

**CITY OF ESCANABA, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2014**

Prepared by:  
Office of the Controller

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>INTRODUCTORY SECTION:</u></b>	
Organization Chart .....	2
Listing of Principal Officials.....	3
Letter of Transmittal .....	4
<b><u>FINANCIAL SECTION:</u></b>	
Independent Auditor's Report.....	8
Management's Discussion and Analysis .....	10
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Position - Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	22
Statement of Cash Flows - Proprietary Funds.....	23
Statement of Fiduciary Net Position .....	24
Statement of Changes in Fiduciary Net Position .....	25
Notes to Financial Statements.....	26
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund.....	59
Schedule of Funding Progress for the Public Employees Retirement Systems .....	70
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	73
<b><u>General Fund:</u></b>	
Comparative Balance Sheet .....	75
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	76

**TABLE OF CONTENTS**

Page

Special Revenue Funds:

Combining Balance Sheet - Nonmajor Special Revenue Funds .....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds .....	81

Major Street Fund:

Comparative Balance Sheet .....	84
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	85

Local Street Fund:

Comparative Balance Sheet .....	86
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	87

Parking Maintenance Fund:

Comparative Balance Sheet .....	88
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	89

Downtown Development Authority Fund:

Comparative Balance Sheet .....	90
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	91

Brownfield Fund:

Comparative Balance Sheet .....	92
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	93

Drug Law Enforcement Fund:

Comparative Balance Sheet .....	94
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	95

Delta County Central Dispatch Authority Fund:

Comparative Balance Sheet .....	96
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	97

Library Fund:

Comparative Balance Sheet .....	98
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	99

## TABLE OF CONTENTS

	<u>Page</u>
<u>Special Revenue Funds: (continued)</u>	
Housing Rehab Fund:	
Comparative Balance Sheet.....	100
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	101
Grants Fund:	
Comparative Balance Sheet.....	102
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	103
UDAG/DIAL Grant Fund:	
Comparative Balance Sheet.....	104
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	105
E.D.A. Revolving Loan Fund:	
Comparative Balance Sheet.....	106
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	107
Farmers Homes Grant Fund:	
Comparative Balance Sheet.....	108
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	109
M.S.C. Revolving Loan Fund II:	
Comparative Balance Sheet.....	110
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	111
Land Development Fund:	
Comparative Balance Sheet.....	112
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	113
Sanitary Landfill Fund:	
Comparative Balance Sheet.....	114
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	115
<u>Enterprise Funds:</u>	
Combining Statement of Cash Flows.....	117

## TABLE OF CONTENTS

	<u>Page</u>
<u>Enterprise Funds:(continued)</u>	
<u>Electric Utility Fund:</u>	
Comparative Statement of Net Position.....	118
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	119
Comparative Statement of Cash Flows .....	120
Comparative Schedule of Operating Expenses.....	121
Schedule of Changes in Property, Plant and Equipment.....	122
<u>Water Utility Fund:</u>	
Comparative Statement of Net Position.....	123
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	124
Comparative Statement of Cash Flows .....	125
Comparative Schedule of Operating Expenses.....	126
Schedule of Bond Principal and Interest Maturities .....	127
Schedule of Changes in Property, Plant and Equipment.....	130
<u>Waste Water Utility Fund:</u>	
Comparative Statement of Net Position.....	131
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	132
Comparative Statement of Cash Flows .....	133
Comparative Schedule of Operating Expenses.....	134
Schedule of Bond Principal and Interest Maturities .....	135
Schedule of Changes in Property, Plant and Equipment.....	136
<u>Marina Fund:</u>	
Comparative Statement of Net Position.....	137
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	138
Comparative Statement of Cash Flows .....	139
Schedule of Changes in Property, Plant and Equipment.....	140
<u>Internal Service Funds:</u>	
Combining Statement of Net Position .....	142
Combining Statement of Revenues, Expenses and Changes in Net Position .....	144
Combining Statement of Cash Flows .....	146
<u>Escanaba Building Authority Fund:</u>	
Comparative Statement of Net Position.....	148
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	149

## TABLE OF CONTENTS

	<u>Page</u>
<u>Internal Service Funds: (continued)</u>	
Motor Vehicle and Equipment Fund:	
Comparative Statement of Net Position.....	150
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	151
Schedule of Changes in Equipment .....	152
Office Equipment Fund:	
Comparative Statement of Net Position.....	156
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	157
Schedule of Changes in Equipment .....	158
Risk Retention Fund:	
Comparative Statement of Net Position.....	159
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	160
Health Insurance Fund:	
Comparative Statement of Net Position.....	161
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	162
Worker's Compensation Fund:	
Comparative Statement of Net Position.....	163
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	164
Unemployment Compensation Fund:	
Comparative Statement of Net Position.....	165
Comparative Statement of Revenues, Expenses and Changes in Net Position .....	166
<u>Permanent Fund:</u>	
Gas Retirement Fund:	
Comparative Balance Sheet.....	168
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance.....	169
<u>Fiduciary Funds:</u>	
Private Purpose Trust Funds:	
Combining Statement of Fiduciary Net Position.....	171
Combining Statement of Revenues, Expenses and Changes in Fiduciary Net Position .....	172
Catherine Bonifas Trust Fund:	
Comparative Statement of Fiduciary Net Position .....	173
Comparative Statement of Revenues, Expenses and Changes in Fiduciary Net Position.....	174

**TABLE OF CONTENTS**

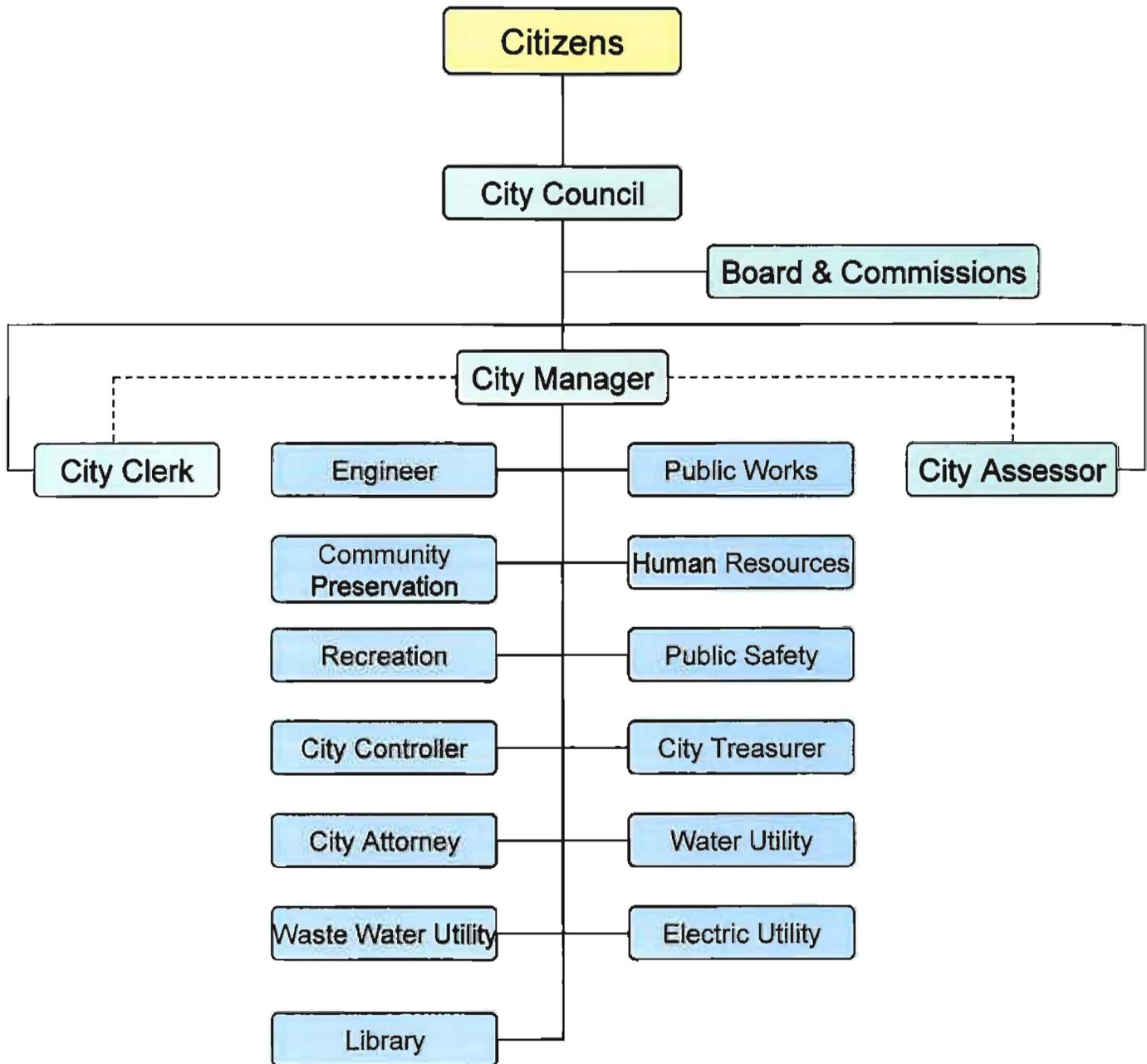
	<u>Page</u>
<u>Fiduciary Funds: (continued)</u>	
Bezold Trust Fund:	
Comparative Statement of Fiduciary Net Position .....	175
Comparative Statement of Revenues, Expenses and Changes in Fiduciary Net Position.....	176
Pension Trust Fund:	
Public Safety Retirement Fund:	
Comparative Statement of Plan Net Position .....	177
Comparative Statement of Revenues, Expenses and Changes in Plan Net Position.....	178
Tax Collection Agency Fund:	
Statement of Changes in Assets and Liabilities .....	179
Schedule of Collections for and Remittances to Other Governmental Units.....	180
<u>Governmental Funds Fixed Asset Listing:</u>	
Schedule of Changes in Governmental Funds Fixed Assets .....	183
 <b><u>SINGLE AUDIT:</u></b>	
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 .....	185
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	187
Schedule of Expenditures of Federal Awards .....	189
Notes to Schedule of Expenditures of Federal Awards .....	190
Schedule of Findings and Questioned Costs .....	191
Resolution of Prior Years Findings and Questioned Costs.....	194
 <b><u>STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION:</u></b>	
General Government Expenditures and Other Financing Uses by Function .....	195
General Revenues and Other Financing Sources by Source.....	196
Real and Personal Property Tax Levies and Collections .....	197

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION:</u></b> (continued)	
Taxable and Estimated Actual Value of Taxable Property .....	198
Property Tax Rates - All Overlapping Governments (per \$1,000 of Assessed Value .....	199
Computation of Legal Debt Margin .....	200
Computation of Direct and Overlapping Debt.....	201
Analysis of Income Available for Debt Retirement:	
Water Utility Bonds .....	202
Waste Water Utility Bonds.....	203
Comparative Statistical Information - Electric Utility .....	204
Demographic Statistics .....	205
Principal Taxpayers .....	206
Miscellaneous Statistics .....	207
Ratio of Net General Bonded Debt to Taxable Value and Net Bonded Debt per Capital.....	208

## INTRODUCTORY SECTION

# City of Escanaba Organization Chart



**CITY COUNCIL**  
( ) Expiration of Term

Mayor  
Marc D. Tall (2017)

Members of the City Council  
Ronald J. Beauchamp - Mayor Pro Tem (2015)  
Michael Sattem (2017)  
Patricia A. Baribeau (2017)  
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/Superintendent  
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

Superintendent of  
Electric Department  
Michael Furmanski

Library Director  
Carolyn Stacey

Superintendent of Water  
and Waste Water  
Departments  
Jeff Lampi

Attorney  
Ralph B. K. Peterson

December 9, 2014

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, 2014, 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 18 and 20.

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,



Michael Dewar, C.P.A.  
City Controller

## FINANCIAL SECTION

## 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 City of Escanaba, Michigan, as of and for the year ended June 30, 2014, 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 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, 2014, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express 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 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 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 basic 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 10, 2014, 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 City of Escanaba, Michigan's internal control over financial reporting and compliance.



Certified Public Accountants

December 10, 2014

## 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 70 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 15 and 16 – 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 58 (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 17, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2014. 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 18, illustrates the process of converting the Governmental Funds Balance Sheet to the corresponding amounts used in the “government-wide” Statement of Net Position (page 15). 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 \$37.7 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 19, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2014. 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 a decrease of over \$1,265,000 in the combined fund balances of these funds. The decrease was primarily attributable to two transactions. In the first transaction, the City committed the use of \$975,000 of fund balance in order to pay off outstanding bonds prior to their due date. The second transaction involved the transfer of revolving loan funds from the City to the State of Michigan, in the approximate amount of \$971,000. Absent these two transactions, the combined fund balance would have shown an increase, as most of the governmental funds saw an increase in their individual fund balance. The only other governmental funds showing decreases in fund balance were the UDAG/DIAL Fund (down \$14,050, due to the recognition of a bad debt); Farmers Home Fund (down \$49,013, due to the return of the original grant to the federal government) and the Land Development Fund (down \$42,969).

### **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 20, illustrates the process of converting the traditional statement of revenues, expenditures and increases / (decreases) in fund balance (page 19) to the corresponding amounts used in the “government-wide” Statement of Activities (page 16). Essentially, the process eliminates expenditures which create capital assets and reduce long-term debt and recognizes depreciation expense and various transactions on a modified accrual basis. With this conversion, the City’s traditional fund basis accounting system is transformed into financial statements which would mirror private sector accounting treatment. It can be noted that once this conversion process is

completed, we see a decrease in net assets of nearly \$1,526,000, resulting primarily from the negative results reported on page 19 and the fact that depreciation expense and capital disposals exceeded capital outlay by over \$865,000.

The remaining documents which are required under GASB 34 (pages 21-23) 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 15 and 16. 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 15) summarizes the financial position of all City operations, modified as required into a private sector format, as of June 30, 2014. Below is a summarized comparison of this year’s statement to last year’s:

	<u>Y/E 6/30/2014</u>	<u>Y/E 6/30/2013</u>	<u>Yr. to Yr. Change</u>
<b>Assets</b>			
Current Assets			
Cash/Investments	\$30,446,861	\$31,370,809	(\$923,948)
Receivables	7,482,969	6,661,593	821,376
Other Assets	1,540,621	2,499,646	(959,025)
Noncurrent Assets			
Restricted Assets	369,243	355,719	13,524
Capital Assets	114,673,357	115,061,664	(388,307)
Accumulated Depreciation	<u>(63,080,431)</u>	<u>(61,108,946)</u>	<u>(1,971,485)</u>
<b>TOTAL ASSETS</b>	<b><u>\$91,432,620</u></b>	<b><u>\$94,840,485</u></b>	<b><u>(\$3,407,865)</u></b>
<b>Liabilities</b>			
Current Liabilities	\$6,856,395	\$5,629,775	\$ 1,226,620
Noncurrent Liabilities	<u>6,853,926</u>	<u>9,561,282</u>	<u>(2,707,356)</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$13,710,321</u></b>	<b><u>\$15,191,057</u></b>	<b><u>(\$1,480,736)</u></b>
<b>NET POSITION</b>	<b><u>\$77,722,299</u></b>	<b><u>\$79,649,428</u></b>	<b><u>(\$1,927,129)</u></b>

As noted previously, governmental activities ended the fiscal year with a decrease in net position; business-type activities also saw a decrease in net position, including a prior period adjustment and contributed capital. From page 22, 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 the write off of coal inventory, in the amount of \$498,000. The City continues to pursue reimbursement of those funds, in discussions with both the coal seller and the custodian of the inventory. Otherwise, electric operations were at the break 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 decreased by nearly \$924,000, due, in part, to the City's return of loan funds to the State and the early pay off of bonds.

Current liabilities increased by over \$1,225,000; this is attributable to the \$1.25 million that was advanced to the Escanaba Building Authority, from the Electric Utility, to assist in the pre-payment of bonds used to construct the Public Works building and the City Hall / Library building.

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 16) summarizes the revenues and expenses for all City operations, modified as required into a private sector format, for the year ended June 30, 2014. As discussed in the Statement of Net Position, the results in this document show a decrease in net City position of over \$1.9 million, including prior period adjustments and contributed capital, with the majority of the decrease 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 \$11.88 million for the year, an increase of \$1.9 million from the prior year. Total expenses for business-type activities were \$21.87 million, an increase of \$1.06 million, primarily reflecting higher costs in the electric utility and costs incurred in the Water Utility related to the severe winter of 2013/14.

Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, was nearly \$8.7 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 a decrease of \$62,000 over the prior year.

While the schedules on page 15 and 16 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 \$2,995,000 on the City's bonded debt; as no new debt was incurred, we saw our outstanding bonded debt decrease from \$9.875 million to \$6.88 million. There are no plans for new bonding issues in the 2014/15 fiscal year. A complete schedule of City debt, including non-bonded long-term debt, can be found in Note 9 – Long-Term Debt.

In February, 2014, Standard & Poor's affirmed their original rating of AA- on the City's 2010 Capital Improvement Bond issuance (Water Utility Fund).

### **Subsequent Events**

Since the close of the 2013/14 fiscal year, the City has been awarded over \$123,000 in State and Federal grant funds to assist in the extraordinary costs which the City incurred as a result of the severe winter of 2013/14. These funds will be reflected in fiscal year 2014/15.

A recent Michigan Tax Tribunal decision will result in the City refunding a taxpayer over \$120,000 in previously collected tax revenue; the amount covered a three year period. While the amount of the refund is significant, administration believes that future growth in taxable valuations, combined with adjustments to operations moving forward, can decrease the impact on the City. In general, 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 2014-2015 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Escanaba Housing Commission
<b>ASSETS:</b>				
Current assets:				
Cash and equivalents	\$ 264,355	\$ 142,195	\$ 406,550	\$ 120,665
Investments, at market	13,307,704	15,795,988	29,103,692	459,426
Sequestered cash and equivalents	936,619	-	936,619	-
Receivables:				
Accounts	354,592	3,476,939	3,831,531	35,567
Mortgages, land contracts and other notes	1,351,511	-	1,351,511	-
Special assessments	4,887	-	4,887	-
Accrued interest	143,740	152,989	296,729	-
Due from other funds	-	-	-	-
Due from other governments:				
State of Michigan	433,458	-	433,458	-
Local units	16,746	-	16,746	-
Advances to other funds	298,107	1,250,000	1,548,107	-
Real estate held for resale	8,200	-	8,200	-
Inventory	127,789	736,149	863,938	-
Prepaid expenses	261,570	406,913	668,483	23,062
<b>Total current assets</b>	<b>17,509,278</b>	<b>21,961,173</b>	<b>39,470,451</b>	<b>638,720</b>
Noncurrent assets:				
Restricted assets:				
Investments, at market	-	369,243	369,243	-
Capital assets	44,439,065	70,234,292	114,673,357	7,963,381
Accumulated depreciation	(21,375,089)	(41,705,342)	(63,080,431)	(6,105,457)
<b>Net noncurrent assets</b>	<b>23,063,976</b>	<b>28,898,193</b>	<b>51,962,169</b>	<b>1,857,924</b>
<b>TOTAL ASSETS</b>	<b>\$ 40,573,254</b>	<b>\$ 50,859,366</b>	<b>\$ 91,432,620</b>	<b>\$ 2,496,644</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 220,638	\$ 1,722,242	\$ 1,942,880	\$ 34,906
Accrued liabilities	-	-	-	104,427
Accrued interest	-	48,686	48,686	-
Claims payable	216,844	-	216,844	-
Accrued salaries and fringes	240,311	213,139	453,450	-
Customer deposits	-	237,205	237,205	-
Due to other funds	-	-	-	-
Due to other governments	97,097	-	97,097	-
Advances from other funds	1,250,000	298,107	1,548,107	-
Unearned revenue	120,691	1,515,240	1,635,931	-
Compensated absences, current portion	176,195	-	176,195	11,020
Bonds payable, current portion	40,000	460,000	500,000	-
<b>Total current liabilities</b>	<b>2,361,776</b>	<b>4,494,619</b>	<b>6,856,395</b>	<b>150,353</b>
Noncurrent liabilities:				
Compensated absences	473,926	-	473,926	47,270
Bonds payable	-	6,380,000	6,380,000	-
<b>Total noncurrent liabilities</b>	<b>473,926</b>	<b>6,380,000</b>	<b>6,853,926</b>	<b>47,270</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 2,835,702</b>	<b>\$ 10,874,619</b>	<b>\$ 13,710,321</b>	<b>\$ 197,623</b>
<b>NET POSITION:</b>				
Net investment in capital assets	\$ 21,595,971	\$ 21,390,843	\$ 42,986,814	\$ 1,857,924
Restricted for:				
Capital projects	1,151,026	-	1,151,026	-
Debt service	-	369,243	369,243	-
Other purposes	7,689,556	-	7,689,556	-
Unrestricted	7,300,999	18,224,661	25,525,660	441,097
<b>TOTAL NET POSITION</b>	<b>\$ 37,737,552</b>	<b>\$ 39,984,747</b>	<b>\$ 77,722,299</b>	<b>\$ 2,299,021</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2014

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
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,434,370	\$ 184,428	\$ -	\$ -	\$ (1,249,942)	\$ -	\$ -
Public safety	5,312,382	764,832	136,540	210,372	(4,200,638)	-	(4,200,638)
Highways, streets and public works	2,271,228	54,917	1,085,539	3,350	(1,127,422)	-	(1,127,422)
Sanitation	634,694	214,882	-	-	(419,812)	-	(419,812)
Community services	320,003	(1,041)	250	-	(320,794)	-	(320,794)
Recreation	522,669	60,139	9,149	289,486	(163,895)	-	(163,895)
Cultural	(72,905)	18,721	124,972	-	216,598	-	216,598
Urban redevelopment and housing	1,036,753	16,868	-	-	(1,019,885)	-	(1,019,885)
Economic development	320,508	-	-	100	(320,408)	-	(320,408)
Capital projects	-	-	-	-	-	-	-
Other functions	3,417	-	-	-	(3,417)	-	(3,417)
Interest on long-term debt	100,194	-	-	-	(100,194)	-	(100,194)
<b>Total governmental activities</b>	<b>11,883,313</b>	<b>1,313,746</b>	<b>1,356,450</b>	<b>503,308</b>	<b>(8,709,809)</b>	<b>-</b>	<b>(8,709,809)</b>
Business-type activities:							
Electric utility	18,306,669	18,398,040	-	-	-	91,371	91,371
Water utility	1,995,097	2,020,435	-	-	-	25,338	25,338
Waste water utility	1,321,565	1,314,643	-	-	-	(6,922)	(6,922)
Marina activity	251,706	208,597	-	-	-	(43,109)	(43,109)
<b>Total business-type activities</b>	<b>21,875,037</b>	<b>21,941,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,678</b>	<b>66,678</b>
<b>Total primary government</b>	<b>\$ 33,758,350</b>	<b>\$ 23,255,461</b>	<b>\$ 1,356,450</b>	<b>\$ 503,308</b>	<b>(8,709,809)</b>	<b>66,678</b>	<b>(8,643,131)</b>
<b>Component Unit</b>							
Escanaba Housing Commission	\$ 1,115,259	\$ 526,812	\$ 227,297	\$ 99,435	-	-	(261,715)
General revenues:							
Property taxes				5,135,011	-	5,135,011	-
State revenue sharing				1,272,916	-	1,272,916	-
Unrestricted grants and contributions				10,700	-	10,700	-
Unrestricted gain (loss) on sale of assets				5,937	600	6,537	-
Unrestricted investment earnings (losses)				38,504	349,255	387,759	8,821
State grant				-	-	-	-
Interest subsidy				-	65,658	65,658	-
Miscellaneous				346,676	(483,353)	(136,677)	97,427
Transfers				374,382	(374,382)	-	-
<b>Total general revenues and transfers</b>				<b>7,184,126</b>	<b>(442,222)</b>	<b>6,741,904</b>	<b>106,248</b>
Change in net position				(1,525,683)	(375,544)	(1,901,227)	(155,467)
Net position, beginning of year, as previously stated				39,263,235	40,386,193	79,649,428	2,454,488
Prior period adjustment				-	(42,849)	(42,849)	-
<b>Net position, beginning of year, as restated</b>				<b>39,263,235</b>	<b>40,343,344</b>	<b>77,705,352</b>	<b>2,299,021</b>
Add: Contributed capital				-	16,947	16,947	-
<b>Net position, end of year</b>				<b>\$ 37,737,552</b>	<b>\$ 39,984,747</b>	<b>\$ 77,722,299</b>	<b>\$ 2,299,021</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and equivalents	\$ 13,714	\$ 250,641	\$ 264,355
Investments, at market	3,545,608	7,915,224	11,460,832
Sequestered cash and equivalents	-	936,619	936,619
Receivables:			
Accounts, net of bad debt allowance	304,960	30,205	335,165
Mortgages, land contracts and other notes	2,856	1,348,655	1,351,511
Special assessments	1,855	3,032	4,887
Accrued interest	45,191	81,966	127,157
Due from other funds:			
Sanitary Landfill Fund	5,665	-	5,665
Delta County Central Dispatch Authority Fund	16,604	-	16,604
Due from other governments:			
State of Michigan	19,800	197,217	217,017
Delta County	-	16,746	16,746
Advances to other funds:			
Marina Fund	-	298,107	298,107
Motor Vehicle Equipment Fund	218,005	-	218,005
Real estate held for investment	-	8,200	8,200
Inventory	127,789	-	127,789
Prepaid expenses	135,305	-	135,305
<b>TOTAL ASSETS</b>	<b>\$ 4,437,352</b>	<b>\$ 11,086,612</b>	<b>\$ 15,523,964</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 174,552	\$ 35,572	\$ 210,124
Accrued salaries and fringes	223,454	-	223,454
Due to other governments:			
State of Michigan	96,977	120	97,097
Due to other funds:			
General Fund	-	22,269	22,269
Unearned revenue	63,692	125,596	189,288
<b>TOTAL LIABILITIES</b>	<b>558,675</b>	<b>183,557</b>	<b>742,232</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Principal	-	1,094,634	1,094,634
Inventory	127,789	-	127,789
Prepays	135,305	-	135,305
Restricted:			
Capital improvements	-	56,392	56,392
Economic development	-	2,250,378	2,250,378
Revolving loans	-	2,230,227	2,230,227
UPSET expenses/building	-	247,176	247,176
Future DDA projects as listed in the TIF plan	-	197,813	197,813
Brownfield	-	4,049	4,049
Local Streets	-	785,619	785,619
Major Streets	-	1,974,294	1,974,294
Assigned:			
Economic development	-	102,365	102,365
Sanitary landfill	-	25,343	25,343
Parking lots	-	1,056	1,056
Capital improvements	-	1,588,672	1,588,672
Housing rehab	-	209,234	209,234
Library operations	-	115,612	115,612
Drug law enforcement	-	20,191	20,191
Unassigned	3,615,583	-	3,615,583
<b>TOTAL FUND BALANCES</b>	<b>3,878,677</b>	<b>10,903,055</b>	<b>14,781,732</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,437,352</b>	<b>\$ 11,086,612</b>	<b>\$ 15,523,964</b>

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, 2014

Total fund balances for governmental funds \$ 14,781,732

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	6,008,495	
Buildings & improvements	3,153,380	
Parking lots	439,709	
Vehicles & equipment	1,834,023	
Infrastructure	18,704,431	
Less:		
Accumulated depreciation	<u>(13,267,101)</u>	17,391,628

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 5,967,325

This amount reflects the state revenue sharing receivable that is subject to full accrual recognition but not for modified accrual. 216,441

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.

Bonds payable	\$ (40,000)	
Compensated absences & FICA	<u>(650,121)</u>	(690,121)

Unearned 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. 70,547

Total net position of governmental activities \$ 37,737,552

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE**

For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 4,916,025	\$ 318,901	\$ 5,234,926
Licenses and permits	2,000	-	2,000
Local sources	10,000	249,408	259,408
State grants	1,347,918	1,243,044	2,590,962
Federal sources	44,877	-	44,877
Charges for services	264,378	901,224	1,165,602
Fines and forfeitures	43,539	20,046	63,585
Miscellaneous	187,496	481,706	669,202
<b>TOTAL REVENUES</b>	<u>6,816,233</u>	<u>3,214,329</u>	<u>10,030,562</u>
EXPENDITURES:			
General government	2,091,499	-	2,091,499
Public safety	4,096,243	693,979	4,790,222
Highways, streets and public works	515,239	1,171,606	1,686,845
Sanitation	634,694	-	634,694
Community services	21,148	298,469	319,617
Recreation	559,103	-	559,103
Cultural	254	520,783	521,037
Urban redevelopment and housing	-	1,036,753	1,036,753
Economic development	-	305,946	305,946
Other functions	3,417	-	3,417
Debt service	-	43,678	43,678
<b>TOTAL EXPENDITURES</b>	<u>7,921,597</u>	<u>4,071,214</u>	<u>11,992,811</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(1,105,364)</u>	<u>(856,885)</u>	<u>(1,962,249)</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	1,116	1,993	3,109
Operating transfers in	912,180	669,468	1,581,648
Operating transfers out	(614,291)	(274,077)	(888,368)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>299,005</u>	<u>397,384</u>	<u>696,389</u>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<u>(806,359)</u>	<u>(459,501)</u>	<u>(1,265,860)</u>
Fund balance, beginning of year	4,685,036	11,362,556	16,047,592
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,878,677</u>	<u>\$ 10,903,055</u>	<u>\$ 14,781,732</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, 2014

Net changes in fund balances - total governmental funds \$ (1,265,860)

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 (\$367,568) is exceeded by depreciation expense (\$886,799) and the removal of fixed assets (\$345,962).

(865,193)

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.

655,993

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

23,752

This amount reflects the unearned revenue reported in the fund financial statements that is recognized as revenue in the Statement of Activities.

(99,915)

This amount reflects the state revenue sharing revenue that is subject to full accrual recognition but not for modified accrual.

8,160

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 & FICA

(22,824)

Accrued interest on debt

204

Changes in net position of governmental activities

\$ (1,525,683)

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION**

June 30, 2014

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>						
Current assets:						
Cash and equivalents	\$ 131,314	\$ -	\$ -	\$ 10,881	\$ 142,195	\$ -
Investments, at market	12,447,891	534,147	2,714,348	99,602	15,795,988	1,846,872
Receivables:						
Accounts	2,990,128	290,199	181,002	15,610	3,476,939	19,427
Accrued interest	117,888	6,179	28,143	779	152,989	16,583
Inventory	602,752	116,264	5,487	11,646	736,149	-
Prepaid expenses	406,913	-	-	-	406,913	126,265
<b>Total current assets</b>	<b>16,696,886</b>	<b>946,789</b>	<b>2,928,980</b>	<b>138,518</b>	<b>20,711,173</b>	<b>2,009,147</b>
Advance to Escanaba Building Authority Fund	1,250,000	-	-	-	1,250,000	-
Restricted assets:						
Investments, at market	-	145,667	223,576	-	369,243	-
Property, plant and equipment	34,930,957	20,227,843	12,260,454	2,815,038	70,234,292	13,780,336
Less accumulated depreciation	(26,726,519)	(7,181,978)	(6,516,290)	(1,280,555)	(41,705,342)	(8,107,988)
Net property, plant and equipment	8,204,438	13,045,865	5,744,164	1,534,483	28,528,950	5,672,348
<b>TOTAL ASSETS</b>	<b>\$ 26,151,324</b>	<b>\$ 14,138,321</b>	<b>\$ 8,896,720</b>	<b>\$ 1,673,001</b>	<b>\$ 50,859,366</b>	<b>\$ 7,681,495</b>
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	1,609,650	20,375	82,769	9,448	1,722,242	10,514
Customer deposits	237,205	-	-	-	237,205	-
Claims payable	-	-	-	-	-	216,844
Accrued salaries, wages and fringes	79,788	61,636	71,715	-	213,139	16,857
Accrued interest payable	-	47,054	1,632	-	48,686	-
Payable from restricted assets:						
Current portion of revenue bonds	-	-	55,000	-	55,000	-
Unearned revenue	1,512,827	1,300	-	1,113	1,515,240	1,950
Bonds payable:						
Current portion of revenue bonds	-	405,000	-	-	405,000	-
<b>Total current liabilities</b>	<b>3,439,470</b>	<b>535,365</b>	<b>211,116</b>	<b>10,561</b>	<b>4,196,512</b>	<b>246,165</b>
Long-term liabilities:						
Advance from other funds:						
Land Development Fund	-	-	-	298,107	298,107	-
General Fund	-	-	-	-	-	218,005
Electric Fund	-	-	-	-	-	1,250,000
Bonds payable	-	6,145,000	235,000	-	6,380,000	-
<b>Total long-term liabilities</b>	<b>-</b>	<b>6,145,000</b>	<b>235,000</b>	<b>298,107</b>	<b>6,678,107</b>	<b>1,468,005</b>
<b>TOTAL LIABILITIES</b>	<b>3,439,470</b>	<b>6,680,365</b>	<b>446,116</b>	<b>308,668</b>	<b>10,874,619</b>	<b>1,714,170</b>
<b>NET POSITION:</b>						
Net investment in capital assets	8,204,438	6,495,865	5,454,164	1,236,376	21,390,843	4,204,343
Restricted:						
Debt service	-	145,667	223,576	-	369,243	-
Unrestricted	14,507,416	816,424	2,772,864	127,957	18,224,661	1,762,982
<b>Total net position</b>	<b>22,711,854</b>	<b>7,457,956</b>	<b>8,450,604</b>	<b>1,364,333</b>	<b>39,984,747</b>	<b>5,967,325</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 26,151,324</b>	<b>\$ 14,138,321</b>	<b>\$ 8,896,720</b>	<b>\$ 1,673,001</b>	<b>\$ 50,859,366</b>	<b>\$ 7,681,495</b>

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, 2014

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 18,398,040	\$ 2,020,435	\$ 1,314,643	\$ 208,492	\$ 21,941,610	\$ 54,359
Equipment rental	-	-	-	-	-	973,342
Provision for self-insurance	-	-	-	-	-	243,177
Miscellaneous	-	-	-	105	105	1,430,798
<b>TOTAL OPERATING REVENUES</b>	<b>18,398,040</b>	<b>2,020,435</b>	<b>1,314,643</b>	<b>208,597</b>	<b>21,941,715</b>	<b>2,701,676</b>
<b>OPERATING EXPENSES:</b>						
General government	-	-	-	-	-	1,159,544
Enterprises	-	-	-	167,842	167,842	-
Capital projects	-	-	-	-	-	17,608
Production	15,212,635	389,380	376,238	-	15,978,253	-
Transmission and distribution Station	403,480	140,850	96,488	-	640,818	-
	-	-	18,677	-	18,677	-
Customer service	15,778	193,795	21,621	-	231,194	-
Administrative and general	1,256,958	468,136	413,130	-	2,138,224	-
Provision for depreciation	885,610	376,587	217,518	68,692	1,548,407	467,120
Overhead to utilities	532,208	179,254	170,633	-	882,095	-
<b>TOTAL OPERATING EXPENSES</b>	<b>18,306,669</b>	<b>1,748,002</b>	<b>1,314,305</b>	<b>236,534</b>	<b>21,605,510</b>	<b>1,644,272</b>
<b>OPERATING INCOME (LOSS)</b>	<b>91,371</b>	<b>272,433</b>	<b>338</b>	<b>(27,937)</b>	<b>336,205</b>	<b>1,057,404</b>
<b>NON-OPERATING REVENUE (EXPENSES):</b>						
Gain (loss) on sale of investments	2,675	47	504	16	3,242	487
Rent received	-	15,600	-	-	15,600	-
Interest subsidy	-	65,658	-	-	65,658	-
Gain (loss) on sale of property and equipment	600	-	-	-	600	2,564
Loss on coal inventory	(498,953)	-	-	-	(498,953)	-
Interest earnings	282,195	11,526	51,124	1,168	346,013	34,908
Interest expense	-	(247,095)	(7,260)	(15,172)	(269,527)	(120,472)
Operating transfers in	37,267	25,563	22,235	4,177	89,242	10,302
Operating transfers out	(463,624)	-	-	-	(463,624)	(329,200)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(639,840)</b>	<b>(128,701)</b>	<b>66,603</b>	<b>(9,811)</b>	<b>(711,749)</b>	<b>(401,411)</b>
<b>CHANGE IN NET POSITION</b>	<b>(548,469)</b>	<b>143,732</b>	<b>66,941</b>	<b>(37,748)</b>	<b>(375,544)</b>	<b>655,993</b>
Net position, beginning of year, as previously stated	23,243,376	7,357,073	8,383,663	1,402,081	40,386,193	5,311,332
Prior period adjustment	-	(42,849)	-	-	(42,849)	-
Net position, beginning of year, as restated	23,243,376	7,314,224	8,383,663	1,402,081	40,343,344	5,311,332
Contributed capital	16,947	-	-	-	16,947	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 22,711,854</b>	<b>\$ 7,457,956</b>	<b>\$ 8,450,604</b>	<b>\$ 1,364,333</b>	<b>\$ 39,984,747</b>	<b>\$ 5,967,325</b>

See accompanying notes to financial statements

**CITY OF ESCANABA, MICHIGAN**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 18,605,349	\$ 2,018,941	\$ 1,299,809	\$ 202,478	\$ 22,126,577	\$ 263,443
Cash received from other funds for services	-	7,056	16,934	-	23,990	2,458,380
Cash payments to suppliers for goods & services	(14,073,846)	(753,267)	(388,600)	(81,353)	(15,297,066)	(717,732)
Cash payments to employees for services	(2,903,178)	(597,344)	(582,388)	(67,112)	(4,150,022)	(206,875)
Cash payments to other funds for services	(6,535)	(15,962)	(39,370)	(4,618)	(66,485)	-
Cash payments of benefits	-	-	-	-	-	(181,479)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,621,790</b>	<b>659,424</b>	<b>306,385</b>	<b>49,395</b>	<b>2,636,994</b>	<b>1,615,737</b>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>						
Net interfund loan transactions	-	-	-	(17,147)	(17,147)	-
Operating transfers in	37,267	25,563	22,235	4,177	89,242	10,302
Operating transfers out	(463,624)	-	-	-	(463,624)	(329,200)
<b>NET CASH FLOWS PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES</b>	<b>(426,357)</b>	<b>25,563</b>	<b>22,235</b>	<b>(12,970)</b>	<b>(391,529)</b>	<b>(318,898)</b>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:</b>						
Advances from other funds	-	-	-	-	-	1,250,000
Advances to other funds	(1,250,000)	-	-	-	(1,250,000)	-
Acquisition and construction of capital assets	(278,541)	(64,252)	(52,882)	(20,827)	(416,502)	(95,980)
Proceeds from the sale of capital assets	600	-	-	-	600	11,065
Principal paid on revenue bond maturities	-	(400,000)	(140,000)	-	(540,000)	(2,428,179)
Interest paid	-	(183,648)	(7,993)	(15,172)	(206,813)	(154,673)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(1,527,941)</b>	<b>(647,900)</b>	<b>(200,875)</b>	<b>(35,999)</b>	<b>(2,412,715)</b>	<b>(1,417,767)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Gain (loss) on sale of investments	2,675	47	504	16	3,242	30,624
Interest received	235,830	8,093	38,234	948	283,105	-
Rent received	-	15,600	-	-	15,600	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>238,505</b>	<b>23,740</b>	<b>38,738</b>	<b>964</b>	<b>301,947</b>	<b>30,624</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(94,003)</b>	<b>60,827</b>	<b>166,483</b>	<b>1,390</b>	<b>134,697</b>	<b>(90,304)</b>
Cash and equivalents, beginning of year	12,673,208	618,987	2,771,441	109,093	16,172,729	1,937,176
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 12,579,205</b>	<b>\$ 679,814</b>	<b>\$ 2,937,924</b>	<b>\$ 110,483</b>	<b>\$ 16,307,426</b>	<b>\$ 1,846,872</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 91,371	\$ 272,433	\$ 338	\$ (27,937)	\$ 336,205	\$ 1,057,404
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	885,510	376,587	217,518	68,692	1,548,407	467,120
Loss on coal inventory	(498,953)	-	-	-	(498,953)	-
Prior period adjustment	-	(42,849)	-	-	(42,849)	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	109,498	5,562	2,100	(7,232)	109,928	73,970
(Increase) decrease in inventories	863,909	(8,688)	2,938	7,497	865,656	-
(Increase) decrease in prepaid expenses	(49,296)	45,382	-	-	(3,914)	-
Increase (decrease) in accounts payable	121,630	3,914	80,370	7,262	213,176	13,900
Increase (decrease) in accruals	210	7,083	3,121	-	10,414	1,393
Increase (decrease) in unearned revenue	85,103	-	-	1,113	86,216	1,950
Increase (decrease) in customer deposits	12,708	-	-	-	12,708	-
<b>Total adjustments</b>	<b>1,530,419</b>	<b>386,991</b>	<b>306,047</b>	<b>77,332</b>	<b>2,300,789</b>	<b>558,333</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,621,790</b>	<b>\$ 659,424</b>	<b>\$ 306,385</b>	<b>\$ 49,395</b>	<b>\$ 2,636,994</b>	<b>\$ 1,615,737</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2014

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
<b>ASSETS:</b>			
Cash and equivalents	\$ (34,659)	\$ 372,837	\$ 6,497
Investments, at market	25,611,432	-	-
Receivables	-	3,654	-
<b>TOTAL ASSETS</b>	<b><u>\$ 25,576,773</u></b>	<b><u>\$ 376,491</u></b>	<b><u>\$ 6,497</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 755	\$ 144	\$ -
Due to other governments	-	-	6,497
<b>TOTAL LIABILITIES</b>	<b><u>\$ 755</u></b>	<b><u>\$ 144</u></b>	<b><u>\$ 6,497</u></b>
<b>NET POSITION:</b>			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 116,183	
Bezold Trust Fund	-	260,164	
Employee's retirement system	25,576,018	-	
<b>TOTAL NET POSITION</b>	<b><u>\$ 25,576,018</u></b>	<b><u>\$ 376,347</u></b>	

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Year Ended June 30, 2014

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trusts</u>
OPERATING REVENUES:		
Interest and dividends	\$ 731,687	\$ 6,772
Gain (loss) on sale of investments	3,015,572	-
Contributions:		
City of Escanaba	1,058,517	-
Employees	123,571	-
	<u>4,929,347</u>	<u>6,772</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Administrative and general	12,702	-
Benefits and refunds of member contributions	1,500,644	-
Cultural	-	5,659
	<u>1,513,346</u>	<u>5,659</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	3,416,001	1,113
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sales of investments	-	82
	<u>3,416,001</u>	<u>1,195</u>
NET INCOME (LOSS)		
Net position, beginning of year	22,160,017	375,152
	<u>\$ 25,576,018</u>	<u>\$ 376,347</u>
NET POSITION, END OF YEAR		

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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.

**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. This fund has a separate component unit audit which is available and on file with the City of Escanaba Treasurer.

**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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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, 2013. 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.

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, 2014

**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 is taxes assessed on the growth and development of properties within the plan.

**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.

## CITY OF ESCANABA, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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 Administration's Title IX Adjustment Implementation Program. The M.S.C. 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.

**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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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.

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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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.
- 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 position, 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 position.
- 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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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.
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
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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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 is 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 government-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. Unearned Revenues - In the government-wide financial statements and the proprietary fund financial statements, unearned revenue is recognized when cash, receivables or other assets are received prior to being earned. In the fund financial statements, unearned revenue is recognized when the revenue is not earned or unavailable.
9. Equity Classification

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

- a. Net investment in capital assets - 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 "net investment in capital assets."

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

**CITY OF ESCANABA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

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.
- **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 program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues that do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

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

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

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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.

**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, Public Acts 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

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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 16, 2013, and as amended by the Council on June 19, 2014.

**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, 2014.

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

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

Numerous governmental entities have suffered major financial impacts resulting 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

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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	\$ (806,359)	\$ (1,116)	\$ (807,475)
Electric Utility Fund	(548,469)	(2,675)	(551,144)
Major Street Fund	244,124	(348)	243,776
Local Street Fund	77,695	(107)	77,588
Parking Maintenance Fund	480	-	480
Marina Fund	(37,748)	(16)	(37,764)
Downtown Development Authority	17,538	(43)	17,495
Brownfield Fund	81	(3)	78
Drug Law Enforcement Fund	197,109	(5)	197,104
Delta County Central Dispatch	-	(5)	(5)
Library Fund	2,957	(24)	2,933
Housing Rehab Fund	12,490	(42)	12,448
UDAG/DIAL Fund	(14,050)	(322)	(14,372)
E.D.A. Revolving Loan Fund	25,338	(255)	25,083
Farmers Home Grant Fund	(49,013)	(25)	(49,038)
M.S.C. Revolving Loan Fund	(955,312)	(252)	(955,564)
Water Utility Fund	143,732	(47)	143,685
Escanaba Building Authority	985,364	(79)	985,285
Land Development Fund	(42,969)	(297)	(43,266)
Waste Water Utility Fund	66,941	(504)	66,437
Motor Vehicle Fund	(97,144)	(81)	(97,225)
Office Equipment Fund	19,808	(23)	19,785
Risk Retention Fund	18,748	(19)	18,729
Health Insurance Fund	(269,674)	(107)	(269,781)
Catherine Bonifas Trust Fund	2,094	(24)	2,070
Bezold Trust Fund	(899)	(58)	(957)
Worker's Compensation Fund	(4,583)	(111)	(4,694)
Gas Retirement Fund	18,779	(258)	18,521
Unemployment Compensation Fund	3,474	(67)	3,407
Sanitary Landfill Fund	4,115	(7)	4,108

**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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 2 - BUDGET NONCOMPLIANCE**

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

The following functions in the General Fund were overspent:

City Elections	\$	270
City Assessor		530

The following fund was overspent:

UDAG/DIAL Grant Fund	\$	61,857
----------------------	----	--------

**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, 2014 and 2013 was \$29,838,149 and \$30,834,558, respectively.

The City also has several funds which do not participate in the investment pool. The majority of non-pooled cash and investments are owned by the Public Safety Pension Fund. The carrying amount of non-pooled cash and investments as of June 30, 2014 and 2013 was \$26,934,062 and \$23,428,798, respectively.

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; bankers 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, 2014, the carrying amount of the City's deposits was \$11,912,566 and the bank balance was \$12,090,215. Of the bank balance, \$757,990 was covered by federal depository insurance and \$11,332,225 was uninsured and uncollateralized. Cash and equivalents on the statement of net assets also include \$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, 2014

**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	\$ 406,550
Investments, at market	29,103,692
Sequestered cash and equivalents	936,619
Restricted cash and investments	<u>369,243</u>
Subtotal	<u>30,816,104</u>
Statement of Fiduciary Net Position	
Presentation:	
Cash and equivalents	344,675
Investments, at market	<u>25,611,432</u>
Subtotal	<u>25,956,107</u>
TOTAL	<u>\$ 56,772,211</u>

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, 2014:

	<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	\$ 8,871,541	\$ 2,998,308	\$ 1,040,900	\$ 4,832,333	\$ -
U.S. Agencies	5,929,549	-	5,929,549	-	-
CD's listed as investments	<u>4,442,998</u>	<u>2,088,290</u>	<u>2,354,708</u>	<u>-</u>	<u>-</u>
Total	<u>\$19,244,088</u>	<u>\$ 5,086,598</u>	<u>\$ 9,325,157</u>	<u>\$ 4,832,333</u>	<u>\$ -</u>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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>
Investments:	
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	\$ 3,006,439
Eaton Vance Fund of Boston	2,502,185
Vanguard 500 Index Fund	6,275,609
Vanguard Total Bond Market Index Fund	3,081,832
Vanguard REIT Fund	1,205,864
Vanguard Short Term Bond Index	3,218,340
JP Morgan Mid Cap Value Fund	4,794,139
Dimensional International Value Fund	<u>1,527,024</u>
	<u>\$ 25,611,432</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, \$4,025,511 was rated AAA by Moody's rating service. The balance of \$4,846,030 was not separately rated. Of the U.S. Agency investments, all \$5,929,549 was rated AAA by Moody's rating service. 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 are 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, 2014, the City had 14.4% of its surplus funds invested in certificates of deposit. Additionally, the City is only allowed to invest up to ten percent of its pooled funds in commercial paper and repurchase agreements. As of June 30, 2014, 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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 4 - UTILITY RECEIVABLES**

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

Billed Receivables	\$ 1,041,824
Unbilled Receivables	<u>953,910</u>
<b>Total Receivables</b>	<b>1,995,734</b>
Less: Allowance for doubtful accounts	<u>(29,200)</u>
<b>Net Receivables</b>	<b><u>\$ 1,966,534</u></b>

The City's Sanitary Landfill Special Revenue Fund also shows \$13,492 of billed receivables and \$16,713 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, 2014 and 2013 consist of the following:

<u>Debtor</u>	<u>Original Amount of Loan</u>	<u>Inter- est Rate</u>	<u>Monthly Payment</u>	<u>Collateral</u>	<u>Balance June 30,</u>	
					<u>2014</u>	<u>2013</u>
<b><u>UDAG/DIAL Grant Fund:</u></b>						
DeGrand Enterprises	\$ 10,000	0.0%	357(a)	Real Estate	\$ 6,786	\$ 7,500
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	604	1,643
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	5,831	5,831
Matt Heath	13,500	5.0%	255	Real Estate	3,733	4,826
Cal Marcoe	60,000	5.0%	1,132	Real Estate	-	60,367
Crispigna's	40,000	3.25%	1,168	Real Estate	8,129	21,645
Crispigna's	18,000	4.25%	334	Real Estate	17,277	-
Mike & Kathy Decker	19,992	0.0%	714	Real Estate	4,991	7,848
Fashion Lane/Martenson	4,026	0.0%	288	Real Estate	2,881	3,726
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
Wickerts/Cashen	52,000	3.25%	462	Real Estate	33,968	34,066
Jim & Beverly Peacock	50,000	5.25%	499	Real Estate	8,012	13,423
Viau's	9,241	0.0%	330(a)	Real Estate	2,801	4,271
Lisa Ann's	10,000	0.0%	357(a)	Real Estate	<u>4,643</u>	<u>5,714</u>
<b>FUND TOTALS</b>					<b><u>629,710</u></b>	<b><u>701,707</u></b>
<b><u>EDA Revolving Loan Fund:</u></b>						
AM Express	150,000	3.25%	2,831	Promissory Note	-	2,738
Michigan Meats	335,000	3.50%(b)	2,030	Promissory Note	238,429	259,367
Michigan Meats	30,000	6.50%(b)	344	Promissory Note	-	13,402
Donalway/Waeghe	400,000	3.25%	7,232	All Assets	<u>369,755</u>	<u>369,755</u>
<b>FUND TOTALS</b>					<b><u>608,184</u></b>	<b><u>645,262</u></b>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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>2014</u>	<u>2013</u>
<b><u>M.S.C. Revolving Loan Fund II:</u></b>						
E & S Eisenberger	108,800	3.25%	1,005	All Assets	45,024	49,467
P&B Associate	123,000	4.5%	910	Promissory Note	<u>65,737</u>	<u>73,533</u>
FUND TOTALS					<u>110,761</u>	<u>123,000</u>
TOTALS					<u>\$ 1,348,655</u>	<u>\$1,469,969</u>

(a) Quarterly payment.

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

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

**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, the transit agency 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, 2013 and 2014, total delinquent real property taxes sold to the County totaled \$264,479 and \$249,292, respectively.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 7 - CAPITAL ASSETS**

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

	Balance 6/30/13	Additions	Retirements and other deductions	Balance 6/30/14
Land, not being depreciated	\$ 1,144,422	\$ -	\$ -	\$ 1,144,422
Land improvements	5,832,845	175,649	-	6,008,494
Building and improvements	9,480,319	116,115	-	9,596,434
Parking lots	439,709	-	-	439,709
Vehicles and equipment	9,205,265	129,501	789,191	8,545,575
Infrastructure	18,662,148	42,283	-	18,704,431
<b>Total capital assets subject to depreciation</b>	<b>43,620,286</b>	<b>463,548</b>	<b>789,191</b>	<b>43,294,643</b>
<b>Total capital assets</b>	<b>44,764,708</b>	<b>463,548</b>	<b>789,191</b>	<b>44,439,065</b>
Less accumulated depreciation:				
Land improvements	1,980,782	161,988	-	2,142,770
Building and improvements	4,274,168	224,081	-	4,498,249
Parking lots	187,532	14,693	-	202,225
Equipment	6,945,947	365,806	434,728	6,877,025
Infrastructure	7,067,469	587,351	-	7,654,820
<b>Total accumulated depreciation</b>	<b>20,455,898</b>	<b>1,353,919</b>	<b>434,728</b>	<b>21,375,089</b>
<b>NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</b>	<b>\$ 24,308,810</b>	<b>\$ (890,371)</b>	<b>\$ 354,463</b>	<b>\$ 23,063,976</b>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 233,104
Public Safety	134,552
Highways, streets and public works	714,047
Recreation	187,101
Cultural	70,008
Community service	617
Economic development	14,490
<b>Total governmental activities depreciation expense</b>	<b>\$ 1,353,919</b>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 7 - CAPITAL ASSETS – (continued)**

A summary of business-type activities property, plant and equipment at June 30, 2014, is as follows:

	Balance 6/30/13	Additions	Retirements and other Deductions	Balance 6/30/14
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	762,711	12,670	-	775,381
Total capital assets not subject to depreciation	<u>819,664</u>	<u>12,670</u>	<u>-</u>	<u>832,334</u>
Capital assets subject to depreciation:				
Land improvements	1,860,360	18,051	65,432	1,812,979
Building and improvements	31,781,362	61,579	482,824	31,360,117
Electric generating equipment	12,220,104	-	-	12,220,104
Transmission and distribution systems	22,278,156	422,581	28,156	22,672,581
Other machinery and equipment	1,337,310	20,221	21,354	1,336,177
Total capital assets subject to depreciation	<u>69,477,292</u>	<u>522,432</u>	<u>597,766</u>	<u>69,401,958</u>
Total capital assets	<u>70,296,956</u>	<u>535,102</u>	<u>597,766</u>	<u>70,234,292</u>
Less accumulated depreciation:				
Land improvements	994,278	47,453	53,445	988,286
Building and improvements	16,362,554	765,850	394,302	16,734,102
Electric generating equipment	9,589,284	276,066	-	9,865,350
Transmission and distribution systems	12,534,655	414,734	27,012	12,922,377
Other machinery and equipment	1,172,277	44,304	21,354	1,195,227
Total accumulated depreciation	<u>40,653,048</u>	<u>1,548,407</u>	<u>496,113</u>	<u>41,705,342</u>
NET BUSINESS TYPE ACTIVITIES CAPITAL ASSETS	<u>\$ 29,643,908</u>	<u>\$ (1,013,305)</u>	<u>\$ 101,653</u>	<u>\$ 28,528,950</u>

Depreciation expense was charged as follows:

Electric	\$ 885,610
Water	376,587
Waste Water	217,518
Marina	<u>68,692</u>
Total business-type activities depreciation expense	<u>\$ 1,548,407</u>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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, 2013, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 30 current employees and 54 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.

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, 2013. 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, 2013 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

Actuarial Accrued Liability:	
Retirees and beneficiaries	\$16,616,561
Vested terminated members	234,267
Active members	<u>12,541,199</u>
Total actuarial accrued liability	29,392,027
Actuarial value of assets	<u>20,226,295</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 9,165,732</u>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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, 2013 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 a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Year ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2008	\$ 542,028	100%
2009	573,788	100%
2010	601,037	100%
2011	807,281	100%
2012	844,170	100%
2013	931,056	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, 2014 was calculated at 51.40% of the valuation payroll. This calculates out to \$1,058,517.

Schedule of Funding Progress

<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	26,707,530	8,287,669	69%	2,012,773	412%
6/30/12*	18,837,369	28,492,726	9,655,357	66%	1,973,456	489%
6/30/13	20,226,295	29,392,027	9,165,732	69%	2,006,852	457%

\* After changes in assumptions.

The Escanaba Public Safety Pension Fund has a separate component unit audit which is available at the City Treasurer's office in the Escanaba City Hall located at 410 Ludington Street.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**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.

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 \$108,037 to the plan and the employees contributed \$45,573.

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

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2013 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**GASB 25 INFORMATION (as of 12/31/13)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 20,524,650
Vested former members	605,403
Active members	<u>11,542,644</u>
 Total Actuarial Accrued Liability	 \$ 32,672,697
 Net Assets Available for Benefits at Actuarial Value	 <u>20,547,182</u>
(Market Value is \$19,350,545)	
Unfunded (Overfunded) Actuarial Accrued Liability (UAL)	<u>\$ 12,125,515</u>
 Fiscal Year Beginning	 July 1 2015
Annual Required Contribution (ARC)	\$ 1,325,268

**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.

	Annual	
Year Ended	Pension	Percent
<u>June 30</u>	<u>Cost</u>	<u>Contributed</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%
2013	1,051,114	100%

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2014 were \$1,130,976.

**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
2008	\$ 19,754,963	\$ 29,283,966	\$ 9,529,003	67%	\$ 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%
2013	20,547,182	32,672,697	12,125,515	63%	2,646,815	458%

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 9 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2014</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Refunding of the 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.	\$ 2,415,000	\$ -	\$ 2,415,000	\$ -	\$ -
DDA bonds, 6.13% due in annual installments of \$40,000 through December 2014.	80,000	-	40,000	40,000	40,000
Loan payable to the Michigan Strategic Fund (CDBG program) for the Industrial Park Project. Principal payments of \$5,938 quarterly through May 31, 2014.	23,752	-	23,752	-	-
FICA on accrued compensated absences.	44,578	1,622	-	46,200	12,521
Long-term portion of accrued compensated absences.	<u>582,719</u>	<u>21,202</u>	<u>-</u>	<u>603,921</u>	<u>163,674</u>
Total governmental long-term debt	<u>\$ 3,146,049</u>	<u>\$ 22,824</u>	<u>\$ 2,478,752</u>	<u>\$ 690,121</u>	<u>\$ 216,195</u>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2014</u>	<u>Amounts Due Within One Year</u>
<b>Business-type Activities:</b>					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 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.	345,000	-	55,000	290,000	55,000
2002 Water Utility revenue bonds, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	1,675,000	-	135,000	1,540,000	135,000
2009 Water Utility revenue bonds, 2.125% due in semi-annual installments of \$120,000 to \$180,000 through October 1, 2027.	2,330,000	-	135,000	2,195,000	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.	2,945,000	-	130,000	2,815,000	135,000
<b>Total business-type long-term debt</b>	<b>\$ 7,380,000</b>	<b>\$ -</b>	<b>\$ 540,000</b>	<b>\$ 6,840,000</b>	<b>\$ 460,000</b>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2014 are as follows:

**Governmental Activities:**

<u>Year Ending June 30</u>	<u>Bonds Payable</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 40,000	\$ 1,226	\$ 41,226

**Business-type Activities:**

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	505,000	129,677	634,677
2020-2024	2,395,000	471,122	2,866,122
2025-2029	1,615,000	199,244	1,814,244
2030-2034	415,000	22,232	437,232
TOTAL	<u>\$ 6,840,000</u>	<u>\$ 1,452,089</u>	<u>\$ 8,292,089</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, 2014 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 16,604	Delta County Dispatch Authority	\$ 16,604
General Fund	5,665	Sanitary Landfill Fund	5,665
TOTAL	<u>\$ 22,269</u>		<u>\$ 22,269</u>

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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, 2014 is \$243,200.

In the fiscal year ending June 30, 2012, an additional loan of \$65,000 was made to the Marina Fund. This advance was used to fund the City's portion of expenses related to the L-Dock project. The loan is to be repaid over a 14 year period with the interest at 4%. The balance as of June 30, 2014 is \$54,907.

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, 2014 is \$218,005.

Electric Fund - The advance to other funds consists of a loan to the Escanaba Building Authority Fund for \$1,250,000 made during the June 30, 2014 fiscal year. The advance was used to liquidate the '93 and '94 Building Authority Bonds that were originally used for the public works facility and the city hall and library building. The advance is to be paid back over a ten year period with an interest rate of 2.5%. The balance as of June 30, 2014 is \$1,250,000.

**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 \$127,789, reserved for inventory, as they do not represent expendable available financial resources.
- B. Prepaid Expenditures - The General Fund has \$135,305 reserved for prepaid expenditures, as they do not represent expendable available financial resources.
- C. Gas Retirement Principal - 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.

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

- A. Gas Retirement Capital Improvements - The interest earned from the investment of the Gas Retirement Fund principal can be spent only for capital improvements. At June 30, 2014 the amount available for expenditure was \$56,392.
- B. Major Streets - \$1,974,294 is restricted in the Major Street Fund as these resources may only be spent on major streets.
- C. Local Streets - \$785,619 is restricted in the Local Street Fund as these resources may only be spent on local streets.
- D. Economic Development - \$2,250,378 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 \$2,230,227 restricted as these resources may only be used for revolving loan activity.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

- F. **UPSET Expenses** - The Drug Law Enforcement Fund has \$247,176 restricted for expenses authorized by UPSET and for a new building. 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 \$197,813 restricted for future projects as listed in the TIF Development Plan.
- H. **Brownfield** - The Brownfield Fund has \$4,049 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	\$ 102,365
Sanitary Landfill	Sanitary landfill	25,343
Parking Maintenance	Parking lots	1,056
Land Development	Capital improvements	1,588,672
Housing Rehab	Housing rehab	209,234
Library	Library operations	115,612
Drug Law Enforcement	Drug law enforcement	20,191

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, \$145,667 and \$223,576 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.

- 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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

The fund balance at June 30, 2014, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	145,281	
General Fund contribution - land	20,565	
MMRMA Rap Grant	1,962	
Community Action Agency Grant	20,307	
Earnings retained	<u>326,604</u>	\$ 826,508
Deduct:		
Delta County Building Authority payment authorized by Circuit Court decree	50,000	
Contribution to the State of Michigan	145,784	
Transfer to the City General Fund authorized by Circuit Court decree	279,395	
Capital improvements made to the William Bonifas Fine Arts Center authorized by Circuit Court decree	6,500	
Capital improvements made to the Catherine Bonifas Civic Center authorized by Circuit Court decree	<u>228,646</u>	<u>710,325</u>
Reserved Fund Balance		<u>\$ 116,183</u>

- B. **Reserve for Children's Materials** - The Bezold Trust Fund has \$260,164 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 \$25,576,018 reserved for that retirement system.

Net position restricted by enabling legislation amounted to \$7,745,948 as of year-end.

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

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

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

**CITY OF ESCANABA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

December, 1985. Audited financial information of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2013 is as follows:

Total assets	<u>\$ 12,511,461</u>
Total current liabilities	\$ 513,511
Total long-term liabilities	10,784,896
Total net position	<u>1,213,054</u>
Total liabilities and equity	<u>\$ 12,511,461</u>
Operating revenues	\$ 1,829,545
Operating expenses	<u>(1,960,865)</u>
Net operating loss	(131,320)
Net non-operating revenues (expenses)	<u>(247,488)</u>
Decrease in net position	<u>\$ (378,808)</u>

**NOTE 15 - UNREALIZED GAINS & LOSSES ON INVESTMENTS**

Under the requirements of Governmental Accounting Standards Board Statement 31, the City records its investments at market value. As a result of market fluctuations an unrealized gain of \$6,942 has been recorded during the current fiscal year.

**NOTE 16 - 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 2014-2015 fiscal year.

**NOTE 17 - 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 are 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.

**CITY OF ESCANABA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**NOTE 18 - 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 In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 912,180	\$ 614,291
Major Proprietary Funds:		
Electric Fund	37,267	463,624
Water Fund	25,563	-
Waste Water Fund	22,235	-
Non-Major Governmental Funds:		
Major Street Fund	47,626	-
Local Street Fund	197,208	-
Parking Maintenance Fund	19,279	-
Library Fund	378,893	-
Grants Fund	5,628	-
DDA Fund	246	8,705
Delta County Central Dispatch Fund	20,577	-
Land Development Fund	11	60,000
Sanitary Landfill Fund	-	203,500
Gas Retirement Fund	-	1,872
Non-Major Proprietary Funds:		
Marina Fund	4,177	-
Escanaba Building Authority	1,794	-
Motor Vehicle and Equipment Fund	8,508	-
Office Equipment Fund	-	4,200
Health Insurance Fund	-	325,000
 TOTAL	 <u>\$ 1,681,192</u>	 <u>\$ 1,681,192</u>

**NOTE 19 - 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. During the 2014 fiscal year the charges to individual funds were reinstated. 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.

**CITY OF ESCANABA, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 19 - RISK MANAGEMENT - (continued)**

A summary of the claims activity is as follows:

	Balance 6/30/13	Current Year Claims	Claim Payments	Balance 6/30/14
Workers' Compensation	\$ 197,000	\$ 61,694	\$ 46,194	\$ 212,500
Unemployment Compensation	5,509	1,743	2,908	4,344
Total	<u>\$ 202,509</u>	<u>\$ 63,437</u>	<u>\$ 49,102</u>	<u>\$ 216,844</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 is \$100,000. The retention limits for property coverage are subject to a \$1,000 deductible. Auto liability is \$15,000 per vehicle, \$30,000 per occurrence and is subject to a \$1,000 deductible per vehicle. 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, 2014, the Authority had met the minimum requirements.

At June 30, 2014, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

**NOTE 20 – CHANGE IN PRESENTATION**

During 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which was 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.

**CITY OF ESCANABA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**NOTE 21 – PRIOR PERIOD ADJUSTMENT**

During the 2014 fiscal year the City removed \$42,849 of bond issuance costs in the Water Fund to comply with GASB Statement #65. A prior period adjustment was made to reflect this expense in the appropriate period.

**NOTE 22 – LOSS ON COAL INVENTORY**

During the 2014 fiscal year the City absorbed a loss on the physical inventory of coal for the electric power plant. Consequently an entry for \$498,953 was made to correctly reflect the actual physical coal inventory present as of the fiscal year-end in the Electric Fund. Currently the City administration is pursuing any and all action related to the recovery of the financial loss for this coal. As of year-end there was no resolution. However, discussions are continuing with the vendor and the custodian of the coal inventory.

**NOTE 23 – UPCOMING REPORTING CHANGES**

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 will be effective for financial statements beginning with the 2015 fiscal year.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Current property taxes	\$ 4,998,950	\$ 4,998,950	\$ 4,867,252	\$ (131,698)
Collection on prior levies	17,500	17,500	7,220	(10,280)
Payments in lieu of taxes:				-
Harbor Tower	7,500	7,500	7,680	180
West Highland	11,500	11,500	10,859	(641)
Chippewa Indians	950	950	914	(36)
Meadow Brook	2,100	2,100	1,736	(364)
Willow Grove	2,600	2,600	2,258	(342)
Bridgewood	300	300	300	-
Penalties and interest	24,000	24,000	17,806	(6,194)
<b>Total taxes</b>	<b>5,065,400</b>	<b>5,065,400</b>	<b>4,916,025</b>	<b>(149,375)</b>
Licenses and permits:				
Business licenses and permits	1,600	1,600	2,000	400
Zoning appeals fees	5,000	5,000	-	(5,000)
<b>Total licenses and permits</b>	<b>6,600</b>	<b>6,600</b>	<b>2,000</b>	<b>(4,600)</b>
Local sources:				
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
State grants:				
Anti-drug abuse	16,000	16,000	16,263	263
Dispatcher training funds	10,000	10,000	12,676	2,676
Arbor Day grant	-	-	350	350
Meth lab reimbursement	-	-	104	104
State shared revenues	1,266,500	1,266,500	1,297,466	30,966
Supplemental Bad Driver	-	-	9,927	9,927
Criminal justice	5,500	5,500	5,553	53
Click it or Ticket	-	-	5,579	5,579
<b>Total state grants</b>	<b>1,298,000</b>	<b>1,298,000</b>	<b>1,347,918</b>	<b>49,918</b>
Federal sources:				
Anti-drug abuse	55,000	55,000	42,334	(12,666)
AFG grant	-	-	597	597
OHSP Spotlight grant	1,500	1,500	1,946	446
<b>Total federal sources</b>	<b>56,500</b>	<b>56,500</b>	<b>44,877</b>	<b>(11,623)</b>
Charges for services:				
Preliminary breath tests	-	-	575	575
Land use fees	-	-	3,681	3,681
Sex offender fees	-	-	20	20
Platting fees	450	450	430	(20)
Computer printouts	-	-	1,280	1,280
Cost recovery ordinances	1,000	1,000	-	(1,000)
Variance fees	-	-	40	40
Duplicating and photostal fees	2,200	2,200	2,341	141
Tax collection fees	161,600	161,600	161,293	(307)
Township fire protection	60,000	60,000	52,500	(7,500)
Street Department for overhead	6,000	6,000	5,912	(88)
Recreation program	7,600	7,600	7,085	(515)
Boat launches	13,000	13,000	9,969	(3,031)
Delta Solid Waste	8,800	8,800	8,442	(358)
Property owners share of sidewalk construction	-	-	3,198	3,198
Inspection fees	3,500	3,500	7,612	4,112
<b>Total charges for services</b>	<b>264,150</b>	<b>264,150</b>	<b>264,378</b>	<b>228</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Fines and forfeitures				
Penalties and interest	250	250	16	(234)
Nonmoving violations and district court	10,000	10,000	10,681	681
Penal fines, county allocation	35,000	35,000	32,842	(2,158)
Total fines and forfeitures	45,250	45,250	43,539	(1,711)
Miscellaneous:				
Tree inventory grant	-	-	3,000	3,000
Vending machine sales	1,000	1,000	875	(125)
Wage reimbursement	-	-	8,851	8,851
Interest earnings	100,000	100,000	101,260	1,260
Rents	44,800	44,800	39,192	(5,608)
Jackie Sorenson aerobics fees	-	-	6,959	6,959
Purchase discounts	1,500	1,500	3,174	1,674
MMRMA Rap Grant	-	-	1,682	1,682
Other	1,000	1,000	2,593	1,593
Contributions	7,500	7,500	15,091	7,591
Elementary basketball	-	-	4,819	4,819
Total miscellaneous	155,800	155,800	187,496	31,696
<b>TOTAL REVENUES</b>	<b>6,901,700</b>	<b>6,901,700</b>	<b>6,816,233</b>	<b>(85,467)</b>
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	14,800	14,800	14,148	652
Fringe benefits	1,220	1,220	1,178	42
Professional services	4,200	4,200	4,200	-
Office supplies	500	500	465	35
Operating supplies	250	250	365	(115)
Communications	150	150	110	40
Transportation	500	500	147	353
Insurance and bonds	400	400	165	235
Memberships and dues	100	6,000	5,880	120
Meetings	400	400	155	245
Equipment rental	400	400	72	328
New equipment	-	-	115	(115)
Total City Council	22,920	28,820	27,000	1,820
City manager:				
Salaries and wages	117,933	117,933	115,966	1,967
Fringe benefits	59,374	59,374	58,916	458
Office supplies	1,600	1,600	1,829	(229)
Communications	1,450	1,450	1,345	105
Transportation	1,000	1,000	1,123	(123)
Printing and publishing	1,000	1,000	894	106
Insurance and bonds	-	-	75	(75)
Memberships and dues	250	250	150	100
Meetings	400	400	134	266
Equipment repair	350	350	374	(24)
Equipment rental	3,632	3,632	3,547	85
Books, magazines and periodicals	600	600	186	414
New equipment	-	-	827	(827)
Total City manager	187,589	187,589	185,366	2,223
Less amount applicable to utilities	(131,312)	(131,312)	(129,620)	(1,692)
Net city manager	56,277	56,277	55,746	531
City elections:				
Salaries and wages	3,638	3,638	510	3,128
Fringe benefits	1,204	1,204	237	967
Professional services	2,825	4,825	5,550	(725)

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Office supplies	2,820	4,320	8,313	(3,993)
Transportation	300	300	173	127
Printing and publishing	600	600	849	(249)
Meetings	200	200	246	(46)
Equipment repair	1,000	1,000	660	340
Equipment rental	150	150	-	150
New equipment	700	700	686	14
Telephone	360	360	343	17
<b>Total city elections</b>	<b>13,797</b>	<b>17,297</b>	<b>17,567</b>	<b>(270)</b>
City controller:				
Salaries and wages	162,279	162,279	162,052	227
Fringe benefits	92,766	92,766	91,931	835
Office supplies	6,250	6,250	6,029	221
Communications	700	700	580	120
Insurance and bonds	200	200	88	112
Memberships and dues	210	210	190	20
Equipment repair	5,350	5,350	5,316	34
Equipment rental	2,604	2,604	2,604	-
New equipment	-	-	214	(214)
	270,359	270,359	269,004	1,355
Less amount applicable to utilities	(162,215)	(162,215)	(160,872)	(1,343)
<b>Net city controller</b>	<b>108,144</b>	<b>108,144</b>	<b>108,132</b>	<b>12</b>
City assessor:				
Salaries and wages	109,491	109,491	107,984	1,507
Fringe benefits	73,831	73,831	72,440	1,391
Professional services	-	-	4,388	(4,388)
Office supplies	6,350	6,350	6,252	98
Communications	650	650	354	296
Transportation	100	100	-	100
Printing and publishing	420	420	248	172
Memberships and dues	455	455	280	175
Meetings	300	300	200	100
Equipment repair	2,150	2,150	1,911	239
Equipment rental	1,522	1,522	1,474	48
Books, magazines and periodicals	-	-	112	(112)
New equipment	1,200	1,200	1,356	(156)
<b>Total city assessor</b>	<b>196,469</b>	<b>196,469</b>	<b>196,999</b>	<b>(530)</b>
City attorney:				
Professional services	51,000	51,500	51,170	330
Office supplies	500	500	-	500
Books, magazines and periodicals	4,000	4,500	4,182	318
	55,500	56,500	55,352	1,148
Less amount applicable to utilities	(27,750)	(27,750)	(27,676)	(74)
<b>Net city attorney</b>	<b>27,750</b>	<b>28,750</b>	<b>27,676</b>	<b>1,074</b>
Human resources:				
Salaries and wages	58,609	58,609	58,078	531
Fringe benefits	40,167	40,167	39,656	511
Professional services	8,000	8,000	500	7,500
Office supplies	1,450	1,450	542	908
Communications	150	150	143	7
Transportation	300	300	-	300
Printing and publishing	2,500	2,500	906	1,594
Memberships and dues	180	180	185	(5)

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Meetings	200	200	-	200
Equipment rental	36	36	36	-
Books, magazines and periodicals	200	200	-	200
New equipment	500	500	-	500
	112,292	112,292	100,046	12,246
Less amount applicable to utilities	(39,302)	(39,302)	(35,016)	(4,286)
<b>Net human resources</b>	<b>72,990</b>	<b>72,990</b>	<b>65,030</b>	<b>7,960</b>
<b>Board of review:</b>				
Professional services	1,800	1,800	1,680	120
Office supplies	200	200	35	165
Tuition assistance	50	50	50	-
Transportation	-	-	165	(165)
Printing and publishing	400	400	95	305
<b>Total board of review</b>	<b>2,450</b>	<b>2,450</b>	<b>2,025</b>	<b>425</b>
<b>Treasurer:</b>				
Salaries and wages	121,207	121,207	117,662	3,545
Fringe benefits	83,234	83,234	81,446	1,788
Professional services	100	100	91	9
Office supplies	11,150	11,150	10,303	847
Communications	400	400	412	(12)
Transportation	200	200	-	200
Printing and publishing	1,400	1,400	682	718
Insurance and bonds	100	100	44	56
Memberships and dues	50	50	50	-
Meetings	200	200	10	190
Equipment repair	8,020	8,020	8,327	(307)
Equipment rental	7,596	7,596	7,596	-
Books, magazines and periodicals	475	475	448	27
New equipment	500	500	261	239
<b>Total treasurer</b>	<b>234,632</b>	<b>234,632</b>	<b>227,332</b>	<b>7,300</b>
Less amount applicable to utilities	(211,169)	(211,169)	(204,629)	(6,540)
<b>Net treasurer</b>	<b>23,463</b>	<b>23,463</b>	<b>22,703</b>	<b>760</b>
<b>City clerk:</b>				
Salaries and wages	73,909	74,909	75,056	(147)
Fringe benefits	39,252	39,252	39,498	(246)
Professional services	3,000	5,500	5,267	233
Office supplies	3,100	3,100	2,604	496
Communications	1,300	1,300	884	416
Printing and publishing	5,000	5,000	5,193	(193)
Memberships and dues	300	300	330	(30)
Meetings	300	300	-	300
Equipment repair	700	700	726	(26)
Equipment rental	144	144	148	(4)
Books, magazines and periodicals	500	500	202	298
New equipment	1,600	1,600	2,129	(529)
<b>Total city clerk</b>	<b>129,105</b>	<b>132,605</b>	<b>132,037</b>	<b>568</b>
<b>Billing department:</b>				
Salaries and wages	140,560	145,560	144,199	1,361
Fringe benefits	101,237	103,237	103,388	(151)
Clothing	375	375	75	300
Professional services	200	200	159	41
Office supplies	26,600	29,100	26,169	2,931
Communications	700	700	726	(26)
Transportation	100	100	-	100
Printing and publishing	500	500	-	500
Insurance and bonds	-	-	3,134	(3,134)

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Meetings	100	100	50	50
Equipment repair	5,200	5,200	5,702	(502)
Equipment rental	11,628	11,628	11,711	(83)
New equipment	100	100	-	100
	<u>287,300</u>	<u>296,800</u>	<u>295,313</u>	<u>1,487</u>
Less amount applicable to utilities	(258,570)	(258,570)	(265,784)	7,214
Net billing department	<u>28,730</u>	<u>38,230</u>	<u>29,529</u>	<u>8,701</u>
Independent auditing:				
Professional services	17,000	17,000	17,000	-
Less amount applicable to utilities	(8,500)	(8,500)	(8,500)	-
Net independent auditing	<u>8,500</u>	<u>8,500</u>	<u>8,500</u>	<u>-</u>
Public Works - City Hall/Library:				
Building rental	54,425	54,425	54,425	-
Building lease	292,604	1,267,604	1,267,605	(1)
	<u>347,029</u>	<u>1,322,029</u>	<u>1,322,030</u>	<u>(1)</u>
Less amount applicable to utilities	(50,000)	(50,000)	(50,000)	-
Total Public Works - City Hall/Library	<u>297,029</u>	<u>1,272,029</u>	<u>1,272,030</u>	<u>(1)</u>
Civic center:				
Salaries and wages	15,508	15,508	11,215	4,293
Fringe benefits	13,925	13,925	11,539	2,386
Professional services	-	-	1,877	(1,877)
Office supplies	900	900	214	686
Building supplies	3,500	3,500	3,064	436
Communications	750	750	692	58
Printing and publishing	100	100	-	100
Insurance and bonds	2,200	2,200	2,229	(29)
Public utilities	22,000	22,000	19,744	2,256
Building maintenance	6,107	6,107	10,062	(3,955)
Equipment repair	900	900	1,084	(184)
Equipment rental	500	500	279	221
Building improvements	900	900	364	536
Total civic center	<u>67,290</u>	<u>67,290</u>	<u>62,363</u>	<u>4,927</u>
Tourism promotion:				
Salaries and wages	-	-	1,172	(1,172)
Fringe benefits	-	-	131	(131)
Public relations	-	2,000	67	1,933
Transportation	-	-	34	(34)
Printing and publishing	500	500	(1,250)	1,750
Insurance and bonds	200	200	88	112
Waterfront Art show	1,050	1,050	1,144	(94)
Equipment rental	-	-	290	(290)
Sno-fest	-	-	64	(64)
Logging Congress	750	750	750	-
Lighthouse Running Race	-	-	260	(260)
Bass fishing tournament	-	-	188	(188)
Esky 150 celebration	10,000	19,000	18,698	302
Saturday Rock in the Park	-	4,000	4,705	(705)
Total tourism promotion	<u>12,500</u>	<u>27,500</u>	<u>26,341</u>	<u>1,159</u>
Boat launches:				
Salaries and wages	1,819	1,819	704	1,115
Fringe benefits	274	274	169	105
Professional services	5,000	5,000	2,596	2,404
Operating supplies	300	300	877	(577)
Printing and publishing	500	500	-	500

See accompanying notes to financial statements

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Insurance and bonds	75	75	29	46
Public utilities	4,500	4,500	3,183	1,317
Equipment rental	2,000	2,000	2,405	(405)
Repairs to structures	1,500	1,500	952	548
Repairs to equipment	1,500	1,500	-	1,500
Capital outlay	500	500	546	(46)
<b>Total boat launches</b>	<b>17,968</b>	<b>17,968</b>	<b>11,461</b>	<b>6,507</b>
Promotional:				
Community promotion	6,628	10,128	9,732	396
Celebration flags	1,541	2,741	1,482	1,259
Fourth of July	15,441	15,441	15,146	295
<b>Total promotional</b>	<b>23,610</b>	<b>28,310</b>	<b>26,360</b>	<b>1,950</b>
<b>Total general government</b>	<b>1,108,992</b>	<b>2,127,092</b>	<b>2,091,499</b>	<b>35,593</b>
Public safety:				
Public Safety Department:				
Salaries and wages	2,014,404	2,014,404	2,016,812	(2,408)
Fringe benefits	1,561,785	1,561,785	1,551,405	10,380
Clothing	8,800	8,800	9,034	(234)
Uniform maintenance	1,000	1,000	1,139	(139)
Professional services	1,050	1,050	1,219	(169)
Office supplies	19,440	19,440	19,199	241
Building supplies	2,300	2,300	2,066	234
Communications	7,900	7,900	6,617	1,283
Public relations	600	600	603	(3)
Transportation	4,000	4,000	2,354	1,646
Printing and publishing	1,100	1,100	1,999	(899)
Insurance and bonds	18,600	18,600	12,170	6,430
Public utilities	32,000	32,000	30,789	1,211
Building maintenance	8,000	8,000	5,788	2,212
Memberships and dues	410	410	670	(260)
Meetings	4,000	4,000	5,115	(1,115)
Equipment repair	18,665	18,665	9,791	8,874
Equipment rental	205,204	205,204	167,900	37,304
Books, magazines and periodicals	750	750	573	177
New equipment	17,100	17,100	17,904	(804)
Building improvements	76,600	76,600	6,753	69,847
Firearms range	-	-	498	(498)
<b>Total public safety department</b>	<b>4,003,708</b>	<b>4,003,708</b>	<b>3,870,398</b>	<b>133,310</b>
Community preservation:				
Salaries and wages	40,214	40,214	37,456	2,758
Fringe benefits	11,692	11,692	11,283	409
Professional services	-	-	100	(100)
Office supplies	5,200	5,200	5,246	(46)
Communications	350	350	294	56
Transportation	250	250	109	141
Printing and publishing	500	500	10	490
Insurance and bonds	-	-	75	(75)
Memberships and dues	-	-	150	(150)
Meetings	500	500	479	21
Equipment repair	200	200	-	200
Equipment rental	2,508	2,508	2,508	-
Books, magazines and periodicals	300	300	(96)	396
New equipment	-	-	145	(145)
<b>Total community preservation</b>	<b>61,714</b>	<b>61,714</b>	<b>57,759</b>	<b>3,955</b>
Anti-drug abuse grant:				
Salaries and wages	65,214	65,214	74,239	(9,025)
Fringe benefits	53,612	53,612	50,617	2,995

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Office supplies	200	200	-	200
Transportation	500	500	347	153
Telephone	-	-	4	(4)
Professional services	31,850	31,850	27,075	4,775
<b>Total anti-drug abuse grant</b>	<b>151,376</b>	<b>151,376</b>	<b>152,282</b>	<b>(906)</b>
Public safety training				
Office supplies	1,000	1,000	-	1,000
Transportation	1,000	1,000	1,287	(287)
Meetings	3,300	3,300	1,841	1,459
<b>Total public safety training</b>	<b>5,300</b>	<b>5,300</b>	<b>3,128</b>	<b>2,172</b>
Dispatchers:				
Transportation	1,500	1,500	5,453	(3,953)
Education and training	8,500	8,500	7,223	1,277
<b>Total dispatchers</b>	<b>10,000</b>	<b>10,000</b>	<b>12,676</b>	<b>(2,676)</b>
<b>Total public safety</b>	<b>4,232,098</b>	<b>4,232,098</b>	<b>4,096,249</b>	<b>135,855</b>
Highways, streets and public works:				
City engineer:				
Salaries and wages	135,361	135,361	134,675	686
Fringe benefits	118,150	118,150	116,758	1,392
Professional services	1,000	1,000	280	720
Office supplies	1,250	1,250	1,049	201
Communications	1,150	1,150	1,238	(88)
Transportation	500	500	60	440
Insurance and bonds	100	100	44	56
Memberships and dues	80	80	-	80
Meetings	1,500	1,500	30	1,470
Equipment repair	2,200	2,200	1,547	653
Equipment rental	2,500	2,500	2,475	25
New equipment	450	450	1,020	(570)
<b>Total city engineer</b>	<b>264,241</b>	<b>264,241</b>	<b>259,176</b>	<b>5,065</b>
Care of trees and shrubs:				
Salaries and wages	36,641	36,641	27,025	9,616
Fringe benefits	20,849	20,849	14,675	6,174
Professional services	3,000	3,000	1,449	1,551
Office supplies	3,000	3,000	2,030	970
Arbor Day expenses	-	-	400	(400)
Printing and publishing	-	-	99	(99)
Meetings	300	300	-	300
Equipment repair	2,000	2,000	760	1,240
Equipment rental	14,000	14,000	9,343	4,657
New equipment	800	800	-	800
Esky 150 tree project	-	-	4,089	(4,089)
<b>Total care of trees and shrubs</b>	<b>80,590</b>	<b>80,590</b>	<b>59,870</b>	<b>20,720</b>
Planning commission:				
Professional services	250	250	-	250
Office supplies	250	250	338	(88)
Transportation	250	250	-	250
Printing and publishing	1,200	1,200	810	390
Meetings	250	250	-	250
Books, magazines and periodicals	300	300	279	21
<b>Total planning commission</b>	<b>2,500</b>	<b>2,500</b>	<b>1,427</b>	<b>1,073</b>
Street lighting	165,000	165,000	160,117	4,883

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
<b>Sidewalks:</b>				
Salaries and wages	-	-	176	(176)
Fringe benefits	-	-	42	(42)
Professional services	5,000	5,000	4,810	190
Insurance and bonds	5,000	5,000	2,200	2,800
Equipment rental	-	-	240	(240)
Overhead on salaries and wages	-	-	52	(52)
<b>Total sidewalks</b>	<b>10,000</b>	<b>10,000</b>	<b>7,520</b>	<b>2,480</b>
<b>Alleys</b>	<b>5,643</b>	<b>5,643</b>	<b>4,964</b>	<b>679</b>
<b>Crossing guards</b>	<b>31,000</b>	<b>31,000</b>	<b>22,165</b>	<b>8,835</b>
<b>Total highways, streets and public works</b>	<b>558,974</b>	<b>558,974</b>	<b>515,239</b>	<b>43,735</b>
<b>Sanitation:</b>				
<b>Sanitary landfill:</b>				
Professional services	205,000	205,000	202,519	2,481
<b>Landfill road cleanup:</b>				
Salaries and wages	1,501	1,501	1,681	(180)
Fringe benefits	854	854	984	(130)
Equipment rental	600	600	1,826	(1,226)
<b>Total landfill road cleanup</b>	<b>2,955</b>	<b>2,955</b>	<b>4,491</b>	<b>(1,536)</b>
<b>Composting activities:</b>				
Salaries and wages	20,280	20,280	19,076	1,204
Fringe benefits	11,540	11,540	21	11,519
Printing and publishing	500	500	511	(11)
Equipment rental	25,000	25,000	18,762	6,238
<b>Total composting activities</b>	<b>57,320</b>	<b>57,320</b>	<b>38,370</b>	<b>18,950</b>
<b>Snow plowing:</b>				
Salaries and wages	6,419	7,919	6,209	1,710
Fringe benefits	3,652	3,652	2,842	810
Equipment rental	8,000	8,500	8,165	335
<b>Total snow plowing</b>	<b>18,071</b>	<b>20,071</b>	<b>17,216</b>	<b>2,855</b>
<b>Solid waste collection:</b>				
Salaries and wages	82,847	85,347	76,289	9,058
Fringe benefits	60,335	61,335	59,377	1,958
Office supplies	250	250	257	(7)
Education and training	100	100	-	100
Insurance and bonds	600	600	221	379
Equipment repair	1,000	1,000	1,392	(392)
Equipment rental	125,000	125,000	132,528	(7,528)
<b>Total solid waste collection</b>	<b>270,132</b>	<b>273,632</b>	<b>270,064</b>	<b>3,568</b>
<b>Recycling:</b>				
Salaries and wages	28,627	28,627	29,077	(450)
Fringe benefits	16,019	16,019	16,834	(815)
Office supplies	-	-	89	(89)
Printing and publishing	-	2,000	2,000	-
Education and training	70	70	-	70
Equipment rental	62,500	62,500	54,034	8,466
<b>Total recycling</b>	<b>107,216</b>	<b>109,216</b>	<b>102,034</b>	<b>7,182</b>
<b>Total sanitation</b>	<b>660,694</b>	<b>668,194</b>	<b>634,694</b>	<b>33,500</b>

See accompanying notes to financial statements

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Community services:				
Professional services	12,000	12,000	12,000	-
Building rental	9,148	9,148	9,148	-
<b>Total community services</b>	<b>21,148</b>	<b>21,148</b>	<b>21,148</b>	<b>-</b>
Recreation:				
Band:				
Uniform maintenance	300	300	26	274
Professional services	38,500	38,500	32,828	5,672
Office supplies	375	375	542	(167)
Transportation	500	500	480	20
Printing and publishing	125	125	130	(5)
Public utilities	350	350	319	31
Building maintenance	300	300	-	300
Memberships and dues	500	500	331	169
Equipment repair	500	500	17	483
Equipment rental	300	300	-	300
New equipment	200	200	-	200
<b>Total band</b>	<b>41,950</b>	<b>41,950</b>	<b>34,673</b>	<b>7,277</b>
Parks:				
Salaries and wages	70,908	70,908	58,820	12,088
Fringe benefits	61,911	61,911	46,579	15,332
Professional services	-	-	315	(315)
Office supplies	3,000	3,000	1,515	1,485
Building supplies	2,000	2,000	1,175	825
Insurance and bonds	650	650	492	158
Public utilities	11,750	11,750	10,449	1,301
Building maintenance	8,000	8,000	9,237	(1,237)
Equipment repair	1,000	1,000	780	220
Equipment rental	41,000	41,000	42,523	(1,523)
New equipment	250	250	187	63
Telephone	600	600	600	-
<b>Total parks</b>	<b>201,069</b>	<b>201,069</b>	<b>172,672</b>	<b>28,397</b>
Recreation department - administration:				
Salaries and wages	78,520	78,520	88,154	(9,634)
Fringe benefits	57,315	57,315	57,554	(239)
Office supplies	3,000	3,000	1,858	1,142
Communications	1,500	1,500	1,247	253
Transportation	100	100	101	(1)
Printing and publishing	100	100	102	(2)
Equipment repair	200	200	150	50
Equipment rental	3,400	3,400	2,316	1,084
Capital outlay	13,000	-	36	(36)
<b>Total recreation department - administration</b>	<b>157,135</b>	<b>144,135</b>	<b>151,518</b>	<b>(7,383)</b>
Summer sports:				
Salaries and wages	41,053	41,053	26,673	14,380
Fringe benefits	49,744	49,744	45,093	4,651
Clothing	400	400	-	400
Professional services	-	-	25	(25)
Office supplies	5,500	5,500	3,495	2,005
Building supplies	100	100	34	66
Printing and publishing	100	100	102	(2)
Education and training	100	100	100	100
Insurance and bonds	500	500	236	264
Public utilities	9,000	9,000	6,053	2,947
Building maintenance	2,000	2,000	1,913	87
Equipment repair	500	500	644	(144)

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Equipment rental	18,000	18,000	15,439	2,561
Total summer sports	126,997	126,997	99,707	27,290
Wading pool:				
Salaries and wages	6,662	6,662	2,084	4,578
Fringe benefits	639	639	387	252
Fees and per diems	75	75	66	9
Professional services	200	200	170	30
Office supplies	1,600	1,600	981	619
Communications	100	100	6	94
Insurance and bonds	200	200	86	114
Public utilities	1,400	1,400	1,151	249
Building maintenance	900	900	2,828	(1,928)
Equipment repair	100	100	-	100
Equipment rental	500	500	8	492
Building improvements	500	500	500	-
Total wading pool	12,876	12,876	8,267	4,609
Winter sports:				
Salaries and wages	23,458	23,458	21,515	1,943
Fringe benefits	13,288	13,288	12,915	373
Clothing	100	100	-	100
Professional services	750	750	-	750
Office supplies	600	600	28	572
Building supplies	250	250	62	188
Communications	200	200	48	152
Printing and publishing	200	200	-	200
Insurance and bonds	250	250	139	111
Public utilities	6,000	6,000	4,545	1,455
Building maintenance	4,000	4,000	1,064	2,936
Meetings	100	100	-	100
Equipment repair	200	200	169	31
Equipment rental	12,000	12,000	7,429	4,571
Total winter sports	61,396	61,396	47,914	13,482
Beach:				
Salaries and wages	16,925	16,925	11,390	5,535
Fringe benefits	1,623	1,623	1,158	465
Clothing	200	200	180	20
Uniform maintenance	50	50	-	50
Professional services	100	100	95	5
Office supplies	200	200	277	(77)
Building supplies	200	200	106	94
Communications	400	400	473	(73)
Insurance and bonds	350	350	282	68
Public utilities	900	900	507	393
Building maintenance	700	700	678	22
Meetings	200	200	-	200
Equipment repair	200	200	13	187
Equipment rental	300	300	-	300
New equipment	400	400	-	400
Total beach	22,748	22,748	15,159	7,589
Civic center activities:				
Salaries and wages	25,530	25,530	17,267	8,263
Fringe benefits	4,979	4,979	3,544	1,435
Office supplies	400	400	80	320
Operating supplies	200	200	-	200

See accompanying notes to financial statements

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Jackie Sorenson aerobics	9,000	9,000	4,895	4,105
Elementary basketball	-	-	3,079	(3,079)
Printing and publishing	300	300	-	300
Meetings	100	100	38	62
Equipment repair	500	500	-	500
New equipment	-	-	290	(290)
<b>Total civic center activities</b>	<b>41,009</b>	<b>41,009</b>	<b>29,193</b>	<b>11,816</b>
<b>Total recreation</b>	<b>665,180</b>	<b>652,180</b>	<b>559,103</b>	<b>93,077</b>
Cultural:				
Historical Society building: Insurance and bonds	200	300	254	46
Other functions:				
Insurance and bonds	7,000	7,000	3,417	3,583
<b>TOTAL EXPENDITURES</b>	<b>7,254,286</b>	<b>8,266,986</b>	<b>7,921,597</b>	<b>345,389</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(352,686)</b>	<b>(1,365,286)</b>	<b>(1,105,364)</b>	<b>259,922</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Gain (loss) on sale of investments	-	-	1,116	1,116
Operating transfers in:				
Grants Fund	45,000	45,000	-	(45,000)
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	-
DDA Fund	-	-	4,705	4,705
Sanitary Landfill Fund	203,500	203,500	203,500	-
Health Insurance Fund	176,151	176,151	176,151	-
Operating Transfers out:				
Library Fund	(365,000)	(365,000)	(365,000)	-
Grants Fund	-	(19,422)	(5,493)	13,929
Major Street Fund	-	(37,500)	(37,500)	-
Local Street Fund	(225,000)	(187,500)	(187,500)	-
Parking Maintenance Fund	(22,500)	(22,500)	(18,798)	3,702
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>339,975</b>	<b>320,553</b>	<b>299,005</b>	<b>(21,548)</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<b>(12,611)</b>	<b>(1,044,733)</b>	<b>(806,359)</b>	<b>238,374</b>
Fund balance, beginning of year	4,685,036	4,685,036	4,685,036	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,672,425</b>	<b>\$ 3,640,303</b>	<b>\$ 3,878,677</b>	<b>\$ 238,374</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**THE PUBLIC EMPLOYEES RETIREMENT SYSTEMS**

June 30, 2014

**CITY GENERAL PENSION PLAN**

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
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%
2013	20,547,182	32,672,697	12,125,515	63%	2,646,815	458%

**PUBLIC SAFETY OFFICER PENSION PLAN**

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
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	27,198,884	8,361,515	69%	1,973,456	424%
6/30/13	20,226,295	29,392,027	9,165,732	69%	2,006,852	457%

\* After changes in assumptions.

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF ESCANABA, MICHIGAN**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

June 30, 2014

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and equivalents	\$ 250,641	\$ -	\$ 250,641
Investments, at market	6,775,200	1,140,024	7,915,224
Sequestered cash and equivalents	936,619	-	936,619
Receivables:			
Accounts, net of bad debt allowance	30,205	-	30,205
Mortgages, land contracts and other notes	1,348,655	-	1,348,655
Special assessments	3,032	-	3,032
Accrued interest	70,964	11,002	81,966
Due from other governments:			
State of Michigan	197,217	-	197,217
Delta County	16,746	-	16,746
Advances to other funds:			
Marina Fund	298,107	-	298,107
Real estate held for investment	8,200	-	8,200
<b>TOTAL ASSETS</b>	<b>\$ 9,935,586</b>	<b>\$ 1,151,026</b>	<b>\$ 11,086,612</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 35,572	\$ -	35,572
Due to other governments:			
State of Michigan	120	-	120
Due to other funds:			
General Fund	22,269	-	22,269
Unearned revenue	125,596	-	125,596
<b>TOTAL LIABILITIES</b>	<b>183,557</b>	<b>-</b>	<b>183,557</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Principal	-	1,094,634	1,094,634
Restricted:			
Capital improvements	-	56,392	56,392
Economic development	2,250,378	-	2,250,378
Revolving loans	2,230,227	-	2,230,227
UPSET expenses/building	247,176	-	247,176
Future DDA projects as listed in the TIF plan	197,813	-	197,813
Brownfield	4,049	-	4,049
Local Streets	785,619	-	785,619
Major Streets	1,974,294	-	1,974,294
Assigned:			
Economic development	102,365	-	102,365
Sanitary landfill	25,343	-	25,343
Parking lots	1,056	-	1,056
Capital improvements	1,588,672	-	1,588,672
Housing rehab	209,234	-	209,234
Library operations	115,612	-	115,612
Drug law enforcement	20,191	-	20,191
<b>TOTAL FUND BALANCES</b>	<b>9,752,029</b>	<b>1,151,026</b>	<b>10,903,055</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,935,586</b>	<b>\$ 1,151,026</b>	<b>\$ 11,086,612</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 318,901	\$ -	\$ 318,901
Local sources	249,408	-	249,408
State grants	1,243,044	-	1,243,044
Federal sources	-	-	-
Charges for services	901,224	-	901,224
Fines and forfeitures	20,046	-	20,046
Interest and dividends	-	20,393	20,393
Miscellaneous	461,313	-	461,313
	<u>3,193,936</u>	<u>20,393</u>	<u>3,214,329</u>
TOTAL REVENUES			
EXPENDITURES:			
Public safety	693,979	-	693,979
Highways, streets and public works	1,171,606	-	1,171,606
Community services	298,469	-	298,469
Recreation	-	-	-
Cultural	520,783	-	520,783
Urban redevelopment and housing	1,036,753	-	1,036,753
Economic development	305,946	-	305,946
Debt service	43,678	-	43,678
	<u>4,071,214</u>	<u>-</u>	<u>4,071,214</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>(877,278)</u>	<u>20,393</u>	<u>(856,885)</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	1,735	258	1,993
Operating transfers in	669,468	-	669,468
Operating transfers out	<u>(272,205)</u>	<u>(1,872)</u>	<u>(274,077)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>398,998</u>	<u>(1,614)</u>	<u>397,384</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(478,280)</u>	<u>18,779</u>	<u>(459,501)</u>
Fund balance, beginning of year	<u>10,230,309</u>	<u>1,132,247</u>	<u>11,362,556</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,752,029</u>	<u>\$ 1,151,026</u>	<u>\$ 10,903,055</u>

See accompanying notes to financial statements.

**GENERAL FUND**

**CITY OF ESCANABA, MICHIGAN**

**GENERAL FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	June 30	
	2014	2013
<b>ASSETS:</b>		
Cash and equivalents	\$ 13,714	\$ 45,122
Investments, at market	3,545,608	4,020,743
Receivables:		
Accounts, net of bad debt allowance	304,960	536,856
Contracts for rental property	2,856	3,156
Special assessments	1,855	4,895
Accrued interest	45,191	28,401
Due from other funds:		
Sanitary Landfill Fund	5,665	7,198
Delta County Central Dispatch Authority Fund	16,604	-
Due from other governments:		
State of Michigan	19,800	9,356
Advances to other funds:		
Motor Vehicle Equipment Fund	218,005	231,184
Inventory	127,789	159,512
Prepaid expenses	135,305	126,900
<b>TOTAL ASSETS</b>	<b><u>\$ 4,437,352</u></b>	<b><u>\$ 5,173,323</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 174,552	\$ 123,292
Accrued salaries, wages and fringes	223,454	191,469
Due to other governments	96,977	88,482
Unearned revenue	63,692	85,044
<b>TOTAL LIABILITIES</b>	<b><u>558,675</u></b>	<b><u>488,287</u></b>
<b>FUND BALANCES:</b>		
Nonspendable:		
Inventory	127,789	159,512
Prepaid expenses	135,305	126,900
Unassigned	3,615,583	4,398,624
<b>TOTAL FUND BALANCES</b>	<b><u>3,878,677</u></b>	<b><u>4,685,036</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,437,352</u></b>	<b><u>\$ 5,173,323</u></b>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2014 With Comparative Totals for the Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)	2013
REVENUES:				
Taxes	\$ 5,065,400	\$ 4,916,025	\$ (149,375)	\$ 4,963,794
Licenses and permits	6,600	2,000	(4,600)	2,440
Local sources	10,000	10,000	-	10,000
State grants	1,298,000	1,347,918	49,918	1,293,435
Federal sources	56,500	44,877	(11,623)	65,737
Charges for services	264,150	264,378	228	274,007
Fines and forfeitures	45,250	43,539	(1,711)	42,735
Miscellaneous	155,800	187,496	31,696	191,442
<b>TOTAL REVENUES</b>	<b>6,901,700</b>	<b>6,816,233</b>	<b>(85,467)</b>	<b>6,843,590</b>
EXPENDITURES:				
General government	2,127,092	2,091,499	35,593	1,113,868
Public safety	4,232,098	4,096,243	135,855	3,847,092
Highways, streets and public works	558,974	515,239	43,735	468,108
Sanitation	668,194	634,694	33,500	615,342
Community services	21,148	21,148	-	21,148
Recreation	652,180	559,103	93,077	500,864
Cultural	300	254	46	693
Other functions	7,000	3,417	3,583	6,527
<b>TOTAL EXPENDITURES</b>	<b>8,266,986</b>	<b>7,921,597</b>	<b>345,389</b>	<b>6,573,642</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(1,365,286)</b>	<b>(1,105,364)</b>	<b>259,922</b>	<b>269,948</b>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	1,116	1,116	(59,057)
Operating transfers in	952,475	912,180	(40,295)	730,824
Operating transfers out	(631,922)	(614,291)	17,631	(466,024)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>320,553</b>	<b>299,005</b>	<b>(21,548)</b>	<b>205,743</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)</b>	<b>(1,044,733)</b>	<b>(806,359)</b>	<b>238,374</b>	<b>475,691</b>
Fund balance, beginning of year	4,685,036	4,685,036	-	4,209,345
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,640,303</b>	<b>\$ 3,878,677</b>	<b>\$ 238,374</b>	<b>\$ 4,685,036</b>

See accompanying notes to financial statements.

**SPECIAL REVENUE FUNDS**

**CITY OF ESCANABA, MICHIGAN**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Parking Maintenance Fund</u>	<u>Downlow Development Authonty Fund</u>	<u>Brownfield Fund</u>
<b>ASSETS:</b>					
Cash and equivalents	\$ -	\$ -	\$ -	\$ 3,465	\$ -
investments, at market	1,857,866	738,412	1,056	197,393	3,994
Sequestered cash and equivalents	-	-	-	-	-
Receivables:					
Accounts, net of bad debt allowance	-	-	-	-	-
Mortgages, land contracts and other notes	-	-	-	-	-
Special assessments	-	3,032	-	-	-
Accrued interest	17,054	7,674	-	2,171	55
Taxes	-	-	-	-	-
Due from other funds:					
Local Street Fund	-	-	-	-	-
Due from other governments:					
State of Michigan	113,513	42,835	-	-	-
Delta County	-	-	-	-	-
Advances to other funds:					
Marina Fund	-	-	-	-	-
Real estate held for resale	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 1,988,433</u></u>	<u><u>\$ 791,953</u></u>	<u><u>\$ 1,056</u></u>	<u><u>\$ 203,029</u></u>	<u><u>\$ 4,049</u></u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 14,139	\$ 3,182	\$ -	\$ 4,408	\$ -
Due to other governments:					
State of Michigan	-	120	-	-	-
Due to other funds:					
Major Street Fund	-	-	-	-	-
General Fund	-	-	-	-	-
Unearned revenue	-	3,032	-	808	-
<b>TOTAL LIABILITIES</b>	<u><u>14,139</u></u>	<u><u>6,334</u></u>	<u><u>-</u></u>	<u><u>5,216</u></u>	<u><u>-</u></u>
<b>FUND BALANCES:</b>					
Restricted:					
Economic development	-	-	-	-	-
Revolving loans	-	-	-	-	-
UPSET expenses/building	-	-	-	-	-
Future DDA projects as listed in the TIF plan	-	-	-	197,813	-
Brownfield	-	-	-	-	4,049
Local Streets	-	785,619	-	-	-
Major Streets	1,974,294	-	-	-	-
Assigned:					
Economic development	-	-	-	-	-
Sanitary Landfill	-	-	-	-	-
Parking lots	-	-	1,056	-	-
Capital improvements	-	-	-	-	-
Housing rehab	-	-	-	-	-
Library operations	-	-	-	-	-
Drug law enforcement	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u><u>1,974,294</u></u>	<u><u>785,619</u></u>	<u><u>1,056</u></u>	<u><u>197,813</u></u>	<u><u>4,049</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,988,433</u></u>	<u><u>\$ 791,953</u></u>	<u><u>\$ 1,056</u></u>	<u><u>\$ 203,029</u></u>	<u><u>\$ 4,049</u></u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

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
\$ 247,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,572	-	120,572	207,275	141,568	1,606,754	553,249	45,011
-	-	-	-	-	-	936,619	-
-	-	-	-	-	-	-	-
-	-	-	-	-	629,710	608,184	-
194	41	1,730	1,959	805	15,475	5,485	534
-	-	-	-	-	-	-	-
-	-	7,681	-	33,188	-	-	-
-	16,746	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 266,942</u>	<u>\$ 16,787</u>	<u>\$ 129,983</u>	<u>\$ 209,234</u>	<u>\$ 175,561</u>	<u>\$ 2,251,939</u>	<u>\$ 2,103,537</u>	<u>\$ 45,545</u>
\$ (425)	\$ 183	\$ 11,356	\$ -	\$ -	\$ 1,561	\$ 1,168	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,604	-	-	-	-	-	-
-	-	3,015	-	118,741	-	-	-
<u>(425)</u>	<u>16,787</u>	<u>14,371</u>	<u>-</u>	<u>118,741</u>	<u>1,561</u>	<u>1,168</u>	<u>-</u>
-	-	-	-	-	2,250,378	-	-
247,176	-	-	-	-	-	2,102,369	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	56,820	-	-	45,545
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	209,234	-	-	-	-
-	-	115,612	-	-	-	-	-
<u>20,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>267,367</u>	<u>-</u>	<u>115,612</u>	<u>209,234</u>	<u>56,820</u>	<u>2,250,378</u>	<u>2,102,369</u>	<u>45,545</u>
<u>\$ 266,942</u>	<u>\$ 16,787</u>	<u>\$ 129,983</u>	<u>\$ 209,234</u>	<u>\$ 175,561</u>	<u>\$ 2,251,939</u>	<u>\$ 2,103,537</u>	<u>\$ 45,545</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
			2014	2013
\$ -	\$ -	\$ -	\$ 250,641	\$ 50,710
12,568	1,269,918	(8)	6,775,200	7,442,959
-	-	-	936,619	931,654
-	-	30,205	30,205	28,092
110,761	-	-	1,348,655	1,469,969
-	-	-	3,032	9,345
4,529	12,447	811	70,964	46,337
-	-	-	-	3,010
-	-	-	-	7,848
-	-	-	197,217	283,637
-	-	-	16,746	-
-	298,107	-	298,107	315,254
-	8,200	-	8,200	8,200
<u>\$ 127,858</u>	<u>\$ 1,588,672</u>	<u>\$ 31,008</u>	<u>\$ 9,935,586</u>	<u>\$ 10,597,015</u>
\$ -	\$ -	\$ -	\$ 35,572	\$ 164,957
-	-	-	120	120
-	-	-	-	7,848
-	-	5,665	22,269	7,198
-	-	-	125,596	186,583
-	-	5,665	183,557	366,706
-	-	-	2,250,378	2,264,428
127,858	-	-	2,230,227	3,160,201
-	-	-	247,176	47,248
-	-	-	197,813	180,275
-	-	-	4,049	3,968
-	-	-	785,619	707,924
-	-	-	1,974,294	1,730,170
-	-	-	102,365	150,241
-	-	25,343	25,343	21,228
-	-	-	1,056	576
-	1,588,672	-	1,588,672	1,631,641
-	-	-	209,234	196,744
-	-	-	115,612	112,655
-	-	-	20,191	23,010
<u>127,858</u>	<u>1,588,672</u>	<u>25,343</u>	<u>9,752,029</u>	<u>10,230,309</u>
<u>\$ 127,858</u>	<u>\$ 1,588,672</u>	<u>\$ 31,008</u>	<u>\$ 9,935,586</u>	<u>\$ 10,597,015</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**

For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 265,788	\$ 53,113
Local sources	-	-	-	-	-
State grants	824,904	260,234	-	-	-
Federal sources	-	-	-	-	-
Charges for services	-	-	28,965	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	31,431	20,462	-	6,504	151
<b>TOTAL REVENUES</b>	<b>856,335</b>	<b>280,696</b>	<b>28,965</b>	<b>272,292</b>	<b>53,264</b>
<b>EXPENDITURES:</b>					
Public Safety	-	-	-	-	-
Highways, streets and public works	660,185	400,316	47,764	-	-
Community services	-	-	-	-	-
Recreation	-	-	-	-	-
Cultural	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Economic development	-	-	-	202,660	53,186
Debt service	-	-	-	43,678	-
<b>TOTAL EXPENDITURES</b>	<b>660,185</b>	<b>400,316</b>	<b>47,764</b>	<b>246,338</b>	<b>53,186</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>196,150</b>	<b>(119,620)</b>	<b>(18,799)</b>	<b>25,954</b>	<b>78</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Gain (loss) on sale of investments	348	107	-	43	3
Operating transfers in	47,626	197,208	19,279	246	-
Operating transfers out	-	-	-	(8,705)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>47,974</b>	<b>197,315</b>	<b>19,279</b>	<b>(8,416)</b>	<b>3</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER USES)</b>	<b>244,124</b>	<b>77,695</b>	<b>480</b>	<b>17,538</b>	<b>81</b>
Fund balances, beginning of year	1,730,170	707,924	576	180,275	3,968
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,974,294</b>	<b>\$ 785,619</b>	<b>\$ 1,056</b>	<b>\$ 197,813</b>	<b>\$ 4,049</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	99,090	-	150,318	-	-	-
-	-	15,224	-	142,682	-	-	-
-	-	-	-	-	-	-	-
-	665,820	-	-	-	-	-	-
2,395	-	17,651	-	-	-	-	-
<u>202,280</u>	<u>6</u>	<u>12,858</u>	<u>12,862</u>	<u>978</u>	<u>48,685</u>	<u>26,963</u>	<u>1,062</u>
<u>204,675</u>	<u>665,826</u>	<u>144,823</u>	<u>12,862</u>	<u>293,978</u>	<u>48,685</u>	<u>26,963</u>	<u>1,062</u>
7,571	686,408	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	298,469	-	-	-
-	-	-	-	-	-	-	-
-	-	520,783	-	-	-	-	-
-	-	-	414	-	63,057	1,880	-
-	-	-	-	-	-	-	50,100
-	-	-	-	-	-	-	-
<u>7,571</u>	<u>686,408</u>	<u>520,783</u>	<u>414</u>	<u>298,469</u>	<u>63,057</u>	<u>1,880</u>	<u>50,100</u>
<u>197,104</u>	<u>(20,582)</u>	<u>(375,960)</u>	<u>12,448</u>	<u>(4,491)</u>	<u>(14,372)</u>	<u>25,083</u>	<u>(49,038)</u>
5	5	24	42	-	322	255	25
-	20,577	378,893	-	5,628	-	-	-
-	-	-	-	-	-	-	-
<u>5</u>	<u>20,582</u>	<u>378,917</u>	<u>42</u>	<u>5,628</u>	<u>322</u>	<u>255</u>	<u>25</u>
197,109	-	2,957	12,490	1,137	(14,050)	25,338	(49,013)
<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>\$ 267,367</u>	<u>\$ -</u>	<u>\$ 115,612</u>	<u>\$ 209,234</u>	<u>\$ 56,820</u>	<u>\$ 2,250,378</u>	<u>\$ 2,102,369</u>	<u>\$ 45,545</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**

For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
			2014	2013
\$ -	\$ -	\$ -	\$ 318,901	\$ 307,979
-	-	-	249,408	447,224
-	-	-	1,243,044	990,872
-	-	-	-	224,399
-	-	206,439	901,224	828,485
-	-	-	20,046	26,487
<u>15,838</u>	<u>79,964</u>	<u>1,269</u>	<u>461,313</u>	<u>268,012</u>
<u>15,838</u>	<u>79,964</u>	<u>207,708</u>	<u>3,193,936</u>	<u>3,093,458</u>
-	-	-	693,979	629,792
-	63,241	100	1,171,606	1,225,131
-	-	-	298,469	352,772
-	-	-	-	29
-	-	-	520,783	528,492
971,402	-	-	1,036,753	5,197
-	-	-	305,946	259,293
-	-	-	43,678	46,130
<u>971,402</u>	<u>63,241</u>	<u>100</u>	<u>4,071,214</u>	<u>3,046,836</u>
<u>(955,564)</u>	<u>16,723</u>	<u>207,608</u>	<u>(877,278)</u>	<u>46,622</u>
252	297	7	1,735	(81,831)
-	11	-	669,468	595,524
-	(60,000)	(203,500)	(272,205)	(384,500)
<u>252</u>	<u>(59,692)</u>	<u>(203,493)</u>	<u>398,998</u>	<u>129,193</u>
(955,312)	(42,969)	4,115	(478,280)	175,815
<u>1,083,170</u>	<u>1,631,641</u>	<u>21,228</u>	<u>10,230,309</u>	<u>10,054,494</u>
<u>\$ 127,858</u>	<u>\$ 1,588,672</u>	<u>\$ 25,343</u>	<u>\$ 9,752,029</u>	<u>\$ 10,230,309</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 1,857,866	\$ 1,653,274
Receivables:		
Accrued interest	17,054	9,749
Due from other funds:		
Local Street Fund	-	7,848
Due from other governments:		
State of Michigan	113,513	111,956
<b>TOTAL ASSETS</b>	<b><u>\$ 1,988,433</u></b>	<b><u>\$ 1,782,827</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 14,139	\$ 52,657
<b>FUND BALANCES:</b>		
Restricted:		
Major Streets	1,974,294	1,730,170
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,988,433</u></b>	<b><u>\$ 1,782,827</u></b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
State grants:			
Gas and weight tax	\$ 675,000	\$ 691,848	\$ 16,848
Winter maintenance	58,809	58,809	-
PA 48 annual maintenance fee	44,000	42,365	(1,635)
Street projects	375,000	-	(375,000)
Other	31,882	31,882	-
Miscellaneous:			
Interest earnings	<u>20,000</u>	<u>31,431</u>	<u>11,431</u>
<b>TOTAL REVENUES</b>	<u>1,204,691</u>	<u>856,335</u>	<u>(348,356)</u>
<b>EXPENDITURES:</b>			
Highways, streets and public works:			
Construction - roads and streets:			
New construction	<u>456,000</u>	<u>-</u>	<u>456,000</u>
Preservation streets:			
Patching and crack filling	62,895	76,203	(13,308)
Storm sewers	57,773	42,528	15,245
Grass and weed cutting	15,826	10,122	5,704
Sweeping and flushing	40,712	42,112	(1,400)
Street paving	<u>-</u>	<u>18,611</u>	<u>(18,611)</u>
Total preservation streets	<u>177,206</u>	<u>189,576</u>	<u>(12,370)</u>
Traffic services - maintenance			
Pavement markings and signs	<u>70,532</u>	<u>65,065</u>	<u>5,467</u>
Winter maintenance:			
Snow removal	199,441	155,987	43,454
Snow plowing	90,486	74,131	16,355
Snow control	488	-	488
Ice control	<u>76,478</u>	<u>93,111</u>	<u>(16,633)</u>
Total winter maintenance	<u>366,893</u>	<u>323,229</u>	<u>43,664</u>
Administration, engineering and record keeping	<u>80,196</u>	<u>82,315</u>	<u>(2,119)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,150,827</u>	<u>660,185</u>	<u>490,642</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>53,864</u>	<u>196,150</u>	<u>142,286</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Gain (loss) on sale of investments	-	348	348
Operating transfers in:			
General Fund	37,500	37,500	-
Health Insurance Fund	<u>10,126</u>	<u>10,126</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>47,626</u>	<u>47,974</u>	<u>348</u>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES</b>	101,490	244,124	142,634
Fund balance, beginning of year	<u>1,730,170</u>	<u>1,730,170</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,831,660</u>	<u>\$ 1,974,294</u>	<u>\$ 142,634</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 738,412	\$ 672,012
Receivables:		
Special assessments	3,032	9,345
Accrued interest	7,674	3,739
Due from other governments:		
State of Michigan	<u>42,835</u>	<u>41,774</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 791,953</u></u>	<u><u>\$ 726,870</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 3,182	\$ 1,633
Due to other governments:		
State of Michigan	120	120
Due to other funds:		
Major Street Fund	-	7,848
Unearned revenue	<u>3,032</u>	<u>9,345</u>
<b>TOTAL LIABILITIES</b>	<u><u>6,334</u></u>	<u><u>18,946</u></u>
<b>FUND BALANCES:</b>		
Restricted:		
Local Streets	<u>785,619</u>	<u>707,924</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 791,953</u></u>	<u><u>\$ 726,870</u></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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State grants:			
Gas and weight tax	\$ 250,000	\$ 260,234	\$ 10,234
Miscellaneous:			
Interest earnings	8,000	13,908	5,908
Special assessments	-	6,554	6,554
	<u>258,000</u>	<u>280,696</u>	<u>22,696</u>
TOTAL REVENUES			
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	59,138	63,382	(4,244)
Storm sewers	52,550	41,438	11,112
Sweeping and flushing	38,576	36,929	1,647
Blading	10,441	24,256	(13,815)
Dust control	4,107	1,644	2,463
Street paving	62,500	1,872	60,628
Total preservation streets	<u>227,312</u>	<u>169,521</u>	<u>57,791</u>
Traffic services - maintenance	<u>33,217</u>	<u>20,761</u>	<u>12,456</u>
Winter maintenance:			
Snow removal	32,762	26,364	6,398
Snow plowing	71,338	71,231	107
Ice control	42,695	50,412	(7,717)
Total winter maintenance	<u>146,795</u>	<u>148,007</u>	<u>(1,212)</u>
Administration, engineering and record keeping	<u>60,343</u>	<u>62,027</u>	<u>(1,684)</u>
TOTAL EXPENDITURES	<u>467,667</u>	<u>400,316</u>	<u>67,351</u>
EXCESS REVENUES (EXPENDITURES)	<u>(209,667)</u>	<u>(119,620)</u>	<u>90,047</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	107	107
Operating transfers in:			
Gas Retirement Fund	17,000	1,872	(15,128)
General Fund	187,500	187,500	-
Health Insurance Fund	7,836	7,836	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>212,336</u>	<u>197,315</u>	<u>(15,021)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	2,669	77,695	75,026
Fund balance, beginning of year	<u>707,924</u>	<u>707,924</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 710,593</u>	<u>\$ 785,619</u>	<u>\$ 75,026</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PARKING MAINTENANCE FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	<u>\$ 1,056</u>	<u>\$ 1,007</u>
LIABILITIES:		
Accounts payable	<u>\$ -</u>	<u>\$ 431</u>
FUND BALANCES:		
Assigned:		
Parking lots	<u>1,056</u>	<u>576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,056</u>	<u>\$ 1,007</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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services	<u>\$ 30,000</u>	<u>\$ 28,965</u>	<u>\$ (1,035)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	30,000	29,316	684
Non-DDA lot maintenance	<u>22,500</u>	<u>18,448</u>	<u>4,052</u>
TOTAL EXPENDITURES	<u>52,500</u>	<u>47,764</u>	<u>4,736</u>
EXCESS REVENUES (EXPENDITURES)	<u>(22,500)</u>	<u>(18,799)</u>	<u>3,701</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in:			
General Fund	22,500	18,798	(3,702)
Health Insurance Fund	<u>481</u>	<u>481</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,981</u>	<u>19,279</u>	<u>(3,702)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	481	480	(1)
Fund balance, beginning of year	<u>576</u>	<u>576</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,057</u></u>	<u><u>\$ 1,056</u></u>	<u><u>\$ (1)</u></u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**DOWNTOWN DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Cash and equivalents	\$ 3,465	\$ 3,462
Investments, at market	197,393	167,611
Receivables		
Accrued interest	2,171	1,187
Due from other governments:		
State of Michigan	-	16,168
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 203,029</u></b>	<b><u>\$ 188,428</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 4,408	\$ 8,153
Unearned revenue	808	-
	<u>          </u>	<u>          </u>
	<u>5,216</u>	<u>8,153</u>
<b>FUND BALANCES:</b>		
Restricted:		
Future DDA projects as listed in the TIF plan	197,813	180,275
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 203,029</u></b>	<b><u>\$ 188,428</u></b>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 268,000	\$ 265,788	\$ (2,212)
Miscellaneous:			
Interest earnings	3,000	4,421	1,421
Other	1,000	2,083	1,083
TOTAL REVENUES	<u>272,000</u>	<u>272,292</u>	<u>292</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	62,000	58,190	3,810
Fringe benefits	4,800	5,026	(226)
Supplies	3,000	1,200	1,800
Professional services	70,000	29,557	40,443
Rental rehabilitation	2,000	2,000	-
Communication	2,700	2,438	262
Transportation	500	104	396
Public relations	26,100	21,683	4,417
Printing and publishing	1,000	99	901
Insurance and bonds	1,000	709	291
Public utilities	3,200	3,219	(19)
Maintenance of parking lots	28,500	28,965	(465)
Capital outlay	78,000	24,752	53,248
Building maintenance	16,000	18,442	(2,442)
Maintenance of sidewalks	1,500	1,557	(57)
Equipment maintenance	3,500	655	2,845
Equipment rental	3,000	2,719	281
Books, magazines and periodicals	450	426	24
Memberships and dues	500	390	110
Education and training	550	529	21
Total economic development	<u>308,300</u>	<u>202,660</u>	<u>105,640</u>
Debt service:			
Principal retirement	40,000	40,000	-
Interest charges	3,678	3,678	-
Total debt service	<u>43,678</u>	<u>43,678</u>	<u>-</u>
TOTAL EXPENDITURES	<u>351,978</u>	<u>246,338</u>	<u>105,640</u>
EXCESS REVENUES (EXPENDITURES)	<u>(79,978)</u>	<u>25,954</u>	<u>105,932</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	43	43
Operating transfers in:			
Health Insurance Fund	246	246	-
Operating transfers out:			
Marina Fund	(4,000)	(4,000)	-
General Fund	-	(4,705)	(4,705)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,754)</u>	<u>(8,416)</u>	<u>(4,662)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	<u>(83,732)</u>	<u>17,538</u>	<u>101,270</u>
Fund balance, beginning of year	<u>180,275</u>	<u>180,275</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 96,543</u>	<u>\$ 197,813</u>	<u>\$ 101,270</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**BROWNFIELD FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 3,994	\$ 3,917
Receivables		
Accrued interest	55	51
Taxes	<u>-</u>	<u>3,010</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 4,049</u></b>	 <b><u>\$ 6,978</u></b>
 <b>LIABILITIES:</b>		
Accounts payable	<u>\$ -</u>	<u>\$ 3,010</u>
 <b>FUND BALANCES:</b>		
Restricted:		
Brownfield	<u>4,049</u>	<u>3,968</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 4,049</u></b>	 <b><u>\$ 6,978</u></b>

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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 53,500	\$ 53,113	\$ (387)
Miscellaneous:			
Interest earnings	<u>200</u>	<u>151</u>	<u>(49)</u>
TOTAL REVENUES	<u>53,700</u>	<u>53,264</u>	<u>(436)</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	-	49	(49)
Fringe benefits	-	23	(23)
Professional services	2,000	-	2,000
TIF reimbursement	53,500	53,112	388
Office supplies	<u>-</u>	<u>2</u>	<u>(2)</u>
TOTAL EXPENDITURES	<u>55,500</u>	<u>53,186</u>	<u>2,314</u>
EXCESS REVENUES (EXPENDITURES)	(1,800)	78	1,878
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>3</u>	<u>3</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	(1,800)	81	1,881
Fund balance, beginning of year	<u>3,968</u>	<u>3,968</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 2,168</u>	<u>\$ 4,049</u>	<u>\$ 1,881</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**DRUG LAW ENFORCEMENT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Cash and equivalents:		
UPSET adjudicated funds	\$ 38,319	\$ 38,307
UPSET federal forfeiture	7,704	7,701
Non-adjudicated account	1,151	1,240
UPSET building fund	200,002	-
Investments, at market	19,572	22,880
Receivables:		
Accrued interest	194	130
<b>TOTAL ASSETS</b>	<b><u>\$ 266,942</u></b>	<b><u>\$ 70,258</u></b>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ (425)</u>	<u>\$ -</u>
<b>FUND BALANCES:</b>		
Restricted:		
UPSET expenses/building	247,176	47,248
Assigned:		
Drug law enforcement	<u>20,191</u>	<u>23,010</u>
<b>TOTAL FUND BALANCES</b>	<b><u>267,367</u></b>	<b><u>70,258</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 266,942</u></b>	<b><u>\$ 70,258</u></b>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 8,000	\$ 2,395	\$ (5,605)
Miscellaneous:			
Interest earnings	250	280	30
Cliffs/Eagle Mine grant	-	200,000	200,000
MMRMA Rap grant	<u>2,000</u>	<u>2,000</u>	<u>-</u>
TOTAL REVENUES	<u>10,250</u>	<u>204,675</u>	<u>194,425</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	10,000	683	9,317
Professional services	-	969	(969)
Capital outlay - equipment	9,000	5,829	3,171
Equipment maintenance	<u>-</u>	<u>90</u>	<u>(90)</u>
TOTAL EXPENDITURES	<u>19,000</u>	<u>7,571</u>	<u>11,429</u>
EXCESS REVENUES (EXPENDITURES)	(8,750)	197,104	205,854
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>5</u>	<u>5</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	(8,750)	197,109	205,859
Fund balance, beginning of year	<u>70,258</u>	<u>70,258</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 61,508</u>	<u>\$ 267,367</u>	<u>\$ 205,859</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**DELTA COUNTY CENTRAL DISPATCH AUTHORITY  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ -	\$ 74,664
Receivables		
Accrued interest	41	190
Due from other governments:		
Delta County	<u>16,746</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,787</u></u>	<u><u>\$ 74,854</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 183	\$ 781
Due to other funds:		
General Fund	16,604	-
Unearned revenue	<u>-</u>	<u>74,073</u>
<b>TOTAL LIABILITIES</b>	<u>16,787</u>	<u>74,854</u>
<b>FUND BALANCES:</b>		
Assigned:		
Dispatch operations	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 16,787</u></u>	<u><u>\$ 74,854</u></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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Service fees	\$ 686,103	\$ 665,820	\$ (20,283)
Miscellaneous:			
Interest earnings	-	6	6
TOTAL REVENUES	<u>686,103</u>	<u>665,826</u>	<u>(20,277)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	473,117	494,268	(21,151)
Fringe benefits	81,209	66,624	14,585
Overhead on salaries and wages	116,956	119,462	(2,506)
Travel expenses	1,700	8	1,692
Professional services	1,500	-	1,500
Supplies	400	367	33
Clothing supplies	1,200	685	515
Building supplies	-	30	(30)
Equipment rental	2,800	387	2,413
Communication	3,800	3,129	671
Printing and publishing	400	-	400
Capital outlay	800	505	295
Equipment maintenance	17,498	404	17,094
Books, magazines and periodicals	-	186	(186)
Memberships and dues	200	140	60
Education and training	2,800	-	2,800
Office expense	300	170	130
Office supplies	2,000	43	1,957
TOTAL EXPENDITURES	<u>706,680</u>	<u>686,408</u>	<u>20,272</u>
EXCESS REVENUES (EXPENDITURES)	<u>(20,577)</u>	<u>(20,582)</u>	<u>(5)</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	5	5
Operating transfers in:			
Health Insurance Fund	20,577	20,577	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,577</u>	<u>20,582</u>	<u>5</u>
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, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 120,572	\$ 115,064
Receivables		
Accrued interest	1,730	982
Due from other governments:		
State of Michigan	<u>7,681</u>	<u>6,887</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 129,983</u></u>	<u><u>\$ 122,933</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 11,356	\$ 8,278
Unearned revenue	<u>3,015</u>	<u>2,000</u>
<b>TOTAL LIABILITIES</b>	<u>14,371</u>	<u>10,278</u>
<b>FUND BALANCES:</b>		
Assigned:		
Library operations	<u>115,612</u>	<u>112,655</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 129,983</u></u>	<u><u>\$ 122,933</u></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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
Penal fines	\$ 99,100	\$ 99,090	\$ (10)
State grants:			
State aid	12,874	15,224	2,350
Fines and forfeitures:			
Book fines	23,000	17,651	(5,349)
Miscellaneous:			
Contributions from private sources	9,500	9,406	(94)
Interest earnings	2,200	2,743	543
Gates Foundation grant	-	75	75
Other	-	634	634
	<u>146,674</u>	<u>144,823</u>	<u>(1,851)</u>
TOTAL REVENUES			
EXPENDITURES:			
Cultural:			
Salaries and wages	263,652	260,898	2,754
Fringe benefits	130,495	129,062	1,433
Supplies	8,100	7,159	941
Professional services	27,796	29,093	(1,297)
Communication	4,720	2,614	2,106
Transportation	500	475	25
Insurance and bonds	450	220	230
Office rental	34,819	34,819	-
Capital outlay - equipment	1,000	928	72
Equipment maintenance	1,344	1,581	(237)
Equipment rental	1,732	945	787
Books, magazines and periodicals	49,500	52,699	(3,199)
Memberships and dues	390	190	200
Education and training	260	100	160
	<u>524,758</u>	<u>520,783</u>	<u>3,975</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>(378,084)</u>	<u>(375,960)</u>	<u>2,124</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	24	24
Operating transfers in:			
General Fund	365,000	365,000	-
Health Insurance Fund	13,893	13,893	-
	<u>378,893</u>	<u>378,917</u>	<u>24</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES	809	2,957	2,148
Fund balance, beginning of year	<u>112,655</u>	<u>112,655</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 113,464</u>	<u>\$ 115,612</u>	<u>\$ 2,148</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**HOUSING REHAB FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 207,275	\$ 195,577
Receivables		
Accrued interest	<u>1,959</u>	<u>1,167</u>
 TOTAL ASSETS	 <u>\$ 209,234</u>	 <u>\$ 196,744</u>
 FUND BALANCES:		
Assigned:		
Housing rehab	<u>\$ 209,234</u>	<u>\$ 196,744</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ -	\$ 9,256	\$ 9,256
Interest earnings	3,200	3,606	406
TOTAL REVENUES	<u>3,200</u>	<u>12,862</u>	<u>9,662</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1,000</u>	<u>414</u>	<u>586</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>414</u>	<u>586</u>
EXCESS REVENUES (EXPENDITURES)	2,200	12,448	10,248
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>42</u>	<u>42</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	2,200	12,490	10,290
Fund balance, beginning of year	<u>196,744</u>	<u>196,744</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 198,944</u>	<u>\$ 209,234</u>	<u>\$ 10,290</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**GRANTS FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 141,568	\$ 104,502
Receivables		
Accrued interest	805	703
Due from other governments:		
State of Michigan	<u>33,188</u>	<u>106,852</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 175,561</u></b>	 <b><u>\$ 212,057</u></b>
 <b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 55,209
Unearned revenue	<u>118,741</u>	<u>101,165</u>
 <b>TOTAL LIABILITIES</b>	 <u>118,741</u>	 <u>156,374</u>
 <b>FUND BALANCES:</b>		
Assigned:		
Economic development	<u>56,820</u>	<u>55,683</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 175,561</u></b>	 <b><u>\$ 212,057</u></b>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ 167,616	\$ 150,318	\$ (17,298)
State grants	142,700	142,682	(18)
Federal sources	42,000	-	(42,000)
Miscellaneous:			
Interest earnings	-	978	978
<b>TOTAL REVENUES</b>	<b><u>352,316</u></b>	<b><u>293,978</u></b>	<b><u>(58,338)</u></b>
EXPENDITURES:			
Community services:			
State Passport Grant project	56,000	102	55,898
Civic Center locker room	124,691	107,267	17,424
Harbor dredging	142,700	142,620	80
Besse Park project	32,896	32,967	(71)
Hannahville radar sign	3,491	3,491	-
Hannahville ATV grant	11,960	11,960	-
Printing and publishing	-	62	(62)
<b>TOTAL EXPENDITURES</b>	<b><u>371,738</u></b>	<b><u>298,469</u></b>	<b><u>73,269</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>(19,422)</u></b>	<b><u>(4,491)</u></b>	<b><u>14,931</u></b>
OTHER FINANCING SOURCES (USES):			
Operating transfers in:			
General Fund	19,422	5,493	(13,929)
Health Insurance Fund	-	135	135
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>19,422</u></b>	<b><u>5,628</u></b>	<b><u>(13,794)</u></b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES</b>	<b><u>-</u></b>	<b><u>1,137</u></b>	<b><u>1,137</u></b>
Fund balance, beginning of year	<u>55,683</u>	<u>55,683</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 55,683</u></b>	<b><u>\$ 56,820</u></b>	<b><u>\$ 1,137</u></b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**UDAG/DIAL GRANT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 1,606,754	\$ 1,553,613
Receivables		
Mortgages, land contracts and other notes	629,710	701,707
Accrued interest	15,475	9,145
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,251,939</u>	<u>\$ 2,264,465</u>
LIABILITIES:		
Accounts payable	<u>\$ 1,561</u>	<u>\$ 37</u>
FUND BALANCES:		
Restricted:		
Economic development	<u>2,250,378</u>	<u>2,264,428</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,251,939</u>	<u>\$ 2,264,465</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 48,000</u>	<u>\$ 48,685</u>	<u>\$ 685</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,200	2,690	(1,490)
Bad debt	<u>-</u>	<u>60,367</u>	<u>(60,367)</u>
TOTAL EXPENDITURES	<u>1,200</u>	<u>63,057</u>	<u>(61,857)</u>
EXCESS REVENUES (EXPENDITURES)	46,800	(14,372)	(61,172)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>322</u>	<u>322</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	46,800	(14,050)	(60,850)
Fund balance, beginning of year	<u>2,264,428</u>	<u>2,264,428</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,311,228</u>	<u>\$ 2,250,378</u>	<u>\$ (60,850)</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 553,249	\$ 497,154
Sequestered cash and equivalents	936,619	931,654
Receivables		
Mortgages, land contracts and other notes	608,184	645,262
Accrued interest	5,485	4,929
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,103,537</u>	<u>\$ 2,078,999</u>
LIABILITIES:		
Accounts payable	<u>\$ 1,168</u>	<u>\$ 1,968</u>
FUND BALANCES:		
Restricted:		
Revolving loans	<u>2,102,369</u>	<u>2,077,031</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,103,537</u>	<u>\$ 2,078,999</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 40,000	\$ 26,963	\$ (13,037)
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>2,250</u>	<u>1,880</u>	<u>370</u>
EXCESS REVENUES (EXPENDITURES)	37,750	25,083	(12,667)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>255</u>	<u>255</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	37,750	25,338	(12,412)
Fund balance, beginning of year	<u>2,077,031</u>	<u>2,077,031</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,114,781</u>	<u>\$ 2,102,369</u>	<u>\$ (12,412)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**FARMERS HOME GRANT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 45,011	\$ 93,996
Receivables		
Accrued interest	<u>534</u>	<u>562</u>
 TOTAL ASSETS	 <u>\$ 45,545</u>	 <u>\$ 94,558</u>
 FUND BALANCES:		
Assigned:		
Economic Development	<u>45,545</u>	<u>94,558</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 45,545</u>	 <u>\$ 94,558</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 900</u>	<u>\$ 1,062</u>	<u>\$ 162</u>
EXPENDITURES:			
Economic development:			
Administration	200	100	100
Transfer to USDA - Farmers Home	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>50,200</u>	<u>50,100</u>	<u>100</u>
EXCESS REVENUES (EXPENDITURES)	(49,300)	(49,038)	262
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>25</u>	<u>25</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	(49,300)	(49,013)	287
Fund balance, beginning of year	<u>94,558</u>	<u>94,558</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 45,258</u>	<u>\$ 45,545</u>	<u>\$ 287</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 12,568	\$ 954,527
Receivables		
Mortgages, land contracts and other notes	110,761	123,000
Accrued interest	<u>4,529</u>	<u>5,643</u>
 TOTAL ASSETS	 <u>\$ 127,858</u>	 <u>\$ 1,083,170</u>
 FUND BALANCES:		
Restricted:		
Revolving loans	<u>127,858</u>	<u>1,083,170</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 127,858</u>	 <u>\$ 1,083,170</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	<u>\$ 15,500</u>	<u>\$ 15,838</u>	<u>\$ 338</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	2,000	850	1,150
Transfer to State of Michigan	<u>971,000</u>	<u>970,552</u>	<u>448</u>
TOTAL EXPENDITURES	<u>973,000</u>	<u>971,402</u>	<u>1,598</u>
EXCESS REVENUES (EXPENDITURES)	(957,500)	(955,564)	1,936
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>252</u>	<u>252</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	(957,500)	(955,312)	2,188
Fund balance, beginning of year	<u>1,083,170</u>	<u>1,083,170</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 125,670</u>	<u>\$ 127,858</u>	<u>\$ 2,188</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**LAND DEVELOPMENT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 1,269,918	\$ 1,333,178
Receivables		
Accrued interest	12,447	7,809
Advances to other funds:		
Marina Fund	298,107	315,254
Real estate held for resale	<u>8,200</u>	<u>8,200</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,588,672</u></u>	<u><u>\$ 1,664,441</u></u>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ -</u>	<u>\$ 32,800</u>
<b>FUND BALANCES:</b>		
Assigned:		
Capital improvements	<u>1,588,672</u>	<u>1,631,641</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,588,672</u></u>	<u><u>\$ 1,664,441</u></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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 37,500	\$ 38,487	\$ 987
Rents	9,775	9,775	-
Sale of property	1,000	-	(1,000)
Sale of sand/topsoil	<u>20,000</u>	<u>31,702</u>	<u>11,702</u>
 TOTAL REVENUES	 <u>68,275</u>	 <u>79,964</u>	 <u>11,689</u>
EXPENDITURES:			
Highways, streets and public works:			
Loan repayment	23,750	23,750	-
Professional services	35,600	31,700	3,900
Property taxes	7,000	6,866	134
Maintenance of structures	-	48	(48)
Property improvements	<u>15,000</u>	<u>877</u>	<u>14,123</u>
 TOTAL EXPENDITURES	 <u>81,350</u>	 <u>63,241</u>	 <u>18,109</u>
 EXCESS REVENUES (EXPENDITURES)	 <u>(13,075)</u>	 <u>16,723</u>	 <u>29,798</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	297	297
Operating transfers in:			
Health Insurance Fund	-	11	11
Operating transfers out:			
General Fund	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(60,000)</u>	 <u>(59,692)</u>	 <u>308</u>
 EXCESS REVENUES AND OTHER FINANCING SOURCES	 <u>(73,075)</u>	 <u>(42,969)</u>	 <u>30,106</u>
 Fund balance, beginning of year	 <u>1,631,641</u>	 <u>1,631,641</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ 1,558,566</u></u>	 <u><u>\$ 1,588,672</u></u>	 <u><u>\$ 30,106</u></u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**SANITARY LANDFILL FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ (8)	\$ (17)
Receivables		
Accounts, net of bad debt allowance	30,205	28,092
Accrued interest	811	351
TOTAL ASSETS	<u>\$ 31,008</u>	<u>\$ 28,426</u>
LIABILITIES:		
Due to other funds:		
General Fund	<u>\$ 5,665</u>	<u>\$ 7,198</u>
FUND BALANCES:		
Assigned:		
Sanitary Landfill	<u>25,343</u>	<u>21,228</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,008</u>	<u>\$ 28,426</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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Metered sales	\$ 203,700	\$ 206,439	\$ 2,739
Miscellaneous:			
Interest earnings	500	1,269	769
TOTAL REVENUES	<u>204,200</u>	<u>207,708</u>	<u>3,508</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	150	100	50
Uncollectible accounts	100	-	100
TOTAL EXPENDITURES	<u>250</u>	<u>100</u>	<u>150</u>
EXCESS REVENUES	<u>203,950</u>	<u>207,608</u>	<u>3,658</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	7	7
Operating transfers out:			
General Fund	<u>(203,500)</u>	<u>(203,500)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(203,500)</u>	<u>(203,493)</u>	<u>7</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	450	4,115	3,665
Fund balance, beginning of year	<u>21,228</u>	<u>21,228</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,678</u>	<u>\$ 25,343</u>	<u>\$ 3,665</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, 2014  
With Comparative Totals for the Year Ended June 30, 2013

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Manna Fund	Totals	
					2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 18,605,349	\$ 2,018,941	\$ 1,299,809	\$ 202,478	\$ 22,126,577	\$ 20,537,301
Cash received from other funds for services	-	7,056	16,934	-	23,990	13,191
Cash payments to suppliers for goods & services	(14,073,846)	(753,267)	(388,600)	(81,353)	(15,297,066)	(13,922,287)
Cash payments to employees for services	(2,903,178)	(597,344)	(582,388)	(67,112)	(4,150,022)	(4,674,460)
Cash payments to other funds for services	(6,535)	(15,962)	(39,370)	(4,618)	(66,485)	(68,634)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,621,790</b>	<b>659,424</b>	<b>306,385</b>	<b>49,395</b>	<b>2,636,994</b>	<b>1,885,111</b>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>						
Net interfund loan transactions	-	-	-	(17,147)	(17,147)	(15,988)
Operating transfers in	37,267	25,563	22,235	4,177	89,242	9,000
Operating transfers out	(463,624)	-	-	-	(463,624)	(463,624)
<b>NET CASH FLOWS PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES</b>	<b>(426,357)</b>	<b>25,563</b>	<b>22,235</b>	<b>(12,970)</b>	<b>(391,529)</b>	<b>(470,612)</b>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:</b>						
Advances to other funds	(1,250,000)	-	-	-	(1,250,000)	-
Acquisition and construction of capital assets	(278,541)	(64,252)	(52,882)	(20,827)	(416,502)	(388,066)
Proceeds from the sale of capital assets	600	-	-	-	600	1,100
Principal paid on revenue bond maturities	-	(400,000)	(140,000)	-	(540,000)	(525,000)
Interest paid	-	(183,648)	(7,993)	(15,172)	(206,813)	(212,880)
State grant	-	-	-	-	-	332
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(1,527,941)</b>	<b>(647,900)</b>	<b>(200,875)</b>	<b>(35,999)</b>	<b>(2,412,715)</b>	<b>(1,124,514)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Gain (loss) on sale of investments	2,675	47	504	16	3,242	(196,443)
Interest received	235,830	8,093	38,234	948	283,105	293,964
Rent received	-	15,600	-	-	15,600	15,600
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>238,505</b>	<b>23,740</b>	<b>38,738</b>	<b>964</b>	<b>301,947</b>	<b>113,121</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(94,003)</b>	<b>60,827</b>	<b>166,483</b>	<b>1,390</b>	<b>134,697</b>	<b>403,106</b>
Cash and equivalents, beginning of year	12,673,208	618,987	2,771,441	109,093	16,172,729	15,769,623
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 12,579,205</b>	<b>\$ 679,814</b>	<b>\$ 2,937,924</b>	<b>\$ 110,483</b>	<b>\$ 16,307,426</b>	<b>\$ 16,172,729</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 91,371	\$ 272,433	\$ 338	\$ (27,937)	\$ 336,205	\$ 527,188
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	885,610	376,587	217,518	68,692	1,548,407	1,463,544
Loss on coal inventory	(498,953)	-	-	-	(498,953)	-
Prior period adjustment	-	(42,849)	-	-	(42,849)	164,901
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	109,498	5,562	2,100	(7,232)	109,928	(898,449)
(Increase) decrease in inventories	863,909	(8,688)	2,938	7,497	865,656	682,323
(Increase) decrease in prepaid expenses	(49,296)	45,382	-	-	(3,914)	(34,882)
Increase (decrease) in accounts payable	121,630	3,914	60,370	7,262	213,176	(272,041)
Increase (decrease) in accruals	210	7,083	3,121	-	10,414	278,265
Increase (decrease) in unearned revenue	85,103	-	-	1,113	86,216	-
Increase (decrease) in customer deposits	12,708	-	-	-	12,708	(23,658)
Increase (decrease) in due to other funds	-	-	-	-	-	(2,100)
<b>Total adjustments</b>	<b>1,530,419</b>	<b>386,991</b>	<b>306,047</b>	<b>77,332</b>	<b>2,300,789</b>	<b>1,357,923</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,621,790</b>	<b>\$ 659,424</b>	<b>\$ 306,385</b>	<b>\$ 49,395</b>	<b>\$ 2,636,994</b>	<b>\$ 1,885,111</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014 and 2013

	June 30	
	2014	2013
<b>ASSETS:</b>		
Current assets:		
Cash and equivalents	\$ 131,314	\$ 137,279
Investments, at market	12,447,891	12,535,929
Receivables		
Accounts, net bad debt allowance	2,990,128	3,099,626
Accrued interest	117,888	71,523
Inventories, net of obsolescence allowance	602,752	1,466,661
Prepaid expenses	406,913	357,617
	16,696,886	17,668,635
Advance to Escanaba Building Authority Fund	1,250,000	-
Property, plant and equipment	34,930,957	35,114,828
Less: accumulated depreciation	(26,726,519)	(26,320,268)
Net property, plant and equipment	8,204,438	8,794,560
<b>TOTAL ASSETS</b>	<b>\$ 26,151,324</b>	<b>\$ 26,463,195</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 1,609,650	\$ 1,488,020
Customer deposits	237,205	224,497
Accrued salaries, wages and fringes	79,788	79,578
Unearned revenue	1,512,827	1,427,724
	3,439,470	3,219,819
<b>NET POSITION:</b>		
Net investment in capital assets	8,204,438	8,794,560
Unrestricted	14,507,416	14,448,816
<b>TOTAL NET POSITION</b>	<b>22,711,854</b>	<b>23,243,376</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 26,151,324</b>	<b>\$ 26,463,195</b>

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, 2014 and 2013

	June 30	
	2014	2013
<b>OPERATING REVENUES:</b>		
Charges for services:		
Residential sales	\$ 3,813,895	\$ 3,803,413
Hot water sales	28,255	29,685
Electric heat sales	32,803	26,281
Commercial sales	3,350,915	3,278,804
Industrial sales	4,960,199	4,767,736
Municipal rate sales	495,265	495,502
Street lighting	161,665	162,881
Interchange revenue	1,519,184	804,465
Connection charges	20,790	21,456
Energy optimization surcharge	190,225	208,134
Renewable energy surcharge	1,892	3,443
MISO SSR	3,710,280	3,710,280
Dusk to dawn lighting	48,715	48,123
Miscellaneous	63,957	79,045
	<b>18,398,040</b>	<b>17,439,248</b>
<b>OPERATING EXPENSES:</b>		
Production	15,212,635	14,120,792
Transmission and distribution	403,480	449,157
Customer service	15,778	14,539
Administrative and general	1,256,958	1,694,366
Provision for depreciation	885,810	806,800
Overhead to utilities	532,208	549,410
	<b>18,306,669</b>	<b>17,635,064</b>
<b>OPERATING INCOME (LOSS)</b>	<b>91,371</b>	<b>(195,816)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	2,675	(164,909)
Gain (loss) on sale of property	600	1,100
Loss on coal inventory	(498,953)	-
Interest earnings	282,195	258,924
Operating transfers in:		
Health Insurance Fund	37,267	-
Operating transfers out:		
General Fund	(463,624)	(463,624)
	<b>(639,840)</b>	<b>(368,509)</b>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>(639,840)</b>	<b>(368,509)</b>
<b>CHANGE IN NET POSITION</b>	<b>(548,469)</b>	<b>(564,325)</b>
Net position, beginning of year, as previously reported	23,243,376	23,628,450
Prior period adjustment	-	164,901
	<b>23,243,376</b>	<b>23,793,351</b>
Contributed capital	16,947	14,350
<b>NET POSITION, END OF YEAR</b>	<b>\$ 22,711,854</b>	<b>\$ 23,243,376</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**ELECTRIC UTILITY FUND  
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 18,605,349	\$ 16,916,033
Cash payments to suppliers for goods and services	(14,073,846)	(12,828,156)
Cash payments to employees for services	(2,903,178)	(3,446,308)
Cash payments to other funds for services	(6,535)	(7,526)
	<u>1,621,790</u>	<u>634,043</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in	37,267	-
Operating transfers out	(463,624)	(463,624)
	<u>(426,357)</u>	<u>(463,624)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Advances to other funds	(1,250,000)	-
Acquisition and construction of capital assets	(278,541)	(325,301)
Proceeds from the sale of capital assets	600	1,100
	<u>(1,527,941)</u>	<u>(324,201)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	2,675	(164,909)
Interest received	235,830	249,075
	<u>238,505</u>	<u>84,166</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>(94,003)</u>	<u>(69,616)</u>
Cash and equivalents, beginning of year	<u>12,673,208</u>	<u>12,742,824</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 12,579,205</u>	<u>\$ 12,673,208</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>91,371</u>	<u>(195,816)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	885,610	806,800
Loss on coal inventory	(498,953)	-
Prior period adjustment	-	164,901
Changes in assets and liabilities:		
(Increase) decrease in receivables	109,498	(918,930)
(Increase) decrease in inventories	863,909	682,767
(Increase) decrease in prepaids	(49,296)	(37,414)
Increase (decrease) in accounts payable	121,630	(114,703)
Increase (decrease) in accruals	210	15,624
Increase (decrease) in customer deposits	12,708	(23,658)
Increase (decrease) in unearned revenue	85,103	254,472
	<u>1,530,419</u>	<u>829,859</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,621,790</u>	<u>\$ 634,043</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, 2014 and 2013

	June 30		Increase (Decrease)
	2014	2013	
<b>OPERATING EXPENSES:</b>			
<b>Production:</b>			
Building maintenance	\$ 4,273	\$ 7,626	\$ (3,353)
Equipment maintenance	2,035	505	1,530
Power purchased	10,083,183	9,816,769	266,414
Prior year UPPCO expense	286,608	-	286,608
Plant payroll - Escanaba operator	1,469,647	1,545,458	(75,811)
Plant payroll - Proenergy	155,453	194,499	(39,046)
Production expense	74,805	86,443	(11,638)
Plant fringe benefits	571,558	533,664	37,894
Steam generation fuel	1,305,313	684,334	620,979
Plant office expenses	18,518	22,349	(3,831)
Management fees	350,000	350,000	-
Plant travel, meals & lodging	50,920	59,380	(8,470)
Plant insurance	200,215	211,629	(11,414)
Plant operations & maintenance	348,242	488,990	(140,748)
Plant capital outlay	1,774	3,210	(1,436)
Dispatching fees	58,481	60,312	(1,831)
City's share of Escanaba SSR	30,425	-	30,425
City's share of Presque Isle SSR	54,489	-	54,489
Demand charges	25,265	-	25,265
Miscellaneous	101,833	55,614	46,319
<b>Total production</b>	<b>\$ 15,193,137</b>	<b>\$ 14,120,792</b>	<b>\$ 1,072,345</b>
<b>Transmission and distribution:</b>			
Salaries and wages	\$ -	\$ 68	\$ (68)
Supplies	495	-	495
Building maintenance	52	-	52
Equipment maintenance	1,154	857	297
Pole painting	5,915	8,722	(2,807)
Operation of lines	111,592	95,990	15,602
Services on customer premises	11,412	9,259	2,153
<b>Maintenance of equipment:</b>			
Station equipment	10,880	77,809	(66,929)
Overhead system	98,298	90,325	7,973
Line transformers and devices	11,792	(4,173)	15,965
Services	26,573	30,832	(4,259)
Meters	44,669	48,247	(3,578)
Street lighting system	46,465	46,963	(498)
Underground system	30,420	40,240	(9,820)
Miscellaneous	3,763	4,018	(255)
<b>Total transmission and distribution</b>	<b>\$ 403,480</b>	<b>\$ 449,157</b>	<b>\$ (45,677)</b>
<b>Customer service:</b>			
Salaries and wages	\$ 14,823	\$ 13,389	\$ 1,434
Equipment rental	955	1,150	(195)
<b>Total customer service</b>	<b>\$ 15,778</b>	<b>\$ 14,539</b>	<b>\$ 1,239</b>
<b>Administrative and general:</b>			
Salaries and wages	\$ 516,921	\$ 462,658	\$ 54,263
Fringe benefits	174,986	162,786	12,200
Bank service charges	36,586	34,374	2,212
Supplies	1,843	1,789	54
Clothing supplies	3,000	2,941	59
Building supplies	2,917	2,256	661
Inventory management	14,361	12,570	1,791
Professional services	60,000	290,563	(230,563)
Transportation	318	453	(135)
Printing and publishing	503	389	114
Insurance and bonds	12,550	7,440	5,110
Public utilities	28,108	23,156	4,952
Capital outlay	93,736	379,927	(286,191)
Building maintenance	30,578	31,839	(1,261)
Equipment maintenance	7,119	4,375	2,744
Equipment rental	5,580	6,376	(796)
Books, magazines and periodicals	283	66	217
Memberships and dues	27,284	25,676	1,608
Education and training	26,508	40,810	(14,302)
Promotions	23,552	23,592	(40)
Energy conservation program	190,225	180,330	9,895
<b>Total administrative and general</b>	<b>\$ 1,256,958</b>	<b>\$ 1,694,366</b>	<b>\$ (437,408)</b>

See accompanying notes to financial statements

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014

	Balance 06/30/13	Transfers and Additions	Dispositions and Transfers	Balance 6/30/14
<b>Operating plant:</b>				
Structure and improvements	\$ 9,059,234	\$ 12,359	\$ -	\$ 9,071,593
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	275	-	-	275
Peaking generator	4,956,354	-	-	4,956,354
Pollution equipment	3,338,019	-	-	3,338,019
	<u>21,279,613</u>	<u>12,359</u>	<u>-</u>	<u>21,291,972</u>
<b>Transmission system:</b>				
Land clearing and right-of-way	65,432	-	65,432	-
Structures and improvements	488,869	-	482,824	6,045
Station equipment	801,630	-	-	801,630
Poles and fixtures	12,630	-	6,206	6,424
	<u>1,368,561</u>	<u>-</u>	<u>554,462</u>	<u>814,099</u>
<b>Distribution system:</b>				
Land and land rights	49,480	-	-	49,480
Structures and improvements	47,323	-	-	47,323
Station equipment	333,541	21,023	-	354,564
Poles, towers and fixtures	1,766,394	119,158	8,200	1,877,352
Overhead conductors	1,277,574	238	-	1,277,812
Underground conduits	698,311	26,032	-	724,343
Underground conductors	888,076	26,158	-	914,234
Line transformers	2,166,630	48,205	7,400	2,207,435
New services	710,492	2,727	-	713,219
Meters	517,278	20,359	6,350	531,287
Installation on customer premises	77,720	-	-	77,720
Street lighting	750,216	104,901	-	855,117
Office equipment	92,328	-	-	92,328
Transportation equipment	595,795	-	-	595,795
Laboratory equipment	123,802	-	-	123,802
Electric building	1,459,053	-	-	1,459,053
Miscellaneous tools	99,068	3,311	-	102,379
Miscellaneous equipment	50,862	-	4,600	46,262
	<u>11,703,943</u>	<u>372,112</u>	<u>26,550</u>	<u>12,049,505</u>
Construction in progress	762,711	12,670	-	775,381
<b>TOTALS</b>	<u><u>\$ 35,114,828</u></u>	<u><u>\$ 397,141</u></u>	<u><u>\$ 581,012</u></u>	<u><u>\$ 34,930,957</u></u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 534,147	\$ 496,566
Receivables		
Accounts, net bad debt allowance	290,199	295,761
Accrued interest	6,179	2,746
Chemical inventory	20,076	14,342
Inventories, net of obsolescence allowance	96,188	93,234
Prepaid expenses	-	45,382
Total current assets	<u>946,789</u>	<u>948,031</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	<u>145,667</u>	<u>122,421</u>
Property, plant and equipment	20,227,843	20,174,783
Less: accumulated depreciation	<u>(7,181,978)</u>	<u>(6,816,583)</u>
Net property, plant and equipment	<u>13,045,865</u>	<u>13,358,200</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,138,321</u></b>	<b><u>\$ 14,428,652</u></b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 20,375	\$ 16,461
Accrued salaries, wages and fringes	61,636	54,553
Accrued interest payable	47,054	49,265
Unearned revenue	1,300	1,300
Bonds payable:		
Current portion of revenue bonds	<u>405,000</u>	<u>400,000</u>
Total current liabilities	<u>535,365</u>	<u>521,579</u>
Long-term liabilities:		
Revenue bonds payable	<u>6,145,000</u>	<u>6,550,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>6,680,365</u></b>	<b><u>7,071,579</u></b>
<b>NET POSITION:</b>		
Net investment in capital assets	6,495,865	6,408,200
Restricted:		
Revenue bond indentures	145,667	122,421
Unrestricted	<u>816,424</u>	<u>826,452</u>
<b>TOTAL NET POSITION</b>	<b><u>7,457,956</u></b>	<b><u>7,357,073</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 14,138,321</u></b>	<b><u>\$ 14,428,652</u></b>

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 Years Ended June 30, 2014 and 2013

	June 30	
	2014	2013
<b>OPERATING REVENUES:</b>		
Charges for services:		
Metered sales	\$ 1,933,663	\$ 1,962,661
Flat rate sales	33,508	33,403
Hydrant rental	8,255	13,883
Interdepartmental sales	7,056	2,099
Reconnection fees	10,138	9,649
New meter charges	-	138
Miscellaneous	27,815	32,159
	<b>2,020,435</b>	<b>2,053,992</b>
<b>TOTAL OPERATING REVENUES</b>		
<b>OPERATING EXPENSES:</b>		
Production	389,380	361,562
Transmission and distribution	140,850	75,083
Customer service	193,795	38,381
Administrative and general	468,136	434,107
Provision for depreciation	376,587	372,061
Overhead to utilities	179,254	187,863
	<b>1,748,002</b>	<b>1,469,057</b>
<b>TOTAL OPERATING EXPENSES</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>272,433</b>	<b>584,935</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	47	(3,766)
Rent received	15,600	15,600
Interest subsidy	65,658	72,937
Interest earnings	11,526	6,788
Interest expense	(247,095)	(256,912)
Operating transfers in:		
Health Insurance Fund	25,563	-
	<b>(128,701)</b>	<b>(165,353)</b>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>		
<b>CHANGE IN NET POSITION</b>	<b>143,732</b>	<b>419,582</b>
Net position, beginning of year, as previously reported	7,357,073	6,937,491
Prior period adjustment	(42,849)	-
	<b>7,314,224</b>	<b>6,937,491</b>
Net position, beginning of year, as restated		
<b>NET POSITION, END OF YEAR</b>	<b>\$ 7,457,956</b>	<b>\$ 7,357,073</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**WATER UTILITY FUND  
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,018,941	\$ 2,068,312
Cash received from other funds for services	7,056	2,099
Cash payments to suppliers for goods and services	(753,267)	(500,404)
Cash payments to employees for services	(597,344)	(717,542)
Cash payments to other funds for services	<u>(15,962)</u>	<u>(17,038)</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>659,424</u>	 <u>835,427</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in	<u>25,563</u>	<u>-</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(64,252)	(48,462)
Principal paid on revenue bond maturities	(400,000)	(390,000)
Interest paid on revenue bonds	<u>(183,648)</u>	<u>(186,073)</u>
 <b>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL     FINANCING ACTIVITIES</b>	 <u>(647,900)</u>	 <u>(624,535)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	47	(3,766)
Interest earned	8,093	5,529
Rent received	<u>15,600</u>	<u>15,600</u>
 <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	 <u>23,740</u>	 <u>17,363</u>
 <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	 60,827	 228,255
 Cash and equivalents, beginning of year	<u>618,987</u>	<u>390,732</u>
 <b>CASH AND EQUIVALENTS, END OF YEAR</b>	 <u>\$ 679,814</u>	 <u>\$ 618,987</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>272,433</u>	<u>584,935</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	376,587	372,061
Prior period adjustment	(42,849)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	5,562	17,419
(Increase) decrease in inventories	(8,688)	(2,997)
(Increase) decrease in prepaids	45,382	2,532
Increase (decrease) in accounts payable	3,914	(143,735)
Increase (decrease) in accruals	7,083	5,212
Increase (decrease) in unearned revenue	-	-
<b>Total adjustments</b>	<u>386,991</u>	<u>250,492</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>\$ 659,424</u>	 <u>\$ 835,427</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, 2014 and 2013

	June 30		Increase (Decrease)
	2014	2013	
<b>OPERATING EXPENSES:</b>			
Production:			
Salaries and wages	\$ 169,848	\$ 172,487	\$ (2,639)
Supplies - miscellaneous	388	482	(94)
Plant chemicals	168,495	135,719	32,776
Laboratory chemicals and supplies	22,886	24,746	(1,860)
Diesel fuel	2,066	2,744	(678)
Repairs to structures - labor	89	517	(428)
Repairs to structures - supplies	10,054	236	9,828
Repairs to equipment - portable	15,464	6,144	9,320
Repairs to tanks	-	16,081	(16,081)
Equipment rental - structures and improvements	16	2,239	(2,223)
Equipment rental - maintenance of equipment	64	167	(103)
<b>Total production</b>	<b>\$ 389,380</b>	<b>\$ 361,562</b>	<b>\$ 27,818</b>
Transmission and distribution:			
Labor	\$ 72,592	\$ 58,176	\$ 14,416
Winter main breaks	19,138	-	19,138
Winter service line breaks	22,242	-	22,242
Supplies	18,753	9,236	9,517
Equipment rental	8,125	7,671	454
<b>Total transmission and distribution</b>	<b>\$ 140,850</b>	<b>\$ 75,083</b>	<b>\$ 65,767</b>
Customer service:			
Labor	\$ 24,700	\$ 30,872	\$ (6,172)
Supplies	1,787	1,368	419
Thawing water services	159,599	406	159,193
Equipment rental	7,709	5,735	1,974
<b>Total customer service</b>	<b>\$ 193,795</b>	<b>\$ 38,381</b>	<b>\$ 155,414</b>
Administrative and general:			
Salaries and wages	\$ 85,907	\$ 89,717	\$ (3,810)
Telephone	1,783	1,746	37
Overhead on salaries and wages	128,465	94,202	34,263
Life and hospital insurance	80,066	89,437	(9,371)
Supplies - miscellaneous	826	838	(12)
Office supplies	922	617	305
Building supplies	1,027	1,830	(803)
Professional services	6,575	1,065	5,510
Special services	5,903	7,178	(1,275)
Miss Dlg	21,126	21,177	(51)
Travel expense, auto allowance	873	775	98
Printing and publishing	3,463	3,327	136
Insurance and bonds	8,557	10,324	(1,767)
Utilities - electric	79,882	73,296	6,586
Utilities - gas	23,774	18,883	4,891
Utilities - waste water	13,643	9,980	3,663
Repairs to structures	326	749	(423)
Repairs to equipment	936	1,946	(1,010)
Rental of equipment	48	1,226	(1,178)
Memberships and dues	620	295	325
Education and training	3,081	5,279	(2,198)
Books, magazines and periodicals	213	-	213
Capital outlay	120	220	(100)
<b>Total administrative and general</b>	<b>\$ 468,136</b>	<b>\$ 434,107</b>	<b>\$ 34,029</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014

**Capital Improvement Bonds Series 2010**

		Principal	Interest	Total Payment	Subsidy of Interest	Net Payment
November 1, 2014		\$ -	\$ 77,303.75	\$ 77,303.75	\$ (34,786.69)	\$ 42,517.06
May 1, 2015	3.25%	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	3.50%	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	4.00%	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	4.50%	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	4.90%	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	5.20%	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	5.40%	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	5.60%	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	5.70%	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	5.80%	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	5.90%	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	6.00%	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	6.10%	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	6.20%	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	6.30%	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	6.40%	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	6.50%	210,000.00	6,825.00	216,825.00	(3,071.25)	213,753.75
<b>TOTALS</b>		<b><u>\$2,815,000.00</u></b>	<b><u>\$1,621,772.50</u></b>	<b><u>\$4,436,772.50</u></b>	<b><u>\$(729,797.68)</u></b>	<b><u>\$3,706,974.82</u></b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014

**City of Escanaba Drinking Water Program  
Project #7204-01 - Issued March 29, 2007**

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2014	2.125%	\$ 135,000	\$ 23,322	\$ 158,322
April 1, 2015	2.125%	-	21,887	21,887
October 1, 2015	2.125%	140,000	21,887	161,887
April 1, 2016	2.125%	-	20,400	20,400
October 1, 2016	2.125%	140,000	20,400	160,400
April 1, 2017	2.125%	-	18,912	18,912
October 1, 2017	2.125%	145,000	18,912	163,912
April 1, 2018	2.125%	-	17,372	17,372
October 1, 2018	2.125%	150,000	17,372	167,372
April 1, 2019	2.125%	-	15,778	15,778
October 1, 2019	2.125%	150,000	15,778	165,778
April 1, 2020	2.125%	-	14,184	14,184
October 1, 2020	2.125%	155,000	14,184	169,184
April 1, 2021	2.125%	-	12,537	12,537
October 1, 2021	2.125%	160,000	12,538	172,538
April 1, 2022	2.125%	-	10,838	10,838
October 1, 2022	2.125%	160,000	10,838	170,838
April 1, 2023	2.125%	-	9,138	9,138
October 1, 2023	2.125%	165,000	9,138	174,138
April 1, 2024	2.125%	-	7,384	7,384
October 1, 2024	2.125%	170,000	7,384	177,384
April 1, 2025	2.125%	-	5,578	5,578
October 1, 2025	2.125%	170,000	5,578	175,578
April 1, 2026	2.125%	-	3,772	3,772
October 1, 2026	2.125%	175,000	3,772	178,772
April 1, 2027	2.125%	-	1,913	1,913
October 1, 2027	2.125%	180,000	1,913	181,913
		<u>\$ 2,195,000</u>	<u>\$ 342,709</u>	<u>\$ 2,537,709</u>

TOTALS

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014

**City of Escanaba Drinking Water Program  
Project #7009-01 - Issued June 27, 2002**

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2014	2.50%	\$ 135,000	\$ 19,250	\$ 154,250
April 1, 2015	2.50%	-	17,563	17,563
October 1, 2015	2.50%	140,000	17,563	157,563
April 1, 2016	2.50%	-	15,812	15,812
October 1, 2016	2.50%	145,000	15,812	160,812
April 1, 2017	2.50%	-	14,000	14,000
October 1, 2017	2.50%	150,000	14,000	164,000
April 1, 2018	2.50%	-	12,125	12,125
October 1, 2018	2.50%	150,000	12,125	162,125
April 1, 2019	2.50%	-	10,250	10,250
October 1, 2019	2.50%	155,000	10,250	165,250
April 1, 2020	2.50%	-	8,313	8,313
October 1, 2020	2.50%	160,000	8,313	168,313
April 1, 2021	2.50%	-	6,312	6,312
October 1, 2021	2.50%	165,000	6,312	171,312
April 1, 2022	2.50%	-	4,250	4,250
October 1, 2022	2.50%	170,000	4,250	174,250
April 1, 2023	2.50%	-	2,125	2,125
October 1, 2023	2.50%	170,000	2,125	172,125
		<u>\$ 1,540,000</u>	<u>\$ 200,750</u>	<u>\$ 1,740,750</u>
TOTALS				

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, 2014

	Balance 06/30/13	Transfers and Additions	Dispositions and Transfers	Balance 6/30/14
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	9,254,496	-	-	9,254,496
Water towers	743,603	-	-	743,603
Lake intake	2,861,964	-	-	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	440,922	52,580	-	493,502
Hydrants	83,562	1,200	-	84,762
Office furniture and equipment	82,301	2,124	11,192	73,233
Laboratory equipment	46,389	-	-	46,389
Miscellaneous equipment	16,799	-	-	16,799
Tools and work equipment	138,317	8,348	-	146,665
<b>TOTALS</b>	<b>\$ 20,174,783</b>	<b>\$ 64,252</b>	<b>\$ 11,192</b>	<b>\$ 20,227,843</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**WASTE WATER UTILITY FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	June 30	
	2014	2013
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 2,714,348	\$ 2,538,143
Receivables		
Accounts, net bad debt allowance	181,002	183,102
Accrued interest	28,143	15,253
Inventories, net of obsolescence allowance	5,487	8,425
Total current assets	2,928,980	2,744,923
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	109,526	97,448
Replacement account:		
Equity in pooled cash and investments	50,000	50,000
Bond reserve account:		
Equity in pooled cash and investments	64,050	85,850
Total restricted assets	223,576	233,298
Property, plant and equipment	12,260,454	12,213,134
Less: accumulated depreciation	(6,516,290)	(6,304,334)
Net property, plant and equipment	5,744,164	5,908,800
<b>TOTAL ASSETS</b>	<b>\$ 8,896,720</b>	<b>\$ 8,887,021</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 82,769	\$ 2,399
Accrued salaries, wages and fringes	71,715	68,594
Accrued interest payable	1,632	2,365
Payable from restricted assets:		
Current portion of revenue bonds	55,000	140,000
Total current liabilities	211,116	213,358
Long-term liabilities:		
Revenue bonds payable	235,000	290,000
<b>TOTAL LIABILITIES</b>	<b>446,116</b>	<b>503,358</b>
<b>NET POSITION:</b>		
Net investment in capital assets	5,454,164	5,478,800
Restricted:		
Revenue bond indentures	223,576	233,298
Unrestricted	2,772,864	2,671,565
<b>TOTAL NET POSITION</b>	<b>8,450,604</b>	<b>8,383,663</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 8,896,720</b>	<b>\$ 8,887,021</b>

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, 2014 and 2013

	June 30	
	2014	2013
<b>OPERATING REVENUES:</b>		
Charges for services:		
Metered sales	\$ 1,286,569	\$ 1,312,248
Interdepartmental sales	16,934	11,092
Reconnection fees	2,578	2,645
Miscellaneous	8,562	13,524
<b>TOTAL OPERATING REVENUES</b>	<b>1,314,643</b>	<b>1,339,509</b>
<b>OPERATING EXPENSES:</b>		
Production	376,238	306,578
Transmission and distribution	96,488	75,364
Station	18,677	23,165
Customer service	21,621	25,501
Administrative and general	413,130	344,024
Provision for depreciation	217,518	216,036
Overhead to utilities	170,633	178,713
<b>TOTAL OPERATING EXPENSES</b>	<b>1,314,305</b>	<b>1,169,381</b>
<b>OPERATING INCOME (LOSS)</b>	<b>338</b>	<b>170,128</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	504	(27,246)
Interest earnings	51,124	43,013
Interest expense	(7,260)	(10,163)
Operating transfers in:		
Health Insurance Fund	22,235	-
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>66,603</b>	<b>5,604</b>
<b>CHANGE IN NET POSITION</b>	<b>66,941</b>	<b>175,732</b>
Net position, beginning of year	8,383,663	8,207,931
<b>NET POSITION, END OF YEAR</b>	<b>\$ 8,450,604</b>	<b>\$ 8,383,663</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,299,809	\$ 1,332,344
Cash received from other funds for services	16,934	11,092
Cash payments to suppliers for goods and services	(388,600)	(460,567)
Cash payments to employees for services	(582,388)	(448,482)
Cash payments to other funds for services	<u>(39,370)</u>	<u>(38,523)</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>306,385</u>	 <u>395,864</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in	<u>22,235</u>	<u>-</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(52,882)	(14,303)
Principal paid on revenue bond maturities	(140,000)	(135,000)
Interest paid on revenue bonds	<u>(7,993)</u>	<u>(10,875)</u>
 <b>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL     FINANCING ACTIVITIES</b>	 <u>(200,875)</u>	 <u>(160,178)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	504	(27,246)
Interest earned	<u>38,234</u>	<u>38,380</u>
 <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	 <u>38,738</u>	 <u>11,134</u>
 <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	 166,483	 246,820
Cash and equivalents, beginning of year	<u>2,771,441</u>	<u>2,524,621</u>
 <b>CASH AND EQUIVALENTS, END OF YEAR</b>	 <u>\$ 2,937,924</u>	 <u>\$ 2,771,441</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>338</u>	<u>170,128</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	217,518	216,036
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,100	3,927
(Increase) decrease in inventories	2,938	449
Increase (decrease) in accounts payable	80,370	1,761
Increase (decrease) in accruals	<u>3,121</u>	<u>3,563</u>
 Total adjustments	 <u>306,047</u>	 <u>225,736</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>\$ 306,385</u>	 <u>\$ 395,864</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, 2014 and 2013

	June 30		Increase (Decrease)
	2014	2013	
<b>OPERATING EXPENSES:</b>			
<b>Production:</b>			
Salaries and wages	\$ 169,801	\$ 156,938	\$ 12,863
Supplies - miscellaneous	197	624	(427)
Plant chemicals	41,452	37,860	3,592
Laboratory chemicals and supplies	6,818	6,056	762
NPDES and permit testing	10,897	7,203	3,494
Sludge hauling	27,949	19,568	8,381
Sludge fee	-	1,648	(1,648)
Digester cleaning	36,750	-	36,750
Diesel fuel	-	901	(901)
Repairs to structures - labor	3,861	1,842	2,019
Repairs to structures - supplies	1,661	1,385	276
Repairs to equipment - outside vendors	1,758	8,027	(6,269)
Repairs to equipment - labor	50,103	51,511	(1,408)
Repairs to equipment - supplies	22,474	12,172	10,302
Rental of equipment	2,717	843	1,874
<b>Total production</b>	<b>\$ 376,238</b>	<b>\$ 306,578</b>	<b>\$ 69,660</b>
<b>Transmission and distribution:</b>			
Salaries and wages	\$ 28,772	\$ 25,098	\$ 3,674
Fringe benefits	-	266	(266)
Storm sewer line thawing	12,960	-	12,960
Supplies - miscellaneous	357	431	(74)
Repairs to structures - supplies	15,938	11,790	4,148
Repairs to equipment	883	1,351	(468)
Rental of equipment	33,216	33,230	(14)
Repairs to structures - inspection	4,362	3,198	1,164
<b>Total transmission and distribution</b>	<b>\$ 96,488</b>	<b>\$ 75,364</b>	<b>\$ 21,124</b>
<b>Station:</b>			
Salaries and wages	\$ 9,359	\$ 10,338	\$ (979)
Repairs to structures - labor	128	-	128
Repairs to structures - supplies	-	2,559	(2,559)
Repairs to equipment - labor	5,431	3,443	1,988
Repairs to equipment - supplies	847	3,372	(2,525)
Rental of equipment	2,912	3,453	(541)
<b>Total station</b>	<b>\$ 18,677</b>	<b>\$ 23,165</b>	<b>\$ (4,488)</b>
<b>Customer service:</b>			
Rental of equipment	\$ 525	\$ 565	\$ (40)
Labor - service to customers	21,096	24,936	(3,840)
<b>Total customer service</b>	<b>\$ 21,621</b>	<b>\$ 25,501</b>	<b>\$ (3,880)</b>
<b>Administrative and general:</b>			
Salaries and wages	\$ 73,783	\$ 61,419	\$ 12,364
Printing and publishing	358	149	209
Telephone	1,289	1,211	78
Overhead on salaries and wages	153,176	111,691	41,485
Life and hospital insurance	69,999	61,359	8,640
Supplies - miscellaneous	308	584	(276)
Office supplies	450	296	154
Building supplies	836	672	164
Professional services	4,352	65	4,287
Special services	470	4,270	(3,800)
Miss Dig	446	319	127
Travel expense, auto allowance	954	775	179
Insurance and bonds	8,194	11,569	(3,375)
Utilities - electric	79,444	74,150	5,294
Utilities - gas	11,327	8,295	3,032
Repairs to equipment	4,387	2,844	1,543
Rental of equipment	-	432	(432)
Memberships and dues	325	-	325
Education and training	3,032	3,924	(892)
<b>Total administrative and general</b>	<b>\$ 413,130</b>	<b>\$ 344,024</b>	<b>\$ 69,106</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014

**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, 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>\$ 290,000</u>	<u>\$ 16,650</u>	<u>\$ 306,650</u>

TOTALS

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, 2014

	<u>Balance 06/30/13</u>	<u>Transfers and Additions</u>	<u>Dispositions and Transfers</u>	<u>Balance 6/30/14</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,795,112	46,444	-	6,841,556
Tools and equipment	51,232	5,300	2,800	53,732
Mains	5,332,828	-	-	5,332,828
Purification equipment	2,762	-	2,762	-
Office furniture and equipment	29,327	1,138	1	30,464
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTALS	<u>\$ 12,213,134</u>	<u>\$ 52,882</u>	<u>\$ 5,563</u>	<u>\$ 12,260,453</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**MARINA FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	June 30	
	2014	2013
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 10,881	\$ 12,500
Investments, at market	99,602	96,593
Receivables		
Accounts, net bad debt allowance	15,610	8,378
Accrued interest	779	559
Inventories, net of obsolescence allowance	11,646	19,143
Total current assets	138,518	137,173
Property, plant and equipment	2,815,038	2,794,211
Less: accumulated depreciation	(1,280,555)	(1,211,863)
Net property, plant and equipment	1,534,483	1,582,348
<b>TOTAL ASSETS</b>	<b>\$ 1,673,001</b>	<b>\$ 1,719,521</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 9,448	\$ 2,186
Unearned revenue	1,113	-
Total current liabilities	10,561	2,186
Long-term liabilities:		
Advance from Land Development Fund	298,107	315,254
<b>TOTAL LIABILITIES</b>	<b>308,668</b>	<b>317,440</b>
<b>NET POSITION:</b>		
Net investment in capital assets	1,236,376	1,267,094
Unrestricted	127,957	134,987
<b>TOTAL NET POSITION</b>	<b>1,364,333</b>	<b>1,402,081</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,673,001</b>	<b>\$ 1,719,521</b>

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, 2014 and 2013

	June 30	
	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
Charges for services:		
Dock fees	\$ 151,544	\$ 147,595
Fuel and concession revenue	56,948	71,045
Miscellaneous:		
Contributions from private sources	-	3,213
Other	105	210
<b>TOTAL OPERATING REVENUES</b>	<u>208,597</u>	<u>222,063</u>
<b>OPERATING EXPENSES:</b>		
Enterprises:		
Summer services:		
Salaries and wages	52,559	50,450
Fringe benefits	14,553	15,125
Fuel	51,034	64,560
Clothing	151	291
Professional services	702	750
Office supplies	2,313	2,889
Building supplies	636	1,292
Communications	1,289	1,443
Transportation	-	222
Printing and publishing	134	-
Insurance and bonds	5,336	5,209
Public utilities	10,150	10,759
Building maintenance	3,917	4,422
Meetings	-	49
Marina Fest	-	3,210
Equipment repair	2,084	1,260
Equipment rental	4,618	3,447
Weed harvesting	16,845	19,287
New equipment	1,521	810
Provision for depreciation	68,692	68,647
<b>TOTAL OPERATING EXPENSES</b>	<u>236,534</u>	<u>254,122</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(27,937)</u>	<u>(32,059)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on sale of investments	16	(522)
Interest earnings	1,168	1,180
Gain (loss) on sale of equipment	-	(144)
Interest expense	(15,172)	(15,932)
Operating transfers in:		
Land Development Fund	-	5,000
Downtown Development Authority	4,000	4,000
Health Insurance Fund	177	-
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(9,811)</u>	<u>(6,418)</u>
<b>CHANGE IN NET POSITION</b>	<u>(37,748)</u>	<u>(38,477)</u>
Net position, beginning of year	1,402,081	1,440,558
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,364,333</u>	<u>\$ 1,402,081</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**MARINA FUND  
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 202,478	\$ 220,612
Cash payments to suppliers for goods and services	(81,353)	(133,160)
Cash payments to employees for services	(67,112)	(62,128)
Cash payments to other funds for services	<u>(4,618)</u>	<u>(5,547)</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>49,395</u>	 <u>19,777</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Repayment of interfund loans	(17,147)	(15,988)
Operating transfers in	<u>4,177</u>	<u>9,000</u>
 <b>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL     FINANCING ACTIVITIES</b>	 <u>(12,970)</u>	 <u>(6,988)</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Interest paid	(15,172)	(15,932)
Acquisition of capital assets	(20,827)	-
State grant	<u>-</u>	<u>332</u>
 <b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	 <u>(35,999)</u>	 <u>(15,600)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Gain (loss) on sale of investments	16	(522)
Interest earned	<u>948</u>	<u>980</u>
 <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	 <u>964</u>	 <u>458</u>
 <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	 1,390	 (2,353)
 Cash and equivalents, beginning of year	 <u>109,093</u>	 <u>111,446</u>
 <b>CASH AND EQUIVALENTS, END OF YEAR</b>	 <u>\$ 110,483</u>	 <u>\$ 109,093</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>(27,937)</u>	<u>(32,059)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	68,692	68,647
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,232)	(865)
(Increase) decrease in inventories	7,497	2,104
Increase (decrease) in accounts payable	7,262	(15,364)
Increase (decrease) in due to other funds	-	(2,100)
Increase (decrease) in unearned revenue	<u>1,113</u>	<u>(586)</u>
 Total adjustments	 <u>77,332</u>	 <u>51,836</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>\$ 49,395</u>	 <u>\$ 19,777</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, 2014

	Balance 06/30/13	Transfers and Additions	Dispositions and Transfers	Balance 6/30/14
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	8,053	-	-	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
35" docks float replacements	-	18,051	-	18,051
Harbor Master building:				
Harbor Master building	579,152	-	-	579,152
Parking lot and landscaping	408,958	-	-	408,958
Furnace	3,120	-	-	3,120
Water heater	-	2,776	-	2,776
<b>TOTALS</b>	<b>\$ 2,794,211</b>	<b>\$ 20,827</b>	<b>\$ -</b>	<b>\$ 2,815,038</b>

See accompanying notes to financial statements.

**INTERNAL SERVICE FUNDS**

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014 and 2013

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>
<b>ASSETS:</b>					
Current assets:					
Investments, at market	\$ 313,870	\$ 494,509	\$ 199,174	\$ 94,191	\$ 75,282
Receivables:					
Accounts, net of bad debt allowance		-	18,615	-	812
Accrued interest	2,895	3,962	1,645	1,036	699
Prepaid expenses	-	-	-	126,265	-
Total current assets	<u>316,765</u>	<u>498,471</u>	<u>219,434</u>	<u>221,492</u>	<u>76,793</u>
Property, plant and equipment	7,372,181	5,938,015	470,140	-	-
Less: accumulated depreciation	<u>(2,988,706)</u>	<u>(4,752,953)</u>	<u>(366,329)</u>	-	-
Net property, plant and equipment	<u>4,383,475</u>	<u>1,185,062</u>	<u>103,811</u>	-	-
<b>TOTAL ASSETS</b>	<u><b>\$ 4,700,240</b></u>	<u><b>\$ 1,683,533</b></u>	<u><b>\$ 323,245</b></u>	<u><b>\$ 221,492</b></u>	<u><b>\$ 76,793</b></u>
<b>LIABILITIES:</b>					
Current liabilities					
Accounts payable	\$ 218	\$ 6,206	\$ (60)	\$ -	\$ -
Claims payable	-	-	-	-	-
Accrued salaries, wages and fringes	-	16,857	-	-	-
Accrued interest payable	-	-	-	-	-
Unearned revenue	-	1,950	-	-	-
Bonds payable	-	-	-	-	-
Total current liabilities	<u>218</u>	<u>25,013</u>	<u>(60)</u>	-	-
Long-term liabilities:					
Advances from other funds:					
General Fund	-	218,005	-	-	-
Electric Fund	1,250,000	-	-	-	-
Bonds payable	-	-	-	-	-
Total long-term liabilities	<u>1,250,000</u>	<u>218,005</u>	-	-	-
<b>TOTAL LIABILITIES</b>	<u><b>1,250,218</b></u>	<u><b>243,018</b></u>	<u><b>(60)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>NET POSITION:</b>					
Net investment in capital assets	3,133,475	967,057	103,811	-	-
Unrestricted	<u>316,547</u>	<u>473,458</u>	<u>219,494</u>	<u>221,492</u>	<u>76,793</u>
<b>TOTAL NET POSITION</b>	<u><b>3,450,022</b></u>	<u><b>1,440,515</b></u>	<u><b>323,305</b></u>	<u><b>221,492</b></u>	<u><b>76,793</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 4,700,240</b></u>	<u><b>\$ 1,683,533</b></u>	<u><b>\$ 323,245</b></u>	<u><b>\$ 221,492</b></u>	<u><b>\$ 76,793</b></u>

See accompanying notes to financial statements.

Workers Compensation Fund	Unemployment Compensation Fund	Totals	
		2014	2013
\$ 372,266	\$ 297,580	\$ 1,846,872	\$ 1,937,176
-	-	19,427	19,432
3,469	2,877	16,583	11,812
-	-	126,265	200,230
<u>375,735</u>	<u>300,457</u>	<u>2,009,147</u>	<u>2,168,650</u>
-	-	13,780,336	13,877,163
-	-	(8,107,988)	(7,825,174)
-	-	<u>5,672,348</u>	<u>6,051,989</u>
<u>\$ 375,735</u>	<u>\$ 300,457</u>	<u>\$ 7,681,495</u>	<u>\$ 8,220,639</u>
\$ 4,150	\$ -	\$ 10,514	\$ 10,949
212,500	4,344	216,844	202,509
-	-	16,857	15,464
-	-	-	34,201
-	-	1,950	-
-	-	-	190,000
<u>216,650</u>	<u>4,344</u>	<u>246,165</u>	<u>453,123</u>
-	-	218,005	231,184
-	-	1,250,000	-
-	-	-	2,225,000
-	-	<u>1,468,005</u>	<u>2,456,184</u>
<u>216,650</u>	<u>4,344</u>	<u>1,714,170</u>	<u>2,909,307</u>
-	-	4,204,343	3,405,805
159,085	296,113	1,762,982	1,905,527
<u>159,085</u>	<u>296,113</u>	<u>5,967,325</u>	<u>5,311,332</u>
<u>\$ 375,735</u>	<u>\$ 300,457</u>	<u>\$ 7,681,495</u>	<u>\$ 8,220,639</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2014  
With Comparative Totals for the Year Ended June 30, 2013

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>
<b>OPERATING REVENUES:</b>					
Return of premiums	\$ -	\$ -	\$ -	\$ -	\$ 54,359
Equipment rental	-	952,724	20,618	-	-
Provision for self insurance	-	-	-	126,239	-
Miscellaneous	1,356,849	-	73,949	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>1,356,849</u>	<u>952,724</u>	<u>94,567</u>	<u>126,239</u>	<u>54,359</u>
<b>OPERATING EXPENSES:</b>					
General government	101,048	792,855	21,351	113,408	1,150
Capital projects	17,608	-	-	-	-
Provision for depreciation	146,544	268,369	52,207	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>265,200</u>	<u>1,061,224</u>	<u>73,558</u>	<u>113,408</u>	<u>1,150</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,091,649</u>	<u>(108,500)</u>	<u>21,009</u>	<u>12,831</u>	<u>53,209</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Gain (loss) on sale of investments	79	81	23	19	107
Gain (loss) on sale of equipment	-	2,564	-	-	-
Gain (loss) on sale of property	-	-	-	-	-
Interest earnings	5,378	7,139	2,976	5,898	2,010
Interest expense	(113,536)	(6,936)	-	-	-
Operating transfers in	1,794	8,508	-	-	-
Operating transfers out	-	-	(4,200)	-	(325,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(106,285)</u>	<u>11,356</u>	<u>(1,201)</u>	<u>5,917</u>	<u>(322,883)</u>
<b>CHANGE IN NET POSITION</b>	985,364	(97,144)	19,808	18,748	(269,674)
Net position, beginning of year	2,464,658	1,537,659	303,497	202,744	346,467
<b>NET POSITION, END OF YEAR</b>	<u>\$ 3,450,022</u>	<u>\$ 1,440,515</u>	<u>\$ 323,305</u>	<u>\$ 221,492</u>	<u>\$ 76,793</u>

See accompanying notes to financial statements.

Workers Compensation Fund	Unemployment Compensation Fund	Totals	
		2014	2013
\$ -	\$ -	\$ 54,359	\$ -
-	-	973,342	835,225
116,938	-	243,177	188,088
-	-	1,430,798	466,854
<u>116,938</u>	<u>-</u>	<u>2,701,676</u>	<u>1,490,167</u>
127,789	1,943	1,159,544	998,013
-	-	17,608	15,926
-	-	467,120	487,644
<u>127,789</u>	<u>1,943</u>	<u>1,644,272</u>	<u>1,501,583</u>
<u>(10,851)</u>	<u>(1,943)</u>	<u>1,057,404</u>	<u>(11,416)</u>
111	67	487	(23,737)
-	-	2,564	1,614
-	-	-	-
6,157	5,350	34,908	40,189
-	-	(120,472)	(125,701)
-	-	10,302	-
-	-	(329,200)	(4,200)
<u>6,268</u>	<u>5,417</u>	<u>(401,411)</u>	<u>(111,835)</u>
(4,583)	3,474	655,993	(123,251)
<u>163,668</u>	<u>292,639</u>	<u>5,311,332</u>	<u>5,434,583</u>
<u>\$ 159,085</u>	<u>\$ 296,113</u>	<u>\$ 5,967,325</u>	<u>\$ 5,311,332</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, 2014  
With Comparative Totals for the Year Ended June 30, 2013

	Escanaba Building Authority Fund	Motor Vehicle Equipment Fund	Office Equipment Fund	Risk Retention Fund	Health Insurance Fund
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ 72,551
Cash received for outside charges	-	-	73,954	-	-
Cash received from other funds for services	1,356,849	954,674	20,618	126,239	-
Cash payments to suppliers for goods & services	(53,413)	(617,322)	(21,411)	-	(1,150)
Cash payments to employees for services	(32,209)	(174,666)	-	-	-
Cash payments of benefits	-	-	-	(132,377)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,271,227</u>	<u>162,686</u>	<u>73,161</u>	<u>(6,138)</u>	<u>71,401</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers in	1,794	8,508	-	-	-
Operating transfers out	-	-	(4,200)	-	(325,000)
<b>NET CASH FLOWS PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES</b>	<u>1,794</u>	<u>8,508</u>	<u>(4,200)</u>	<u>-</u>	<u>(325,000)</u>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:</b>					
Advances from other funds	1,250,000	-	-	-	-
Principal payments on bonds/advances	(2,415,000)	(13,179)	-	-	-
Interest expense	(147,737)	(6,936)	-	-	-
Acquisition and construction of capital assets	(2,870)	(81,656)	(11,454)	-	-
Proceeds from the sale of equipment	-	11,065	-	-	-
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<u>(1,315,607)</u>	<u>(90,706)</u>	<u>(11,454)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest and gain on investments	4,513	5,643	2,118	5,463	3,328
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>(38,073)</u>	<u>86,131</u>	<u>59,625</u>	<u>(675)</u>	<u>(250,271)</u>
Cash and equivalents, beginning of year	351,943	408,378	139,549	94,866	325,553
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 313,870</u>	<u>\$ 494,509</u>	<u>\$ 199,174</u>	<u>\$ 94,191</u>	<u>\$ 75,282</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,091,649	\$ (108,500)	\$ 21,009	\$ 12,831	\$ 53,209
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	146,544	268,369	52,207	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables, prepaids, due from other funds and deposits	34,716	-	5	(16,652)	18,192
Increase (decrease) in accounts and claims payable and due to other funds	(1,682)	(526)	(60)	(2,317)	-
Increase (decrease) in unearned revenue	-	1,950	-	-	-
Increase (decrease) in accruals	-	1,393	-	-	-
Total adjustments	<u>179,578</u>	<u>271,186</u>	<u>52,152</u>	<u>(18,969)</u>	<u>18,192</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,271,227</u>	<u>\$ 162,686</u>	<u>\$ 73,161</u>	<u>\$ (6,138)</u>	<u>\$ 71,401</u>

See accompanying notes to financial statements.

Workers Compensation Fund	Unemployment Compensation Fund	Totals	
		2014	2013
\$ 116,938	\$ -	\$ 189,489	\$ -
-	-	73,954	71,230
-	-	2,458,380	1,417,918
(24,236)	(200)	(717,732)	(731,945)
-	-	(206,875)	(178,732)
<u>(46,194)</u>	<u>(2,908)</u>	<u>(181,479)</u>	<u>(273,200)</u>
46,508	(3,108)	1,615,737	305,271
-	-	10,302	-
-	-	<u>(329,200)</u>	<u>(4,200)</u>
-	-	<u>(318,898)</u>	<u>(4,200)</u>
-	-	1,250,000	-
-	-	(2,428,179)	(222,014)
-	-	(154,673)	(128,102)
-	-	(95,980)	(168,368)
-	-	11,065	1,614
-	-	<u>(1,417,767)</u>	<u>(516,870)</u>
5,257	4,302	30,624	13,784
51,765	1,194	(90,304)	(202,015)
320,501	296,386	1,937,176	2,139,191
<u>\$ 372,266</u>	<u>\$ 297,580</u>	<u>\$ 1,846,872</u>	<u>\$ 1,937,176</u>
<u>\$ (10,851)</u>	<u>\$ (1,943)</u>	<u>\$ 1,057,404</u>	<u>\$ (11,416)</u>
-	-	467,120	487,644
37,709	-	73,970	44,507
19,650	(1,165)	13,900	(210,491)
-	-	1,950	-
-	-	1,393	(4,973)
<u>57,359</u>	<u>(1,165)</u>	<u>558,333</u>	<u>316,687</u>
<u>\$ 46,508</u>	<u>\$ (3,108)</u>	<u>\$ 1,615,737</u>	<u>\$ 305,271</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ESCANABA BUILDING AUTHORITY  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	June 30	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 313,870	\$ 351,943
Receivables		
Accrued interest	2,895	1,951
Prepaid expenses	<u>-</u>	<u>34,716</u>
Total current assets	<u>316,765</u>	<u>388,610</u>
Property, plant and equipment	7,372,181	7,369,311
Less: accumulated depreciation	<u>(2,988,706)</u>	<u>(2,842,162)</u>
Net property, plant and equipment	<u>4,383,475</u>	<u>4,527,149</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,700,240</u></u>	<u><u>\$ 4,915,759</u></u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 218	\$ 1,900
Accrued interest payable	-	34,201
Bonds payable	<u>-</u>	<u>190,000</u>
Total current liabilities	<u>218</u>	<u>226,101</u>
Long-term liabilities:		
Advance from Electric Fund	1,250,000	-
Bonds payable	<u>-</u>	<u>2,225,000</u>
Total long-term liabilities	<u>1,250,000</u>	<u>2,225,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,250,218</u>	<u>2,451,101</u>
<b>NET POSITION:</b>		
Net investment in capital assets	3,133,475	2,112,149
Unrestricted	<u>316,547</u>	<u>352,509</u>
<b>TOTAL NET POSITION</b>	<u>3,450,022</u>	<u>2,464,658</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 4,700,240</u></u>	<u><u>\$ 4,915,759</u></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, 2014 and 2013

	June 30	
	2014	2013
OPERATING REVENUES:		
Miscellaneous	\$ 1,356,849	\$ 394,549
OPERATING EXPENSES:		
General government:		
Salaries and wages	24,928	22,948
Fringe benefits	53	18
Overhead on salaries and wages	7,228	5,157
Professional services	663	1,612
Public utilities	51,590	49,699
Insurance and bonds	4,249	4,830
Supplies	169	531
Building supplies	6,073	7,033
Equipment rental	81	113
Equipment maintenance	3,209	5,299
Telephone	1,946	1,943
Christmas tree	859	342
Capital projects:		
Construction	17,608	15,926
Provision for depreciation	146,544	146,284
TOTAL OPERATING EXPENSES	265,200	261,735
OPERATING INCOME (LOSS)	1,091,649	132,814
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	79	(4,518)
Interest earnings	5,378	5,795
Interest expense	(113,536)	(110,560)
Operating transfers in:		
Health Insurance Fund	1,794	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	(106,285)	(109,283)
CHANGE IN NET POSITION	985,364	23,531
Net position, beginning of year	2,464,658	2,441,127
NET POSITION, END OF YEAR	\$ 3,450,022	\$ 2,464,658

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 494,509	\$ 408,378
Receivables		
Accrued interest	<u>3,962</u>	<u>2,385</u>
Total current assets	<u>498,471</u>	<u>410,763</u>
Property, plant and equipment	5,938,015	6,042,241
Less: accumulated depreciation	<u>(4,752,953)</u>	<u>(4,661,965)</u>
Net property, plant and equipment	<u>1,185,062</u>	<u>1,380,276</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,683,533</u></u>	<u><u>\$ 1,791,039</u></u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 6,206	\$ 6,732
Accrued salaries, wages and fringes	16,857	15,464
Unearned revenue	<u>1,950</u>	<u>-</u>
Total current liabilities	<u>25,013</u>	<u>22,196</u>
Long-term liabilities:		
Advance from General Fund	<u>218,005</u>	<u>231,184</u>
<b>TOTAL LIABILITIES</b>	<u>243,018</u>	<u>253,380</u>
<b>NET POSITION:</b>		
Net investment in capital assets	967,057	1,149,092
Unrestricted	<u>473,458</u>	<u>388,567</u>
<b>TOTAL NET POSITION</b>	<u>1,440,515</u>	<u>1,537,659</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,683,533</u></u>	<u><u>\$ 1,791,039</u></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, 2014 and 2013

	June 30	
	2014	2013
OPERATING REVENUES:		
Equipment rental	\$ 952,724	\$ 802,465
Miscellaneous	-	56
	952,724	802,521
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
General government:		
Salaries and wages	68,925	72,480
Fringe benefits	107,134	73,156
Supplies	18,281	22,286
Building supplies	4,184	3,137
Professional services	1,450	4,121
Communication	2,036	1,900
Transportation	-	46
Printing and publishing	-	97
Insurance and bonds	20,802	23,245
Public utilities	32,104	25,815
Capital outlay - building	8,236	-
Capital outlay - equipment	2,332	824
Uniform maintenance	265	657
Building maintenance	15,186	11,659
Equipment maintenance	507,463	462,849
Equipment rental	3,764	6,120
Office expense	493	-
Education and training	200	69
Provision for depreciation	268,369	292,813
	1,061,224	1,001,274
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	(108,500)	(198,753)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	81	(6,926)
Gain (loss) on sale of equipment	2,564	1,614
Interest earnings	7,139	6,947
Interest expense	(6,936)	(15,141)
Operating transfers in:		
Health Insurance Fund	8,508	-
	11,356	(13,506)
TOTAL NON-OPERATING REVENUE (EXPENSES)		
CHANGE IN NET POSITION	(97,144)	(212,259)
Net position, beginning of year	1,537,659	1,749,918
NET POSITION, END OF YEAR	\$ 1,440,515	\$ 1,537,659

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, 2014

Unit Number	Description	Balance 6/30/13	Additions	Retirements	Balance 6/30/14
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" Silhl 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

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, 2014

Unit Number	Description	Balance 6/30/13	Additions	Retirements	Balance 6/30/14
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 -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 pickup w/Boss plow	22,530	-	-	22,530
110	2006 Ford F-250 pickup	20,792	-	-	20,792
111	195 Ford sludge hauling tanker	72,220	-	-	72,220
112	1999 Chevrolet Suburban	27,575	-	-	27,575
113	2004 Freightliner MZ-60 sludge truck	103,134	-	-	103,134
114	Kifco water irrigation reel	10,190	-	-	10,190
115	1978 Griffith well points	3,769	-	-	3,769
116	2006 Chevrolet 2500 HD pickup	23,504	-	-	23,504
117	Trailer mounted leaf collector	24,763	-	-	24,763
120	1996 Ford one 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
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	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 yard 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

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, 2014

Unit Number	Description	Balance 6/30/13	Additions	Retirements	Balance 6/30/14
162	1999 Lowboy semi trailer	\$ 21,458	\$ -	\$ -	\$ 21,458
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 w/plow	21,954	-	-	21,954
181	2005 Ford Taurus	15,378	-	-	15,378
182	2012 Chevrolet Impala four door	-	15,000	-	15,000
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 3/4 ton 4x4 grass truck	17,523	-	-	17,523
204	1992 Pierce pumper truck	179,674	-	-	179,674
205	1983 GMC fire truck	233,833	-	-	233,833
221	2000 Chevrolet Malibu	14,749	-	14,749	-
222	2001 Chevrolet Impala	20,164	-	20,164	-
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	2,262	-	25,475
236	2013 Chevrolet Tahoe	36,068	-	-	36,068
237	2012 Chevrolet Impala four door	-	15,000	-	15,000
238	2012 Chevrolet Impala four door	-	15,000	-	15,000
239	2012 Chevrolet Impala four door	-	15,000	-	15,000
240	2012 Chevrolet Impala four door	-	15,000	-	15,000
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	310,495	-	-	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	131,621	-	-	131,621
	<b>TOTAL RENTAL UNITS</b>	<b>\$ 5,922,255</b>	<b>77,262</b>	<b>185,882</b>	<b>5,813,635</b>

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, 2014

Unit Number	Description	Balance 6/30/13	Additions	Retirements	Balance 6/30/14
<b>NON-RENTAL UNITS</b>					
	Miller welder w/auto feed	\$ 2,720	\$ -	\$ -	\$ 2,720
	Sun auto analyzer	7,020	-	-	7,020
	Sioux steamer/washer	6,438	-	-	6,438
	Gas tanks	37,829	-	-	37,829
	Stigers 16' tandem trailer	1,365	-	-	1,365
	Air compresssor	2,009	-	-	2,009
	Millermatic 250 welder	1,425	-	-	1,425
	Floor jack	2,060	-	-	2,060
	Tire changer	2,999	-	-	2,999
	Bluestar 6000 welder	2,057	-	-	2,057
	Fleet software	1,495	-	-	1,495
	Snap-on automotive lift	3,905	-	-	3,905
	Konica/Minolla 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	11,941	898	-	12,839
	Assels in process	-	3,496	-	3,496
	<b>TOTAL NON-RENTAL UNITS</b>	<b>119,986</b>	<b>4,394</b>	<b>-</b>	<b>124,380</b>
	<b>GRAND TOTAL</b>	<b>\$ 6,042,241</b>	<b>\$ 81,656</b>	<b>\$ 185,882</b>	<b>\$ 5,938,015</b>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**OFFICE EQUIPMENT FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 199,174	\$ 139,549
Receivables		
Accounts, net of bad debt allowance	18,615	18,620
Accrued interest	<u>1,645</u>	<u>764</u>
Total current assets	<u>219,434</u>	<u>158,933</u>
Property, plant and equipment	470,140	465,611
Less: accumulated depreciation	<u>(366,329)</u>	<u>(321,047)</u>
Net property, plant and equipment	<u>103,811</u>	<u>144,564</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 323,245</u></b>	<b><u>\$ 303,497</u></b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	<u>\$ (60)</u>	<u>\$ -</u>
<b>NET POSITION:</b>		
Net investment in capital assets	103,811	144,564
Unrestricted	<u>219,494</u>	<u>158,933</u>
<b>TOTAL NET POSITION</b>	<b><u>323,305</u></b>	<b><u>303,497</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 323,245</u></b>	<b><u>\$ 303,497</u></b>

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, 2014 and 2013

	June 30	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Equipment rental	\$ 20,618	\$ 32,760
Miscellaneous	73,949	72,249
 TOTAL OPERATING REVENUES	 <u>94,567</u>	 <u>105,009</u>
OPERATING EXPENSES:		
General government:		
Equipment maintenance	21,351	15,546
Provision for depreciation	52,207	48,547
 TOTAL OPERATING EXPENSES	 <u>73,558</u>	 <u>64,093</u>
 OPERATING INCOME (LOSS)	 <u>21,009</u>	 <u>40,916</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	23	(1,021)
Interest earnings	2,976	2,222
Operating transfers out:		
General Fund	(4,200)	(4,200)
 TOTAL NON-OPERATING REVENUE (EXPENSES)	 <u>(1,201)</u>	 <u>(2,999)</u>
 CHANGE IN NET POSITION	 19,808	 37,917
Net position, beginning of year	<u>303,497</u>	<u>265,580</u>
 NET POSITION, END OF YEAR	 <u>\$ 323,305</u>	 <u>\$ 303,497</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, 2014

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Retirements &amp; Transfers</u>	<u>Balance 6/30/14</u>
Network system	\$ 212,263	\$ 5,769	\$ -	\$ 218,032
Controller	30,370	-	-	30,370
Engineer	10,621	-	1,605	9,016
Clerk	25,631	-	-	25,631
Personnel	1,590	-	-	1,590
City Manager	1,288	-	-	1,288
Building and Housing Inspection	599	-	-	599
Treasurer/Utility	124,124	-	-	124,124
Bay Computer - Shared Equipment	30,291	-	-	30,291
Assessor	11,507	-	619	10,888
Recreation	9,029	-	-	9,029
Public Safety	4,701	5,685	4,701	5,685
Library	3,597	-	-	3,597
TOTALS	<u>\$ 465,611</u>	<u>\$ 11,454</u>	<u>\$ 6,925</u>	<u>\$ 470,140</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 94,191	\$ 94,866
Receivables		
Accrued interest	1,036	582
Prepaid expenses	<u>126,265</u>	<u>109,613</u>
 TOTAL ASSETS	 <u>\$ 221,492</u>	 <u>\$ 205,061</u>
 <b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ 2,317</u>
 <b>NET POSITION:</b>		
Unrestricted	<u>221,492</u>	<u>202,744</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 221,492</u>	 <u>\$ 205,061</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, 2014 and 2013

	June 30	
	2014	2013
OPERATING REVENUES:		
Provision for self insurance	\$ 126,239	\$ 188,088
OPERATING EXPENSES:		
General government:		
Insurance premiums	108,372	26,142
Administrative costs	400	400
Claims paid	4,636	26,910
TOTAL OPERATING EXPENSES	113,408	53,452
OPERATING INCOME (LOSS)	12,831	134,636
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	19	(208)
Interest earnings	5,898	6,805
TOTAL NON-OPERATING REVENUE (EXPENSES)	5,917	6,597
CHANGE IN NET POSITION	18,748	141,233
Net position, beginning of year	202,744	61,511
NET POSITION, END OF YEAR	\$ 221,492	\$ 202,744

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**HEALTH INSURANCE FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 75,282	\$ 325,553
Receivables		
Accounts, net of bad debt allowance	812	812
Accrued interest	699	1,910
Prepaid expenses	<u>-</u>	<u>18,192</u>
 TOTAL ASSETS	 <u>\$ 76,793</u>	 <u>\$ 346,467</u>
 NET POSITION:		
Unrestricted	 <u>\$ 76,793</u>	 <u>\$ 346,467</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, 2014 and 2013

	June 30	
	2014	2013
OPERATING REVENUES:		
Return of premiums	\$ 54,359	\$ -
OPERATING EXPENSES:		
General government:		
Professional services	1,150	1,150
OPERATING INCOME (LOSS)	53,209	(1,150)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	107	(753)
Interest earnings	2,010	5,629
Operating transfers out:		
Electric Fund	(37,267)	-
Marina Fund	(177)	-
Land Development Fund	(11)	-
Water Utility Fund	(25,563)	-
Library Fund	(13,893)	-
Waste Water Fund	(22,235)	-
Grants Fund	(135)	-
Major Street Fund	(10,126)	-
Local Street Fund	(7,836)	-
Motor Vehicle Equipment Fund	(8,508)	-
DDA Fund	(246)	-
Parking Maintenance Fund	(481)	-
General Fund	(176,151)	-
Escanaba Building Authority Fund	(1,794)	-
Central Dispatch Fund	(20,577)	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	(322,883)	4,876
CHANGE IN NET POSITION	(269,674)	3,726
Net position, beginning of year	346,467	342,741
NET POSITION, END OF YEAR	\$ 76,793	\$ 346,467

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WORKERS COMPENSATION FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 372,266	\$ 320,501
Receivables		
Accrued interest	3,469	2,458
Prepaid expenses	-	37,709
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 375,735</u>	<u>\$ 360,668</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 4,150	\$ -
Claims payable	212,500	197,000
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>216,650</u>	<u>197,000</u>
<b>NET POSITION:</b>		
Unrestricted	<u>159,085</u>	<u>163,668</u>
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 375,735</u>	<u>\$ 360,668</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

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

For the Years Ended June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Provision for self-insurance	\$ 116,938	\$ -
OPERATING EXPENSES:		
General government:		
Benefits	61,694	69,232
Professional services	25,808	27,323
Insurance & bonds	38,816	19,887
Miscellaneous	1,471	2,523
TOTAL OPERATING EXPENSES	<u>127,789</u>	<u>118,965</u>
OPERATING INCOME (LOSS)	<u>(10,851)</u>	<u>(118,965)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	111	(6,676)
Interest earnings	6,157	7,600
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>6,268</u>	<u>924</u>
CHANGE IN NET POSITION	(4,583)	(118,041)
Net position, beginning of year	<u>163,668</u>	<u>281,709</u>
NET POSITION, END OF YEAR	<u>\$ 159,085</u>	<u>\$ 163,668</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**UNEMPLOYMENT COMPENSATION FUND  
COMPARATIVE STATEMENT OF NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Investments, at market	\$ 297,580	\$ 296,386
Receivables		
Accrued interest	<u>2,877</u>	<u>1,762</u>
 TOTAL ASSETS	<u>\$ 300,457</u>	<u>\$ 298,148</u>
 <b>LIABILITIES:</b>		
Current liabilities:		
Claims payable	<u>\$ 4,344</u>	<u>\$ 5,509</u>
 <b>NET POSITION:</b>		
Unrestricted	<u>296,113</u>	<u>292,639</u>
 TOTAL LIABILITIES AND NET POSITION	<u>\$ 300,457</u>	<u>\$ 298,148</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, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	1,743	714
TOTAL OPERATING EXPENSES	<u>1,943</u>	<u>914</u>
OPERATING INCOME (LOSS)	<u>(1,943)</u>	<u>(914)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	67	(3,635)
Interest earnings	5,350	5,191
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>5,417</u>	<u>1,556</u>
CHANGE IN NET POSITION	3,474	642
Net position, beginning of year	<u>292,639</u>	<u>291,997</u>
NET POSITION, END OF YEAR	<u>\$ 296,113</u>	<u>\$ 292,639</u>

See accompanying notes to financial statements.

**PERMANENT FUND**

CITY OF ESCANABA, MICHIGAN

**GAS RETIREMENT FUND  
COMPARATIVE BALANCE SHEET**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 1,140,024	\$ 1,125,435
Receivables:		
Accrued interest	<u>11,002</u>	<u>6,812</u>
 TOTAL ASSETS	 <u>\$ 1,151,026</u>	 <u>\$ 1,132,247</u>
 FUND BALANCES:		
Nonspendable:		
Principal	\$ 1,094,634	\$ 1,094,634
Restricted:		
Capital improvements	<u>56,392</u>	<u>37,613</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,151,026</u>	 <u>\$ 1,132,247</u>

See accompanying notes to financial statements.

**CITY OF ESCANABA, MICHIGAN**

**GAS RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

For the Years Ended June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
REVENUES:		
Interest and dividends	<u>\$ 20,393</u>	<u>\$ 19,701</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	258	(13,383)
Operating transfers out:		
Local Street Fund	<u>(1,872)</u>	<u>(17,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,614)</u>	<u>(30,383)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	18,779	(10,682)
Fund balance, beginning of year	<u>1,132,247</u>	<u>1,142,929</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,151,026</u></u>	<u><u>\$ 1,132,247</u></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, 2014 and 2013

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>				
Investments, at market	\$ 115,065	\$ 257,772	\$ 372,837	\$ 373,095
Receivables:				
Accrued interest	<u>1,118</u>	<u>2,536</u>	<u>3,654</u>	<u>2,236</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 116,183</b></u>	<u><b>\$ 260,308</b></u>	<u><b>\$ 376,491</b></u>	<u><b>\$ 375,331</b></u>
<b>LIABILITIES:</b>				
Accounts payable	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 144</u>	<u>\$ 179</u>
<b>NET POSITION:</b>				
Reserved for:				
Bonifas Trust Fund	116,183	-	116,183	114,089
Bezold Trust Fund	<u>-</u>	<u>260,164</u>	<u>260,164</u>	<u>261,063</u>
<b>TOTAL NET POSITION</b>	<u><b>116,183</b></u>	<u><b>260,164</b></u>	<u><b>376,347</b></u>	<u><b>375,152</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 116,183</b></u>	<u><b>\$ 260,308</b></u>	<u><b>\$ 376,491</b></u>	<u><b>\$ 375,331</b></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, 2014 and 2013

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 2,070	\$ 4,702	\$ 6,772	\$ 6,498
EXPENDITURES:				
Cultural:				
Professional services	-	-	-	425
Books, magazines & periodicals	-	5,659	5,659	8,062
TOTAL EXPENDITURES	-	5,659	5,659	8,487
EXCESS REVENUES (EXPENDITURES)	2,070	(957)	1,113	(1,989)
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	24	58	82	(4,581)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	2,094	(899)	1,195	(6,570)
Net position, beginning of year	114,089	261,063	375,152	381,722
NET POSITION, END OF YEAR	<u>\$ 116,183</u>	<u>\$ 260,164</u>	<u>\$ 376,347</u>	<u>\$ 375,152</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**CATHERINE BONIFAS TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Investments, at market	\$ 115,065	\$ 113,413
Receivables:		
Accrued interest	<u>1,118</u>	<u>676</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 116,183</u></u>	<u><u>\$ 114,089</u></u>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION:</b>		
Reserved for:		
Bonifas Trust Fund	<u>116,183</u>	<u>114,089</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 116,183</u></u>	<u><u>\$ 114,089</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**CATHERINE BONIFAS TRUST FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FIDUCIARY NET POSITION**

For the Years Ended June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
REVENUES:		
Miscellaneous		
Interest earnings	<u>\$ 2,070</u>	<u>\$ 1,955</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>24</u>	<u>(1,348)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	2,094	607
Net position, beginning of year	<u>114,089</u>	<u>113,482</u>
NET POSITION, END OF YEAR	<u>\$ 116,183</u>	<u>\$ 114,089</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**BEZOLD TRUST FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments, at market	\$ 257,772	\$ 259,682
Receivables:		
Accrued interest	<u>2,536</u>	<u>1,560</u>
 TOTAL ASSETS	 <u>\$ 260,308</u>	 <u>\$ 261,242</u>
 LIABILITIES:		
Accounts payable	<u>\$ 144</u>	<u>\$ 179</u>
 NET POSITION:		
Reserved for:		
Bezold Trust Fund	<u>260,164</u>	<u>261,063</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 260,308</u>	 <u>\$ 261,242</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2014 and 2013

	June 30	
	2014	2013
REVENUES:		
Miscellaneous		
Interest earnings	\$ 4,702	\$ 4,543
EXPENDITURES:		
Cultural		
Professional services	-	425
Books, magazines & periodicals	5,659	8,062
TOTAL EXPENDITURES	5,659	8,487
EXCESS REVENUES (EXPENDITURES)	(957)	(3,944)
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	58	(3,233)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(899)	(7,177)
Net position, beginning of year	261,063	268,240
NET POSITION, END OF YEAR	\$ 260,164	\$ 261,063

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PUBLIC SAFETY RETIREMENT FUND  
COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2014 and 2013

	June 30	
	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Cash and equivalents	\$ (34,659)	\$ 40,448
Investments, at market	<u>25,611,432</u>	<u>22,119,569</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,576,773</u></u>	<u><u>\$ 22,160,017</u></u>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ 755</u>	<u>\$ -</u>
<b>NET POSITION:</b>		
Reserved for:		
Employees' retirement system	<u>25,576,018</u>	<u>22,160,017</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 25,576,773</u></u>	<u><u>\$ 22,160,017</u></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, 2014 and 2013

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Interest and dividends	\$ 731,687	\$ 590,086
Gain (loss) on sale of investments	3,015,572	2,234,565
Contributions:		
City of Escanaba	1,058,517	931,056
Employees	123,571	120,447
 TOTAL OPERATING REVENUES	 <u>4,929,347</u>	 <u>3,876,154</u>
 OPERATING EXPENSES:		
Administrative and general:		
Miscellaneous	12,702	11,581
Benefits paid and refunds of member contributions	<u>1,500,644</u>	<u>1,499,779</u>
 TOTAL OPERATING EXPENSES	 <u>1,513,346</u>	 <u>1,511,360</u>
 NET INCOME	 3,416,001	 2,364,794
 Net position, beginning of year	 <u>22,160,017</u>	 <u>19,795,223</u>
 NET POSITION, END OF YEAR	 <u>\$ 25,576,018</u>	 <u>\$ 22,160,017</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, 2014

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>
<b>ASSETS:</b>				
Cash and equivalents	\$ 3,717	\$ 28,513,666	\$ 28,510,886	\$ 6,497
Receivables:				
Special assessments	-	21,853	21,853	-
Taxes	-	15,717,056	15,717,056	-
<b>TOTAL ASSETS</b>	<u>\$ 3,717</u>	<u>\$ 44,252,575</u>	<u>\$ 44,249,795</u>	<u>\$ 6,497</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 3,717</u>	<u>\$ 31,205,695</u>	<u>\$ 31,202,915</u>	<u>\$ 6,497</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, 2014

	<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, 2013	\$ 146	\$ 1,359	\$ 907	\$ 203	\$ 48	\$ -
Collections:						
Interest earnings on investments	592	2,682	3,231	796	144	210
Taxes levied for units	721,709	3,183,774	4,027,902	968,016	175,278	266,477
Delinquent tax collections	2,256	6,616	19,332	3,132	860	-
Trailer tax collections	-	10,063	-	-	-	-
Industrial facilities tax collections	1,369	6,346	12,536	2,872	344	-
Total collections	<u>725,926</u>	<u>3,209,481</u>	<u>4,063,001</u>	<u>974,816</u>	<u>176,626</u>	<u>266,687</u>
Remittances:						
Delinquent taxes returned to County Treasurer	42,843	153,357	394,122	56,638	12,398	18,223
Delinquent personal property taxes	2,329	6,351	14,194	3,183	808	(494)
Remittances to governmental units	<u>680,547</u>	<u>3,049,415</u>	<u>3,653,538</u>	<u>914,761</u>	<u>163,354</u>	<u>248,958</u>
Total remittances	<u>725,719</u>	<u>3,209,123</u>	<u>4,061,854</u>	<u>974,582</u>	<u>176,560</u>	<u>266,687</u>
Balance, June 30, 2014	<u>\$ 353</u>	<u>\$ 1,717</u>	<u>\$ 2,054</u>	<u>\$ 437</u>	<u>\$ 114</u>	<u>\$ -</u>

See accompanying notes to financial statements.

City of Escanaba	Della County Sheriff's Department	911	OPRA	DATA	Brownfield	IFT's	Total
\$ 899	\$ 72	\$ 35	\$ -	\$ 48	\$ -	\$ -	\$ 3,717
4,199	217	73	-	144	45	-	12,333
5,136,139	262,931	87,622	47,882	175,271	53,112	4,770	15,110,883
8,593	1,291	556	-	860	-	-	43,496
2,013	-	-	-	-	-	-	12,076
9,759	517	172	-	344	-	-	34,259
<u>5,160,703</u>	<u>264,956</u>	<u>88,423</u>	<u>47,882</u>	<u>176,619</u>	<u>53,157</u>	<u>4,770</u>	<u>15,213,047</u>
249,292	18,597	6,198	9,125	12,398	-	4,770	977,961
13,729	1,212	403	-	808	-	-	42,523
<u>4,897,122</u>	<u>245,048</u>	<u>81,779</u>	<u>38,757</u>	<u>163,347</u>	<u>53,157</u>	<u>-</u>	<u>14,189,783</u>
<u>5,160,143</u>	<u>264,857</u>	<u>88,380</u>	<u>47,882</u>	<u>176,553</u>	<u>53,157</u>	<u>4,770</u>	<u>15,210,267</u>
<u>\$ 1,459</u>	<u>\$ 171</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,497</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, 2014

	Balance 6/30/13	Additions	Retirements and other Deductions	Balance 6/30/14
<b>LAND AND IMPROVEMENTS:</b>				
Land	\$ 518,691	\$ -	\$ -	\$ 518,691
Farmer's Market	6,844	-	-	6,844
Advertising signs	76,045	-	-	76,045
Bike paths	612,865	-	-	612,865
North Shore boat launch	1,891,786	-	-	1,891,786
Marina/harbor	1,000,179	71,341	-	1,071,520
Ness Field improvements	84,885	-	-	84,885
Parks and playgrounds	759,388	32,967	-	792,355
Waterfront development	1,400,854	71,341	-	1,472,195
<b>BUILDINGS:</b>				
Beach house	275,191	-	-	275,191
Historical building	111,526	-	-	111,526
Band shell	183,228	-	-	183,228
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	984,854	107,267	-	1,092,121
Public safety building	1,001,386	5,978	-	1,007,364
Webster Park shelter house	94,594	-	-	94,594
Royce Park shelter	124,730	-	-	124,730
	47,041	-	-	47,041
<b>PARKING LOTS:</b>				
1st Avenue North between 12th and 13th Streets	17,446	-	-	17,446
West side of North 10th, 100 block	1,702	-	-	1,702
Behind 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 North 14th Street	39,832	-	-	39,832
<b>EQUIPMENT:</b>				
Library	83,467	-	-	83,467
Public safety department	1,460,822	24,431	596,384	888,869
Streets and sewer	82,639	-	-	82,639
Parks and recreation	322,675	11,960	-	334,635
Band	15,558	-	-	15,558
Downtown development	65,300	-	-	65,300
City hall	363,555	-	-	363,555
<b>OTHER:</b>				
Infrastructure	18,662,148	42,283	-	18,704,431
<b>TOTAL GOVERNMENTAL FUNDS FIXED ASSETS</b>	<b>\$ 30,887,545</b>	<b>\$ 367,568</b>	<b>\$ 596,384</b>	<b>\$ 30,658,729</b>

See accompanying notes to financial statements.

**SINGLE AUDIT**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2014.

**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 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.

**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 2014-001.

**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.

A handwritten signature in black ink that reads "Anderson, Tackman & Company P.C." in a cursive script.

Certified Public Accountants

December 10, 2014

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 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 City's major federal programs for the year ended June 30, 2014. 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 City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 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, 2014.

**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 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 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.

*Anderson, Tackman & Company P.C.*  
Certified Public Accountants

December 10, 2014

**CITY OF ESCANABA, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass Through Grantors or Program Number</u>	<u>CFDA</u>	<u>Current Year Grant Awarded</u>	<u>Current Year Federal Expenditures</u>
<b>MAJOR PROGRAM:</b>				
<u>Department of Commerce</u>				
Economic Development Administration:				
Economic Adjustment Assistance	-	11.307	\$ 1,532,288	\$ 1,532,288
<b>NON-MAJOR PROGRAMS:</b>				
<u>DEPARTMENT OF JUSTICE</u>				
Passed through the Michigan State Police:				
U.P.S.E.T.	-	16.579	42,334	42,334
<u>DEPARTMENT OF TRANSPORTATION</u>				
Passed through the Michigan State Police				
Strategic Traffic Enforcement Program	PT-14-24	20.600	1,946	1,946
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Direct award from the Federal Emergence Management Agency				
Assistance to Firefighters Grant	EMW-2012-FO-03603	97.044	<u>597</u>	<u>597</u>
			<u>\$ 1,577,165</u>	<u>\$ 1,577,165</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF ESCANABA, MICHIGAN

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

June 30, 2014

**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 PROGRAM NUMBER**

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

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Because the Economic Adjustment Assistance Program's federal award 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 Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 44,877
Add: Economic Adjustment Assistance	<u>1,532,288</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 1,577,165</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	\$ 608,184
Cash and investment balance at year-end	1,429,136
Administrative expenses paid during the fiscal year	1,880
Unpaid loan principal written off during the fiscal year	<u>-</u>
	2,039,200
Multiplied by the federal share of the RLF	<u>*.7514163315</u>
Total Economic Adjustment Assistance	<u>\$ 1,532,288</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

**SECTION I - SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Escanaba.
2. Reportable instances of noncompliance disclosed during the audit of the financial statements are reported in the *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* and are detailed in Section II of this schedule.
3. No instances of noncompliance material to the financial statements of the City of Escanaba were disclosed during the audit.
4. There were no material weaknesses disclosed during the audit of the major federal award programs to be reported in the *Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the City of Escanaba expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was as follows:
  - Department of Commerce:
  - Economic Adjustment Administration:
  - Economic Adjustment Assistance
  - CFDA #11.307
8. The threshold for distinguishing type A and B programs was \$300,000.
9. The City of Escanaba was determined to be a low-risk auditee.

**CITY OF ESCANABA, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2014

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 2014-001 – 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 City was over expended in the following functions of the General Fund:

City Elections	\$ 270
City Assessor	530

The following fund was over expended:

UDAG/Dial Grant Fund	\$61,857
----------------------	----------

Context – Isolated.

Effect – The City is not in compliance with the State Law.

Cause – Failure to amend the budget for 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, 2014

**SECTION III – COMPLIANCE FINDINGS**

NONE

**CITY OF ESCANABA, MICHIGAN**

**RESOLUTION OF PRIOR YEARS FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

NONE

**CITY OF ESCANABA, MICHIGAN**

**TABLE 1 (Unaudited)  
GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION \***

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>
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	883,088	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
2014	1,052,395	4,096,243	1,575,740	634,694	9,148	1,165,320	999,291	9,532,831

\*Includes General, Major Street, Local Street, Library and Bebold Funds

CITY OF ESCANABA, MICHIGAN

TABLE 2 (Unaudited)  
GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE\*

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter-govern- mental Revenue	Charges for Services	Fines and Forfeitures	Contributions From Other Sources	Miscellaneous	Total
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
2014	4,916,025	2,000	2,602,247	322,777	61,190	945,907	200,203	9,050,349

\*Includes General, Major Street, Local Street, Library and Bezdold Funds.

**CITY OF ESCANABA, MICHIGAN**

**TABLE 3 (Unaudited)  
GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE\***

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>
2005*	\$ 3,760,903	\$ 3,744,006	99.55%	\$ 28,449	\$ 3,772,455	100.31%	\$ 26,794	0.71%
2006*	3,883,469	3,869,400	99.64%	12,099	3,881,499	99.95%	33,434	0.86%
2007*	4,071,825	4,057,090	99.64%	9,400	4,066,490	99.87%	38,705	0.95%
2008*	4,247,875	4,231,386	99.61%	15,775	4,247,161	99.98%	39,754	0.94%
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	0.99%
2011*	4,522,309	4,511,057	99.75%	21,139	4,532,196	100.22%	42,605	0.94%
2012*	4,570,812	4,559,274	99.75%	17,673	4,576,947	100.13%	40,335	0.88%
2013*	4,980,692	4,941,127	99.21%	21,445	4,962,572	99.64%	31,989	0.64%
2014*	5,114,286	5,104,223	99.80%	6,734	5,110,957	99.93%	38,984	0.76%

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

CITY OF ESCANABA, MICHIGAN

TABLE 4 (Unaudited)  
TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY\*

Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Personal Property		Total		Percent of Total Taxable Value to total Estimated Value
	Taxable* Value	Estimated Actual Value	Taxable* Value	Estimated Actual Value	Taxable* Value	Estimated Actual Value	
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%
2015	275,047,774	601,888,487	30,487,899	60,975,798	305,535,673	662,864,285	46.09%

Source: City of Escanaba Assessor's Department

\*Taxable values are as of December 31, prior to the beginning of the fiscal year.

CITY OF ESCANABA, MICHIGAN

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

Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Escanaba	Delta County	Escanaba Area Public Schools	Delta- Schoolcraft Intermediate School District	Bay de Noc Community College	State ED	Total*
2005	17.00	6.5458^	3.08	2.4191	3.5000	6.00	38.5449
2006	17.00	7.1104^^	3.08	2.3994	3.5501	6.00	39.1399
2007	17.00	7.5897**	2.91	2.3851	3.5337	6.00	39.4185
2008	17.00	7.5897**	2.89	2.3851	3.5225	6.00	39.3873
2009	17.00	7.5897**	2.83	2.3851	3.5149	6.00	39.3197
2010	17.00	7.5897**	2.76	2.3851	3.5109	6.00	39.2457
2011	17.00	7.4317**	4.75	2.3851	3.5111	6.00	41.0779
2012	17.00	7.4823**	4.75	2.3851	3.3076	6.00	40.9250
2013	17.00	7.6317**	4.75	2.3851	3.3076	6.00	41.0744
2014	17.00	7.4317**	4.75	2.3851	3.3076	6.00	40.8744

Source: City of Escanaba Assessor's Department

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

^Delta County's tax rate includes extra millage for the Sheriff's Patrol and Community Action Agency. For fiscal year ended 6/30/14 these amounts were .9000 and .6000, respectively.

^^Beginning in the fiscal year ended 6/30/06, extra voted millage for the Delta County Central Dispatch Authority was included in Delta County's tax rate. The amount for the fiscal year ended 6/30/14 was .3000.

\*\*Beginning in the fiscal year ended 6/30/07, extra voted millage for the Delta Area Transit Authority was included in Delta County's tax rate. The amount for fiscal year ended 6/30/14 was .6000.

**CITY OF ESCANABA, MICHIGAN**

**TABLE 6 (Unaudited)  
COMPUTATION OF LEGAL DEBT MARGIN**

June 30, 2014

2014 Taxable Valuation (as of December 31, 2013)		<u>\$ 329,877,886</u>
Debt limit - 10 percent of assessed value		\$ 32,987,789
Amount of outstanding debt	\$ 6,880,000	
Less:		
Revenue bonds	(4,025,000)	
Non-bonded debt	-	
Self supporting bonds	<u>(40,000)</u>	<u>(2,815,000)</u>
LEGAL DEBT MARGIN		<u>\$ 30,172,789</u>

CITY OF ESCANABA, MICHIGAN

**TABLE 7 (Unaudited)**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2014

<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	\$ 2,815,000	100.00%	\$ 2,815,000
Escanaba Area Public Schools	30,870,000	48.83%	15,073,821
Bay de Noc Community College	5,250,000	25.54%	1,340,850
Delta County	1,205,000	25.54%	307,757
Delta Solid Waste Landfill Authority	<u>4,540,000</u>	<u>26.96%</u>	<u>1,223,984</u>
TOTALS	<u>\$ 44,680,000</u>		<u>\$ 20,761,412</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	Depreciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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	0.94
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
2014	143,732	376,587	247,095	767,414	400,000	247,095	647,095	1.19

CITY OF ESCANABA, MICHIGAN

**TABLE 9 (Unaudited)  
WATER UTILITY BONDS  
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT**

Last Ten Fiscal Years

Fiscal Year Ended June 30	Net Income	Depreciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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	0.89
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
2014	66,941	217,518	7,260	291,719	140,000	7,260	147,260	1.98



**CITY OF ESCANABA, MICHIGAN**

**TABLE 11 (Unaudited)  
DEMOGRAPHIC STATISTICS**

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population</u>	<u>K-12 Enrollment</u>	<u>Unemployment Rate</u>
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	12.0%
2010	12,616	2,628	12.0%
2011	12,615 (estimate)	2,587	10.1%
2012	12,577 (estimate)	2,522	9.2%
2013	12,552 (estimate)	2,511	9.9%
2014	12,562 (estimate)	2,488	8.3%

Sources: Population - Bureau of Census and U.S. Department of Commerce.

K-12 School Enrollment - Escanaba Area Public Schools (Note: enrollments include students from outside the City of Escanaba).

Unemployment Rate - Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except for 2014, which is through October, 2014).

**CITY OF ESCANABA, MICHIGAN**

**TABLE 12 (Unaudited)  
PRINCIPAL TAXPAYERS**

Fiscal Year Ended June 30, 2015

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Valuation</u>
EMP, Inc.	Manufacturing	\$ 15,506,657	5.08%
Dagenais Real Estate	Commercial Real Estate	5,255,976	1.72%
Menards, Inc.	Retail Sales	4,997,858	1.64%
Wal-Mart	Retail Sales	4,839,534	1.58%
UP Enterprises, LLC	Commercial Real Estate	4,619,922	1.51%
DLP Marquette General Hospital, LLC	Medical Facility	4,491,960	1.47%
Elmer's County Market	Food Sales	2,535,443	0.83%
Amicus Management, Inc.	Shopping Center	2,436,343	0.80%
Northland Centers, Inc.	Commercial Real Estate	2,265,522	0.74%
Upper Peninsula State Bank	Banking	1,848,219	0.60%

Source: City of Escanaba Assessor's Department.

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

Valuation as of 12/31/13 becomes the "2014 Taxable Valuation." This value is used to compute the City property taxes for July, 2014, which finance City operations through the fiscal year ended June 30, 2015.

CITY OF ESCANABA, MICHIGAN

**TABLE 13 (Unaudited)  
MISCELLANEOUS STATISTICS**

June 30, 2014

Date of incorporation	1883
Form of government - since 1922	Council-Manager
Area	12.81 square miles
Miles of streets	83.01 miles
Miles of paved roads	79.04 miles
<b>PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION</b>	
Number of stations	1
Number of public safety officers	30
<b>ELECTRIC DEPARTMENT</b>	
Capacity	39.0 megawatts
Peak use during the fiscal year	30.2 megawatts
<b>WATER DEPARTMENT</b>	
Number of accounts	5,700
Average daily consumption	2,000,000 gallons/day
Pumping capacity	6,500,000 gallons/day
Storage capacity	2,000,000 gallons
Design capacity	8,000,000 gallons/day
Miles of water mains	77.12 miles
<b>WASTEWATER DEPARTMENT</b>	
Average daily treatment	1,600,000 gallons/day
Design capacity	2,200,000 gallons/day
Treatment	Activated sludge process
Miles of sanitary sewer	77.80 miles
Miles of storm sewers	48.91 miles
<b>CULTURE AND RECREATION</b>	
Public library:	
Volumes	89,877
2013-14 circulation	109,094
Number of registered users	9,942
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>Population</u>	<u>Taxable Value</u>	<u>Gross Debt</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Debt</u>	<u>Net Debt to Taxable Value</u>	<u>Net Debt Per Capita</u>
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	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	0.99%	219.65
2013	12,552 (est)	299,960,942	9,898,752	7,380,000	2,518,752	0.84%	200.66
2014	12,562 (est)	307,160,766	6,880,000	6,840,000	40,000	0.01%	3.18

Sources: Population - Bureau of Census, U.S. Department of Commerce. Where actual or estimate is not available, previous available population was utilized.

Taxable Value - From Table 4.

Gross Debt - Does not include non-bonded debt secured by equipment.

Net Debt - Includes DDA Revenue Bond.