

CITY OF ESCANABA, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

Prepared by:
Office of the Controller

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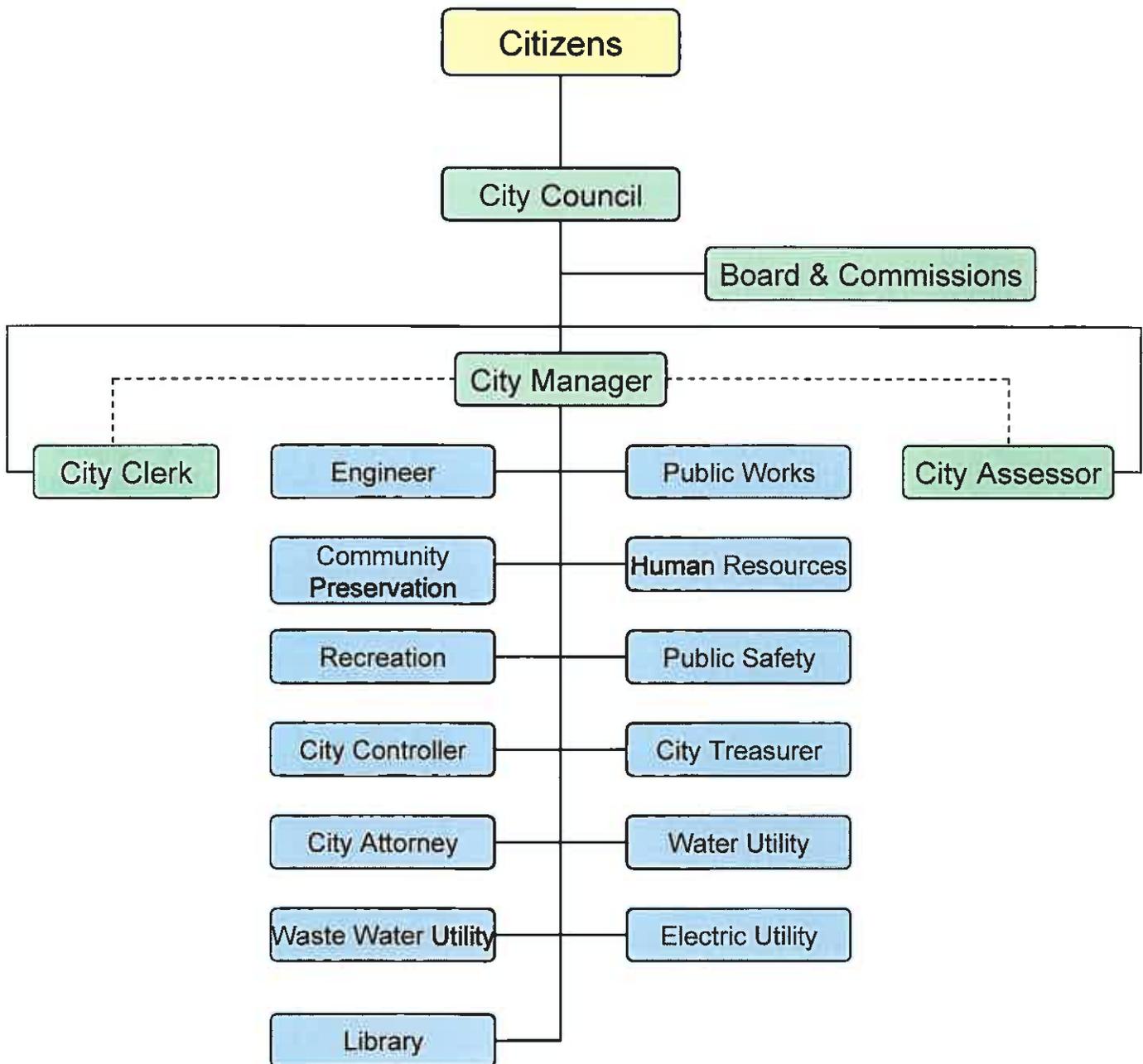
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INTRODUCTORY SECTION

City of Escanaba Organization Chart



CITY COUNCIL
() Expiration of Term

Mayor
Marc D. Tall (2017)

Members of the City Council
Leo J. Evans - Mayor Pro-Tem (2017)
Patricia A. Baribeau (2017)
Ronald J. Beauchamp (2015)
Ralph B. Blasier (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 9, 2013

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, 2013, 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.



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 have 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 cursive script, appearing to read "Michael Dewar".

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
Brandy M. Olson, CPA
Lisa A. Callahan, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no

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City Council and City Manager
City of Escanaba, Michigan

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 by 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 an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escanaba, Michigan's basic financial statements. The introductory section, combining and individual

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City of Escanaba, Michigan

nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the City of Escanaba, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Escanaba, Michigan's internal control over financial reporting and compliance.


Certified Public Accountants

December 9, 2013

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 81 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 Position 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, 2013. 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 Position

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 Position (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 position calculated on this schedule – just over \$39 million - is the same figure which is used on the previously referenced Statement of Net Position.

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, 2013. 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 \$640,000 in the combined fund balances of these funds. If the unrealized loss 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 increases to nearly \$782,000. The increase was primarily due to the fund balance increase in the General Fund, although most of the governmental funds also saw an increase in fund balance. The only governmental funds showing notable decreases were the Drug Law Enforcement Fund (down \$11,876) and the Land Development Fund (down \$84,918).

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 an increase in net assets of nearly \$402,000, resulting primarily from the positive results reported on page 20 and discussed previously.

The remaining documents which are required under GASB 34 (pages 22-25) 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 Position

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, 2013. Below is a summarized comparison of this year's statement to last year's:

Assets	<u>Y/E 6/30/2013</u>	<u>Y/E 6/30/2012</u>	<u>Yr. to Yr. Change</u>
Current Assets			
Cash/Investments	\$31,370,809	\$30,414,562	\$956,247
Receivables	6,661,593	5,552,642	1,108,951
Other Assets	2,499,646	3,158,042	(658,396)
Noncurrent Assets			
Restricted Assets	355,719	373,560	(17,841)
Capital Assets	115,061,664	114,226,204	835,460
Accumulated Depreciation	<u>(61,108,946)</u>	<u>(58,678,857)</u>	<u>(2,430,089)</u>
TOTAL ASSETS	<u>\$94,840,485</u>	<u>\$95,046,153</u>	<u>(\$205,668)</u>
Liabilities			
Current Liabilities	\$5,629,775	\$5,648,394	(\$18,619)
Noncurrent Liabilities	<u>9,561,282</u>	<u>10,321,924</u>	<u>(760,642)</u>
TOTAL LIABILITIES	<u>\$15,191,057</u>	<u>\$15,970,318</u>	<u>(\$779,261)</u>
NET POSITION	<u>\$79,649,428</u>	<u>\$79,075,835</u>	<u>\$573,593</u>

As noted previously, governmental activities ended the fiscal year with an increase in net position; business-type activities also saw an increase in net position, after including a prior period adjustment and contributed capital. From page 23, net position increases in the Water and Wastewater Utility funds were offset by net position decreases in the Electric Utility and Marina funds. The decrease in the Electric Utility fund net position was due primarily to clean-up costs at the generating plant (\$378,000) and the unrealized loss on investments (\$165,000). Otherwise, operations were at the break even position, which was the intention of the City when they implemented electric rate decreases for all

even position, which was the intention of the City when they implemented electric rate decreases for all classes of customers, effective at the beginning of the 2012-2013 fiscal year.

Cash and investments increased by over \$956,000, despite an overall increase in amounts owed to the City (\$1,086,000), due, in part, a significant reduction in inventories (down \$658,000).

Current liabilities were essentially unchanged, while long term liabilities decreased by over \$760,000, resulting from bond payments, as discussed below.

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, 2013. As discussed in the Statement of Net Position, the results in this document show an increase in net City position of over \$570,000, including prior period adjustments and contributed capital, with the majority of the increase coming in the governmental 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 \$9.95 million for the year, a decrease of \$550,000 from the prior year. Total expenses for business-type activities were \$20.8 million, a decrease of nearly \$2.3 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 \$6.8 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 taxes, interest earnings and gains and losses on investments, showed an increase of nearly \$300,000 over 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 \$745,000 on the City' s bonded debt; as no new debt

was incurred, we saw our outstanding bonded debt decrease from \$10.620 million to \$9.875 million. There are no plans for new bonding issues in the 2013-2014 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 – in December, 2010 - the City received a Standard & Poor's rating of AA-.

Subsequent Events

On December 11th, the City Council approved a mediated settlement of \$312,500, which will be paid to Upper Peninsula Power Company (UPPCo) to resolve a long standing dispute between the parties in regard to their termination of the electric generating plant operating agreement.

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 hoped that the sale of the plant will occur before the end of the 2013-2014 fiscal 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 POSITION

June 30, 2013

	Primary Government			Component
	Governmental	Business-	Total	Unit
	Activities	type		Escanaba
		Activities		Housing
				Commission
ASSETS:				
Current assets:				
Cash and equivalents	\$ 95,832	\$ 149,779	\$ 245,611	\$ 329,595
Investments, at market	14,526,313	15,667,231	30,193,544	253,518
Sequestered cash and equivalents	931,654	-	931,654	-
Receivables:				
Accounts	584,380	3,586,867	4,171,247	1,960
Mortgages, land contracts and other notes	1,469,969	-	1,469,969	-
Contracts for rental property	3,156	-	3,156	-
Special assessments	14,240	-	14,240	-
Accrued interest	93,362	90,081	183,443	-
Taxes	3,010	-	3,010	-
Due from other governments:				
State of Michigan	501,274	-	501,274	-
Local units	-	-	-	-
Advances to other funds	315,254	-	315,254	-
Real estate held for resale	8,200	-	8,200	-
Chemical Inventory	-	-	-	-
Inventory	159,512	1,601,805	1,761,317	-
Prepaid expenses	327,130	402,999	730,129	18,580
Total current assets	<u>19,033,286</u>	<u>21,498,762</u>	<u>40,532,048</u>	<u>603,653</u>
Noncurrent assets:				
Restricted assets:				
Investments, at market	-	355,719	355,719	-
Capital assets	44,764,708	70,296,956	115,061,664	7,959,966
Accumulated depreciation	(20,455,898)	(40,653,048)	(61,108,946)	(5,936,483)
Net noncurrent assets	<u>24,308,810</u>	<u>29,999,627</u>	<u>54,308,437</u>	<u>2,023,483</u>
TOTAL ASSETS	<u>\$ 43,342,096</u>	<u>\$ 51,498,389</u>	<u>\$ 94,840,485</u>	<u>\$ 2,627,136</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 299,198	\$ 1,509,066	\$ 1,808,264	\$ 14,719
Accrued liabilities	-	-	-	87,168
Accrued interest	34,405	51,630	86,035	-
Claims payable	202,509	-	202,509	-
Accrued salaries and fringes	206,933	202,725	409,658	-
Customer deposits	-	224,497	224,497	-
Due to other governments	88,602	-	88,602	-
Advances from other funds	-	315,254	315,254	-
Deferred revenue	101,165	1,429,024	1,530,189	-
Compensated absences, current portion	171,015	-	171,015	13,198
Notes payable, current portion	23,752	140,000	163,752	-
Bonds payable, current portion	230,000	400,000	630,000	-
Total current liabilities	<u>1,357,579</u>	<u>4,272,196</u>	<u>5,629,775</u>	<u>115,085</u>
Noncurrent liabilities:				
Compensated absences	456,282	-	456,282	57,563
Bonds payable	2,265,000	6,840,000	9,105,000	-
Total noncurrent liabilities	<u>2,721,282</u>	<u>6,840,000</u>	<u>9,561,282</u>	<u>57,563</u>
TOTAL LIABILITIES	<u>\$ 4,078,861</u>	<u>\$ 11,112,196</u>	<u>\$ 15,191,057</u>	<u>\$ 172,648</u>
NET POSITION:				
Invested in capital assets, net of related debt	\$ 21,662,626	\$ 21,948,654	\$ 43,611,280	\$ 2,023,483
Restricted for:				
Capital projects	1,132,247	-	1,132,247	-
Debt service	-	215,719	215,719	-
Other purposes	8,094,214	-	8,094,214	-
Unrestricted	8,374,148	18,221,820	26,595,968	431,005
TOTAL NET POSITION	<u>\$ 39,263,235</u>	<u>\$ 40,386,193</u>	<u>\$ 79,649,428</u>	<u>\$ 2,454,488</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position						
	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
Primary Government:							
Governmental activities:							
General government	\$ 1,165,015	\$ 189,487	\$ -	\$ -	\$ (975,528)	\$ -	\$ (975,528)
Public safety	4,546,637	703,540	149,056	10,000	(3,684,041)	-	(3,684,041)
Highways, streets and public works	2,107,853	56,623	974,946	202,542	(873,742)	-	(873,742)
Sanitation	615,342	214,013	-	-	(401,329)	-	(401,329)
Community services	374,151	549	-	-	(373,602)	-	(373,602)
Recreation	247,452	63,149	13,625	295,105	124,427	-	124,427
Cultural	541,636	22,081	159,315	-	(360,240)	-	(360,240)
Urban redevelopment and housing	5,197	14,010	-	36,899	45,712	-	45,712
Economic development	231,918	-	-	-	(231,918)	-	(231,918)
Other functions	6,527	-	-	-	(6,527)	-	(6,527)
Interest on long-term debt	107,672	-	-	-	(107,672)	-	(107,672)
Total governmental activities	9,949,400	1,263,452	1,296,942	544,546	(6,844,460)	-	(6,844,460)
Business-type activities:							
Electric utility	17,635,064	17,439,248	-	-	-	(195,816)	(195,816)
Water utility	1,725,969	2,053,992	-	-	-	328,023	328,023
Waste water utility	1,179,544	1,339,509	-	-	-	159,965	159,965
Marina activity	270,054	222,063	-	-	-	(47,991)	(47,991)
Total business-type activities	20,810,631	21,054,812	-	-	-	244,181	244,181
Total primary government	\$30,760,031	\$22,318,264	\$ 1,296,942	\$ 544,546	(6,844,460)	244,181	(6,600,279)
Component Unit:							
Escanaba Housing Commission	\$ 1,097,180	\$ 560,020	\$ 282,188	\$ 15,770	-	-	(239,202)
General revenues:							
Property taxes				5,334,760	-	5,334,760	-
State revenue sharing				1,239,512	-	1,239,512	-
Unrestricted grants and contributions				15,886	-	15,886	-
Unrestricted gain (loss) on sale of assets				1,447	956	2,403	-
Unrestricted investment earnings (losses)				(118,118)	113,462	(4,656)	6,271
Interest subsidy				-	72,937	72,937	-
Miscellaneous				318,179	15,600	333,779	124,838
Transfers				454,624	(454,624)	-	-
Total general revenues and transfers				7,246,290	(251,669)	6,994,621	131,109
Change in net position				401,830	(7,488)	394,342	(108,093)
Net position, beginning of year, as previously stated				38,861,405	40,214,430	79,075,835	2,562,581
Prior period adjustment				-	164,901	164,901	-
Net position, beginning of year, as restated				39,263,235	40,371,843	79,635,078	2,454,488
Add: Contributed capital				-	14,350	14,350	-
Net position, end of year				\$39,263,235	\$40,386,193	\$79,649,428	\$ 2,454,488

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and equivalents	\$ 45,122	\$ 50,710	\$ 95,832
Investments, at market	4,020,743	8,568,394	12,589,137
Sequestered cash and equivalents	-	931,654	931,654
Receivables:			
Accounts, net of bad debt allowance	536,856	28,092	564,948
Mortgages, land contracts and other notes	-	1,469,969	1,469,969
Contracts for rental property	3,156	-	3,156
Special assessments	4,895	9,345	14,240
Accrued interest	28,401	53,149	81,550
Taxes	-	3,010	3,010
Due from other funds:			
Local Street Fund	-	7,848	7,848
Sanitary Landfill Fund	7,198	-	7,198
Due from other governments:			
State of Michigan	9,356	283,637	292,993
Advances to other funds	231,184	315,254	546,438
Real estate held for resale	-	8,200	8,200
Inventory	159,512	-	159,512
Prepaid expenses	126,900	-	126,900
TOTAL ASSETS	<u>\$ 5,173,323</u>	<u>\$ 11,729,262</u>	<u>\$ 16,902,585</u>
LIABILITIES:			
Accounts payable	\$ 123,292	\$ 164,957	\$ 288,249
Accrued salaries and fringes	191,469	-	191,469
Due to other funds	-	15,046	15,046
Due to other governments	88,482	120	88,602
Deferred revenue	85,044	186,583	271,627
TOTAL LIABILITIES	<u>488,287</u>	<u>366,706</u>	<u>854,993</u>
FUND BALANCES:			
Nonspendable:			
Inventory	159,512	-	159,512
Prepays	126,900	-	126,900
Restricted:			
Principal	-	1,094,634	1,094,634
Capital improvements	-	37,613	37,613
Major streets	-	1,730,170	1,730,170
Local streets	-	707,924	707,924
Economic Development	-	2,264,428	2,264,428
Revolving loans	-	3,160,201	3,160,201
UPSET expenses	-	47,248	47,248
Future DDA projects	-	180,275	180,275
Brownfield	-	3,968	3,968
Assigned:			
Economic Development	-	150,241	150,241
Sanitary landfill	-	21,228	21,228
Parking lots	-	576	576
Capital improvements	-	1,631,641	1,631,641
Housing rehab	-	196,744	196,744
Library operations	-	112,655	112,655
Drug law enforcement	-	23,010	23,010
Unassigned	4,398,624	-	4,398,624
TOTAL FUND BALANCES	<u>4,685,036</u>	<u>11,362,556</u>	<u>16,047,592</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,173,323</u>	<u>\$ 11,729,262</u>	<u>\$ 16,902,585</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013

Total fund balances for governmental funds		\$ 16,047,592
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 518,691	
Land improvements	5,832,846	
Buildings and improvements	3,040,135	
Parking lots	439,709	
Vehicles and equipment	2,394,016	
Infrastructure	18,662,148	
Less:		
Accumulated depreciation	<u>(12,630,724)</u>	18,256,821
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 Position.		
		5,311,332
This amount reflects the State Revenue Sharing receivable that is subject to full accrual recognition but not for modified accrual.		
		208,281
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 Position.		
Accrued interest on long-term debt	\$ (204)	
Bonds payable	(80,000)	
Note payable	(23,752)	
Compensated absences and FICA	<u>(627,297)</u>	(731,253)
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 Position.		
		<u>170,462</u>
Total net position of governmental activities		<u>\$39,263,235</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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 4,963,794	\$ 307,979	\$ 5,271,773
Licenses and permits	2,440	-	2,440
Local sources	10,000	447,224	457,224
State grants	1,293,435	990,872	2,284,307
Federal sources	65,737	224,399	290,136
Charges for services	274,007	828,485	1,102,492
Fines and forfeitures	42,735	26,487	69,222
Interest and dividends	-	19,701	19,701
Miscellaneous	191,442	268,012	459,454
	<u>6,843,590</u>	<u>3,113,159</u>	<u>9,956,749</u>
TOTAL REVENUES			
EXPENDITURES:			
General government	1,113,868	-	1,113,868
Public safety	3,847,092	629,792	4,476,884
Highways, streets and public works	468,108	1,225,131	1,693,239
Sanitation	615,342	-	615,342
Community services	21,148	352,772	373,920
Recreation	500,864	29	500,893
Cultural	693	528,492	529,185
Urban redevelopment and housing	-	5,197	5,197
Economic development	-	259,293	259,293
Other functions	6,527	-	6,527
Debt service	-	46,130	46,130
	<u>6,573,642</u>	<u>3,046,836</u>	<u>9,620,478</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>269,948</u>	<u>66,323</u>	<u>336,271</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	(59,057)	(95,214)	(154,271)
Operating transfers in	730,824	595,524	1,326,348
Operating transfers out	(466,024)	(401,500)	(867,524)
	<u>205,743</u>	<u>98,810</u>	<u>304,553</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	475,691	165,133	640,824
Fund balances, beginning of year	<u>4,209,345</u>	<u>11,197,423</u>	<u>15,406,768</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,685,036</u>	<u>\$ 11,362,556</u>	<u>\$ 16,047,592</u>

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, 2013

Net changes in fund balances - total governmental funds	\$ 640,824
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is 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 (\$850,228) exceeds depreciation expense (\$924,045) and the removal of fixed assets (\$140,264).	(214,081)
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.	(123,251)
Repayment of debt principal is an expenditure in the governmental funds but reduces the debt liability in the Statement of Net Position.	
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.	62,987
This amount reflects the State Revenue Sharing revenue that is subject to full accrual recognition but not for modified accrual.	13,242
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	(42,050)
Accrued interest on debt	409
Changes in net position of governmental activities	<u>\$ 401,830</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

June 30, 2013

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS:						
Current assets:						
Cash and equivalents	\$ 137,279	\$ -	\$ -	\$ 12,500	\$ 149,779	\$ -
Investments, at market	12,535,929	496,566	2,538,143	96,593	15,667,231	1,937,176
Receivables:						
Accounts	3,099,626	295,761	183,102	8,378	3,586,867	19,432
Accrued interest	71,523	2,746	15,253	559	90,081	11,812
Inventory	1,466,661	107,576	8,425	19,143	1,601,805	-
Prepaid expenses	357,617	45,382	-	-	402,999	200,230
Total current assets	<u>17,668,635</u>	<u>948,031</u>	<u>2,744,923</u>	<u>137,173</u>	<u>21,498,762</u>	<u>2,168,650</u>
Restricted assets:						
Investments, at market	-	122,421	233,298	-	355,719	-
Property, plant and equipment	35,114,828	20,174,783	12,213,134	2,794,211	70,296,956	13,877,163
Less accumulated depreciation	(26,320,268)	(6,816,583)	(6,304,334)	(1,211,863)	(40,653,048)	(7,825,174)
Net property, plant and equipment	<u>8,794,560</u>	<u>13,358,200</u>	<u>5,908,800</u>	<u>1,582,348</u>	<u>29,643,908</u>	<u>6,051,989</u>
TOTAL ASSETS	<u>\$26,463,195</u>	<u>\$14,428,652</u>	<u>\$ 8,887,021</u>	<u>\$ 1,719,521</u>	<u>\$51,498,389</u>	<u>\$ 8,220,639</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 1,488,020	\$ 16,461	\$ 2,399	\$ 2,186	\$ 1,509,066	\$ 10,949
Customer deposits	224,497	-	-	-	224,497	-
Claims payable	-	-	-	-	-	202,509
Accrued salaries, wages and fringes	79,578	54,553	68,594	-	202,725	15,464
Accrued interest payable	-	49,265	2,365	-	51,630	34,201
Payable from restricted assets:						
Current portion of revenue bonds	-	-	140,000	-	140,000	-
Deferred revenue	1,427,724	1,300	-	-	1,429,024	-
Bonds payable:						
Current portion of revenue bonds	-	400,000	-	-	400,000	190,000
Total current liabilities	<u>3,219,819</u>	<u>521,579</u>	<u>213,358</u>	<u>2,186</u>	<u>3,956,942</u>	<u>453,123</u>
Long-term liabilities:						
Advance from other funds:						
Land Development Fund	-	-	-	315,254	315,254	-
General Fund	-	-	-	-	-	231,184
Bonds payable	-	6,550,000	290,000	-	6,840,000	2,225,000
Total long-term liabilities	<u>-</u>	<u>6,550,000</u>	<u>290,000</u>	<u>315,254</u>	<u>7,155,254</u>	<u>2,456,184</u>
TOTAL LIABILITIES	<u>3,219,819</u>	<u>7,071,579</u>	<u>503,358</u>	<u>317,440</u>	<u>11,112,196</u>	<u>2,909,307</u>
NET POSITION:						
Invested in capital assets, net of related debt	8,794,560	6,408,200	5,478,800	1,267,094	21,948,654	3,405,805
Unrestricted	14,448,816	826,452	2,811,565	134,987	18,221,820	1,905,527
Restricted for:						
Debt service	-	122,421	93,298	-	215,719	-
Total net position	<u>23,243,376</u>	<u>7,357,073</u>	<u>8,383,663</u>	<u>1,402,081</u>	<u>40,386,193</u>	<u>5,311,332</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$26,463,195</u>	<u>\$14,428,652</u>	<u>\$ 8,887,021</u>	<u>\$ 1,719,521</u>	<u>\$51,498,389</u>	<u>\$ 8,220,639</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2013

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$17,439,248	\$ 2,053,992	\$ 1,339,509	\$ 218,640	\$21,051,389	\$ -
Equipment rental	-	-	-	-	-	835,225
Provision for self-insurance	-	-	-	-	-	188,088
Miscellaneous	-	-	-	3,423	3,423	466,854
TOTAL OPERATING REVENUES	17,439,248	2,053,992	1,339,509	222,063	21,054,812	1,490,167
OPERATING EXPENSES:						
General government	-	-	-	-	-	998,013
Enterprises	-	-	-	185,475	185,475	-
Capital projects	-	-	-	-	-	15,926
Production	14,120,792	361,562	306,578	-	14,788,932	-
Transmission and distribution	449,157	75,083	75,364	-	599,604	-
Station	-	-	23,165	-	23,165	-
Customer service	14,539	38,381	25,501	-	78,421	-
Administrative and general	1,694,366	434,107	344,024	-	2,472,497	-
Provision for depreciation	806,800	372,061	216,036	68,647	1,463,544	487,644
Overhead to utilities	549,410	187,863	178,713	-	915,986	-
TOTAL OPERATING EXPENSES	17,635,064	1,469,057	1,169,381	254,122	20,527,624	1,501,583
OPERATING INCOME (LOSS)	(195,816)	584,935	170,128	(32,059)	527,188	(11,416)
NON-OPERATING REVENUE (EXPENSES):						
Gain (loss) on sale of investments	(164,909)	(3,766)	(27,246)	(522)	(196,443)	(23,737)
Rent received	-	15,600	-	-	15,600	-
Interest subsidy	-	72,937	-	-	72,937	-
Gain (loss) on sale of property	1,100	-	-	(144)	956	1,614
Interest earnings	258,924	6,788	43,013	1,180	309,905	40,189
Interest expense	-	(256,912)	(10,163)	(15,932)	(283,007)	(125,701)
Operating transfers out	(463,624)	-	-	-	(463,624)	(4,200)
Operating transfers in	-	-	-	9,000	9,000	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(368,509)	(165,353)	5,604	(6,418)	(534,676)	(111,835)
CHANGE IN NET POSITION	(564,325)	419,582	175,732	(38,477)	(7,488)	(123,251)
Net position, beginning of year, as previously stated	23,628,450	6,937,491	8,207,931	1,440,558	40,214,430	5,434,583
Prior period adjustment	164,901	-	-	-	164,901	-
Net position, beginning of year, as restated	<u>23,793,351</u>	<u>6,937,491</u>	<u>8,207,931</u>	<u>1,440,558</u>	<u>40,379,331</u>	<u>5,434,583</u>
Contributed capital	14,350	-	-	-	14,350	-
NET POSITION, END OF YEAR	<u>\$23,243,376</u>	<u>\$ 7,357,073</u>	<u>\$ 8,383,663</u>	<u>\$ 1,402,081</u>	<u>\$40,386,193</u>	<u>\$ 5,311,332</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended June 30, 2013

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 16,916,033	\$ 2,068,312	\$ 1,332,344	\$ 220,612	\$ 20,537,301	\$ 71,230
Cash received from other funds for services	-	2,099	11,092	-	13,191	1,417,918
Cash payments to suppliers for goods and services	(12,828,156)	(500,404)	(460,567)	(133,160)	(13,922,287)	(731,945)
Cash payments to employees for services	(3,446,308)	(717,542)	(448,482)	(62,128)	(4,674,460)	(178,732)
Cash payments to other funds for services	(7,526)	(17,038)	(38,523)	(5,547)	(68,634)	-
Cash payment of benefits	-	-	-	-	-	(273,200)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	634,043	835,427	395,864	19,777	1,885,111	305,271
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	-	-	-	(15,988)	(15,988)	-
Operating transfers out	(463,624)	-	-	-	(463,624)	(4,200)
Operating transfers in	-	-	-	9,000	9,000	-
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(463,624)	-	-	(6,988)	(470,612)	(4,200)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from the sale of equipment	1,100	-	-	-	1,100	1,614
Acquisition and construction of capital assets	(325,301)	(48,462)	(14,303)	-	(388,066)	(168,368)
Principal paid on bond maturities/advances	-	(390,000)	(135,000)	-	(525,000)	(222,014)
Interest paid	-	(186,073)	(10,875)	(15,932)	(212,880)	(128,102)
State grant	-	-	-	332	332	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(324,201)	(624,535)	(160,178)	(15,600)	(1,124,514)	(516,870)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(164,909)	(3,766)	(27,246)	(522)	(196,443)	-
Interest received	249,075	5,529	38,380	980	293,964	13,784
Rent received	-	15,600	-	-	15,600	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	84,166	17,363	11,134	458	113,121	13,784
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(69,616)	228,255	246,820	(2,353)	403,106	(202,015)
Cash and equivalents, beginning of year	12,742,824	390,732	2,524,621	111,446	15,769,623	2,139,191
CASH AND EQUIVALENTS, END OF YEAR	\$ 12,673,208	\$ 618,987	\$ 2,771,441	\$ 109,093	\$ 16,172,729	\$ 1,937,176
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (195,816)	\$ 584,935	\$ 170,128	\$ (32,059)	\$ 527,188	\$ (11,416)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	806,800	372,061	216,036	68,647	1,463,544	487,644
Prior period adjustment	164,901	-	-	-	164,901	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(918,930)	17,419	3,927	(865)	(898,449)	44,507
(Increase) decrease in inventories	682,767	(2,997)	449	2,104	682,323	-
(Increase) decrease in prepaid expenses	(37,414)	2,532	-	-	(34,882)	-
Increase (decrease) in accounts payable	(114,703)	(143,735)	1,761	(15,364)	(272,041)	(210,491)
Increase (decrease) in accruals and deferrals	270,096	5,212	3,563	(586)	278,285	(4,973)
Increase (decrease) in customer deposits	(23,658)	-	-	-	(23,658)	-
Increase (decrease) in due to other funds	-	-	-	(2,100)	(2,100)	-
Total adjustments	829,859	250,492	225,736	51,836	1,357,923	316,687
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 634,043	\$ 835,427	\$ 395,864	\$ 19,777	\$ 1,885,111	\$ 305,271

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>	<u>Agency Funds</u>
ASSETS:			
Cash and equivalents	\$ 40,448	\$ -	\$ 3,717
Investments, at market	22,119,569	373,095	-
Receivables	-	2,236	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 22,160,017</u>	<u>\$ 375,331</u>	<u>\$ 3,717</u>
LIABILITIES:			
Accounts payable	\$ -	\$ 179	\$ -
Due to other governments	-	-	3,717
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 179</u>	<u>\$ 3,717</u>
NET POSITION:			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 114,089	
Bezold Trust Fund	-	261,063	
Employee's retirement system	22,160,017	-	
	<u> </u>	<u> </u>	
TOTAL NET POSITION	<u>\$ 22,160,017</u>	<u>\$ 375,152</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2013

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>
OPERATING REVENUES:		
Interest and dividends	\$ 590,086	\$ 6,498
Gain (loss) on sale of investments	2,234,565	-
Contributions:		
City of Escanaba	931,056	-
Employees	120,447	-
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	<u>3,876,154</u>	<u>6,498</u>
OPERATING EXPENSES:		
Administrative and general	11,581	-
Benefits and refunds of member contributions	1,499,779	-
Cultural	-	8,487
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	<u>1,511,360</u>	<u>8,487</u>
OPERATING INCOME (LOSS)	2,364,794	(1,989)
OTHER FINANCING SOURCES (USED):		
Gain (loss) on sales of investments	-	(4,581)
	<u> </u>	<u> </u>
NET INCOME (LOSS)	2,364,794	(6,570)
Net position, beginning of year	19,795,223	381,722
	<u> </u>	<u> </u>
NET POSITION, END OF YEAR	<u>\$ 22,160,017</u>	<u>\$ 375,152</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013

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, 2012. 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, 2013

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 Position 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, 2013

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, 2013

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 and other loans for economic development. Collections of interest and principal on these loans 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, 2013

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, 2013

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 2012 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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Trust and Agency Funds of the City are as follows:

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 Position 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, 2013

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 Position 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 Position/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 Position 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, 2013

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 Position. 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:

Electric Utility Fund:	
Operating plant	3 - 34 years
Distribution system and equipment	4 - 40 years
Water Utility Fund:	
Water plant and distribution system	2 - 75 years
Equipment	2 - 20 years
Waste Water Utility Fund:	
Structures	10 - 50 years
Mains	30 - 75 years
Furniture and equipment	5 - 20 years
Marina Fund:	
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, 2013

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

earned. In the fund financial statements, deferred revenue is recognized when the revenue is unearned or unavailable.

9. Equity Classification

Government-wide Financial Statements - Equity is classified as net position 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 position - This component consists of net position 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 position - All other net position that does 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, 2013

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 Council has retained the authority to formally assign fund equity. 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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

restricted revenues are available only for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

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 Position except for the residual amounts due between governmental and business-type activities.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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 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 24, 2012, and as amended by the Council on June 20, 2013.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013.

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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Numerous governmental entities have suffered major financial impacts resulting 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	\$ 475,691	\$ 59,057	\$ 534,748
Electric Utility Fund	(564,325)	164,909	(399,416)
Major Street Fund	79,690	14,498	94,188
Local Street Fund	89,810	6,465	96,275
Parking Maintenance Fund	(346)	(3)	(349)
Marina Fund	(38,477)	522	(37,955)
Downtown Development Authority	3,337	2,125	5,462
Brownfield Fund	(318)	146	(172)
Drug Law Enforcement Fund	(11,876)	247	(11,629)
Delta County Central Dispatch	-	(24)	(24)
Library Fund	17,559	1,904	19,463
Housing Rehab (Fund 274)	744	2,205	2,949
UDAG/DIAL Grant Fund	42,150	17,642	59,792
E.D.A. Revolving Loan Fund	24,982	9,225	34,207
Farmers Home Grant Fund	404	1,119	1,523
M.S.C. Revolving Loan Fund II	12,272	8,482	20,754
Water Utility Fund	419,582	3,766	423,348
Escanaba Building Authority	23,531	4,518	28,049
Land Development Fund	(84,918)	17,311	(67,607)
Waste Water Utility Fund	175,732	27,246	202,978
Motor Vehicle Fund	(212,259)	6,926	(205,333)
Office Equipment Fund	37,917	1,021	38,938
Risk Retention Fund	141,233	208	141,441
Health Insurance Fund	3,726	753	4,479
Catherine Bonifas Trust	607	1,348	1,955
Bezold Trust Fund	(7,177)	3,233	(3,944)
Worker's Compensation Fund	(118,041)	6,676	(111,365)
Gas Retirement Fund	(10,682)	13,383	2,701

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Unemployment Compensation Fund	642	3,635	4,277
Sanitary Landfill Fund	397	489	886

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 function in the General Fund was overspent:

Composting Activities	\$ 190
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The following fund was overspent:

Drug Law Enforcement Fund	\$ 5,016
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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, 2013 and 2012 was \$30,834,558 and \$30,466,383, 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, 2013 and 2012 was \$23,917,798 and \$20,516,679, respectively.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013, the carrying amount of the City's deposits was \$15,768,804 and the bank balance was \$16,086,730. Of the bank balance, \$396,561 was covered by federal depository insurance and \$15,690,169 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, 2013

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 Position
Presentation:

Cash and equivalents	\$ 245,611
Investments, at market	30,193,544
Sequestered cash and equivalents	931,654
Restricted cash and investments	<u>355,719</u>
 Subtotal	 <u>31,726,528</u>

Statement of Fiduciary Net Position
Presentation:

Cash and equivalents	44,165
Investments, at market	<u>22,492,664</u>
 Subtotal	 <u>22,536,829</u>

TOTAL	<u>\$ 54,263,357</u>
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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, 2013:

	<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	\$ 9,918,389	\$ 1,000,491	\$ 4,121,131	\$ 4,068,526	\$ 728,241
CD's listed as investments	<u>4,393,792</u>	<u>2,325,222</u>	<u>2,068,570</u>	<u>-</u>	<u>-</u>
Total	<u>\$14,312,181</u>	<u>\$ 3,325,713</u>	<u>\$ 6,189,701</u>	<u>\$ 4,068,526</u>	<u>\$ 728,241</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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	\$ 2,058,678
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	2,419,266
Eaton Vance Fund of Boston	2,261,411
Vanguard 500 Index Fund	5,038,681
Vanguard Total Bond Market Index Fund	5,331,008
Vanguard REIT Fund	1,063,723
JP Morgan Mid Cap Value Fund	4,805,077
Dimensional International Value Fund	<u>1,200,403</u>
	<u>\$24,178,247</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, \$5,087,321 was rated AAA by Moody's rating service. The balance of \$4,831,068 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, 2013, the City had 13.8% of its surplus funds invested in certificates of deposit. Additionally, the City is only allowed to invest

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

up to ten percent of its pooled funds in commercial paper and repurchase agreements. As of June 30, 2013, 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	\$ 1,046,838
Unbilled Receivables	<u>1,038,032</u>
Total Receivables	2,034,870
Less: Allowance for doubtful accounts	<u>(29,200)</u>
Net Receivables	<u>\$ 2,055,670</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$11,691 of billed receivables and \$16,401 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, 2013 and 2012 consist of the following:

Debtor	Original Amount of Loan	Inte- rest Rate	Monthly Payment	Collateral	Balance June 30,	
					2013	2012
<u>UDAG/DIAL Grant Fund:</u>						
Roberta Jo and Paul Viau	\$ 10,000	0.0%	357(a)	Real Estate	\$ -	\$ 357
DeGrand Enterprises	10,000	0.0%	357(a)	Real Estate	7,500	8,929
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	1,643	2,682
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
Matt Heath	13,500	5.0%	255	Real Estate	4,826	6,396
Cal Marcoe	60,000	5.0%	1,132	Real Estate	60,367	60,367
Crispigna's	40,000	3.25%	1,168	Real Estate	21,645	34,726

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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>2013</u>	<u>2012</u>
<u>UDAG/DIAL Grant Fund:</u>						
Mike & Kathy Decker	\$ 19,992	0.0%	714	Real Estate	\$ 7,848	\$ 10,705
Fashion Lane/Martenson	4,026	0.0%	288	Real Estate	3,726	4,876
Pioneer TV Facade Loan #2	10,000	0.0%	357(a)	Real Estate	-	357
Wedding Center/Ray Krusic	10,000	0.0%	357(a)	Real Estate	-	714
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	793	2,222
Wickerts/Cashen	52,000	3.25%	462	Real Estate	34,066	37,568
Jim & Beverly Peacock	50,000	5.25%	499	Real Estate	13,423	18,562
Viau's	9,241	0.0%	330(a)	Real Estate	4,271	5,741
Lisa Ann's	10,000	0.0%	357(a)	Real Estate	5,714	7,143
FUND TOTALS					701,707	737,567
<u>EDA Revolving Loan Fund:</u>						
AM Express	150,000	3.25%	2,831	Promissory Note	2,738	35,136
Michigan Meats	335,000	3.50%(b)	2,030	Promissory Note	259,367	276,783
Michigan Meats	30,000	6.50%(b)	344	Promissory Note	13,402	17,867
Donalway/Waeghe	400,000	3.25%	7,232	All Assets	369,755	369,755
FUND TOTALS					645,262	699,541
<u>M.S.C. Revolving Loan Fund II:</u>						
E & S Eisenberger	108,800	3.25%	1,005	All Assets	49,467	53,292
P&B Associate	123,000	4.5%	910	Promissory Note	73,533	80,954
FUND TOTALS					123,000	134,246
TOTALS					\$ 1,469,969	\$ 1,571,354

(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, 2013

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, 2012 and 2013, total delinquent real property taxes sold to the County totaled \$238,135 and \$264,479, respectively.

NOTE 7 - CAPITAL ASSETS

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

	<u>Balance</u> 06/30/12	<u>Additions</u>	<u>Retirements</u> and other <u>Deductions</u>	<u>Balance</u> 06/30/13
Land, not being depreciated	\$ 1,284,686	\$ -	\$ 140,264	\$ 1,144,422
Land improvements	5,383,002	449,843	-	5,832,845
Buildings and improvements	9,424,547	55,772	-	9,480,319
Parking lots	439,709	-	-	439,709
Vehicles and equipment	9,353,423	165,421	313,579	9,205,265
Infrastructure	<u>18,311,527</u>	<u>350,621</u>	<u>-</u>	<u>18,662,148</u>
Total capital assets subject to depreciation	<u>42,912,208</u>	<u>1,021,657</u>	<u>313,579</u>	<u>43,620,286</u>
Total capital assets	<u>\$44,196,894</u>	<u>\$ 1,021,657</u>	<u>\$ 453,843</u>	<u>\$44,764,708</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 - CAPITAL ASSETS - (continued)

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Retirements and other Deductions</u>	<u>Balance</u> <u>06/30/13</u>
Less accumulated depreciation:				
Land improvements	\$ 1,828,029	\$ 152,753	\$ -	\$ 1,980,782
Buildings and improvements	4,050,607	223,561	-	4,274,168
Parking lots	172,839	14,693	-	187,532
Equipment	6,815,413	441,052	310,518	6,945,947
Infrastructure	<u>6,487,839</u>	<u>579,630</u>	<u>-</u>	<u>7,067,469</u>
Total accumulated depreciation	<u>19,354,727</u>	<u>1,411,689</u>	<u>310,518</u>	<u>20,455,898</u>
NET GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS	<u>\$24,842,167</u>	<u>\$ (390,032)</u>	<u>\$ 143,325</u>	<u>\$24,308,810</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 239,207
Public Safety	194,349
Highways, streets and public works	709,494
Recreation	179,658
Cultural	71,204
Community Service	3,949
Economic development	<u>13,828</u>
 Total governmental activities depreciation expense	 <u>\$1,411,689</u>

A summary of business-type activities property, plant and equipment at June 30, 2013 is as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Retirements and other Deductions</u>	<u>Balance</u> <u>06/30/13</u>
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	<u>919,487</u>	<u>396</u>	<u>157,172</u>	<u>762,711</u>
Total capital assets not subject to depreciation	<u>976,440</u>	<u>396</u>	<u>157,172</u>	<u>819,664</u>
Capital assets subject to depreciation:				
Land improvements	1,860,360	-	-	1,860,360
Buildings and improvements	31,622,042	165,156	5,836	31,781,362
Electric generating equipment	12,220,104	-	-	12,220,104
Transmission and distribution systems	21,974,952	396,166	92,962	22,278,156
Other machinery and equipment	<u>1,375,412</u>	<u>3,706</u>	<u>41,808</u>	<u>1,337,310</u>
Total capital assets subject to depreciation	<u>69,052,870</u>	<u>565,028</u>	<u>140,606</u>	<u>69,477,292</u>
Total capital assets	<u>70,029,310</u>	<u>565,424</u>	<u>297,778</u>	<u>70,296,956</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 - CAPITAL ASSETS -(continued)

	Balance 06/30/12	Additions	Retirements and other Deductions	Balance 06/30/13
Less accumulated depreciation:				
Land improvements	961,010	33,268	-	994,278
Buildings and improvements	15,655,801	706,753	-	16,362,554
Electric generating equipment	9,313,218	276,066	-	9,589,284
Transmission and distribution systems	12,226,106	401,512	92,963	12,534,655
Other machinery and equipment	1,167,995	45,945	41,663	1,172,277
Total accumulated depreciation	39,324,130	1,463,544	134,626	40,653,048
NET BUSINESS TYPE ACTIVITIES				
CAPITAL ASSETS	<u>\$30,705,180</u>	<u>\$ (898,120)</u>	<u>\$ 163,152</u>	<u>\$29,643,908</u>

Depreciation expense was charged as follows:

Electric	\$ 806,800
Water	372,061
Waste water	216,036
Marina	<u>68,647</u>
Total business-type activities depreciation expense	<u>\$1,463,544</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, 2012, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 30 current employees and 56 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, 2013

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, 2012. 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, 2012 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	\$16,823,919
Vested terminated members	217,790
Active members	<u>11,451,017</u>
Total actuarial accrued liability	28,492,726
Actuarial value of assets	<u>18,837,369</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 9,655,357</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, 2012 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, 2013

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%
2012	844,170	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, 2013 was calculated at 46.38% of the valuation payroll. This calculates out to \$931,056.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Entry Age Actuarial 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>
6/30/07	\$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%
6/30/12	18,837,369	27,198,884	8,361,515	69%	1,973,456	424%
6/30/12*	18,837,369	28,492,726	9,655,357	66%	1,973,456	489%

*After changes in assumptions.

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, 2013

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 \$89,865 to the plan and the employees contributed \$37,970.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2012. 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, 2012 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, 2013

NOTE 8 - PENSION PLANS - (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2012 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 12/31/12)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 21,234,171
Vested former members	635,207
Active members	<u>10,772,307</u>
 Total Actuarial Accrued Liability	 \$ 32,641,685
 Net Assets Available for Benefits at Actuarial Value	 <u>20,318,323</u>
(Market Value is \$17,767,559)	
Unfunded (Overfunded) Actuarial Accrued Liability (UAL)	<u>\$ 12,323,362</u>
 Fiscal Year Beginning	 July 1, 2014
Annual Required Contribution (ARC)	\$ 1,305,120

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</u>	<u>Annual</u>	<u>Percent</u>
<u>June 30</u>	<u>Pension</u>	<u>Contributed</u>
	<u>Cost</u>	
2007	\$ 644,256	100%
2008	792,785	100%
2009	800,304	100%
2010	843,426	100%
2011	989,677	100%
2012	1,026,932	100%

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2013 were \$1,051,114.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - PENSION PLANS - (continued)

D. Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued 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%
2012	20,318,323	32,641,685	12,323,362	62	2,683,931	459%

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 06/30/12	Additions	Retire- ments	Balance 06/30/13	Amounts Due Within One Year
Governmental Activities:					
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.	\$ 2,595,000	\$ -	\$ 180,000	\$ 2,415,000	\$ 190,000
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	120,000	-	40,000	80,000	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.	47,502	-	23,750	23,752	23,752
FICA on accrued compensated absences	41,590	2,988	-	44,578	12,153
Long-term portion of accrued compensated absences	543,657	39,062	-	582,719	158,862
Total governmental long-term debt	\$ 3,347,749	\$ 42,050	\$ 243,750	\$ 3,146,049	\$ 424,767

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - LONG-TERM DEBT - (continued)

	<u>Balance</u>		<u>Retire-</u>		<u>Balance</u>	<u>Amounts</u>
	<u>06/30/12</u>	<u>Additions</u>	<u>ments</u>		<u>06/30/13</u>	<u>Due Within</u>
						<u>One Year</u>
Business-type Activities:						
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 165,000	\$ -	\$ 80,000		\$ 85,000	\$ 85,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	400,000	-	55,000		345,000	55,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	1,805,000	-	130,000		1,675,000	135,000
2009 Water Utility revenue bonds, 2.125% due in semi-annual installments of \$120,000 to \$180,000 through October 1, 2027.	2,460,000	-	130,000		2,330,000	135,000
2010 Water Utility Capital Improvement bonds, 3.30% due in semi-annual installments of \$125,000 to \$210,000 through May 31, 2031.	3,075,000	-	130,000		2,945,000	130,000
Total business-type long-term Debt	<u>\$ 7,905,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>		<u>\$ 7,380,000</u>	<u>\$ 540,000</u>

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2013 are as follows:

Governmental Activities:

<u>Year Ending</u>	<u>Notes</u>	<u>Bonds</u>		
<u>June 30</u>	<u>Payable</u>	<u>Payable</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 23,752	\$ 230,000	\$ 103,831	\$ 357,583
2015	-	235,000	95,385	330,385
2016	-	205,000	87,585	292,585
2017	-	215,000	79,385	294,385
2018	-	220,000	70,570	290,570
2019-2023	-	1,240,000	204,200	1,444,200
2024-2027	-	150,000	6,825	156,825
TOTAL	<u>\$ 23,752</u>	<u>\$ 2,495,000</u>	<u>\$ 647,781</u>	<u>\$ 3,166,533</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - LONG-TERM DEBT - (continued)

Business-type Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Bonds</u> <u>Payable</u>	<u>Interest</u>	<u>Total</u>
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	495,000	141,376	636,376
2019-2023	2,400,000	531,266	2,931,266
2024-2028	1,920,000	247,297	2,167,297
2029-2031	<u>610,000</u>	<u>43,712</u>	<u>653,712</u>
 TOTAL	 <u>\$ 7,380,000</u>	 <u>\$ 1,635,527</u>	 <u>\$ 9,015,527</u>

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS

The City reached an agreement with Proenergy Services, LLC on April 13, 2011 to operate the City's electric generating 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:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u>	<u>Interfund</u> <u>Payable</u>
Major Street Fund	\$ 7,848	Local Street Fund	\$ 7,848
General Fund	<u>7,198</u>	Sanitary Landfill	<u>7,198</u>
 Total	 <u>\$ 15,046</u>	 Total	 <u>\$ 15,046</u>

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, 2013 is \$256,200.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - ADVANCES TO OTHER FUNDS - (continued)

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, 2013 is \$59,054.

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 was originally to be paid back over an 11 year period with interest at 5.5 percent. Effective July 1, 2013, the term of the loan was extended to a 21 year period and the rate reduced to 3.00%. The balance as of June 30, 2013 is \$231,184.

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 \$159,512, reserved for inventory, as they do not represent expendable available financial resources.

B. Prepaid Expenditures - The General Fund has \$126,900 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, 2013, the amount available for expenditure is \$37,613.

B. Major Streets - \$1,730,170 is restricted in the Major Street Fund as these resources may only be spent on major streets.

C. Local Streets - \$707,924 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, 2013

NOTE 13 - FUND BALANCE CLASSIFICATIONS - (continued)

D. Economic Development - \$2,264,428 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. Revolving Loans - The E.D.A. Revolving Loan, M.S.C. Revolving Loan Fund II, and Urban Development Action Grant Funds have \$3,160,201 restricted as these resources may only be used for revolving loan activity.

F. UPSET Expenses - The Drug Law Enforcement Fund has \$47,248 restricted for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

G. Future DDA Projects - The Downtown Development Authority Fund has \$180,275 restricted for future projects as listed in the TIF Development Plan.

H. Brownfield - The Brownfield Fund has \$3,968 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	\$ 150,241
Sanitary Landfill	Sanitary landfill	21,228
Parking Maintenance	Parking lots	576
Land Development	Capital improvements	1,631,641
Housing Rehab	Housing rehab	196,744
Library	Library operations	112,655
Drug Law Enforcement	Drug law enforcement	23,010

Net asset restrictions as reported on the Proprietary Fund statement of net position 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, \$122,421 and \$93,298 respectively, of net position are reserved for this specific purpose.

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	143,187	
General Fund contribution - land	20,565	
MMRMA Rap Grant	1,962	
Community Action Agency Grant	20,307	
Earnings retained	<u>326,604</u>	\$ 824,414
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>\$ 114,089</u>

B. Reserve for Children's Materials - The Bezold Trust Fund has \$261,063 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 \$22,160,017 reserved for that retirement system.

Net position restricted by enabling legislation amounted to \$9,226,461 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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

site, owned by the City of Gladstone, was approaching saturation.

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, 2012 is as follows:

Total assets	<u>\$14,202,911</u>
Total current liabilities	\$ 503,209
Total long-term liabilities	12,026,490
Total net position	<u>1,673,212</u>
Total liabilities and equity	<u>\$14,202,911</u>
Operating revenues	\$ 2,013,594
Operating expenses	<u>(1,053,477)</u>
Net operating income	960,117
Non-operating revenues (expense), net	<u>(240,221)</u>
Increase in net position	<u>\$ 719,896</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	\$ -	\$ 4,000
General Fund	730,824	466,024

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Local Street Fund	214,500	-
Major Street Fund	-	112,500
Parking Maintenance Fund	16,024	-
Library Fund	365,000	-
Gas Retirement Fund	-	17,000
Land Development Fund	-	65,000
Sanitary Landfill Fund	-	203,000
Proprietary Funds:		
Electric Fund	-	463,624
Marina Fund	9,000	-
Internal Service Funds:		
Office Equipment Fund	-	4,200
Total	<u>\$1,335,348</u>	<u>\$1,335,348</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, and unemployment compensation, 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. Prior to 2013, the City maintained a self insurance program for health and dental benefits. However, 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:

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 17 - RISK MANAGEMENT - (continued)

	Balance 6/30/12	Current Year Claims	Claim Payments	Balance 6/30/13
Workers' Compensation	\$ 251,000	\$ 69,232	\$ 123,232	\$ 197,000
Unemployment Compensation	17,628	714	12,833	5,509
Health and Dental Insurance	5,806	-	5,806	-
	<u>\$ 274,434</u>	<u>\$ 69,946</u>	<u>\$ 141,871</u>	<u>\$ 202,509</u>

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, 2013, the Authority had met the minimum requirements.

At June 30, 2013, 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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 18 - 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 loss of \$379,065 has been recorded during the current fiscal year.

NOTE 19 - 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 2013-2014 fiscal year.

NOTE 20 - SUBSEQUENT EVENT

From its initial operation, Upper Peninsula Power Company (UPPCo) was contracted by the City's electric generating plant. After UPPCo ceased operating the plant in 2011, 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. On December 11, 2013, the Escanaba City Council approved a mediated settlement with UPPCo, which calls for the City's payment of \$312,500 to resolve any current or future claims between the parties.

NOTE 21 - PRIOR PERIOD ADJUSTMENT

During the 2013 fiscal year the City received \$164,901 in the Electric Fund from Midcontinent Independent Service Operator, Inc. (MISO) that was for the 2012 fiscal year. A prior period adjustment was made to reflect this income in the appropriate period.

NOTE 22 - CHANGE IN PRESENTATION

During 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that was included in Financial Accounting Standards Board and predecessor organization's pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements, and also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources,*

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 22 - CHANGE IN PRESENTATION - (continued)

and Net Position, which provides guidance for reporting deferred outflows resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. There were no significant changes to the financial statements as a result of adopting these Statements.

NOTE 23 - UPCOMING REPORTING CHANGES

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statement periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of fiscal year 2014.

In June 2012, the GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measure the liability of employers and certain non-employer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City, this standard will be adopted for the 2014 fiscal year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for financial statements for the 2015 fiscal year.

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, 2013

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Current property taxes	\$ 4,894,050	\$ 4,894,050	\$ 4,896,157	\$ 2,107
Collection on prior levies	17,500	17,500	20,347	2,847
Payments in lieu of taxes:				
Harbor Tower	7,000	7,000	7,949	949
DNR	150	150	-	(150)
West Highland	11,800	11,800	11,615	(185)
Chippewa Indians	950	950	940	(10)
Meadow Brook	2,000	2,000	2,419	419
Willow Grove	2,600	2,600	2,842	242
Bridgewood	300	300	300	-
Penalties and interest	25,000	25,000	21,225	(3,775)
Total taxes	4,961,350	4,961,350	4,963,794	2,444
Licenses and permits:				
Business licenses and permits	1,500	1,500	2,415	915
Nonbusiness licenses and permits	-	-	25	25
Zoning appeals fees	5,000	5,000	-	(5,000)
Total licenses and permits	6,500	6,500	2,440	(4,060)
Local sources:				
E.A.P.S. police officer reimbursement	3,000	3,000	-	(3,000)
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
Total local sources	13,000	13,000	10,000	(3,000)
State grants:				
Anti-drug abuse	16,000	16,000	21,412	5,412
Dispatcher training funds	4,000	4,000	4,521	521
Arbor Day grant	-	-	350	350
Meth lab reimbursement	-	-	395	395
State shared revenues	1,211,000	1,211,000	1,243,327	32,327
Supplemental Bad Driver	-	-	13,486	13,486
Criminal justice	5,500	5,500	5,369	(131)
Click it or Ticket	1,500	1,500	4,575	3,075
Total state grants	1,238,000	1,238,000	1,293,435	55,435
Federal sources:				
Anti-drug abuse	59,000	59,000	57,499	(1,501)
AFG Grant	-	-	8,238	8,238
Total federal sources	59,000	59,000	65,737	6,737

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with final budget Favorable (Unfavorable)
Charges for services:				
Preliminary breath tests	\$ -	\$ -	\$ 876	\$ 876
Land use fees	-	-	6,042	6,042
Sex offender fees	-	-	80	80
Platting fees	450	450	-	(450)
Engineering Dept.	-	-	100	100
Computer printouts	-	-	591	591
Cost recovery ordinances	3,000	3,000	-	(3,000)
Duplicating and photostat fees	2,200	2,200	2,117	(83)
Tax collection fees	147,500	147,500	165,583	18,083
Township fire protection	65,000	65,000	52,500	(12,500)
Street Department for overhead	6,000	6,000	8,655	2,655
Recreation program	6,700	6,700	6,453	(247)
Boat launches	14,000	14,000	12,548	(1,452)
Delta solid waste	9,000	9,000	10,855	1,855
Property owners share of sidewalk construction	7,500	7,500	4,261	(3,239)
Inspection fees	3,500	3,500	3,346	(154)
Total charges for services	<u>264,850</u>	<u>264,850</u>	<u>274,007</u>	<u>9,157</u>
Fines and forfeitures:				
Penalties and interest	1,000	1,000	173	(827)
Nonmoving violations and district court	10,000	10,000	7,410	(2,590)
Penal fines, county allocation	40,000	40,000	35,152	(4,848)
Total fines and forfeitures	<u>51,000</u>	<u>51,000</u>	<u>42,735</u>	<u>(8,265)</u>
Miscellaneous:				
Vending machine sales	1,000	1,000	831	(169)
Wage reimbursement	-	-	4,907	4,907
Interest earnings	100,000	100,000	105,961	5,961
Rents	47,600	47,600	40,141	(7,459)
Jackie Sorenson aerobics fees	-	-	6,692	6,692
Purchase discounts	1,500	1,500	2,440	940
Other	1,000	1,000	3,689	2,689
Contributions	7,500	7,500	20,607	13,107
Elementary basketball	-	-	6,174	6,174
Total miscellaneous	<u>158,600</u>	<u>158,600</u>	<u>191,442</u>	<u>32,842</u>
TOTAL REVENUES	<u>6,752,300</u>	<u>6,752,300</u>	<u>6,843,590</u>	<u>91,290</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	\$ 14,800	\$ 14,800	\$ 14,225	\$ 575
Fringe benefits	1,220	1,220	1,176	44
Professional services	4,200	4,200	3,900	300
Office supplies	500	500	382	118
Operating supplies	250	250	199	51
Communications	150	150	116	34
Transportation	800	800	132	668
Insurance and bonds	550	550	315	235
Memberships and dues	5,700	5,700	5,741	(41)
Meetings	400	400	-	400
Equipment rental	300	300	300	-
Total city council	<u>28,870</u>	<u>28,870</u>	<u>26,486</u>	<u>2,384</u>
City manager:				
Salaries and wages	121,789	121,789	118,304	3,485
Fringe benefits	79,563	79,563	78,038	1,525
Office supplies	1,600	1,600	1,819	(219)
Communications	900	900	1,398	(498)
Transportation	1,000	1,000	1,146	(146)
Printing and publishing	1,000	1,000	699	301
Memberships and dues	250	250	-	250
Meetings	400	400	159	241
Equipment repair	200	200	428	(228)
Equipment rental	4,292	4,292	4,344	(52)
Books, magazines and periodicals	600	600	179	421
	<u>211,594</u>	<u>211,594</u>	<u>206,514</u>	<u>5,080</u>
Less amount applicable to utilities	<u>(148,116)</u>	<u>(148,116)</u>	<u>(144,559)</u>	<u>(3,557)</u>
Total city manager	<u>63,478</u>	<u>63,478</u>	<u>61,955</u>	<u>1,523</u>
City elections:				
Salaries and wages	3,631	3,631	3,556	75
Fringe benefits	1,647	1,647	457	1,190
Professional services	7,800	7,800	6,393	1,407
Office supplies	3,300	3,300	3,244	56
Transportation	300	300	197	103
Printing and publishing	300	300	142	158
Meetings	200	200	175	25
Equipment repair	1,050	1,050	575	475
Equipment rental	108	108	108	-
Books, magazines and periodicals	-	-	117	(117)
Telephone	360	360	300	60
Total city elections	<u>18,696</u>	<u>18,696</u>	<u>15,264</u>	<u>3,432</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
City controller:				
Salaries and wages	\$ 158,332	\$ 159,832	\$ 159,426	\$ 406
Fringe benefits	133,187	133,187	132,593	594
Office supplies	6,250	6,250	5,468	782
Communications	700	700	620	80
Insurance and bonds	600	600	168	432
Memberships and dues	210	210	190	20
Equipment repair	950	2,950	2,934	16
Equipment rental	3,264	3,264	3,264	-
	<u>303,493</u>	<u>306,993</u>	<u>304,663</u>	<u>2,330</u>
Less amount applicable to utilities	<u>(182,096)</u>	<u>(182,096)</u>	<u>(182,797)</u>	<u>701</u>
Total city controller	<u>121,397</u>	<u>124,897</u>	<u>121,866</u>	<u>3,031</u>
City assessor:				
Salaries and wages	106,099	106,099	104,399	1,700
Fringe benefits	71,104	71,104	69,682	1,422
Professional services	-	-	62	(62)
Office supplies	4,000	4,000	5,451	(1,451)
Communications	650	650	373	277
Transportation	50	50	-	50
Printing and publishing	420	420	360	60
Memberships and dues	230	230	549	(319)
Meetings	150	150	-	150
Equipment repair	2,150	2,150	1,815	335
Equipment rental	2,038	2,038	2,121	(83)
New equipment	-	-	110	(110)
	<u>186,891</u>	<u>186,891</u>	<u>184,922</u>	<u>1,969</u>
City attorney:				
Professional services	51,000	51,500	50,780	720
Office supplies	500	500	-	500
Books, magazines and periodicals	3,000	4,000	3,837	163
	<u>54,500</u>	<u>56,000</u>	<u>54,617</u>	<u>1,383</u>
Less amount applicable to utilities	<u>(27,250)</u>	<u>(27,250)</u>	<u>(27,309)</u>	<u>59</u>
Total city attorney	<u>27,250</u>	<u>28,750</u>	<u>27,308</u>	<u>1,442</u>
Human resources:				
Salaries and wages	57,186	57,186	57,182	4
Fringe benefits	46,404	46,404	45,979	425
Professional services	11,000	11,000	4,024	6,976
Office supplies	1,450	1,450	689	761
Communications	200	200	160	40
Transportation	300	300	150	150
Printing and publishing	2,500	2,500	2,335	165
Memberships and dues	180	180	180	-
Meetings	200	200	224	(24)
Equipment rental	264	264	289	(25)
Books, magazines and periodicals	200	200	179	21
New equipment	500	500	-	500
	<u>120,384</u>	<u>120,384</u>	<u>111,391</u>	<u>8,993</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Less amount applicable to utilities	\$ (42,134)	\$ (42,134)	\$ (38,987)	\$ (3,147)
Total human resources	<u>78,250</u>	<u>78,250</u>	<u>72,404</u>	<u>5,846</u>
Board of review:				
Professional services	1,800	1,800	1,500	300
Office supplies	200	200	36	164
Tuition assistance	50	50	-	50
Transportation	-	-	86	(86)
Printing and publishing	<u>400</u>	<u>400</u>	<u>175</u>	<u>225</u>
Total board of review	<u>2,450</u>	<u>2,450</u>	<u>1,797</u>	<u>653</u>
Treasurer:				
Salaries and wages	119,469	119,469	116,850	2,619
Fringe benefits	94,194	94,194	92,886	1,308
Professional services	100	100	105	(5)
Office supplies	11,150	11,150	9,103	2,047
Communications	500	500	434	66
Transportation	200	200	30	170
Printing and publishing	1,300	1,300	1,437	(137)
Insurance and bonds	800	800	84	716
Memberships and dues	50	50	50	-
Meetings	200	200	110	90
Equipment repair	7,696	7,696	8,211	(515)
Equipment rental	6,504	6,504	6,504	-
Books, magazines and periodicals	450	450	448	2
New equipment	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	<u>243,113</u>	<u>243,113</u>	<u>236,252</u>	<u>6,861</u>
Less amount applicable to utilities	<u>(218,802)</u>	<u>(218,802)</u>	<u>(208,817)</u>	<u>(9,985)</u>
Total treasurer	<u>24,311</u>	<u>24,311</u>	<u>27,435</u>	<u>(3,124)</u>
City clerk:				
Salaries and wages	72,276	72,276	74,167	(1,891)
Fringe benefits	57,138	57,138	53,757	3,381
Professional services	2,950	2,950	500	2,450
Office supplies	3,300	3,300	2,438	862
Communications	1,400	1,400	786	614
Printing and publishing	6,000	6,000	5,640	360
Insurance and bonds	-	-	75	(75)
Memberships and dues	300	300	310	(10)
Meetings	300	300	-	300
Equipment repair	700	700	1,297	(597)
Equipment rental	1,140	1,140	1,158	(18)
Books, magazines and periodicals	800	800	359	441
New equipment	<u>-</u>	<u>-</u>	<u>95</u>	<u>(95)</u>
Total city clerk	<u>146,304</u>	<u>146,304</u>	<u>140,582</u>	<u>5,722</u>
Billing department:				
Salaries and wages	127,476	137,476	141,930	(4,454)
Fringe benefits	90,720	95,720	97,726	(2,006)
Clothing	375	375	-	375
Professional services	250	250	93	157
Office supplies	26,100	26,100	25,515	585
Communications	700	700	769	(69)
Transportation	100	100	-	100
Printing and publishing	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Meetings	\$ 100	\$ 100	\$ -	\$ 100
Equipment repair	7,500	7,500	4,544	2,956
Equipment rental	12,960	12,960	12,779	181
New equipment	100	100	-	100
	<u>269,381</u>	<u>284,381</u>	<u>283,356</u>	<u>1,025</u>
Less amount applicable to utilities	<u>(242,443)</u>	<u>(242,443)</u>	<u>(255,019)</u>	<u>12,576</u>
Total billing department	<u>26,938</u>	<u>41,938</u>	<u>28,337</u>	<u>13,601</u>
Independent auditing:				
Professional services	17,850	17,850	17,000	850
Less amount applicable to utilities	<u>(8,925)</u>	<u>(8,925)</u>	<u>(8,500)</u>	<u>(425)</u>
Total independent auditing	<u>8,925</u>	<u>8,925</u>	<u>8,500</u>	<u>425</u>
Public Works - City Hall/Library:				
Building rental	63,878	63,878	63,878	-
Building lease	<u>289,804</u>	<u>289,804</u>	<u>289,605</u>	<u>(1)</u>
	<u>353,682</u>	<u>353,682</u>	<u>353,683</u>	<u>(1)</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>303,682</u>	<u>303,682</u>	<u>303,683</u>	<u>(1)</u>
Civic center:				
Salaries and wages	18,081	18,081	12,321	5,760
Fringe benefits	16,521	16,521	12,538	3,983
Office supplies	900	900	310	590
Building supplies	3,500	3,500	2,544	956
Communications	1,000	1,000	596	404
Printing and publishing	100	100	-	100
Insurance and bonds	3,675	3,675	2,143	1,532
Public utilities	29,000	29,000	18,117	10,883
Building maintenance	6,096	6,096	4,202	1,894
Equipment repair	900	900	421	479
Equipment rental	<u>1,000</u>	<u>1,000</u>	<u>50</u>	<u>950</u>
Total civic center	<u>80,773</u>	<u>80,773</u>	<u>53,242</u>	<u>27,531</u>
Tourism promotion:				
Salaries and wages	-	-	1,583	(1,583)
Public relations	1,650	4,200	4	4,196
Printing and publishing	500	500	270	230
Insurance and bonds	300	300	168	132
Waterfront Art show	-	-	1,043	(1,043)
Snow-fest	-	-	61	(61)
Cabela's Tournament	-	-	270	(270)
Eskey 150 celebration	-	-	822	(822)
Total tourism promotion	<u>2,450</u>	<u>5,000</u>	<u>4,221</u>	<u>779</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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Boat launches:				
Salaries and wages	\$ 3,508	\$ 3,508	\$ 726	\$ 2,782
Fringe benefits	268	268	193	75
Professional services	4,000	4,000	4,102	(102)
Operating supplies	600	600	1,235	(635)
Printing and publishing	500	500	-	500
Insurance and bonds	100	100	31	69
Public utilities	3,500	3,500	3,682	(182)
Equipment rental	3,000	3,000	2,106	894
Repairs to structures	1,500	1,500	1,151	349
Repairs to equipment	1,500	1,500	109	1,391
Total boat launches	18,476	18,476	13,335	5,141
Promotional:				
Community promotion	6,625	7,375	6,817	558
Celebration flags	1,533	5,033	1,930	3,103
Fourth of July	13,884	13,884	13,784	100
Total promotional	22,042	26,292	22,531	3,761
Total general government	1,161,183	1,187,983	1,113,868	74,115
Public safety:				
Public Safety Department:				
Salaries and wages	2,037,145	2,037,145	1,964,913	72,232
Fringe benefits	1,436,952	1,436,952	1,367,133	69,819
Clothing	8,800	8,800	6,970	1,830
Uniform maintenance	1,300	1,300	1,047	253
Professional services	3,400	3,400	823	2,577
Office supplies	21,040	21,040	22,810	(1,770)
Building supplies	2,300	2,300	3,383	(1,083)
Communications	9,500	9,500	6,462	3,038
Public relations	600	600	672	(72)
Transportation	4,000	4,000	2,417	1,583
Printing and publishing	2,050	2,050	193	1,857
Insurance and bonds	28,600	28,600	16,566	12,034
Public utilities	38,500	38,500	29,584	8,916
Building maintenance	4,700	4,700	5,496	(796)
Memberships and dues	410	410	580	(170)
Meetings	5,500	5,500	4,085	1,415
Equipment repair	22,645	22,645	21,097	1,548
Equipment rental	166,676	166,676	135,174	31,502
Books, magazines and periodicals	1,400	1,400	283	1,117
New equipment	17,100	17,100	20,818	(3,718)
Building improvements	6,600	6,600	8,476	(1,876)
Firearms range	-	-	342	(342)
Total public safety department	3,819,218	3,819,218	3,619,324	199,894
Community preservation:				
Salaries and wages	45,966	45,966	41,308	4,658
Fringe benefits	14,774	14,774	12,961	1,813
Office supplies	5,700	5,700	4,640	1,060
Communications	500	500	299	201
Transportation	250	250	67	183
Printing and publishing	500	500	138	362

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Meetings	\$ 500	\$ 500	\$ 549	\$ (49)
Equipment repair	200	200	-	200
Equipment rental	2,832	2,832	2,832	-
Books, magazines and periodicals	300	300	-	300
New equipment	-	-	137	(137)
Total community preservation	71,522	71,522	62,931	8,591
Anti-drug abuse grant:				
Salaries and wages	63,511	63,511	70,888	(7,377)
Fringe benefits	36,059	36,059	46,916	(10,857)
Transportation	1,600	1,600	-	1,600
Professional services	28,784	28,784	35,160	(6,376)
Total anti-drug abuse grant	129,954	129,954	152,964	(23,010)
Public safety training:				
Office supplies	1,000	1,000	1,959	(959)
Transportation	1,000	1,000	2,485	(1,485)
Meetings	3,300	3,300	2,908	392
Total public safety training	5,300	5,300	7,352	(2,052)
Dispatchers:				
Transportation	1,500	1,500	1,889	(389)
Education and training	2,500	2,500	2,632	(132)
Total dispatchers	4,000	4,000	4,521	(521)
Total public safety	4,029,994	4,029,994	3,847,092	182,902
Highways, streets and public works:				
City engineer:				
Salaries and wages	140,629	140,629	127,825	12,804
Fringe benefits	98,489	98,489	93,806	4,683
Professional services	1,000	1,000	2	998
Office supplies	1,750	1,750	871	879
Communications	1,150	1,150	1,109	41
Transportation	500	500	-	500
Insurance and bonds	200	200	84	116
Memberships and dues	-	-	80	(80)
Meetings	2,500	2,500	360	2,140
Equipment repair	2,200	2,200	1,804	396
Equipment rental	5,564	5,564	3,039	2,525
New equipment	2,750	2,750	2,650	100
Total city engineer	256,732	256,732	231,630	25,102

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Care of trees and shrubs:				
Salaries and wages	\$ 39,338	\$ 39,338	\$ 19,165	\$ 20,173
Fringe benefits	26,612	26,612	11,331	15,281
Professional services	3,000	3,000	-	3,000
Office supplies	3,000	3,000	400	2,600
Arbor Day expenses	-	-	836	(836)
Meetings	300	300	-	300
Equipment repair	2,000	2,000	1,875	125
Equipment rental	19,000	19,000	5,614	13,386
New equipment	600	600	459	141
Esky 150 tree project	-	-	2,051	(2,051)
Total care of trees and shrubs	93,850	93,850	41,731	52,119
Planning commission:				
Professional services	500	500	-	500
Office supplies	250	250	299	(49)
Transportation	300	300	-	300
Printing and publishing	1,000	1,000	1,825	(825)
Meetings	500	500	-	500
Books, magazines and periodicals	300	300	249	51
Total planning commission	2,850	2,850	2,373	477
Street lighting	175,000	175,000	162,218	12,782
Sidewalks:				
Professional services	5,000	5,000	-	5,000
Insurance and bonds	2,000	2,000	3,452	(1,452)
Total sidewalks	7,000	7,000	3,452	3,548
Alleys	5,500	5,500	2,314	3,186
Crossing guards	34,500	34,500	24,390	10,110
Total highways, streets and public works	575,432	575,432	468,108	107,324
Sanitation:				
Sanitary landfill:				
Professional services	210,000	210,000	198,925	11,075
Landfill road cleanup:				
Salaries and wages	2,117	2,117	712	1,405
Fringe benefits	1,433	1,433	457	976
Professional services	1,000	1,000	-	1,000
Equipment rental	500	500	322	178
Total landfill road cleanup	5,050	5,050	1,491	3,559
Composting activities:				
Salaries and wages	15,060	19,060	20,054	(994)
Fringe benefits	6,122	7,122	6,711	411
Printing and publishing	500	500	414	86
Equipment rental	25,000	25,000	24,693	307
Total composting activities	46,682	51,682	51,872	(190)

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		with final budget Favorable (Unfavorable)
Snow plowing:				
Salaries and wages	\$ 6,356	\$ 8,356	\$ 6,577	\$ 1,779
Fringe benefits	4,299	4,299	3,804	495
Office supplies	-	-	281	(281)
Equipment rental	8,000	8,000	8,130	(130)
Total snow plowing	18,655	20,655	18,792	1,863
Solid waste collection:				
Salaries and wages	86,606	86,606	73,756	12,850
Fringe benefits	48,874	48,874	45,240	3,634
Office supplies	250	250	26	224
Education and training	100	100	25	75
Insurance and bonds	1,300	1,300	437	863
Equipment repair	1,000	1,000	1,527	(527)
Equipment rental	125,000	125,000	121,727	3,273
Total solid waste collection	263,130	263,130	242,738	20,392
Recycling:				
Salaries and wages	31,411	31,411	26,026	5,385
Fringe benefits	20,732	20,732	16,140	4,592
Education and training	70	70	-	70
Equipment rental	62,500	62,500	59,358	3,142
Total recycling	114,713	114,713	101,524	13,189
Total sanitation	658,230	665,230	615,342	49,888
Community services:				
Professional services	12,000	12,000	12,000	-
Building rental	9,148	9,148	9,148	-
Total community services	21,148	21,148	21,148	-
Recreation:				
Band:				
Clothing	-	-	120	(120)
Uniform maintenance	300	300	58	242
Professional services	38,000	38,000	32,356	5,644
Office supplies	375	375	50	325
Transportation	500	500	480	20
Printing and publishing	125	125	-	125
Public utilities	350	350	236	114
Building maintenance	300	300	-	300
Memberships and dues	500	500	329	171
Equipment repair	500	500	-	500
Equipment rental	300	300	241	59
New equipment	200	200	-	200
Total band	41,450	41,450	33,870	7,580
Parks:				
Salaries and wages	70,210	70,210	55,374	14,836
Fringe benefits	47,497	47,497	30,336	17,161
Professional services	-	-	77	(77)
Office supplies	4,000	4,000	2,766	1,234
Building supplies	1,000	1,000	1,951	(951)
Insurance and bonds	1,000	1,000	550	450
Public utilities	11,000	11,000	13,011	(2,011)
Building maintenance	5,000	5,000	12,178	(7,178)

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Equipment repair	\$ 1,000	\$ 1,000	\$ 775	\$ 225
Equipment rental	40,000	40,000	34,833	5,167
New equipment	250	250	-	250
Building improvements	-	-	1,355	(1,355)
Telephone	600	600	650	(50)
Total parks	181,557	181,557	153,856	27,701
Recreation department - administration:				
Salaries and wages	76,766	76,766	86,324	(9,558)
Fringe benefits	57,389	57,389	60,808	(3,419)
Office supplies	3,000	3,000	1,672	1,328
Communications	1,500	1,500	1,125	375
Transportation	100	100	-	100
Printing and publishing	100	100	213	(113)
Equipment repair	200	200	247	(47)
Equipment rental	3,832	3,832	3,132	700
Total recreation department - administration	142,887	142,887	153,521	(10,634)
Summer sports:				
Salaries and wages	46,297	46,297	27,271	19,026
Fringe benefits	24,377	24,377	16,094	8,283
Clothing	400	400	9	391
Office supplies	5,500	5,500	2,520	2,980
Building supplies	100	100	41	59
Printing and publishing	100	100	99	1
Education and training	100	100	13	87
Insurance and bonds	600	600	282	318
Public utilities	6,600	6,600	7,037	(437)
Building maintenance	2,000	2,000	2,061	(61)
Equipment repair	500	500	422	78
Equipment rental	36,000	36,000	15,635	20,365
Total summer sports	122,574	122,574	71,484	51,090
Wading pool:				
Salaries and wages	6,504	6,504	2,741	3,763
Fringe benefits	498	498	761	(263)
Fees and per diem	75	75	61	14
Professional services	200	200	-	200
Office supplies	1,600	1,600	1,143	457
Communications	100	100	6	94
Insurance and bonds	275	275	155	120
Public utilities	1,800	1,800	864	936
Building maintenance	900	900	1,519	(619)
Equipment repair	100	100	-	100
Equipment rental	500	500	129	371
Total wading pool	12,552	12,552	7,379	5,173
Winter sports:				
Salaries and wages	30,270	30,270	16,987	13,283
Fringe benefits	16,349	16,349	8,977	7,372
Clothing	100	100	-	100
Professional services	750	750	-	750
Office supplies	600	600	12	588

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	Budget		Actual	Variance with final budget
	Original	Final		Favorable (Unfavorable)
Building supplies	\$ 250	\$ 250	\$ 136	\$ 114
Communications	200	200	49	151
Printing and publishing	200	200	-	200
Insurance and bonds	250	250	130	120
Public utilities	6,000	6,000	3,464	2,536
Building maintenance	4,000	4,000	353	3,647
Meetings	100	100	13	87
Equipment repair	200	200	115	85
Equipment rental	14,000	14,000	5,217	8,783
Total winter sports	73,269	73,269	35,453	37,816
Beach:				
Salaries and wages	23,066	23,066	12,469	10,597
Fringe benefits	1,765	1,765	954	811
Clothing	200	200	-	200
Uniform maintenance	50	50	-	50
Professional services	100	100	-	100
Office supplies	400	400	166	234
Building supplies	300	300	47	253
Communications	400	400	296	104
Insurance and bonds	500	500	254	246
Public utilities	900	900	846	54
Building maintenance	700	700	669	31
Meetings	200	200	-	200
Equipment repair	200	200	70	130
Equipment rental	300	300	-	300
New equipment	400	400	206	194
Total beach	29,481	29,481	15,977	13,504
Civic center activities:				
Salaries and wages	31,431	31,431	17,398	14,033
Fringe benefits	5,548	5,548	2,332	3,216
Office supplies	400	400	85	315
Operating supplies	200	200	120	80
Jackie Sorenson aerobics	8,500	8,500	5,082	3,418
Elementary basketball	-	-	4,209	(4,209)
Printing and publishing	300	300	-	300
Meetings	100	100	-	100
Equipment repair	500	500	98	402
Total civic center activities	46,979	46,979	29,324	17,655
Total recreation	650,749	650,749	500,864	149,885
Cultural:				
Historical society building:				
Professional services	-	500	550	(50)
Office supplies	100	100	-	100
Insurance and bonds	300	300	143	157
Total historical society building	400	900	693	207

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2013

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Other functions:				
Insurance and bonds	\$ 8,000	\$ 8,000	\$ 6,527	\$ 1,473
TOTAL EXPENDITURES	<u>7,105,136</u>	<u>7,139,436</u>	<u>6,573,642</u>	<u>565,794</u>
EXCESS REVENUES (EXPENDITURES)	<u>(352,836)</u>	<u>(387,136)</u>	<u>269,948</u>	<u>657,084</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(59,057)	(59,057)
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	4,200	-
Sanitary Landfill Fund	203,000	203,000	203,000	-
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)	(16,024)	6,476
TOTAL OTHER FINANCING SOURCES (USES)	<u>258,324</u>	<u>258,324</u>	<u>205,743</u>	<u>(52,581)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(94,512)</u>	<u>(128,812)</u>	<u>475,691</u>	<u>604,503</u>
Fund balance, beginning of year	<u>4,209,345</u>	<u>4,209,345</u>	<u>4,209,345</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,114,833</u>	<u>\$ 4,080,533</u>	<u>\$ 4,685,036</u>	<u>\$ 604,503</u>

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013

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>
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%
2012	20,318,323	32,641,685	12,323,362	62%	2,683,931	459%

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>
6/30/08	\$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%
6/30/12	18,837,369	27,198,884	8,361,515	69%	1,973,456	424%
6/30/12*	18,837,369	28,492,726	9,655,357	66%	1,973,456	489%

*After changes in assumptions.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2013

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and equivalents	\$ 50,710	\$ -	\$ 50,710
Investments, at market	7,442,959	1,125,435	8,568,394
Sequestered cash and equivalents	931,654	-	931,654
Receivables:			
Accounts, net of bad debt allowance	28,092	-	28,092
Mortgages, land contracts and other notes	1,469,969	-	1,469,969
Special assessments	9,345	-	9,345
Accrued interest	46,337	6,812	53,149
Taxes	3,010	-	3,010
Due from other funds:			
Local Street fund	7,848	-	7,848
Due from other governments:			
State of Michigan	283,637	-	283,637
Advances to other funds	315,254	-	315,254
Real estate held for resale	8,200	-	8,200
	<u>\$ 10,597,015</u>	<u>\$ 1,132,247</u>	<u>\$ 11,729,262</u>
TOTAL ASSETS			
LIABILITIES:			
Accounts payable	\$ 164,957	\$ -	\$ 164,957
Due to other governments:			
State of Michigan	120	-	120
Due to other funds:			
Major Street Fund	7,848	-	7,848
General Fund	7,198	-	7,198
Deferred revenue	186,583	-	186,583
	<u>366,706</u>	<u>-</u>	<u>366,706</u>
TOTAL LIABILITIES			
FUND BALANCES:			
Restricted:			
Principal	-	1,094,634	1,094,634
Capital improvements	-	37,613	37,613
Economic development	2,264,428	-	2,264,428
Revolving loans	3,160,201	-	3,160,201
UPSET expenses	47,248	-	47,248
Future DDA projects	180,275	-	180,275
Brownfield	3,968	-	3,968
Local streets	707,924	-	707,924
Major streets	1,730,170	-	1,730,170
Assigned:			
Economic development	150,241	-	150,241
Sanitary landfill	21,228	-	21,228
Parking lots	576	-	576
Capital improvements	1,631,641	-	1,631,641
Housing rehab	196,744	-	196,744
Library operations	112,655	-	112,655
Drug law enforcement	23,010	-	23,010
	<u>10,230,309</u>	<u>1,132,247</u>	<u>11,362,556</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,597,015</u>	<u>\$ 1,132,247</u>	<u>\$ 11,729,262</u>

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, 2013

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 307,979	\$ -	\$ 307,979
Local sources	447,224	-	447,224
State grants	990,872	-	990,872
Federal sources	224,399	-	224,399
Charges for services	828,485	-	828,485
Fines and forfeitures	26,487	-	26,487
Interest and dividends	-	19,701	19,701
Miscellaneous	268,012	-	268,012
TOTAL REVENUES	3,093,458	19,701	3,113,159
EXPENDITURES:			
Public safety	629,792	-	629,792
Highways, streets and public works	1,225,131	-	1,225,131
Community services	352,772	-	352,772
Recreation	29	-	29
Cultural	528,492	-	528,492
Urban redevelopment and housing	5,197	-	5,197
Economic development	259,293	-	259,293
Debt service	46,130	-	46,130
TOTAL EXPENDITURES	3,046,836	-	3,046,836
EXCESS REVENUES (EXPENDITURES)	46,622	19,701	66,323
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	(81,831)	(13,383)	(95,214)
Operating transfers in	595,524	-	595,524
Operating transfers out	(384,500)	(17,000)	(401,500)
TOTAL OTHER FINANCING SOURCES (USES)	129,193	(30,383)	98,810
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	175,815	(10,682)	165,133
Fund balances, beginning of year	10,054,494	1,142,929	11,197,423
FUND BALANCES, END OF YEAR	\$ 10,230,309	\$ 1,132,247	\$ 11,362,556

See accompanying notes to financial statements.

GENERAL FUND

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	June 30	
	2013	2012
ASSETS:		
Cash and equivalents	\$ 45,122	\$ 10,523
Investments, at market	4,020,743	3,739,142
Receivables:		
Accounts, net of bad debt allowance	536,856	164,100
Contracts for rental property	3,156	21,022
Special assessments	4,895	8,791
Accrued interest	28,401	20,282
Due from other funds:		
Grants Fund	-	120,229
Sanitary Landfill Fund	7,198	7,996
Risk Retention Fund	-	9,560
Due from other governments:		
State of Michigan	9,356	29,996
Advances to other funds:		
Motor Vehicle Equipment	231,184	275,298
Inventory	159,512	136,290
Prepaid expenses	126,900	114,550
TOTAL ASSETS	<u>\$ 5,173,323</u>	<u>\$ 4,657,779</u>
LIABILITIES:		
Accounts payable	\$ 123,292	\$ 142,497
Accrued salaries, wages and fringes	191,469	161,698
Due to other governments	88,482	89,404
Deferred revenue	85,044	54,835
TOTAL LIABILITIES	<u>488,287</u>	<u>448,434</u>
FUND BALANCES:		
Nonspendable:		
Inventory	159,512	136,290
Prepaid expenses	126,900	114,550
Unassigned	4,398,624	3,958,505
TOTAL FUND BALANCES	<u>4,685,036</u>	<u>4,209,345</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,173,323</u>	<u>\$ 4,657,779</u>

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, 2013 with comparative totals for the year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	<u>2012</u>
REVENUES:				
Taxes	\$ 4,961,350	\$ 4,963,794	\$ 2,444	\$ 4,626,830
Licenses and permits	6,500	2,440	(4,060)	2,015
Local sources	13,000	10,000	(3,000)	13,256
State grants	1,238,000	1,293,435	55,435	1,328,105
Federal sources	59,000	65,737	6,737	70,975
Charges for services	264,850	274,007	9,157	196,052
Fines and forfeitures	51,000	42,735	(8,265)	61,108
Miscellaneous	<u>158,600</u>	<u>191,442</u>	<u>32,842</u>	<u>183,728</u>
TOTAL REVENUES	<u>6,752,300</u>	<u>6,843,590</u>	<u>91,290</u>	<u>6,482,069</u>
EXPENDITURES:				
General government	1,187,983	1,113,868	74,115	1,134,459
Public safety	4,029,994	3,847,092	182,902	3,962,280
Highways, streets and public works	575,432	468,108	107,324	519,864
Sanitation	665,230	615,342	49,888	612,293
Community services	21,148	21,148	-	22,148
Recreation	650,749	500,864	149,885	575,585
Cultural	900	693	207	175
Other functions	<u>8,000</u>	<u>6,527</u>	<u>1,473</u>	<u>32,716</u>
TOTAL EXPENDITURES	<u>7,139,436</u>	<u>6,573,642</u>	<u>565,794</u>	<u>6,859,520</u>
EXCESS REVENUES (EXPENDITURES)	<u>(387,136)</u>	<u>269,948</u>	<u>657,084</u>	<u>(377,451)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	(59,057)	(59,057)	25,387
Operating transfers in	730,824	730,824	-	731,324
Operating transfers out	<u>(472,500)</u>	<u>(466,024)</u>	<u>6,476</u>	<u>(460,590)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>258,324</u>	<u>205,743</u>	<u>(52,581)</u>	<u>296,121</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(128,812)</u>	<u>475,691</u>	<u>604,503</u>	<u>(81,330)</u>
Fund balance, beginning of year	<u>4,209,345</u>	<u>4,209,345</u>	<u>-</u>	<u>4,290,675</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,080,533</u>	<u>\$ 4,685,036</u>	<u>\$ 604,503</u>	<u>\$ 4,209,345</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2013 with comparative totals
for the year ended June 30, 2012

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Parking Maintenance Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Brownfield Fund</u>	<u>150 Year Celebration Fund</u>
ASSETS:						
Cash and equivalents	\$ -	\$ -	\$ -	\$ 3,462	\$ -	\$ -
Investments, at market	1,653,274	672,012	1,007	167,611	3,917	-
Sequestered cash and equivalents	-	-	-	-	-	-
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	-
Mortgages, land contracts and other notes	-	-	-	-	-	-
Special assessments	-	9,345	-	-	-	-
Accrued interest	9,749	3,739	-	1,187	51	-
Taxes	-	-	-	-	3,010	-
Due from other funds:						
Local Street Fund	7,848	-	-	-	-	-
Due from other governments:						
State of Michigan	111,956	41,774	-	16,168	-	-
Delta County	-	-	-	-	-	-
Advances to other funds:						
Marina Fund	-	-	-	-	-	-
Real estate held for resale	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,782,827</u>	<u>\$ 726,870</u>	<u>\$ 1,007</u>	<u>\$ 188,428</u>	<u>\$ 6,978</u>	<u>\$ -</u>
LIABILITIES:						
Accounts payable	\$ 52,657	\$ 1,633	\$ 431	\$ 8,153	\$ 3,010	\$ -
Due to other governments:						
State of Michigan	-	120	-	-	-	-
Due to other funds:						
Electric Fund	-	-	-	-	-	-
Major Street Fund	-	7,848	-	-	-	-
General Fund	-	-	-	-	-	-
Deferred revenue	-	9,345	-	-	-	-
TOTAL LIABILITIES	<u>52,657</u>	<u>18,946</u>	<u>431</u>	<u>8,153</u>	<u>3,010</u>	<u>-</u>
FUND BALANCES:						
Reserved for:						
Economic Development	-	-	-	-	-	-
150 year celebration	-	-	-	-	-	-
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	-	-	-
Future DDA projects as listed in the TIF Development Plan	-	-	-	180,275	-	-
Brownfield	-	-	-	-	3,968	-
Local streets	-	707,924	-	-	-	-
Major streets	1,730,170	-	-	-	-	-
Assigned:						
Economic Development	-	-	-	-	-	-
Sanitary Landfill	-	-	-	-	-	-
Parking lots	-	-	576	-	-	-
Capital improvements	-	-	-	-	-	-
Housing rehab	-	-	-	-	-	-
Library operations	-	-	-	-	-	-
Drug law enforcement	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,730,170</u>	<u>707,924</u>	<u>576</u>	<u>180,275</u>	<u>3,968</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,782,827</u>	<u>\$ 726,870</u>	<u>\$ 1,007</u>	<u>\$ 188,428</u>	<u>\$ 6,978</u>	<u>\$ -</u>

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
\$ 47,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,880	74,664	115,064	195,577	104,502	1,553,613	497,154 931,654	93,996	954,527	1,333,178
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	701,707	645,262	-	123,000	-
130	190	982	1,167	703	9,145	4,929	562	5,643	7,809
-	-	-	-	-	-	-	-	-	-
-	-	6,887	-	106,852	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	315,254
-	-	-	-	-	-	-	-	-	8,200
<u>\$ 70,258</u>	<u>\$ 74,854</u>	<u>\$ 122,933</u>	<u>\$ 196,744</u>	<u>\$ 212,057</u>	<u>\$ 2,264,465</u>	<u>\$ 2,078,999</u>	<u>\$ 94,558</u>	<u>\$ 1,083,170</u>	<u>\$ 1,664,441</u>
\$ -	\$ 781	\$ 8,278	\$ -	\$ 55,209	\$ 37	\$ 1,968	\$ -	\$ -	\$ 32,800
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	74,073	2,000	-	101,165	-	-	-	-	-
-	74,854	10,278	-	156,374	37	1,968	-	-	32,800
-	-	-	-	-	2,264,428	-	-	-	-
47,248	-	-	-	-	-	2,077,031	-	1,083,170	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	55,683	-	-	94,558	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	196,744	-	-	-	-	-	1,631,641
-	-	112,655	-	-	-	-	-	-	-
23,010	-	-	-	-	-	-	-	-	-
<u>70,258</u>	<u>-</u>	<u>112,655</u>	<u>196,744</u>	<u>55,683</u>	<u>2,264,428</u>	<u>2,077,031</u>	<u>94,558</u>	<u>1,083,170</u>	<u>1,631,641</u>
<u>\$ 70,258</u>	<u>\$ 74,854</u>	<u>\$ 122,933</u>	<u>\$ 196,744</u>	<u>\$ 212,057</u>	<u>\$ 2,264,465</u>	<u>\$ 2,078,999</u>	<u>\$ 94,558</u>	<u>\$ 1,083,170</u>	<u>\$ 1,664,441</u>

See accompanying notes to financial statements.

Sanitary Landfill Fund	Totals	
	2013	2012
\$ -	\$ 50,710	\$ 66,681
(17)	7,442,959	7,522,186
-	931,654	403,207
28,092	28,092	28,114
-	1,469,969	1,571,354
-	9,345	3,877
351	46,337	33,514
-	3,010	-
-	7,848	-
-	283,637	341,270
-	-	7,136
-	315,254	331,242
-	8,200	8,200
<u>\$ 28,426</u>	<u>\$ 10,597,015</u>	<u>\$ 10,316,781</u>
\$ -	\$ 164,957	\$ 75,015
-	120	120
-	-	7,996
-	7,848	-
7,198	7,198	120,229
-	186,583	58,927
<u>7,198</u>	<u>366,706</u>	<u>262,287</u>
-	2,264,428	2,222,278
-	-	29
-	3,160,201	3,122,947
-	47,248	63,223
-	180,275	176,938
-	3,968	4,286
-	707,924	618,114
-	1,730,170	1,650,480
-	150,241	147,880
21,228	21,228	20,831
-	576	922
-	1,631,641	1,716,559
-	196,744	196,000
-	112,655	95,096
-	23,010	18,911
<u>21,228</u>	<u>10,230,309</u>	<u>10,054,494</u>
<u>\$ 28,426</u>	<u>\$ 10,597,015</u>	<u>\$ 10,316,781</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, 2013 with comparative totals
for the year ended June 30, 2012

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	150 Year Celebration Fund
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 258,587	\$ 49,392	\$ -
Local sources	-	-	-	-	-	-
State grants	722,548	252,296	-	-	-	-
Federal sources	187,500	-	-	-	-	-
Charges for services	-	-	22,811	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	28,446	21,024	1	6,412	222	-
TOTAL REVENUES	<u>938,494</u>	<u>273,322</u>	<u>22,812</u>	<u>264,999</u>	<u>49,614</u>	<u>-</u>
EXPENDITURES:						
Public safety	-	-	-	-	-	-
Highways, streets and public works	731,806	391,547	39,185	-	-	-
Community services	-	-	-	-	-	-
Recreation	-	-	-	-	-	29
Cultural	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	-	-	209,407	49,786	-
Debt service	-	-	-	46,130	-	-
TOTAL EXPENDITURES	<u>731,806</u>	<u>391,547</u>	<u>39,185</u>	<u>255,537</u>	<u>49,786</u>	<u>29</u>
EXCESS REVENUES (EXPENDITURES)	<u>206,688</u>	<u>(118,225)</u>	<u>(16,373)</u>	<u>9,462</u>	<u>(172)</u>	<u>(29)</u>
OTHER FINANCING SOURCES (USES):						
Gain (loss) on sale of investments	(14,498)	(6,465)	3	(2,125)	(146)	-
Operating transfers in	-	214,500	16,024	-	-	-
Operating transfers out	(112,500)	-	-	(4,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(126,998)</u>	<u>208,035</u>	<u>16,027</u>	<u>(6,125)</u>	<u>(146)</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>79,690</u>	<u>89,810</u>	<u>(346)</u>	<u>3,337</u>	<u>(318)</u>	<u>(29)</u>
Fund balances, beginning of year	1,650,480	618,114	922	176,938	4,286	29
FUND BALANCES, END OF YEAR	<u>\$ 1,730,170</u>	<u>\$ 707,924</u>	<u>\$ 576</u>	<u>\$ 180,275</u>	<u>\$ 3,968</u>	<u>\$ -</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	133,158	-	314,066	-	-	-	-	-
-	-	13,756	-	2,270	-	-	-	-	-
-	-	-	-	36,899	-	-	-	-	-
-	602,516	-	-	-	-	-	-	-	-
5,006	-	21,481	-	-	-	-	-	-	-
10,381	236	14,560	3,377	1,494	62,388	35,125	1,623	22,009	59,886
15,387	602,752	182,955	3,377	354,729	62,388	35,125	1,623	22,009	59,886
27,016	602,776	-	-	-	-	-	-	-	-
-	-	-	-	352,772	-	-	-	-	62,493
-	-	528,492	-	-	-	-	-	-	-
-	-	-	428	-	2,596	918	-	1,255	-
-	-	-	-	-	-	-	100	-	-
27,016	602,776	528,492	428	352,772	2,596	918	100	1,255	62,493
(11,629)	(24)	(345,537)	2,949	1,957	59,792	34,207	1,523	20,754	(2,607)
(247)	24	(1,904)	(2,205)	-	(17,642)	(9,225)	(1,119)	(8,482)	(17,311)
-	-	365,000	-	-	-	-	-	-	(65,000)
(247)	24	363,096	(2,205)	-	(17,642)	(9,225)	(1,119)	(8,482)	(82,311)
(11,876)	-	17,559	744	1,957	42,150	24,982	404	12,272	(84,918)
82,134	-	95,096	196,000	53,726	2,222,278	2,052,049	94,154	1,070,898	1,716,559
\$ 70,258	\$ -	\$ 112,655	\$ 196,744	\$ 55,683	\$ 2,264,428	\$ 2,077,031	\$ 94,558	\$ 1,083,170	\$ 1,631,641

See accompanying notes to financial statements.

Sanitary Landfill Fund	Totals	
	2013	2012
\$ -	\$ 307,979	\$ 307,454
-	447,224	169,477
-	990,872	978,190
-	224,399	152,527
203,158	828,485	882,780
-	26,487	96,793
828	268,012	329,342
<u>203,986</u>	<u>3,093,458</u>	<u>2,916,563</u>
-	629,792	779,675
100	1,225,131	820,005
-	352,772	134,574
-	29	-
-	528,492	549,057
-	5,197	3,470
-	259,293	210,895
-	46,130	48,582
<u>100</u>	<u>3,046,836</u>	<u>2,546,258</u>
<u>203,886</u>	<u>46,622</u>	<u>370,305</u>
(489)	(81,831)	43,678
-	595,524	461,226
<u>(203,000)</u>	<u>(384,500)</u>	<u>(282,136)</u>
<u>(203,489)</u>	<u>129,193</u>	<u>222,768</u>
397	175,815	593,073
<u>20,831</u>	<u>10,054,494</u>	<u>9,461,421</u>
<u>\$ 21,228</u>	<u>\$ 10,210,309</u>	<u>\$ 10,054,494</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 1,653,274	\$ 1,589,141
Receivables:		
Accrued interest	9,749	6,782
Due from other funds:		
Local Street Fund	7,848	-
Due from other governments:		
State of Michigan	<u>111,956</u>	<u>110,646</u>
TOTAL ASSETS	<u>\$ 1,782,827</u>	<u>\$ 1,706,569</u>
LIABILITIES:		
Accounts payable	<u>\$ 52,657</u>	<u>\$ 56,089</u>
FUND BALANCES:		
Restricted:		
Major Streets	<u>1,730,170</u>	<u>1,650,480</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,782,827</u>	<u>\$ 1,706,569</u>

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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 660,000	\$ 677,436	\$ 17,436
PA 48 annual maintenance fee	42,000	45,112	3,112
Federal sources:			
Lakeshore Drive project	187,500	187,500	-
Miscellaneous:			
Interest earnings	14,000	28,446	14,446
TOTAL REVENUES	<u>903,500</u>	<u>938,494</u>	<u>34,994</u>
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	60,089	51,658	8,431
Storm sewers	58,339	23,468	34,871
Grass and weed cutting	17,383	9,109	8,274
Sweeping and flushing	41,471	36,240	5,231
Street paving	250,000	224,748	25,252
Total preservation streets	<u>427,282</u>	<u>345,223</u>	<u>82,059</u>
Traffic services - maintenance:			
Pavement markings and signs	60,130	57,968	2,162
Winter maintenance:			
Snow removal	168,943	127,940	41,003
Snow plowing	87,648	62,869	24,779
Snow control	435	-	435
Ice control	75,148	57,514	17,634
Total winter maintenance	<u>332,174</u>	<u>248,323</u>	<u>83,851</u>
Administration engineering and record keeping	80,154	80,292	(138)
TOTAL EXPENDITURES	<u>899,740</u>	<u>731,806</u>	<u>167,934</u>
EXCESS REVENUES	<u>3,760</u>	<u>206,688</u>	<u>202,928</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(14,498)	(14,498)
Operating transfers out:			
Local Street Fund	(112,500)	(112,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(112,500)</u>	<u>(126,998)</u>	<u>(14,498)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(108,740)</u>	<u>79,690</u>	<u>188,430</u>
Fund balance, beginning of year	<u>1,650,480</u>	<u>1,650,480</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,541,740</u>	<u>\$ 1,730,170</u>	<u>\$ 188,430</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	June 30	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 672,012	\$ 575,186
Receivables:		
Special assessments	9,345	3,877
Accrued interest	3,739	2,641
Due from other governments:		
State of Michigan	<u>41,774</u>	<u>41,276</u>
TOTAL ASSETS	<u>\$ 726,870</u>	<u>\$ 622,980</u>
LIABILITIES:		
Accounts payable	\$ 1,633	\$ 869
Due to other governments:		
State of Michigan	120	120
Due to other funds:		
Major Street Fund	7,848	-
Deferred revenue	<u>9,345</u>	<u>3,877</u>
TOTAL LIABILITIES	<u>18,946</u>	<u>4,866</u>
FUND BALANCES:		
Restricted:		
Local Streets	<u>707,924</u>	<u>618,114</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 726,870</u>	<u>\$ 622,980</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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 245,000	\$ 252,298	\$ 7,298
Miscellaneous:			
Interest earnings	7,000	10,298	3,298
Special assessments	<u>3,150</u>	<u>10,726</u>	<u>7,576</u>
TOTAL REVENUES	<u>255,150</u>	<u>273,322</u>	<u>18,172</u>
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	52,683	49,045	3,638
Storm sewers	56,515	22,590	33,925
Sweeping and flushing	38,795	32,729	6,066
Blading	10,030	9,721	309
Dust control	4,458	1,910	2,548
Street paving	<u>128,500</u>	<u>84,883</u>	<u>43,617</u>
Total preservation streets	<u>290,981</u>	<u>200,878</u>	<u>90,103</u>
Traffic services - maintenance	<u>25,442</u>	<u>21,115</u>	<u>4,327</u>
Winter maintenance:			
Snow removal	32,118	17,231	14,887
Snow plowing	69,913	50,438	19,475
Ice control	<u>41,736</u>	<u>38,147</u>	<u>3,589</u>
Total winter maintenance	<u>143,767</u>	<u>105,816</u>	<u>37,951</u>
Administration engineering and record keeping	<u>56,460</u>	<u>63,738</u>	<u>(7,278)</u>
TOTAL EXPENDITURES	<u>516,650</u>	<u>391,547</u>	<u>125,103</u>
EXCESS REVENUES (EXPENDITURES)	<u>(261,500)</u>	<u>(118,225)</u>	<u>143,275</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(6,465)	(6,465)
Operating transfers in:			
Gas Retirement Fund	17,000	17,000	-
Major Street Fund	112,500	112,500	-
General Fund	<u>85,000</u>	<u>85,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>214,500</u>	<u>208,035</u>	<u>(6,465)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(47,000)</u>	<u>89,810</u>	<u>136,810</u>
Fund balance, beginning of year	<u>618,114</u>	<u>618,114</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 571,114</u>	<u>\$ 707,924</u>	<u>\$ 136,810</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	<u>\$ 1,007</u>	<u>\$ 922</u>
LIABILITIES:		
Accounts payable	<u>\$ 431</u>	<u>\$ -</u>
FUND BALANCES:		
Assigned:		
Parking lots	<u>576</u>	<u>922</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,007</u>	<u>\$ 922</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services	\$ 25,000	\$ 22,811	\$ (2,189)
Miscellaneous:			
Interest earnings	-	1	1
TOTAL REVENUES	<u>25,000</u>	<u>22,812</u>	<u>(2,188)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	25,000	23,160	1,840
Non-DDA lot maintenance	<u>22,500</u>	<u>16,025</u>	<u>6,475</u>
TOTAL EXPENDITURES	<u>47,500</u>	<u>39,185</u>	<u>8,315</u>
EXCESS REVENUES (EXPENDITURES)	<u>(22,500)</u>	<u>(16,373)</u>	<u>6,127</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	3	3
Operating transfers in:			
General Fund	<u>22,500</u>	<u>16,024</u>	<u>(6,476)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,500</u>	<u>16,027</u>	<u>(6,473)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	-	(346)	(346)
Fund balance, beginning of year	<u>922</u>	<u>922</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 922</u>	<u>\$ 576</u>	<u>\$ (346)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and equivalents	\$ 3,462	\$ 3,458
Investments, at market	167,611	167,663
Receivables		
Accrued interest	1,187	792
Due from other governments:		
State of Michigan	16,168	1,000
Delta County	-	7,136
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 188,428</u>	<u>\$ 180,049</u>
LIABILITIES:		
Accounts payable	\$ 8,153	\$ 3,111
FUND BALANCES:		
Restricted:		
Future DDA projects as listed in the TIF Development Plan	<u>180,275</u>	<u>176,938</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 188,428</u>	<u>\$ 180,049</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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 265,000	\$ 258,587	\$ (6,413)
Miscellaneous:			
Interest earnings	3,000	3,821	821
Other	<u>1,000</u>	<u>2,591</u>	<u>1,591</u>
TOTAL REVENUES	<u>269,000</u>	<u>264,999</u>	<u>(4,001)</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	55,000	43,080	11,920
Fringe benefits	6,000	3,882	2,118
Supplies	2,800	1,281	1,519
Professional services	33,300	6,054	27,246
Rental rehabilitation	4,000	2,000	2,000
Communication	2,200	2,055	145
Transportation	500	148	352
Public relations	22,000	18,074	3,926
Printing & publishing	500	307	193
Insurance & bonds	1,200	896	304
Public utilities	3,100	3,055	45
Maintenance of parking lots	22,500	22,808	(308)
Capital outlay	90,000	80,773	9,227
Building maintenance	18,000	17,179	821
Maintenance of sidewalks	1,500	1,245	255
Equipment maintenance	3,000	2,792	208
Equipment rental	3,000	3,002	(2)
Books, magazines & periodicals	200	186	14
Memberships & dues	500	390	110
Education and training	500	200	300
Debt service:			
Principal retirement	40,000	40,000	-
Interest charges	<u>6,130</u>	<u>6,130</u>	<u>-</u>
TOTAL EXPENDITURES	<u>315,930</u>	<u>255,537</u>	<u>60,393</u>
EXCESS REVENUES (EXPENDITURES)	<u>(46,930)</u>	<u>9,462</u>	<u>56,392</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(2,125)	(2,125)
Operating transfers out:			
Marina Fund	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>(6,125)</u>	<u>(2,125)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(50,930)</u>	<u>3,337</u>	<u>54,267</u>
Fund balance, beginning of year	<u>176,938</u>	<u>176,938</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 126,008</u>	<u>\$ 180,275</u>	<u>\$ 54,267</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 3,917	\$ 4,258
Receivables:		
Accrued interest	51	30
Taxes	<u>3,010</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,978</u>	<u>\$ 4,288</u>
LIABILITIES:		
Accounts payable	<u>\$ 3,010</u>	<u>\$ 2</u>
FUND BALANCES:		
Restricted:		
Brownfield	<u>3,968</u>	<u>4,286</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,978</u>	<u>\$ 4,288</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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 51,000	\$ 49,392	\$ (1,608)
Miscellaneous:			
Interest earnings	200	222	22
TOTAL REVENUES	<u>51,200</u>	<u>49,614</u>	<u>(1,586)</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	2,500	184	2,316
Fringe benefits	-	124	(124)
TIF reimbursement	51,000	49,130	1,870
Printing & publishing	-	334	(334)
Office supplies	-	14	(14)
TOTAL EXPENDITURES	<u>53,500</u>	<u>49,786</u>	<u>3,714</u>
EXCESS REVENUES (EXPENDITURES)	(2,300)	(172)	2,128
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(146)	(146)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(2,300)	(318)	1,982
Fund balance, beginning of year	<u>4,286</u>	<u>4,286</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 1,986</u>	<u>\$ 3,968</u>	<u>\$ 1,982</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

150 YEAR CELEBRATION
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Receivables:		
Accrued interest	<u>\$ -</u>	<u>\$ 29</u>
FUND BALANCES:		
Restricted:		
150 year celebration	<u>\$ -</u>	<u>\$ 29</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

For the Year Ended June 30, 2013

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

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and equivalents:		
UPSET adjudicated funds	\$ 38,307	\$ 54,285
UPSET federal forfeiture	7,701	7,698
Non-adjudicated account	1,240	1,240
Investments, at market	22,880	18,823
Receivables:		
Accrued interest	130	88
TOTAL ASSETS	<u>\$ 70,258</u>	<u>\$ 82,134</u>
FUND BALANCES:		
Restricted:		
UPSET expenses	\$ 47,248	\$ 63,223
Assigned:		
Drug law enforcement	23,010	18,911
TOTAL FUND BALANCES	<u>\$ 70,258</u>	<u>\$ 82,134</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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 8,000	\$ 5,006	\$ (2,994)
Miscellaneous:			
Interest earnings	250	381	131
Hannahville grant	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL REVENUES	<u>18,250</u>	<u>15,387</u>	<u>(2,863)</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	20,000	26,000	(6,000)
Supplies	2,000	507	1,493
Professional services	-	90	(90)
Equipment maintenance	<u>-</u>	<u>419</u>	<u>(419)</u>
TOTAL EXPENDITURES	<u>22,000</u>	<u>27,016</u>	<u>(5,016)</u>
EXCESS REVENUES (EXPENDITURES)	(3,750)	(11,629)	(7,879)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(247)</u>	<u>(247)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(3,750)	(11,876)	(8,126)
Fund balance, beginning of year	<u>82,134</u>	<u>82,134</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 78,384</u>	<u>\$ 70,258</u>	<u>\$ (8,126)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DELTA COUNTY CENTRAL DISPATCH AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 74,664	\$ 46,941
Receivables:		
Accrued interest	<u>190</u>	<u>43</u>
TOTAL ASSETS	<u>\$ 74,854</u>	<u>\$ 46,984</u>
LIABILITIES:		
Accounts payable	\$ 781	\$ 394
Deferred revenue	<u>74,073</u>	<u>46,590</u>
TOTAL LIABILITIES	<u>74,854</u>	<u>46,984</u>
FUND BALANCES:		
Assigned:		
Dispatch operations	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 74,854</u>	<u>\$ 46,984</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Service fees	\$ 670,736	\$ 602,516	\$ (68,220)
Miscellaneous:			
Interest earnings	-	236	236
TOTAL REVENUES	<u>670,736</u>	<u>602,752</u>	<u>(67,984)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	454,454	437,930	16,524
Fringe benefits	79,963	54,515	25,448
Overhead on salaries and wages	105,119	100,842	4,277
Travel expenses	1,700	-	1,700
Professional services	1,500	-	1,500
Supplies	400	374	26
Clothing supplies	1,200	301	899
Equipment rental	2,800	1,948	852
Communication	3,800	3,023	777
Printing & publishing	400	-	400
Capital outlay	800	550	250
Equipment maintenance	13,300	837	12,463
Books, magazines & periodicals	-	180	(180)
Memberships & dues	200	140	60
Education and training	2,800	1,178	1,622
Office expense	300	285	15
Office supplies	2,000	673	1,327
TOTAL EXPENDITURES	<u>670,736</u>	<u>602,776</u>	<u>67,960</u>
EXCESS REVENUES (EXPENDITURES)	-	(24)	(24)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	24	24
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 115,064	\$ 98,551
Receivables:		
Accrued interest	982	815
Due from other governments:		
State of Michigan	<u>6,887</u>	<u>6,183</u>
TOTAL ASSETS	<u>\$ 122,933</u>	<u>\$ 105,549</u>
LIABILITIES:		
Accounts payable	\$ 8,278	\$ 8,280
Deferred revenue	<u>2,000</u>	<u>2,173</u>
TOTAL LIABILITIES	<u>10,278</u>	<u>10,453</u>
FUND BALANCES:		
Assigned:		
Library operations	<u>112,655</u>	<u>95,096</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122,933</u>	<u>\$ 105,549</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources:			
Penal fines	\$ 135,000	\$ 133,158	\$ (1,842)
State grants:			
State aid	12,000	13,756	1,756
Fines and forfeitures:			
Book fines	21,250	21,481	231
Miscellaneous:			
Contributions from private sources	9,000	10,553	1,553
Interest earnings	1,800	2,159	359
Gates Foundation Grant	-	1,848	1,848
	<u>179,050</u>	<u>182,955</u>	<u>3,905</u>
TOTAL REVENUES			
EXPENDITURES:			
Cultural:			
Salaries and wages	257,789	258,312	(523)
Fringe benefits	137,446	137,544	(98)
Supplies	9,850	8,491	1,359
Professional services	27,182	28,832	(1,650)
Communication	3,087	3,016	71
Transportation	500	272	228
Insurance & bonds	450	420	30
Public utilities	1,974	-	1,974
Office rental	40,866	40,866	-
Capital outlay - equipment	1,000	2,460	(1,460)
Equipment maintenance	-	1,344	(1,344)
Equipment rental	2,150	2,019	131
Books, magazines & periodicals	49,000	44,503	4,497
Memberships & dues	678	185	493
Education and training	260	228	32
	<u>532,232</u>	<u>528,492</u>	<u>3,740</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>(353,182)</u>	<u>(345,537)</u>	<u>7,645</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,904)	(1,904)
Operating transfers in:			
General Fund	365,000	365,000	-
	<u>365,000</u>	<u>363,096</u>	<u>(1,904)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	11,818	17,559	5,741
Fund balance, beginning of year	<u>95,096</u>	<u>95,096</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 106,914</u>	<u>\$ 112,655</u>	<u>\$ 5,741</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 195,577	\$ 195,132
Receivables:		
Accrued interest	<u>1,167</u>	<u>868</u>
TOTAL ASSETS	<u>\$ 196,744</u>	<u>\$ 196,000</u>
FUND BALANCES:		
Assigned:		
Housing Rehab	<u>\$ 196,744</u>	<u>\$ 196,000</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 2,900</u>	<u>\$ 3,377</u>	<u>\$ 477</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1,000</u>	<u>428</u>	<u>572</u>
EXCESS REVENUES	<u>1,900</u>	<u>2,949</u>	<u>1,049</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(2,205)</u>	<u>(2,205)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	<u>1,900</u>	<u>744</u>	<u>(1,156)</u>
Fund balance, beginning of year	<u>196,000</u>	<u>196,000</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 197,900</u>	<u>\$ 196,744</u>	<u>\$ (1,156)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	June 30	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 104,502	\$ 638
Receivables:		
Accrued interest	703	2
Due from other governments:		
State of Michigan	<u>106,852</u>	<u>182,165</u>
TOTAL ASSETS	<u>\$ 212,057</u>	<u>\$ 182,805</u>
LIABILITIES:		
Accounts payable	\$ 55,209	\$ 2,563
Due to other funds:		
General Fund	-	120,229
Deferred revenue	<u>101,165</u>	<u>6,287</u>
TOTAL LIABILITIES	<u>156,374</u>	<u>129,079</u>
FUND BALANCES:		
Assigned:		
Economic Development	<u>55,683</u>	<u>53,726</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 212,057</u>	<u>\$ 182,805</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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ 468,100	\$ 314,066	\$ (154,034)
State grants	39,500	2,270	(37,230)
Federal sources	-	36,899	36,899
Miscellaneous:			
Interest earnings	-	1,494	1,494
TOTAL REVENUES	<u>507,600</u>	<u>354,729</u>	<u>(152,871)</u>
EXPENDITURES:			
Community services:			
Civic Center lockerroom	150,000	25,309	124,691
Whitetail Industrial Park project	1,000	-	1,000
K-9 bomb dog	13,000	13,000	-
Downtown Façade project	50,000	44,665	5,335
Harbor dredging	1,000	2,270	(1,270)
Besse Park project	295,000	267,528	27,472
TOTAL EXPENDITURES	<u>510,000</u>	<u>352,772</u>	<u>157,228</u>
EXCESS REVENUES (EXPENDITURES)	(2,400)	1,957	4,357
Fund balance, beginning of year	<u>53,726</u>	<u>53,726</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 51,326</u>	<u>\$ 55,683</u>	<u>\$ 4,357</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 1,553,613	\$ 1,477,962
Receivables:		
Mortgages, land contracts and other notes	701,707	737,567
Accrued interest	<u>9,145</u>	<u>6,749</u>
TOTAL ASSETS	<u>\$ 2,264,465</u>	<u>\$ 2,222,278</u>
LIABILITIES:		
Accounts payable	<u>\$ 37</u>	<u>\$ -</u>
FUND BALANCES:		
Restricted:		
Economic Development	<u>2,264,428</u>	<u>2,222,278</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,264,465</u>	<u>\$ 2,222,278</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 48,000	\$ 47,696	\$ (304)
Refund	-	14,692	14,692
TOTAL REVENUES	<u>48,000</u>	<u>62,388</u>	<u>14,388</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>3,000</u>	<u>2,596</u>	<u>404</u>
EXCESS REVENUES	45,000	59,792	14,792
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(17,642)</u>	<u>(17,642)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	45,000	42,150	(2,850)
Fund balance, beginning of year	<u>2,222,278</u>	<u>2,222,278</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,267,278</u>	<u>\$ 2,264,428</u>	<u>\$ (2,850)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 497,154	\$ 945,400
Sequestered cash and equivalents	931,654	403,207
Receivables:		
Mortgages, land contracts and other notes	645,262	699,541
Accrued interest	<u>4,929</u>	<u>3,901</u>
TOTAL ASSETS	<u>\$ 2,078,999</u>	<u>\$ 2,052,049</u>
LIABILITIES:		
Accounts payable	<u>\$ 1,968</u>	<u>\$ -</u>
FUND BALANCES:		
Restricted:		
Revolving loans	<u>2,077,031</u>	<u>2,052,049</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,078,999</u>	<u>\$ 2,052,049</u>

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 30,000	\$ 35,125	\$ 5,125
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,500	918	582
EXCESS REVENUES	28,500	34,207	5,707
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	(9,225)	(9,225)
EXCESS REVENUES AND OTHER FINANCING SOURCES	28,500	24,982	(3,518)
Fund balance, beginning of year	2,052,049	2,052,049	-
FUND BALANCE, END OF YEAR	<u>\$ 2,080,549</u>	<u>\$ 2,077,031</u>	<u>\$ (3,518)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOME GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 93,996	\$ 93,725
Receivables:		
Accrued interest	<u>562</u>	<u>429</u>
TOTAL ASSETS	<u>\$ 94,558</u>	<u>\$ 94,154</u>
FUND BALANCES:		
Assigned:		
Economic Development	<u>\$ 94,558</u>	<u>\$ 94,154</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 1,500	\$ 1,623	\$ 123
EXPENDITURES:			
Economic development:			
Administration	200	100	100
EXCESS REVENUES	1,300	1,523	223
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,119)	(1,119)
EXCESS REVENUES AND OTHER FINANCING SOURCES	1,300	404	(896)
Fund balance, beginning of year	94,154	94,154	-
FUND BALANCE, END OF YEAR	<u>\$ 95,454</u>	<u>\$ 94,558</u>	<u>\$ (896)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	June 30	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 954,527	\$ 932,995
Receivables:		
Mortgages, land contracts and other notes	123,000	134,246
Accrued interest	<u>5,643</u>	<u>3,702</u>
TOTAL ASSETS	<u>\$ 1,083,170</u>	<u>\$ 1,070,943</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 45
FUND BALANCES:		
Restricted:		
Revolving loans	<u>1,083,170</u>	<u>1,070,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,083,170</u>	<u>\$ 1,070,943</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 20,000</u>	<u>\$ 22,009</u>	<u>\$ 2,009</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	<u>2,000</u>	<u>1,255</u>	<u>745</u>
EXCESS REVENUES	18,000	20,754	2,754
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(8,482)</u>	<u>(8,482)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	18,000	12,272	(5,728)
Fund balance, beginning of year	<u>1,070,898</u>	<u>1,070,898</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,088,898</u>	<u>\$ 1,083,170</u>	<u>\$ (5,728)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 1,333,178	\$ 1,374,377
Receivables:		
Accrued interest	7,809	6,402
Advances to other funds:		
Marina Fund	315,254	331,242
Real estate held for resale	<u>8,200</u>	<u>8,200</u>
TOTAL ASSETS	<u>\$ 1,664,441</u>	<u>\$ 1,720,221</u>
LIABILITIES:		
Accounts payable	<u>\$ 32,800</u>	<u>\$ 3,662</u>
FUND BALANCES:		
Assigned:		
Capital improvements	<u>1,631,641</u>	<u>1,716,559</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,664,441</u>	<u>\$ 1,720,221</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 37,500	\$ 38,918	\$ 1,418
Rents	-	10,000	10,000
Sale of property	4,975	-	(4,975)
Sale of sand/topsoil	-	10,968	10,968
	<u>42,475</u>	<u>59,886</u>	<u>17,411</u>
TOTAL REVENUES			
EXPENDITURES:			
Highways, streets and public works:			
Loan repayment	23,750	23,750	-
Professional services	32,800	31,887	913
Property taxes	7,000	6,731	269
Maintenance of structures	-	125	(125)
Property improvements	2,000	-	2,000
	<u>65,550</u>	<u>62,493</u>	<u>3,057</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>(23,075)</u>	<u>(2,607)</u>	<u>20,468</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(17,311)	(17,311)
Operating transfers out:			
Marina Fund	(5,000)	(5,000)	-
General Fund	(60,000)	(60,000)	-
	<u>(65,000)</u>	<u>(60,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(65,000)</u>	<u>(82,311)</u>	<u>(17,311)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(88,075)</u>	<u>(84,918)</u>	<u>3,157</u>
Fund balance, beginning of year	<u>1,716,559</u>	<u>1,716,559</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,628,484</u>	<u>\$ 1,631,641</u>	<u>\$ 3,157</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
COMPARATIVE BALANCE SHEET

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ (17)	\$ 472
Receivables:		
Accounts, net of bad debt allowance	28,092	28,114
Accrued interest	<u>351</u>	<u>241</u>
TOTAL ASSETS	<u>\$ 28,426</u>	<u>\$ 28,827</u>
LIABILITIES:		
Due to other funds:		
Electric Fund	\$ -	\$ 7,996
General Fund	<u>7,198</u>	<u>-</u>
TOTAL LIABILITIES	<u>7,198</u>	<u>7,996</u>
FUND BALANCES:		
Assigned:		
Sanitary Landfill	<u>21,228</u>	<u>20,831</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,426</u>	<u>\$ 28,827</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Metered sales	\$ 203,000	\$ 203,158	\$ 158
Miscellaneous:			
Interest earnings	<u>750</u>	<u>828</u>	<u>78</u>
TOTAL REVENUES	<u>203,750</u>	<u>203,986</u>	<u>236</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	100	100	-
Uncollectible accounts	<u>100</u>	<u>-</u>	<u>100</u>
TOTAL EXPENDITURES	<u>200</u>	<u>100</u>	<u>100</u>
EXCESS REVENUES	<u>203,550</u>	<u>203,886</u>	<u>336</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(489)	(489)
Operating transfers out:			
General Fund	<u>(203,000)</u>	<u>(203,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(203,000)</u>	<u>(203,489)</u>	<u>(489)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	550	397	(153)
Fund balance, beginning of year	<u>20,831</u>	<u>20,831</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,381</u>	<u>\$ 21,228</u>	<u>\$ (153)</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, 2013
with comparative totals for June 30, 2012

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2013	2012
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 16,916,033	\$ 2,068,312	\$ 1,332,344	\$ 220,612	\$ 20,537,301	\$ 22,764,966
Cash received from other funds for services	-	2,099	11,092	-	13,191	8,991
Cash payments to suppliers for goods and services	(12,828,156)	(500,404)	(460,567)	(133,160)	(13,922,287)	(15,834,020)
Cash payments to employees for services	(3,446,308)	(717,542)	(448,482)	(62,128)	(4,674,460)	(5,070,656)
Cash payments to other funds for services	(7,526)	(17,038)	(38,523)	(5,547)	(68,634)	(90,736)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>634,043</u>	<u>835,427</u>	<u>395,864</u>	<u>19,777</u>	<u>1,885,111</u>	<u>1,778,545</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	-	-	-	(15,988)	(15,988)	52,042
Operating transfers in	-	-	-	9,000	9,000	-
Operating transfers out	(463,624)	-	-	-	(463,624)	(463,624)
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(463,624)</u>	<u>-</u>	<u>-</u>	<u>(6,988)</u>	<u>(470,612)</u>	<u>(411,582)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(325,301)	(48,462)	(14,303)	-	(388,066)	(3,528,833)
Proceeds from sale of capital assets	1,100	-	-	-	1,100	2,317
Principal paid on revenue bond maturities	-	(390,000)	(135,000)	-	(525,000)	(510,000)
Interest paid	-	(186,073)	(10,875)	(15,932)	(212,880)	(222,669)
State Grant	-	-	-	332	332	83,450
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(324,201)</u>	<u>(624,535)</u>	<u>(160,178)</u>	<u>(15,600)</u>	<u>(1,124,514)</u>	<u>(4,175,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(164,909)	(3,766)	(27,246)	(522)	(196,443)	98,325
Interest received	249,075	5,529	38,380	980	293,964	307,574
Rent received	-	15,600	-	-	15,600	13,800
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>84,166</u>	<u>17,363</u>	<u>11,134</u>	<u>458</u>	<u>113,121</u>	<u>419,699</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(69,616)</u>	<u>228,255</u>	<u>246,820</u>	<u>(2,353)</u>	<u>403,106</u>	<u>(2,389,073)</u>
Cash and equivalents, beginning of year	<u>12,742,824</u>	<u>390,732</u>	<u>2,524,621</u>	<u>111,446</u>	<u>15,769,623</u>	<u>18,158,696</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 12,673,208</u>	<u>\$ 618,987</u>	<u>\$ 2,771,441</u>	<u>\$ 109,093</u>	<u>\$ 16,172,729</u>	<u>\$ 15,769,623</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (195,816)	\$ 584,935	\$ 170,128	\$ (32,059)	\$ 527,188	\$ (147,302)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	806,800	372,061	216,036	68,647	1,463,544	1,543,714
Prior period adjustment	164,901	-	-	-	164,901	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(918,930)	17,419	3,927	(865)	(898,449)	(398,818)
(Increase) decrease in inventory	682,767	(2,997)	449	2,104	682,323	(10,976)
(Increase) decrease in prepaid expenses	(37,414)	2,532	-	-	(34,882)	143,476
Increase (decrease) in accounts payable	(114,703)	(143,735)	1,761	(15,364)	(272,041)	251,028
Increase (decrease) in accruals and deferrals	270,096	5,212	3,563	(586)	278,285	365,772
Increase (decrease) in customer deposits	(23,658)	-	-	-	(23,658)	29,260
Increase (decrease) in due to other funds	-	-	-	(2,100)	(2,100)	2,391
Total adjustments	<u>829,859</u>	<u>250,492</u>	<u>225,736</u>	<u>51,836</u>	<u>1,357,923</u>	<u>1,925,847</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 634,043</u>	<u>\$ 835,427</u>	<u>\$ 395,864</u>	<u>\$ 19,777</u>	<u>\$ 1,885,111</u>	<u>\$ 1,778,545</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Cash	\$ 137,279	\$ 11,916
Investments, at market	12,535,929	12,730,908
Receivables:		
Accounts	3,099,626	2,180,696
Accrued interest	71,523	61,674
Inventories, net of obsolescence allowance	1,466,661	2,149,428
Prepaid expenses	<u>357,617</u>	<u>320,203</u>
Total current assets	<u>17,668,635</u>	<u>17,454,825</u>
Property, plant and equipment	35,114,828	34,874,490
Less accumulated depreciation	<u>(26,320,268)</u>	<u>(25,612,781)</u>
Net property, plant and equipment	<u>8,794,560</u>	<u>9,261,709</u>
TOTAL ASSETS	<u>\$ 26,463,195</u>	<u>\$ 26,716,534</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,488,020	\$ 1,602,723
Customer deposits	224,497	248,155
Accrued salaries, wages and fringes	79,578	63,954
Deferred revenue	<u>1,427,724</u>	<u>1,173,252</u>
Total current liabilities	<u>3,219,819</u>	<u>3,088,084</u>
NET POSITION:		
Invested in capital assets, net of related debt	8,794,560	9,261,709
Unrestricted	<u>14,448,816</u>	<u>14,366,741</u>
TOTAL NET POSITION	<u>23,243,376</u>	<u>23,628,450</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,463,195</u>	<u>\$ 26,716,534</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 3,803,413	\$ 4,018,521
Hot water sales	29,685	32,838
Electric heat sales	26,281	27,243
Commercial sales	3,278,804	4,499,018
Industrial sales	4,767,736	5,466,446
Municipal rate sales	495,502	579,429
Street lighting	162,881	174,540
Interchange revenue	804,465	3,886,369
Connection charges	21,456	22,600
Energy optimization surcharge	208,134	184,282
Renewable energy surcharge	3,443	7,168
MISO SSR	3,710,280	-
Dusk to dawn lighting	48,123	55,318
Miscellaneous revenues	79,045	61,644
TOTAL OPERATING REVENUES	<u>17,439,248</u>	<u>19,015,416</u>
OPERATING EXPENSES:		
Production	14,120,792	16,412,800
Transmission and distribution	449,157	253,302
Customer service	14,539	24,428
Administrative and general	1,694,366	1,518,202
Provision for depreciation	806,800	885,588
Overhead to utilities	549,410	551,070
TOTAL OPERATING EXPENSES	<u>17,635,064</u>	<u>19,645,390</u>
OPERATING INCOME (LOSS)	<u>(195,816)</u>	<u>(629,974)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(164,909)	84,161
Gain (loss) sale of property	1,100	2,317
Interest earnings	258,924	278,749
Operating transfers out:		
General Fund	(463,624)	(463,624)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(368,509)</u>	<u>(98,397)</u>
CHANGE IN NET POSITION	<u>(564,325)</u>	<u>(728,371)</u>
Net position, beginning of year, as previously stated	23,628,450	24,279,794
Prior period adjustment	164,901	-
Net position, beginning of year, as restated	<u>23,793,351</u>	<u>24,279,794</u>
Contributed capital	14,350	77,027
NET POSITION, END OF YEAR	<u>\$ 23,243,376</u>	<u>\$ 23,628,450</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, 2013
with comparative totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$16,916,033	\$19,149,257
Cash payments to suppliers for goods and services	(12,828,156)	(14,838,670)
Cash payments to employees for services	(3,446,308)	(3,694,883)
Cash payments to other funds for services	<u>(7,526)</u>	<u>(16,683)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>634,043</u>	<u>599,021</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	(325,301)	(1,372,600)
Proceeds from sale of capital assets	<u>1,100</u>	<u>2,317</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(324,201)</u>	<u>(1,370,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(164,909)	84,161
Interest received	<u>249,075</u>	<u>258,639</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>84,166</u>	<u>342,800</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(69,616)	(892,086)
Cash and equivalents, beginning of year	<u>12,742,824</u>	<u>13,634,910</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$12,673,208</u>	<u>\$12,742,824</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (195,816)	\$ (629,974)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	806,800	885,588
Prior period adjustment	164,901	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(918,930)	(369,070)
(Increase) decrease in inventories	682,767	(3,920)
(Increase) decrease in prepaid expenses	(37,414)	140,943
Increase (decrease) in accounts payable	(114,703)	107,208
Increase (decrease) in accruals	15,624	(34,665)
Increase (decrease) in customer deposits	(23,658)	29,260
Increase (decrease) in due to other funds	-	291
Increase (decrease) in deferred revenue	<u>254,472</u>	<u>473,360</u>
Total adjustments	<u>829,859</u>	<u>1,228,995</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 634,043</u>	<u>\$ 599,021</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, 2013 and 2012

	June 30		Increase (Decrease)
	2013	2012	
OPERATING EXPENSES:			
Production:			
Building maintenance	\$ 7,626	\$ 860	\$ 6,766
Equipment maintenance	505	2,081	(1,576)
Power purchased	9,816,769	9,072,187	744,582
Prior year UPPCO expense	-	416,423	(416,423)
Plant payroll - Escanaba operator	1,545,458	1,693,927	(148,469)
Plant payroll - Proenergy	194,499	319,287	(124,788)
Production expense	86,443	150,226	(63,783)
Plant fringe benefits	533,664	445,034	88,630
Other employee expenses	-	7,355	(7,355)
Steam generation fuel	684,334	2,730,677	(2,046,343)
Plant office expense	22,349	27,388	(5,039)
Management fees	350,000	274,433	75,567
Plant travel, meals & lodging	59,390	36,181	23,209
Plant insurance	211,629	238,100	(26,471)
Plant operations & maintenance	488,990	831,663	(342,673)
Plant capital outlay	3,210	24,827	(21,617)
Dispatching fees	60,312	85,870	(25,558)
Miscellaneous	55,614	56,281	(667)
Total production	\$ 14,120,792	\$ 16,412,800	\$ (2,292,008)
Transmission and distribution:			
Salaries and wages	\$ 68	\$ -	\$ 68
Supplies	-	5,740	(5,740)
Building maintenance	-	30	(30)
Equipment maintenance	857	1,347	(490)
Pole painting	8,722	6,190	2,532
Operation of lines	95,990	42,032	53,958
Services on customer premises	9,259	17,899	(8,640)
Maintenance of equipment:			
Station equipment	77,809	4,207	73,602
Overhead system	90,325	40,672	49,653
Line transformers and devices	(4,173)	10,617	(14,790)
Services	30,832	26,159	4,673
Meters	48,247	56,022	(7,775)
Street lighting system	46,963	37,759	9,204
Underground system	40,240	2,971	37,269
Miscellaneous	4,018	1,657	2,361
Total transmission and distribution	\$ 449,157	\$ 253,302	\$ 195,855
Customer service:			
Salaries and wages	\$ 13,389	\$ 17,758	\$ (4,369)
Equipment rental	1,150	6,670	(5,520)
Total customer service	\$ 14,539	\$ 24,428	\$ (9,889)
Administrative and general:			
Salaries and wages	\$ 462,658	\$ 479,357	\$ (16,699)
Fringe benefits	162,786	153,785	9,001
Bank service charges	34,374	27,924	6,450
Supplies	1,789	2,766	(977)
Clothing supplies	2,941	3,335	(394)
Building supplies	2,256	1,462	794
Inventory management	12,570	14,897	(2,327)
Professional services	290,563	470,023	(179,460)
Transportation	453	488	(35)
Printing & publishing	389	487	(98)
Insurance & bonds	7,440	4,100	3,340
Public utilities	23,156	23,895	(739)
Capital outlay	379,927	685	379,242
Building maintenance	31,839	29,984	1,855
Equipment maintenance	4,375	3,914	461
Equipment rental	6,376	10,013	(3,637)
Books, magazines & periodicals	66	388	(322)
Memberships & dues	25,676	32,066	(6,390)
Education and training	40,810	14,158	26,652
Provision for uncollectible accounts	-	12,575	(12,575)
Promotions	23,592	19,814	3,778
Energy conservation program	180,330	212,086	(31,756)
Total administrative and general	\$ 1,694,366	\$ 1,518,202	\$ 176,164

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, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Retirements, Dispositions and Transfers</u>	<u>Balance</u> <u>06/30/13</u>
Operating plant:				
Structure and improvements	\$ 9,059,234	\$ -	\$ -	\$ 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>21,279,613</u>	<u>-</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	801,630	-	-	801,630
Poles and fixtures	12,630	-	-	12,630
	<u>1,368,561</u>	<u>-</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	109,049	39,330	333,541
Poles, towers and fixtures	1,642,869	136,525	13,000	1,766,394
Overhead conductors and devices	1,275,075	2,499	-	1,277,574
Underground conduits	687,707	10,604	-	698,311
Underground conductors	884,261	3,815	-	888,076
Line transformers	2,097,735	70,495	1,600	2,166,630
New services	708,449	2,043	-	710,492
Meters	515,104	9,734	7,560	517,278
Installation on customer premises	77,720	-	-	77,720
Street lighting	743,672	6,544	-	750,216
Office equipment	92,828	-	500	92,328
Transportation equipment	632,418	-	36,623	595,795
Laboratory equipment	122,096	1,706	-	123,802
Electric building	1,459,053	-	-	1,459,053
Miscellaneous tools	99,068	-	-	99,068
Miscellaneous equipment	51,562	-	700	50,862
	<u>11,450,242</u>	<u>353,014</u>	<u>99,313</u>	<u>11,703,943</u>
Construction in progress	<u>776,074</u>	<u>396</u>	<u>13,759</u>	<u>762,711</u>
TOTALS	<u>\$34,874,490</u>	<u>\$ 353,410</u>	<u>\$ 113,072</u>	<u>\$35,114,828</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 496,566	\$ 252,328
Receivables:		
Accounts	295,761	313,180
Accrued interest	2,746	1,487
Chemical inventory	14,342	14,550
Inventories, net of obsolescence allowance	93,234	90,029
Prepaid expenses	<u>45,382</u>	<u>47,914</u>
Total current assets	<u>948,031</u>	<u>719,488</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	<u>122,421</u>	<u>138,404</u>
Property, plant and equipment	20,174,783	20,157,793
Less accumulated depreciation	<u>(6,816,583)</u>	<u>(6,475,994)</u>
Net property, plant and equipment	<u>13,358,200</u>	<u>13,681,799</u>
TOTAL ASSETS	<u>\$ 14,428,652</u>	<u>\$ 14,539,691</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 16,461	\$ 160,196
Accrued salaries, wages and fringes	54,553	49,341
Accrued interest payable	49,265	51,363
Deferred revenue	1,300	1,300
Bonds payable:		
Current portion of revenue bonds	<u>400,000</u>	<u>390,000</u>
Total current liabilities	<u>521,579</u>	<u>652,200</u>
Long-term liabilities:		
Bonds payable	<u>6,550,000</u>	<u>6,950,000</u>
TOTAL LIABILITIES	<u>7,071,579</u>	<u>7,602,200</u>
NET POSITION:		
Invested in capital assets, net of related debt	6,408,200	6,341,799
Unrestricted	826,452	457,288
Restricted:		
Revenue bond indentures	<u>122,421</u>	<u>138,404</u>
TOTAL NET POSITION	<u>7,357,073</u>	<u>6,937,491</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 14,428,652</u>	<u>\$ 14,539,691</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,962,661	\$ 1,871,968
Flat rate sales	33,403	30,002
Hydrant rental	13,883	86,394
Interdepartmental sales	2,099	-
Reconnection fees	9,649	7,431
New meter charges	138	-
Miscellaneous revenues	<u>32,159</u>	<u>73,727</u>
TOTAL OPERATING REVENUES	<u>2,053,992</u>	<u>2,069,522</u>
OPERATING EXPENSES:		
Production	361,562	376,866
Transmission and distribution	75,083	140,086
Customer service	38,381	33,102
Administrative and general	434,107	552,530
Provision for depreciation	372,061	373,323
Overhead to utilities	<u>187,863</u>	<u>187,337</u>
TOTAL OPERATING EXPENSES	<u>1,469,057</u>	<u>1,663,244</u>
OPERATING INCOME	<u>584,935</u>	<u>406,278</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(3,766)	1,482
Rent received	15,600	13,800
Interest subsidy	72,937	74,343
Interest earnings	6,788	15,513
Interest expense	<u>(256,912)</u>	<u>(278,487)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(165,353)</u>	<u>(173,349)</u>
CHANGE IN NET POSITION	419,582	232,929
Net position, beginning of year	<u>6,937,491</u>	<u>6,704,562</u>
NET POSITION, END OF YEAR	<u>\$ 7,357,073</u>	<u>\$ 6,937,491</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, 2013
with comparative totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services	\$ 2,068,312	\$ 2,018,790
Cash received from other funds for services	2,099	-
Cash payments to suppliers for goods and services	(500,404)	(243,957)
Cash payments to employees for services	(717,542)	(914,086)
Cash payments to other funds for services	(17,038)	(37,733)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>835,427</u>	<u>823,014</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(48,462)	(2,001,956)
Principal paid on revenue bond maturities	(390,000)	(380,000)
Interest paid on bonds	(186,073)	(193,751)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(624,535)</u>	<u>(2,575,707)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(3,766)	1,482
Interest received	5,529	15,427
Rent received	15,600	13,800
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>17,363</u>	<u>30,709</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	228,255	(1,721,984)
Cash and equivalents, beginning of year	<u>390,732</u>	<u>2,112,716</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 618,987</u>	<u>\$ 390,732</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 584,935	\$ 406,278
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	372,061	373,323
Changes in assets and liabilities:		
(Increase) decrease in receivables	17,419	(48,488)
(Increase) decrease in inventories	(2,997)	(9,322)
(Increase) decrease in prepaids	2,532	2,533
Increase (decrease) in accounts payable	(143,735)	143,962
Increase (decrease) in accruals	5,212	(45,422)
Increase (decrease) in deferred revenue	-	150
Total adjustments	<u>250,492</u>	<u>416,736</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 835,427</u>	<u>\$ 823,014</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2013 and 2012

	June 30		
	2013	2012	Increase (Decrease)
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 172,487	\$ 178,553	\$ (6,066)
Supplies - miscellaneous	482	-	482
Plant chemicals	135,719	131,042	4,677
Laboratory chemicals and supplies	24,746	16,518	8,228
Diesel fuel	2,744	1,473	1,271
Repairs to structure - labor	517	1,410	(893)
Repairs to structures - supplies	236	37,651	(37,415)
Repairs to equipment - portable	6,144	6,930	(786)
Repairs to tanks	16,081	335	15,746
Equipment rental - structures and improvement	2,239	1,470	769
Equipment rental - maintenance of equipment	167	1,484	(1,317)
Total production	\$ 361,562	\$ 376,866	\$ (15,304)
Transmission and distribution:			
Labor	\$ 58,176	\$ 100,302	\$ (42,126)
Supplies	9,236	15,011	(5,775)
Equipment rental	7,671	24,773	(17,102)
Total transmission and distribution	\$ 75,083	\$ 140,086	\$ (65,003)
Customer service:			
Labor	\$ 30,872	\$ 25,481	\$ 5,391
Supplies	1,368	889	479
Thawing water services	406	62	344
Equipment rental	5,735	6,670	(935)
Total customer service	\$ 38,381	\$ 33,102	\$ 5,279
Administrative and general:			
Salaries and wages	\$ 89,717	\$ 113,779	\$ (24,062)
Telephone	1,746	2,066	(320)
Overhead on salaries and wages	94,202	133,851	(39,649)
Life and hospital insurance	89,437	129,361	(39,924)
Supplies - miscellaneous	838	921	(83)
Office supplies	617	440	177
Building supplies	1,830	1,214	616
Professional services	1,065	1,634	(569)
Special services	7,178	4,620	2,558
Miss Dig	21,177	8,228	12,949
Travel expense, auto allowance	775	1,618	(843)
Printing and publishing	3,327	3,067	260
Insurance and bonds	10,324	12,648	(2,324)
Utilities - electric	73,296	94,194	(20,898)
Utilities - gas	18,883	20,242	(1,359)
Utilities - wastewater	9,980	8,991	989
Repairs to structures	749	355	394
Repairs to equipment	1,946	1,484	462
Rental of equipment	1,226	3,336	(2,110)
Uncollectible accounts	-	1,479	(1,479)
Memberships and dues	295	620	(325)
Education and training	5,279	7,613	(2,334)
Capital outlay	220	769	(549)
Total administrative and general	\$ 434,107	\$ 552,530	\$ (118,423)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013

CAPITAL IMPROVEMENT BONDS SERIES 2010

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Subsidy of Interest</u>	<u>Net Payment</u>
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>\$2,945,000.00</u>	<u>\$ 1,780,280.00</u>	<u>\$ 4,725,280.00</u>	<u>\$ (801,126.06)</u>	<u>\$ 3,924,153.94</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2013

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,537	172,537
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>\$2,330,000</u>	<u>\$ 390,787</u>	<u>\$2,720,787</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2013

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$1,675,000</u>	<u>\$ 240,937</u>	<u>\$1,915,937</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, 2013

	Balance 06/30/12	Additions	Retirements and Transfers	Balance 06/30/13
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	9,107,479	152,853	5,836	9,254,496
Water towers	743,603	-	-	743,603
Lake intake	9,861,964	-	-	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	768,414	-	-	768,414
Distribution mains	5,385,707	-	-	5,385,707
Meters	427,536	44,858	31,472	440,922
Hydrants	83,562	-	-	83,562
Office furniture and equipment	82,301	-	-	82,301
Laboratory equipment	46,389	-	-	46,389
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	138,317	-	-	138,317
Subtotal	20,014,380	197,711	37,308	20,174,783
Construction in progress	143,413	-	143,413	-
TOTALS	<u>\$20,157,793</u>	<u>\$ 197,711</u>	<u>\$ 180,721</u>	<u>\$20,174,783</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 2,538,143	\$ 2,289,465
Receivables:		
Accounts	183,102	187,029
Accrued interest	15,253	10,620
Chemical inventory	<u>8,425</u>	<u>8,874</u>
Total current assets	<u>2,744,923</u>	<u>2,495,988</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	97,448	99,306
Replacement account:		
Equity in pooled cash and investments	50,000	93,701
Bond reserve account:		
Investments, at market	<u>85,850</u>	<u>42,149</u>
Total restricted assets	<u>233,298</u>	<u>235,156</u>
Property, plant and equipment	12,213,134	12,201,285
Less accumulated depreciation	<u>(6,304,334)</u>	<u>(6,090,752)</u>
Net property, plant and equipment	<u>5,908,800</u>	<u>6,110,533</u>
TOTAL ASSETS	<u>\$ 8,887,021</u>	<u>\$ 8,841,677</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,399	\$ 638
Accrued salaries, wages and fringes	68,594	65,031
Accrued interest payable	2,365	3,077
Payable from restricted assets:		
Current portion of revenue bonds	<u>140,000</u>	<u>135,000</u>
Total current liabilities	<u>213,358</u>	<u>203,746</u>
Long-term liabilities:		
Revenue bonds payable	<u>290,000</u>	<u>430,000</u>
TOTAL LIABILITIES	<u>503,358</u>	<u>633,746</u>
NET POSITION:		
Invested in capital assets, net of related debt	5,478,800	5,545,533
Unrestricted	2,811,565	2,562,242
Restricted:		
Revenue bond indentures	<u>93,298</u>	<u>100,156</u>
TOTAL NET POSITION	<u>8,383,663</u>	<u>8,207,931</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,887,021</u>	<u>\$ 8,841,677</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,312,248	\$ 1,289,173
Interdepartmental sales	11,092	8,991
Reconnection fees	2,645	3,218
Miscellaneous revenues	<u>13,524</u>	<u>34,630</u>
TOTAL OPERATING REVENUES	<u>1,339,509</u>	<u>1,336,012</u>
OPERATING EXPENSES:		
Production	306,578	255,642
Transmission and distribution	75,364	80,616
Station	23,165	22,760
Customer service	25,501	25,121
Administrative and general	344,024	413,649
Provision for depreciation	216,036	215,700
Overhead to utilities	<u>178,713</u>	<u>178,191</u>
TOTAL OPERATING EXPENSES	<u>1,169,381</u>	<u>1,191,679</u>
OPERATING INCOME (LOSS)	<u>170,128</u>	<u>144,333</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(27,246)	12,560
Interest earnings	43,013	36,500
Interest expense	<u>(10,163)</u>	<u>(12,981)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,604</u>	<u>36,079</u>
CHANGE IN NET POSITION	175,732	180,412
Net position, beginning of year	<u>8,207,931</u>	<u>8,027,519</u>
NET POSITION, END OF YEAR	<u>\$ 8,383,663</u>	<u>\$ 8,207,931</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, 2013
with comparative totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services	\$ 1,332,344	\$ 1,320,045
Cash received from other funds for services	11,092	8,991
Cash payments to suppliers for goods and services	(460,567)	(583,303)
Cash payments to employees for services	(448,482)	(389,916)
Cash payments to other funds for services	(38,523)	(34,339)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>395,864</u>	<u>321,478</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(14,303)	(15,221)
Principal paid on revenue bond maturities	(135,000)	(130,000)
Interest paid on revenue bonds	(10,875)	(13,662)
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(160,178)</u>	<u>(158,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(27,246)	12,560
Interest received	38,380	32,866
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,134</u>	<u>45,426</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	246,820	208,021
Cash and equivalents, beginning of year	<u>2,524,621</u>	<u>2,316,600</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,771,441</u>	<u>\$ 2,524,621</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 170,128	\$ 144,333
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	216,036	215,700
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,927	(6,976)
(Increase) decrease in chemical inventory	449	(1,195)
Increase (decrease) in accounts payable	1,761	(2,147)
Increase (decrease) in accruals	3,563	(28,237)
Total adjustments	<u>225,736</u>	<u>177,145</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 395,864</u>	<u>\$ 321,478</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, 2013 and 2012

	<u>June 30</u>		
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 156,938	\$ 130,290	\$ 26,648
Supplies - miscellaneous	624	186	438
Plant chemicals	37,860	33,384	4,476
Laboratory chemicals and supplies	6,056	4,602	1,454
NPDES and permit testing	7,203	9,251	(2,048)
Sludge hauling	19,568	19,633	(65)
Sludge fee	1,648	2,984	(1,336)
Diesel fuel	901	744	157
Repairs to structure - labor	1,842	-	1,842
Repairs to structures - supplies	1,385	182	1,203
Repairs to equipment - outside vendors	8,027	1,363	6,664
Repairs to equipment - labor	51,511	41,080	10,431
Repairs to equipment - supplies	12,172	11,418	754
Rental of equipment	843	525	318
Total production	<u>\$ 306,578</u>	<u>\$ 255,642</u>	<u>\$ 50,936</u>
Transmission and distribution:			
Salaries and wages	\$ 25,098	\$ 18,206	\$ 6,892
Fringe benefits	266	-	266
Supplies - miscellaneous	431	751	(320)
Repairs to structures - supplies	11,790	29,073	(17,283)
Repairs to equipment	1,351	273	1,078
Rental of equipment	33,230	28,915	4,315
Repairs to structure - inspection	3,198	3,398	(200)
Total transmission and distribution	<u>\$ 75,364</u>	<u>\$ 80,616</u>	<u>\$ (5,252)</u>
Station:			
Salaries and wages	\$ 10,338	\$ 10,535	\$ (197)
Repairs to structures - supplies	2,559	776	1,783
Repairs to equipment - labor	3,443	4,030	(587)
Repairs to equipment - supplies	3,372	3,184	188
Rental of equipment	3,453	4,235	(782)
Total station	<u>\$ 23,165</u>	<u>\$ 22,760</u>	<u>\$ 405</u>
Customer service:			
Rental of equipment	\$ 565	\$ 664	\$ (99)
Labor - service to customers	24,936	24,457	479
Total customer service	<u>\$ 25,501</u>	<u>\$ 25,121</u>	<u>\$ 380</u>
Administrative and general:			
Salaries and wages	\$ 61,419	\$ 93,631	\$ (32,212)
Printing and publishing	149	177	(28)
Telephone	1,211	1,200	11
Overhead on salaries and wages	111,691	109,017	2,674
Life and hospital insurance	61,359	82,959	(21,600)
Supplies - miscellaneous	584	130	454
Office supplies	296	313	(17)
Building supplies	672	624	48
Professional services	65	543	(478)
Special services	4,270	407	3,863
Miss Dig	319	294	25
Travel expense, auto allowance	775	1,132	(357)
Insurance and bonds	11,569	14,237	(2,668)
Utilities - electric	74,150	92,834	(18,684)
Utilities - gas	8,295	6,026	2,269
Repairs to equipment	2,844	1,687	1,157
Rental of equipment	432	1,344	(912)
Uncollectible accounts	-	989	(989)
Memberships and dues	-	471	(471)
Education and training	3,924	5,634	(1,710)
Total administrative and general	<u>\$ 344,024</u>	<u>\$ 413,649</u>	<u>\$ (69,625)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2013

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, 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>\$ 345,000</u>	<u>\$ 23,794</u>	<u>\$ 368,794</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2013

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2013	2.00%	<u>\$ 85,000</u>	<u>\$ 850</u>	<u>\$ 85,850</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, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/13</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,782,809	12,303	-	6,795,112
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>29,781</u>	<u>2,000</u>	<u>2,454</u>	<u>29,327</u>
TOTALS	<u>\$12,201,285</u>	<u>\$ 14,303</u>	<u>\$ 2,454</u>	<u>\$12,213,134</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	June 30	
	2013	2012
ASSETS:		
Current assets:		
Cash	\$ 12,500	\$ 24,275
Investments, at market	96,593	87,171
Accrued interest receivable	559	359
Receivables	8,378	7,513
Due from other governments:		
State of Michigan	-	332
Inventories, net of obsolescence allowance	19,143	21,247
Total current assets	137,173	140,897
Property, plant and equipment	2,794,211	2,795,742
Less accumulated depreciation	(1,211,863)	(1,144,603)
Net property, plant and equipment	1,582,348	1,651,139
TOTAL ASSETS	\$ 1,719,521	\$ 1,792,036
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,186	\$ 17,550
Due to other funds:		
Capital Projects Fund	-	2,100
Deferred revenue	-	586
Total current liabilities	2,186	20,236
Long-term liabilities:		
Advance from other funds:		
Land Development Fund	315,254	331,242
TOTAL LIABILITIES	317,440	351,478
NET POSITION:		
Invested in capital assets, net of related debt	1,267,094	1,319,897
Unrestricted	134,987	120,661
TOTAL NET POSITION	1,402,081	1,440,558
TOTAL LIABILITIES AND NET POSITION	\$ 1,719,521	\$ 1,792,036

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services:		
Dock fees	\$ 147,595	\$ 168,581
Fuel and concession revenues	71,045	98,920
Miscellaneous:		
Contributions from private sources	3,213	2,020
Other	210	657
TOTAL OPERATING REVENUES	<u>222,063</u>	<u>270,178</u>
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	50,450	52,922
Fringe benefits	15,125	18,849
Fuel	64,560	90,317
Clothing	291	-
Professional services	750	5,955
Office supplies	2,889	3,160
Building supplies	1,292	1,258
Communications	1,443	1,471
Transportation	222	274
Printing and publishing	-	201
Insurance and bonds	5,209	5,312
Public utilities	10,759	12,255
Building maintenance	4,422	4,406
Meetings	49	80
Marina Fest	3,210	2,020
Equipment repair	1,260	2,792
Equipment rental	3,447	4,081
Weed harvesting	19,287	43,815
New equipment	810	240
Provision for depreciation	68,647	69,103
TOTAL OPERATING EXPENSES	<u>254,122</u>	<u>318,511</u>
OPERATING INCOME (LOSS)	<u>(32,059)</u>	<u>(48,333)</u>
NON-OPERATING REVENUES (EXPENSES):		
State grants:		
L dock	-	69,528
Gain (loss) on sale of investments	(522)	122
Interest earnings	1,180	694
Loss on sale of equipment	(144)	-
Interest expense	(15,932)	(15,256)
Operating transfers in:		
Land Development Fund	5,000	-
Downtown Development Authority	4,000	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,418)</u>	<u>55,088</u>
CHANGE IN NET POSITION	<u>(38,477)</u>	<u>6,755</u>
Net position, beginning of year	<u>1,440,558</u>	<u>1,433,803</u>
NET POSITION, END OF YEAR	<u>\$ 1,402,081</u>	<u>\$ 1,440,558</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
STATEMENT OF CASH FLOWS

For the year ended June 30, 2013
with comparative totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 220,612	\$ 276,874
Cash payments to suppliers for goods and services	(133,160)	(168,090)
Cash payments to employees for services	(62,128)	(71,771)
Cash payments to other funds for services	(5,547)	(1,981)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>19,777</u>	<u>35,032</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	(15,988)	(12,958)
Receipt of interfund loans	-	65,000
Operating transfers in	9,000	-
TOTAL CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(6,988)</u>	<u>52,042</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid	(15,932)	(15,256)
Acquisition of capital assets	-	(139,056)
State grant	332	83,450
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(15,600)</u>	<u>(70,862)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(522)	122
Interest earned	980	642
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>458</u>	<u>764</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(2,353)	16,976
Cash and equivalents, beginning of year	<u>111,446</u>	<u>94,470</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 109,093</u>	<u>\$ 111,446</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (32,059)	\$ (48,333)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	68,647	69,103
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(865)	6,110
(Increase) decrease in inventories	2,104	3,461
Increase (decrease) in accounts payable	(15,364)	2,005
Increase (decrease) in due to other funds	(2,100)	2,100
Increase (decrease) in deferred revenue	(586)	586
Total adjustments	<u>51,836</u>	<u>83,365</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 19,777</u>	<u>\$ 35,032</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, 2013

	Balance 06/30/12	Transfers and Additions	Retirements, Dispositions and Transfers	Balance 06/30/13
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	-	1,531	8,053
Marina Docks, Piers and Walls:				
12 floating piers, revetment wall and fuel system	328,314	-	-	328,314
Barage 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
TOTALS	<u>\$ 2,795,742</u>	<u>\$ -</u>	<u>\$ 1,531</u>	<u>\$ 2,794,211</u>

See accompanying notes to financial statements.

INTERNAL SERVICE FUNDS

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Health Insurance Fund
ASSETS:					
Current assets:					
Investments, at market	\$ 351,943	\$ 408,378	\$ 139,549	\$ 94,866	\$ 325,553
Receivables:					
Accounts, net of bad debt allowance	-	-	18,620	-	812
Accrued interest	1,951	2,385	764	582	1,910
Due from other funds:					
General fund	-	-	-	-	-
Prepaid expenses	34,716	-	-	109,613	18,192
Cash on deposit	-	-	-	-	-
Total current assets	<u>388,610</u>	<u>410,763</u>	<u>158,933</u>	<u>205,061</u>	<u>346,467</u>
Property, plant and equipment					
Property, plant and equipment	7,369,311	6,042,241	465,611	-	-
Less accumulated depreciation	<u>(2,842,162)</u>	<u>(4,661,965)</u>	<u>(321,047)</u>	-	-
Net property, plant and equipment	<u>4,527,149</u>	<u>1,380,276</u>	<u>144,564</u>	-	-
TOTAL ASSETS	<u>\$ 4,915,759</u>	<u>\$ 1,791,039</u>	<u>\$ 303,497</u>	<u>\$ 205,061</u>	<u>\$ 346,467</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 1,900	\$ 6,732	\$ -	\$ 2,317	\$ -
Claims payable	-	-	-	-	-
Accrued salaries, wages and fringes	-	15,464	-	-	-
Accrued interest payable	34,201	-	-	-	-
Due to other funds:					
General Fund	-	-	-	-	-
Bonds payable	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>226,101</u>	<u>22,196</u>	<u>-</u>	<u>2,317</u>	<u>-</u>
Long-term liabilities:					
Advance from other funds:					
General Fund	-	231,184	-	-	-
Bonds payable	<u>2,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>2,225,000</u>	<u>231,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,451,101</u>	<u>253,380</u>	<u>-</u>	<u>2,317</u>	<u>-</u>
NET POSITION:					
Invested in capital assets, net of related debt	2,112,149	1,149,092	144,564	-	-
Unrestricted	<u>352,509</u>	<u>388,567</u>	<u>158,933</u>	<u>202,744</u>	<u>346,467</u>
TOTAL NET POSITION	<u>2,464,658</u>	<u>1,537,659</u>	<u>303,497</u>	<u>202,744</u>	<u>346,467</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,915,759</u>	<u>\$ 1,791,039</u>	<u>\$ 303,497</u>	<u>\$ 205,061</u>	<u>\$ 346,467</u>

See accompanying notes to financial statements.

Worker's Compensation Fund	Unemployment Compensation Fund	Totals	
		2013	2012
\$ 320,501	\$ 296,386	\$ 1,937,176	\$ 2,139,191
-	-	19,432	17,601
2,458	1,762	11,812	9,144
-	-	-	2,100
37,709	-	200,230	246,758
-	-	-	(190)
<u>360,668</u>	<u>298,148</u>	<u>2,168,650</u>	<u>2,414,604</u>
-	-	13,877,163	13,977,852
-	-	(7,825,174)	(7,606,587)
-	-	6,051,989	6,371,265
<u>\$ 360,668</u>	<u>\$ 298,148</u>	<u>\$ 8,220,639</u>	<u>\$ 8,785,869</u>

\$ -	\$ -	\$ 10,949	\$ 26,955
197,000	5,509	202,509	387,434
-	-	15,464	20,437
-	-	34,201	36,602
-	-	-	9,560
-	-	190,000	180,000
<u>197,000</u>	<u>5,509</u>	<u>453,123</u>	<u>660,988</u>

-	-	231,184	275,298
-	-	2,225,000	2,415,000
-	-	2,456,184	2,690,298
<u>197,000</u>	<u>5,509</u>	<u>2,909,307</u>	<u>3,351,286</u>

-	-	3,405,805	3,500,967
163,668	292,639	1,905,527	1,933,616
<u>163,668</u>	<u>292,639</u>	<u>5,311,332</u>	<u>5,434,583</u>
<u>\$ 360,668</u>	<u>\$ 298,148</u>	<u>\$ 8,220,639</u>	<u>\$ 8,785,869</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	<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>
OPERATING REVENUES:					
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -
City's contribution for employees	-	-	-	-	-
Equipment rental	-	802,465	32,760	-	-
Provision for self insurance	-	-	-	188,088	-
Miscellaneous	394,549	56	72,249	-	-
TOTAL OPERATING REVENUES	<u>394,549</u>	<u>802,521</u>	<u>105,009</u>	<u>188,088</u>	<u>-</u>
OPERATING EXPENSES:					
General government	99,525	708,461	15,546	53,452	1,150
Capital projects	15,926	-	-	-	-
Provision for depreciation	146,284	292,813	48,547	-	-
TOTAL OPERATING EXPENSES	<u>261,735</u>	<u>1,001,274</u>	<u>64,093</u>	<u>53,452</u>	<u>1,150</u>
OPERATING INCOME (LOSS)	<u>132,814</u>	<u>(198,753)</u>	<u>40,916</u>	<u>134,636</u>	<u>(1,150)</u>
NON-OPERATING REVENUES (EXPENSES):					
Gain (loss) on sale of investments	(4,518)	(6,926)	(1,021)	(208)	(753)
Gain (loss) on sale of equipment	-	1,614	-	-	-
Gain (loss) sale of property	-	-	-	-	-
Interest earnings	5,795	6,947	2,222	6,805	5,629
Interest expense	(110,560)	(15,141)	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(4,200)	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(109,283)</u>	<u>(13,506)</u>	<u>(2,999)</u>	<u>6,597</u>	<u>4,876</u>
CHANGE IN NET POSITION	23,531	(212,259)	37,917	141,233	3,726
Net position, beginning of year	2,441,127	1,749,918	265,580	61,511	342,741
NET POSITION, END OF YEAR	<u>\$ 2,464,658</u>	<u>\$ 1,537,659</u>	<u>\$ 303,497</u>	<u>\$ 202,744</u>	<u>\$ 346,467</u>

See accompanying notes to financial statements.

Worker's Compensation Fund	Unemployment Compensation Fund	Totals	
		2013	2012
\$ -	\$ -	\$ -	\$ 8,199
-	-	-	152,375
-	-	835,225	776,541
-	-	188,088	173,926
-	-	<u>466,854</u>	<u>472,846</u>
-	-	<u>1,490,167</u>	<u>1,583,887</u>
118,965	914	998,013	1,255,032
-	-	15,926	42,389
-	-	<u>487,644</u>	<u>498,618</u>
<u>118,965</u>	<u>914</u>	<u>1,501,583</u>	<u>1,796,039</u>
<u>(118,965)</u>	<u>(914)</u>	<u>(11,416)</u>	<u>(212,152)</u>
(6,676)	(3,635)	(23,737)	8,198
-	-	1,614	1,270
-	-	-	(2,803)
7,600	5,191	40,189	38,734
-	-	(125,701)	(134,938)
-	-	-	17,400
-	-	<u>(4,200)</u>	<u>(21,600)</u>
<u>924</u>	<u>1,556</u>	<u>(111,835)</u>	<u>(93,739)</u>
<u>(118,041)</u>	<u>642</u>	<u>(123,251)</u>	<u>(305,891)</u>
<u>281,709</u>	<u>291,997</u>	<u>5,434,583</u>	<u>5,740,474</u>
<u>\$ 163,668</u>	<u>\$ 292,639</u>	<u>\$ 5,311,332</u>	<u>\$ 5,434,583</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2013
with comparative totals for the year ended June 30, 2012

	<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>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -
Cash received for outside charges	-	-	71,230	-	-
Cash received from other funds for services	394,549	802,521	32,760	188,088	-
Cash payments to suppliers for goods and services	(93,276)	(568,961)	(16,044)	-	(1,150)
Cash payments to employees for services	(28,123)	(150,609)	-	-	-
Cash payments of benefits	-	-	-	(99,426)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>273,150</u>	<u>82,951</u>	<u>87,946</u>	<u>88,662</u>	<u>(1,150)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:					
Activities:					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(4,200)	-	-
NET CASH FLOWS PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(4,200)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Principal payments on bonds/advances	(180,000)	(42,014)	-	-	-
Interest expense	(112,961)	(15,141)	-	-	-
Acquisition and construction of capital assets	(22,680)	(82,936)	(62,752)	-	-
Proceeds from sale of equipment	-	1,614	-	-	-
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(315,641)</u>	<u>(138,477)</u>	<u>(62,752)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and gains on investments	1,013	(61)	935	6,031	3,711
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(41,478)</u>	<u>(55,587)</u>	<u>21,929</u>	<u>94,693</u>	<u>2,561</u>
Cash and equivalents, beginning of year	393,421	463,965	117,620	173	322,992
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 351,943</u>	<u>\$ 408,378</u>	<u>\$ 139,549</u>	<u>\$ 94,866</u>	<u>\$ 325,553</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 132,814	\$ (198,753)	\$ 40,916	\$ 134,636	\$ (1,150)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	146,284	292,813	48,547	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables, prepaids, due from other funds and deposits	3,156	4	(1,019)	74,269	5,806
Increase (decrease) in accounts and claims payable and due to other funds	(9,104)	(6,140)	(498)	(120,243)	(5,806)
Increase (decrease) in accruals	-	(4,973)	-	-	-
Total adjustments	<u>140,336</u>	<u>281,704</u>	<u>47,030</u>	<u>(45,974)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 273,150</u>	<u>\$ 82,951</u>	<u>\$ 87,946</u>	<u>\$ 88,662</u>	<u>\$ (1,150)</u>

See accompanying notes to financial statements.

Worker's Com- pensation Fund	Unemploy- ment Com- pensation Fund	Totals	
		2013	2012
\$ -	\$ -	\$ -	\$ 160,574
-	-	71,230	46,133
-	-	1,417,918	1,360,595
(52,314)	(200)	(731,945)	(734,091)
-	-	(178,732)	(177,553)
<u>(160,941)</u>	<u>(12,833)</u>	<u>(273,200)</u>	<u>(119,674)</u>
<u>(213,255)</u>	<u>(13,033)</u>	<u>305,271</u>	<u>535,984</u>
-	-	-	17,400
-	-	(4,200)	(21,600)
-	-	(4,200)	(4,200)
-	-	(222,014)	(217,113)
-	-	(128,102)	(137,126)
-	-	(168,368)	(383,452)
-	-	1,614	1,270
-	-	(516,870)	(736,421)
<u>991</u>	<u>1,164</u>	<u>13,784</u>	<u>44,616</u>
(212,264)	(11,869)	(202,015)	(160,021)
<u>532,765</u>	<u>308,255</u>	<u>2,139,191</u>	<u>2,299,212</u>
<u>\$ 320,501</u>	<u>\$ 296,386</u>	<u>\$1,937,176</u>	<u>\$2,139,191</u>
\$ (118,965)	\$ (914)	\$ (11,416)	\$ (212,152)
-	-	487,644	498,618
(37,709)	-	44,507	289,309
(56,581)	(12,119)	(210,491)	(41,891)
-	-	(4,973)	2,100
<u>(94,290)</u>	<u>(12,119)</u>	<u>316,687</u>	<u>748,136</u>
<u>\$ (213,255)</u>	<u>\$ (13,033)</u>	<u>\$ 305,271</u>	<u>\$ 535,984</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	June 30	
	2013	2012
ASSETS:		
Current assets:		
Investments, at market	\$ 351,943	\$ 393,421
Receivables:		
Accrued interest	1,951	1,687
Prepaid expenses	34,716	37,872
Total current assets	<u>388,610</u>	<u>432,980</u>
Property, plant and equipment:		
Property, plant and equipment	7,369,311	7,347,331
Less accumulated depreciation	<u>(2,842,162)</u>	<u>(2,696,578)</u>
Net property, plant and equipment	<u>4,527,149</u>	<u>4,650,753</u>
TOTAL ASSETS	<u>\$ 4,915,759</u>	<u>\$ 5,083,733</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,900	\$ 11,004
Accrued interest payable	34,201	36,602
Bonds payable	<u>190,000</u>	<u>180,000</u>
Total current liabilities	<u>226,101</u>	<u>227,606</u>
Long-term liabilities:		
Bonds payable	<u>2,225,000</u>	<u>2,415,000</u>
TOTAL LIABILITIES	<u>2,451,101</u>	<u>2,642,606</u>
NET POSITION:		
Invested in capital assets, net of related debt	2,112,149	2,055,753
Unrestricted	<u>352,509</u>	<u>385,374</u>
TOTAL NET POSITION	<u>2,464,658</u>	<u>2,441,127</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,915,759</u>	<u>\$ 5,083,733</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Miscellaneous	\$ 394,549	\$ 409,112
OPERATING EXPENSES:		
General government:		
Salaries and wages	22,948	23,011
Fringe benefits	18	2,011
Overhead on salaries and wages	5,157	6,186
Professional services	1,612	625
Public utilities	49,699	57,145
Insurance and bonds	4,830	5,849
Supplies	531	307
Building supplies	7,033	4,623
Equipment rental	113	121
Equipment maintenance	5,299	4,614
Telephone	1,943	2,091
Christmas Tree	342	321
Capital projects:		
Construction	15,926	42,389
Provision for depreciation	146,284	146,696
TOTAL OPERATING EXPENSES	<u>261,735</u>	<u>295,989</u>
OPERATING INCOME	<u>132,814</u>	<u>113,123</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(4,518)	2,031
Gain (loss) sale of property	-	(2,803)
Interest earnings	5,795	6,132
Interest expense	(110,560)	(117,336)
Operating transfers in:		
Office equipment fund	-	17,400
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(109,283)</u>	<u>(94,576)</u>
CHANGE IN NET POSITION	23,531	18,547
Net position, beginning of year	<u>2,441,127</u>	<u>2,422,580</u>
NET POSITION, END OF YEAR	<u>\$ 2,464,658</u>	<u>\$ 2,441,127</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2013

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, 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>\$2,415,000</u>	<u>\$ 646,549</u>	<u>\$3,061,549</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 408,378	\$ 463,965
Receivables:		
Accrued interest	2,385	2,303
Due from other funds:		
General fund	-	2,100
Prepaid expenses	-	4
Total current assets	<u>410,763</u>	<u>468,372</u>
Property, plant and equipment:		
Property, plant and equipment	6,042,241	6,137,298
Less accumulated depreciation	<u>(4,661,965)</u>	<u>(4,547,145)</u>
Net property, plant and equipment	<u>1,380,276</u>	<u>1,590,153</u>
TOTAL ASSETS	<u>\$ 1,791,039</u>	<u>\$ 2,058,525</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 6,732	\$ 12,872
Accrued salaries, wages and fringes	<u>15,464</u>	<u>20,437</u>
Total current liabilities	<u>22,196</u>	<u>33,309</u>
Long-term liabilities:		
Advance from other funds:		
General Fund	<u>231,184</u>	<u>275,298</u>
TOTAL LIABILITIES	<u>253,380</u>	<u>308,607</u>
NET POSITION:		
Invested in capital assets, net of related debt	1,149,092	1,314,855
Unrestricted	<u>388,567</u>	<u>435,063</u>
TOTAL NET POSITION	<u>1,537,659</u>	<u>1,749,918</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,791,039</u>	<u>\$ 2,058,525</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Equipment rental	\$ 802,465	\$ 718,413
Miscellaneous	56	-
TOTAL OPERATING REVENUES	<u>802,521</u>	<u>718,413</u>
OPERATING EXPENSES:		
General government:		
Salaries and wages	72,480	72,805
Fringe benefits	73,156	75,640
Supplies	22,286	16,382
Building supplies	3,137	3,667
Professional services	4,121	1,400
Communication	1,900	1,765
Transportation	46	-
Printing & publishing	97	-
Insurance & bonds	23,245	23,647
Public utilities	25,815	26,204
Capital outlay - building	-	10,817
Capital outlay - equipment	824	702
Uniform maintenance	657	726
Building maintenance	11,659	13,138
Equipment maintenance	462,849	472,730
Equipment rental	6,120	6,597
Office expense	-	473
Education and training	69	230
Provision for depreciation	292,813	308,132
TOTAL OPERATING EXPENSES	<u>1,001,274</u>	<u>1,035,055</u>
OPERATING INCOME (LOSS)	<u>(198,753)</u>	<u>(316,642)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(6,926)	1,400
Gain (loss) on sale of equipment	1,614	1,270
Interest earnings	6,947	9,461
Interest expense	(15,141)	(17,602)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(13,506)</u>	<u>(5,471)</u>
CHANGE IN NET POSITION	<u>(212,259)</u>	<u>(322,113)</u>
Net position, beginning of year	<u>1,749,918</u>	<u>2,072,031</u>
NET POSITION, END OF YEAR	<u>\$ 1,537,659</u>	<u>\$ 1,749,918</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, 2013

Unit Number	Description	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
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	1996 International Dump Truck	53,842	-	-	53,842
85	1992 Ford 8000 Dump Truck	43,667	-	-	43,667
	Balance carried forward	\$ 2,113,546	\$ -	\$ -	\$ 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, 2013

Unit Number	Description	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
	Balance brought forward	\$ 2,113,546	\$ -	\$ -	\$ 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 M2-60 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 HD 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	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	\$ 4,000,447	\$ -	\$ 20,454	\$ 3,979,993

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, 2013

Unit Number	Description	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
	Balance brought forward	\$ 4,000,447	\$ -	\$ 20,454	\$ 3,979,993
164	2000 John Deere 200LC Excavator	139,375	-	-	139,375
166	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
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
235	2013 Chevrolet Impala	-	23,213	-	23,213
236	2013 Chevrolet Tahoe	-	36,068	-	36,068
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	1	-	310,495
529	Recycling Carts	256,858	-	-	256,858
530	Automated tippers	6,240	-	-	6,240
555	Underground Pipe TV inspection system	52,629	-	-	52,629
	Communications System	222,530	26,716	117,625	131,621
	Total Rental Units	<u>\$ 6,002,188</u>	<u>\$ 85,998</u>	<u>\$ 165,931</u>	<u>\$ 5,922,255</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, 2013

Unit Number	Description	Balance 06/30/12	Additions	Retirements	Balance 06/30/13
	Balance brought forward	\$ 6,002,188	\$ 85,998	\$ 165,931	\$ 5,922,255
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 Surfacers	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	-
	Milleromatic 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
	Total Non-rental Units	<u>135,110</u>	<u>-</u>	<u>15,124</u>	<u>119,986</u>
	TOTALS	<u>\$ 6,137,298</u>	<u>\$ 85,998</u>	<u>\$ 181,055</u>	<u>\$ 6,042,241</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 139,549	\$ 117,620
Receivables:		
Accounts, net of bad debt allowance	18,620	17,601
Accrued interest	<u>764</u>	<u>498</u>
Total current assets	<u>158,933</u>	<u>135,719</u>
Property, plant and equipment:		
Property, plant and equipment	465,611	493,223
Less accumulated depreciation	<u>(321,047)</u>	<u>(362,864)</u>
Net property, plant and equipment	<u>144,564</u>	<u>130,359</u>
TOTAL ASSETS	<u>\$ 303,497</u>	<u>\$ 266,078</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ -	\$ 498
NET POSITION:		
Invested in capital assets, net of related debt	144,564	130,359
Unrestricted	<u>158,933</u>	<u>135,221</u>
TOTAL NET POSITION	<u>303,497</u>	<u>265,580</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 303,497</u>	<u>\$ 266,078</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Equipment rental	\$ 32,760	\$ 58,128
Miscellaneous	<u>72,249</u>	<u>63,734</u>
TOTAL OPERATING REVENUES	<u>105,009</u>	<u>121,862</u>
OPERATING EXPENSES:		
General government:		
Equipment maintenance	15,546	10,443
Provision for depreciation	<u>48,547</u>	<u>43,790</u>
TOTAL OPERATING EXPENSES	<u>64,093</u>	<u>54,233</u>
OPERATING INCOME	<u>40,916</u>	<u>67,629</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(1,021)	539
Interest earnings	2,222	1,359
Operating transfers out:		
General Fund	(4,200)	(4,200)
Escanaba Building Authority	<u>-</u>	<u>(17,400)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,999)</u>	<u>(19,702)</u>
CHANGE IN NET POSITION	37,917	47,927
Net position, beginning of year	<u>265,580</u>	<u>217,653</u>
NET POSITION, END OF YEAR	<u>\$ 303,497</u>	<u>\$ 265,580</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, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Retirements</u> <u>/Transfers</u>	<u>Balance</u> <u>06/30/13</u>
Network system	\$ 240,850	\$ -	\$ 28,587	\$ 212,263
Controller	13,277	21,393	4,300	30,370
Engineer	12,481	-	1,860	10,621
Clerk	25,631	-	-	25,631
Personnel	1,590	-	-	1,590
City Manager	1,910	599	1,221	1,288
Building and Housing Inspection	1,549	599	1,549	599
Treasurer/Utility	102,498	40,162	18,536	124,124
Bay Computer - Shared Equipment	30,291	-	-	30,291
Assessor	11,662	-	155	11,507
Recreation	9,029	-	-	9,029
Public Safety	38,858	-	34,157	4,701
Library	<u>3,597</u>	<u>-</u>	<u>-</u>	<u>3,597</u>
TOTALS	<u>\$ 493,223</u>	<u>\$ 62,753</u>	<u>\$ 90,365</u>	<u>\$ 465,611</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 94,866	\$ 173
Receivables:		
Accrued interest	582	16
Prepaid expenses	<u>109,613</u>	<u>183,882</u>
TOTAL ASSETS	<u>\$ 205,061</u>	<u>\$ 184,071</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,317	\$ -
Claims payable	-	113,000
Due to other funds:		
General Fund	<u>-</u>	<u>9,560</u>
TOTAL LIABILITIES	<u>2,317</u>	<u>122,560</u>
NET POSITION:		
Unrestricted	<u>202,744</u>	<u>61,511</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 205,061</u>	<u>\$ 184,071</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	June 30	
	2013	2012
OPERATING REVENUES:		
Provision for self insurance	\$ 188,088	\$ 173,926
OPERATING EXPENSES:		
General government:		
Insurance premiums	26,142	139,752
Administrative costs	400	400
Claims paid	26,910	84,877
TOTAL OPERATING EXPENSES	53,452	225,029
OPERATING INCOME (LOSS)	134,636	(51,103)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(208)	146
Interest earnings	6,805	6,870
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,597	7,016
CHANGE IN NET POSITION	141,233	(44,087)
Net position, beginning of year	61,511	105,598
NET POSITION, END OF YEAR	\$ 202,744	\$ 61,511

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	June 30	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 325,553	\$ 322,992
Receivables:		
Accounts, net of bad debt allowance	812	-
Accrued interest	1,910	745
Prepaid expenses	18,192	25,000
Cash on deposit	-	(190)
TOTAL ASSETS	<u>\$ 346,467</u>	<u>\$ 348,547</u>
LIABILITIES:		
Current liabilities:		
Claims payable	\$ -	\$ 5,806
NET POSITION:		
Unrestricted	<u>346,467</u>	<u>342,741</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 346,467</u>	<u>\$ 348,547</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	June 30	
	2013	2012
OPERATING REVENUES:		
Retiree contributions	\$ -	\$ 8,199
City's contribution for employees	-	152,375
TOTAL OPERATING REVENUES	-	160,574
OPERATING EXPENSES:		
General government:		
Insurance premiums	-	613
Administrative costs	-	14,352
Claims paid	-	63,888
Professional services	1,150	1,150
TOTAL OPERATING EXPENSES	1,150	80,003
OPERATING INCOME (LOSS)	(1,150)	80,571
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(753)	(157)
Interest earnings	5,629	903
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,876	746
CHANGE IN NET POSITION	3,726	81,317
Net position, beginning of year	342,741	261,424
NET POSITION, END OF YEAR	\$ 346,467	\$ 342,741

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 320,501	\$ 532,765
Receivables:		
Accrued interest	2,458	2,525
Prepaid expenses	<u>37,709</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 360,668</u>	 <u>\$ 535,290</u>
 LIABILITIES:		
Current liabilities:		
Accounts payable	\$ -	\$ 2,581
Claims payable	<u>197,000</u>	<u>251,000</u>
 TOTAL LIABILITIES	 <u>197,000</u>	 <u>253,581</u>
 NET POSITION:		
Unrestricted	 <u>163,668</u>	 <u>281,709</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 360,668</u>	 <u>\$ 535,290</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Benefits	69,232	57,541
Professional services	27,323	15,620
Insurance & bonds	19,887	19,612
Miscellaneous	2,523	1,504
TOTAL OPERATING EXPENSES	<u>118,965</u>	<u>94,277</u>
OPERATING INCOME (LOSS)	<u>(118,965)</u>	<u>(94,277)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(6,676)	2,593
Interest earnings	<u>7,600</u>	<u>9,090</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>924</u>	<u>11,683</u>
CHANGE IN NET POSITION	(118,041)	(82,594)
Net position, beginning of year	<u>281,709</u>	<u>364,303</u>
NET POSITION, END OF YEAR	<u>\$ 163,668</u>	<u>\$ 281,709</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 296,386	\$ 308,255
Receivables:		
Accrued interest	<u>1,762</u>	<u>1,370</u>
TOTAL ASSETS	<u>\$ 298,148</u>	<u>\$ 309,625</u>
LIABILITIES:		
Current liabilities:		
Claims payable	\$ 5,509	\$ 17,628
NET POSITION:		
Unrestricted	<u>292,639</u>	<u>291,997</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 298,148</u>	<u>\$ 309,625</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2013 and 2012

	June 30	
	2013	2012
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	714	11,253
TOTAL OPERATING EXPENSES	914	11,453
OPERATING INCOME (LOSS)	(914)	(11,453)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(3,635)	1,646
Interest earnings	5,191	4,919
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,556	6,565
CHANGE IN NET POSITION	642	(4,888)
Net position, beginning of year	291,997	296,885
NET POSITION, END OF YEAR	\$ 292,639	\$ 291,997

See accompanying notes to financial statements.

PERMANENT FUND

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 1,125,435	\$ 1,137,759
Receivables:		
Accrued interest	<u>6,812</u>	<u>5,170</u>
TOTAL ASSETS	<u>\$ 1,132,247</u>	<u>\$ 1,142,929</u>
NET POSITION:		
Reserved for:		
Principal	\$ 1,094,634	\$ 1,094,634
Capital improvements	<u>37,613</u>	<u>48,295</u>
TOTAL NET POSITION	<u>\$ 1,132,247</u>	<u>\$ 1,142,929</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
REVENUES:		
Interest and dividends	\$ 19,701	\$ 18,086
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	(13,383)	6,189
Operating transfers in:		
Local Street Fund	-	18,000
Operating transfers out:		
Local Street Fund	<u>(17,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,383)</u>	<u>24,189</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (OTHER FINANCING USES)	(10,682)	42,275
Net position, beginning of year	<u>1,142,929</u>	<u>1,100,654</u>
NET POSITION, END OF YEAR	<u>\$ 1,132,247</u>	<u>\$ 1,142,929</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013 and 2012

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			2013	2012
ASSETS:				
Investments, at market	\$ 113,413	\$ 259,682	\$ 373,095	\$ 380,062
Receivables:				
Accrued interest	676	1,560	2,236	1,752
TOTAL ASSETS	<u>\$ 114,089</u>	<u>\$ 261,242</u>	<u>\$ 375,331</u>	<u>\$ 381,814</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 179	\$ 179	\$ 92
NET POSITION:				
Reserved for:				
Bonifas Trust Fund	114,089	-	114,089	113,482
Bezold Trust Fund	-	261,063	261,063	268,240
TOTAL NET POSITION	<u>114,089</u>	<u>261,063</u>	<u>375,152</u>	<u>381,722</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 114,089</u>	<u>\$ 261,242</u>	<u>\$ 375,331</u>	<u>\$ 381,814</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 POSITION

For the years ended June 30, 2013 and 2012

	Catherine Bonifas Trust Fund	Bezold Trust Fund	Totals	
			2013	2012
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 1,955	\$ 4,543	\$ 6,498	\$ 6,202
EXPENDITURES:				
Cultural:				
Professional services	-	425	425	455
Books, magazines & periodicals	-	8,062	8,062	7,331
TOTAL EXPENDITURES	-	8,487	8,487	7,786
EXCESS REVENUES (EXPENDITURES)	1,955	(3,944)	(1,989)	(1,584)
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	(1,348)	(3,233)	(4,581)	2,072
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	607	(7,177)	(6,570)	488
Net assets, beginning of year	113,482	268,240	381,722	381,234
NET ASSETS, END OF YEAR	\$ 114,089	\$ 261,063	\$ 375,152	\$ 381,722

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 113,413	\$ 112,964
Receivables:		
Accrued interest	<u>676</u>	<u>518</u>
TOTAL ASSETS	<u>\$ 114,089</u>	<u>\$ 113,482</u>
NET POSITION:		
Reserved for:		
Bonifas Trust Fund	<u>\$ 114,089</u>	<u>\$ 113,482</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 POSITION

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ <u>1,955</u>	\$ <u>1,824</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>(1,348)</u>	<u>629</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	607	2,453
Net position, beginning of year	<u>113,482</u>	<u>111,029</u>
NET POSITION, END OF YEAR	\$ <u>114,089</u>	\$ <u>113,482</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Investments, at market	\$ 259,682	\$ 267,098
Receivables:		
Accrued interest	<u>1,560</u>	<u>1,234</u>
TOTAL ASSETS	<u>\$ 261,242</u>	<u>\$ 268,332</u>
LIABILITIES:		
Accounts payable	\$ <u>179</u>	\$ <u>92</u>
NET POSITION:		
Reserved for:		
Bezold Trust Fund	<u>261,063</u>	<u>268,240</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 261,242</u>	<u>\$ 268,332</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 4,543	\$ 4,378
EXPENDITURES:		
Cultural:		
Professional services	425	455
Books, magazines & periodicals	<u>8,062</u>	<u>7,331</u>
TOTAL EXPENDITURES	<u>8,487</u>	<u>7,786</u>
EXCESS REVENUES (EXPENDITURES)	(3,944)	(3,408)
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>(3,233)</u>	<u>1,443</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(7,177)	(1,965)
Net position, beginning of year	<u>268,240</u>	<u>270,205</u>
NET POSITION, END OF YEAR	<u>\$ 261,063</u>	<u>\$ 268,240</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and equivalents	\$ 40,448	\$ 11,023
Investments, at market	<u>22,119,569</u>	<u>19,792,465</u>
 TOTAL ASSETS	 <u>\$ 22,160,017</u>	 <u>\$ 19,803,488</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 8,265
NET POSITION:		
Reserved for:		
Employees' retirement system	<u>22,160,017</u>	<u>19,795,223</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 22,160,017</u>	 <u>\$ 19,803,488</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 POSITION

For the years ended June 30, 2013 and 2012

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Interest and dividends	\$ 590,086	\$ 507,654
Gain (loss) on sale of investments	2,234,565	197,126
Contributions:		
City of Escanaba	931,056	844,170
Employees	<u>120,447</u>	<u>121,726</u>
TOTAL OPERATING REVENUES	<u>3,876,154</u>	<u>1,670,676</u>
OPERATING EXPENSES:		
Administrative and general:		
Miscellaneous	11,581	11,907
Benefits paid and refunds of member contributions	<u>1,499,779</u>	<u>1,462,201</u>
TOTAL OPERATING EXPENSES	<u>1,511,360</u>	<u>1,474,108</u>
NET INCOME	2,364,794	196,568
Net position, beginning of year	<u>19,795,223</u>	<u>19,598,655</u>
NET POSITION, END OF YEAR	<u>\$ 22,160,017</u>	<u>\$ 19,795,223</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, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
ASSETS:				
Cash and equivalents	\$ 11,390	\$ 14,008,626	\$ 14,016,299	\$ 3,717
Receivables:				
Special assessments	-	23,846	23,846	-
Taxes	-	15,291,347	15,291,347	-
TOTAL ASSETS	<u>\$ 11,390</u>	<u>\$ 29,323,819</u>	<u>\$ 29,331,492</u>	<u>\$ 3,717</u>
LIABILITIES:				
Due to other governments	<u>\$ 11,390</u>	<u>\$ 39,886,788</u>	<u>\$ 39,894,461</u>	<u>\$ 3,717</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, 2013

	<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, 2012	\$ 502	\$ 3,741	\$ 1,732	\$ 717	\$ 95	\$ -
Collections:						
Interest earnings on investments	498	2,250	2,649	668	119	178
Taxes levied for units	712,356	3,128,767	3,925,827	953,531	172,553	259,020
Delinquent tax collections	3,236	13,314	23,916	4,516	939	-
Trailer tax collections	-	6,860	-	-	-	-
Industrial facilities tax collection	1,415	6,446	8,008	1,963	356	-
Total collections	<u>717,505</u>	<u>3,157,637</u>	<u>3,960,400</u>	<u>960,678</u>	<u>173,967</u>	<u>259,198</u>
Remittances:						
Delinquent taxes returned to County Treasurer	44,696	157,704	413,738	59,091	12,883	14,668
Delinquent personal property taxes	-	-	-	-	-	-
Remittances to governmental units	673,165	3,002,315	3,547,487	902,101	161,131	244,530
Total remittances	<u>717,861</u>	<u>3,160,019</u>	<u>3,961,225</u>	<u>961,192</u>	<u>174,014</u>	<u>259,198</u>
Balance, June 30, 2013	\$ <u>146</u>	\$ <u>1,359</u>	\$ <u>907</u>	\$ <u>203</u>	\$ <u>48</u>	\$ <u>-</u>

See accompanying notes to financial statements.

<u>City of Escanaba</u>	<u>Delta County Sheriff Department</u>	<u>911</u>	<u>OPRA</u>	<u>DATA</u>	<u>Brownfield</u>	<u>Total</u>
\$ 4,310	\$ 142	\$ 56	\$ -	\$ 95	\$ -	\$ 11,390
3,591	179	99	-	119	34	10,384
5,060,040	258,846	143,791	52,104	172,554	49,391	14,888,780
19,995	1,408	655	-	933	-	68,912
1,372	-	-	-	-	-	8,232
<u>10,089</u>	<u>534</u>	<u>297</u>	<u>-</u>	<u>356</u>	<u>-</u>	<u>29,464</u>
<u>5,095,087</u>	<u>260,967</u>	<u>144,842</u>	<u>52,104</u>	<u>173,962</u>	<u>49,425</u>	<u>15,005,772</u>
264,479	19,326	10,741	-	12,889	-	1,010,215
-	-	-	-	-	-	-
<u>4,834,019</u>	<u>241,711</u>	<u>134,122</u>	<u>52,104</u>	<u>161,120</u>	<u>49,425</u>	<u>14,003,230</u>
<u>5,098,498</u>	<u>261,037</u>	<u>144,863</u>	<u>52,104</u>	<u>174,009</u>	<u>49,425</u>	<u>15,013,445</u>
<u>\$ 899</u>	<u>\$ 72</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 3,717</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, 2013

	Balance <u>06/30/12</u>	<u>Additions</u>	Retirements and other <u>Deductions</u>	Balance <u>06/30/13</u>
LAND AND IMPROVEMENTS:				
Land	\$ 658,955	\$ -	\$ 140,264	\$ 518,691
Farmer's Market	6,844	-	-	6,844
Advertising Signs	36,262	39,783	-	76,045
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	1,891,786	-	-	1,891,786
Marina/Harbor	997,909	2,270	-	1,000,179
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	351,598	407,790	-	759,388
Waterfront Development	1,400,854	-	-	1,400,854
BUILDINGS:				
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	25,309	-	984,854
Public Safety Building	993,603	7,783	-	1,001,386
Webster Park Shelter House	94,594	-	-	94,594
Ludington Park Restroom	124,730	-	-	124,730
Royce Park Shelter	47,041	-	-	47,041
PARKING LOTS:				
1st Avenue North between 12th and 13th streets	17,446	-	-	17,446
West side of North 10th 100 block	1,702	-	-	1,702
Behind Daily 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
EQUIPMENT:				
Library	83,467	-	-	83,467
Public Safety Department	1,485,611	16,672	41,461	1,460,822
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
OTHER:				
Infrastructure	18,311,527	350,621	-	18,662,148
Escanaba Building Authority	7,347,331	22,680	700	7,369,311
Motor Vehicle and Equipment Fund	6,137,298	85,997	181,054	6,042,241
Office Equipment Fund	493,223	62,752	90,364	465,611
TOTAL GOVERNMENTAL FUNDS FIXED ASSETS	<u>\$44,196,894</u>	<u>\$ 1,021,657</u>	<u>\$ 453,843</u>	<u>\$44,764,708</u>

See accompanying notes to financial statements.

SINGLE AUDIT



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
Brandy M. Olson, CPA
Lisa A. Callahan, CPA

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 13-1.

City of Escanaba's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson, Tackman & Company P.C.

Certified Public Accountants

December 9, 2013



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Escanaba, Michigan's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit or 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Escanaba complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Honorable Mayor and Members
of the City Council
City of Escanaba

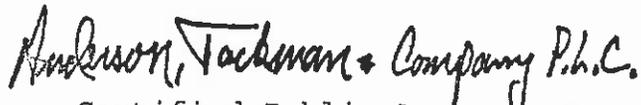
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants

December 9, 2013

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

<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>
MAJOR PROGRAM:				
<u>DEPARTMENT OF COMMERCE</u>				
Economic Development Administration:				
Economic Adjustment Assistance	-	11.307	\$ 1,559,180	\$ 1,559,180
NON-MAJOR PROGRAMS:				
<u>DEPARTMENT OF JUSTICE</u>				
Passed through Michigan State Police:				
U.P.S.E.T.	-	16.579	57,499	57,499
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
Passed through the State:				
MSHDA Facade Grant	MSC-210051-CDF	14.228	36,899	36,899
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Direct award from the Federal Emergency Management Agency				
Assistance to Firefighters Grant	EMW-2012-FO-03603	97.044	<u>8,238</u>	<u>8,238</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,661,816</u>	<u>\$ 1,661,816</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2013

NOTE A - OVERSIGHT AGENCY

The Department of Homeland Security is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's direct 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	\$ 290,136
ADD: Economic Adjustment Assistance	1,559,180
LESS: Highway Research Planning & Construction Grant (CFDA 20.205) administered by the State of Michigan which is reported on the Schedule of Expenditures of Federal Awards by the Michigan Department of Transportation	<u>(187,500)</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$1,661,816</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	\$ 645,261
Cash and investment balance at year-end	1,428,809
Administrative expenses paid during the fiscal year	918
Unpaid loan principal written off during the fiscal year	<u>-</u>
	2,074,988
Multiplied by the federal share of the RLF	<u>*.7514163315</u>
	<u>\$ 1,559,180</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

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, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 13-1 - 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:

Composting Activities	\$	190
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The following fund was overspent:

Drug Law Enforcement Fund	\$	5,016
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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, 2013

SECTION III - COMPLIANCE FINDINGS

NONE

CITY OF ESCANABA, MICHIGAN

RESOLUTION OF PRIOR YEARS FINDINGS
AND QUESTIONED COSTS

June 30, 2013

NONE

CITY OF ESCANABA, MICHIGAN

Table 1 (unaudited)
GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION¹

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>Transfers to Other Funds</u>	<u>Total</u>
2004	\$1,249,423	\$3,523,272	\$2,552,218	\$ 789,040	\$ 9,148	\$1,158,753	\$ 31,274	\$9,313,128
2005	1,259,757	3,916,237	1,769,940	825,609	9,148	1,104,489	28,505	8,913,685
2006	1,048,811	3,825,060	1,593,613	800,008	9,148	1,147,526	14,186	8,438,352
2007	1,012,236	3,557,000	2,133,734	731,388	9,148	1,209,893	15,206	8,668,605
2008	1,074,690	3,562,962	3,104,279	683,088	9,148	1,215,395	20,750	9,670,312
2009	1,086,701	3,655,292	1,950,433	600,108	9,148	1,185,074	26,720	8,513,476
2010	1,094,446	3,659,689	1,734,109	583,607	9,148	1,187,276	7,058	8,275,333
2011	1,106,889	3,951,435	2,774,640	619,460	9,148	1,258,450	10,763	9,730,785
2012	1,098,514	3,962,280	1,236,793	612,293	9,148	1,214,264	10,590	8,143,882
2013	1,059,838	3,847,092	1,591,461	615,342	9,148	1,111,093	16,024	8,249,998

¹Includes General, Major Street, Local Street, Library and Bezdold Funds

CITY OF ESCANABA, MICHIGAN

Table 2 (unaudited)
GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE²

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
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
2013	4,963,794	2,440	2,678,432	338,571	64,216	747,824	110,294	8,905,571

²Includes General, Major Street, Local Street, Library and Bezold 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>
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
2013*	4,980,692	4,941,127	99.21	21,445	4,962,572	99.64	31,989	.64

*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 PROPERTY¹

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property		Personal Property		Total		Percent of Total Taxable Value to Total Estimated Value
	Taxable ¹ Value	Estimated Actual Value	Taxable ¹ Value	Estimated Actual Value	Taxable ¹ Value	Estimated Actual Value	
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
2014	271,762,152	603,101,344	35,398,614	70,821,646	307,160,766	673,922,990	45.58

Source: City of Escanaba Assessor's Department

¹Taxable 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

<u>Fiscal Year Ended June 30,</u>	<u>City of Escanaba</u>	<u>Delta County</u>	<u>Escanaba Area Public School</u>	<u>Delta- Schoolcraft Intermediate School District</u>	<u>Bay de Noc Community College</u>	<u>State ED</u>	<u>Total¹</u>
2004	17.00	6.5719 ²	3.11	2.4375	3.5000	5.00	37.6194
2005	17.00	6.5458 ²	3.08	2.4191	3.5000	6.00	38.5449
2006	17.00	7.1104 ³	3.08	2.3994	3.5501	6.00	39.1399
2007	17.00	7.5897 ⁴	2.91	2.3851	3.5337	6.00	39.4185
2008	17.00	7.5897 ⁴	2.89	2.3851	3.5225	6.00	39.3873
2009	17.00	7.5897 ⁴	2.83	2.3851	3.5149	6.00	39.3197
2010	17.00	7.5897 ⁴	2.76	2.3851	3.5109	6.00	39.2457
2011	17.00	7.4317 ⁴	4.75	2.3851	3.5111	6.00	41.0779
2012	17.00	7.4823 ⁴	4.75	2.3851	3.3076	6.00	40.9250
2013	17.00	7.6317 ⁴	4.75	2.3851	3.3076	6.00	41.0744

Source: City of Escanaba Assessor's Department

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

²Delta County's tax rate includes extra millage for Sheriff's Patrol and Community Action Agency. For the fiscal year ended 6/30/13, these amounts were .9000 and .6000, respectively.

³Beginning 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 6/30/13 was .5000.

⁴Beginning 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 6/30/13 was .6000.

CITY OF ESCANABA, MICHIGAN

Table 6 (unaudited)
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2013

2013 Taxable Valuation (as of December 31, 2012)		<u>\$332,261,338</u>
Debt limit - 10 percent of assessed value		\$ 33,226,134
Amount of outstanding debt	\$ 9,898,752	
Less: Revenue bonds	(4,435,000)	
Non-Bonded Debt	(23,752)	
Self supporting bonds	<u>(80,000)</u>	
	<u>\$ 5,360,000</u>	<u>(5,360,000)</u>
LEGAL DEBT MARGIN		<u>\$ 27,866,134</u>

CITY OF ESCANABA, MICHIGAN

Table 7 (unaudited)
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2013

<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	\$ 5,360,000	100.00%	\$ 5,360,000
Escanaba Area Public Schools	32,635,000	48.91%	15,961,779
Bay de Noc Community College	6,385,000	25.62%	1,635,837
Delta County	<u>1,490,000</u>	25.62%	<u>381,738</u>
TOTALS	<u>\$45,870,000</u>		<u>\$23,339,354</u>

Source: Municipal Advisory Council of Michigan

CITY OF ESCANABA, MICHIGAN

Table 8 (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	
2004	\$ (20,042)	\$ 208,464	\$ 59,311	\$ 247,733	\$ -	\$ 59,311	\$ 59,311	4.18
2005	(96,307)	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
2013	419,582	372,061	256,912	1,048,555	390,000	256,912	646,912	1.62

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	
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
2013	175,732	216,036	10,163	401,931	135,000	10,163	145,163	2.77

CITY OF ESCANABA, MICHIGAN

Table 11 (unaudited)
DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Population¹</u>	<u>K-12 School Enrollment²</u>	<u>Unemployment Rate³</u>
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	12,615 (estimate)	2,587	10.1
2012	12,577 (estimate)	2,522	9.1
2013	12,552 (estimate)	2,512	9.9

Sources:

¹Bureau of Census and U.S. Department of Commerce.

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

³Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except 2013, which is through August, 2013).

CITY OF ESCANABA, MICHIGAN

Table 12 (unaudited)
PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Valuation</u>
EMP, Inc.	Manufacturing	\$17,220,255	5.61%
Dagenais Real Estate	Commercial Real Estate	5,192,116	1.69%
Menards, Inc.	Retail Sales	5,040,847	1.64%
UP Enterprises LLC	Commercial Real Estate	4,812,183	1.57%
Wal-Mart	Retail Sales	4,802,970	1.56%
DLP Marquette General Hospital LLC	Medical Facility	4,277,507	1.39%
Amicus Management, Inc.	Shopping Center	3,916,468	1.28%
Elmer's County Market	Food Sales	2,500,490	0.81%
Northland Centers, Inc.	Commercial Real Estate	2,240,688	0.73%
Andex Industries	Manufacturing	1,878,624	0.61%

Source: City of Escanaba Assessor's Department

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

Valuation as of 12/31/12 becomes the "2013 Taxable Valuation." This value is used to compute City property taxes for July, 2013, which finance City operations through the fiscal year ended June 30, 2014.

CITY OF ESCANABA, MICHIGAN

Table 13 (unaudited)
MISCELLANEOUS STATISTICS

June 30, 2013

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
PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION	
Number of stations	1
Number of public safety officers	30
ELECTRIC DEPARTMENT	
Capacity	39.0 megawatts
Peak use during fiscal year	30.2 megawatts
WATER DEPARTMENT	
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
WASTEWATER DEPARTMENT	
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
CULTURE AND RECREATION	
Public Library:	
Volumes	85,548
2012-13 circulation	120,522
Number of registered users	10,182
Parks and recreation areas	504.5 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	2
Softball/baseball fields	9
Soccer fields	4
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 TAXABLE VALUE AND NET DEBT PER CAPITA

Last Ten Fiscal Years

<u>As of June 30,</u>	<u>Population¹</u>	<u>Taxable Value²</u>	<u>Gross Debt³</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Debt⁴</u>	<u>Net Debt to Taxable Value</u>	<u>Net Debt per Capita</u>
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	12,615 (est)	275,302,414	11,416,252	8,415,000	3,001,252	1.09%	237.91
2012	12,577 (est)	278,246,732	10,667,502	7,905,000	2,762,502	.99%	219.65
2013	12,552 (est)	299,960,942	9,898,752	7,380,000	2,518,752	.83%	200.66

Sources:

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

²From Table 4

³Does not include non-bonded debt secured on equipment

⁴Includes DDA Revenue Bond.