	120	(20)
Equipment repair	200	200	-	200
Equipment rental	4,044	4,044	3,819	225
New equipment	-	-	176	(176)
<b>Total recreation department - administration</b>	<b>140,856</b>	<b>140,856</b>	<b>147,024</b>	<b>(6,168)</b>
Summer sports:				
Salaries and wages	46,297	46,297	47,228	(931)
Fringe benefits	24,706	24,706	33,090	(8,384)
Clothing	400	400	673	(273)
Office supplies	5,500	5,500	7,342	(1,842)
Building supplies	100	100	170	(70)
Slam Fest volleyball	500	500	-	500
Printing and publishing	100	100	97	3
Education and training	100	100	-	100
Insurance and bonds	600	600	343	257
Public utilities	6,600	6,600	9,003	(2,403)
Building maintenance	2,000	2,000	2,290	(290)
Equipment repair	500	500	1,342	(842)
Equipment rental	36,000	36,000	15,766	20,234
New equipment	-	-	250	(250)
<b>Total summer sports</b>	<b>123,403</b>	<b>123,403</b>	<b>117,594</b>	<b>5,809</b>
Wading pool:				
Salaries and wages	6,504	6,504	5,635	869
Fringe benefits	2,498	2,498	2,720	(222)
Fees and per diem	75	75	61	14
Professional services	200	200	167	33
Office supplies	1,600	1,600	1,263	337
Communications	100	100	6	94
Insurance and bonds	275	275	184	91
Public utilities	1,800	1,800	1,484	316
Building maintenance	900	900	491	409
Equipment repair	100	100	-	100
Equipment rental	500	500	248	252
Building improvements	3,000	3,000	1,861	1,139
<b>Total wading pool</b>	<b>17,552</b>	<b>17,552</b>	<b>14,120</b>	<b>3,432</b>
Winter sports:				
Salaries and wages	30,270	30,270	9,578	20,692
Fringe benefits	16,593	16,593	6,995	9,598
Clothing	100	100	-	100
Professional services	750	750	-	750
Office supplies	600	600	37	563

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with final budget Favorable (Unfavorable)
Building supplies	\$ 250	\$ 250	\$ 50	\$ 192
Communications	200	200	0	192
Printing and publishing	200	200	-	200
Insurance and bonds	250	250	150	92
Public utilities	6,000	6,000	3,555	2,445
Building maintenance	4,000	4,000	3,736	264
Meetings	100	100	-	100
Equipment repair	200	200	29	171
Equipment rental	14,000	14,000	2,393	11,607
Building improvements	3,500	3,500	1,861	1,639
<b>Total winter sports</b>	<b>77,013</b>	<b>77,013</b>	<b>28,408</b>	<b>48,605</b>
<b>Beach:</b>				
Salaries and wages	23,066	23,066	14,435	8,631
Fringe benefits	1,965	1,965	1,091	874
Clothing	200	200	13	187
Uniform maintenance	50	50	-	50
Professional services	100	100	105	(5)
Office supplies	400	400	8	392
Building supplies	300	300	95	205
Communications	400	400	270	130
Insurance and bonds	500	500	308	192
Public utilities	900	900	957	(57)
Building maintenance	700	700	424	276
Meetings	200	200	70	130
Equipment repair	200	200	-	200
Equipment rental	300	300	72	228
New equipment	400	400	-	400
Building improvements	1,000	1,000	-	1,000
<b>Total beach</b>	<b>30,681</b>	<b>30,681</b>	<b>17,848</b>	<b>12,833</b>
<b>Civic center activities:</b>				
Salaries and wages	31,060	31,060	18,237	12,843
Fringe benefits	7,947	7,947	2,514	5,433
Office supplies	400	400	211	189
Operating supplies	200	200	161	39
Jackie Sorenson aerobics	8,500	8,500	4,907	3,593
Elementary basketball	-	-	3,255	(3,255)
Printing and publishing	300	300	-	300
Meetings	100	100	-	100
Equipment repair	500	500	3	497
<b>Total civic center activities</b>	<b>49,027</b>	<b>49,027</b>	<b>29,288</b>	<b>19,739</b>
<b>Total recreation</b>	<b>661,169</b>	<b>669,169</b>	<b>575,585</b>	<b>93,584</b>
<b>Cultural:</b>				
<b>Historical society building:</b>				
Office supplies	100	100	-	100
Insurance and bonds	300	300	175	125
Building maintenance	359	359	-	359
<b>Total historical society building</b>	<b>759</b>	<b>759</b>	<b>175</b>	<b>584</b>

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Other functions:				
Insurance and bonds	\$ 11,500	\$ 11,500	\$ 7,716	\$ 3,784
Uncollectible accounts	-	25,000	25,000	-
Total other functions	11,500	36,500	32,716	3,784
TOTAL EXPENDITURES	7,175,603	7,239,903	6,859,520	380,383
EXCESS REVENUES (EXPENDITURES)	(1,141,253)	(799,453)	(377,451)	422,002
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	25,387	25,387
Operating transfers in:				
Electric Fund	463,624	463,624	463,624	-
Land Development Fund	60,000	60,000	60,000	-
Office Equipment Fund	-	4,200	4,200	-
Sanitary Landfill Fund	202,300	203,500	203,500	-
Operating transfers out:				
Library Fund	(365,000)	(365,000)	(365,000)	-
Local Street Fund	(85,000)	(85,000)	(85,000)	-
Parking Maintenance Fund	(22,500)	(22,500)	(10,590)	11,910
TOTAL OTHER FINANCING SOURCES (USES)	253,424	258,824	296,121	37,297
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(887,829)	(540,629)	(81,330)	459,299
Fund balance, beginning of year	4,290,675	4,290,675	4,290,675	-
FUND BALANCE, END OF YEAR	\$ 3,402,846	\$ 3,750,046	\$ 4,209,345	\$ 459,299

CITY OF ESCANABA, MICHIGAN

**SCHEDULE OF FUNDING PROGRESS FOR  
THE PUBLIC EMPLOYEES RETIREMENT SYSTEMS**

June 30, 2012

CITY GENERAL PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
2007	\$19,569,915	\$ 28,323,479	\$ 8,753,564	69%	\$ 3,886,862	225%
2008	19,754,963	29,283,966	9,529,003	68%	3,814,034	250%
2009	19,844,840	29,928,075	10,083,235	66%	3,696,064	273%
2010	20,106,664	30,655,393	10,548,729	66%	3,287,962	321%
2011	20,342,748	31,680,101	11,337,353	64%	3,087,935	367%

PUBLIC SAFETY OFFICER PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
6/30/07	\$19,686,269	\$ 21,845,071	\$ 2,158,802	90%	\$ 1,799,708	120%
6/30/08	20,322,502	22,861,045	2,538,543	89%	1,885,535	135%
6/30/09	17,934,203	23,803,284	5,869,081	75%	1,946,469	302%
6/30/10	17,831,177	24,631,990	6,800,813	72%	1,926,918	353%
6/30/11	18,419,861	25,428,343	7,008,482	72%	2,012,773	348%
6/30/11*	18,419,861	26,707,530	8,287,669	69%	2,012,773	412%

\*After changes in benefit provision.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF ESCANABA, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

June 30, 2012

	<u>Special Revenue Funds</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>			
Cash and equivalents	\$ 66,681	\$ -	\$ 66,681
Investments, at market	7,522,186	1,137,759	8,659,945
Sequestered cash and equivalents	403,207	-	403,207
Receivables:			
Accounts, net of bad debt allowance	28,114	-	28,114
Mortgages, land contracts and other notes	1,571,354	-	1,571,354
Special assessments	3,877	-	3,877
Accrued interest	33,514	5,170	38,684
Due from other governments:			
State of Michigan	341,270	-	341,270
Delta County	7,136	-	7,136
Advances to other funds	331,242	-	331,242
Real estate held for resale	8,200	-	8,200
<b>TOTAL ASSETS</b>	<b><u>\$ 10,316,781</u></b>	<b><u>\$ 1,142,929</u></b>	<b><u>\$ 11,459,710</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 75,015	\$ -	\$ 75,015
Due to other governments:			
State of Michigan	120	-	120
Due to other funds:			
Electric Fund	7,996	-	7,996
General Fund	120,229	-	120,229
Deferred revenue	58,927	-	58,927
<b>TOTAL LIABILITIES</b>	<b><u>262,287</u></b>	<b><u>-</u></b>	<b><u>262,287</u></b>
<b>FUND BALANCES:</b>			
Restricted:			
Principal	-	1,094,634	1,094,634
Capital improvements	-	48,295	48,295
Economic development	2,222,278	-	2,222,278
150 Year Celebration	29	-	29
Revolving loans	3,122,947	-	3,122,947
UPSET expenses	63,223	-	63,223
Future DDA projects	176,938	-	176,938
Brownfield	4,286	-	4,286
Local streets	618,114	-	618,114
Major streets	1,650,480	-	1,650,480
Assigned:			
Economic development	147,880	-	147,880
Sanitary landfill	20,831	-	20,831
Parking lots	922	-	922
Capital improvements	1,716,559	-	1,716,559
Housing rehab	196,000	-	196,000
Library operations	95,096	-	95,096
Drug law enforcement	18,911	-	18,911
<b>TOTAL FUND BALANCES</b>	<b><u>10,054,494</u></b>	<b><u>1,142,929</u></b>	<b><u>11,197,423</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 10,316,781</u></b>	<b><u>\$ 1,142,929</u></b>	<b><u>\$ 11,459,710</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

For the year ended June 30, 2012

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 307,454	\$ -	\$ 307,454
Local sources	169,477	-	169,477
State grants	978,190	-	978,190
Federal sources	152,527	-	152,527
Charges for services	882,780	-	882,780
Fines and forfeitures	96,793	-	96,793
Interest and dividends	-	18,086	18,086
Miscellaneous	329,342	-	329,342
<b>TOTAL REVENUES</b>	<b>2,916,563</b>	<b>18,086</b>	<b>2,934,649</b>
EXPENDITURES:			
Public safety	779,675	-	779,675
Highways, streets and public works	820,005	-	820,005
Community services	134,574	-	134,574
Cultural	549,057	-	549,057
Urban redevelopment and housing	3,470	-	3,470
Economic development	210,895	-	210,895
Debt service	48,582	-	48,582
<b>TOTAL EXPENDITURES</b>	<b>2,546,258</b>	<b>-</b>	<b>2,546,258</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>370,305</b>	<b>18,086</b>	<b>388,391</b>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	43,678	6,189	49,867
Operating transfers in	461,226	18,000	479,226
Operating transfers out	(282,136)	-	(282,136)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>222,768</b>	<b>24,189</b>	<b>246,957</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<b>593,073</b>	<b>42,275</b>	<b>635,348</b>
Fund balances, beginning of year	9,461,421	1,100,654	10,562,075
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 10,054,494</b>	<b>\$ 1,142,929</b>	<b>\$ 11,197,423</b>

See accompanying notes to financial statements.

**GENERAL FUND**

CITY OF ESCANABA, MICHIGAN

GENERAL FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	June 30	
	2012	2011
<b>ASSETS:</b>		
Cash and equivalents	\$ 10,523	\$ 21,356
Investments, at market	3,739,142	3,904,590
Receivables:		
Accounts, net of bad debt allowance	186,651	186,657
Contracts for rental property	21,022	4,689
Special assessments	8,791	18,628
Accrued interest	20,382	14,249
Due from other funds:		
Grants Fund	120,229	85,028
Sanitary Landfill Fund	7,996	6,953
Risk Retention Fund	9,560	29,390
Delta County Central Dispatch Authority	-	3,859
Due from other governments:		
State of Michigan	29,996	16,434
Federal government	-	1,223
Advances to other funds:		
Motor Vehicle Equipment	275,298	317,411
Inventory	136,290	110,118
Prepaid expenses	114,550	410
<b>TOTAL ASSETS</b>	<b>\$ 4,680,330</b>	<b>\$ 4,720,995</b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 142,497	\$ 117,825
Accrued salaries, wages and fringes	161,698	149,975
Due to other governments	89,404	90,397
Deferred revenue	54,835	72,123
<b>TOTAL LIABILITIES</b>	<b>448,434</b>	<b>430,320</b>
<b>FUND BALANCES:</b>		
Nonspendable:		
Inventory	136,290	110,118
Prepaid expenses	114,550	410
Unassigned	3,981,056	4,180,147
<b>TOTAL FUND BALANCES</b>	<b>4,231,896</b>	<b>4,290,675</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,680,330</b>	<b>\$ 4,720,995</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012 with comparative totals for the year ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)	2011
<b>REVENUES:</b>				
Taxes	\$ 4,677,650	\$ 4,626,830	\$ (50,820)	\$ 4,585,724
Licenses and permits	6,600	2,015	(4,585)	1,700
Local sources	18,000	13,256	(4,744)	31,276
State grants	1,291,000	1,328,105	37,105	1,299,319
Federal sources	40,000	70,975	30,975	78,447
Charges for services	198,900	196,052	(2,848)	187,151
Fines and forfeitures	40,500	61,108	20,608	53,485
Miscellaneous	167,800	183,728	15,928	191,390
<b>TOTAL REVENUES</b>	<b>6,440,450</b>	<b>6,482,069</b>	<b>41,619</b>	<b>6,428,492</b>
<b>EXPENDITURES:</b>				
General government	1,206,946	1,134,459	72,487	1,182,409
Public safety	4,058,489	3,962,280	96,209	3,951,435
Highways, streets and public works	583,717	519,864	63,853	527,099
Sanitation	662,175	612,293	49,882	619,460
Community services	22,148	22,148	-	21,148
Recreation	669,169	575,585	93,584	592,540
Cultural	759	175	584	240
Other functions	36,500	32,716	3,784	11,429
<b>TOTAL EXPENDITURES</b>	<b>7,239,903</b>	<b>6,859,520</b>	<b>380,383</b>	<b>6,905,760</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(799,453)</b>	<b>(377,451)</b>	<b>422,002</b>	<b>(477,268)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Gain (loss) on sale of investments	-	25,387	25,387	17,633
Operating transfers in	731,324	731,324	-	708,124
Operating transfers out	(472,500)	(460,590)	11,910	(460,763)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>258,824</b>	<b>296,121</b>	<b>37,297</b>	<b>264,994</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<b>(540,629)</b>	<b>(81,330)</b>	<b>459,299</b>	<b>(212,274)</b>
Fund balance, beginning of year	4,290,675	4,290,675	-	4,502,949
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,750,046</b>	<b>\$ 4,209,345</b>	<b>\$ 459,299</b>	<b>\$ 4,290,675</b>

See accompanying notes to financial statements.

**SPECIAL REVENUE FUNDS**

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2012 with comparative totals  
for the year ended June 30, 2011

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	150 Year Celebration Fund
<b>ASSETS:</b>						
Cash and equivalents	\$ -	\$ -	\$ -	\$ 3,458	\$ -	\$ -
Investments, at market	1,589,141	575,186	922	167,663	4,258	-
Sequestered cash and equivalents	-	-	-	-	-	-
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	-
Mortgages, land contracts and other notes	-	-	-	-	-	-
Special assessments	-	3,877	-	-	-	-
Accrued interest	6,782	2,641	-	792	30	29
Due from other funds:						
General fund	-	-	-	-	-	-
Due from other governments:						
State of Michigan	110,646	41,276	-	1,000	-	-
Delta County	-	-	-	7,136	-	-
Advances to other funds:						
Marina Fund	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Real estate held for resale	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,706,569</b>	<b>\$ 622,980</b>	<b>\$ 922</b>	<b>\$ 180,049</b>	<b>\$ 4,288</b>	<b>\$ 29</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 56,089	\$ 869	\$ -	\$ 3,111	\$ 2	\$ -
Due to other governments:						
State of Michigan	-	120	-	-	-	-
Due to other funds:						
Electric Fund	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Deferred revenue	-	3,877	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>56,089</b>	<b>4,866</b>	<b>-</b>	<b>3,111</b>	<b>2</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Economic Development	-	-	-	-	-	-
150 year celebration	-	-	-	-	-	29
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	-	-	-
Future EDA projects as listed in the TIP Development Plan	-	-	-	176,938	-	-
Brownfield	-	-	-	-	4,286	-
Local streets	-	618,114	-	-	-	-
Major streets	1,650,480	-	-	-	-	-
Assigned:						
Economic Development	-	-	-	-	-	-
Sanitary Landfill	-	-	-	-	-	-
Parking lots	-	-	922	-	-	-
Capital improvements	-	-	-	-	-	-
Housing rehab	-	-	-	-	-	-
Library operations	-	-	-	-	-	-
Drug law enforcement	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,650,480</b>	<b>618,114</b>	<b>922</b>	<b>176,938</b>	<b>4,286</b>	<b>29</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,706,569</b>	<b>\$ 622,980</b>	<b>\$ 922</b>	<b>\$ 180,049</b>	<b>\$ 4,288</b>	<b>\$ 29</b>

See accompanying notes to financial statements.

Drug Law Enforcement Fund	Delta County Central Dispatch Authority Fund	Library Fund	Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund
\$ 63,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,823	46,941	98,551	195,112	638	1,477,962	945,400	93,725	932,995	1,374,377
-	-	-	-	-	-	403,207	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	737,567	699,541	-	134,246	-
88	43	815	868	2	6,749	3,901	429	3,702	6,402
-	-	-	-	-	-	-	-	-	-
-	-	6,183	-	182,165	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	331,342
-	-	-	-	-	-	-	-	-	8,200
<u>\$ 82,134</u>	<u>\$ 46,984</u>	<u>\$ 105,549</u>	<u>\$ 196,000</u>	<u>\$ 182,805</u>	<u>\$ 2,222,278</u>	<u>\$ 2,052,049</u>	<u>\$ 94,154</u>	<u>\$ 1,070,943</u>	<u>\$ 1,720,221</u>
\$ -	\$ 394	\$ 8,280	\$ -	\$ 2,563	\$ -	\$ -	\$ -	\$ 45	\$ 3,662
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	120,229	-	-	-	-	-
-	46,590	2,173	-	6,287	-	-	-	-	-
-	46,984	10,453	-	129,079	-	-	-	45	3,662
-	-	-	-	-	2,222,278	-	-	-	-
-	-	-	-	-	-	2,052,049	-	1,070,898	-
63,223	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	53,726	-	-	94,154	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	196,000	-	-	-	-	-	1,716,559
-	-	95,096	-	-	-	-	-	-	-
18,911	-	-	-	-	-	-	-	-	-
82,134	-	95,096	196,000	53,726	2,222,278	2,052,049	94,154	1,070,898	1,716,559
<u>\$ 82,134</u>	<u>\$ 46,984</u>	<u>\$ 105,549</u>	<u>\$ 196,000</u>	<u>\$ 182,805</u>	<u>\$ 2,222,278</u>	<u>\$ 2,052,049</u>	<u>\$ 94,154</u>	<u>\$ 1,070,943</u>	<u>\$ 1,720,221</u>

See accompanying notes to financial statements.

Sanitary Landfill Fund	Totals	
	2012	2011
\$ -	\$ 66,681	\$ 101,905
472	7,522,186	5,567,042
-	403,207	401,477
28,114	28,114	27,657
-	1,571,354	2,192,893
-	3,877	136,405
241	33,514	17,225
-	-	946
-	341,270	987,922
-	7,136	-
-	331,242	279,200
-	-	6,937
-	8,200	8,200
<u>\$ 28,827</u>	<u>\$ 10,316,781</u>	<u>\$ 9,727,809</u>
\$ -	\$ 75,015	\$ 16,281
-	120	120
7,996	7,996	103
-	120,229	95,840
-	58,927	154,044
<u>7,996</u>	<u>262,287</u>	<u>266,388</u>
-	2,222,278	2,166,995
-	29	-
-	3,122,947	3,041,559
-	63,223	98,457
-	176,938	123,346
-	4,286	4,198
-	618,114	473,765
-	1,650,480	1,357,249
-	147,880	92,880
20,831	20,831	20,985
-	922	963
-	1,716,559	1,801,699
-	196,000	178,178
-	95,096	80,937
-	18,911	20,210
<u>20,831</u>	<u>10,054,494</u>	<u>9,461,421</u>
<u>\$ 28,827</u>	<u>\$ 10,316,781</u>	<u>\$ 9,727,809</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

June 30, 2012 with comparative totals  
for the year ended June 30, 2011

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	150 Year Celebration Fund
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 260,275	\$ 47,179	\$ -
Local sources	-	-	-	-	-	-
State grants	715,579	250,277	-	-	-	-
Federal sources	-	-	-	-	-	-
Charges for services	-	-	10,368	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	19,395	88,616	(2)	5,273	249	29
<b>TOTAL REVENUES</b>	<b>734,974</b>	<b>338,893</b>	<b>10,366</b>	<b>265,548</b>	<b>47,428</b>	<b>29</b>
<b>EXPENDITURES:</b>						
Public safety	-	-	-	-	-	-
Highways, streets and public works	451,590	265,339	20,960	-	-	-
Community services	-	-	-	-	-	-
Cultural	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	-	-	163,380	47,415	-
Debt service	-	-	-	48,582	-	-
<b>TOTAL EXPENDITURES</b>	<b>451,590</b>	<b>265,339</b>	<b>20,960</b>	<b>211,962</b>	<b>47,415</b>	<b>-</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>283,384</b>	<b>73,554</b>	<b>(10,594)</b>	<b>53,586</b>	<b>13</b>	<b>29</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Gain (loss) on sale of investments	9,847	3,795	(37)	642	75	-
Operating transfers in	-	85,000	10,590	-	-	-
Operating transfers out	-	(18,000)	-	(636)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,847</b>	<b>70,795</b>	<b>10,553</b>	<b>6</b>	<b>75</b>	<b>-</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<b>293,231</b>	<b>144,349</b>	<b>(41)</b>	<b>53,592</b>	<b>88</b>	<b>29</b>
Fund balances, beginning of year	1,357,249	473,765	963	123,346	4,198	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,650,480</b>	<b>\$ 618,114</b>	<b>\$ 922</b>	<b>\$ 176,938</b>	<b>\$ 4,286</b>	<b>\$ 29</b>

See accompanying notes to financial statements.

Drug Law Enforcement Fund	Delta County Central Dispatch Authority Fund	Library Fund	Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	137,382	-	32,095	-	-	-	-	-
-	-	12,334	-	-	-	-	-	-	-
-	-	-	-	152,527	-	-	-	-	-
-	669,734	-	-	-	-	-	-	-	-
73,094	-	23,699	-	-	-	-	-	-	-
404	(42)	23,899	17,238	2,380	48,231	37,735	1,514	34,346	49,420
<u>73,498</u>	<u>669,692</u>	<u>197,314</u>	<u>17,238</u>	<u>187,002</u>	<u>48,231</u>	<u>37,735</u>	<u>1,514</u>	<u>34,346</u>	<u>49,420</u>
110,149	669,526	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	81,859
-	-	549,057	-	134,574	-	-	-	-	-
-	-	-	462	-	872	800	-	1,336	-
-	-	-	-	-	-	-	100	-	-
-	-	-	-	-	-	-	-	-	-
<u>110,149</u>	<u>669,526</u>	<u>549,057</u>	<u>462</u>	<u>134,574</u>	<u>872</u>	<u>800</u>	<u>100</u>	<u>1,336</u>	<u>81,859</u>
<u>(36,651)</u>	<u>166</u>	<u>(351,743)</u>	<u>16,776</u>	<u>52,428</u>	<u>47,359</u>	<u>16,935</u>	<u>1,414</u>	<u>33,010</u>	<u>(32,439)</u>
118	(166)	902	1,046	-	7,924	5,930	522	5,513	7,299
-	-	365,000	-	636	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(60,000)
<u>118</u>	<u>(166)</u>	<u>365,902</u>	<u>1,046</u>	<u>636</u>	<u>7,924</u>	<u>5,930</u>	<u>522</u>	<u>5,513</u>	<u>(52,701)</u>
(36,533)	-	14,159	17,822	53,064	55,283	42,865	1,936	38,523	(85,140)
<u>118,667</u>	<u>-</u>	<u>80,937</u>	<u>178,178</u>	<u>662</u>	<u>2,166,955</u>	<u>2,009,184</u>	<u>92,218</u>	<u>1,032,375</u>	<u>1,801,699</u>
<u>\$ 82,134</u>	<u>\$ -</u>	<u>\$ 95,096</u>	<u>\$ 126,000</u>	<u>\$ 53,726</u>	<u>\$ 2,222,278</u>	<u>\$ 2,052,049</u>	<u>\$ 94,154</u>	<u>\$ 1,070,898</u>	<u>\$ 1,716,559</u>

See accompanying notes to financial statements.

Sanitary Landfill Fund	Totals	
	2012	2011
\$	\$	\$
-	307,454	305,110
-	169,477	131,015
-	978,190	1,277,018
-	152,527	1,819,659
202,678	882,780	857,555
-	96,793	94,324
657	329,342	267,114
<u>203,335</u>	<u>2,916,563</u>	<u>4,751,796</u>
-	779,675	685,695
257	820,005	2,345,235
-	134,574	769,659
-	549,057	556,885
-	3,470	4,013
-	210,895	275,913
-	48,582	51,034
<u>257</u>	<u>2,546,250</u>	<u>4,688,435</u>
<u>203,078</u>	<u>370,305</u>	<u>63,361</u>
268	43,678	19,772
-	461,226	690,496
(203,500)	(282,136)	(492,657)
<u>(203,232)</u>	<u>222,768</u>	<u>217,611</u>
(154)	593,073	280,972
<u>20,985</u>	<u>9,461,421</u>	<u>9,180,449</u>
<u>\$ 20,831</u>	<u>\$ 10,054,494</u>	<u>\$ 9,461,421</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 1,589,141	\$ 500,940
Receivables:		
Accrued interest	6,782	1,366
Due from other governments:		
State of Michigan	<u>110,646</u>	<u>854,943</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,706,569</u></b>	<b><u>\$ 1,357,249</u></b>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ 56,069</u>	<u>\$ -</u>
<b>FUND BALANCES:</b>		
Restricted:		
Major Streets	<u>1,650,480</u>	<u>1,357,249</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,706,569</u></b>	<b><u>\$ 1,357,249</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
State grants:			
Gas and weight tax	\$ 660,000	\$ 671,352	\$ 11,352
PA 48 annual maintenance fee	45,000	44,227	(773)
Miscellaneous:			
Interest earnings	14,000	19,395	5,395
<b>TOTAL REVENUES</b>	<u>719,000</u>	<u>734,974</u>	<u>15,974</u>
<b>EXPENDITURES:</b>			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	58,673	60,108	(1,435)
Storm sewers	101,177	98,082	3,095
Grass and weed cutting	17,435	4,437	12,998
Sweeping and flushing	41,617	27,254	14,363
Total preservation streets	<u>218,902</u>	<u>189,881</u>	<u>29,021</u>
Traffic services - maintenance:			
Pavement markings and signs	60,267	65,295	(5,028)
Winter maintenance:			
Snow removal	194,588	53,509	141,079
Snow plowing	87,981	25,209	62,772
Snow control	437	150	287
Ice control	75,304	35,657	39,647
Total winter maintenance	<u>358,310</u>	<u>114,525</u>	<u>243,785</u>
Administration engineering and record keeping	76,603	81,889	(5,286)
<b>TOTAL EXPENDITURES</b>	<u>714,082</u>	<u>451,590</u>	<u>262,492</u>
<b>EXCESS REVENUES</b>	4,918	283,384	278,466
<b>OTHER FINANCING SOURCES (USES):</b>			
Gain (loss) on sale of investments	-	9,847	9,847
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES</b>	4,918	293,231	288,313
Fund balance, beginning of year	<u>1,357,249</u>	<u>1,357,249</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,362,167</u>	<u>\$ 1,650,480</u>	<u>\$ 288,313</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 575,186	\$ 434,019
Receivables:		
Special assessments	3,877	136,405
Accrued interest	2,641	1,388
Due from other governments:		
State of Michigan	<u>41,276</u>	<u>39,495</u>
<b>TOTAL ASSETS</b>	<u>\$ 622,980</u>	<u>\$ 611,307</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 869	\$ 1,017
Due to other governments:		
State of Michigan	120	120
Deferred revenue	<u>3,877</u>	<u>136,405</u>
<b>TOTAL LIABILITIES</b>	<u>4,866</u>	<u>137,542</u>
<b>FUND BALANCES:</b>		
Restricted:		
Local Streets	<u>618,114</u>	<u>473,765</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 622,980</u>	<u>\$ 611,307</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 245,000	\$ 250,277	\$ 5,277
Miscellaneous:			
Interest earnings	4,000	14,920	10,920
Special assessments	<u>43,000</u>	<u>73,696</u>	<u>30,696</u>
TOTAL REVENUES	<u>292,000</u>	<u>338,893</u>	<u>46,893</u>
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	52,912	55,595	(2,683)
Storm sewers	56,708	32,988	23,720
Sweeping and flushing	38,930	27,665	11,265
Blading	9,661	12,338	(2,677)
Dust control	<u>5,924</u>	<u>1,495</u>	<u>4,429</u>
Total preservation streets	<u>164,135</u>	<u>130,081</u>	<u>34,054</u>
Traffic services - maintenance	<u>24,056</u>	<u>26,853</u>	<u>(2,797)</u>
Winter maintenance:			
Snow removal	21,919	3,013	18,906
Snow plowing	47,712	21,479	26,233
Ice control	<u>41,808</u>	<u>17,159</u>	<u>24,649</u>
Total winter maintenance	<u>111,439</u>	<u>41,651</u>	<u>69,788</u>
Administration engineering and record keeping	<u>59,370</u>	<u>66,754</u>	<u>(7,384)</u>
TOTAL EXPENDITURES	<u>359,000</u>	<u>265,339</u>	<u>93,661</u>
EXCESS REVENUES (EXPENDITURES)	<u>(67,000)</u>	<u>73,554</u>	<u>140,554</u>
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	3,795	3,795
Operating transfers in:			
General Fund	85,000	85,000	-
Operating transfers out:			
Gas Retirement Fund	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>67,000</u>	<u>70,795</u>	<u>3,795</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	<u>-</u>	<u>144,349</u>	<u>144,349</u>
Fund balance, beginning of year	<u>473,765</u>	<u>473,765</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 473,765</u>	<u>\$ 618,114</u>	<u>\$ 144,349</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 922	\$ 925
Receivables:		
Accrued interest	<u>-</u>	<u>38</u>
TOTAL ASSETS	<u>\$ 922</u>	<u>\$ 963</u>
FUND BALANCES:		
Assigned:		
Parking lots	<u>\$ 922</u>	<u>\$ 963</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PARKING MAINTENANCE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services	\$ 30,000	\$ 10,368	\$ (19,632)
Miscellaneous:			
Interest earnings	-	(2)	(2)
TOTAL REVENUES	<u>30,000</u>	<u>10,366</u>	<u>(19,634)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	30,000	10,719	19,281
Non-DDA lot maintenance	<u>22,500</u>	<u>10,241</u>	<u>12,259</u>
TOTAL EXPENDITURES	<u>52,500</u>	<u>20,960</u>	<u>31,540</u>
EXCESS REVENUES (EXPENDITURES)	<u>(22,500)</u>	<u>(10,594)</u>	<u>11,906</u>
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	(37)	(37)
Operating transfers in:			
General Fund	<u>22,500</u>	<u>10,590</u>	<u>(11,910)</u>
TOTAL OTHER FINANCING SOURCES	<u>22,500</u>	<u>10,553</u>	<u>(11,947)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	(41)	(41)
Fund balance, beginning of year	<u>963</u>	<u>963</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 963</u>	<u>\$ 922</u>	<u>\$ (41)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash and equivalents	\$ 3,458	\$ 3,448
Investments, at market	167,663	124,787
Receivables		
Accrued interest	792	453
Due from other governments:		
State of Michigan	1,000	-
Delta County	<u>7,136</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 180,049</u>	 <u>\$ 128,688</u>
LIABILITIES:		
Accounts payable	<u>\$ 3,111</u>	<u>\$ 5,342</u>
FUND BALANCES:		
Restricted:		
Future DDA projects as listed in the TIF Development Plan	<u>176,938</u>	<u>123,346</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 180,049</u>	 <u>\$ 128,688</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 258,000	\$ 260,275	\$ 2,275
Miscellaneous:			
Contributions from private sources	1,000	485	(515)
Interest earnings	3,000	3,137	137
Other	-	1,651	1,651
	<u>262,000</u>	<u>265,548</u>	<u>3,548</u>
TOTAL REVENUES			
EXPENDITURES:			
Economic development:			
Salaries and wages	52,500	30,853	21,647
Fringe benefits	7,000	2,900	4,100
Supplies	4,500	1,617	2,883
Professional services	19,500	53,028	(33,528)
Rental rehabilitation	5,000	3,862	1,138
Communication	2,500	2,027	473
Transportation	2,000	595	1,405
Public relations	27,300	14,924	12,376
Printing & publishing	1,500	1,806	(306)
Insurance & bonds	1,200	858	342
Public utilities	2,600	4,563	(1,963)
Maintenance of parking lots	20,000	10,368	9,632
Capital outlay	130,000	16,788	113,212
Building maintenance	16,000	14,982	1,018
Maintenance of sidewalks	3,000	865	2,135
Equipment maintenance	1,500	70	1,430
Equipment rental	1,350	2,605	(1,255)
Books, magazines & periodicals	250	89	161
Memberships & dues	700	455	245
Education and training	1,000	125	875
Debt service:			
Principal retirement	40,000	40,000	-
Interest charges	8,582	8,582	-
	<u>347,982</u>	<u>211,962</u>	<u>136,020</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>(85,982)</u>	<u>53,586</u>	<u>139,568</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	642	642
Operating transfers out:			
Grants Fund	-	(636)	(636)
	<u>-</u>	<u>6</u>	<u>6</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(85,982)</u>	<u>53,592</u>	<u>139,574</u>
Fund balance, beginning of year	<u>123,346</u>	<u>123,346</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 37,364</u>	<u>\$ 176,938</u>	<u>\$ 139,574</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 4,258	\$ 7,239
Receivables:		
Accrued interest	<u>30</u>	<u>24</u>
TOTAL ASSETS	<u>\$ 4,288</u>	<u>\$ 7,263</u>
LIABILITIES:		
Accounts payable	<u>\$ 2</u>	<u>\$ 3,065</u>
FUND BALANCES:		
Restricted:		
Brownfield	<u>4,286</u>	<u>4,198</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,288</u>	<u>\$ 7,263</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 47,000	\$ 47,179	\$ 179
Miscellaneous:			
Interest earnings	<u>150</u>	<u>249</u>	<u>99</u>
TOTAL REVENUES	<u>47,150</u>	<u>47,428</u>	<u>278</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	-	100	(100)
Fringe benefits	-	56	(56)
Professional services	2,000	-	2,000
TIF reimbursement	48,000	47,227	773
Office supplies	<u>-</u>	<u>32</u>	<u>(32)</u>
TOTAL EXPENDITURES	<u>50,000</u>	<u>47,415</u>	<u>2,585</u>
EXCESS REVENUES (EXPENDITURES)	(2,850)	13	2,863
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>75</u>	<u>75</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(2,850)	88	2,938
Fund balance, beginning of year	<u>4,198</u>	<u>4,198</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,348</u>	<u>\$ 4,286</u>	<u>\$ 2,938</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

150 YEAR CELEBRATION  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Receivables:		
Accrued interest	<u>\$ 29</u>	<u>\$ -</u>
FUND BALANCES:		
Restricted:		
150 year celebration	<u>\$ 29</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

150 YEAR CELEBRATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

June 30, 2012 and 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ -	\$ 29	\$ 29
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 29	\$ 29

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**DRUG LAW ENFORCEMENT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Cash and equivalents:		
UPSET adjudicated funds	\$ 54,285	\$ 7,440
UPSET federal forfeiture	7,698	17,692
Non-adjudicated account	1,240	73,325
Investments, at market	18,823	20,149
Receivables:		
Accrued interest	<u>88</u>	<u>61</u>
<b>TOTAL ASSETS</b>	<u>\$ 82,134</u>	<u>\$ 118,667</u>
<b>FUND BALANCES:</b>		
Restricted:		
UPSET expenses	\$ 63,223	\$ 98,457
Assigned:		
Drug law enforcement	<u>18,911</u>	<u>20,210</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 82,134</u>	<u>\$ 118,667</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**DRUG LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 73,100	\$ 73,094	\$ (6)
Miscellaneous:			
Interest earnings	250	404	154
TOTAL REVENUES	<u>73,350</u>	<u>73,498</u>	<u>148</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	120,000	107,240	12,760
Travel expenses	-	147	(147)
Supplies	4,000	1,694	2,306
Capital outlay - equipment	-	1,068	(1,068)
TOTAL EXPENDITURES	<u>124,000</u>	<u>110,149</u>	<u>13,851</u>
EXCESS REVENUES (EXPENDITURES)	(50,650)	(36,651)	13,999
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	118	118
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(50,650)	(36,533)	14,117
Fund balance, beginning of year	<u>118,667</u>	<u>118,667</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 68,017</u>	<u>\$ 82,134</u>	<u>\$ 14,117</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DELTA COUNTY CENTRAL DISPATCH AUTHORITY  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 46,941	\$ 137
Receivables:		
Accrued interest	43	109
Prepaid expenses	-	6,937
TOTAL ASSETS	<u>\$ 46,984</u>	<u>\$ 7,183</u>
LIABILITIES:		
Accounts payable	\$ 394	\$ -
Due to other funds:		
General Fund	-	\$ 3,859
Deferred revenue	<u>46,590</u>	<u>3,324</u>
TOTAL LIABILITIES	<u>46,984</u>	<u>7,183</u>
FUND BALANCES:		
Assigned:		
Dispatch operations	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,984</u>	<u>\$ 7,183</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DELTA COUNTY CENTRAL DISPATCH AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Service fees	\$ 694,103	\$ 669,734	\$ (24,369)
Miscellaneous:			
Interest earnings	200	(42)	(242)
<b>TOTAL REVENUES</b>	<u>694,303</u>	<u>669,692</u>	<u>(24,611)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	440,639	462,356	(21,717)
Fringe benefits	118,712	83,685	35,027
Overhead on salaries and wages	103,752	105,256	(1,504)
Travel expenses	1,700	537	1,163
Professional services	1,500	-	1,500
Supplies	400	395	5
Clothing supplies	1,200	585	615
Equipment rental	2,800	2,748	52
Communication	3,800	3,458	342
Printing & publishing	400	-	400
Capital outlay	800	-	800
Equipment maintenance	13,300	9,378	4,022
Books, magazines & periodicals	-	170	(170)
Memberships & dues	200	140	60
Education and training	2,800	-	2,800
Office expense	300	305	(5)
Office supplies	2,000	613	1,387
<b>TOTAL EXPENDITURES</b>	<u>694,303</u>	<u>669,526</u>	<u>24,777</u>
EXCESS REVENUES (EXPENDITURES)	-	166	166
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(166)	(166)
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 98,551	\$ 89,004
Receivables:		
Accrued interest	815	505
Due from other funds:		
General Fund	-	946
Due from other governments:		
State of Michigan	<u>6,183</u>	<u>5,445</u>
TOTAL ASSETS	<u>\$ 105,549</u>	<u>\$ 95,900</u>
LIABILITIES:		
Accounts payable	\$ 8,280	\$ 3,963
Deferred revenue	<u>2,173</u>	<u>11,000</u>
TOTAL LIABILITIES	<u>10,453</u>	<u>14,963</u>
FUND BALANCES:		
Assigned:		
Library operations	<u>95,096</u>	<u>80,937</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105,549</u>	<u>\$ 95,900</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local sources:			
Penal fines	\$ 130,000	\$ 137,382	\$ 7,382
State grants:			
State aid	10,890	12,334	1,444
Fines and forfeitures:			
Book fines	21,500	23,699	2,199
Miscellaneous:			
Contributions from private sources	10,000	9,980	(20)
Interest earnings	2,400	2,592	192
Gates Foundation Grant	2,500	2,327	(173)
Hannahville Preserving History grant	9,000	9,000	-
<b>TOTAL REVENUES</b>	<u>186,290</u>	<u>197,314</u>	<u>11,024</u>
<b>EXPENDITURES:</b>			
Cultural:			
Salaries and wages	257,286	253,546	3,740
Fringe benefits	147,780	141,482	6,298
Supplies	10,064	9,295	769
Professional services	30,332	29,261	1,071
Communication	3,360	3,130	230
Transportation	750	1,196	(446)
Printing and publishing	550	359	191
Insurance & bonds	750	496	254
Office rental	45,936	45,936	-
Capital outlay - equipment	1,000	779	221
Capital outlay - Hannahville grant	9,000	9,000	-
Equipment maintenance	2,359	1,344	1,015
Equipment rental	2,200	2,284	(84)
Books, magazines & periodicals	47,150	50,271	(3,121)
Memberships & dues	555	678	(123)
Education and training	265	-	265
<b>TOTAL EXPENDITURES</b>	<u>559,337</u>	<u>549,057</u>	<u>10,280</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(373,047)</u>	<u>(351,743)</u>	<u>21,304</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Gain (loss) on sale of investments	-	902	902
Operating transfers in:			
General Fund	365,000	365,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>365,000</u>	<u>365,902</u>	<u>902</u>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<u>(8,047)</u>	<u>14,159</u>	<u>22,206</u>
Fund balance, beginning of year	80,937	80,937	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 72,890</u>	<u>\$ 95,096</u>	<u>\$ 22,206</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 195,132	\$ 177,643
Receivables:		
Accrued interest	<u>868</u>	<u>549</u>
TOTAL ASSETS	<u>\$ 196,000</u>	<u>\$ 178,192</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 14
FUND BALANCES:		
Assigned:		
Housing Rehab	<u>196,000</u>	<u>178,178</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 196,000</u>	<u>\$ 178,192</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ 14,250	\$ 14,250	\$ 10
Interest earnings	2,900	2,978	78
TOTAL REVENUES	<u>17,150</u>	<u>17,238</u>	<u>88</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1,000</u>	<u>462</u>	<u>538</u>
EXCESS REVENUES	16,150	16,776	626
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>1,046</u>	<u>1,046</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	16,150	17,822	1,672
Fund balance, beginning of year	<u>178,178</u>	<u>178,178</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 194,328</u>	<u>\$ 196,000</u>	<u>\$ 1,672</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 638	\$ 938
Receivables:		
Accrued interest	2	28
Due from other governments:		
State of Michigan	<u>182,165</u>	<u>68,039</u>
TOTAL ASSETS	<u>\$ 182,805</u>	<u>\$ 89,005</u>
LIABILITIES:		
Accounts payable	\$ 2,563	\$ -
Due to other funds:		
General Fund	120,229	85,028
Deferred revenue	<u>6,287</u>	<u>3,315</u>
TOTAL LIABILITIES	<u>129,079</u>	<u>88,343</u>
FUND BALANCES:		
Assigned:		
Economic Development	<u>53,726</u>	<u>662</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 182,805</u>	<u>\$ 89,005</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ 55,363	\$ 32,095	\$ (23,268)
State grants	72,000	-	(72,000)
Federal sources	223,828	152,527	(71,301)
Miscellaneous:			
Interest earnings	-	2,380	2,380
TOTAL REVENUES	<u>351,191</u>	<u>187,002</u>	<u>(164,189)</u>
EXPENDITURES:			
Community services:			
Brute Industries project	72,000	-	72,000
Downtown Façade project	225,450	131,515	93,935
Ludington Lofts	53,741	3,059	50,682
TOTAL EXPENDITURES	<u>351,191</u>	<u>134,574</u>	<u>216,617</u>
EXCESS REVENUES	-	52,428	52,428
OTHER FINANCING SOURCES:			
Operating transfers in:			
DDA Fund	-	636	636
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	53,064	53,064
Fund balance, beginning of year	<u>662</u>	<u>662</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 662</u>	<u>\$ 53,726</u>	<u>\$ 53,064</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 1,477,962	\$ 1,448,738
Receivables:		
Mortgages, land contracts and other notes	737,567	714,006
Accrued interest	<u>6,749</u>	<u>4,251</u>
TOTAL ASSETS	<u>\$ 2,222,278</u>	<u>\$ 2,166,995</u>
 FUND BALANCES:		
Restricted:		
Economic Development	<u>\$ 2,222,278</u>	<u>\$ 2,166,995</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 40,000</u>	<u>\$ 48,231</u>	<u>\$ 8,231</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1,200</u>	<u>872</u>	<u>328</u>
EXCESS REVENUES (EXPENDITURES)	<u>38,800</u>	<u>47,359</u>	<u>8,559</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>7,924</u>	<u>7,924</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	<u>38,800</u>	<u>55,283</u>	<u>16,483</u>
Fund balance, beginning of year	<u>2,166,995</u>	<u>2,166,995</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,205,795</u>	<u>\$ 2,222,278</u>	<u>\$ 16,483</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**E.D.A. REVOLVING LOAN FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 945,400	\$ 615,749
Sequestered cash and equivalents	403,207	401,477
Receivables:		
Mortgages, land contracts and other notes	699,541	990,200
Accrued interest	<u>3,901</u>	<u>1,758</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,052,049</u></b>	<b><u>\$ 2,009,184</u></b>
<b>FUND BALANCES:</b>		
Restricted:		
Revolving loans	<b><u>\$ 2,052,049</u></b>	<b><u>\$ 2,009,184</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

E.D.A. REVOLVING LOAN FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 40,000	\$ 37,735	\$ (2,265)
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,500	800	700
EXCESS REVENUES	38,500	36,935	(1,565)
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	5,930	5,930
EXCESS REVENUES AND OTHER FINANCING SOURCES	38,500	42,865	4,365
Fund balance, beginning of year	2,009,184	2,009,184	-
FUND BALANCE, END OF YEAR	<u>\$ 2,047,684</u>	<u>\$ 2,052,049</u>	<u>\$ 4,365</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOME GRANT FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 93,725	\$ 91,935
Receivables:		
Accrued interest	<u>429</u>	<u>283</u>
TOTAL ASSETS	<u>\$ 94,154</u>	<u>\$ 92,218</u>
FUND BALANCES:		
Assigned:		
Economic Development	<u>\$ 94,154</u>	<u>\$ 92,218</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOME GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 1,100	\$ 1,514	\$ 414
EXPENDITURES:			
Economic development:			
Administration	200	100	100
EXCESS REVENUES	900	1,414	514
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	522	522
EXCESS REVENUES AND OTHER FINANCING SOURCES	900	1,936	1,036
Fund balance, beginning of year	92,218	92,218	-
FUND BALANCE, END OF YEAR	<u>\$ 93,118</u>	<u>\$ 94,154</u>	<u>\$ 1,036</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

M.S.C. REVOLVING LOAN FUND II  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 932,995	\$ 542,197
Receivables:		
Mortgages, land contracts and other notes	134,246	488,687
Accrued interest	<u>3,702</u>	<u>1,571</u>
TOTAL ASSETS	<u>\$ 1,070,943</u>	<u>\$ 1,032,455</u>
LIABILITIES:		
Accounts payable	\$ <u>45</u>	\$ <u>80</u>
FUND BALANCES:		
Restricted:		
Revolving loans	<u>1,070,898</u>	<u>1,032,375</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,070,943</u>	<u>\$ 1,032,455</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

M.S.C. REVOLVING LOAN FUND II  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 35,000</u>	<u>\$ 34,346</u>	<u>\$ (654)</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	<u>2,000</u>	<u>1,336</u>	<u>664</u>
EXCESS REVENUES	33,000	33,010	10
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>5,513</u>	<u>5,513</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	33,000	38,523	5,523
Fund balance, beginning of year	<u>1,032,375</u>	<u>1,032,375</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,065,375</u>	<u>\$ 1,070,898</u>	<u>\$ 5,523</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND  
COMPARATIVE BALANCE SHEET

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 1,374,377	\$ 1,512,439
Receivables:		
Accrued interest	6,402	4,660
Advances to other funds:		
Marina Fund	331,242	279,200
Real estate held for resale	<u>8,200</u>	<u>8,200</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,720,221</u>	<u>\$ 1,804,499</u>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ 3,662</u>	<u>\$ 2,800</u>
<b>FUND BALANCES:</b>		
Assigned:		
Capital improvements	<u>1,716,559</u>	<u>1,801,699</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,720,221</u>	<u>\$ 1,804,499</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 38,000	\$ 38,734	\$ 734
Rents	-	4,978	4,978
Sale of property	4,975	500	(4,475)
Sale of sand/topsoil	-	5,208	5,208
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	42,975	49,420	6,445
EXPENDITURES:			
Highways, streets and public works:			
Loan repayment	23,750	23,750	-
Professional services	21,800	23,150	(1,350)
Capital outlay	3,450	27,353	(23,903)
Property taxes	6,000	5,743	257
Purchase of easements	23,000	-	23,000
Property improvements	1,900	1,863	37
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	79,900	81,859	(1,959)
EXCESS REVENUES (EXPENDITURES)	<hr/>	<hr/>	<hr/>
	(36,925)	(32,439)	4,486
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	7,299	7,299
Operating transfers out:			
General Fund	(60,000)	(60,000)	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(52,701)	7,299
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<hr/>	<hr/>	<hr/>
	(96,925)	(85,140)	11,785
Fund balance, beginning of year	<hr/>	<hr/>	<hr/>
	1,801,699	1,801,699	-
FUND BALANCE, END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 1,704,774	\$ 1,716,559	\$ 11,785

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**SANITARY LANDFILL FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 472	\$ 203
Receivables:		
Accounts, net of bad debt allowance	28,114	27,657
Accrued interest	<u>241</u>	<u>181</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,827</u>	<u>\$ 28,041</u>
<b>LIABILITIES:</b>		
Due to other funds:		
Electric Fund	\$ 7,996	\$ 103
General Fund	<u>-</u>	<u>6,953</u>
<b>TOTAL LIABILITIES</b>	<u>7,996</u>	<u>7,056</u>
<b>FUND BALANCES:</b>		
Assigned:		
Sanitary Landfill	<u>20,831</u>	<u>20,985</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,827</u>	<u>\$ 28,041</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Metered sales	\$ 203,200	\$ 202,678	\$ (522)
Miscellaneous:			
Interest earnings	500	657	157
TOTAL REVENUES	<u>203,700</u>	<u>203,335</u>	<u>(365)</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	100	100	-
Uncollectible accounts	100	157	(57)
TOTAL EXPENDITURES	<u>200</u>	<u>257</u>	<u>(57)</u>
EXCESS REVENUES	<u>203,500</u>	<u>203,078</u>	<u>(422)</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	268	268
Operating transfers out:			
General Fund	(203,500)	(203,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(203,500)</u>	<u>(203,232)</u>	<u>268</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	(154)	(154)
Fund balance, beginning of year	<u>20,985</u>	<u>20,985</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 20,985</u>	<u>\$ 20,831</u>	<u>\$ (154)</u>

See accompanying notes to financial statements.

**ENTERPRISE FUNDS**

CITY OF ESCANABA, MICHIGAN

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012  
with comparative totals for June 30, 2011

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2012	2011
<b>CASH FLOWS FROM ACTIVITIES:</b>						
Cash received from customers	\$ 19,149,257	\$ 2,018,790	\$ 1,320,045	\$ 276,874	\$ 22,764,966	\$ 25,823,044
Cash received from other funds for services	-	-	8,991	-	8,991	11,196
Cash payments to suppliers for goods and services	(14,838,670)	(243,957)	(583,303)	(168,090)	(15,834,020)	(18,324,408)
Cash payments to employees for services	(3,694,883)	(914,086)	(389,916)	(71,771)	(5,070,656)	(2,022,904)
Cash payments to other funds for services	(16,683)	(37,733)	(34,339)	(1,991)	(90,736)	(90,739)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>599,021</u>	<u>823,014</u>	<u>321,478</u>	<u>35,032</u>	<u>1,778,545</u>	<u>5,396,189</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Net interfund loan transactions	-	-	-	52,042	52,042	(10,000)
Operating transfers in	-	-	-	-	-	36,424
Operating transfers out	(463,624)	-	-	-	(463,624)	(463,624)
<b>NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(463,624)</u>	<u>-</u>	<u>-</u>	<u>52,042</u>	<u>(411,582)</u>	<u>(437,200)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from revenue bonds	-	-	-	-	-	3,200,000
Acquisition and construction of capital assets	(1,372,600)	(2,001,956)	(15,221)	(139,056)	(3,528,833)	(2,260,525)
Proceeds from sale of capital assets	2,317	-	-	-	2,317	-
Principal paid on revenue bond maturities	-	(380,000)	(130,000)	-	(510,000)	(380,000)
Interest paid	-	(193,751)	(13,662)	(15,256)	(222,669)	(174,868)
State Grant	-	-	-	83,450	83,450	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<u>(1,370,283)</u>	<u>(2,575,707)</u>	<u>(158,883)</u>	<u>(70,862)</u>	<u>(4,175,735)</u>	<u>384,607</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Gain (loss) on sale of investments	84,161	1,482	12,560	122	98,325	52,284
Interest received	258,639	15,427	32,866	642	307,574	315,284
Rent received	-	13,800	-	-	13,800	13,705
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>342,800</u>	<u>30,709</u>	<u>45,426</u>	<u>764</u>	<u>419,699</u>	<u>381,273</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>(692,086)</u>	<u>(1,721,984)</u>	<u>208,021</u>	<u>16,976</u>	<u>(2,389,073)</u>	<u>5,724,869</u>
Cash and equivalents, beginning of year	<u>13,634,910</u>	<u>2,112,716</u>	<u>2,316,600</u>	<u>94,470</u>	<u>18,158,696</u>	<u>12,433,827</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 12,942,824</u>	<u>\$ 390,732</u>	<u>\$ 2,524,621</u>	<u>\$ 111,446</u>	<u>\$ 15,769,623</u>	<u>\$ 18,158,696</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (629,974)	\$ 386,672	\$ 144,333	\$ (48,333)	\$ (147,302)	\$ (1,508,935)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	885,588	373,323	215,700	69,103	1,543,714	1,684,894
Increase (Decline) in market value of inventory	-	-	-	-	-	994,071
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(369,070)	(28,882)	(6,976)	6,110	(398,818)	309,879
(Increase) decrease in inventory	(3,920)	(9,322)	(1,195)	3,461	(10,976)	4,417,426
(Increase) decrease in prepaid expenses	140,943	2,533	-	-	143,476	(396,780)
Increase (decrease) in accounts payable	107,208	143,962	(2,147)	2,005	251,028	(590,049)
Increase (decrease) in accruals and deferrals	438,695	(45,272)	(28,237)	586	365,772	471,359
Increase (decrease) in customer deposits	29,250	-	-	-	29,250	14,615
Increase (decrease) in due to other funds	291	-	-	2,100	2,391	(291)
<b>Total adjustments</b>	<u>1,228,995</u>	<u>436,342</u>	<u>177,145</u>	<u>83,365</u>	<u>1,925,847</u>	<u>6,905,124</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 599,021</u>	<u>\$ 823,014</u>	<u>\$ 321,478</u>	<u>\$ 35,032</u>	<u>\$ 1,778,545</u>	<u>\$ 5,396,189</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND  
COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 11,916	\$ 184,244
Investments, at market	12,730,908	13,450,666
Receivables:		
Accounts	2,180,696	1,811,626
Accrued interest	61,674	41,564
Due from other funds:		
Sanitary Landfill Fund	-	103
Risk Retention Fund	-	188
Inventories, net of obsolescence allowance	2,149,428	2,145,508
Prepaid expenses	<u>320,203</u>	<u>461,146</u>
Total current assets	<u>17,454,825</u>	<u>18,095,045</u>
Property, plant and equipment	34,874,490	33,457,724
Less accumulated depreciation	<u>(25,612,781)</u>	<u>(24,760,054)</u>
Net property, plant and equipment	<u>9,261,709</u>	<u>8,697,670</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 26,716,534</b></u>	<u><b>\$ 26,792,715</b></u>
 <b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 1,602,723	\$ 1,495,515
Customer deposits	248,155	218,895
Accrued salaries, wages and fringes	63,954	98,619
Deferred revenue	<u>1,173,252</u>	<u>699,892</u>
Total current liabilities	<u>3,088,084</u>	<u>2,512,921</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	9,261,709	8,697,670
Unrestricted	<u>14,366,741</u>	<u>15,582,124</u>
<b>TOTAL NET ASSETS</b>	<u><b>23,628,450</b></u>	<u><b>24,279,794</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 26,716,534</b></u>	<u><b>\$ 26,792,715</b></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Charges for services:		
Residential sales	\$ 4,018,521	\$ 3,906,612
Hot water sales	32,838	32,179
Electric heat sales	27,243	31,421
Commercial sales	4,499,018	4,407,015
Industrial sales	5,466,446	5,285,249
Municipal rate sales	579,429	563,583
Street lighting	174,540	169,528
Interchange revenue	3,886,369	7,099,874
Connection charges	22,600	20,758
Energy optimization surcharge	184,282	130,147
Renewable energy surcharge	7,168	-
Dusk to dawn lighting	55,318	54,371
Miscellaneous revenues	61,644	50,536
<b>TOTAL OPERATING REVENUES</b>	<u>19,015,416</u>	<u>21,751,273</u>
<b>OPERATING EXPENSES:</b>		
Production	16,412,800	19,888,629
Transmission and distribution	253,302	351,688
Customer service	24,428	20,675
Administrative and general	1,518,202	1,485,461
Provision for depreciation	885,588	1,087,095
Overhead to utilities	551,070	542,740
<b>TOTAL OPERATING EXPENSES</b>	<u>19,645,390</u>	<u>23,376,288</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(629,974)</u>	<u>(1,625,015)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	84,161	43,172
Gain (loss) sale of property	2,317	-
Interest earnings	278,749	266,068
Operating transfers out:		
General Fund	(463,624)	(463,624)
Increase (Decline) in market value of inventory	-	994,071
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(98,397)</u>	<u>839,687</u>
<b>CHANGE IN NET ASSETS</b>	<u>(728,371)</u>	<u>(785,328)</u>
Net assets, beginning of year	24,279,794	25,065,122
Add: contributed capital	77,027	-
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 23,628,450</u>	<u>\$ 24,279,794</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND  
COMPARATIVE STATEMENT OF CASH FLOWS

For the year ended June 30, 2012  
with comparative totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$19,149,257	\$22,571,635
Cash payments to suppliers for goods and services	(14,838,670)	(17,088,690)
Cash payments to employees for services	(3,694,883)	(684,853)
Cash payments to other funds for services	(16,683)	(16,155)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>599,021</u>	<u>4,781,937</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	<u>(463,624)</u>	<u>(463,624)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,372,600)	(532,936)
Proceeds from sale of capital assets	2,317	-
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(1,370,283)</u>	<u>(532,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	84,161	43,172
Interest received	258,639	266,612
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>342,800</u>	<u>309,784</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(892,086)	4,095,161
Cash and equivalents, beginning of year	<u>13,634,910</u>	<u>9,539,749</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$12,742,824</u>	<u>\$13,634,910</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (629,974)	\$ (1,625,015)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	885,588	1,087,095
Increase (Decline) in market value of inventory	-	994,071
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(369,070)	336,366
(Increase) decrease in inventories	(3,920)	4,425,265
(Increase) decrease in prepaid expenses	140,943	(346,333)
Increase (decrease) in accounts payable	107,208	(559,902)
Increase (decrease) in accruals	(34,665)	(13,315)
Increase (decrease) in customer deposits	29,260	14,615
Increase (decrease) in due to other funds	291	(291)
Increase (decrease) in deferred revenue	473,360	469,381
Total adjustments	<u>1,228,995</u>	<u>6,406,952</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 599,021</u>	<u>\$ 4,781,937</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND  
COMPARATIVE SCHEDULE OF OPERATING EXPENSES**

For the Years Ended June 30, 2012 and 2011

	June 30		Increase (Decrease)
	2012	2011	
<b>OPERATING EXPENSES:</b>			
<b>Production:</b>			
Building maintenance	\$ 860	\$ 23,786	\$ (22,926)
Equipment maintenance	2,081	264	1,817
Power purchased	9,072,187	18,897,470	(9,825,283)
Standby power	-	485,713	(485,713)
Prior year UPPCO expense	416,423	-	416,423
Plant payroll - Escanaba operator	1,693,927	-	1,693,927
Plant payroll - Proenergy	319,287	-	319,287
Production expense	150,226	336,305	(186,079)
Plant fringe benefits	445,034	-	445,034
Other employee expenses	7,355	-	7,355
Steam generation fuel	2,730,677	-	2,730,677
Plant office expense	27,388	-	27,388
Management fees	274,433	72,189	202,244
Plant travel, meals & lodging	36,181	-	36,181
Plant insurance	238,100	-	238,100
Plant operations & maintenance	831,663	-	831,663
Plant capital outlay	24,827	-	24,827
Dispatching fees	85,870	72,902	12,968
Miscellaneous	56,281	-	56,281
<b>Total production</b>	<b>\$ 16,412,800</b>	<b>\$ 19,888,629</b>	<b>\$ (3,475,829)</b>
<b>Transmission and distribution:</b>			
<b>Supplies</b>			
Building maintenance	\$ 5,740	\$ 10	\$ 5,730
Equipment maintenance	30	-	30
Pole painting	1,347	948	399
Operation of lines	6,190	7,207	(1,017)
Services on customer premises	42,032	83,355	(41,323)
Maintenance of equipment:	17,899	8,288	9,611
Station equipment	4,207	7,653	(3,446)
Overhead system	40,672	84,432	(43,760)
Line transformers and devices	10,617	15,091	(4,474)
Services	26,159	42,935	(16,776)
Meters	56,022	51,876	4,146
Street lighting system	37,759	37,944	(185)
Underground system	2,971	6,570	(3,599)
Miscellaneous	1,657	5,379	(3,722)
<b>Total transmission and distribution</b>	<b>\$ 253,302</b>	<b>\$ 351,688</b>	<b>\$ (98,386)</b>
<b>Customer service:</b>			
Salaries and wages	\$ 17,758	\$ 13,465	\$ 4,293
Equipment rental	6,670	7,210	(540)
<b>Total customer service</b>	<b>\$ 24,428</b>	<b>\$ 20,675</b>	<b>\$ 3,753</b>
<b>Administrative and general:</b>			
Salaries and wages	\$ 479,357	\$ 469,737	\$ 9,620
Fringe benefits	153,785	188,336	(34,551)
Bank service charges	27,924	8,940	18,984
Supplies	2,766	2,283	483
Clothing supplies	3,335	3,105	230
Building supplies	1,462	1,896	(434)
Inventory management	14,897	9,661	5,236
Professional services	470,023	495,101	(25,078)
Transportation	488	763	(275)
Printing & publishing	487	640	(153)
Insurance & bonds	4,100	29,512	(25,412)
Public utilities	23,895	29,978	(6,083)
Capital outlay	685	524	161
Building maintenance	29,984	32,721	(2,737)
Equipment maintenance	3,914	5,110	(1,196)
Equipment rental	10,013	8,945	1,068
Books, magazines & periodicals	388	24	364
Memberships & dues	32,066	27,349	4,717
Education and training	14,158	15,461	(1,303)
Provision for uncollectible accounts	12,575	20,230	(7,655)
Promotions	19,814	4,998	14,816
Energy conservation program	212,086	130,147	81,939
<b>Total administrative and general</b>	<b>\$ 1,518,202</b>	<b>\$ 1,485,461</b>	<b>\$ 32,741</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND  
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

For the year ended June 30, 2012

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements, Dispositions and Transfers</u>	<u>Balance</u> <u>06/30/12</u>
Operating plant:				
Structure and improvements	\$ 8,781,715	\$ 277,519	\$ -	\$ 9,059,234
Boiler plant equipment	1,467,166	-	-	1,467,166
Turbo generator units	1,315,044	-	-	1,315,044
Accessory work equipment	511,583	-	-	511,583
Miscellaneous power plant equipment	631,938	-	-	631,938
Office equipment power plant	275	-	-	275
Peaking generator	4,956,354	-	-	4,956,354
Pollution equipment	3,338,019	-	-	3,338,019
	<u>21,002,094</u>	<u>277,519</u>	<u>-</u>	<u>21,279,613</u>
Transmission system:				
Land clearing and right-of-way	65,432	-	-	65,432
Structures and improvements	488,869	-	-	488,869
Station equipment	698,195	103,435	-	801,630
Poles and fixtures	12,630	-	-	12,630
	<u>1,265,126</u>	<u>103,435</u>	<u>-</u>	<u>1,368,561</u>
Distribution system:				
Land and land rights	49,480	-	-	49,480
Structures and improvements	47,323	-	-	47,323
Station equipment	263,822	-	-	263,822
Poles, towers and fixtures	1,150,393	507,812	15,336	1,642,869
Overhead conductors and devices	1,246,084	28,991	-	1,275,075
Underground conduits	663,972	23,735	-	687,707
Underground conductors	830,541	53,720	-	884,261
Line transformers	2,086,194	13,549	2,008	2,097,735
New services	704,960	3,489	-	708,449
Meters	516,851	10,203	11,950	515,104
Installation on customer premises	77,720	-	-	77,720
Street lighting	743,672	-	-	743,672
Office equipment	96,195	-	3,367	92,828
Transportation equipment	632,418	-	-	632,418
Laboratory equipment	122,096	-	-	122,096
Electric building	1,459,053	-	-	1,459,053
Miscellaneous tools	95,753	3,315	-	99,068
Miscellaneous equipment	51,562	-	-	51,562
	<u>10,838,089</u>	<u>644,814</u>	<u>32,661</u>	<u>11,450,242</u>
Construction in progress	<u>352,415</u>	<u>736,491</u>	<u>312,832</u>	<u>776,074</u>
<b>TOTALS</b>	<u>\$33,457,724</u>	<u>\$ 1,762,259</u>	<u>\$ 345,493</u>	<u>\$34,874,490</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Investments, at market	\$ 252,328	\$ 229,549
<b>Receivables:</b>		
Accounts	313,180	262,298
Accrued interest	1,487	1,399
Chemical inventory	14,549	14,766
Inventories, net of obsolescence allowance	90,029	80,490
Prepaid expenses	47,914	50,447
<b>Total current assets</b>	<u>719,487</u>	<u>638,949</u>
<b>Restricted assets:</b>		
Investments, at market	-	1,740,724
<b>Operation and maintenance account:</b>		
Equity in pooled cash and investments	138,404	142,443
<b>Total restricted assets</b>	<u>138,404</u>	<u>1,883,167</u>
Property, plant and equipment	20,157,793	19,473,151
Less accumulated depreciation	(6,475,994)	(6,391,819)
<b>Net property, plant and equipment</b>	<u>13,681,799</u>	<u>13,081,332</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,539,690</u>	<u>\$ 15,603,448</u>
 <b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 160,196	\$ 16,234
Accrued salaries, wages and fringes	49,341	94,763
Accrued interest payable	51,362	40,969
Deferred revenue	1,300	1,150
<b>Bonds payable:</b>		
Current portion of revenue bonds	390,000	380,000
<b>Total current liabilities</b>	<u>652,199</u>	<u>533,116</u>
<b>Current liabilities (payable from restricted assets):</b>		
Accounts payable	-	1,025,770
<b>Long-term liabilities:</b>		
Bonds payable	6,950,000	7,340,000
<b>TOTAL LIABILITIES</b>	<u>7,602,199</u>	<u>8,898,886</u>
 <b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	6,341,799	5,361,332
Unrestricted	457,288	485,833
<b>Restricted:</b>		
Revenue bond indentures	138,404	142,443
Capital improvements	-	714,954
<b>TOTAL NET ASSETS</b>	<u>6,937,491</u>	<u>6,704,562</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,539,690</u>	<u>\$ 15,603,448</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the year ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Charges for services:		
Metered sales	\$ 1,871,968	\$ 1,630,428
Flat rate sales	30,002	26,434
Hydrant rental	86,394	78,460
Reconnection fees	7,431	6,817
Miscellaneous revenues	<u>73,727</u>	<u>35,317</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,069,522</u>	<u>1,777,456</u>
<b>OPERATING EXPENSES:</b>		
Production	376,867	364,575
Transmission and distribution	140,086	166,796
Customer service	33,102	35,810
Administrative and general	552,530	541,122
Provision for depreciation	373,323	321,120
Overhead to utilities	<u>187,337</u>	<u>184,792</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,663,245</u>	<u>1,614,215</u>
<b>OPERATING INCOME</b>	<u>406,277</u>	<u>163,241</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	1,482	1,130
Rent received	13,800	13,705
Interest subsidy	74,343	42,128
Interest earnings	15,514	10,849
Interest expense	(278,487)	(199,847)
Operating transfers in:		
UDAG/DIAL Grant Fund	<u>-</u>	<u>36,424</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(173,346)</u>	<u>(95,611)</u>
<b>CHANGE IN NET ASSETS</b>	232,929	67,630
Net assets, beginning of year	<u>6,704,562</u>	<u>6,636,932</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,937,491</u>	<u>\$ 6,704,562</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND  
COMPARATIVE STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012  
with comparative totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers for services	\$ 2,018,790	\$ 1,759,397
Cash payments to suppliers for goods and services	(243,957)	(631,170)
Cash payments to employees for services	(914,086)	(692,126)
Cash payments to other funds for services	(37,733)	(40,152)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	823,014	395,949
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in	-	36,424
	<hr/>	<hr/>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,001,956)	(1,586,150)
Principal paid on revenue bond maturities	(360,000)	(250,000)
Interest paid on bonds	(193,751)	(144,021)
Proceeds from revenue bonds	-	3,200,000
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(2,575,707)	1,219,829
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	1,482	1,130
Interest received	15,427	10,876
Rent received	13,800	13,705
	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,709	25,711
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(1,721,984)</b>	<b>1,677,913</b>
Cash and equivalents, beginning of year	<u>2,112,716</u>	<u>434,803</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 390,732</u></b>	<b><u>\$ 2,112,716</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 386,672	\$ 163,241
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	373,323	321,120
Changes in assets and liabilities:		
(Increase) decrease in receivables	(28,882)	(18,154)
(Increase) decrease in inventories	(9,322)	6,158
(Increase) decrease in prepaids	2,533	(50,447)
Increase (decrease) in accounts payable	143,962	(32,936)
Increase (decrease) in accruals	(45,422)	6,872
Increase (decrease) in deferred revenue	150	95
	<hr/>	<hr/>
Total adjustments	436,342	232,708
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 823,014</u></b>	<b><u>\$ 395,949</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND  
COMPARATIVE SCHEDULE OF OPERATING EXPENSES**

For the Years Ended June 30, 2012 and 2011

	<u>June 30</u>		Increase (Decrease)
	<u>2012</u>	<u>2011</u>	
<b>OPERATING EXPENSES:</b>			
<b>Production:</b>			
Salaries and wages	\$ 178,553	\$ 191,296	\$ (12,743)
Plant chemicals	131,042	132,803	(1,841)
Laboratory chemicals and supplies	16,518	19,110	(2,592)
Professional services	-	4,870	(4,870)
Diesel fuel	1,473	788	685
Repairs to structure - labor	1,410	253	1,157
Repairs to structures - supplies	37,652	1,229	36,423
Repairs to equipment - portable	6,930	14,025	(7,095)
Repairs to tanks	335	-	335
Equipment rental - structures and improvement	1,470	98	1,372
Equipment rental - maintenance of equipment	1,484	23	1,461
<b>Total production</b>	<b><u>\$ 376,867</u></b>	<b><u>\$ 364,575</u></b>	<b><u>\$ 12,292</u></b>
<b>Transmission and distribution:</b>			
Labor	\$ 100,302	\$ 123,577	\$ (23,275)
Supplies	15,011	13,660	1,351
Equipment rental	24,773	29,559	(4,786)
<b>Total transmission and distribution</b>	<b><u>\$ 140,086</u></b>	<b><u>\$ 166,796</u></b>	<b><u>\$ (26,710)</u></b>
<b>Customer service:</b>			
Labor	\$ 25,481	\$ 24,724	\$ 757
Supplies	889	2,763	(1,874)
Thawing water services	62	887	(825)
Equipment rental	6,670	7,436	(766)
<b>Total customer service</b>	<b><u>\$ 33,102</u></b>	<b><u>\$ 35,810</u></b>	<b><u>\$ (2,708)</u></b>
<b>Administrative and general:</b>			
Salaries and wages	\$ 113,779	\$ 105,686	\$ 8,093
Telephone	2,066	1,912	154
Overhead on salaries and wages	133,851	120,957	12,894
Life and hospital insurance	129,361	132,758	(3,397)
Supplies - miscellaneous	921	1,375	(454)
Office supplies	440	730	(290)
Building supplies	1,214	1,362	(148)
Professional services	1,634	500	1,134
Special services	4,620	6,296	(1,676)
Miss Dig	8,228	8,827	(599)
Travel expense, auto allowance	1,618	2,248	(630)
Printing and publishing	3,067	2,836	231
Insurance and bonds	12,648	18,692	(6,044)
Utilities - electric	94,194	85,258	8,936
Utilities - gas	20,242	26,061	(5,819)
Utilities - wastewater	8,991	11,196	(2,205)
Repairs to structures	355	-	355
Repairs to equipment	1,484	2,595	(1,111)
Rental of equipment	3,336	3,036	300
Uncollectible accounts	1,479	2,136	(657)
Memberships and dues	620	545	75
Education and training	7,613	6,116	1,497
Capital outlay	769	-	769
<b>Total administrative and general</b>	<b><u>\$ 552,530</u></b>	<b><u>\$ 541,122</u></b>	<b><u>\$ 11,408</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND  
SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES**

June 30, 2012

CAPITAL IMPROVEMENT BONDS SERIES 2010

Payment Date	Interest Rate	Principal	Interest	Total Payment	Subsidy of Interest	Net Payment
November 1, 2012			\$ 81,041.25	\$ 81,041.25	\$ (36,468.56)	\$ 44,572.69
May 1, 2013	2.750%	\$ 130,000.00	81,041.25	211,041.25	(36,468.56)	174,572.69
November 1, 2013			79,253.75	79,253.75	(35,664.19)	43,589.56
May 1, 2014	3.000%	\$ 130,000.00	79,253.75	209,253.75	(35,664.19)	173,589.56
November 1, 2014			77,303.75	77,303.75	(34,786.69)	42,517.06
May 1, 2015	3.250%	\$ 135,000.00	77,303.75	212,303.75	(34,786.69)	177,517.06
November 1, 2015			75,110.00	75,110.00	(33,799.50)	41,310.50
May 1, 2016	3.500%	\$ 135,000.00	75,110.00	210,110.00	(33,799.50)	176,310.50
November 1, 2016			72,747.50	72,747.50	(32,736.38)	40,011.12
May 1, 2017	4.000%	\$ 140,000.00	72,747.50	212,747.50	(32,736.38)	180,011.12
November 1, 2017			69,947.50	69,947.50	(31,476.38)	38,471.12
May 1, 2018	4.500%	\$ 140,000.00	69,947.50	209,947.50	(31,476.38)	178,471.12
November 1, 2018			66,797.50	66,797.50	(30,058.88)	36,738.62
May 1, 2019	4.900%	\$ 145,000.00	66,797.50	211,797.50	(30,058.88)	181,738.62
November 1, 2019			63,245.00	63,245.00	(28,460.25)	34,784.75
May 1, 2020	5.200%	\$ 150,000.00	63,245.00	213,245.00	(28,460.25)	184,784.75
November 1, 2020			59,345.00	59,345.00	(26,705.25)	32,639.75
May 1, 2021	5.400%	\$ 155,000.00	59,345.00	214,345.00	(26,705.25)	187,639.75
November 1, 2021			55,160.00	55,160.00	(24,822.00)	30,338.00
May 1, 2022	5.600%	\$ 155,000.00	55,160.00	210,160.00	(24,822.00)	185,338.00
November 1, 2022			50,820.00	50,820.00	(22,869.00)	27,951.00
May 1, 2023	5.700%	\$ 160,000.00	50,820.00	210,820.00	(22,869.00)	187,951.00
November 1, 2023			46,260.00	46,260.00	(20,817.00)	25,443.00
May 1, 2024	5.800%	\$ 165,000.00	46,260.00	211,260.00	(20,817.00)	190,443.00
November 1, 2024			41,475.00	41,475.00	(18,663.75)	22,811.25
May 1, 2025	5.900%	\$ 170,000.00	41,475.00	211,475.00	(18,663.75)	192,811.25
November 1, 2025			36,460.00	36,460.00	(16,407.00)	20,053.00
May 1, 2026	6.000%	\$ 180,000.00	36,460.00	216,460.00	(16,407.00)	200,053.00
November 1, 2026			31,060.00	31,060.00	(13,977.00)	17,083.00
May 1, 2027	6.100%	\$ 185,000.00	31,060.00	216,060.00	(13,977.00)	202,083.00
November 1, 2027			25,417.50	25,417.50	(11,437.88)	13,979.62
May 1, 2028	6.200%	\$ 190,000.00	25,417.50	215,417.50	(11,437.88)	203,979.62
November 1, 2028			19,527.50	19,527.50	(8,787.38)	10,740.12
May 1, 2029	6.300%	\$ 195,000.00	19,527.50	214,527.50	(8,787.38)	205,740.12
November 1, 2029			13,385.00	13,385.00	(6,023.25)	7,361.75
May 1, 2030	6.400%	\$ 205,000.00	13,385.00	218,385.00	(6,023.25)	212,361.75
November 1, 2030			6,825.00	6,825.00	(3,071.25)	3,753.75
May 1, 2031	6.500%	\$ 210,000.00	6,825.00	216,825.00	(3,071.25)	213,753.75
		<u>\$3,075,000.00</u>	<u>\$ 1,942,362.50</u>	<u>\$ 5,017,362.50</u>	<u>\$ (874,063.18)</u>	<u>\$ 4,143,299.32</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND  
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2012

CITY OF ESCANABA DRINKING WATER PROGRAM  
PROJECT #7204-01 - ISSUED MARCH 29, 2007

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2012	\$ 130,000	\$ 26,137	\$ 156,137
April 1, 2013	-	24,756	24,756
October 1, 2013	135,000	24,756	159,756
April 1, 2014	-	23,322	23,322
October 1, 2014	135,000	23,322	158,322
April 1, 2015	-	21,887	21,887
October 1, 2015	140,000	21,887	161,887
April 1, 2016	-	20,400	20,400
October 1, 2016	140,000	20,400	160,400
April 1, 2017	-	18,912	18,912
October 1, 2017	145,000	18,912	163,912
April 1, 2018	-	17,372	17,372
October 1, 2018	150,000	17,372	167,372
April 1, 2019	-	15,778	15,778
October 1, 2019	150,000	15,778	165,778
April 1, 2020	-	14,184	14,184
October 1, 2020	155,000	14,184	169,184
April 1, 2021	-	12,537	12,537
October 1, 2021	160,000	12,538	172,538
April 1, 2022	-	10,838	10,838
October 1, 2022	160,000	10,838	170,838
April 1, 2023	-	9,138	9,138
October 1, 2023	165,000	9,138	174,138
April 1, 2024	-	7,384	7,384
October 1, 2024	170,000	7,384	177,384
April 1, 2025	-	5,578	5,578
October 1, 2025	170,000	5,578	175,578
April 1, 2026	-	3,772	3,772
October 1, 2026	175,000	3,772	178,772
April 1, 2027	-	1,913	1,913
October 1, 2027	180,000	1,913	181,913
	<u>\$2,460,000</u>	<u>\$ 441,680</u>	<u>\$2,901,680</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND  
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2012

CITY OF ESCANABA DRINKING WATER PROGRAM  
PROJECT #7009-01 - ISSUED JUNE 27, 2002

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2012	\$ 130,000	\$ 22,563	\$ 152,563
April 1, 2013	-	20,937	20,937
October 1, 2013	135,000	20,937	155,937
April 1, 2014	-	19,250	19,250
October 1, 2014	135,000	19,250	154,250
April 1, 2015	-	17,563	17,563
October 1, 2015	140,000	17,563	157,563
April 1, 2016	-	15,812	15,812
October 1, 2016	145,000	15,812	160,812
April 1, 2017	-	14,000	14,000
October 1, 2017	150,000	14,000	164,000
April 1, 2018	-	12,125	12,125
October 1, 2018	150,000	12,125	162,125
April 1, 2019	-	10,250	10,250
October 1, 2019	155,000	10,250	165,250
April 1, 2020	-	8,313	8,313
October 1, 2020	160,000	8,313	168,313
April 1, 2021	-	6,312	6,312
October 1, 2021	165,000	6,312	171,312
April 1, 2022	-	4,250	4,250
October 1, 2022	170,000	4,250	174,250
April 1, 2023	-	2,125	2,125
October 1, 2023	170,000	2,125	172,125
	<u>\$1,805,000</u>	<u>\$ 284,437</u>	<u>\$2,089,437</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND  
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

For the year ended June 30, 2012

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 06/30/12</u>
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	9,095,621	11,858	-	9,107,479
Water towers	764,049	268,702	289,148	743,603
Lake intake	9,947	2,852,017	-	2,861,964
Fountain	4,410	-	-	4,410
Wells	76,068	-	-	76,068
Electric pumping equipment	188,426	-	-	188,426
Purification system	77,805	-	-	77,805
Transmission mains	572,019	196,395	-	768,414
Distribution mains	5,385,707	-	-	5,385,707
Meters	418,390	9,146	-	427,536
Hydrants	83,562	-	-	83,562
Office furniture and equipment	79,841	2,460	-	82,301
Laboratory equipment	45,275	1,114	-	46,389
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	<u>138,317</u>	<u>-</u>	<u>-</u>	<u>138,317</u>
Subtotal	16,961,836	3,341,692	289,148	20,014,380
Construction in progress	<u>2,511,315</u>	<u>746,750</u>	<u>3,114,652</u>	<u>143,413</u>
TOTALS	<u>519,473,151</u>	<u>\$ 4,088,442</u>	<u>\$ 3,403,800</u>	<u>\$20,157,793</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 2,289,465	\$ 2,074,902
Receivables:		
Accounts	187,029	180,053
Accrued interest	10,620	6,986
Chemical inventory	8,874	7,679
Total current assets	<u>2,495,988</u>	<u>2,269,620</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	99,306	105,848
Replacement account:		
Equity in pooled cash and investments	93,701	50,000
Bond reserve account:		
Investments, at market	42,149	85,850
Total restricted assets	<u>235,156</u>	<u>241,698</u>
Property, plant and equipment	12,201,285	12,187,513
Less accumulated depreciation	<u>(6,090,752)</u>	<u>(5,876,501)</u>
Net property, plant and equipment	<u>6,110,533</u>	<u>6,311,012</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,841,677</u>	<u>\$ 8,822,330</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 638	\$ 2,785
Accrued salaries, wages and fringes	65,031	93,268
Accrued interest payable	3,077	3,758
Payable from restricted assets:		
Current portion of revenue bonds	<u>135,000</u>	<u>130,000</u>
Total current liabilities	<u>203,746</u>	<u>229,811</u>
Long-term liabilities:		
Revenue bonds payable	<u>430,000</u>	<u>565,000</u>
<b>TOTAL LIABILITIES</b>	<u>663,746</u>	<u>794,811</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	5,545,533	5,616,012
Unrestricted	2,427,242	2,169,809
Restricted:		
Revenue bond indentures	<u>235,156</u>	<u>241,698</u>
<b>TOTAL NET ASSETS</b>	<u>8,207,931</u>	<u>8,027,519</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,841,677</u>	<u>\$ 8,822,330</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,289,173	\$ 1,232,266
Interdepartmental sales	8,991	11,196
Reconnection fees	3,218	2,643
Miscellaneous revenues	34,630	24,713
TOTAL OPERATING REVENUES	<u>1,336,012</u>	<u>1,270,818</u>
OPERATING EXPENSES:		
Production	255,642	319,012
Transmission and distribution	80,616	74,658
Station	22,760	24,250
Customer service	25,121	23,506
Administrative and general	413,649	440,186
Provision for depreciation	215,700	213,103
Overhead to utilities	178,191	175,458
TOTAL OPERATING EXPENSES	<u>1,191,679</u>	<u>1,270,173</u>
OPERATING INCOME (LOSS)	<u>144,333</u>	<u>645</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	12,560	7,779
Interest earnings	36,500	34,718
Interest expense	(12,981)	(15,707)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>36,079</u>	<u>26,790</u>
CHANGE IN NET ASSETS	180,412	27,435
Net assets, beginning of year	<u>8,027,519</u>	<u>8,000,084</u>
NET ASSETS, END OF YEAR	<u>\$ 8,207,931</u>	<u>\$ 8,027,519</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WASTE WATER UTILITY FUND  
COMPARATIVE STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012  
with comparative totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers for services	\$ 1,320,045	\$ 1,258,401
Cash received from other funds for services	8,991	11,196
Cash payments to suppliers for goods and services	(583,903)	(452,203)
Cash payments to employees for services	(389,916)	(569,135)
Cash payments to other funds for services	<u>(34,339)</u>	<u>(30,642)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>321,478</u>	<u>217,617</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(15,221)	(135,834)
Principal paid on revenue bond maturities	(130,000)	(130,000)
Interest paid on revenue bonds	<u>(13,662)</u>	<u>(16,387)</u>
<b>NET CASH USED FOR CAPITAL FINANCING ACTIVITIES</b>	<u>(158,883)</u>	<u>(282,221)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	12,560	7,779
Interest received	<u>32,866</u>	<u>36,709</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>45,426</u>	<u>44,488</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	208,021	(20,116)
Cash and equivalents, beginning of year	<u>2,316,600</u>	<u>2,336,716</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,524,621</u>	<u>\$ 2,316,600</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 144,333	\$ 645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	215,700	213,103
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,976)	(1,221)
(Increase) decrease in chemical inventory	(1,195)	(1,442)
Increase (decrease) in accounts payable	(2,147)	(1,794)
Increase (decrease) in accruals	<u>(28,237)</u>	<u>8,326</u>
Total adjustments	<u>177,145</u>	<u>216,972</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 321,478</u>	<u>\$ 217,617</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WASTE WATER UTILITY FUND  
COMPARATIVE SCHEDULE OF OPERATING EXPENSES**

For the Years Ended June 30, 2012 and 2011

	<u>June 30</u>		Increase (Decrease)
	<u>2012</u>	<u>2011</u>	
<b>OPERATING EXPENSES:</b>			
<b>Production:</b>			
Salaries and wages	\$ 130,290	\$ 157,847	\$ (27,557)
Supplies - miscellaneous	186	935	(749)
Plant chemicals	33,384	38,318	(4,934)
Laboratory chemicals and supplies	4,602	6,991	(2,389)
NPDES and permit testing	9,251	9,980	(729)
Sludge hauling	19,633	26,317	(6,684)
Sludge fee	2,984	2,817	167
Diesel fuel	744	809	(65)
Repairs to structures - supplies	182	108	74
Repairs to equipment - outside vendors	1,363	1,120	243
Repairs to equipment - portable	-	227	(227)
Repairs to equipment - labor	41,080	57,944	(16,864)
Repairs to equipment - supplies	11,418	14,774	(3,356)
Rental of equipment	525	825	(300)
<b>Total production</b>	<b><u>\$ 255,642</u></b>	<b><u>\$ 319,012</u></b>	<b><u>\$ (63,370)</u></b>
<b>Transmission and distribution:</b>			
Salaries and wages	\$ 18,206	\$ 26,504	\$ (8,298)
Supplies - miscellaneous	751	1,279	(528)
Repairs to structures - supplies	29,073	18,621	10,452
Repairs to equipment	273	-	273
Rental of equipment	28,915	23,132	5,783
Repairs to structure - inspection	3,398	5,122	(1,724)
<b>Total transmission and distribution</b>	<b><u>\$ 80,616</u></b>	<b><u>\$ 74,658</u></b>	<b><u>\$ 5,958</u></b>
<b>Station:</b>			
Salaries and wages	\$ 10,535	\$ 9,958	\$ 577
Repairs to structures - supplies	776	-	776
Repairs to equipment - labor	4,030	4,828	(798)
Repairs to equipment - supplies	3,184	4,859	(1,675)
Rental of equipment	4,235	4,605	(370)
<b>Total station</b>	<b><u>\$ 22,760</u></b>	<b><u>\$ 24,250</u></b>	<b><u>\$ (1,490)</u></b>
<b>Customer service:</b>			
Rental of equipment	\$ 664	\$ 868	\$ (204)
Labor - service to customers	24,457	22,638	1,819
<b>Total customer service</b>	<b><u>\$ 25,121</u></b>	<b><u>\$ 23,506</u></b>	<b><u>\$ 1,615</u></b>
<b>Administrative and general:</b>			
Salaries and wages	\$ 93,631	\$ 89,250	\$ 4,381
Printing and publishing	177	140	37
Telephone	1,200	1,421	(221)
Overhead on salaries and wages	109,017	112,366	(3,349)
Life and hospital insurance	82,959	100,954	(17,995)
Supplies - miscellaneous	130	32	98
Office supplies	313	454	(141)
Building supplies	624	830	(206)
Professional services	543	125	418
Special services	407	465	(58)
Miss Dig	294	294	-
Travel expense, auto allowance	1,132	1,342	(210)
Insurance and bonds	14,237	20,845	(6,608)
Utilities - electric	92,834	90,299	2,535
Utilities - gas	6,026	12,034	(6,008)
Repairs to equipment	1,687	2,147	(460)
Rental of equipment	1,344	1,212	132
Uncollectible accounts	989	1,574	(585)
Memberships and dues	471	396	75
Education and training	5,634	4,006	1,628
<b>Total administrative and general</b>	<b><u>\$ 413,649</u></b>	<b><u>\$ 440,186</u></b>	<b><u>\$ (26,537)</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND  
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2012

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND  
PROJECT #5149-01 ISSUED SEPTEMBER 29, 1998

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2012	2.25%	\$ 55,000	\$ 4,500	\$ 59,500
April 1, 2013	2.25%	-	3,881	3,881
October 1, 2013	2.25%	55,000	3,881	58,881
April 1, 2014	2.25%	-	3,263	3,263
October 1, 2014	2.25%	55,000	3,262	58,262
April 1, 2015	2.25%	-	2,644	2,644
October 1, 2015	2.25%	55,000	2,644	57,644
April 1, 2016	2.25%	-	2,025	2,025
October 1, 2016	2.25%	60,000	2,025	62,025
April 1, 2017	2.25%	-	1,350	1,350
October 1, 2017	2.25%	60,000	1,350	61,350
April 1, 2018	2.25%	-	675	675
October 1, 2018	2.25%	60,000	675	60,675
		<u>\$ 400,000</u>	<u>\$ 32,175</u>	<u>\$ 432,175</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND  
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2012

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND PROJECT #5069-01

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2012	2.00%	\$ 80,000	\$ 1,650	\$ 81,650
April 1, 2013	2.00%	-	850	850
October 1, 2013	2.00%	85,000	850	85,850
		<u>\$ 165,000</u>	<u>\$ 3,350</u>	<u>\$ 168,350</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND  
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2012

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/12</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,690,313	92,496	-	6,782,809
Tools and equipment	51,232	-	-	51,232
Mains	5,332,828	-	-	5,332,828
Purification equipment	2,762	-	-	2,762
Office furniture and equipment	<u>26,664</u>	<u>4,630</u>	<u>1,513</u>	<u>29,781</u>
Subtotal	12,105,672	97,126	1,513	12,201,285
Construction in progress	<u>81,841</u>	<u>10,655</u>	<u>92,496</u>	<u>-</u>
TOTALS	<u>\$12,187,513</u>	<u>\$ 107,781</u>	<u>\$ 94,009</u>	<u>\$12,201,285</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	June 30	
	2012	2011
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash	\$ 24,275	\$ 24,055
Investments, at market	87,171	70,405
Accrued interest receivable	359	307
Receivables	7,513	13,623
Due from other governments:		
State of Michigan	332	14,254
Inventories, net of obsolescence allowance	21,247	24,708
<b>Total current assets</b>	<b>140,897</b>	<b>147,362</b>
Property, plant and equipment	2,795,742	2,656,686
Less accumulated depreciation	(1,144,603)	(1,075,500)
<b>Net property, plant and equipment</b>	<b>1,651,139</b>	<b>1,581,186</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,792,036</b>	<b>\$ 1,728,548</b>
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 17,550	\$ 15,545
Due to other funds:		
Capital Projects Fund	2,100	-
Deferred revenue	586	-
<b>Total current liabilities</b>	<b>20,236</b>	<b>15,545</b>
<b>Long-term liabilities:</b>		
Advance from other funds:		
Land Development Fund	331,242	279,200
<b>TOTAL LIABILITIES</b>	<b>351,478</b>	<b>294,745</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	1,319,897	1,301,986
Unrestricted	120,661	131,817
<b>TOTAL NET ASSETS</b>	<b>1,440,558</b>	<b>1,433,803</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,792,036</b>	<b>\$ 1,728,548</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Charges for services:		
Dock fees		
Fuel and concession revenues	\$ 168,581	\$ 149,033
Miscellaneous:	98,920	80,289
Contributions from private sources	2,020	-
Other	657	11,401
<b>TOTAL OPERATING REVENUES</b>	<b><u>270,178</u></b>	<b><u>240,723</u></b>
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	52,922	54,175
Fringe benefits	18,849	7,265
Fuel	90,317	72,190
Professional services	5,955	10,510
Office supplies	3,160	3,032
Building supplies	1,258	711
Communications	1,471	1,895
Transportation	274	-
Printing and publishing	201	231
Storm damage repair	-	9,949
Insurance and bonds	5,312	7,117
Public utilities	12,255	13,597
Building maintenance	4,406	8,553
Meetings	80	40
Marina Fest	2,020	-
Equipment repair	2,792	877
Equipment rental	4,081	3,703
Weed harvesting	43,815	15,174
New equipment	240	584
Unemployment	-	15,350
Provision for depreciation	69,103	63,576
<b>TOTAL OPERATING EXPENSES</b>	<b><u>318,511</u></b>	<b><u>288,529</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(48,333)</u></b>	<b><u>(47,806)</u></b>
NON-OPERATING REVENUES (EXPENSES):		
State grants:		
L dock	69,528	-
Gain (loss) on sale of investments	122	203
Interest earnings	694	953
Interest expense	(15,256)	(14,460)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>55,088</u></b>	<b><u>(13,304)</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>6,755</u></b>	<b><u>(61,110)</u></b>
Net assets, beginning of year	<u>1,433,803</u>	<u>1,494,913</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,440,558</u></b>	<b><u>\$ 1,433,803</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MARINA FUND  
STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012  
with comparative totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 276,874	\$ 233,611
Cash payments to suppliers for goods and services	(168,090)	(152,345)
Cash payments to employees for services	(71,771)	(76,790)
Cash payments to other funds for services	(1,981)	(3,790)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>35,032</u>	<u>686</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Repayment of interfund loans	(12,958)	(10,000)
Receipt of interfund loans	65,000	-
<b>TOTAL CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>52,042</u>	<u>(10,000)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Interest paid	(15,256)	(14,460)
Acquisition of capital assets	(139,056)	(5,605)
State grant	83,450	-
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<u>(70,862)</u>	<u>(20,065)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	122	203
Interest earned	642	1,087
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>764</u>	<u>1,290</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	16,976	(28,089)
Cash and equivalents, beginning of year	94,470	122,559
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 111,446</u>	<u>\$ 94,470</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (48,333)	\$ (47,806)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	69,103	63,576
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	6,110	(7,112)
(Increase) decrease in inventories	3,461	(12,555)
Increase (decrease) in accounts payable	2,005	4,583
Increase (decrease) in due to other funds	2,100	-
Increase (decrease) in deferred revenue	586	-
Total adjustments	<u>83,365</u>	<u>48,492</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 35,032</u>	<u>\$ 686</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MARINA FUND  
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

For the year ended June 30, 2012

	<u>Balance 06/30/11</u>	<u>Transfers and Additions</u>	<u>Retirements, Dispositions and Transfers</u>	<u>Balance 06/30/12</u>
Boat Launch/Parking Lots:				
Boat launch/parking lot	\$ 63,955	\$ -	\$ -	\$ 63,955
Skid Pier	5,972	-	-	5,972
Solar lighting	12,757	-	-	12,757
Furniture, Fixtures and Equipment	9,584	-	-	9,584
Marina Docks, Piers and Walls:				
12 floating piers, revetment wall and fuel system	328,314	-	-	328,314
Garage docks	13,075	-	-	13,075
Two 550' piers and revetment wall	770,982	-	-	770,982
Mooring buoys	7,816	-	-	7,816
Transitional anchoring system	42,369	-	-	42,369
Various upgrades	30,453	-	-	30,453
Revetment wall	346,067	-	-	346,067
L-Dock design	28,507	-	-	28,507
Dock extension	2,465	-	-	2,465
Electrical upgrade	3,140	-	-	3,140
L Dock improvements	-	139,056	-	139,056
Harbor Master Building:				
Harbor master building	579,152	-	-	579,152
Parking lot and landscaping	408,958	-	-	408,958
Furnace	3,120	-	-	3,120
<b>TOTALS</b>	<u>\$ 2,656,686</u>	<u>\$ 139,056</u>	<u>\$ -</u>	<u>\$ 2,795,742</u>

See accompanying notes to financial statements.

**INTERNAL SERVICE FUNDS**

CITY OF ESCANABA, MICHIGAN

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>
<b>ASSETS:</b>					
<b>Current assets:</b>					
Investments, at market	\$ 393,421	\$ 463,965	\$ 117,620	\$ 173	\$ 322,992
Receivables:					
Accounts, net of bad debt allowance	-	-	17,601	-	-
Accrued interest	1,687	2,303	498	16	745
Due from other funds:					
General fund	-	2,100	-	-	-
Prepaid expenses	37,872	4	-	183,882	25,000
Cash on deposit	-	-	-	-	(190)
<b>Total current assets</b>	<u>432,980</u>	<u>468,372</u>	<u>135,719</u>	<u>184,071</u>	<u>358,547</u>
<b>Property, plant and equipment</b>					
Property, plant and equipment	7,347,331	6,137,298	493,223	-	-
Less accumulated depreciation	(2,696,578)	(4,547,145)	(362,864)	-	-
<b>Net property, plant and equipment</b>	<u>4,650,753</u>	<u>1,590,153</u>	<u>130,359</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,083,733</u>	<u>\$ 2,058,525</u>	<u>\$ 266,078</u>	<u>\$ 184,071</u>	<u>\$ 348,547</u>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 11,004	\$ 12,872	\$ 498	\$ -	\$ -
Claims payable	-	-	-	113,000	5,806
Accrued salaries, wages and fringes	-	20,437	-	-	-
Accrued interest payable	36,602	-	-	-	-
Due to other funds:					
Electric Fund	-	-	-	-	-
General Fund	-	-	-	9,560	-
Bonds payable	180,000	-	-	-	-
<b>Total current liabilities</b>	<u>227,606</u>	<u>33,309</u>	<u>498</u>	<u>122,560</u>	<u>5,806</u>
<b>Long-term liabilities:</b>					
Advance from other funds:					
General Fund	-	275,298	-	-	-
Bonds payable	2,415,000	-	-	-	-
<b>Total long-term liabilities</b>	<u>2,415,000</u>	<u>275,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,642,606</u>	<u>308,607</u>	<u>498</u>	<u>122,560</u>	<u>5,806</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	2,055,753	1,314,855	130,359	-	-
Unrestricted	385,374	435,063	135,221	61,511	342,741
<b>TOTAL NET ASSETS</b>	<u>2,441,127</u>	<u>1,749,918</u>	<u>265,580</u>	<u>61,511</u>	<u>342,741</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,083,733</u>	<u>\$ 2,058,525</u>	<u>\$ 266,078</u>	<u>\$ 184,071</u>	<u>\$ 348,547</u>

See accompanying notes to financial statements.

Worker's Compensation Fund	Unemployment Compensation Fund	Totals	
		2012	2011
\$ 532,765	\$ 306,255	\$ 2,139,191	\$ 2,299,212
-	-	17,601	1,016
2,525	1,370	9,144	6,828
-	-	2,100	-
-	-	246,758	-
-	-	(190)	244,058
<u>535,290</u>	<u>309,625</u>	<u>2,414,604</u>	<u>2,861,616</u>
-	-	13,997,852	13,692,250
-	-	(7,606,587)	(7,203,016)
-	-	<u>6,371,265</u>	<u>6,489,234</u>
<u>\$ 535,290</u>	<u>\$ 309,625</u>	<u>\$ 8,785,869</u>	<u>\$ 9,350,852</u>
\$ 2,581	\$ -	\$ 26,955	\$ 13,447
251,000	17,628	387,434	422,815
-	-	20,437	18,337
-	-	36,602	38,790
-	-	-	188
-	-	9,560	29,390
-	-	<u>180,000</u>	<u>175,000</u>
<u>253,581</u>	<u>17,628</u>	<u>660,988</u>	<u>697,967</u>
-	-	275,298	317,411
-	-	<u>2,415,000</u>	<u>2,595,000</u>
-	-	<u>2,690,298</u>	<u>2,912,411</u>
<u>253,581</u>	<u>17,628</u>	<u>3,351,286</u>	<u>3,610,378</u>
-	-	3,500,967	3,401,823
<u>281,709</u>	<u>291,997</u>	<u>1,933,616</u>	<u>2,338,651</u>
<u>281,709</u>	<u>291,997</u>	<u>5,434,583</u>	<u>5,740,474</u>
<u>\$ 535,290</u>	<u>\$ 309,625</u>	<u>\$ 8,785,869</u>	<u>\$ 9,350,852</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS**

For the years ended June 30, 2012 and 2011

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>
<b>OPERATING REVENUES:</b>					
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,199
City's contribution for employees	-	-	-	-	152,375
Equipment rental	-	718,413	58,128	-	-
Provision for self insurance	-	-	-	173,926	-
Miscellaneous	409,112	-	63,734	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>409,112</u>	<u>718,413</u>	<u>121,862</u>	<u>173,926</u>	<u>160,574</u>
<b>OPERATING EXPENSES:</b>					
General government	106,904	726,923	10,443	225,029	80,003
Capital projects	42,389	-	-	-	-
Provision for depreciation	146,696	308,132	43,790	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>295,989</u>	<u>1,035,055</u>	<u>54,233</u>	<u>225,029</u>	<u>80,003</u>
<b>OPERATING INCOME (LOSS)</b>	<u>113,123</u>	<u>(316,642)</u>	<u>67,629</u>	<u>(51,103)</u>	<u>80,571</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Gain (loss) on sale of investments	2,031	1,400	539	146	(157)
Gain (loss) on sale of equipment	-	1,270	-	-	-
Gain (loss) sale of property	(2,803)	-	-	-	-
Interest earnings	6,132	9,461	1,359	6,870	903
Interest expense	(117,336)	(17,602)	-	-	-
Operating transfers in	17,400	-	-	-	-
Operating transfers out	-	-	(21,600)	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(94,576)</u>	<u>(5,471)</u>	<u>(19,702)</u>	<u>7,016</u>	<u>746</u>
<b>CHANGE IN NET ASSETS</b>	18,547	(322,113)	47,927	(44,087)	81,317
Net assets, beginning of year	2,422,580	2,072,031	217,653	105,598	261,424
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,441,127</u>	<u>\$ 1,749,918</u>	<u>\$ 265,580</u>	<u>\$ 61,511</u>	<u>\$ 342,741</u>

See accompanying notes to financial statements.

Worker's Compensation Fund	Unemployment Compensation Fund	Totals	
		2012	2011
\$ -	\$ -	\$ 8,199	\$ 116,048
-	-	152,375	1,677,279
-	-	776,541	856,809
-	-	173,926	267,061
-	-	472,846	449,278
-	-	1,583,867	3,366,475
94,277	11,453	1,255,032	3,021,401
-	-	42,389	14,867
-	-	498,618	511,543
94,277	11,453	1,796,039	3,547,811
(94,277)	(11,453)	(212,152)	(181,336)
2,593	1,646	8,198	8,658
-	-	1,270	(3,892)
-	-	(2,803)	-
9,090	4,919	38,734	43,644
-	-	(134,938)	(143,201)
-	-	17,400	-
-	-	(21,600)	-
11,683	6,565	(93,739)	(94,791)
(82,594)	(4,888)	(305,891)	(276,127)
364,303	296,885	5,740,474	6,016,601
\$ 281,709	\$ 291,997	\$ 5,434,583	\$ 5,740,474

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012  
with comparative totals for the year ended June 30, 2011

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ 160,574
Cash received for outside charges	-	-	46,133	-	-
Cash received from other funds for services	409,112	718,413	58,128	174,942	-
Cash payments to suppliers for goods and services	(105,820)	(563,513)	(14,286)	-	(16,115)
Cash payments to employees for services	(31,208)	(146,345)	-	-	-
Cash payments of benefits	-	-	-	(181,799)	86,788
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>272,084</u>	<u>8,555</u>	<u>89,973</u>	<u>(6,857)</u>	<u>231,247</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>					
Activities:					
Operating transfers in	17,400	-	-	-	-
Operating transfers out	-	-	(21,600)	-	-
<b>NET CASH FLOWS PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES</b>	<u>17,400</u>	<u>-</u>	<u>(21,600)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Principal payments on bonds/advances	(175,000)	(42,113)	-	-	-
Interest expense	(119,524)	(17,602)	-	-	-
Acquisition and construction of capital assets/disposals	(15,126)	(357,559)	(10,767)	-	-
Proceeds from sale of equipment	-	1,270	-	-	-
<b>NET CASH USED FOR CAPITAL FINANCING ACTIVITIES</b>	<u>(309,650)</u>	<u>(416,004)</u>	<u>(10,767)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest and gains on investments	7,678	11,170	1,593	7,004	6
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>(12,488)</u>	<u>(396,279)</u>	<u>59,199</u>	<u>147</u>	<u>231,253</u>
Cash and equivalents, beginning of year	405,909	860,244	58,421	26	91,739
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 393,421</u>	<u>\$ 463,965</u>	<u>\$ 117,620</u>	<u>\$ 173</u>	<u>\$ 322,992</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 113,123	\$ (316,642)	\$ 67,629	\$ (51,103)	\$ 80,571
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	146,696	308,132	43,790	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables, prepaids, due from other funds and deposits	3,156	9,302	(17,601)	6,264	268,989
Increase (decrease) in accounts and claims payable and due to other funds	9,109	5,663	(3,845)	37,982	(118,313)
Interest (decrease) in accruals	-	2,100	-	-	-
<b>Total adjustments</b>	<u>158,961</u>	<u>325,197</u>	<u>22,344</u>	<u>44,246</u>	<u>150,676</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 272,084</u>	<u>\$ 8,555</u>	<u>\$ 89,973</u>	<u>\$ (6,857)</u>	<u>\$ 231,247</u>

See accompanying notes to financial statements.

Worker's Com- pensation Fund	Unemploy- ment Com- pensation Fund	Totals	
		2012	2011
\$ -	\$ -	\$ 160,574	\$1,793,327
-	-	46,133	-
-	-	1,360,595	1,573,148
(34,155)	(200)	(734,091)	(723,642)
-	-	(177,553)	(215,592)
<u>(22,342)</u>	<u>(2,321)</u>	<u>(119,674)</u>	<u>(2,174,282)</u>
<u>(56,497)</u>	<u>(2,521)</u>	<u>535,984</u>	<u>252,959</u>
-	-	17,400	-
-	-	(21,600)	-
-	-	(4,200)	-
-	-	(217,113)	(210,846)
-	-	(137,126)	(145,183)
-	-	(303,452)	(158,334)
-	-	1,270	707
-	-	(736,421)	(513,656)
<u>11,068</u>	<u>6,097</u>	<u>44,616</u>	<u>56,009</u>
(45,429)	3,576	(160,021)	(204,688)
<u>578,194</u>	<u>304,679</u>	<u>2,299,212</u>	<u>2,503,900</u>
<u>\$ 532,765</u>	<u>\$ 308,255</u>	<u>\$2,139,191</u>	<u>\$2,299,212</u>
<u>\$ (94,277)</u>	<u>\$ (11,453)</u>	<u>\$ (212,152)</u>	<u>\$ (181,336)</u>
-	-	498,618	511,543
19,199	-	289,309	(173,607)
18,581	8,932	(41,891)	95,181
-	-	2,100	1,178
<u>37,780</u>	<u>8,932</u>	<u>748,136</u>	<u>434,295</u>
<u>\$ (56,497)</u>	<u>\$ (2,521)</u>	<u>\$ 535,984</u>	<u>\$ 252,959</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Investments, at market	\$ 393,421	\$ 405,909
Receivables:		
Accrued interest	1,687	1,202
Prepaid expenses	<u>37,872</u>	<u>41,028</u>
Total current assets	<u>432,980</u>	<u>448,139</u>
<b>Property, plant and equipment:</b>		
Property, plant and equipment	7,347,331	7,406,375
Less accumulated depreciation	<u>(2,696,578)</u>	<u>(2,621,249)</u>
Net property, plant and equipment	<u>4,650,753</u>	<u>4,785,126</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,083,733</u>	<u>\$ 5,233,265</u>
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 11,004	\$ 1,895
Accrued interest payable	36,602	38,790
Bonds payable	<u>180,000</u>	<u>175,000</u>
Total current liabilities	<u>227,606</u>	<u>215,685</u>
<b>Long-term liabilities:</b>		
Bonds payable	<u>2,415,000</u>	<u>2,595,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,642,606</u>	<u>2,810,685</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	2,055,753	2,015,126
Unrestricted	<u>385,374</u>	<u>407,454</u>
<b>TOTAL NET ASSETS</b>	<u>2,441,127</u>	<u>2,422,580</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,083,733</u>	<u>\$ 5,233,265</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ESCANABA BUILDING AUTHORITY  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2012 and 2011

	June 30	
	2012	2011
OPERATING REVENUES:		
Miscellaneous	\$ 409,112	\$ 449,278
OPERATING EXPENSES:		
General government:		
Salaries and wages	23,011	35,337
Fringe benefits	2,011	7,686
Overhead on salaries and wages	6,186	11,126
Professional services	625	625
Public utilities	57,145	60,172
Insurance and bonds	5,849	8,111
Supplies	307	574
Building supplies	4,623	6,119
Equipment rental	121	164
Printing & publishing	-	94
Equipment maintenance	4,614	4,377
Telephone	2,091	1,975
Christmas Tree	321	427
Capital projects:		
Construction	42,389	14,867
Provision for depreciation	146,696	159,603
TOTAL OPERATING EXPENSES	295,989	311,257
OPERATING INCOME	113,123	138,021
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	2,031	1,398
Gain (loss) sale of property	(2,803)	-
Interest earnings	6,132	5,995
Interest expense	(117,336)	(123,490)
Operating transfers in:		
Office equipment fund	17,400	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(94,576)	(116,097)
CHANGE IN NET ASSETS	18,547	21,924
Net assets, beginning of year	2,422,580	2,400,656
NET ASSETS, END OF YEAR	\$ 2,441,127	\$ 2,422,580

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND  
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2012

City of Escanaba, Escanaba Building Authority -  
City Hall/Library Bond Dated May 11, 2004

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 1, 2012	3.75%	\$ -	\$ 54,902	\$ 54,902
March 1, 2013	4.00%	180,000	54,902	234,902
September 1, 2013	4.00%	-	51,302	51,302
March 1, 2014	3.80%	190,000	51,302	241,302
September 1, 2014	3.80%	-	47,692	47,692
March 1, 2015	4.00%	195,000	47,692	242,692
September 1, 2015	4.00%	-	43,792	43,792
March 1, 2016	4.00%	205,000	43,792	248,792
September 1, 2016	4.00%	-	39,693	39,693
March 1, 2017	4.10%	215,000	39,693	254,693
September 1, 2017	4.10%	-	35,285	35,285
March 1, 2018	4.20%	220,000	35,285	255,285
September 1, 2018	4.20%	-	30,665	30,665
March 1, 2019	4.30%	225,000	30,665	255,665
September 1, 2019	4.30%	-	25,827	25,827
March 1, 2020	4.30%	235,000	25,827	260,827
September 1, 2020	4.30%	-	20,775	20,775
March 1, 2021	4.40%	250,000	20,775	270,775
September 1, 2021	4.40%	-	15,275	15,275
March 1, 2022	4.40%	260,000	15,275	275,275
September 1, 2022	4.40%	-	9,555	9,555
March 1, 2023	4.55%	270,000	9,555	279,555
September 1, 2023	4.55%	-	3,413	3,413
March 1, 2024	4.55%	150,000	3,414	153,414
		<u>\$2,595,000</u>	<u>\$ 756,353</u>	<u>\$3,351,353</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	June 30	
	2012	2011
<b>ASSETS:</b>		
<b>Current assets:</b>		
Investments, at market	\$ 463,965	\$ 860,244
Receivables:		
Accrued interest	2,303	2,612
Due from other funds:		
General fund	2,100	-
Prepaid expenses	4	11,406
<b>Total current assets</b>	<b>468,372</b>	<b>874,262</b>
Property, plant and equipment:		
Property, plant and equipment	6,137,298	5,798,407
Less accumulated depreciation	(4,547,145)	(4,257,681)
<b>Net property, plant and equipment</b>	<b>1,590,153</b>	<b>1,540,726</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,058,525</b>	<b>\$ 2,414,988</b>
 <b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 12,872	\$ 7,209
Accrued salaries, wages and fringes	20,437	18,337
<b>Total current liabilities</b>	<b>33,309</b>	<b>25,546</b>
<b>Long-term liabilities:</b>		
Advance from other funds:		
General Fund	275,298	317,411
<b>TOTAL LIABILITIES</b>	<b>308,607</b>	<b>342,957</b>
 <b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	1,314,855	1,223,315
Unrestricted	435,063	848,716
<b>TOTAL NET ASSETS</b>	<b>1,749,918</b>	<b>2,072,031</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,058,525</b>	<b>\$ 2,414,988</b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Equipment rental	\$ 718,413	\$ 795,681
<b>OPERATING EXPENSES:</b>		
General government:		
Salaries and wages	72,805	78,520
Fringe benefits	75,640	84,101
Supplies	16,382	16,451
Building supplies	3,667	2,853
Professional services	1,400	1,400
Communication	1,765	1,629
Printing & publishing	-	460
Insurance & bonds	23,647	29,879
Public utilities	26,204	32,178
Capital outlay - building	10,817	-
Capital outlay - equipment	702	422
Uniform maintenance	726	677
Building maintenance	13,138	25,570
Equipment maintenance	472,730	413,754
Equipment rental	6,597	6,065
Office expense	473	209
Education and training	230	194
Provision for depreciation	308,132	307,610
<b>TOTAL OPERATING EXPENSES</b>	<u>1,035,055</u>	<u>1,001,972</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(316,642)</u>	<u>(206,291)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	1,400	4,275
Gain (loss) on sale of equipment	1,270	707
Interest earnings	9,461	13,652
Interest expense	(17,602)	(19,711)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(5,471)</u>	<u>(1,077)</u>
<b>CHANGE IN NET ASSETS</b>	(322,113)	(207,368)
Net assets, beginning of year	<u>2,072,031</u>	<u>2,279,389</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,749,918</u>	<u>\$ 2,072,031</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
SCHEDULE OF CHANGES IN EQUIPMENT**

For the year ended June 30, 2012

Unit Number	Description	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
3	1987 White Laser Level	\$ 5,695	\$ -	\$ -	\$ 5,695
4	Homelite Power Blower	940	-	-	940
5	Hydraulic Hammer	1,918	-	-	1,918
6	2011 Ford Super Duty F-350	27,458	-	-	27,458
7	Eager Beaver Model 200 Chipper	11,440	-	-	11,440
8	2000 Trackless 51" Snowblower	5,540	-	-	5,540
9	Hydrosander Pressure Washer	2,425	-	-	2,425
10	Tennant Model 480 Sweeper	11,703	-	-	11,703
11	2009 Ford 1/2 Ton Pickup	17,005	-	-	17,005
13	Dew-Eze 72" All-Terrain Mower	28,815	-	-	28,815
14	2003 Chevrolet 3/4 Ton Pickup	16,982	-	-	16,982
19	1991 Ford One-Ton Welder Pickup	14,290	-	-	14,290
21	1987 Chevrolet 4x4 Pickup	11,375	-	-	11,375
24	2005 GMC 4x2 Pickup	14,495	-	-	14,495
25	2000 Ford F-150 Pickup	15,812	-	-	15,812
26	2000 Chevrolet Extended Cab Pickup	15,515	-	-	15,515
28	2003 MT5 Trackless with Duals	63,177	-	-	63,177
30	1991 Trackless Municipal Tractor	47,060	-	-	47,060
36	2008 Ford F-150 Pickup	18,700	-	-	18,700
37	2003 Chevrolet 3/4 Ton 4x4 Pickup	19,539	-	-	19,539
40	1992 Sauber model 4500 Pole Trailer	9,050	-	-	9,050
41	1979 International Bulldozer	42,780	-	-	42,780
42	2008 Freightliner Garbage Truck	169,558	-	-	169,558
43	2008 Freightliner Garbage Truck	169,558	-	-	169,558
44	2011 Graco Model 3400 Paint Striper	3,272	-	-	3,272
45	1993 John Deere 7100 Backhoe	73,628	-	-	73,628
46	2010 International Garbage Truck	180,150	-	-	180,150
47	1989 Ford F-350 Pickup	11,935	-	-	11,935
48	2006 Komatsu Front End Loader	101,612	-	-	101,612
49	1984 Clark Forklift	26,747	-	-	26,747
50	1986 Ford 755a Tractor/Backhoe	55,168	-	-	55,168
51	2008 Yamaha Golf Cart	5,000	-	-	5,000
52	2008 Yamaha Golf Cart	5,000	-	-	5,000
53	74" Flail Mower	10,650	-	-	10,650
54	2000 Chevrolet Impala	18,895	-	-	18,895
55	2006 Chevrolet 2500 HD Pickup	21,774	-	-	21,774
57	2000 Ford LT 7500 Garbage Truck	129,282	-	-	129,282
58	2003 168" Rotary Mower	8,150	-	-	8,150
59	1990 Ford C8000 Garbage Truck	53,401	-	-	53,401
64	1990 Wyco Vibrator	1,753	-	-	1,753
65	Concrete Saw	782	-	-	782
66	1984 18" Sod Cutter	1,889	-	-	1,889
67	1983 Econoline C185 Concrete Saw	3,800	-	-	3,800
68	1984 Wacker Rammer	1,862	-	-	1,862
69	2000 14" Stihl Cutoff Saw	810	-	-	810
72	2007 Caterpillar 140 H Grader	-	157,386	-	157,386
73	Model HM35DI Compost Screener	57,300	-	-	57,300
74	1987 Dresser Model A-500E Grader	66,276	-	-	66,276
76	1997 Sreco Jet Rodder	20,650	-	-	20,650
77	1978 Cleaver Brooks Steamer	11,150	-	-	11,150
78	1990 Ford C8000 Vacuum Truck	102,579	-	-	102,579
79	1991 Ford LNT 9000 Tractor	22,660	-	-	22,660
81	2001 Komatsu Front End Loader	117,286	-	-	117,286
82	2003 Power Angling Broom	4,360	-	-	4,360
84	1995 International Dump Truck	53,842	-	-	53,842
85	1992 Ford 8000 Dump Truck	43,667	-	-	43,667
	Balance carried forward	\$ 1,956,160	\$ 157,386	\$ -	\$ 2,113,546

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
SCHEDULE OF CHANGES IN EQUIPMENT**

For the year ended June 30, 2012

Unit Number	Description	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
	Balance brought forward . . . . .	\$ 1,956,160	\$ 157,386	\$ -	\$ 2,113,546
86	CPS End-Dump Trailer	25,935	-	-	25,935
87	Case Front End Loader	124,051	-	-	124,051
88	2001 Vac-All Street Sweeper	152,609	-	-	152,609
89	2012 International Dump/Plow w/Wing	-	138,199	-	138,199
90	1965 Galion Compactor	8,250	-	-	8,250
91	2007 Sterling Dump Truck	85,538	-	-	85,538
92	2001 Sterling Dump Truck	82,697	-	-	82,697
93	2002 Sterling Dump Truck	71,700	-	-	71,700
95	2000 Ford Dump Truck w/Plow	69,693	-	-	69,693
98	1985 Galion S-500E Grader	66,897	-	-	66,897
101	1987 John Deere Model 755 Tractor	12,045	-	-	12,045
104	2008 Vactor Sewer Cleaner	207,067	-	-	207,067
105	John Deere F925 Front Mount Mower	12,988	-	-	12,988
106	1978 Griffith Well Point Pump	24,068	-	-	24,068
107	1974 Kentucky Trailer	3,000	-	-	3,000
109	1997 Ford F-250 4x4 PU W/Boss Plow	22,530	-	-	22,530
110	2006 Ford F-250 Pickup	20,792	-	-	20,792
111	1995 Ford Sludge Hauling Tanker	72,220	-	-	72,220
112	1999 Chevrolet Suburban	27,575	-	-	27,575
113	2004 Freightliner MZ-60 Sludge Truck	103,134	-	-	103,134
114	Kifco Water Irrigation Reel	10,190	-	-	10,190
115	1978 Griffith Well Points	3,769	-	-	3,769
116	2006 Chevrolet 2500 MD Pickup	23,504	-	-	23,504
117	Trailer Mounted Leaf Collector	-	24,763	-	24,763
120	1996 Ford 1 Ton Pickup	19,649	-	-	19,649
121	1999 Ford F-350 Pickup	26,028	-	-	26,028
123	2010 Chevrolet One Ton Van	26,500	-	-	26,500
124	1982 Ingersoll-Rand Air Compressor	12,290	-	-	12,290
125	1989 Lincoln Arc Welder	2,360	-	-	2,360
126	2006 Ford F-450 Pickup	37,214	-	-	37,214
127	1987 Ingersoll-Rand Air Compressor	11,062	-	-	11,062
128	1999 Ford F-150 Pickup	14,588	-	-	14,588
129	1999 Chevrolet 4x4 Pickup	26,678	-	-	26,678
129A	8' Monroe Salter Insert	4,746	-	-	4,746
130	1999 Ford F-250 3/4 Ton W/Service Body	20,454	-	-	20,454
131	1992 Jacobsen 720 Lawn Sweeper	4,895	-	-	4,895
132	1993 Ford E - 350 Pickup	24,388	-	-	24,388
133	1989 Griffin Dewatering Pump	10,500	-	-	10,500
134	1982 Double Diaphragm Pump	4,235	-	-	4,235
136	Detachable Two Stage Snowblower	88,299	-	-	88,299
137	Trailer	300	-	-	300
137A	1997 Sicard Model 2200M Snowblower	61,740	-	-	61,740
138	Gravely 48" Mower w/bagger	6,300	-	-	6,300
140	Wacker Hydrostatic Vibratory Roller	21,147	-	-	21,147
141	Cutquick Concrete Saw	680	-	-	680
142	Plate Type Vibratory Compactor	6,225	-	-	6,225
143	Wacker Model BPU3545A Compactor	6,648	-	-	6,648
144	2009 1/2 Yard Concrete Mixer	4,080	-	-	4,080
149	1990 Lely Material Spreader	3,167	-	-	3,167
150	Paving Forms	1,136	-	-	1,136
152	Scaffolding System	1,080	-	-	1,080
155	Hiniker Model 10 Spreader	4,420	-	4,420	-
155	Henderson 6 Yart Salter/Spreader	-	13,141	-	13,141
158	Plate Type Vibratory Compactor	1,792	-	-	1,792
159	8 Cubic Foot Mortar Mixer	2,287	-	-	2,287
160	1984 Stone Mortar Mixer	1,340	-	-	1,340
161	Lamborghini 4" Trash Pump	7,280	-	-	7,280
162	1999 Lowboy Semi-Trailer	21,458	-	-	21,458
	Balance carried forward	\$ 3,671,378	\$ 333,489	\$ 4,420	\$ 4,000,447

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
SCHEDULE OF CHANGES IN EQUIPMENT**

For the year ended June 30, 2012

Unit Number	Description	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
	Balance brought forward . . . . .	\$ 3,671,378	\$ 333,489	\$ 4,420	\$ 4,000,447
164	2000 John Deere 200LC Excavator	139,375	-	-	139,375
165	Tandem 6' x 14' Trailer	1,525	-	-	1,525
170	Excavation Shoring System	24,678	-	-	24,678
170A	1956 Hi-Way Pole Trailer	1,076	-	-	1,076
174	1998 Dodge Minivan	17,002	-	-	17,002
176	Weed Harvester	29,153	-	-	29,153
177	John Deere F925 Front Mount Mower	12,111	-	-	12,111
178	20 HP Cub Cadet Mower	4,177	-	-	4,177
179	2001 Ford F-250 Pickup	26,041	-	-	26,041
180	2003 Chevrolet 3/4 Ton Pickup with Plow	21,954	-	-	21,954
181	2005 Ford Taurus	15,378	-	-	15,378
185	Patching Trailer	966	-	-	966
191	2005 Chevrolet Tahoe	31,416	-	-	31,416
192	2005 Chevrolet Impala	25,761	-	-	25,761
193	2006 Chevrolet Impala	21,992	-	-	21,992
194	2007 Chevrolet Impala	22,984	-	-	22,984
196	2008 Chevrolet Impala	22,849	-	-	22,849
203	1986 Chevrolet 5/4 Ton 4x4 Grass Truck	17,523	-	-	17,523
204	1992 Pierce Pumper Truck	179,674	-	-	179,674
205	1983 FMC Fire Truck	233,833	-	-	233,833
220	2000 Chevrolet Malibu	14,748	-	14,748	-
221	2000 Chevrolet Malibu	14,749	-	-	14,749
222	2001 Chevrolet Impala	20,164	-	-	20,164
225	2001 Chevrolet Tahoe	27,852	-	-	27,852
226	2002 Chevrolet Impala	20,765	-	-	20,765
227	2002 Chevrolet Impala	20,766	-	-	20,766
228	2004 Chevrolet Impala	21,594	-	-	21,594
229	2004 Chevrolet Impala	21,594	-	-	21,594
230	2004 Chevrolet Impala	21,594	-	-	21,594
231	2010 Chevrolet Impala	24,626	-	-	24,626
232	2011 Chevrolet Impala	24,397	-	-	24,397
233	2011 Chevrolet Impala	24,397	-	-	24,397
234	2012 Chevrolet Impala	-	24,174	-	24,174
345	Snow Body Insert	7,190	-	-	7,190
346	Snow Body Insert	7,415	-	-	7,415
347	Snow Body Insert	7,415	-	-	7,415
348	Snow Body Insert	7,415	-	-	7,415
349	Snow Body Insert	7,415	-	-	7,415
528	Garbage Carts	310,494	-	-	310,494
529	Recycling Carts	256,858	-	-	256,858
530	Automated tippers	6,240	-	-	6,240
555	Underground Pipe TV inspection system Communications System	52,629	-	-	52,629
		<u>222,134</u>	<u>396</u>	-	<u>222,530</u>
	<b>Total Rental Units</b>	<u>\$ 5,663,297</u>	<u>\$ 358,059</u>	<u>\$ 19,168</u>	<u>\$ 6,002,188</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND  
SCHEDULE OF CHANGES IN EQUIPMENT**

For the year ended June 30, 2012

Unit Number	Description	Balance 06/30/11	Additions	Retirements	Balance 06/30/12
	Balance brought forward. . . . .	\$ 5,663,297	\$ 358,059	\$ 19,168	\$ 6,002,188
	Non-rental Units				
	Miller Welder w/Auto Feed	\$ 2,720	\$ -	\$ -	\$ 2,720
	Sun Auto Analyzer	7,020	-	-	7,020
	Sioux Steamer/Washer	6,438	-	-	6,438
	Torch	100	-	-	100
	Air Wrench	125	-	-	125
	Two-Ton Floor Jack	170	-	-	170
	Chain Ratchet	264	-	-	264
	Racks	143	-	-	143
	Sander	94	-	-	94
	Lights	543	-	-	543
	Grainger Battery Tester	123	-	-	123
	Schonstedt G.A. 528 Locator	585	-	-	585
	Air Hammer, Ratchet	129	-	-	129
	Spray Gun	244	-	-	244
	Brake Bleeding Tool	125	-	-	125
	Stud Gun	112	-	-	112
	7" Sander	160	-	-	160
	Wood Surfacer	250	-	-	250
	Gas Tanks	37,829	-	-	37,829
	Stigers 16' Tandem Trailer	1,365	-	-	1,365
	Air Compressor	2,009	-	-	2,009
	Crow's Feet	175	-	-	175
	Weather Master	435	-	-	435
	Transmission Repair Kit	441	-	-	441
	Electronic Tachometer	255	-	-	255
	Milwaukee 9" Sander	149	-	-	149
	Fleet Maintenance Software	3,390	-	-	3,390
	3 Tap and Die sets	552	-	-	552
	Millermatic 250 welder	1,425	-	-	1,425
	Gasboy 1000 Interface	750	-	-	750
	Floor Jack	2,060	-	-	2,060
	Tool & Die Set	373	-	-	373
	Tire Changer	2,999	-	-	2,999
	One-Third of the Softek Network Server	1,831	-	-	1,831
	Bluestar 6000 Welder	2,057	-	-	2,057
	Purox Trademaster	525	-	-	525
	Transmission Jack	342	-	-	342
	Fleet Software	1,495	-	-	1,495
	12 Volt Fuel Pump	254	-	-	254
	MCR 500 Digital Battery Electric System	665	-	-	665
	10 Ton Hydraulic Porta-Power	250	-	-	250
	Fuel Injector Repair Kit	379	-	-	379
	Scanning Unit Plug-In	591	-	-	591
	Snap-on Automotive Lift	3,905	-	-	3,905
	Used Tire Balancer	600	-	-	600
	Konica/Minolta Digital Copier	4,355	-	-	4,355
	Heavy Duty Truck Analyzer	2,998	-	-	2,998
	Fuel Station Upgrades	18,301	-	-	18,301
	Plasma Cutter	1,631	-	-	1,631
	2010 Genysis Scanner	1,925	-	-	1,925
	PW Building Improvements - Door Project	7,513	-	-	7,513
	PW Building Improvements - Waste Oil Heat Project	11,941	-	-	11,941
	<b>Total Non-rental Units</b>	<u>135,110</u>	<u>-</u>	<u>-</u>	<u>135,110</u>
	<b>TOTALS</b>	<u>\$ 5,798,407</u>	<u>\$ 358,059</u>	<u>\$ 19,168</u>	<u>\$ 6,137,296</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 117,620	\$ 58,421
Receivables:		
Accounts, net of bad debt allowance	17,601	-
Accrued interest	<u>498</u>	<u>193</u>
Total current assets	<u>135,719</u>	<u>58,614</u>
Property, plant and equipment:		
Property, plant and equipment	493,223	487,468
Less accumulated depreciation	<u>(362,864)</u>	<u>(324,086)</u>
Net property, plant and equipment	<u>130,359</u>	<u>163,382</u>
<b>TOTAL ASSETS</b>	<u>\$ 266,078</u>	<u>\$ 221,996</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	<u>\$ 498</u>	<u>\$ 4,343</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	130,359	163,382
Unrestricted	<u>135,221</u>	<u>54,271</u>
<b>TOTAL NET ASSETS</b>	<u>265,580</u>	<u>217,653</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 266,078</u>	<u>\$ 221,996</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS

For the years ended June 30, 2012 and 2011

	June 30	
	2012	2011
OPERATING REVENUES:		
Equipment rental	\$ 58,128	\$ 61,128
Miscellaneous:		
Charter franchise fee	63,734	-
TOTAL OPERATING REVENUES	<u>121,862</u>	<u>61,128</u>
OPERATING EXPENSES:		
General government:		
Equipment maintenance	10,443	16,630
Provision for depreciation	43,790	44,330
TOTAL OPERATING EXPENSES	<u>54,233</u>	<u>60,960</u>
OPERATING INCOME (LOSS)	<u>67,629</u>	<u>168</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	539	244
Gain (loss) on sale of equipment	-	(4,599)
Interest earnings	1,359	1,102
Operating transfers out:		
General Fund	(4,200)	-
Escanaba Building Authority	(17,400)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(19,702)</u>	<u>(3,253)</u>
CHANGE IN NET ASSETS	47,927	(3,085)
Net assets, beginning of year	<u>217,653</u>	<u>220,738</u>
NET ASSETS, END OF YEAR	<u>\$ 265,580</u>	<u>\$ 217,653</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND  
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2012

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u> <u>/Transfers</u>	<u>Balance</u> <u>06/30/12</u>
Network system	\$ 208,076	\$ 32,774	\$ -	\$ 240,850
Controller	13,277	-	-	13,277
Engineer	12,481	-	-	12,481
Clerk	25,631	-	-	25,631
Personnel	1,745	-	155	1,590
City Manager	1,910	-	-	1,910
Building and Housing Inspection	1,549	-	-	1,549
Treasurer/Utility	100,855	2,228	585	102,498
Bay Computer - Shared Equipment	30,291	-	-	30,291
Assessor	40,169	-	28,507	11,662
Recreation	9,029	-	-	9,029
Public Safety	38,858	-	-	38,858
Library	<u>3,597</u>	<u>-</u>	<u>-</u>	<u>3,597</u>
TOTALS	<u>\$ 487,468</u>	<u>\$ 35,002</u>	<u>\$ 29,247</u>	<u>\$ 493,223</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**RISK RETENTION FUND  
COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 173	\$ 26
Receivables:		
Accounts, net of bad debt allowance	-	1,016
Accrued interest	16	4
Prepaid expenses	<u>183,882</u>	<u>189,130</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 184,071</u></b>	<b><u>\$ 190,176</u></b>
<b>LIABILITIES:</b>		
Current liabilities:		
Claims payable	\$ 113,000	\$ 55,000
Due to other funds:		
Electric Fund	-	188
General Fund	<u>9,560</u>	<u>29,390</u>
<b>TOTAL LIABILITIES</b>	<b><u>122,560</u></b>	<b><u>84,578</u></b>
<b>NET ASSETS:</b>		
Unrestricted	<u>61,511</u>	<u>105,598</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 184,071</u></b>	<b><u>\$ 190,176</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**RISK RETENTION FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Provision for self insurance	\$ 173,926	\$ 267,061
OPERATING EXPENSES:		
General government:		
Insurance premiums	139,752	212,770
Administrative costs	400	400
Claims paid	84,877	42,211
TOTAL OPERATING EXPENSES	<u>225,029</u>	<u>255,381</u>
OPERATING INCOME (LOSS)	<u>(51,103)</u>	<u>11,680</u>
NON-OPERATING REVENUES:		
Gain (loss) on sale of investments	146	(112)
Interest earnings	6,870	6,181
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,016</u>	<u>6,069</u>
CHANGE IN NET ASSETS	<u>(44,087)</u>	<u>17,749</u>
Net assets, beginning of year	<u>105,598</u>	<u>87,849</u>
NET ASSETS, END OF YEAR	<u>\$ 61,511</u>	<u>\$ 105,598</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Investments, at market	\$ 322,992	\$ 91,739
<b>Receivables:</b>		
Accrued interest	745	5
Prepaid expenses	25,000	49,741
Cash on deposit	(190)	244,058
<b>TOTAL ASSETS</b>	<u>\$ 348,547</u>	<u>\$ 385,543</u>
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Claims payable	\$ 5,806	\$ 124,119
<b>NET ASSETS:</b>		
Unrestricted	<u>342,741</u>	<u>261,424</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 348,547</u>	<u>\$ 385,543</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	June 30	
	2012	2011
OPERATING REVENUES:		
Retiree contributions	\$ 8,199	\$ 116,048
City's contribution for employees	152,375	1,677,279
TOTAL OPERATING REVENUES	160,574	1,793,327
OPERATING EXPENSES:		
General government:		
Insurance premiums	613	234,673
Administrative costs	14,352	57,286
Claims paid	63,888	1,523,886
Professional services	1,150	5,550
TOTAL OPERATING EXPENSES	80,003	1,821,395
OPERATING INCOME (LOSS)	80,571	(28,068)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(157)	117
Interest earnings	903	2,007
TOTAL NON-OPERATING REVENUES (EXPENSES)	746	2,124
CHANGE IN NET ASSETS	81,317	(25,944)
Net assets, beginning of year	261,424	287,368
NET ASSETS, END OF YEAR	\$ 342,741	\$ 261,424

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WORKER'S COMPENSATION FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 532,765	\$ 578,194
Receivables:		
Accrued interest	2,525	1,910
Prepaid expenses	-	19,199
	<u>535,290</u>	<u>599,303</u>
TOTAL ASSETS	<u>\$ 535,290</u>	<u>\$ 599,303</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,581	\$ -
Claims payable	251,000	235,000
	<u>253,581</u>	<u>235,000</u>
TOTAL LIABILITIES	<u>253,581</u>	<u>235,000</u>
NET ASSETS:		
Unrestricted	<u>281,709</u>	<u>364,303</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 535,290</u>	<u>\$ 599,303</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WORKER'S COMPENSATION FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	June 30	
	2012	2011
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Benefits	57,541	63,747
Professional services	15,620	17,732
Insurance & bonds	19,612	3,379
Miscellaneous	1,504	1,919
TOTAL OPERATING EXPENSES	94,277	86,777
OPERATING INCOME (LOSS)	(94,277)	(86,777)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	2,593	1,750
Interest earnings	9,090	9,941
TOTAL NON-OPERATING REVENUES (EXPENSES)	11,683	11,691
CHANGE IN NET ASSETS	(82,594)	(75,086)
Net assets, beginning of year	364,303	439,389
NET ASSETS, END OF YEAR	\$ 281,709	\$ 364,303

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND  
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2012 and 2011

	June 30	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 308,255	\$ 304,679
Receivables:		
Accrued interest	<u>1,370</u>	<u>902</u>
TOTAL ASSETS	<u>\$ 309,625</u>	<u>\$ 305,581</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 17,628</u>	<u>\$ 8,696</u>
NET ASSETS:		
Unrestricted	<u>291,997</u>	<u>296,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 309,625</u>	<u>\$ 305,581</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	<u>11,253</u>	<u>9,869</u>
TOTAL OPERATING EXPENSES	<u>11,453</u>	<u>10,069</u>
OPERATING INCOME (LOSS)	<u>(11,453)</u>	<u>(10,069)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	1,646	986
Interest earnings	<u>4,919</u>	<u>4,766</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,565</u>	<u>5,752</u>
CHANGE IN NET ASSETS	(4,888)	(4,317)
Net assets, beginning of year	<u>296,885</u>	<u>301,202</u>
NET ASSETS, END OF YEAR	<u>\$ 291,997</u>	<u>\$ 296,885</u>

See accompanying notes to financial statements.

**PERMANENT FUND**

CITY OF ESCANABA, MICHIGAN

**GAS RETIREMENT FUND  
COMPARATIVE STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Investments, at market	\$ 1,137,759	\$ 1,097,268
<b>Receivables:</b>		
Accrued interest	<u>5,170</u>	<u>3,386</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,142,929</u>	<u>\$ 1,100,654</u>
<b>NET ASSETS:</b>		
<b>Reserved for:</b>		
Principal	\$ 1,094,634	\$ 1,094,634
Capital improvements	<u>48,295</u>	<u>6,020</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,142,929</u>	<u>\$ 1,100,654</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
REVENUES:		
Interest and dividends	<u>\$ 18,086</u>	<u>\$ 17,171</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	6,189	3,722
Operating transfers out:		
Local Street Fund	<u>18,000</u>	<u>(18,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,189</u>	<u>(14,278)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (OTHER FINANCING USES)	42,275	2,893
Net assets, beginning of year	<u>1,100,654</u>	<u>1,097,761</u>
NET ASSETS, END OF YEAR	<u>\$ 1,142,929</u>	<u>\$ 1,100,654</u>

See accompanying notes to financial statements.

**FIDUCIARY FUNDS**

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			2012	2011
ASSETS:				
Investments, at market	\$ 112,964	\$ 267,098	\$ 380,062	\$ 381,261
Receivables:				
Accrued interest	518	1,234	1,752	1,186
TOTAL ASSETS	<u>\$ 113,482</u>	<u>\$ 268,332</u>	<u>\$ 381,814</u>	<u>\$ 382,447</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 92	\$ 92	\$ 267
Due to other funds	-	-	-	946
TOTAL LIABILITIES	<u>-</u>	<u>92</u>	<u>92</u>	<u>1,213</u>
NET ASSETS:				
Reserved for:				
Bonifas Trust Fund	113,482	-	113,482	111,029
Bezold Trust Fund	-	268,240	268,240	270,205
TOTAL NET ASSETS	<u>113,482</u>	<u>268,240</u>	<u>381,722</u>	<u>381,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 113,482</u>	<u>\$ 268,332</u>	<u>\$ 381,814</u>	<u>\$ 382,447</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN FIDUCIARY NET ASSETS

For the years ended June 30, 2012 and 2011

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			2012	2011
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 1,824	\$ 4,378	\$ 6,202	\$ 6,012
EXPENDITURES:				
Cultural:				
Professional services	-	455	455	945
Books, magazines & periodicals	-	7,331	7,331	8,891
TOTAL EXPENDITURES	-	7,786	7,786	9,836
EXCESS REVENUES (EXPENDITURES)	1,824	(3,408)	(1,584)	(3,824)
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	629	1,443	2,072	1,288
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	2,453	(1,965)	488	(2,536)
Net assets, beginning of year	111,029	270,205	381,234	383,770
NET ASSETS, END OF YEAR	\$ 113,482	\$ 268,240	\$ 381,722	\$ 381,234

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 112,964	\$ 110,687
Receivables:		
Accrued interest	<u>518</u>	<u>342</u>
TOTAL ASSETS	<u>\$ 113,482</u>	<u>\$ 111,029</u>
NET ASSETS:		
Reserved for:		
Bonifas Trust Fund	<u>\$ 113,482</u>	<u>\$ 111,029</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 1,824	\$ 1,718
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>629</u>	<u>373</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	2,453	2,091
Net assets, beginning of year	<u>111,029</u>	<u>108,938</u>
NET ASSETS, END OF YEAR	<u>\$ 113,482</u>	<u>\$ 111,029</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments, at market	\$ 267,098	\$ 270,574
Receivables:		
Accrued interest	<u>1,234</u>	<u>844</u>
TOTAL ASSETS	<u>\$ 268,332</u>	<u>\$ 271,418</u>
LIABILITIES:		
Accounts payable	\$ 92	\$ 267
Due to other funds:		
Library Fund	<u>-</u>	<u>946</u>
TOTAL LIABILITIES	<u>92</u>	<u>1,213</u>
NET ASSETS:		
Reserved for:		
Bezold Trust Fund	<u>268,240</u>	<u>270,205</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 268,332</u>	<u>\$ 271,418</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 4,378	\$ 4,294
EXPENDITURES:		
Cultural:		
Professional services	455	945
Books, magazines & periodicals	7,331	8,891
TOTAL EXPENDITURES	7,786	9,836
EXCESS REVENUES (EXPENDITURES)	(3,408)	(5,542)
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	1,443	915
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(1,965)	(4,627)
Net assets, beginning of year	270,205	274,832
NET ASSETS, END OF YEAR	<u>\$ 268,240</u>	<u>\$ 270,205</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PUBLIC SAFETY RETIREMENT FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash and equivalents	\$ 11,023	\$ 35,212
Investments, at market	<u>19,792,465</u>	<u>19,570,943</u>
 TOTAL ASSETS	 <u>\$ 19,803,488</u>	 <u>\$ 19,606,155</u>
 LIABILITIES:		
Accounts payable	\$ 8,265	\$ 7,500
 NET ASSETS:		
Reserved for:		
Employees' retirement system	<u>19,795,223</u>	<u>19,598,655</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 19,803,488</u>	 <u>\$ 19,606,155</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PUBLIC SAFETY RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FIDUCIARY NET ASSETS**

June 30, 2012 and 2011

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Interest and dividends	\$ 507,654	\$ 502,596
Gain (loss) on sale of investments	197,127	3,398,992
Contributions:		
City of Escanaba	844,170	807,281
Employees	<u>121,726</u>	<u>124,448</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,670,677</u>	<u>4,833,317</u>
<b>OPERATING EXPENSES:</b>		
Administrative and general:		
Trustee fees	-	100
Miscellaneous	11,908	9,425
Benefits paid and refunds of member contributions	<u>1,462,201</u>	<u>1,481,191</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,474,109</u>	<u>1,490,716</u>
<b>NET INCOME (LOSS)</b>	196,568	3,342,601
Net assets, beginning of year	<u>19,598,655</u>	<u>16,256,054</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 19,795,223</u>	<u>\$ 19,598,655</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2012

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
ASSETS:				
Cash and equivalents	\$ 4,422	\$ 13,243,616	\$ 13,236,648	\$ 11,390
Receivables:				
Special assessments	-	65,058	65,058	-
Taxes	-	<u>14,477,081</u>	<u>14,477,081</u>	-
TOTAL ASSETS	<u>\$ 4,422</u>	<u>\$ 27,785,755</u>	<u>\$ 27,778,787</u>	<u>\$ 11,390</u>
LIABILITIES:				
Due to other governments	<u>\$ 4,422</u>	<u>\$ 40,684,222</u>	<u>\$ 40,677,254</u>	<u>\$ 11,390</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND

SCHEDULE OF COLLECTIONS FOR AND REMITTANCES TO OTHER GOVERNMENTAL UNITS

For the year ended June 30, 2012

	<u>Intermediate School District</u>	<u>County of Delta</u>	<u>Escanaba Area Public Schools</u>	<u>Bay de Noc Community College</u>	<u>Community Action Agency</u>	<u>Downtown Development Authority</u>
Balance, July 1, 2011	\$ 192	\$ 1,350	\$ 1,239	\$ 283	\$ 70	\$ -
Collections:						
Interest earnings on investments	628	2,909	3,435	840	150	243
Taxes levied for 2010	660,410	2,983,352	3,747,731	681,779	159,454	260,277
Delinquent tax collections	3,499	14,646	20,822	5,062	950	10
Trailer tax collections	-	10,300	-	-	-	-
Industrial facilities tax collection	5,985	24,410	29,572	8,299	1,505	-
Total collections	<u>670,522</u>	<u>3,035,625</u>	<u>3,801,560</u>	<u>695,980</u>	<u>162,059</u>	<u>260,530</u>
Remittances:						
Delinquent taxes returned to County Treasurer	39,418	145,304	363,438	52,254	11,257	14,671
Delinquent personal property taxes	2,618	10,223	19,796	3,632	783	-
Remittances to governmental units	628,176	2,877,707	3,417,833	839,660	149,994	245,859
Total remittances	<u>670,212</u>	<u>3,033,234</u>	<u>3,801,067</u>	<u>895,546</u>	<u>162,034</u>	<u>260,530</u>
Balance, June 30, 2012	\$ <u>502</u>	\$ <u>3,741</u>	\$ <u>1,732</u>	\$ <u>717</u>	\$ <u>95</u>	\$ <u>-</u>

See accompanying notes to financial statements.

City of Escanaba	Delta County Sheriff Department	911	OPRA	DATA	Brownfield	Total
\$ 1,074	\$ 106	\$ 37	\$ -	\$ 71	\$ -	\$ 4,422
4,460	225	88	-	150	47	13,175
4,635,870	239,193	93,158	36,707	159,447	47,179	13,904,557
25,881	1,426	555	-	954	-	73,805
2,062	-	-	-	-	-	12,370
43,085	2,258	880	-	1,506	-	117,500
<u>4,711,358</u>	<u>243,102</u>	<u>94,681</u>	<u>36,707</u>	<u>162,057</u>	<u>47,226</u>	<u>14,121,407</u>
238,135	16,886	6,573	-	11,251	-	899,187
15,404	1,175	457	-	783	-	54,871
<u>4,454,583</u>	<u>225,005</u>	<u>87,632</u>	<u>36,707</u>	<u>149,999</u>	<u>47,226</u>	<u>13,160,381</u>
<u>4,708,122</u>	<u>243,066</u>	<u>94,662</u>	<u>36,707</u>	<u>162,033</u>	<u>47,226</u>	<u>14,114,439</u>
<u>\$ 4,310</u>	<u>\$ 142</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 11,390</u>

See accompanying notes to financial statements.

**GOVERNMENTAL FUNDS FIXED ASSET LISTING**

CITY OF ESCANABA, MICHIGAN

**GOVERNMENTAL FUNDS FIXED ASSET LISTING  
SCHEDULE OF CHANGES IN FIXED ASSETS**

For the year ended June 30, 2012

	Balance <u>06/30/11</u>	<u>Additions</u>	Retirements and other <u>Deductions</u>	Balance <u>06/30/12</u>
<b>LAND AND IMPROVEMENTS:</b>				
Land	\$ 635,955	\$ 23,000	\$ -	\$ 658,955
Farmer's Market	6,844	-	-	6,844
Advertising Signs	36,262	-	-	36,262
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	1,891,786	-	-	1,891,786
Marina/Harbor	997,909	-	-	997,909
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	351,598	-	-	351,598
Waterfront Development	1,400,854	-	-	1,400,854
<b>BUILDINGS:</b>				
Beach House	275,191	-	-	275,191
Historical Building	111,526	-	-	111,526
Band Shell	183,228	-	-	183,228
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	959,545	-	-	959,545
Public Safety Building	993,603	-	-	993,603
Webster Park Shelter House	94,594	-	-	94,594
Ludington Park Restroom	124,730	-	-	124,730
Royce Park Shelter	47,041	-	-	47,041
<b>PARKING LOTS:</b>				
1st Avenue North between 12th and 13th streets	17,446	-	-	17,446
West side of North 10th 100 block	1,702	-	-	1,702
Behind Dally Press	13,623	-	-	13,623
West of PSE Credit Union	33,408	-	-	33,408
East of PSE Credit Union	21,564	-	-	21,564
West End of Ludington	200,593	-	-	200,593
Lakestate Parking Lot	48,981	-	-	48,981
1st Avenue South at 8th Street	20,807	-	-	20,807
1000 Block 1st Avenue South	41,753	-	-	41,753
100 Block N 14th Street	39,832	-	-	39,832
<b>EQUIPMENT:</b>				
Library	106,934	8,580	32,047	83,467
Public Safety Department	1,526,560	17,125	58,074	1,485,611
Street and Sewer	82,639	-	-	82,639
Parks and Recreation	322,675	-	-	322,675
Band	15,558	-	-	15,558
Downtown Development	65,300	-	-	65,300
City Hall	363,555	-	-	363,555
<b>OTHER:</b>				
Infrastructure	18,426,711	26,254	141,438	18,311,527
Escanaba Building Authority	7,406,375	15,126	74,170	7,347,331
Motor Vehicle and Equipment Fund	5,798,407	358,059	19,168	6,137,298
Office Equipment Fund	487,468	10,767	5,012	493,223
<b>TOTAL GOVERNMENTAL FUNDS FIXED ASSETS</b>	<b><u>\$44,067,892</u></b>	<b><u>\$ 458,911</u></b>	<b><u>\$ 329,909</u></b>	<b><u>\$44,196,894</u></b>

See accompanying notes to financial statements.

**SINGLE AUDIT**

**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**

Honorable Mayor and Members  
of the City Council  
City of Escanaba, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan as of and for the year ended June 30, 2012, which collectively comprise the City of Escanaba's basic financial statements and have issued our report thereon dated December 17, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the City of Escanaba is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Escanaba's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Escanaba's internal control over financial reporting.

A deficiency in internal control exists when the design or operation 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and Members  
of the City Council  
City of Escanaba

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of 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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs as item 12-1.

We noted certain matters that we reported to management of the City of Escanaba in a separate letter dated December 17, 2012.

The City of Escanaba's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Escanaba's response and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 17, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members  
of the City Council  
City of Escanaba, Michigan

Compliance

We have audited the compliance of the City of Escanaba, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City of Escanaba's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Escanaba's management. Our responsibility is to express an opinion on the City of Escanaba's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Escanaba's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Escanaba's compliance with those requirements.

In our opinion, the City of Escanaba complied, in all material respects, with the 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, 2012.

Honorable Mayor and Members  
of the City Council  
City of Escanaba

Internal Control Over Compliance

Management of the City of Escanaba, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Escanaba's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Escanaba's 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.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 17, 2012

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Grantor's or Program Number</u>	<u>CFDA</u>	<u>Grant Awarded in Current Year</u>	<u>Federal Ex- penditures in Current Year</u>
<b>MAJOR PROGRAM:</b>				
<u>DEPARTMENT OF COMMERCE</u>				
Economic Development Administration:				
Economic Adjustment Assistance	-	11.307	\$ 1,539,613	\$ 1,539,613
<b>NON-MAJOR PROGRAMS:</b>				
<u>DEPARTMENT OF JUSTICE</u>				
Passed through Michigan State Police:				
U.P.S.E.T.	-	16.579	50,975	50,975
Passed through Grand Valley State University:				
PSN Grant	-	16.609	<u>20,000</u>	<u>20,000</u>
Total Department of Justice			<u>70,975</u>	<u>70,975</u>
<u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u>				
Passed through the State:				
MSHDA Facade Grant	MSC-210051-CDF	14.228	98,786	98,786
MSHDA Administrative	MSC-2009-0321-HO	14.228	<u>53,741</u>	<u>53,741</u>
Total Department of Housing and Urban Development			<u>152,527</u>	<u>152,527</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
Passed through Michigan Department of Transportation Highway Research Planning & Construction				
	11-5039	20.205	<u>60,365</u>	<u>60,365</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE			 <u>\$ 1,823,480</u>	 <u>\$ 1,823,480</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

**NOTE A - OVERSIGHT AGENCY**

The Department of Commerce is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's federal financial assistance.

**NOTE B - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C - PASS-THROUGH GRANTOR'S OF PROGRAM NUMBER**

The Pass-Through Grantor's Number represents the City's provider I.D. number.

**NOTE D - FEDERAL REVENUE RECONCILIATION**

Because the Economic Adjustment Assistance Program's federal awards is calculated using primarily asset balances rather than expenditures, the total revenue as reported in the financial statements does not match the Schedule of Expenditures of Federal Awards.

A reconciliation is as follows:

Total revenue as reported on the Govern- mental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 223,502
ADD: Economic Adjustment Assistance Department of Transportation Street Lighting Grant shown as contributed capital in the Electric Fund	1,539,613  <u>60,365</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$1,823,480</u>

**NOTE E - ECONOMIC DEVELOPMENT ADMINISTRATION**

Below is the calculation used to determine the Economic Adjustment Assistance used in the Schedule of Federal Awards.

Balance of RLF loans outstanding at year-end	\$ 699,541
Cash and investment balance at year-end	1,348,607
Administrative expenses paid during the fiscal year	800
Unpaid loan principal written off during the fiscal year	<u>-</u>
	2,048,948
Multiplied by the federal share of the RLF	<u>*.7514163315</u>
	<u>\$ 1,539,613</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Escanaba, Michigan.
2. Reportable instances of noncompliance disclosed during the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and are detailed in Section II of this schedule.
3. No instances of noncompliance material to the financial statements of the City of Escanaba, Michigan were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Escanaba, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Escanaba, Michigan.
7. The program tested as the major programs was:
  - Department of Commerce:
  - Economic Adjustment Administration:
  - Economic Adjustment Assistance
  - CFDA #11.307
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Escanaba, Michigan was determined to be a low-risk auditee.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 12-1 - BUDGET NONCOMPLIANCE

Criteria - Public Act 621 of 1978, Section 18, (1) as amended, requires that a city shall not incur expenditures in excess of the amount appropriated.

Condition - During the year the City was overexpended in the following function of the General Fund:

Community Promotion	\$	135
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The following funds were overspent:

Land Development Fund	\$	1,959
Sanitary Landfill Fund		57

Context - Isolated.

Effect - The City is not in compliance with the State law.

Cause - Failure to amend the above mentioned budgets during the year to match the spending level.

Recommendation - The City should continue to monitor the budget as to comply completely with the Michigan Uniform Budgeting and Accounting Act.

Management's response - The City has in place a number of controls in an effort to prevent any over expenditures; in general, this system is effective. However, because the final budget amendment is based upon financial statements which do not include the last several months of the fiscal year, small over expenditures can happen.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION III - COMPLIANCE FINDINGS

NONE

CITY OF ESCANABA, MICHIGAN

RESOLUTION OF PRIOR YEARS FINDINGS  
AND QUESTIONED COSTS

June 30, 2012

NONE

CITY OF ESCANABA, MICHIGAN

Table 1 (unaudited)  
GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION<sup>1</sup>

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Miscellaneous</u>	<u>Transfers to Other Funds</u>	<u>Total</u>
2003	\$1,271,488	\$3,352,685	\$1,690,300	\$ 779,437	\$ 9,148	\$1,205,011	\$ 158	\$ 20,408	\$8,328,635
2004	1,249,423	3,523,272	2,552,218	789,040	9,148	1,158,753	0	31,274	9,313,128
2005	1,259,757	3,916,237	1,769,940	825,609	9,148	1,104,489	0	28,505	8,913,685
2006	1,048,811	3,825,060	1,593,613	800,008	9,148	1,147,526	0	14,186	8,438,352
2007	1,012,236	3,557,000	2,133,734	731,388	9,148	1,209,893	0	15,206	8,668,605
2008	1,074,690	3,562,962	3,104,279	683,088	9,148	1,215,395	0	20,750	9,670,312
2009	1,086,701	3,655,292	1,950,433	600,108	9,148	1,185,074	0	26,720	8,513,476
2010	1,094,446	3,659,689	1,734,109	583,607	9,148	1,187,276	0	7,058	8,275,333
2011	1,106,889	3,951,435	2,774,640	619,460	9,148	1,258,450	0	10,763	9,730,785
2012	1,098,514	3,962,280	1,236,793	612,293	9,148	1,214,264	0	10,590	8,143,882

<sup>1</sup>Includes General, Major Street, Local Street, Library and Bebold Funds

CITY OF ESCANABA, MICHIGAN

Table 2 (unaudited)  
GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE<sup>2</sup>

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes	Licenses and Permits	Inter-gov- ernmental Revenue	Charges for Services	Fines and Forfeitures	Contributions from Other Funds	Miscellaneous	Total
2003	\$3,657,846	\$ 1,460	\$2,982,213	\$ 607,504	\$ 41,677	\$ 900,981	\$ 342,645	\$ 8,534,326
2004	3,725,194	1,217	3,500,054	627,839	56,288	1,194,019	373,582	9,478,193
2005	3,862,055	1,306	3,204,091	673,304	46,536	850,619	236,609	8,874,520
2006	3,945,204	1,612	3,021,994	503,420	50,959	830,983	207,075	8,561,247
2007	4,151,376	1,550	3,164,788	273,621	54,191	876,764	392,306	8,914,596
2008	4,329,778	1,725	3,697,812	334,261	56,900	758,103	414,037	9,592,616
2009	4,422,967	1,880	2,873,270	408,977	59,649	763,224	303,733	8,833,700
2010	4,621,372	1,575	2,558,168	408,251	58,217	730,462	228,516	8,606,561
2011	4,585,724	1,700	3,867,076	290,108	74,723	937,857	189,279	9,946,467
2012	4,626,830	2,015	2,536,908	328,972	84,807	713,324	219,470	8,512,326

<sup>2</sup>Includes General, Major Street, Local Street, Library and Bezdold Funds.

CITY OF ESCANABA, MICHIGAN

Table 3 (unaudited)  
REAL AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2003*	\$3,545,866	\$ 3,516,146	99.16	\$ 17,683	\$ 3,533,831	99.66	\$ 35,003	.99
2004*	3,629,103	3,605,702	99.36	18,885	3,624,587	99.88	37,741	1.04
2005*	3,760,903	3,744,006	99.55	28,449	3,772,456	100.31	26,794	.71
2006*	3,883,469	3,869,400	99.64	12,099	3,881,499	99.95	33,434	.86
2007*	4,071,825	4,057,090	99.64	9,400	4,066,490	99.87	38,705	.95
2008*	4,247,875	4,231,386	99.61	15,775	4,247,161	99.98	39,754	.93
2009*	4,362,889	4,346,313	99.62	15,430	4,361,743	99.97	47,807	1.10
2010*	4,550,552	4,533,189	99.62	20,420	4,553,609	100.07	44,833	.98
2011*	4,522,309	4,511,057	99.75	21,139	4,532,196	100.22	42,605	.94
2012	4,570,812	4,559,274	99.75	17,673	4,576,947	100.13	40,335	.88

\*Beginning in the fiscal year ended June 30, 1982, Delta County formulated a tax revolving fund, whereby they purchase the uncollected balance of the current real property tax levy, which becomes delinquent on March 1. The County will retain the delinquent collections and interest as they are collected.

CITY OF ESCANABA, MICHIGAN

Table 4 (unaudited)  
TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY<sup>1</sup>

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property		Personal Property		Total		Percent of Total Taxable Value to Total Estimated Value
	Taxable <sup>1</sup> Value	Estimated Actual Value	Taxable <sup>1</sup> Value	Estimated Actual Value	Taxable <sup>1</sup> Value	Estimated Actual Value	
2004	\$202,613,242	\$509,651,888	\$ 16,607,906	\$ 33,215,812	\$219,221,148	\$542,867,700	40.38
2005	211,764,531	547,814,648	16,384,409	32,768,818	228,148,940	580,583,466	39.30
2006	218,520,278	553,499,468	16,712,115	33,424,230	235,232,393	586,923,698	40.08
2007	230,278,798	556,243,644	17,843,715	35,687,430	248,122,513	591,931,074	41.92
2008	238,549,149	566,335,400	17,777,660	35,555,320	256,326,809	601,890,720	42.59
2009	245,683,057	581,031,632	17,651,055	35,302,110	263,334,112	616,333,742	42.73
2010	258,045,957	588,298,682	18,101,135	36,202,270	276,147,092	624,500,952	44.22
2011	255,710,029	584,018,968	19,592,385	39,184,770	275,302,414	623,203,738	44.18
2012	258,750,415	597,010,640	19,496,317	39,006,764	278,246,732	636,017,404	43.75
2013	264,110,940	583,940,674	35,850,002	71,700,004	299,960,942	655,640,678	45.75

Source: City of Escanaba Assessor's Department

<sup>1</sup>Taxable values are as of the December 31, prior to the beginning of the fiscal year.

CITY OF ESCANABA, MICHIGAN

Table 5 (unaudited)  
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Escanaba	Delta County	Escanaba Area Public School	Delta-Schoolcraft Intermediate School District	Bay de Noc Community College	State ED	Total <sup>1</sup>
2003	17.00	6.6097 <sup>2</sup>	3.02	2.4596	3.3506	6.00	38.4399
2004	17.00	6.5719 <sup>2</sup>	3.11	2.4375	3.5000	5.00	37.6194
2005	17.00	6.5458 <sup>2</sup>	3.08	2.4191	3.5000	6.00	38.5449
2006	17.00	7.1104 <sup>3</sup>	3.08	2.3994	3.5501	6.00	39.1399
2007	17.00	7.5897 <sup>4</sup>	2.91	2.3851	3.5337	6.00	39.4185
2008	17.00	7.5897 <sup>4</sup>	2.89	2.3851	3.5225	6.00	39.3873
2009	17.00	7.5897 <sup>4</sup>	2.83	2.3851	3.5149	6.00	39.3197
2010	17.00	7.5897 <sup>4</sup>	2.76	2.3851	3.5109	6.00	39.2457
2011	17.00	7.4317 <sup>4</sup>	4.75	2.3851	3.5111	6.00	41.0779
2012	17.00	7.4823 <sup>4</sup>	4.75	2.3851	3.3076	6.00	40.9250

Source: City of Escanaba Assessor's Department

<sup>1</sup>These amounts reflect the tax rate for owner occupied residential property. Other property types would see tax rates of up to 18 mills higher.

<sup>2</sup>Delta County's tax rate includes extra millage for Sherriff's Patrol and Community Action Agency. For the fiscal year ended 6/30/12, these amounts were .9000 and .6000, respectively.

<sup>3</sup>Beginning in the fiscal year ended 6/30/06, extra voted millage for the Delta County Central Dispatch Authority was included in Delta County's Tax rate. The amount for fiscal year ended 6/30/12 was .3506.

<sup>4</sup>Beginning in the fiscal year ended 6/30/07, extra voted millage for the Delta Area Transit Authority was included in Delta County's Tax rate. The amount of fiscal year ended 6/30/12 was .6000.

CITY OF ESCANABA, MICHIGAN

Table 6 (unaudited)  
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2012

2012 Taxable Valuation (as of December 31, 2011)		<u>\$327,820,339</u>
Debt limit - 10 percent of assessed value		\$ 32,782,034
Amount of outstanding debt	\$ 10,667,502	
Less: Revenue bonds	(4,830,000)	
Non-Bonded Debt	(47,502)	
Self supporting bonds	<u>(120,000)</u>	
	<u>\$ 5,670,000</u>	<u>(5,670,000)</u>
LEGAL DEBT MARGIN		<u>\$ 27,112,034</u>

CITY OF ESCANABA, MICHIGAN

Table 7 (unaudited)  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2012

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City of Escanaba</u>	<u>Amount Applicable to the City of Escanaba</u>
City of Escanaba	\$ 5,670,000	100.00%	\$ 5,670,000
Escanaba Area Public Schools	34,310,000	46.96%	16,111,976
Bay de Noc Community College	7,570,000	25.07%	1,897,799
Delta County	<u>1,930,000</u>	25.07%	<u>483,851</u>
TOTALS	<u>\$49,480,000</u>		<u>\$24,163,626</u>

Source: Municipal Advisory Council of Michigan

CITY OF ESCANABA, MICHIGAN

Table B (unaudited)  
 WATER UTILITY BONDS  
 ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2003	\$ (4,677)	\$ 192,696	\$ 22,275	\$ 210,924	\$ -	\$ 22,275	\$ 22,275	9.47
2004	(20,042)	208,464	59,311	247,733	-	59,311	59,311	4.18
2005	(56,307)	246,059	69,419	219,171	110,000	69,419	179,419	1.22
2006	(25,033)	245,179	63,937	284,083	110,000	63,937	173,937	1.63
2007	45,849	244,339	61,095	351,283	115,000	61,095	176,095	1.99
2008	(13,463)	327,196	93,880	407,613	115,000	93,880	208,880	1.95
2009	(110,199)	330,373	115,299	335,473	240,000	115,299	355,299	.94
2010	19,087	327,973	110,474	457,534	240,000	110,474	350,474	1.31
2011	67,630	321,120	199,847	588,597	250,000	199,847	449,847	1.31
2012	232,929	373,323	278,487	884,739	380,000	278,487	658,487	1.34

CITY OF ESCANABA, MICHIGAN

Table 9 (unaudited)  
**WASTE WATER UTILITY BONDS**  
**ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT**  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest on Revenue Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest and Fees	Total	
2003	\$ 39,205	\$ 206,763	\$ 35,825	\$ 281,793	\$ 105,000	\$ 35,825	\$ 140,825	2.00
2004	(93,038)	201,739	33,466	142,167	115,000	33,466	148,466	.96
2005	(85,363)	200,214	31,053	145,904	115,000	31,053	146,053	1.00
2006	(5,676)	202,662	28,641	225,627	115,000	28,641	143,641	1.57
2007	98,382	202,562	26,228	327,172	115,000	26,228	141,228	2.32
2008	(43,025)	208,153	23,656	188,784	125,000	23,656	148,656	1.27
2009	(100,808)	209,593	21,031	129,816	125,000	21,031	146,031	.89
2010	107,587	208,977	18,407	334,971	125,000	18,407	143,407	2.34
2011	27,435	213,103	15,707	256,245	130,000	15,707	145,707	1.76
2012	180,412	215,700	12,981	409,093	130,000	12,981	142,981	2.86



CITY OF ESCANABA, MICHIGAN

Table 11 (unaudited)  
DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population <sup>1</sup>	K-12 School Enrollment <sup>2</sup>	Unemployment Rate <sup>3</sup>
2003	12,697 (estimate)	3,239	8.4
2004	12,632 (estimate)	3,099	7.9
2005	12,513 (estimate)	3,013	7.2
2006	12,426 (estimate)	2,963	7.1
2007	12,282 (estimate)	2,882	7.5
2008	12,240 (estimate)	2,778	8.4
2009	12,121 (estimate)	2,712	11.9
2010	12,616	2,628	12.1
2011	12,627 (estimate)	2,587	10.0
2012	12,620 (estimate)	2,522	8.8

Sources:

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<sup>1</sup>Bureau of Census and U.S. Department of Commerce.

<sup>2</sup>Escanaba Area Public Schools (Note: enrollments include students from outside the City of Escanaba).

<sup>3</sup>Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except 2012, which is through October, 2012).

CITY OF ESCANABA, MICHIGAN

Table 12 (unaudited)  
PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2012

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Valuation</u>
EMP, Inc.	Manufacturing	\$18,637,319	6.21%
Menards, Inc.	Retail Sales	5,069,925	1.69%
UP Enterprises LLC	Commercial Real Estate	4,553,039	1.52%
Amicus Management, Inc.	Shopping Center	4,327,625	1.44%
Dagenais Real Estate	Commercial Real Estate	4,271,626	1.42%
Wal-Mart	Retail Sales	4,015,878	1.34%
Elmer's County Market	Food Sales	2,424,067	0.81%
Northland Centers, Inc.	Commercial Real Estate	2,137,625	0.71%
Andex Industries	Manufacturing	1,948,978	0.65%
Shopko Properties	Retail Sales	1,866,559	0.62%

Source: City of Escanaba Assessor's Department

Note: This table does not include I.F.T. certificates.

Valuation as of 12/31/11 becomes the "2012 Taxable Valuation." This value is used to compute City property taxes for July, 2012, which finance City operations through the fiscal year ended June 30, 2013.

CITY OF ESCANABA, MICHIGAN

Table 13 (unaudited)  
MISCELLANEOUS STATISTICS

June 30, 2012

Date of incorporation	1883
Form of government - since 1922	Council-Manager
Area	12.81 square miles
Miles of streets	83.01 miles
Miles of paved roads	79.04 miles
<b>PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION</b>	
Number of stations	1
Number of public safety officers	31
<b>ELECTRIC DEPARTMENT</b>	
Capacity	39.0 megawatts
Peak use during fiscal year	30.7 megawatts
<b>WATER DEPARTMENT</b>	
Number of accounts	5,700
Average daily consumption	1,300,000 gallons/day
Pumping capacity	6,500,000 gallons/day
Storage capacity	2,000,000 gallons
Design capacity	8,000,000 gallons/day
Miles of water mains	77.12 miles
<b>WASTEWATER DEPARTMENT</b>	
Average daily treatment	1,800,000 gallons/day
Design capacity	2,200,000 gallons/day
Treatment	Activated sludge process
Miles of sanitary sewer	77.80 miles
Miles of storm sewers	48.91 miles
<b>CULTURE AND RECREATION</b>	
Public Library:	
Volumes	83,942
2011-12 circulation	123,970
Number of registered users	10,645
Parks and recreation areas	504.5 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	2
Softball/baseball fields	9
Outdoor band shell	1
Basketball courts - indoor and outdoor	4
Tennis courts	9
Marina	165 berths
Public boat launches	2

CITY OF ESCANABA, MICHIGAN

Table 14 (unaudited)  
RATIO OF NET DEBT TO ASSESSED VALUE AND NET DEBT PER CAPITA

Last Ten Fiscal Years

<u>As of June 30,</u>	<u>Population<sup>1</sup></u>	<u>Taxable Value<sup>2</sup></u>	<u>Gross Debt<sup>3</sup></u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Debt<sup>4</sup></u>	<u>Net Debt to Taxable Value</u>	<u>Net Debt per Capita</u>
2003	12,697 (est)	\$214,173,877	\$ 8,813,732	\$ 3,954,354	4,859,378	2.27%	382.72
2004	12,632 (est)	219,221,148	8,888,503	4,331,000	4,557,503	2.08%	360.79
2005	12,513 (est)	228,148,940	8,417,753	4,094,000	4,323,753	1.90%	345.54
2006	12,426 (est)	235,232,393	7,967,003	3,845,000	4,122,003	1.75%	331.72
2007	12,282 (est)	248,122,513	8,209,277	4,313,025	3,896,252	1.57%	317.23
2008	12,240 (est)	256,326,809	9,787,471	6,104,969	3,682,502	1.44%	300.86
2009	12,121 (est)	263,334,112	9,418,752	5,960,000	3,458,752	1.31%	285.35
2010	12,616 (est)	276,147,092	8,830,002	5,595,000	3,235,002	1.17%	256.42
2011	12,627 (est)	275,302,414	11,416,252	8,418,000	3,001,252	1.09%	237.69
2012	12,620 (est)	278,246,732	10,667,502	7,905,000	2,762,502	.99%	218.90

Sources:

<sup>1</sup>Bureau of Census, U.S. Department of Commerce. Where actual or estimate not available, previous available population utilized.

<sup>2</sup>From Table 4

<sup>3</sup>Does not include non-bonded debt secured on equipment

<sup>4</sup>Includes DDA Revenue Bond.