

CITY OF ESCANABA, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2010

Prepared by:
Office of the Controller

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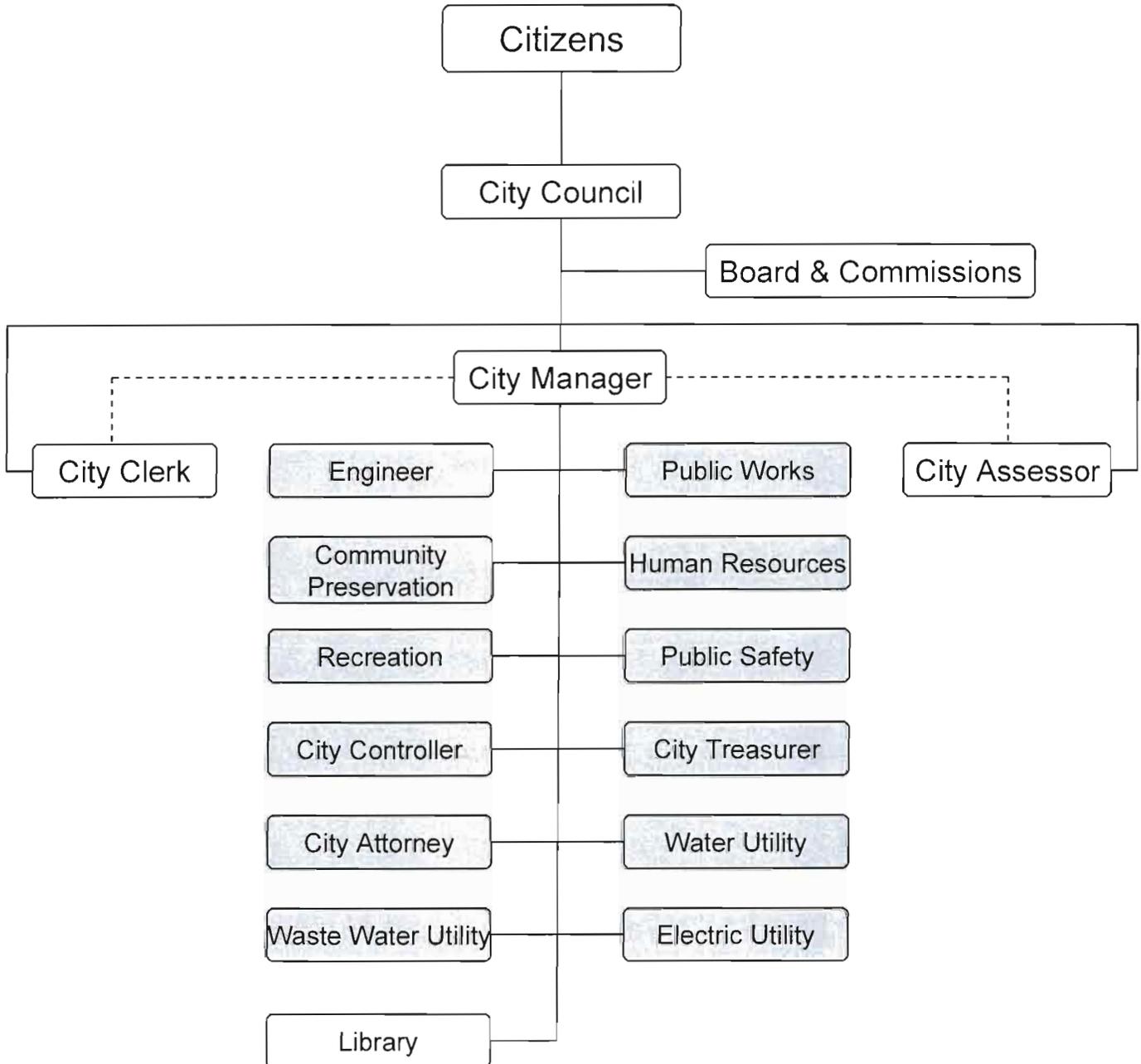
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City of Escanaba Organization Chart



CITY COUNCIL
() Expiration of Term

Mayor
Gilbert X. Cheves (2011)

Members of the City Council
Leo J. Evans - Mayor Pro-Tem (2013)
Walter A. "Pete" Baker (2013)
Patricia A. Baribeau (2013)
Brady L. Nelson (2011)

ADMINISTRATION

City Manager
James V. O'Toole

Clerk
Robert S. Richards, CMC

Public Safety Director
Al O'Dell

Assessor
Elizabeth H. Keller

Engineer/
Supt. of Public Works
William S. Farrell

City Treasurer/Human
Resources Director
Robert J. Valentine

Controller
Michael D. Dewar, CPA

Community Preservation
James V. O'Toole

Recreation Director
Thomas J. Penegor

Supt. of Electric Dept.
Michael Furmanski

Library Director
Carolyn Stacey

Supt. of Waste Water
and Water Departments
Donald French

Attorney
Ralph B. K. Peterson

December 10, 2010

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, 2010, 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 represents the eighth year of reporting under the Governmental Accounting Standards Board Statement No. 34 (GASB 34) model. While GASB has no direct authority over the City's financial reporting practices, in order for the auditors to provide the City with an unqualified opinion, we are required to comply with the provisions of GASB 34.

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

GASB 34 has been referred to as the most significant change in the history of governmental financial reporting. Some of the highlights of the changes 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 has no avenues available to it to reverse the negative trend.

With the submission of this Comprehensive Annual Financial Report, the City has met the requirements as set forth in GASB 34. While the “government -wide” reporting requirements of GASB 34 provides information that was never available in the past, analysis of this information as it relates to individual funds is nearly impossible. 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



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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

Kevin C. Pascoe, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Escanaba, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escanaba, Michigan, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10 2010, on our consideration of the City of Escanaba'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

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

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 15 and 64 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express our opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

A handwritten signature in cursive script that reads "Anderson, Tackman & Company P.C." The signature is written in black ink on a white background.

Certified Public Accountants

December 10, 2010

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 79 are required under GASB 34; information following that point is considered supplementary information.

The reporting methodology of the City's CAFR is based upon the concept of a pyramid; the top of the pyramid is represented on pages 16 and 17 – the Statement of Net Assets and the Statement of Activities. These schedules combine all City operations and adjust their reporting format into a common methodology. The base of the pyramid is the individual fund information, which can be found from page 63 (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 “fund s-type” reporting to “government-wide” reporting.

Governmental Funds Balance Sheet

This document, found on page 18, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2010. Under this format, no recognition is made for infrastructure assets and no distinction is made between operating expenditures and capital expenditures. Each fund carries a fund balance, which represents a total of

available spendable resources for future activities. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format. This statement becomes the basis for transitioning to “government -wide” financial statement presentation.

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

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

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

Governmental Funds Revenues, Expenditures and Changes in Fund Balances

This document, found on page 20, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2010. 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 \$581,000 increase in the combined fund balances of these funds. If the unrealized gain on sale of investments – which is discussed in Notes to Financial Statements 1(L) – is removed from this calculation, as it neither increases or decreases available spendable resources, the increase in fund balance falls to \$548,000. The majority of the City’s governmental funds, including the General Fund, Major Street Fund and Local Street Fund, incurred surpluses during the fiscal year. The only exceptions were small deficits in the Brownfield Fund, the Drug Law Enforcement Fund and the Library Fund.

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

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

which would mirror private sector accounting treatment. It can be noted that once this conversion process is completed, we see a small decrease in net assets (\$66,000), resulting primarily from the fact that depreciation on City assets exceeded our capital expenditures during the fiscal year and our internal service funds showed an overall loss.

The remaining documents which are required under GASB 34 (pages 22-25) represent our enterprise and internal service funds. Because these funds have always been accounted for in a manner which mirrors private sector accounting, there is no need to “convert” this information, as was required with the governmental funds, prior to their inclusion in the “government-wide” financial statements reflected on pages 16 and 17. Detailed information in these remaining statements can be traced to the individual funds found later in the CAFR.

Statement of Net Assets

As discussed previously, this document (page 16) summarizes the financial position of all City operations, modified as required into a private sector format, as of June 30, 2010. Below is a summarized comparison of this year’s statement to last year’s:

Assets	<u>Y/E 6/30/2010</u>	<u>Y/E 6/30/2009</u>	<u>Yr. to Yr. Change</u>
Current Assets			
Cash/Investments	\$26,024,153	\$29,926,824	\$(3,902,671)
Receivables	6,830,901	6,903,690	(72,789)
Other Assets	7,163,993	6,234,106	929,887
Noncurrent Assets			
Restricted Assets	368,746	368,692	54
Capital Assets	107,119,875	104,439,302	2,680,573
Accumulated Depreciation	<u>(53,583,166)</u>	<u>(50,924,870)</u>	<u>(2,658,296)</u>
TOTAL ASSETS	<u>\$93,924,502</u>	<u>\$96,947,744</u>	<u>\$(3,023,242)</u>
Liabilities			
Current Liabilities	\$5,019,198	\$4,885,503	\$133,695
Noncurrent Liabilities	<u>8,693,783</u>	<u>9,313,359</u>	<u>(619,576)</u>
TOTAL LIABILITIES	<u>\$13,712,981</u>	<u>\$14,198,862</u>	<u>\$(485,881)</u>
NET ASSETS	<u>\$80,211,521</u>	<u>\$82,748,882</u>	<u>\$(2,537,361)</u>

As noted previously, governmental activities ended the fiscal year with a small decrease in net assets; business-type activities, however, saw a substantial decrease. While the Water Utility Fund and the Wastewater Utility Fund saw small increases in net assets, the Electric Utility Fund represented a decrease in net assets in excess of \$2.5 million. While the majority of the Electric Utility Fund decrease was anticipated – the City had budgeted a loss of \$2.0 million – the loss was somewhat greater due to a loss on the fair market value of our coal inventory and the City’s entry into the MISO markets.

It can be noted that cash and investments decreased by over \$3.9 million when compared to the prior year; the majority of this decrease came in the Electric Utility Fund, which accounted for a decrease of \$3.7 million. While some of this decrease is offset by higher inventories (an increase of \$940,000), the majority of the decrease resulted from the operating loss.

Receivables remained fairly stable (down 1%), while inventories increased by \$930,000. As discussed previously, this increase is attributable to the Electric Utility Fund.

Capital assets are showing an increase of nearly \$2.7 million, with the major increases coming in the street funds (over \$525,000 spent on projects), the Motor Vehicle Fund (\$360,000) and the Electric Utility Fund (\$1.7 million). Detailed information on these adjustments can be found under Note 7 – Capital Assets.

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

Statement of Activities

As discussed previously, this document (page 17) summarizes the revenues and expenses for all City operations, modified as required into a private sector format, for the year ended June 30, 2010. As discussed in the Statement of Net Assets, the results of this document show a decrease in net City assets of over \$2.5 million, with the majority of the decrease directly attributable to the Electric Utility Fund.

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

Total governmental activities' expenses, modified under the private sector reporting format, were \$10.06 million for the year, a decrease of \$496,000 (4.7%) from the prior year. Total expenses for business-type activities increased by over \$2.8 million; the majority of the increase occurred in the Electric Fund, reflecting revised accounting treatments resulting from the City's entry into MISO.

Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, was nearly \$7.16 million, a decrease of \$538,000 (7.0%) from the year before. Most of these expenses are offset, however, by the general revenues listed at the bottom of the schedule. These revenues, which include interest earnings and gains and losses on both investments and inventories, showed a year to year decrease of nearly \$690,000. This decrease was largely accounted for by two categories – state shared revenues declined \$448,000, while investment earnings declined by \$338,000.

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

Bonded Debt

Principal payments on outstanding bonded debt, in the amount of \$565,000, resulted in an overall reduction of bonded debt to \$8.735 million. A complete schedule of City debt, including non-bonded long-term debt, can be found in Note 9 - Long-Term Debt.

In December, 2010, the City sold \$3.2 million in new bonds, in order to undertake the water intake and south water tower projects scheduled for 2011. During this process, the City received a Standard & Poor's rating of AA -.

Subsequent Events

With the exception of the bond sale, there were no material events which occurred between the end of fiscal year 6/30/10 and the date of this report. In general, the City continues to feel the impact of the overall economic slowdown which is affecting both the State and the nation. The City will still need to confront the issue of flat or declining revenues in some sectors, while our costs continue to increase. The City continues to review all aspects of its operations on an ongoing basis, but to date, all funds continue to operate above the levels required by State law.

Additional Information

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

Respectfully submitted,



Michael Dewar, C.P.A.
City Controller

CITY OF ESCANABA, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Escanaba Housing Commission
ASSETS:				
Current assets:				
Cash and equivalents	\$ 228,434	\$ 72,023	\$ 300,457	\$ 100,996
Investments, at market	13,329,678	11,993,058	25,322,736	389,302
Sequestered cash and equivalents	400,960	-	400,960	-
Receivables:				
Accounts	188,025	2,577,479	2,765,504	175,005
Mortgages, land contracts and other notes	2,683,666	-	2,683,666	-
Contracts for rental property	5,516	-	5,516	-
Special assessments	243,133	-	243,133	-
Accrued interest	58,404	52,952	111,356	-
Due from other funds	1,711	-	1,711	-
Due from other governments:				
State of Michigan	715,653	14,254	729,907	-
Local units	908	-	908	-
Advances to other funds	289,200	-	289,200	-
Real estate held for resale	8,200	-	8,200	-
Inventory	118,758	6,690,577	6,809,335	2,589
Prepaid expenses	231,645	114,813	346,458	20,649
Total current assets	<u>18,503,891</u>	<u>21,515,156</u>	<u>40,019,047</u>	<u>688,541</u>
Noncurrent assets:				
Restricted assets:				
Investments, at market	-	368,746	368,746	-
Capital assets	42,578,574	64,541,301	107,119,875	8,060,860
Accumulated depreciation	<u>(17,111,664)</u>	<u>(36,471,502)</u>	<u>(53,583,166)</u>	<u>(5,430,021)</u>
Net noncurrent assets	<u>25,466,910</u>	<u>28,438,545</u>	<u>53,905,455</u>	<u>2,630,839</u>
TOTAL ASSETS	<u>\$ 43,970,801</u>	<u>\$ 49,953,701</u>	<u>\$ 93,924,502</u>	<u>\$ 3,319,380</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 180,912	\$ 2,120,041	\$ 2,300,953	\$ 165,284
Accrued liabilities	-	-	-	72,159
Accrued interest	41,795	31,709	73,504	-
Claims payable	337,907	-	337,907	-
Accrued salaries and fringes	437,373	284,767	722,140	-
Customer deposits	-	204,280	204,280	-
Due to other funds	1,624	87	1,711	-
Due to other governments	72,507	-	72,507	-
Advances from other funds	-	289,200	289,200	-
Deferred revenue	1,043	231,566	232,609	-
Compensated absences, current portion	170,637	-	170,637	13,736
Notes payable, current portion	23,750	130,000	153,750	12,572
Bonds payable, current portion	210,000	250,000	460,000	-
Total current liabilities	<u>1,477,548</u>	<u>3,541,650</u>	<u>5,019,198</u>	<u>263,751</u>
Noncurrent liabilities:				
OPEB obligation	24,138	-	24,138	-
Compensated absences	453,393	-	453,393	28,780
Note payable	71,252	-	71,252	27,435
Bonds payable	2,930,000	5,215,000	8,145,000	-
Total noncurrent liabilities	<u>3,478,783</u>	<u>5,215,000</u>	<u>8,693,783</u>	<u>56,215</u>
TOTAL LIABILITIES	<u>\$ 4,956,331</u>	<u>\$ 8,756,650</u>	<u>\$ 13,712,981</u>	<u>\$ 319,966</u>
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 22,168,653	\$ 22,185,600	\$ 44,354,253	\$ 2,590,832
Restricted for:				
Capital projects	1,131,612	-	1,131,612	-
Debt service	-	368,746	368,746	-
Other purposes	1,365,406	-	1,365,406	-
Unrestricted	<u>14,348,799</u>	<u>18,642,705</u>	<u>32,991,504</u>	<u>408,582</u>
TOTAL NET ASSETS	<u>\$ 39,014,470</u>	<u>\$ 41,197,051</u>	<u>\$ 80,211,521</u>	<u>\$ 2,999,414</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government			Component Unit
		Fees, Fines & charges for services	Operating grants and contri- butions	Capital grants and contri- butions	Govern- mental activities	Business- type activities	Total	Escanaba Housing Commission
Primary Government:								
Governmental activities:								
General government	\$ 1,290,007	\$ 104,563	\$ -	-	\$(1,185,444)	\$ -	\$(1,185,444)	\$ -
Public safety	4,506,276	803,414	158,827	975	(3,543,060)	-	(3,543,060)	-
Highways, streets and public works	1,806,280	191,719	974,321	20,000	(620,240)	-	(620,240)	-
Sanitation	583,607	195,524	-	-	(388,083)	-	(388,083)	-
Community services	187,808	82	-	-	(187,726)	-	(187,726)	-
Recreation	722,036	64,010	400	2,209	(655,417)	-	(655,417)	-
Cultural	532,284	22,291	178,634	-	(331,359)	-	(331,359)	-
Urban redevelopment and housing	31,612	39,340	-	-	7,728	-	7,728	-
Economic development	221,740	12,844	-	130,606	(78,290)	-	(78,290)	-
Other functions	36,636	-	-	-	(36,636)	-	(36,636)	-
Interest on long-term debt	141,646	-	-	-	(141,646)	-	(141,646)	-
Total governmental activities	<u>10,059,932</u>	<u>1,433,787</u>	<u>1,312,182</u>	<u>153,790</u>	<u>(7,160,173)</u>	<u>-</u>	<u>(7,160,173)</u>	<u>-</u>
Business-type activities:								
Electric utility	18,367,655	16,122,197	-	-	(2,245,458)	(2,245,458)	-	-
Water utility	1,720,346	1,712,057	-	-	(8,289)	(8,289)	-	-
Waste water utility	1,203,284	1,264,311	-	-	61,027	61,027	-	-
Marina activity	254,901	217,654	6,696	-	(30,551)	(30,551)	-	-
Total business-type activities	<u>21,546,186</u>	<u>19,316,219</u>	<u>6,696</u>	<u>-</u>	<u>(2,223,271)</u>	<u>(2,223,271)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$31,606,118</u>	<u>\$20,750,006</u>	<u>\$ 1,318,878</u>	<u>\$ 153,790</u>	<u>(7,160,173)</u>	<u>(2,223,271)</u>	<u>(9,383,444)</u>	<u>-</u>
Component Unit:								
Escanaba Housing Commission	<u>\$ 1,143,673</u>	<u>\$ 449,698</u>	<u>\$ 308,421</u>	<u>\$ 483,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,042</u>
General revenues:								
Property taxes					4,747,709	-	4,747,709	-
State revenue sharing					1,266,187	-	1,266,187	-
Unrestricted grants and contributions					19,492	-	19,492	-
Unrestricted gain (loss) on sale of assets					6,328	-	6,328	-
Unrestricted investment earnings (losses)					121,541	398,812	520,353	24,002
Decline in market value of inventory					-	(203,308)	(203,308)	-
Miscellaneous					469,595	19,728	489,323	49,058
Transfers					463,624	(463,624)	-	-
Total general revenues and transfers					<u>7,094,476</u>	<u>(248,392)</u>	<u>6,846,084</u>	<u>73,060</u>
Change in net assets					(65,697)	(2,471,663)	(2,537,360)	171,102
Net assets, beginning of year					<u>39,080,167</u>	<u>43,668,714</u>	<u>82,748,881</u>	<u>2,828,312</u>
Net assets, end of year					<u>\$39,014,470</u>	<u>\$41,197,051</u>	<u>\$80,211,521</u>	<u>\$ 2,999,414</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2010

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and equivalents	\$ 8,833	\$ -	\$ -	\$ 62,376	\$ 71,209
Investments, at market	4,155,428	929,963	311,118	5,429,269	10,825,778
Sequestered cash and equivalents	-	-	-	400,960	400,960
Receivables:					
Accounts, net of bad debt allowance	161,394	-	-	26,631	188,025
Mortgages, land contracts and other notes	-	-	-	2,683,666	2,683,666
Contracts for rental property	5,516	-	-	-	5,516
Special assessments	38,216	-	204,917	-	243,133
Accrued interest	19,346	3,633	1,358	23,532	47,869
Due from other funds:					
Marina Fund	87	-	-	-	87
Grants Fund	84,024	-	-	-	84,024
Sanitary Landfill Fund	8,568	-	-	-	8,568
Land Development Fund	-	-	-	697	697
Risk Retention Fund	12,043	-	-	-	12,043
DDA	-	-	-	927	927
General Fund	-	-	-	1,979	1,979
Due from other governments:					
State of Michigan	238,310	105,011	39,502	89,763	472,586
Federal Government	908	-	-	-	908
Advances to other funds	358,257	-	-	289,200	647,457
Real estate held for resale	-	-	-	8,200	8,200
Inventory	118,758	-	-	-	118,758
Prepaid expenses	2,389	-	-	4,510	6,899
TOTAL ASSETS	\$ 5,212,077	\$ 1,038,607	\$ 556,895	\$ 9,021,710	\$ 15,829,289
LIABILITIES:					
Accounts payable	\$ 130,860	\$ 5,513	\$ 971	\$ 22,859	\$ 160,203
Accrued salaries and fringes	420,214	-	-	-	420,214
Due to other funds	1,979	-	-	94,216	96,195
Due to other governments	72,387	-	120	-	72,507
Deferred revenue	83,688	-	204,917	10,406	299,011
TOTAL LIABILITIES	709,128	5,513	206,008	127,481	1,048,130
FUND BALANCES:					
Reserved for:					
Inventory	118,758	-	-	-	118,758
Prepaid expenditures	2,389	-	-	-	2,389
Principal	-	-	-	1,094,634	1,094,634
Capital improvements	-	-	-	36,978	36,978
Long-term notes receivable	-	-	-	2,683,666	2,683,666
Revolving loans	-	-	-	1,057,485	1,057,485
UPSET expenses	-	-	-	58,943	58,943
Land held for resale	-	-	-	8,200	8,200
Future DDA projects	-	-	-	248,978	248,978
Unreserved, reported in:					
General Fund	4,381,802	-	-	-	4,381,802
Special revenue funds	-	1,033,094	350,887	3,705,345	5,089,326
TOTAL FUND BALANCES	4,502,949	1,033,094	350,887	8,894,229	14,781,159
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,212,077	\$ 1,038,607	\$ 556,895	\$ 9,021,710	\$ 15,829,289

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010

Total fund balances for governmental funds \$ 14,781,159

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

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

Land	\$ 635,955	
Land improvements	5,383,003	
Buildings and improvements	3,002,755	
Parking lots	439,709	
Vehicles and equipment	2,476,556	
Infrastructure	16,998,593	
Less:		
Accumulated depreciation	<u>(10,316,704)</u>	18,619,867

Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as enterprise activities. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets. 6,016,601

This amount reflects the State Revenue Sharing receivable that is subject to full accrual recognition but not for modified accrual. 243,067

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Accrued interest on long-term debt	\$ (1,022)	
OPEB obligation	(24,138)	
Bonds payable	(200,000)	
Note payable	(95,002)	
Compensated absences and FICA	<u>(624,030)</u>	(944,192)

Deferred revenue reported as a liability on the balance sheet of the fund financial statements has been recognized as a revenue in the Statement of Activities and has been removed from the Statement of Net Assets. 297,968

Total net assets of governmental activities \$39,014,470

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2010

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,621,372	\$ -	\$ -	\$ 303,177	\$ 4,924,549
Licenses and permits	1,575	-	-	-	1,575
Local sources	15,964	-	-	199,166	215,130
State grants	1,325,845	733,035	241,186	13,408	2,313,474
Federal sources	79,760	-	-	82,502	162,262
Charges for services	202,600	-	-	819,961	1,022,561
Fines and forfeitures	36,826	-	-	103,355	140,181
Interest and dividends	-	-	-	20,658	20,658
Miscellaneous	240,862	14,920	140,969	393,368	790,119
	<u>6,524,804</u>	<u>747,955</u>	<u>382,155</u>	<u>1,935,595</u>	<u>9,590,509</u>
TOTAL REVENUES					
EXPENDITURES:					
General government	1,134,931	-	-	-	1,134,931
Public safety	3,659,689	-	-	702,905	4,362,594
Highways, streets and public works	532,718	619,509	581,882	72,416	1,806,525
Sanitation	583,607	-	-	-	583,607
Community services	21,148	-	-	166,660	187,808
Recreation	567,238	-	-	-	567,238
Cultural	261	-	-	521,991	522,252
Urban redevelopment and housing	-	-	-	31,612	31,612
Economic development	-	-	-	219,854	219,854
Other functions	36,636	-	-	-	36,636
Debt service	-	-	-	53,486	53,486
	<u>6,536,228</u>	<u>619,509</u>	<u>581,882</u>	<u>1,768,924</u>	<u>9,506,543</u>
TOTAL EXPENDITURES					
EXCESS REVENUES (EXPENDITURES)	<u>(11,424)</u>	<u>128,446</u>	<u>(199,727)</u>	<u>166,671</u>	<u>83,966</u>
OTHER FINANCING SOURCES (USES):					
Gain (loss) on sale of investments	14,554	2,245	620	16,219	33,638
Operating transfers in	709,384	80,000	241,078	353,020	1,383,482
Operating transfers out	<u>(619,058)</u>	<u>-</u>	<u>-</u>	<u>(300,800)</u>	<u>(919,858)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>104,880</u>	<u>82,245</u>	<u>241,698</u>	<u>68,439</u>	<u>497,262</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	93,456	210,691	41,971	235,110	581,228
Fund balances, beginning of year	<u>4,409,493</u>	<u>822,403</u>	<u>308,916</u>	<u>8,659,119</u>	<u>14,199,931</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,502,949</u>	<u>\$ 1,033,094</u>	<u>\$ 350,887</u>	<u>\$ 8,894,229</u>	<u>\$ 14,781,159</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, 2010

Net changes in fund balances - total governmental funds	\$	581,228
The change in net assets reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$713,135) is exceeded by the depreciation expense (\$968,040) and the removal of fixed assets (\$11,000).		(265,905)
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.		(292,092)
Repayment of debt principal is an expenditure in the governmental funds but reduces the debt liability in the Statement of Net Assets.		
Principal repayments:		
DDA		40,000
CDBG Program		23,750
This amount reflects the deferred revenue reported in the fund financial statements that is recognized as revenue in the Statement of Activities.		(176,840)
This amount reflects the State Revenue Sharing revenue that is subject to full accrual recognition but not for modified accrual.		9,731
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:		
OPEB obligation		(24,138)
Compensated absences and FICA		38,365
Accrued interest on debt		204
Changes in net assets of governmental activities	\$	<u>(65,697)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2010

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS:						
Current assets:						
Cash and equivalents	\$ 51,563	\$ -	\$ -	\$ 20,460	\$ 72,023	\$ -
Investments, at market	9,488,186	300,647	2,102,126	102,099	11,993,058	2,503,900
Receivables:						
Accounts, net of bad debt allowance	2,147,992	244,144	178,832	6,511	2,577,479	-
Accrued interest	42,108	1,426	8,977	441	52,952	10,535
Due from other governments:						
State of Michigan	-	-	-	14,254	14,254	-
Inventory	6,570,773	101,414	6,237	12,153	6,690,577	-
Prepaid expenses	114,813	-	-	-	114,813	224,746
Cash on deposit	-	-	-	-	-	157,225
Total current assets	<u>18,415,435</u>	<u>647,631</u>	<u>2,296,172</u>	<u>155,918</u>	<u>21,515,156</u>	<u>2,896,406</u>
Restricted assets:						
Investments, at market	-	134,156	234,590	-	368,746	-
Property, plant and equipment	32,977,310	16,861,231	12,051,679	2,651,081	64,541,301	13,642,003
Less accumulated depreciation	<u>(23,725,481)</u>	<u>(6,070,699)</u>	<u>(5,663,398)</u>	<u>(1,011,924)</u>	<u>(36,471,502)</u>	<u>(6,794,960)</u>
Net property, plant and equipment	<u>9,251,829</u>	<u>10,790,532</u>	<u>6,388,281</u>	<u>1,639,157</u>	<u>28,069,799</u>	<u>6,847,043</u>
TOTAL ASSETS	<u>\$27,667,264</u>	<u>\$11,572,319</u>	<u>\$ 8,919,043</u>	<u>\$ 1,795,075</u>	<u>\$49,953,701</u>	<u>\$ 9,743,449</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 2,055,417	\$ 49,170	\$ 4,579	\$ 10,875	\$ 2,120,041	\$ 20,709
Customer deposits	204,280	-	-	-	204,280	-
Claims payable	-	-	-	-	-	337,907
Accrued salaries, wages and fringes	111,934	87,891	84,942	-	284,767	17,159
Accrued interest payable	-	27,271	4,438	-	31,709	40,773
Due to other funds	-	-	-	87	87	12,043
Payable from restricted assets:						
Current portion of revenue bonds	-	-	130,000	-	130,000	-
Deferred revenue	230,511	1,055	-	-	231,566	-
Bonds payable:						
Current portion of revenue bonds	-	250,000	-	-	250,000	170,000
Total current liabilities	<u>2,602,142</u>	<u>415,387</u>	<u>223,959</u>	<u>10,962</u>	<u>3,252,450</u>	<u>598,591</u>
Long-term liabilities:						
Advance from other funds:						
Land Development Fund	-	-	-	289,200	289,200	-
General Fund	-	-	-	-	-	358,257
Bonds payable	-	4,520,000	695,000	-	5,215,000	2,770,000
Total long-term liabilities	<u>-</u>	<u>4,520,000</u>	<u>695,000</u>	<u>289,200</u>	<u>5,504,200</u>	<u>3,128,257</u>
TOTAL LIABILITIES	<u>2,602,142</u>	<u>4,935,387</u>	<u>918,959</u>	<u>300,162</u>	<u>8,756,650</u>	<u>3,726,848</u>
NET ASSETS:						
Invested in capital assets, net of related debt	9,251,829	6,020,532	5,563,282	1,349,957	22,185,600	3,548,786
Unrestricted	15,813,293	482,244	2,202,212	144,956	18,642,705	2,467,815
Restricted for:						
Debt service	-	134,156	234,590	-	368,746	-
Total net assets	<u>25,065,122</u>	<u>6,636,932</u>	<u>8,000,084</u>	<u>1,494,913</u>	<u>41,197,051</u>	<u>6,016,601</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$27,667,264</u>	<u>\$11,572,319</u>	<u>\$ 8,919,043</u>	<u>\$ 1,795,075</u>	<u>\$49,953,701</u>	<u>\$ 9,743,449</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2010

	<u>Electric Utility Fund</u>	<u>Water Utility Fund</u>	<u>Waste Water Utility Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,536
City's contribution for employees	-	-	-	-	-	1,323,058
Charges for services	16,122,197	1,712,057	1,264,311	216,724	19,315,289	-
Equipment rental	-	-	-	-	-	896,990
Provision for self-insurance	-	-	-	-	-	277,874
Miscellaneous	-	-	-	930	930	444,678
TOTAL OPERATING REVENUES	<u>16,122,197</u>	<u>1,712,057</u>	<u>1,264,311</u>	<u>217,654</u>	<u>19,316,219</u>	<u>3,064,136</u>
OPERATING EXPENSES:						
General government	-	-	-	-	-	2,769,644
Enterprises	-	-	-	176,871	176,871	-
Capital projects	-	-	-	-	-	3,989
Production	14,921,397	375,986	292,362	-	15,589,745	-
Transmission and distribution	451,846	165,449	89,625	-	706,920	-
Station	-	-	26,910	-	26,910	-
Customer service	25,047	35,015	24,529	-	84,591	-
Administrative and general	1,477,790	530,272	376,353	-	2,384,415	-
Provision for depreciation	977,542	327,973	208,977	63,120	1,577,612	504,054
Overhead to utilities	514,033	175,177	166,121	-	855,331	-
TOTAL OPERATING EXPENSES	<u>18,367,655</u>	<u>1,609,872</u>	<u>1,184,877</u>	<u>239,991</u>	<u>21,402,395</u>	<u>3,277,687</u>
OPERATING INCOME (LOSS)	<u>(2,245,458)</u>	<u>102,185</u>	<u>79,434</u>	<u>(22,337)</u>	<u>(2,086,176)</u>	<u>(213,551)</u>
NON-OPERATING REVENUE (EXPENSES):						
State grants	-	-	-	6,696	6,696	-
Gain (loss) on sale of investments	34,261	1,042	6,145	175	41,623	8,169
Rent received	-	17,233	-	-	17,233	-
Gain (loss) on sale of property	2,495	-	-	-	2,495	6,328
Decline in market value of inventory	(203,308)	-	-	-	(203,308)	-
Interest earnings	306,507	9,101	40,415	1,166	357,189	59,076
Interest expense	-	(110,474)	(18,407)	(14,910)	(143,791)	(152,114)
Operating transfers out	(463,624)	-	-	-	(463,624)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(323,669)</u>	<u>(83,098)</u>	<u>28,153</u>	<u>(6,873)</u>	<u>(385,487)</u>	<u>(78,541)</u>
CHANGE IN NET ASSETS	<u>(2,569,127)</u>	<u>19,087</u>	<u>107,587</u>	<u>(29,210)</u>	<u>(2,471,663)</u>	<u>(292,092)</u>
Total net assets, beginning of year	<u>27,634,249</u>	<u>6,617,845</u>	<u>7,892,497</u>	<u>1,524,123</u>	<u>43,668,714</u>	<u>6,308,693</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$25,065,122</u>	<u>\$ 6,636,932</u>	<u>\$ 8,000,084</u>	<u>\$ 1,494,913</u>	<u>\$41,197,051</u>	<u>\$ 6,016,601</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2010

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM ACTIVITIES:						
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,444,594
Cash received from customers	16,375,966	1,683,125	1,222,420	216,339	19,497,850	1,619,716
Cash received from other funds for services	-	-	17,279	-	17,279	-
Cash payments to suppliers for goods and services	(17,197,880)	(539,599)	(548,037)	(114,390)	(18,399,906)	(730,755)
Cash payments to employees for services	(1,134,093)	(665,386)	(449,796)	(55,879)	(2,305,154)	(207,767)
Cash payments to other funds for services	(16,945)	(41,543)	(36,768)	(5,764)	(101,020)	-
Cash payment of benefits	-	-	-	-	-	(2,037,920)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,972,952)	436,597	205,098	40,306	(1,290,951)	87,868
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	-	-	-	(9,000)	(9,000)	-
Operating transfers out	(463,624)	-	-	-	(463,624)	-
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(463,624)	-	-	(9,000)	(472,624)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from the sale of equipment	2,495	-	-	-	2,495	6,328
State Grant	-	-	-	3,731	3,731	-
Acquisition and construction of capital assets	(1,749,030)	(123,640)	(86,198)	(5,956)	(1,964,824)	(405,025)
Principal paid on bond maturities/advances	-	(240,000)	(125,000)	-	(365,000)	(197,883)
Interest paid	-	(111,862)	(19,063)	(14,910)	(145,835)	(153,914)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(1,746,535)	(475,502)	(230,261)	(17,135)	(2,469,433)	(750,494)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	34,261	1,042	6,145	175	41,623	-
Interest received	406,139	10,922	50,284	1,325	468,670	83,089
Rent received	-	17,233	-	-	17,233	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	440,400	29,197	56,429	1,500	527,526	83,089
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,742,711)	(9,708)	31,266	15,671	(3,705,482)	(579,537)
Cash and equivalents, beginning of year	13,282,460	444,511	2,305,450	106,888	16,139,309	3,083,437
CASH AND EQUIVALENTS, END OF YEAR	\$ 9,539,749	\$ 434,803	\$ 2,336,716	\$ 122,559	\$ 12,433,827	\$ 2,503,900
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (2,245,458)	\$ 102,185	\$ 79,434	\$ (22,337)	\$ (2,086,176)	\$ (213,551)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	977,542	327,973	208,977	63,120	1,577,612	504,054
Decline in market value of inventory	(203,308)	-	-	-	(203,308)	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	29,852	(28,987)	(24,612)	(1,315)	(25,062)	(28,407)
(Increase) decrease in inventories	(939,521)	(6,936)	(1,128)	6,125	(941,460)	-
(Increase) decrease in prepaid expenses	67,785	-	-	-	67,785	-
Increase (decrease) in accounts payable	97,470	29,664	(53,640)	(5,287)	68,207	(163,826)
Increase (decrease) in accruals and deferrals	251,343	12,698	(3,933)	-	260,108	(10,402)
Increase (decrease) in customer deposits	(6,594)	-	-	-	(6,594)	-
Increase (decrease) in due to other funds	(2,063)	-	-	-	(2,063)	-
Total adjustments	272,506	334,412	125,664	62,643	795,225	301,419
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,972,952)	\$ 436,597	\$ 205,098	\$ 40,306	\$ (1,290,951)	\$ 87,868

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	Pension Trust Fund	Private- purpose Trusts	Agency Funds
ASSETS:			
Cash and equivalents	\$ 866	\$ -	\$ 6,682
Investments, at market	16,465,327	384,615	-
Receivables	<u>284</u>	<u>1,608</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 16,466,477</u>	<u>\$ 386,223</u>	<u>\$ 6,682</u>
LIABILITIES:			
Accounts payable	\$ 210,423	\$ 2,453	\$ -
Due to other governments	<u>-</u>	<u>-</u>	<u>6,682</u>
TOTAL LIABILITIES	<u>\$ 210,423</u>	<u>\$ 2,453</u>	<u>\$ 6,682</u>
NET ASSETS:			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 108,938	
Bezold Trust Fund	<u>-</u>	<u>274,832</u>	
Employee's retirement system	<u>16,256,054</u>	<u>-</u>	
TOTAL NET ASSETS	<u>\$ 16,256,054</u>	<u>\$ 383,770</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2010

	Pension Trust Fund	Private- purpose Trusts
OPERATING REVENUES:		
Interest and dividends	\$ 449,988	\$ 7,336
Gain (loss) on sale of investments	1,957,200	-
Contributions:		
City of Escanaba	601,037	-
Employees	118,679	-
Miscellaneous	<u>-</u>	<u>1,962</u>
TOTAL OPERATING REVENUES	<u>3,126,904</u>	<u>9,298</u>
OPERATING EXPENSES:		
Administrative and general	19,240	-
Benefits and refunds of member contributions	1,415,447	-
Cultural	-	8,665
Capital outlay	<u>-</u>	<u>3,924</u>
TOTAL OPERATING EXPENSES	<u>1,434,687</u>	<u>12,589</u>
OPERATING INCOME (LOSS)	1,692,217	(3,291)
OTHER FINANCING SOURCES (USED):		
Gain (loss) on sales of investments	<u>-</u>	<u>1,111</u>
NET INCOME (LOSS)	1,692,217	(2,180)
Net assets, beginning of year	<u>14,563,837</u>	<u>385,950</u>
NET ASSETS, END OF YEAR	<u>\$ 16,256,054</u>	<u>\$ 383,770</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Council and its purpose is to provide pension benefits to the City's Public Safety employees.

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

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

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

Escanaba Housing Commission - For financial reporting purposes the Escanaba Housing Commission is discretely reported in these financial statements because the Housing Commission board is appointed, and may be removed, by the City Council. The data included in this report is for the Housing Commission's fiscal year ended September 30, 2009. 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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- a. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. Additionally, State of Michigan requirements are considered. The state has requested that the Major and Local Street Funds be listed as major funds.

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

General Fund
Major Street Fund
Local Street Fund

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the City are described below:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

E.D.A. Revolving Loan Fund -

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Health Insurance Fund - This fund is used to account for the City's health, dental and life insurance programs, which are partially self-insured.

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.

Agency Funds:

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

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

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency Funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

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

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

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

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 Assets. Depreciation is provided over the estimated useful life of the asset using the straight-line method of depreciation. The range of estimated useful lives, by fund, is as follows:

Electric Utility Fund:	
Operating plant	3 - 40 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	75 years
Equipment	5 - 20 years
Marina Fund:	
Boat launch/parking	20 - 50 years
Furniture, fixtures and equipment	4 - 15 years
Marina docks, piers and walls	20 - 75 years
Harbor Master building	15 - 50 years

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Equity Classification

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

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

Fund Financial Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further segregated between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide financial statements.

F. Revenues

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

Fund Financial Statements - In the governmental fund statements, revenues are reported by source, such as federal, state and taxes. Revenues consist of general-purpose revenues and restricted revenues. General-purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available only for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. 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, 2010

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

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

requires submission of the budget to the City Council no later than two months prior to the beginning of the next fiscal year. The City Charter further defines the information required to be presented in the budget and the requirement for a public hearing prior to adoption. The City Charter and state law also require that an appropriations ordinance be adopted, based on the approved budgets, no later than one month prior to the ensuing fiscal year. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

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

Budget Amendment - The City Charter states that at any meeting after the passage of the appropriations ordinance, with at least one week's printed notice in a city newspaper, the Council may amend the appropriations ordinance. Budget amendments may be required due to several factors; receipt of outside grants during the year, expenditures for unanticipated developments and projects continuing over two fiscal years. Unexpended appropriations lapse at year end with the exception of the Capital Projects Funds. The budgeted amounts listed in this report are as originally adopted on April 14, 2009, and as amended by the Council on June 17, 2010.

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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010.

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 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.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Audited Results</u>	<u>GASB 31 Impact</u>	<u>Actual Results</u>
General Fund	\$ 93,456	\$ (14,554)	\$ 78,902
Electric Utility Fund	(2,569,127)	(34,261)	(2,603,388)
Major Street Fund	210,691	(2,245)	208,446
Local Street Fund	41,971	(620)	41,351
Parking Maintenance Fund	170	(22)	148
Marina Fund	(29,210)	(175)	(29,385)
Downtown Development Authority	22,149	(799)	21,350
Brownfield Fund	(2,496)	(35)	(2,531)
Drug Law Enforcement Fund	(345)	(57)	(402)
Delta County Central Dispatch	-	(79)	(79)
Library Fund	(12,298)	(479)	(12,777)
Housing Rehab (Fund 274)	36,692	(459)	36,233
UDAG/DIAL Grant Fund	50,458	(3,980)	46,478
E.D.A. Revolving Loan Fund	66,724	(1,526)	65,198
Farmers Home Grant Fund	1,863	(258)	1,605
M.S.C. Revolving Loan Fund II	47,979	(689)	47,290
Water Utility Fund	19,087	(1,042)	18,045
Escanaba Building Authority	18,607	(991)	17,616
Land Development Fund	17,802	(4,499)	13,303
Waste Water Utility Fund	107,587	(6,145)	101,442
Motor Vehicle Fund	(137,292)	(3,000)	(140,292)
Office Equipment Fund	1,584	(193)	1,391
Risk Retention Fund	1,939	(140)	1,799
Health Insurance Fund	(21,776)	(697)	(22,473)
Catherine Bonifas Trust	412	(313)	99
Bezold Trust Fund	(2,592)	(798)	(3,390)
Worker's Compensation Fund	(141,820)	(2,233)	(144,053)
Gas Retirement Fund	2,707	(3,127)	(420)
Unemployment Compensation Fund	(13,334)	(915)	(14,249)
Sanitary Landfill Fund	3,705	(210)	3,495

M. Post-retirement Benefits - Post-retirement benefits consist primarily of pension benefits as explained in Note 8. Additionally, retirees are able to obtain health insurance through the City's insurance carrier at their own cost.

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

NOTE 2 - BUDGET NONCOMPLIANCE

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

The following functions in the General Fund was overspent:

City elections	\$ 17
Farmers Market	41
Band	362

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010 and 2009 was \$26,101,970 and \$30,217,752, respectively.

The City also has several funds which do not participate in the investment pool. The majority of non-pooled cash and investments is owned by the Public Safety Pension Fund. The carrying amount of non-pooled cash and investments as of June 30, 2010 and 2009 was \$17,260,985 and \$15,717,227, 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; banker's acceptances issued by United States banks; and mutual funds that invest in any of the preceding investments.

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

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

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

Deposits - At June 30, 2010, the carrying amount of the City's deposits was \$3,989,330 and the bank balance was \$4,109,697. Of the bank balance, \$418,636 was covered by federal depository insurance and \$3,691,061 was uninsured and uncollateralized. Cash and equivalents on the statement of net assets also includes \$4,125 of cash on hand.

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

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

Government-wide Statement of Net Assets	
Presentation:	
Cash and equivalents	\$ 143,232
Investments, at market	25,322,736
Sequestered cash and equivalents	400,960
Cash on deposit	157,225
Restricted cash and investments	<u>368,746</u>
Subtotal	<u>26,392,899</u>
Statement of Fiduciary Net Assets	
Presentation:	
Cash and equivalents	7,548
Investments, at market	<u>16,849,942</u>
Subtotal	<u>16,857,490</u>
TOTAL	<u>\$ 43,250,389</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, 2010:

	<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	\$ 6,142,542	\$ 2,999,328	\$ 3,143,214	\$ -	\$ -
CD's listed as investments	<u>13,054,925</u>	<u>13,054,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$19,197,467</u>	<u>\$16,054,253</u>	<u>\$ 3,143,214</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

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

	<u>Market Value</u>
Investment:	
Operating Funds:	
Money Market Funds:	
Morgan Stanley	\$ 3,594,140
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	1,621,380
Eaton Vance Fund of Boston	1,707,968
Vanguard 500 Index Fund	4,085,767
Vanguard Total Bond Market Index Fund	4,503,997
JP Morgan Mid Cap Value Fund	3,589,886
Dimensional International Value Fund	<u>956,329</u>
	<u>\$20,059,467</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 above, all of the \$6,142,542 was rated AAA by both Moody's and Standard & Poor's. The money market funds held by the City and the mutual funds held by the PSO were not separately rated.

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

Concentration of Credit Risk - The City's investment policy states that no more than fifty percent of its surplus funds may be invested in certificates of deposit. As of June 30, 2010, the City had 49.5% 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, 2010, the City had no funds invested in either commercial paper or repurchase agreements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

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

NOTE 4 - UTILITY RECEIVABLES

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

Billed Receivables	\$ 1,348,371
Unbilled Receivables	<u>1,237,058</u>
 Total Receivables	 2,585,429
 Less: Allowance for doubtful accounts	 <u>(52,494)</u>
 Net Receivables	 <u>\$ 2,532,935</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$14,191 of billed receivables and \$12,440 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, 2010 and 2009 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>2010</u>	<u>2009</u>
<u>UDAG/DIAL Grant Fund:</u>						
DIAL Enterprises	\$1,221,264	(b)	(b)	Real Estate	\$ 578,592	\$ 636,323
Bigby's	30,000	3.25%	304(a)	Real Estate	-	27,919
Roberta Jo and Paul Viau	\$ 10,000	0.0%	357(a)	Real Estate	3,214	4,643
DeGrand Enterprises	10,000	0.0%	357(a)	Real Estate	3,214	4,643
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	5,107	6,493
Ed and Suzell Eisenberger	9,243	0.0%	330(a)	Real Estate	759	2,060
Clare Bedding	8,925	0.0%	319(a)	Real Estate	-	638
Richard Malone	10,000	0.0%	357(a)	Real Estate	-	3,668
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	5,831	5,831
Tom & Connie Harris	10,000	0.0%	357(a)	Real Estate	1,450	2,879
Swedish Pantry	9,742	0.0%	348(a)	Real Estate	2,129	3,479
Matt Heath	13,500	5.0%	255	Real Estate	10,069	12,152
Cal Marcoe	60,000	5.0%	1,132	Real Estate	55,660	53,804
Mike & Kathy Decker	19,992	0.0%	714	Real Estate	15,705	18,562
Fashion Lane/Martenson	4,026	0.0%	288	Real Estate	6,890	8,052
Pioneer TV Facade Loan #2	10,000	0.0%	357(a)	Real Estate	3,214	4,286
Wedding Center/Ray Krusic	10,000	0.0%	357(a)	Real Estate	3,571	4,643
Kenneth Schwalbach	10,000	0.0%	357(a)	Real Estate	5,054	5,054

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Debtor	Original Amount of Loan	Inter- est Rate	Monthly Payment	Collateral	Balance June 30,	
					2010	2009
Sviland Paint	\$ 10,000	0.0%	357(a)	Real Estate	\$ 4,722	6,150
Wickerts/Cashen	52,000	3.25%	462	Real Estate	43,437	46,592
Jim & Beverly Peacock	50,000	5.25%	499	Real Estate	28,058	32,926
Viau's	9,241	0.0%	330(a)	Real Estate	8,742	-
Lisa Ann's	10,000	0.0%	357(a)	Real Estate	9,287	-
FUND TOTALS					<u>794,705</u>	<u>890,797</u>
<u>EDA Revolving Loan Fund:</u>						
AM Express	150,000	5.0%	2,831	Promissory Note	96,774	125,087
Michigan Meats	335,000	3.50%(c)	2,030	Promissory Note	304,406	313,116
Michigan Meats	30,000	6.50%(c)	344	Promissory Note	22,216	23,666
EMP, Inc.	500,000	7.25%	9,960	All Assets	178,205	280,717
EMP, Inc.	300,000	7.00%	5,940	All Assets	217,166	270,266
Donalway/Waeghe	400,000	3.25%	7,232	All Assets	387,373	-
FUND TOTALS					<u>1,206,140</u>	<u>1,012,852</u>
<u>M.S.C. Revolving Loan Fund II:</u>						
Escanaba Foundation	62,500	8.0%	523	Hanger Building	-	27,495
E & S Eisenberger	108,800	3.25%	1,005	All Assets	61,555	65,463
P&B Associates	123,000	4.5%	910	Promissory Note	94,804	101,306
EMP, Inc.	500,000	7.25%	9,960	All Assets	178,205	280,717
EMP, Inc.	400,000	7.0%	7,920	All Assets	348,257	-
FUND TOTALS					<u>682,821</u>	<u>474,981</u>
TOTALS					<u>\$2,683,666</u>	<u>\$2,378,630</u>

(a) Quarterly payment.

(b) For the period commencing on December 1, 1993 and ending December 1, 2003, payments of principal and interest at 4 percent in the amount of \$6,446 were made. For the period December 1, 2003 to December 1, 2009, payments of principal and interest at 6 percent in the amount of \$7,354 were made. On December 1, 2009, the note was renewed through June 1, 2018 during which time monthly payments of principal and interest at 5 percent in the amount of \$7,354 will be made.

(c) Interest shall commence accruing upon advancement of loan funds. 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.

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 - PROPERTY TAXES (continued)

for all overlapping governments in the City, which includes the local school district, intermediate school district, community college and the county. Collections of property taxes for overlapping governments are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized during the year in which they are collected. An allowance for delinquent taxes is provided for receivables not expected to be collected during the year.

In 1982, Delta County established a real property tax revolving fund. Each March 1, all unpaid real property taxes become delinquent and are sold to the County. At March 1, 2009 and 2010, total delinquent real property taxes sold to the County totaled \$204,384 and \$197,336, respectively.

NOTE 7 - CAPITAL ASSETS

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

	Balance 06/30/09	Additions	Retirements and other Deductions	Balance 06/30/10
Land, not being depreciated	\$ 1,261,686	\$ -	\$ -	\$ 1,261,686
Land improvements	5,360,302	22,700	-	5,383,002
Buildings and improvements	9,399,189	5,944	-	9,405,133
Parking lots	437,716	1,993	-	439,709
Vehicles and equipment	8,731,136	437,241	77,926	9,090,451
Infrastructure	16,633,235	583,356	217,998	16,998,593
Total capital assets subject to depreciation	<u>40,561,578</u>	<u>1,051,234</u>	<u>295,924</u>	<u>41,316,888</u>
Total capital assets	<u>41,823,264</u>	<u>1,051,234</u>	<u>295,924</u>	<u>42,578,574</u>
Less accumulated depreciation:				
Land improvements	1,363,843	154,430	-	1,518,273
Buildings and improvements	3,385,613	238,202	-	3,623,815
Parking lots	128,960	14,593	-	143,553
Equipment	5,719,992	478,068	66,926	6,131,134
Infrastructure	5,393,013	519,874	217,998	5,694,889
Total accumulated depreciation	<u>15,991,421</u>	<u>1,405,167</u>	<u>284,924</u>	<u>17,111,664</u>
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>\$25,831,843</u>	<u>\$ (353,933)</u>	<u>\$ 11,000</u>	<u>\$25,466,910</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 262,415
Public Safety	234,062
Highways, streets and public works	632,196
Recreation	181,422
Cultural	82,553
Economic development	12,519
Total governmental activities depreciation expense	<u>\$1,405,167</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7 - CAPITAL ASSETS (continued)

A summary of business-type activities property, plant and equipment at June 30, 2010 is as follows:

	Balance 06/30/09	Additions	Retirements and other Deductions	Balance 06/30/10
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	<u>1,301,472</u>	<u>1,522,389</u>	<u>1,348,792</u>	<u>1,475,069</u>
Total capital assets not subject to depreciation	<u>1,358,425</u>	<u>1,522,389</u>	<u>1,348,792</u>	<u>1,532,022</u>
Capital assets subject to depreciation:				
Land improvements	1,709,742	5,957	-	1,715,699
Buildings and improvements	25,681,341	1,544,653	-	27,225,994
Electric generating equipment	11,879,323	-	-	11,879,323
Transmission and distribution systems	20,639,081	229,046	39,145	20,828,982
Other machinery and equipment	<u>1,348,125</u>	<u>11,571</u>	<u>415</u>	<u>1,359,281</u>
Total capital assets subject to depreciation	<u>61,257,612</u>	<u>1,791,227</u>	<u>39,560</u>	<u>63,009,279</u>
Total capital assets	<u>62,616,037</u>	<u>3,313,616</u>	<u>1,388,352</u>	<u>64,541,301</u>
Less accumulated depreciation:				
Land improvements	833,529	40,336	-	873,865
Buildings and improvements	13,399,253	829,287	-	14,228,540
Electric generating equipment	8,513,419	247,668	-	8,761,087
Transmission and distribution systems	11,194,083	397,150	39,146	11,552,087
Other machinery and equipment	<u>993,165</u>	<u>63,171</u>	<u>413</u>	<u>1,055,923</u>
Total accumulated depreciation	<u>34,933,449</u>	<u>1,577,612</u>	<u>39,559</u>	<u>36,471,502</u>
NET BUSINESS TYPE ACTIVITIES CAPITAL ASSETS	<u>\$27,682,588</u>	<u>\$1,736,004</u>	<u>\$ 1,348,793</u>	<u>\$28,069,799</u>

Depreciation expense was charged as follows:

Electric	\$ 977,542
Water	327,973
Waste water	208,977
Marina	<u>63,120</u>
Total business-type activities depreciation expense	<u>\$1,577,612</u>

NOTE 8 - PENSION PLANS

Public Safety Pension Plan

A. Plan Description - The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Pension Fund is accounted for as a separate Pension Trust Fund. At June 30, 2009, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 32 current employees and 53 retirees and beneficiaries currently receiving benefits and one deferred retirement plan option participant.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - PENSION PLANS (continued)

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, 2009. 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 8.0%, (b) projected salary increases of 4.5% 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, 2009 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION

Actuarial Accrued Liability:	
To retirants and beneficiaries	\$13,599,651
Vested terminated members	151,886
Active members	9,670,415
Allocated to DROP accounts	<u>381,332</u>
Total actuarial accrued liability	23,803,284
Actuarial value of assets	<u>17,934,203</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 5,869,081</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - PENSION PLANS (continued)

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2009 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.

Year ended <u>June 30</u>	Annual Required Contribution	Percent Contributed
2005	\$ 418,035	100%
2006	465,237	100%
2007	489,661	100%
2008	542,028	100%
2009	573,788	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, 2010 was calculated at 38.92% of the valuation payroll. This calculates out to \$601,037.

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
6/30/05	\$18,381,567	\$19,616,655	\$ 1,235,088	94%	\$ 1,827,151	68%
6/30/05*	18,381,567	19,474,567	1,093,000	94%	1,827,151	60%
6/30/06	18,635,314	20,681,115	2,045,801	90%	1,835,787	111%
6/30/06*	18,635,314	20,634,472	1,999,158	90%	1,835,787	109%
6/30/07	19,686,269	21,845,071	2,158,802	90%	1,799,708	120%
6/30/08	20,322,502	22,861,045	2,538,543	89%	1,885,535	135%
6/30/09	17,934,203	23,803,284	5,869,081	75%	1,946,469	302%

* After changes in benefit provision.

Michigan Municipal Employees Retirement System

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

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - PENSION PLANS (continued)

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

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

The defined contribution plan requires the City to contribute four percent of the employee's qualified wages, with an additional matching contribution of up to three percent based on the employee's contribution. The employee vests in the City portion of the contributions after one year of service. For this fiscal year the City contributed \$41,085 to the plan and the employees contributed \$17,084.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2009. 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 and (c) additional salary increases of 0.00% to 8.4% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2009 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, 2010

NOTE 8 - PENSION PLANS (continued)

GASB 25 INFORMATION (as of 12/31/09)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 15,992,648
Terminated employees not yet receiving benefits	870,459
Non-vested terminated employees	26,114
Current employees -	
Accumulated employee contributions including allocated investment income	180,724
Employer Financed	<u>12,858,130</u>
 Total Actuarial Accrued Liability	 \$ 29,928,075
 Net Assets Available for Benefits at Actuarial Value (Market Value is \$15,854,715)	 <u>19,844,840</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 10,083,235</u>
 Fiscal Year Beginning	 July 1, 2011
Annual Required Contribution (ARC)	\$ 1,242,372
Amortization Factor Used - Underfunded Liabilities (28 years)	0.055889
Amortization Factor Used - Underfunded Liabilities (24 years)	0.061616
Amortization Factor Used - Underfunded Liabilities (22 years)	0.065308
Amortization Factor Used - Underfunded Liabilities (21 years)	0.067430
Amortization Factor Used - Underfunded Liabilities (30 year level \$)	0.085453

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.

Year Ended	Annual Pension Cost	Percent Contributed
<u>June 30</u>		
2005	\$ 650,157	100%
2006	611,749	100%
2007	644,256	100%
2008	792,785	100%
2009	800,304	100%

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2010 were \$843,426.

D. Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2005	\$18,228,522	\$26,331,412	\$ 8,102,890	69	\$ 3,991,872	203%
2006	18,681,596	26,931,887	8,250,291	69	3,861,932	214%
2007	19,569,915	28,323,479	8,753,564	69	3,886,862	225%
2008	19,754,963	29,283,966	9,529,003	68	3,814,034	250%
2009	19,844,840	29,928,075	10,083,235	66	3,696,064	273%

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Refunding of 1993 and 1994 Escanaba Building Authority bonds, variable interest rate from 2.0 to 4.55%, due in semi-annual installments of \$150,000 to \$270,000 through March 2024.	\$ 3,100,000	\$ -	\$ 160,000	\$ 2,940,000	\$ 170,000
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	240,000	-	40,000	200,000	40,000
Loan payable to the Michigan Strategic fund (CDBG program) for the Industrial Park Project. Principal payments of \$5,938 shall commence September 1, 2005 and every quarter thereafter until the debt is retired by May 31, 2014.	118,752	-	23,750	95,002	23,750
FICA on accrued compensated absences	47,072	-	2,726	44,346	12,126
Long-term portion of accrued compensated absences	<u>615,323</u>	<u>-</u>	<u>35,639</u>	<u>579,684</u>	<u>158,511</u>
Total governmental long-term debt	<u>\$4,121,147</u>	<u>\$ -</u>	<u>\$ 262,115</u>	<u>\$3,859,032</u>	<u>\$404,387</u>
Business-type Activities:					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 400,000	\$ -	\$ 75,000	\$ 325,000	\$ 80,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	550,000	-	50,000	500,000	50,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	2,180,000	-	120,000	2,060,000	125,000
2009 Water Utility revenue bonds, 2.125% due in semi-annual installments of \$120,000 to \$180,000 through October 1, 2027.	<u>2,830,000</u>	<u>-</u>	<u>120,000</u>	<u>2,710,000</u>	<u>125,000</u>
Total business-type long-term debt	<u>\$5,960,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$5,595,000</u>	<u>\$380,000</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 - LONG-TERM DEBT (continued)

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2010 are as follows:

Governmental Activities:

<u>Year Ending June 30</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 23,750	\$ 210,000	\$ 130,900	\$ 364,650
2012	23,750	215,000	122,498	361,248
2013	23,751	220,000	113,483	357,234
2014	23,751	230,000	103,831	357,582
2015	-	235,000	95,385	330,385
2016-2020	-	1,100,000	350,525	1,450,525
2021-2025	-	930,000	98,040	1,028,040
TOTAL	\$ 95,002	\$ 3,140,000	\$ 1,014,662	\$ 4,249,664

Business-type Activities:

<u>Year Ending June 30</u>	<u>Bonds Payable</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 380,000	\$ 122,584	\$ 502,584
2012	385,000	114,016	499,016
2013	395,000	105,275	500,275
2014	410,000	96,259	506,259
2015	325,000	87,929	412,929
2016-2020	1,700,000	321,992	2,021,992
2021-2025	1,475,000	133,245	1,608,245
2026-2028	525,000	16,947	541,947
TOTAL	\$ 5,595,000	\$ 998,247	\$ 6,593,247

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS

The Upper Peninsula Power Company had contracted with the City of Escanaba to operate and maintain the City's generating plant for a period of 30 years. This contract expired on May 31, 1988. It was anticipated at the time of the original agreement that the plant would be capable of producing electric energy in excess of the quantities required by the City. Accordingly, over the 30-year period, the Company had the right to any excess power which was generated by the plant. In return, the Company agreed to make lease payments to the city in equal monthly installments over this period. The lease payments were calculated to pay for the bonds issued for the plant construction plus the interest thereon.

On January 1, 1979 the two parties amended their original agreement for the operation and maintenance of the City's generating plant. Under this new agreement, the parties shared equally the cost of operating and maintaining the plant in relation to the net energy generated and delivered to each of the parties.

On December 12, 1986 a new agreement was reached by the two parties for the operation of the City's generating plant. This new agreement went into effect on June 1, 1988 and will remain in force until terminated by mutual

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS (continued)

agreement or by either party subject to 36 months written notice. The new agreement provides that the Company will continue to operate and maintain the plant and the City will reimburse the Company for all operating, maintenance and administrative expenses incurred plus an annual management fee initially equal to \$25,000, adjusted annually according to the Producer Price Index.

On June 4, 2008, the Upper Peninsula Power Company issued the City a written notice that they intend to terminate the current plant operating agreement in June, 2011, pending negotiation and mutual acceptance of an updated plant operating agreement. If terms to a new agreement cannot be mutually agreed to by both parties, UPPCO will cease operating and maintaining the Escanaba power plant no later than June, 2011.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables occurred during the year for operational purposes. Interfund receivables and payables at June 30, 2010 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Grants Fund	\$ 84,024
		Marina Fund	87
		Sanitary Landfill	8,568
		Risk Retention Fund	<u>12,043</u>
General Fund	<u>\$ 104,722</u>	Subtotal	<u>104,722</u>
Brownfield Fund	<u>1,979</u>	General Fund	<u>1,979</u>
		DDA Fund	927
		Land Development Fund	<u>697</u>
Grants Fund	<u>1,624</u>	Subtotal	<u>1,624</u>
Total	<u>\$ 108,325</u>	Total	<u>\$ 108,325</u>

NOTE 12 - ADVANCES TO OTHER FUNDS

Land Development Fund - The advances to other funds consist of a loan to the Marina Fund for \$350,000 made during the fiscal year ended June 30, 2001. This advance was used to finance certain capital improvements to the City's marina. The loan is to be paid back over a 25 year period with interest at 5 percent. The balance as of June 30, 2010 is \$289,200.

General Fund - The advance to other funds consists of a loan to the Motor Vehicle Fund for \$452,825 made during the June 30, 2008 fiscal year. The advance was used to purchase refuse and recycling carts for the new automated refuse collection system. The loan is to be paid back over an 11 year period with interest at 5.5 percent. The balance as of June 30, 2010 is \$358,257.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS

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

A. Reserves for Inventory - The General Fund has \$118,758, reserved for inventory, as they do not represent expendable available financial resources.

B. Reserved for Prepaid Expenditures - The General Fund has \$2,389 reserved for prepaid expenditures, as they do not represent expendable available financial resources.

C. Reserve for Gas Retirement Principal and Reserve for Capital Improvements - By a voter referendum on November 2, 1965, the City is prohibited from expending any of the original principal, \$1,094,634, resulting from the sale of the City's gas utility in June, 1965. In addition, the interest earned from the investment of the principal can be spent only for capital improvements. At June 30, 2010, the amount available for expenditure is \$3,127.

D. Reserve for Special Capital Improvement Project - The Land Development Fund has \$33,851 reserved for future capital improvement projects.

E. Reserve for Long-term Notes Receivable - The E.D.A. Revolving Loan, M.S.C. Revolving Loan Fund II, and Urban Development Action Grant Funds have \$1,206,140, \$682,821 and \$794,705, respectively, of the fund balance reserved for the non-current portion of loans receivable which do not represent expendable available financial resources.

F. Reserve for Revolving Loans - Under terms of grant agreements with the United States Department of Commerce and the Michigan Department of Commerce, proceeds of funds granted to the City and loaned to local businesses must be reserved and used exclusively for additional, future loans to local businesses. Of these funds, \$305,548 is accounted for in the M.S.C. Revolving Loan Fund II, and \$751,937 is accounted for in the E.D.A. Revolving Loan Fund.

G. Reserve for UPSET Expenses - The Drug Law Enforcement Fund has \$58,943 reserved for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

H. Reserve for Land Held for Resale - The Land Development Fund has \$8,200 reserved for land held for resale which does not represent expendable available financial resources.

I. Reserve for Future DDA Projects - The Downtown Development Authority Fund has \$248,978 reserved for future projects as listed in the TIF Development Plan.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS (continued)

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

A. Restriction for Debt Service - In accordance with revenue bond indentures in the Water Utility Fund and the Waste Water Utility Fund, \$134,156 and \$234,590, respectively, of retained earnings are reserved for this specific purpose.

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

The fund balance at June 30, 2010, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	137,317	
General Fund contribution - land	20,565	
MMRMA Rap Grant	1,962	
Community Action Agency Grant	20,307	
Earnings retained	<u>327,323</u>	\$ 819,263
Deduct:		
Delta County Building Authority payment authorized by Circuit Court decree	50,000	
Contribution to State of Michigan	145,784	
Transfer to City General Fund authorized by Circuit Court decree	279,395	
Capital improvements made to William Bonifas Fine Arts Center authorized by Circuit Court decree	6,500	
Capital improvements made to Catherine Bonifas Civic Center authorized by Circuit Court decree	<u>228,646</u>	<u>710,325</u>
		<u>\$ 108,938</u>

B. Reserve for Children's Materials - The Bezold Trust Fund has \$274,832 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 \$16,256,054 reserved for that retirement system.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 December, 1985. Audited financial information of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2009 is as follows:

Total assets	<u>\$ 7,630,270</u>
Total current liabilities	\$ 537,497
Total long-term liabilities	7,220,410
Total net assets	<u>(127,637)</u>
Total liabilities and equity	<u>\$ 7,630,270</u>
Operating revenues	\$ 1,729,955
Operating expenses	<u>(1,655,621)</u>
Net operating income (loss)	74,334
Non-operating revenues (expense), net	<u>(29,385)</u>
Increase in net assets	<u>\$ 44,949</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 15 - OPERATING TRANSFERS IN AND OUT

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Downtown Development Authority	\$ -	\$ 33,265
General Fund	709,384	619,058
Local Street Fund	241,078	-
Major Street Fund	80,000	-
Parking Maintenance Fund	7,058	-
Library Fund	312,000	-
Gas Retirement Fund	-	21,078
Grants Fund	33,962	-
Land Development Fund	-	62,357
Sanitary Landfill Fund	-	184,100
Proprietary Funds:		
Electric Fund	-	463,624
Total	<u>\$1,383,482</u>	<u>\$1,383,482</u>

NOTE 16 - CONTINGENT LIABILITIES

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

NOTE 17 - RISK MANAGEMENT

The City maintains self insurance programs for worker's compensation, unemployment compensation, health and dental insurance that are reported as Internal Service Funds. All fund types are charged premiums at rates determined using established insurance rates and other factors which, in management's opinion, warrant consideration. For the fiscal year ended June 30, 1986, the assets of the Worker's Compensation Fund and earnings thereon, were considered sufficient to cover expected future claims and, thus, all charges to individual funds were discontinued. The City has in the past purchased an excess worker's compensation policy which covers excess losses greater than \$250,000 up to a limit of \$2,000,000 per occurrence, but as of July 1, 1987, permission was received from the Michigan Department of Labor to drop this excess coverage for workers compensation. Accordingly, the City no longer carries any excess insurance. Unpaid claims liability is calculated using mortality and present value tables applied to the existing or potential benefits stream.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 17 - RISK MANAGEMENT (continued)

A summary of the claims activity is as follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>6/30/10</u>
Workers' Compensation	\$ 276,000	\$ 119,578	\$ 175,578	\$ 220,000
Unemployment Compensation	6,528	20,096	15,901	10,723
Health and Dental Insurance	<u>160,016</u>	<u>1,216,810</u>	<u>1,296,642</u>	<u>80,184</u>
	<u>\$ 442,544</u>	<u>\$ 1,356,484</u>	<u>\$1,488,121</u>	<u>\$ 310,907</u>

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

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$116,000. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

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

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

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

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of June 30, 2010, the Authority had met the minimum requirements.

At June 30, 2010, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City provides its retirees the opportunity to obtain health insurance through the City's insurance carrier at their own cost.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

There is no age limit with respect to this benefit. As of June 30, 2010, the City had thirteen retirees and beneficiaries receiving this benefit.

Funding Policy - For the year ended June 30, 2010 the City has not established a trust to fund the OPEB obligation. The City's funding policy is to pay all premiums as they come due on a pay-as-you-go basis. For the fiscal year the City contributed \$17,028 to the plan.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the City's annual net OPEB obligation:

Annual required contribution	\$ 41,166
Interest on net OPEB obligation	-
Adjustment to ARC	<u>-</u>
Annual OPEB cost (expense)	41,166
Contributions made	<u>(17,028)</u>
Increase in net OPEB obligation	24,138
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 24,138</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
2010	\$ 41,166	41.4%	\$ 24,138

In the future, three-year trend information will be presented. Fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the City elected to implement prospectively, therefore, prior year comparative data is not available.

Funded Status and Funding Progress - As of June 30, 2010, the actuarial accrued liability for the benefits was \$542,959, all of which was unfunded. The covered payroll was \$5,846,439 and the ratio of unfunded actuarial accrued liability to the covered payroll was 9.3%.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following these notes, present multiyear trend information about whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2010 actuarial valuation, OPEB benefits were calculated under the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). OPEB benefits were attributed linearly to each assumed decrement age based on the ratio of a participant's accrued service on the valuation date to their projected service at each decrement age. The amortization of the unfunded actuarial accrued liability is calculated using a level dollar amount over 30 years. The actuarial assumptions used a discount of 4.0%. The withdrawal decrements are those used by the Michigan State Employee's Retirement System.

NOTE 19 - 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 \$84,541 has been recorded during the current fiscal year.

NOTE 20 - RECLASSIFICATION

Certain reclassifications have been made in the 2009 comparative totals to conform to the classifications used in 2010. Any reclassifications made were not material to the financial statements.

NOTE 21 - UNUSUAL ITEM

During the years ended June 30, 2010 and 2009 the market conditions in the coal industry dropped significantly. This decrease caused a decline in the market value of the coal inventory in the Electric Fund at year-end. The

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 21 - UNUSUAL ITEM (continued)

total estimated market value decline was \$203,308 for the fiscal year ended June 30, 2010, and \$790,763 for the fiscal year ended June 30, 2009 and is listed on the Statement of Revenues, Expenses and Changes in Net Assets under Non-operating expenses as a "Decline in market value of inventory".

NOTE 22 - POWER PLANT SALE

During the 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 2011 fiscal year.

NOTE 23 - WATER SYSTEM UPGRADE

During the next fiscal year the City will be issuing \$3.2 million in capital improvement bonds for the purpose of adding a water intake and painting and repairing the south water tower.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Current property taxes	\$ 4,550,650	\$ 4,550,650	\$ 4,544,024	\$ (6,626)
Collection on prior levies	15,000	15,000	20,420	5,420
Payments in lieu of taxes:				
Harbor Tower	6,800	6,800	6,377	(423)
DNR	-	-	159	159
West Highland	11,900	11,900	11,885	(15)
Chippewa Indians	950	950	964	14
Meadow Brook	1,800	1,800	2,021	221
Willow Grove	2,600	2,600	2,597	(3)
Bridgewood	300	300	300	-
Penalties and interest	17,000	17,000	32,625	15,625
Total taxes	<u>4,607,000</u>	<u>4,607,000</u>	<u>4,621,372</u>	<u>14,372</u>
Licenses and permits:				
Business licenses and permits	1,500	1,500	1,375	(125)
Zoning appeals fees	5,000	5,000	200	(4,800)
Total licenses and permits	<u>6,500</u>	<u>6,500</u>	<u>1,575</u>	<u>(4,925)</u>
Local sources:				
Downtown patrol	-	-	-	-
Hannahville Tribe gaming revenue	-	-	5,964	5,964
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
Total local sources	<u>10,000</u>	<u>10,000</u>	<u>15,964</u>	<u>5,964</u>
State grants:				
Anti-drug abuse	10,500	10,500	9,105	(1,395)
Dispatcher training funds	-	-	5,608	5,608
State shared revenues	1,486,000	1,266,000	1,272,306	6,306
Supplemental Bad Driver	-	-	30,720	30,720
Criminal justice training funds	7,500	7,500	6,507	(993)
FEMA match funds	17,850	17,850	-	(17,850)
Click it or Ticket	-	-	1,599	1,599
Total state grants	<u>1,521,850</u>	<u>1,301,850</u>	<u>1,325,845</u>	<u>23,995</u>
Federal sources:				
Anti-drug abuse	25,000	25,000	40,696	15,696
Bulletproof vest program	1,500	1,500	-	(1,500)
Project Safe Neighborhood Grant	23,750	23,750	20,847	(2,903)
FEMA grant	16,000	16,000	18,217	2,217
Total federal sources	<u>66,250</u>	<u>66,250</u>	<u>79,760</u>	<u>13,510</u>
Charges for services:				
Preliminary breath tests	-	-	1,750	1,750
Land use fees	-	-	4,727	4,727
Sex offender fees	-	-	90	90
Platting fees	400	400	24	(376)
Engineering Dept.	-	-	10	10
Computer printouts	-	-	118	118
Cost recovery ordinances	2,500	2,500	100	(2,400)
Wedding ceremony fees	-	-	20	20
Duplicating and photostat fees	2,200	2,200	1,956	(244)
Tax collection fees	50,000	50,000	63,358	13,358

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Township fire protection	\$ 130.000	\$ 130.000	\$ 61,539	\$ (68,461)
Street Department for overhead	15.000	15.000	7,504	(7,496)
Recreation program	6.250	6.250	5,595	(655)
Farmers market	200	200	-	(200)
Boat launches	16.000	16.000	13,274	(2,726)
Delta solid waste	5.500	5.500	9,178	3,678
Property owners share of sidewalk construction	23.500	23.500	27,819	4,319
Inspection fees	3.500	3.500	5,538	2,038
Total charges for services	<u>255.050</u>	<u>255.050</u>	<u>202.600</u>	<u>(52.450)</u>
Fines and forfeitures:				
Penalties and interest	500	500	502	2
Nonmoving violations and district court	10.000	10.000	6,510	(3,490)
Penal fines, county allocation	30.000	30.000	29,814	(186)
Total fines and forfeitures	<u>40.500</u>	<u>40.500</u>	<u>36,826</u>	<u>(3,674)</u>
Miscellaneous:				
Vending machine sales	1.000	1.000	1,123	123
Wage reimbursement	-	-	9,678	9,678
BCBS/DMPH Sidewalk Improvement Grant	-	20.000	20,000	-
Interest earnings	220.000	220.000	120,144	(99,856)
Rents	48.800	48,800	64,260	15,460
Jackie Sorenson aerobics fees	-	-	5,602	5,602
Sale of property	-	-	8	8
Purchase discounts	1.500	1,500	1,924	424
MMRMA Rap Grant	-	-	975	975
Other	1.000	1,000	3,969	2,969
Contributions	10.000	10,000	9,810	(190)
Elementary Basketball	-	-	3,369	3,369
Total miscellaneous	<u>282.300</u>	<u>302.300</u>	<u>240,862</u>	<u>(61,438)</u>
TOTAL REVENUES	<u>6,789,450</u>	<u>6,589,450</u>	<u>6,524,804</u>	<u>(64,646)</u>
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	13,000	15,000	14,885	115
Fringe benefits	1,081	1,081	1,227	(146)
Office supplies	500	500	489	11
Operating supplies	400	400	205	195
Communications	150	150	194	(44)
Transportation	1,500	1,500	165	1,335
Printing and publishing	100	100	-	100
Insurance and bonds	600	600	561	39
Public relations	200	200	-	200
Memberships and dues	6,600	6,600	5,590	1,010
Meetings	400	400	20	380
Equipment rental	750	750	576	174
New equipment	-	-	1,460	(1,460)
Total city council	<u>25,281</u>	<u>27,281</u>	<u>25,372</u>	<u>1,909</u>

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
City manager:				
Salaries and wages	\$ 121,275	\$ 121,275	\$ 120,197	\$ 1,078
Fringe benefits	57,320	59,320	60,796	(1,476)
Office supplies	3,200	3,200	2,098	1,102
Communications	1,910	1,910	1,460	450
Transportation	1,700	1,700	826	874
Printing and publishing	650	650	568	82
Memberships and dues	250	250	-	250
Meetings	300	300	40	260
Equipment repair	200	200	312	(112)
Equipment rental	5,550	5,550	5,508	42
Books, magazines and periodicals	500	500	172	328
	<u>192,855</u>	<u>194,855</u>	<u>191,977</u>	<u>2,878</u>
Less amount applicable to utilities	<u>(134,999)</u>	<u>(134,999)</u>	<u>(134,385)</u>	<u>(614)</u>
Total city manager	<u>57,856</u>	<u>59,856</u>	<u>57,592</u>	<u>2,264</u>
City elections:				
Salaries and wages	1,240	1,240	472	768
Fringe benefits	517	517	231	286
Professional services	3,500	8,500	6,987	1,513
Office supplies	3,300	5,300	9,340	(4,040)
Transportation	200	200	394	(194)
Printing and publishing	1,100	1,100	158	942
Meetings	-	-	340	(340)
Equipment repair	1,000	1,000	-	1,000
Equipment rental	150	150	144	6
Telephone	100	100	58	42
Total city elections	<u>11,107</u>	<u>18,107</u>	<u>18,124</u>	<u>(17)</u>
City controller:				
Salaries and wages	158,012	158,012	155,122	2,890
Fringe benefits	88,968	94,968	94,442	526
Professional services	250	250	-	250
Office supplies	6,050	6,050	6,279	(229)
Communications	1,000	1,000	1,016	(16)
Insurance and bonds	550	550	569	(19)
Memberships and dues	200	200	190	10
Equipment repair	950	950	792	158
Equipment rental	2,200	2,200	2,148	52
Books, magazines and periodicals	100	100	-	100
New equipment	-	-	190	(190)
	<u>258,280</u>	<u>264,280</u>	<u>260,748</u>	<u>6,492</u>
Less amount applicable to utilities	<u>(154,968)</u>	<u>(154,968)</u>	<u>(156,448)</u>	<u>1,480</u>
Total city controller	<u>103,312</u>	<u>109,312</u>	<u>104,300</u>	<u>5,012</u>
City assessor:				
Salaries and wages	111,717	111,717	105,914	5,803
Fringe benefits	59,285	59,285	61,433	(2,148)
Office supplies	12,450	12,450	12,913	(463)
Communications	600	600	624	(24)
Transportation	50	50	36	14
Printing and publishing	450	450	397	53
Memberships and dues	430	430	405	25

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Meetings	\$ 150	\$ 150	\$ 125	\$ 25
Equipment repair	2,050	2,050	2,516	(466)
Equipment rental	3,800	3,800	3,552	248
Books, magazines and periodicals	405	405	407	(2)
New equipment	8,000	8,000	95	7,905
Total city assessor	199,387	199,387	188,417	10,970
City attorney:				
Professional services	50,500	50,500	50,775	(275)
Office supplies	500	500	-	500
Equipment rental	500	500	-	500
Books, magazines and periodicals	2,500	3,000	2,946	54
	54,000	54,000	53,721	779
Less amount applicable to utilities	(27,000)	(27,000)	(26,861)	(139)
Total city attorney	27,000	27,500	26,860	640
Human resources:				
Salaries and wages	57,777	57,777	55,938	1,839
Fringe benefits	35,544	35,544	36,935	(1,391)
Professional services	11,000	11,000	4,142	6,858
Office supplies	2,200	2,200	1,241	959
Communications	200	200	200	-
Transportation	300	300	135	165
Printing and publishing	2,000	2,000	2,496	(496)
Memberships and dues	160	160	160	-
Meetings	500	500	129	371
Equipment rental	720	720	708	12
Books, magazines and periodicals	200	200	154	46
New equipment	500	500	-	500
	111,101	111,101	102,238	8,863
Less amount applicable to utilities	(38,885)	(38,885)	(35,785)	(3,100)
Total human resources	72,216	72,216	66,453	5,763
Board of review:				
Professional services	1,800	2,400	2,100	300
Office supplies	100	100	102	(2)
Tuition assistance	-	-	50	(50)
Transportation	-	-	247	(247)
Printing and publishing	250	250	234	16
Total board of review	2,150	2,750	2,733	17
Treasurer:				
Salaries and wages	118,762	118,762	113,192	5,570
Fringe benefits	72,257	72,257	74,074	(1,817)
Professional services	100	100	50	50
Office supplies	1,950	1,950	1,797	153
Communications	900	900	865	35
Transportation	200	200	-	200
Printing and publishing	1,200	1,200	725	475
Insurance and bonds	800	800	828	(28)
Memberships and dues	35	35	50	(15)
Meetings	200	200	-	200

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Equipment repair	\$ 2,500	\$ 2,500	\$ 2,983	\$ (483)
Equipment rental	5,550	5,550	5,508	42
Books, magazines and periodicals	250	250	398	(148)
New equipment	1,750	1,750	442	1,308
	<u>206,454</u>	<u>206,454</u>	<u>200,912</u>	<u>5,542</u>
Less amount applicable to utilities	<u>(185,809)</u>	<u>(185,809)</u>	<u>(180,822)</u>	<u>(4,987)</u>
Total treasurer	<u>20,645</u>	<u>20,645</u>	<u>20,090</u>	<u>555</u>
City clerk:				
Salaries and wages	72,564	72,564	72,509	55
Fringe benefits	42,561	46,061	45,539	522
Professional services	3,000	3,000	14	2,986
Office supplies	2,100	2,100	2,996	(896)
Communications	1,400	1,400	1,277	123
Transportation	-	-	20	(20)
Printing and publishing	4,000	7,500	6,714	786
Memberships and dues	300	300	260	40
Meetings	300	300	-	300
Equipment repair	500	500	1,158	(658)
Equipment rental	3,100	3,100	3,168	(68)
Books, magazines and periodicals	800	800	322	478
Total city clerk	<u>130,625</u>	<u>137,625</u>	<u>133,977</u>	<u>3,648</u>
Billing department:				
Salaries and wages	137,104	142,304	146,183	(3,879)
Fringe benefits	86,847	93,347	90,475	2,872
Clothing	300	300	393	(93)
Professional services	200	200	225	(25)
Office supplies	23,800	23,800	22,864	936
Communications	1,200	1,200	1,196	4
Transportation	200	200	15	185
Printing and publishing	3,800	3,800	3,120	680
Meetings	200	200	-	200
Equipment repair	7,400	7,400	5,638	1,762
Equipment rental	11,200	19,200	17,066	2,134
New equipment	350	350	-	350
	<u>272,601</u>	<u>292,301</u>	<u>287,175</u>	<u>31,356</u>
Less amount applicable to utilities	<u>(245,341)</u>	<u>(245,341)</u>	<u>(258,456)</u>	<u>13,115</u>
Total billing department	<u>27,260</u>	<u>46,960</u>	<u>28,719</u>	<u>18,241</u>
Independent auditing:				
Professional services	17,250	17,250	16,850	400
Less amount applicable to utilities	<u>(8,625)</u>	<u>(8,625)</u>	<u>(12,575)</u>	<u>3,950</u>
Total independent auditing	<u>8,625</u>	<u>8,625</u>	<u>4,275</u>	<u>4,350</u>
Farmers market:				
Public utilities	<u>300</u>	<u>400</u>	<u>441</u>	<u>(41)</u>

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Public Works - City Hall/Library:				
Building rental	\$ 95,760	\$ 95,760	\$ 95,760	\$ -
Building lease	287,718	287,718	287,718	-
	383,478	383,478	383,478	-
Less amount applicable to utilities	(50,000)	(50,000)	(50,000)	-
Total public works - city hall/library	<u>333,478</u>	<u>333,478</u>	<u>333,478</u>	<u>-</u>
Civic center:				
Salaries and wages	36,449	36,449	30,527	5,922
Fringe benefits	15,538	15,538	13,859	1,679
Office supplies	1,000	1,000	340	660
Building supplies	3,300	3,300	3,143	157
Communications	1,100	1,100	681	419
Printing and publishing	200	200	-	200
Insurance and bonds	3,500	3,500	3,859	(359)
Public utilities	28,000	28,000	27,011	989
Building maintenance	6,030	6,030	3,276	2,754
Equipment repair	500	500	844	(344)
Equipment rental	1,000	1,000	476	524
New equipment	-	-	140	(140)
Total civic center	<u>96,617</u>	<u>96,617</u>	<u>84,156</u>	<u>12,461</u>
Tourism promotion:				
Fringe benefits	-	-	76	(76)
Printing and publishing	2,500	2,500	-	2,500
Insurance and bonds	300	300	299	1
Waterfront Art show	700	700	847	(147)
Balloons on the Bay	1,000	1,000	-	1,000
Logging Congress	2,000	2,000	1,421	579
Car show	500	500	-	500
FLW Everstart Bass Tournament	2,000	2,000	1,219	781
Total tourism promotion	<u>9,000</u>	<u>9,000</u>	<u>3,862</u>	<u>5,138</u>
Boat launches:				
Salaries and wages	4,588	4,588	2,113	2,475
Fringe benefits	451	451	396	55
Professional services	5,000	5,000	3,130	1,870
Operating supplies	1,000	1,000	335	665
Printing and publishing	1,200	1,200	210	990
Insurance and bonds	100	100	55	45
Public utilities	4,500	4,500	3,613	887
Equipment rental	3,500	3,500	2,360	1,140
Repairs to structures	1,000	1,000	245	755
Repairs to equipment	750	750	-	750
Capital outlay	-	-	375	(375)
Total boat launches	<u>22,089</u>	<u>22,089</u>	<u>12,832</u>	<u>9,257</u>
Promotional:				
Community promotion	8,850	8,850	6,002	2,848

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Celebration flags	\$ 1,715	\$ 1,715	\$ 1,039	\$ 676
Fourth of July	16,417	16,417	16,209	208
Total promotional	<u>26,982</u>	<u>26,982</u>	<u>23,250</u>	<u>3,732</u>
Total general government	<u>1,173,930</u>	<u>1,218,830</u>	<u>1,134,931</u>	<u>83,899</u>
Public safety:				
Public Safety Department:				
Salaries and wages	2,106,467	2,106,467	2,047,512	58,955
Fringe benefits	1,046,798	1,046,798	1,010,764	36,034
Clothing	12,000	12,000	7,365	4,635
Uniform maintenance	1,600	1,600	1,018	582
Professional services	1,800	1,800	1,923	(123)
Office supplies	25,940	25,940	17,842	8,098
Building supplies	2,300	2,300	1,814	486
Communications	9,500	9,500	7,374	2,126
Public relations	300	300	184	116
Transportation	4,000	4,000	733	3,267
Printing and publishing	1,500	1,500	1,260	240
Insurance and bonds	25,500	25,500	29,730	(4,230)
Public utilities	40,000	40,000	33,982	6,018
Building maintenance	2,000	2,000	3,531	(1,531)
Memberships and dues	410	410	389	21
Meetings	5,500	5,500	1,000	4,500
Equipment repair	16,025	16,025	16,977	(952)
Equipment rental	180,582	180,582	162,213	18,369
Hydrant rental	72,760	72,760	72,760	-
Books, magazines and periodicals	1,400	1,400	576	824
New equipment	24,950	24,950	9,077	15,873
Building improvements	1,200	1,200	2,711	(1,511)
Computer forensic lab	-	-	373	(373)
Total public safety department	<u>3,582,532</u>	<u>3,582,532</u>	<u>3,431,108</u>	<u>151,424</u>
Community preservation:				
Salaries and wages	46,291	46,291	45,935	356
Fringe benefits	14,901	14,901	14,321	580
Professional services	-	-	112	(112)
Office supplies	5,300	5,300	6,150	(850)
Communications	1,200	1,200	618	582
Transportation	1,000	1,000	143	857
Printing and publishing	800	800	-	800
Memberships and dues	220	220	-	220
Meetings	500	500	547	(47)
Equipment repair	300	300	-	300
Equipment rental	3,600	3,600	3,588	12
Books, magazines and periodicals	300	300	-	300
New equipment	-	-	188	(188)
Total community preservation	<u>74,412</u>	<u>74,412</u>	<u>71,602</u>	<u>2,810</u>
Anti-drug abuse grant:				
Salaries and wages	62,170	62,170	76,089	(13,919)
Fringe benefits	31,700	31,700	31,531	169
Clothing	100	100	-	100
Office supplies	200	200	-	200

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Transportation	\$ 1.500	\$ 1.500	\$ 2.560	\$ (1.060)
Telephone	100	100	3	97
Professional services	12.500	12.500	13.130	(630)
Total anti-drug abuse grant	<u>108.270</u>	<u>108.270</u>	<u>123.313</u>	<u>(15.043)</u>
Public safety training:				
Office supplies	1.000	1.000	490	510
Transportation	1.500	1.500	950	550
Meetings	4.500	4.500	6.216	(1,716)
Total public safety training	<u>7.000</u>	<u>7.000</u>	<u>7.656</u>	<u>(656)</u>
Dispatchers:				
Transportation	500	500	2,005	(1,505)
Education and training	1.600	1.600	3,603	(2,003)
Total dispatchers	<u>2.100</u>	<u>2.100</u>	<u>5,608</u>	<u>(3,508)</u>
Project Safe Neighborhood:				
Salaries and wages	13,200	13,200	11,169	2,031
Fringe benefits	8,400	8,400	5,941	2,459
Transportation	2,150	2,150	875	1,275
Equipment rental	-	-	2,417	(2,417)
Total project safe neighborhood	<u>23,750</u>	<u>23,750</u>	<u>20,402</u>	<u>3,348</u>
Total public safety	<u>3,798,064</u>	<u>3,798,064</u>	<u>3,659,689</u>	<u>138,375</u>
Highways, streets and public works:				
City engineer:				
Salaries and wages	143,540	143,540	124,411	19,129
Fringe benefits	74,488	74,488	72,576	1,912
Professional services	1,000	1,000	20	980
Office supplies	2,750	2,750	1,398	1,352
Communications	1,000	1,000	963	37
Transportation	500	500	85	415
Insurance and bonds	200	200	150	50
Memberships and dues	100	100	-	100
Meetings	500	500	50	450
Equipment repair	600	600	1,550	(950)
Equipment rental	11,225	11,225	9,220	2,005
Books, magazines and periodicals	-	-	35	(35)
New equipment	2,600	2,600	2,552	48
Total city engineer	<u>238,503</u>	<u>238,503</u>	<u>213,010</u>	<u>25,493</u>
Care of trees and shrubs:				
Salaries and wages	38,761	41,761	35,890	5,871
Fringe benefits	20,703	22,703	20,368	2,335
Professional services	2,000	2,000	480	1,520
Office supplies	3,000	3,000	2,530	470
Printing and publishing	-	-	78	(78)
Equipment repair	2,000	2,000	1,810	190
Equipment rental	20,000	20,000	10,892	9,108
New equipment	600	600	-	600
Total care of trees and shrubs	<u>87,064</u>	<u>92,064</u>	<u>72,048</u>	<u>20,016</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Planning commission:				
Professional services	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Office supplies	250	250	261	(11)
Transportation	300	300	86	214
Printing and publishing	1,500	1,500	483	1,017
Meetings	1,000	1,000	-	1,000
Books, magazines and periodicals	300	300	168	132
Total planning commission	<u>4,350</u>	<u>4,350</u>	<u>998</u>	<u>3,352</u>
Street lighting	<u>184,500</u>	<u>184,500</u>	<u>160,912</u>	<u>23,588</u>
Sidewalks:				
Professional services	5,000	25,000	24,401	599
Printing and publishing	-	-	182	(182)
Insurance and bonds	3,000	3,000	1,315	1,685
Total sidewalks	<u>8,000</u>	<u>28,000</u>	<u>25,898</u>	<u>2,102</u>
Alleys	<u>39,100</u>	<u>39,100</u>	<u>29,052</u>	<u>10,048</u>
Crossing guards	<u>34,000</u>	<u>34,000</u>	<u>30,800</u>	<u>3,200</u>
Total highways, streets and public works	<u>595,517</u>	<u>620,517</u>	<u>532,718</u>	<u>87,799</u>
Sanitation:				
Sanitary landfill:				
Professional services	<u>185,000</u>	<u>191,500</u>	<u>189,415</u>	<u>2,085</u>
Landfill road cleanup:				
Salaries and wages	2,086	2,086	600	1,486
Fringe benefits	1,114	1,114	321	793
Professional services	-	-	601	(601)
Office supplies	-	-	280	(280)
Equipment rental	1,000	1,000	460	540
Total landfill road cleanup	<u>4,200</u>	<u>4,200</u>	<u>2,262</u>	<u>1,938</u>
Composting activities:				
Salaries and wages	11,221	17,221	15,621	1,600
Fringe benefits	5,992	7,992	7,292	700
Printing and publishing	300	1,300	919	381
Public utilities	450	450	405	45
Equipment rental	19,000	20,000	19,670	330
Total composting activities	<u>36,963</u>	<u>46,963</u>	<u>43,907</u>	<u>3,056</u>
Snow plowing:				
Salaries and wages	6,076	6,076	1,177	4,899
Fringe benefits	3,245	3,245	709	2,536
Equipment rental	8,000	8,000	1,628	6,372
Total snow plowing	<u>17,321</u>	<u>17,321</u>	<u>3,514</u>	<u>13,807</u>
Solid waste collection:				
Salaries and wages	74,652	79,652	77,818	1,834
Fringe benefits	38,862	38,862	37,024	1,838
Clothing	150	150	-	150

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Office supplies	\$ 500	\$ 500	\$ 56	\$ 444
Insurance and bonds	1,300	1,300	1,067	233
Equipment repair	-	-	832	(832)
Equipment rental	<u>125,000</u>	<u>125,000</u>	<u>125,065</u>	<u>(65)</u>
Total solid waste collection	<u>240,464</u>	<u>245,464</u>	<u>241,862</u>	<u>3,602</u>
Recycling:				
Salaries and wages	30,952	30,952	26,815	4,137
Fringe benefits	16,332	16,332	14,212	2,120
Education and training	-	-	25	(25)
Memberships and dues	-	-	35	(35)
Equipment rental	<u>62,500</u>	<u>62,500</u>	<u>61,560</u>	<u>940</u>
Total recycling	<u>109,784</u>	<u>109,784</u>	<u>102,647</u>	<u>7,137</u>
Total sanitation	<u>593,732</u>	<u>615,232</u>	<u>583,607</u>	<u>31,625</u>
Community services:				
Professional services	12,000	12,000	12,000	-
Building rental	<u>9,148</u>	<u>9,148</u>	<u>9,148</u>	<u>-</u>
Total community services	<u>21,148</u>	<u>21,148</u>	<u>21,148</u>	<u>-</u>
Recreation:				
Band:				
Salaries and wages	-	-	7	(7)
Fringe benefits	-	-	118	(118)
Uniform maintenance	300	300	58	242
Professional services	34,000	35,000	36,015	(1,015)
Office supplies	375	375	65	310
Transportation	500	500	480	20
Printing and publishing	125	125	-	125
Public utilities	300	300	323	(23)
Building maintenance	200	200	486	(286)
Memberships and dues	600	600	305	295
Equipment repair	200	200	-	200
Equipment rental	300	300	186	114
Building improvements	<u>-</u>	<u>-</u>	<u>219</u>	<u>(219)</u>
Total band	<u>36,900</u>	<u>37,900</u>	<u>38,262</u>	<u>(362)</u>
Parks:				
Salaries and wages	69,182	69,182	79,539	(10,357)
Fringe benefits	36,950	36,950	31,610	5,340
Office supplies	4,000	4,000	1,449	2,551
Building supplies	1,000	1,000	1,889	(889)
Printing and publishing	-	-	148	(148)
Insurance and bonds	1,000	1,000	1,002	(2)
Public utilities	11,000	11,000	11,326	(326)
Building maintenance	4,000	4,000	9,132	(5,132)
Veteran's memorial	-	-	2,393	(2,393)
Meetings	500	500	-	500
Equipment repair	1,000	1,000	1,221	(221)
Equipment rental	45,000	45,000	36,043	8,957
New equipment	200	200	-	200

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Building improvements	\$ 8,500	\$ 8,500	\$ 5,796	\$ 2,704
Telephone	600	600	600	-
Repairs	-	-	15	(15)
Total parks	182,932	182,932	182,163	769
Recreation department - administration:				
Salaries and wages	83,242	83,242	81,578	1,664
Fringe benefits	43,337	43,337	45,992	(2,655)
Office supplies	2,900	2,900	2,446	454
Communications	1,700	1,700	1,516	184
Transportation	200	200	-	200
Printing and publishing	100	100	-	100
Equipment repair	100	100	128	(28)
Equipment rental	4,400	4,400	4,142	258
New equipment	200	200	-	200
Total recreation department - administration	136,179	136,179	135,802	377
Summer sports:				
Salaries and wages	45,783	45,783	40,379	5,404
Fringe benefits	19,140	19,140	17,681	1,459
Clothing	400	400	-	400
Office supplies	5,500	5,500	5,492	8
Building supplies	100	100	180	(80)
Communications	150	150	-	150
Slam Fest volleyball	500	500	-	500
Printing and publishing	200	200	91	109
Education and training	100	100	25	75
Insurance and bonds	500	500	518	(18)
Public utilities	9,000	9,000	7,877	1,123
Building maintenance	5,000	5,000	1,819	3,181
Equipment repair	500	500	233	267
Equipment rental	38,000	38,000	22,847	15,153
New equipment	1,000	1,000	-	1,000
Building improvements	-	-	1,176	(1,176)
Total summer sports	125,873	125,873	98,318	27,555
Wading pool:				
Salaries and wages	6,238	6,238	6,032	206
Fringe benefits	2,477	2,477	2,235	242
Fees and per diem	60	60	60	-
Professional services	200	200	156	44
Office supplies	1,900	1,900	1,202	698
Communications	100	100	94	6
Insurance and bonds	300	300	277	23
Public utilities	1,500	1,500	853	647
Building maintenance	800	800	572	228
Equipment repair	100	100	-	100
Equipment rental	500	500	468	32
Building improvements	1,800	1,800	1,471	329
Total wading pool	15,975	15,975	13,420	2,555
Winter sports:				
Salaries and wages	34,522	34,522	18,685	15,837
Fringe benefits	15,289	15,289	8,519	6,770

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Clothing	\$ 100	\$ 100	\$ -	\$ 100
Uniform maintenance	-	-	10	(10)
Office supplies	600	600	487	113
Building supplies	250	250	143	107
Communications	100	100	216	(116)
Printing and publishing	200	200	-	200
Insurance and bonds	250	250	235	15
Public utilities	6,160	6,160	4,184	1,976
Building maintenance	6,000	6,000	318	5,682
Meetings	100	100	45	55
Equipment repair	400	400	211	189
Equipment rental	14,000	14,000	6,008	7,992
Building improvements	5,000	5,000	1,660	3,340
Total winter sports	82,971	82,971	40,721	42,250
Beach:				
Salaries and wages	23,252	23,252	18,258	4,994
Fringe benefits	1,979	1,979	1,626	353
Clothing	200	200	-	200
Uniform maintenance	50	50	-	50
Professional services	100	100	105	(5)
Office supplies	400	400	210	190
Building supplies	400	400	144	256
Communications	-	-	357	(357)
Transportation	800	800	-	800
Insurance and bonds	500	500	460	40
Public utilities	900	900	730	170
Building maintenance	700	700	342	358
Meetings	200	200	90	110
Equipment repair	200	200	-	200
Equipment rental	300	300	40	260
New equipment	200	200	-	200
Total beach	30,181	30,181	22,362	7,819
Civic center activities:				
Salaries and wages	31,323	31,323	24,044	7,279
Fringe benefits	5,600	5,600	3,433	2,167
Professional services	400	400	-	400
Office supplies	400	400	120	280
Operating supplies	200	200	-	200
Jackie Sorenson aerobics	4,900	4,900	4,611	289
Elementary basketball	-	-	3,369	(3,369)
Printing and publishing	500	500	-	500
Meetings	150	150	85	65
Equipment repair	500	500	465	35
Equipment rental	-	-	63	(63)
Total civic center activities	43,973	43,973	36,190	7,783
Total recreation	654,984	655,984	567,238	88,746
Cultural:				
Historical society building:				
Office supplies	100	100	-	100
Insurance and bonds	250	250	261	(11)

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Building maintenance	\$ 359	\$ 359	\$ -	\$ 359
Total historical society building	<u>709</u>	<u>709</u>	<u>261</u>	<u>448</u>
Other functions:				
Insurance and bonds	11,500	11,700	11,636	64
Bad debts	-	25,000	25,000	-
Total other functions	<u>11,500</u>	<u>36,700</u>	<u>36,636</u>	<u>64</u>
TOTAL EXPENDITURES	<u>6,849,584</u>	<u>6,967,184</u>	<u>6,536,228</u>	<u>430,956</u>
EXCESS REVENUES (EXPENDITURES)	<u>(60,134)</u>	<u>(377,734)</u>	<u>(11,424)</u>	<u>366,310</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	14,554	14,554
Operating transfers in:				
Electric Fund	463,624	463,624	463,624	-
Land Development Fund	65,000	65,000	61,660	(3,340)
Sanitary Landfill Fund	184,100	184,100	184,100	-
Operating transfers out:				
Library Fund	(312,000)	(312,000)	(312,000)	-
Major Street Fund	(80,000)	(80,000)	(80,000)	-
Local Street Fund	(220,000)	(220,000)	(220,000)	-
Parking Maintenance Fund	(25,000)	(25,000)	(7,058)	17,942
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,724</u>	<u>75,724</u>	<u>104,880</u>	<u>29,156</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING (USES))	<u>15,590</u>	<u>(302,010)</u>	<u>93,456</u>	<u>395,466</u>
Fund balance, beginning of year	<u>4,409,493</u>	<u>4,409,493</u>	<u>4,409,493</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,425,083</u>	<u>\$ 4,107,483</u>	<u>\$ 4,502,949</u>	<u>\$ 395,466</u>

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, 2010

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
State grants:				
Gas and weight tax	\$ 708.000	\$ 708.000	\$ 642.452	\$ (65.548)
Winter maintenance	-	-	45.145	45.145
PA 48 annual maintenance fee	45.000	45.000	45.438	438
Miscellaneous:				
Interest earnings	25.000	25.000	14.920	(10.080)
TOTAL REVENUES	<u>778.000</u>	<u>778.000</u>	<u>747.955</u>	<u>(30.045)</u>
EXPENDITURES:				
Highways, streets and public works:				
Preservation streets:				
Patching and crack filling	59.455	59.455	52.697	6.758
Storm sewers	58.381	58.381	33.103	25.278
Grass and weed cutting	18.438	18.438	10.000	8.438
Sweeping and flushing	41.012	41.012	33.787	7.225
Street paving	300.000	300.000	233.610	66.390
Total preservation streets	<u>477.286</u>	<u>477.286</u>	<u>363.197</u>	<u>114.089</u>
Traffic services - maintenance:				
Pavement markings and signs	60.084	60.084	68.808	(8.724)
Winter maintenance:				
Snow removal	188.182	188.182	41.646	146.536
Snow plowing	87.159	87.159	35.680	51.479
Snow control	254	254	-	254
Ice control	73.012	73.012	31.314	41.698
Total winter maintenance	<u>348.607</u>	<u>348.607</u>	<u>108.640</u>	<u>239.967</u>
Administration engineering and record keeping	69.203	69.203	78.864	(9.661)
TOTAL EXPENDITURES	<u>955.180</u>	<u>955.180</u>	<u>619.509</u>	<u>335.671</u>
EXCESS REVENUES (EXPENDITURES)	<u>(177.180)</u>	<u>(177.180)</u>	<u>128.446</u>	<u>305.626</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	2.245	2.245
Operating transfers in:				
General Fund	80.000	80.000	80.000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>80.000</u>	<u>80.000</u>	<u>82.245</u>	<u>2.245</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND FINANCING USES)	<u>(97.180)</u>	<u>(97.180)</u>	<u>210.691</u>	<u>307.871</u>
Fund balance, beginning of year	97.180	97.180	822.403	725.223
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,033.094</u>	<u>\$ 1,033.094</u>

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, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State grants:				
Gas and weight tax	\$ 250,000	\$ 250,000	\$ 241,186	\$ (8,814)
Miscellaneous:				
Interest earnings	4,000	4,000	9,672	5,672
Special assessments	<u>58,500</u>	<u>58,500</u>	<u>131,297</u>	<u>72,797</u>
TOTAL REVENUES	<u>312,500</u>	<u>312,500</u>	<u>382,155</u>	<u>69,655</u>
EXPENDITURES:				
Highways, streets and public works:				
Preservation streets:				
Patching and crack filling	47,750	47,750	49,380	(1,630)
Storm sewers	63,998	63,998	41,974	22,024
Sweeping and flushing	36,943	36,943	33,330	3,613
Blading	9,068	9,068	7,782	1,286
Dust control	7,702	7,702	1,797	5,905
Street paving	<u>300,000</u>	<u>300,000</u>	<u>294,478</u>	<u>5,522</u>
Total preservation streets	<u>465,461</u>	<u>465,461</u>	<u>428,741</u>	<u>36,720</u>
Traffic services - maintenance	<u>21,375</u>	<u>21,375</u>	<u>32,224</u>	<u>(10,849)</u>
Winter maintenance:				
Snow removal	24,273	24,273	8,531	15,742
Snow plowing	68,353	68,353	26,109	42,244
Ice control	<u>36,273</u>	<u>36,273</u>	<u>21,438</u>	<u>14,835</u>
Total winter maintenance	<u>128,899</u>	<u>128,899</u>	<u>56,078</u>	<u>72,821</u>
Administration engineering and record keeping	<u>54,416</u>	<u>54,416</u>	<u>64,839</u>	<u>(10,423)</u>
TOTAL EXPENDITURES	<u>670,151</u>	<u>670,151</u>	<u>581,882</u>	<u>88,269</u>
EXCESS REVENUES (EXPENDITURES)	<u>(357,651)</u>	<u>(357,651)</u>	<u>(199,727)</u>	<u>157,924</u>
OTHER FINANCING SOURCES:				
Gain (loss) on sale of investments	-	-	620	620
Operating transfers in:				
Gas Retirement Fund	42,000	42,000	21,078	(20,922)
General Fund	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>262,000</u>	<u>262,000</u>	<u>241,698</u>	<u>(20,302)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	<u>(95,651)</u>	<u>(95,651)</u>	<u>41,971</u>	<u>137,622</u>
Fund balance, beginning of year	<u>95,651</u>	<u>95,651</u>	<u>308,916</u>	<u>213,265</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,887</u>	<u>\$ 350,887</u>

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010

CITY GENERAL PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
2005	\$18,228,522	\$ 26,331,412	\$ 8,102,890	69%	\$ 3,991,872	203%
2006	18,681,596	26,931,887	8,250,291	69%	3,861,932	214%
2007	19,569,915	28,323,479	8,753,564	69%	3,886,862	225%
2008	19,754,963	29,283,966	9,529,003	68%	3,814,034	250%
2009	19,844,840	29,928,075	10,083,235	66%	3,696,064	273%

PUBLIC SAFETY OFFICER PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
6/30/05	\$18,381,567	\$ 19,616,655	\$ 1,235,088	94%	\$ 1,827,151	68%
6/30/05*	18,381,567	19,474,567	1,093,000	94%	1,827,151	60%
6/30/06	18,635,314	20,681,115	2,045,801	90%	1,835,787	111%
6/30/06*	18,635,314	20,634,472	1,999,158	90%	1,835,787	109%
6/30/07	19,686,269	21,845,071	2,158,802	90%	1,799,708	120%
6/30/08	20,322,502	22,861,045	2,538,543	89%	1,885,535	135%
6/30/09	17,934,203	23,803,284	5,869,081	75%	1,946,469	302%

*After changes in benefit provision.

OPEB OBLIGATION

<u>Actuarial Valuation Date</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
6/30/10	\$ 542,959	0%	\$ 5,846,439	9.3%

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2010

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and equivalents	\$ 62,376	\$ -	\$ 62,376
Investments, at market	4,335,993	1,093,276	5,429,269
Sequestered cash and equivalents	400,960	-	400,960
Receivables:			
Accounts, net of bad debt allowance	26,631	-	26,631
Mortgages, land contracts and other notes	2,683,666	-	2,683,666
Accrued interest	19,047	4,485	23,532
Due from other funds:			
Land Development Fund	697	-	697
DDA Fund	927	-	927
General Fund	1,979	-	1,979
Due from other governments:			
State of Michigan	89,763	-	89,763
Advances to other funds	289,200	-	289,200
Prepaid expenses	4,510	-	4,510
Real estate held for resale	8,200	-	8,200
	<u>\$ 7,923,949</u>	<u>\$ 1,097,761</u>	<u>\$ 9,021,710</u>
TOTAL ASSETS			
LIABILITIES:			
Accounts payable	\$ 22,859	\$ -	\$ 22,859
Due to other funds:			
Grants Fund	1,624	-	1,624
General Fund	92,592	-	92,592
Deferred revenue	10,406	-	10,406
	<u>127,481</u>	<u>-</u>	<u>127,481</u>
TOTAL LIABILITIES			
FUND BALANCES:			
Reserved for:			
Principal	-	1,094,634	1,094,634
Capital improvements	33,851	3,127	36,978
Long-term notes receivable	2,683,666	-	2,683,666
Revolving loans	1,057,485	-	1,057,485
UPSET expenses	58,943	-	58,943
Land held for resale	8,200	-	8,200
Future DDA projects as listed in the TIF Development Plan	248,978	-	248,978
Unreserved:			
Undesignated	3,705,345	-	3,705,345
	<u>7,796,468</u>	<u>1,097,761</u>	<u>8,894,229</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 7,923,949</u>	<u>\$ 1,097,761</u>	<u>\$ 9,021,710</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES

For the year ended June 30, 2010

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 303,177	\$ -	\$ 303,177
Local sources	199,166	-	199,166
State grants	13,408	-	13,408
Federal sources	82,502	-	82,502
Charges for services	819,961	-	819,961
Fines and forfeitures	103,355	-	103,355
Interest and dividends	-	20,658	20,658
Miscellaneous	393,368	-	393,368
	<u>1,914,937</u>	<u>20,658</u>	<u>1,935,595</u>
TOTAL REVENUES			
EXPENDITURES:			
Public safety	702,905	-	702,905
Highways, streets and public works	72,416	-	72,416
Community services	166,660	-	166,660
Cultural	521,991	-	521,991
Urban redevelopment and housing	31,612	-	31,612
Economic development	219,854	-	219,854
Debt service	53,486	-	53,486
	<u>1,768,924</u>	<u>-</u>	<u>1,768,924</u>
TOTAL EXPENDITURES			
EXCESS REVENUES (EXPENDITURES)	<u>146,013</u>	<u>20,658</u>	<u>166,671</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	13,092	3,127	16,219
Operating transfers in	353,020	-	353,020
Operating transfers out	(279,722)	(21,078)	(300,800)
	<u>86,390</u>	<u>(17,951)</u>	<u>68,439</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	232,403	2,707	235,110
Fund balances, beginning of year	<u>7,564,065</u>	<u>1,095,054</u>	<u>8,659,119</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,796,468</u>	<u>\$ 1,097,761</u>	<u>\$ 8,894,229</u>

See accompanying notes to financial statements.

GENERAL FUND

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Cash and equivalents	\$ 8,833	\$ 7,908
Investments, at market	4,155,428	3,962,159
Receivables:		
Accounts, net of bad debt allowance	161,394	179,575
Contracts for rental property	5,516	4,190
Special assessments	38,216	37,584
Accrued interest	19,346	42,914
Due from other funds:		
Marina Fund	87	-
Grants Fund	84,024	72,328
Sanitary Landfill Fund	8,568	11,582
Risk Retention Fund	12,043	11,455
Delta County Central Dispatch Authority	-	39,151
Due from other governments:		
State of Michigan	238,310	206,899
Federal government	908	-
Advances to other funds:		
Motor Vehicle Equipment	358,257	396,140
Inventory	118,758	58,773
Prepaid expenses	2,389	1,147
TOTAL ASSETS	<u>\$ 5,212,077</u>	<u>\$ 5,031,805</u>
LIABILITIES:		
Accounts payable	\$ 130,860	\$ 122,094
Accrued salaries, wages and fringes	420,214	374,075
Due to other governments	72,387	58,440
Due to other funds:		
Brownfield Fund	1,979	-
Deferred revenue	83,688	67,703
TOTAL LIABILITIES	<u>709,128</u>	<u>622,312</u>
FUND BALANCES:		
Reserved for:		
Inventory	118,758	58,773
Prepaid expenses	2,389	1,147
Unreserved:		
Undesignated	4,381,802	4,349,573
TOTAL FUND BALANCES	<u>4,502,949</u>	<u>4,409,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,212,077</u>	<u>\$ 5,031,805</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	<u>2009</u>
REVENUES:				
Taxes	\$ 4,607,000	\$ 4,621,372	\$ 14,372	\$ 4,422,967
Licenses and permits	6,500	1,575	(4,925)	1,880
Local sources	10,000	15,964	5,964	15,697
State grants	1,301,850	1,325,845	23,995	1,572,752
Federal sources	66,250	79,760	13,510	89,477
Charges for services	255,050	202,600	(52,450)	289,337
Fines and forfeitures	40,500	36,826	(3,674)	39,377
Miscellaneous	302,300	240,862	(61,438)	316,936
TOTAL REVENUES	<u>6,589,450</u>	<u>6,524,804</u>	<u>(64,646)</u>	<u>6,748,423</u>
EXPENDITURES:				
General government	1,218,830	1,134,931	83,899	1,162,996
Public safety	3,798,064	3,659,689	138,375	3,655,292
Highways, streets and public works	620,517	532,718	87,799	561,055
Sanitation	615,232	583,607	31,625	600,108
Community services	21,148	21,148	-	22,148
Recreation	655,984	567,238	88,746	552,843
Cultural	709	261	448	209
Other functions	36,700	36,636	64	10,947
TOTAL EXPENDITURES	<u>6,967,184</u>	<u>6,536,228</u>	<u>430,956</u>	<u>6,565,598</u>
EXCESS REVENUES (EXPENDITURES)	<u>(377,734)</u>	<u>(11,424)</u>	<u>366,310</u>	<u>182,825</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	14,554	14,554	(10,760)
Operating transfers in	712,724	709,384	(3,340)	713,224
Operating transfers out	(637,000)	(619,058)	17,942	(763,720)
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,724</u>	<u>104,880</u>	<u>29,156</u>	<u>(61,256)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(302,010)</u>	<u>93,456</u>	<u>395,466</u>	<u>121,569</u>
Fund balance, beginning of year	<u>4,409,493</u>	<u>4,409,493</u>	<u>-</u>	<u>4,287,924</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,107,483</u>	<u>\$ 4,502,949</u>	<u>\$ 395,466</u>	<u>\$ 4,409,493</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2010 with comparative totals
for the year ended June 30, 2009

	<u>Parking Maintenance Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Brownfield Fund</u>	<u>Drug Law Enforcement Fund</u>	<u>Delta County Central Dispatch Authority Fund</u>	<u>Library Fund</u>
ASSETS:						
Cash and equivalents	\$ -	\$ 3,433	\$ -	\$ 58,943	\$ -	\$ -
Investments, at market	794	256,696	3,791	19,596	2,763	99,814
Sequestered cash and equivalents	-	-	-	-	-	-
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	-
Mortgages, land contracts and other notes	-	-	-	-	-	-
Accrued interest	69	1,095	44	83	90	677
Due from other funds:						
Land Development fund	-	-	-	-	-	-
Grants Fund	-	-	-	-	-	-
DDA Fund	-	-	-	-	-	-
General Fund	-	-	1,979	-	-	-
Due from other governments:						
State of Michigan	-	-	-	-	-	5,658
Local units	-	-	-	-	-	-
Advances to other funds:						
Marina Fund	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	4,510	-
Real estate held for resale	-	-	-	-	-	-
TOTAL ASSETS	\$ 863	\$ 261,224	\$ 5,814	\$ 78,622	\$ 7,363	\$ 106,149
LIABILITIES:						
Accounts payable	\$ -	\$ 11,319	\$ 1,530	\$ -	\$ -	\$ 8,761
Due to other funds:						
Land Development Fund	-	-	-	-	-	-
Grants Fund	-	927	-	-	-	-
General Fund	-	-	-	-	-	-
Deferred revenue	-	-	-	-	7,363	2,000
TOTAL LIABILITIES	-	12,246	1,530	-	7,363	10,761
FUND BALANCES:						
Reserved for:						
Long term notes receivable	-	-	-	-	-	-
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	58,943	-	-
Land held for resale	-	-	-	-	-	-
Future DDA projects as listed in the TIF Development Plan	-	248,978	-	-	-	-
Capital improvements	-	-	-	-	-	-
Unreserved:						
Undesignated	863	-	4,284	19,679	-	95,388
TOTAL FUND BALANCES	863	248,978	4,284	78,622	-	95,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 863	\$ 261,224	\$ 5,814	\$ 78,622	\$ 7,363	\$ 106,149

See accompanying notes to financial statements.

Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,376	\$ 62,127
174,510	-	1,456,808	349,161	90,203	304,549	1,577,102	206	4,335,993	4,445,545
-	-	-	400,960	-	-	-	-	400,960	400,502
-	-	-	-	-	-	-	26,631	26,631	26,074
713	-	794,705	1,206,140	-	682,821	-	-	2,683,666	2,378,630
-	-	5,981	1,816	377	1,034	6,505	563	19,047	39,127
-	697	-	-	-	-	-	-	697	-
-	927	-	-	-	-	-	-	927	4,204
-	-	-	-	-	-	-	-	1,979	-
-	84,105	-	-	-	-	-	-	89,763	97,286
-	-	-	-	-	-	-	-	-	35,119
-	-	-	-	-	-	289,200	-	289,200	298,200
-	-	-	-	-	-	-	-	4,510	7,196
-	-	-	-	-	-	8,200	-	8,200	8,200
<u>\$ 175,223</u>	<u>\$ 85,729</u>	<u>\$ 2,257,494</u>	<u>\$ 1,958,077</u>	<u>\$ 90,580</u>	<u>\$ 988,404</u>	<u>\$ 1,881,007</u>	<u>\$ 27,400</u>	<u>\$ 7,923,949</u>	<u>\$ 7,802,210</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35	\$ 1,214	\$ -	\$ 22,859	\$ 70,791
-	-	-	-	-	-	-	-	-	4,204
-	-	-	-	-	-	697	-	1,624	-
-	84,024	-	-	-	-	-	8,568	92,592	123,061
-	1,043	-	-	-	-	-	-	10,406	40,089
-	<u>85,067</u>	-	-	-	<u>35</u>	<u>1,911</u>	<u>8,568</u>	<u>127,481</u>	<u>238,145</u>
-	-	794,705	1,206,140	-	682,821	-	-	2,683,666	2,378,630
-	-	-	751,937	-	305,548	-	-	1,057,485	1,343,910
-	-	-	-	-	-	-	-	58,943	58,910
-	-	-	-	-	-	8,200	-	8,200	8,200
-	-	-	-	-	-	-	-	248,978	226,829
-	-	-	-	-	-	33,851	-	33,851	18,812
<u>175,223</u>	<u>662</u>	<u>1,462,789</u>	<u>-</u>	<u>90,580</u>	<u>-</u>	<u>1,837,045</u>	<u>18,832</u>	<u>3,705,345</u>	<u>3,528,774</u>
<u>175,223</u>	<u>662</u>	<u>2,257,494</u>	<u>1,958,077</u>	<u>90,580</u>	<u>988,369</u>	<u>1,879,096</u>	<u>18,832</u>	<u>7,796,468</u>	<u>7,564,065</u>
<u>\$ 175,223</u>	<u>\$ 85,729</u>	<u>\$ 2,257,494</u>	<u>\$ 1,958,077</u>	<u>\$ 90,580</u>	<u>\$ 988,404</u>	<u>\$ 1,881,007</u>	<u>\$ 27,400</u>	<u>\$ 7,923,949</u>	<u>\$ 7,802,210</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010 with comparative totals
for the year ended June 30, 2009

	<u>Parking Maintenance Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Brownfield Fund</u>	<u>Drug Law Enforcement Fund</u>	<u>Delta County Central Dispatch Authority Fund</u>	<u>Library Fund</u>
REVENUES:						
Taxes	\$ -	\$ 276,184	\$ 26,993	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	151,061
State grants	-	-	-	-	-	11,317
Federal sources	-	-	-	-	-	-
Charges for services	14,098	-	-	-	619,517	-
Fines and forfeitures	-	-	-	81,964	-	21,391
Miscellaneous	149	21,910	237	413	530	13,445
	<u>14,247</u>	<u>298,094</u>	<u>27,230</u>	<u>82,377</u>	<u>620,047</u>	<u>197,214</u>
TOTAL REVENUES						
EXPENDITURES:						
Public safety	-	-	-	82,779	620,126	-
Highways, streets and public works	21,157	-	-	-	-	-
Community services	-	-	-	-	-	-
Cultural	-	-	-	-	-	521,991
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	189,993	29,761	-	-	-
Debt service	-	53,486	-	-	-	-
	<u>21,157</u>	<u>243,479</u>	<u>29,761</u>	<u>82,779</u>	<u>620,126</u>	<u>521,991</u>
TOTAL EXPENDITURES						
EXCESS REVENUES (EXPENDITURES)	<u>(6,910)</u>	<u>54,615</u>	<u>(2,531)</u>	<u>(402)</u>	<u>(79)</u>	<u>(324,777)</u>
OTHER FINANCING SOURCES (USES):						
Gain (loss) on sale of investments	22	799	35	57	79	479
Operating transfers in	7,058	-	-	-	-	312,000
Operating transfers out	-	(33,265)	-	-	-	-
	<u>7,080</u>	<u>(32,466)</u>	<u>35</u>	<u>57</u>	<u>79</u>	<u>312,479</u>
TOTAL OTHER FINANCING SOURCES (USES)						
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	170	22,149	(2,496)	(345)	-	(12,298)
Fund balances, beginning of year	<u>693</u>	<u>226,829</u>	<u>6,780</u>	<u>78,967</u>	<u>-</u>	<u>107,686</u>
FUND BALANCES, END OF YEAR	<u>\$ 863</u>	<u>\$ 248,978</u>	<u>\$ 4,284</u>	<u>\$ 78,622</u>	<u>\$ -</u>	<u>\$ 95,388</u>

See accompanying notes to financial statements.

Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E. D. A. Revolving Loan Fund	Farmers Home Grant Fund	M. S. C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,177	\$ 287,978
-	48,105	-	-	-	-	-	-	199,166	204,276
-	2,091	-	-	-	-	-	-	13,408	16,576
-	82,502	-	-	-	-	-	-	82,502	72,003
-	-	-	-	-	-	-	186,346	819,961	826,746
-	-	-	-	-	-	-	-	103,355	25,820
36,853	-	75,232	65,998	1,705	48,728	126,777	1,391	393,368	564,655
<u>36,853</u>	<u>132,698</u>	<u>75,232</u>	<u>65,998</u>	<u>1,705</u>	<u>48,728</u>	<u>126,777</u>	<u>187,737</u>	<u>1,914,937</u>	<u>1,998,054</u>
-	-	-	-	-	-	-	-	702,905	665,890
-	-	-	-	-	-	51,117	142	72,416	124,022
-	166,660	-	-	-	-	-	-	166,660	114,553
-	-	-	-	-	-	-	-	521,991	522,456
620	-	28,754	800	-	1,438	-	-	31,612	3,268
-	-	-	-	100	-	-	-	219,854	404,567
-	-	-	-	-	-	-	-	53,486	55,938
620	166,660	28,754	800	100	1,438	51,117	142	1,768,924	1,890,694
<u>36,233</u>	<u>(33,962)</u>	<u>46,478</u>	<u>65,198</u>	<u>1,605</u>	<u>47,290</u>	<u>75,660</u>	<u>187,595</u>	<u>146,013</u>	<u>107,360</u>
459	-	3,980	1,526	258	689	4,499	210	13,092	(7,863)
-	33,962	-	-	-	-	-	-	353,020	358,596
-	-	-	-	-	-	(62,357)	(184,100)	(279,722)	(269,476)
459	33,962	3,980	1,526	258	689	(57,858)	(183,890)	86,390	81,257
36,692	-	50,458	66,724	1,863	47,979	17,802	3,705	232,403	188,617
<u>138,531</u>	<u>662</u>	<u>2,207,036</u>	<u>1,891,353</u>	<u>88,717</u>	<u>940,390</u>	<u>1,861,294</u>	<u>15,127</u>	<u>7,564,065</u>	<u>7,375,448</u>
<u>\$ 175,223</u>	<u>\$ 662</u>	<u>\$ 2,257,494</u>	<u>\$ 1,958,077</u>	<u>\$ 90,580</u>	<u>\$ 988,369</u>	<u>\$ 1,879,096</u>	<u>\$ 18,832</u>	<u>\$ 7,796,468</u>	<u>\$ 7,564,065</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 929,963	\$ 711,985
Receivables:		
Accrued interest	3,633	5,017
Due from other funds:		
Electric Fund	-	2,063
Due from other governments:		
State of Michigan	<u>105,011</u>	<u>105,395</u>
TOTAL ASSETS	<u>\$ 1,038,607</u>	<u>\$ 824,460</u>
LIABILITIES:		
Accounts payable	<u>\$ 5,513</u>	<u>\$ 2,057</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>1,033,094</u>	<u>822,403</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,038,607</u>	<u>\$ 824,460</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 708.000	\$ 642.452	\$ (65.548)
Winter maintenance	-	45.145	45.145
PA 48 annual maintenance fee	45.000	45.438	438
Miscellaneous:			
Interest earnings	<u>25.000</u>	<u>14.920</u>	<u>(10.080)</u>
TOTAL REVENUES	<u>778.000</u>	<u>747.955</u>	<u>(30.045)</u>
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	59.455	52.697	6.758
Storm sewers	58.381	33.103	25.278
Grass and weed cutting	18.438	10.000	8.438
Sweeping and flushing	41.012	33.787	7.225
Street paving	<u>300.000</u>	<u>233.610</u>	<u>66.390</u>
Total preservation streets	<u>477.286</u>	<u>363.197</u>	<u>114.089</u>
Traffic services - maintenance:			
Pavement markings and signs	<u>60.084</u>	<u>68.808</u>	<u>(8.724)</u>
Winter maintenance:			
Snow removal	188.182	41.646	146.536
Snow plowing	87.159	35.680	51.479
Snow control	254	-	254
Ice control	<u>73.012</u>	<u>31.314</u>	<u>41.698</u>
Total winter maintenance	<u>348.607</u>	<u>108.640</u>	<u>239.967</u>
Administration engineering and record keeping	<u>69.203</u>	<u>78.864</u>	<u>(9.661)</u>
TOTAL EXPENDITURES	<u>955.180</u>	<u>619.509</u>	<u>335.671</u>
EXCESS REVENUES (EXPENDITURES)	<u>(177.180)</u>	<u>128.446</u>	<u>305.626</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	2.245	2.245
Operating transfers in:			
General Fund	<u>80.000</u>	<u>80,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>80.000</u>	<u>82,245</u>	<u>2,245</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(97.180)</u>	<u>210.691</u>	<u>307.871</u>
Fund balance, beginning of year	<u>97.180</u>	<u>822.403</u>	<u>725.223</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1.033.094</u>	<u>\$ 1.033.094</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 311,118	\$ 270,911
Receivables:		
Special assessments	204,917	407,105
Accrued interest	1,358	1,108
Due from other governments:		
State of Michigan	<u>39,502</u>	<u>39,641</u>
TOTAL ASSETS	<u>\$ 556,895</u>	<u>\$ 718,765</u>
LIABILITIES:		
Accounts payable	\$ 971	\$ 2,624
Due to other governments:		
State of Michigan	120	120
Deferred revenue	<u>204,917</u>	<u>407,105</u>
TOTAL LIABILITIES	<u>206,008</u>	<u>409,849</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>350,887</u>	<u>308,916</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 556,895</u>	<u>\$ 718,765</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 250.000	\$ 241,186	\$ (8,814)
Miscellaneous:			
Interest earnings	4,000	9,672	5,672
Special assessments	<u>58,500</u>	<u>131,297</u>	<u>72,797</u>
TOTAL REVENUES	<u>312,500</u>	<u>382,155</u>	<u>69,655</u>
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	47,750	49,380	(1,630)
Storm sewers	63,998	41,974	22,024
Sweeping and flushing	36,943	33,330	3,613
Blading	9,068	7,782	1,286
Dust control	7,702	1,797	5,905
Street paving	<u>300,000</u>	<u>294,478</u>	<u>5,522</u>
Total preservation streets	<u>465,461</u>	<u>428,741</u>	<u>36,720</u>
Traffic services - maintenance	<u>21,375</u>	<u>32,224</u>	<u>(10,849)</u>
Winter maintenance:			
Snow removal	24,273	8,531	15,742
Snow plowing	68,353	26,109	42,244
Ice control	<u>36,273</u>	<u>21,438</u>	<u>14,835</u>
Total winter maintenance	<u>128,899</u>	<u>56,078</u>	<u>72,821</u>
Administration engineering and record keeping	<u>54,416</u>	<u>64,839</u>	<u>(10,423)</u>
TOTAL EXPENDITURES	<u>670,151</u>	<u>581,882</u>	<u>88,269</u>
EXCESS REVENUES (EXPENDITURES)	<u>(357,651)</u>	<u>(199,727)</u>	<u>157,924</u>
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	620	620
Operating transfers in:			
Gas Retirement Fund	42,000	21,078	(20,922)
General Fund	<u>220,000</u>	<u>220,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>262,000</u>	<u>241,698</u>	<u>(20,302)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	<u>(95,651)</u>	<u>41,971</u>	<u>137,622</u>
Fund balance, beginning of year	<u>95,651</u>	<u>308,916</u>	<u>213,265</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 350,887</u>	<u>\$ 350,887</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 794	\$ 693
Receivables:		
Accrued interest	<u>69</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 863</u>	<u>\$ 693</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 863</u>	<u>\$ 693</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services	\$ 30.000	\$ 14.098	\$ (15.902)
Miscellaneous:			
Interest earnings	<u> -</u>	<u> 149</u>	<u> 149</u>
TOTAL REVENUES	<u>30.000</u>	<u>14.247</u>	<u>(15.753)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	30.000	14.448	15.552
Non-DDA lot maintenance	<u>25.000</u>	<u>6.709</u>	<u>18.291</u>
TOTAL EXPENDITURES	<u>55.000</u>	<u>21.157</u>	<u>33.843</u>
EXCESS REVENUES (EXPENDITURES)	<u>(25.000)</u>	<u>(6.910)</u>	<u>18.090</u>
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	-	22	22
Operating transfers in:			
General Fund	<u>25.000</u>	<u>7.058</u>	<u>(17.942)</u>
TOTAL OTHER FINANCING SOURCES	<u>25.000</u>	<u>7.080</u>	<u>(17.920)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	170	170
Fund balance, beginning of year	<u>693</u>	<u>693</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 693</u>	<u>\$ 863</u>	<u>\$ 170</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Cash and equivalents	\$ 3,433	\$ 3,217
Investments, at market	256,696	234,631
Receivables	-	-
Accrued interest	1,095	2,504
TOTAL ASSETS	\$ 261,224	\$ 240,352
LIABILITIES:		
Accounts payable	\$ 11,319	\$ 13,523
Due to other funds:		
Grants Fund	927	-
TOTAL LIABILITIES	12,246	13,523
FUND BALANCES:		
Reserved for:		
Future DDA projects as listed in the TIF Development Plan	248,978	226,829
TOTAL LIABILITIES AND FUND BALANCES	\$ 261,224	\$ 240,352

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 274,000	\$ 276,184	\$ 2,184
Miscellaneous:			
Contributions from private sources	40,320	16,149	(24,171)
Interest earnings	12,000	5,363	(6,637)
Other	-	398	398
	<u>326,320</u>	<u>298,094</u>	<u>(28,226)</u>
TOTAL REVENUES			
EXPENDITURES:			
Economic development:			
Salaries and wages	65,180	60,995	4,185
Fringe benefits	20,100	9,410	10,690
Supplies	5,400	3,330	2,070
Professional services	28,500	2,060	26,440
Rental rehabilitation	600	600	-
Communication	2,500	1,900	600
Transportation	5,000	1,672	3,328
Public relations	75,320	44,447	30,873
Printing & publishing	2,500	2,089	411
Insurance & bonds	1,500	1,035	465
Public utilities	2,700	2,452	248
Maintenance of parking lots	25,000	14,098	10,902
Capital outlay	33,000	22,762	10,238
Capital outlay - equipment	3,300	2,557	743
Building maintenance	18,350	15,423	2,927
Maintenance of sidewalks	3,000	176	2,824
Equipment maintenance	1,800	1,306	494
Equipment rental	2,100	1,388	712
Books, magazines & periodicals	500	232	268
Memberships & dues	850	640	210
Education and training	1,500	1,421	79
	<u>298,700</u>	<u>189,993</u>	<u>108,707</u>
Total economic development			
Debt service:			
Principal retirement	40,000	40,000	-
Interest charges	13,500	13,486	14
	<u>53,500</u>	<u>53,486</u>	<u>14</u>
Total debt service			
TOTAL EXPENDITURES	<u>352,200</u>	<u>243,479</u>	<u>108,721</u>
EXCESS REVENUES (EXPENDITURES)	<u>(25,880)</u>	<u>54,615</u>	<u>80,495</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	799	799
Operating transfers out:			
Grants Fund	(34,000)	(33,265)	735
	<u>(34,000)</u>	<u>(32,466)</u>	<u>1,534</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(59,880)</u>	<u>22,149</u>	<u>82,029</u>
Fund balance, beginning of year	<u>226,829</u>	<u>226,829</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 166,949</u>	<u>\$ 248,978</u>	<u>\$ 82,029</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Investments, at market	\$ 3,791	\$ 6,688
Receivables:		
Accrued interest	44	94
Due from other funds:		
General Fund	1,979	-
TOTAL ASSETS	\$ 5,814	\$ 6,782
LIABILITIES:		
Accounts payable	\$ 1,530	\$ 2
FUND BALANCES:		
Unreserved:		
Undesignated	4,284	6,780
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,814	\$ 6,782

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 27,000	\$ 26,993	\$ (7)
Miscellaneous:			
Interest earnings	<u>200</u>	<u>237</u>	<u>37</u>
TOTAL REVENUES	<u>27,200</u>	<u>27,230</u>	<u>30</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	-	1,778	(1,778)
Fringe benefits	-	641	(641)
Professional services	3,000	266	2,734
TIF reimbursement	27,000	26,993	7
Education and training	-	60	(60)
Office supplies	<u>-</u>	<u>23</u>	<u>(23)</u>
TOTAL EXPENDITURES	<u>30,000</u>	<u>29,761</u>	<u>239</u>
EXCESS REVENUES (EXPENDITURES)	(2,800)	(2,531)	269
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>35</u>	<u>35</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(2,800)	(2,496)	304
Fund balance, beginning of year	<u>6,780</u>	<u>6,780</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,980</u>	<u>\$ 4,284</u>	<u>\$ 304</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash and equivalents:		
UPSET adjudicated funds	\$ 22,491	\$ 22,478
UPSET federal forfeiture	32,683	32,665
Non-adjudicated account	3,769	3,767
Investments, at market	19,596	19,900
Receivables:		
Accrued interest	<u>83</u>	<u>157</u>
TOTAL ASSETS	<u>\$ 78,622</u>	<u>\$ 78,967</u>
FUND BALANCES:		
Reserved for:		
UPSET expenses	\$ 58,943	\$ 58,910
Unreserved:		
Undesignated	<u>19,679</u>	<u>20,057</u>
TOTAL FUND BALANCES	<u>\$ 78,622</u>	<u>\$ 78,967</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 83,000	\$ 81,964	\$ (1,036)
Miscellaneous:			
Interest earnings	<u>1,100</u>	<u>413</u>	<u>(687)</u>
TOTAL REVENUES	<u>84,100</u>	<u>82,377</u>	<u>(1,723)</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	85,000	81,274	3,726
Travel expenses	-	155	(155)
Supplies	3,000	-	3,000
Capital outlay - equipment	-	650	(650)
Education and training	<u>-</u>	<u>700</u>	<u>(700)</u>
TOTAL EXPENDITURES	<u>88,000</u>	<u>82,779</u>	<u>5,221</u>
EXCESS REVENUES (EXPENDITURES)	(3,900)	(402)	3,498
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>57</u>	<u>57</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(3,900)	(345)	3,555
Fund balance, beginning of year	<u>78,967</u>	<u>78,967</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 75,067</u>	<u>\$ 78,622</u>	<u>\$ 3,555</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DELTA COUNTY CENTRAL DISPATCH AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 2,763	\$ -
Receivables:		
Accrued interest	90	26
Due from other governments:		
Local units	-	35,119
Prepaid expenses	<u>4,510</u>	<u>7,196</u>
TOTAL ASSETS	<u>\$ 7,363</u>	<u>\$ 42,341</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 3,190
Due to other funds:		
General Fund	-	39,151
Deferred revenue	<u>7,363</u>	<u>-</u>
TOTAL LIABILITIES	<u>7,363</u>	<u>42,341</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,363</u>	<u>\$ 42,341</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Service fees	\$ 641,022	\$ 619,517	\$ (21,505)
Miscellaneous:			
Interest earnings	<u>50</u>	<u>530</u>	<u>480</u>
TOTAL REVENUES	<u>641,072</u>	<u>620,047</u>	<u>(21,025)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	417,178	424,516	(7,338)
Fringe benefits	90,876	83,606	7,270
Overhead on salaries and wages	89,718	90,794	(1,076)
Travel expenses	1,700	478	1,222
Professional services	1,500	-	1,500
Supplies	400	60	340
Building supplies	-	19	(19)
Equipment rental	16,200	7,053	9,147
Communication	3,800	2,912	888
Printing & publishing	400	-	400
Capital outlay	800	868	(68)
Uniform maintenance	200	-	200
Building maintenance	-	108	(108)
Equipment maintenance	13,000	8,601	4,399
Books, magazines & periodicals	-	150	(150)
Memberships & dues	200	320	(120)
Education and training	2,800	247	2,553
Office expense	300	335	(35)
Office supplies	<u>2,000</u>	<u>59</u>	<u>1,941</u>
TOTAL EXPENDITURES	<u>641,072</u>	<u>620,126</u>	<u>20,946</u>
EXCESS REVENUES (EXPENDITURES)	-	(79)	(79)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>79</u>	<u>79</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
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, 2010 and 2009

	June 30	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 99,814	\$ 105,008
Receivables:		
Accrued interest	677	1,775
Due from other governments:		
State of Michigan	<u>5,658</u>	<u>8,712</u>
TOTAL ASSETS	<u>\$ 106,149</u>	<u>\$ 115,495</u>
LIABILITIES:		
Accounts payable	\$ 8,761	\$ 7,809
Deferred revenue	<u>2,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>10,761</u>	<u>7,809</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>95,388</u>	<u>107,686</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 106,149</u>	<u>\$ 115,495</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
Penal fines	\$ 150,000	\$ 151,061	\$ 1,061
State grants:			
State aid	20,000	11,317	(8,683)
Fines and forfeitures:			
Book fines	19,500	21,391	1,891
Miscellaneous:			
Contributions from private sources	3,275	8,925	5,650
Interest earnings	6,000	3,153	(2,847)
Other	-	967	967
National Endowment Arts Grant	-	400	400
TOTAL REVENUES	<u>198,775</u>	<u>197,214</u>	<u>(1,561)</u>
EXPENDITURES:			
Cultural:			
Salaries and wages	260,385	252,110	8,275
Fringe benefits	115,113	116,065	(952)
Supplies	10,100	9,997	103
Professional services	31,250	22,105	9,145
Communication	4,710	4,241	469
Transportation	2,000	268	1,732
Insurance & bonds	850	748	102
Office rental	61,200	61,200	-
Capital outlay - equipment	2,765	2,661	104
Equipment maintenance	2,450	2,209	241
Equipment rental	1,930	1,965	(35)
Books, magazines & periodicals	47,250	47,287	(37)
Memberships & dues	555	555	-
Education and training	500	180	320
NEA Grant expenses	-	400	(400)
TOTAL EXPENDITURES	<u>541,058</u>	<u>521,991</u>	<u>19,067</u>
EXCESS REVENUES (EXPENDITURES)	<u>(342,283)</u>	<u>(324,777)</u>	<u>17,506</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	479	479
Operating transfers in:			
General Fund	312,000	312,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>312,000</u>	<u>312,479</u>	<u>479</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(30,283)</u>	<u>(12,298)</u>	<u>17,985</u>
Fund balance, beginning of year	<u>107,686</u>	<u>107,686</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 77,403</u>	<u>\$ 95,388</u>	<u>\$ 17,985</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 174,510	\$ 137,378
Receivables:		
Accrued interest	<u>713</u>	<u>1,153</u>
TOTAL ASSETS	<u>\$ 175,223</u>	<u>\$ 138,531</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 175,223</u>	<u>\$ 138,531</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ 29,800	\$ 33,802	\$ 4,002
Interest earnings	<u>2,700</u>	<u>3,051</u>	<u>351</u>
TOTAL REVENUES	<u>32,500</u>	<u>36,853</u>	<u>4,353</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1,000</u>	<u>620</u>	<u>380</u>
EXCESS REVENUES	31,500	36,233	4,733
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>459</u>	<u>459</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	31,500	36,692	5,192
Fund balance, beginning of year	<u>138,531</u>	<u>138,531</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 170,031</u>	<u>\$ 175,223</u>	<u>\$ 5,192</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ -	\$ 49,787
Due from other funds:		
Land Development Fund	697	-
DDA Fund	927	-
Due from other governments:		
State of Michigan	<u>84,105</u>	<u>88,574</u>
TOTAL ASSETS	<u>\$ 85,729</u>	<u>\$ 138,361</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 21,078
Due to other funds:		
Land Development Fund	-	4,204
General Fund	84,024	72,328
Deferred revenue	<u>1,043</u>	<u>40,089</u>
TOTAL LIABILITIES	<u>85,067</u>	<u>137,699</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>662</u>	<u>662</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 85,729</u>	<u>\$ 138,361</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ 49,150	\$ 48,105	\$ (1,045)
State grants	1,400	2,091	691
Federal sources	<u>82,500</u>	<u>82,502</u>	<u>2</u>
TOTAL REVENUES	<u>133,050</u>	<u>132,698</u>	<u>(352)</u>
EXPENDITURES:			
Community services:			
North Shore boat launch	2,800	2,788	12
Facade project	<u>165,650</u>	<u>163,872</u>	<u>1,778</u>
TOTAL EXPENDITURES	<u>168,450</u>	<u>166,660</u>	<u>1,790</u>
EXCESS REVENUES (EXPENDITURES)	<u>(35,400)</u>	<u>(33,962)</u>	<u>1,438</u>
OTHER FINANCING SOURCES:			
Operating transfers in:			
Land Development Fund	1,400	697	(703)
DDA Fund	34,000	33,265	(735)
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>35,400</u>	<u>33,962</u>	<u>(1,438)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	<u>662</u>	<u>662</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 662</u>	<u>\$ 662</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 1,456,808	\$ 1,309,230
Receivables:		
Mortgages, land contracts and other notes	794,705	890,797
Accrued interest	<u>5,981</u>	<u>11,058</u>
TOTAL ASSETS	<u>\$ 2,257,494</u>	<u>\$ 2,211,085</u>
LIABILITIES:		
Accounts payable	<u>\$ -</u>	<u>\$ 4,049</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	794,705	890,797
Unreserved:		
Undesignated	<u>1,462,789</u>	<u>1,316,239</u>
TOTAL FUND BALANCES	<u>2,257,494</u>	<u>2,207,036</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,257,494</u>	<u>\$ 2,211,085</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 90,000	\$ 63,450	\$ (26,550)
Other	<u>7,500</u>	<u>11,782</u>	<u>4,282</u>
TOTAL REVENUES	<u>97,500</u>	<u>75,232</u>	<u>(22,268)</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,200	835	365
Bad debt	<u>29,000</u>	<u>27,919</u>	<u>1,081</u>
TOTAL EXPENDITURES	<u>30,200</u>	<u>28,754</u>	<u>1,446</u>
EXCESS REVENUES	67,300	46,478	(20,822)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>3,980</u>	<u>3,980</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	67,300	50,458	(16,842)
Fund balance, beginning of year	<u>2,207,036</u>	<u>2,207,036</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,274,336</u>	<u>\$ 2,257,494</u>	<u>\$ (16,842)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010 and 2009

	June 30	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 349.161	\$ 474.263
Sequestered cash and equivalents	400.960	400.502
Receivables:		
Mortgages, land contracts and other notes	1.206.140	1.012.852
Accrued interest	<u>1.816</u>	<u>3.736</u>
TOTAL ASSETS	<u>\$ 1,958.077</u>	<u>\$ 1,891.353</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 1,206.140	\$ 1,012.852
Revolving loans	<u>751.937</u>	<u>878.501</u>
TOTAL FUND BALANCES	<u>\$ 1,958.077</u>	<u>\$ 1,891.353</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 85.000	\$ 65,998	\$ (19.002)
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>2.000</u>	<u>800</u>	<u>1.200</u>
EXCESS REVENUES	83.000	65.198	(17.802)
OTHER FINANCING SOURCES:			
Gain (loss) on sale of investments	<u>-</u>	<u>1.526</u>	<u>1.526</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	83.000	66.724	(16.276)
Fund balance, beginning of year	<u>1,891,353</u>	<u>1,891,353</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,974,353</u>	<u>\$ 1,958,077</u>	<u>\$ (16,276)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOME GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 90.203	\$ 87.963
Receivables:		
Accrued interest	<u>377</u>	<u>754</u>
TOTAL ASSETS	<u>\$ 90.580</u>	<u>\$ 88.717</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 90.580</u>	<u>\$ 88.717</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 3.300	\$ 1.705	\$ (1.595)
EXPENDITURES:			
Economic development:			
Administration	<u>250</u>	<u>100</u>	<u>150</u>
EXCESS REVENUES	3.050	1.605	(1.445)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>258</u>	<u>258</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	3.050	1.863	(1.187)
Fund balance, beginning of year	<u>88.717</u>	<u>88.717</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 91.767</u>	<u>\$ 90.580</u>	<u>\$ (1.187)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 304,549	\$ 461,794
Receivables:		
Mortgages, land contracts and other notes	682,821	474,981
Accrued interest	<u>1,034</u>	<u>3,640</u>
TOTAL ASSETS	<u>\$ 988,404</u>	<u>\$ 940,415</u>
LIABILITIES:		
Accounts payable	<u>\$ 35</u>	<u>\$ 25</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	682,821	474,981
Revolving loans	<u>305,548</u>	<u>465,409</u>
TOTAL FUND BALANCES	<u>988,369</u>	<u>940,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 988,404</u>	<u>\$ 940,415</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 50,000	\$ 48,728	\$ (1,272)
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	2,000	1,186	814
Printing & publishing	-	252	(252)
TOTAL EXPENDITURES	<u>2,000</u>	<u>1,438</u>	<u>562</u>
EXCESS REVENUES	48,000	47,290	(710)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	689	689
EXCESS REVENUES AND OTHER FINANCING SOURCES	48,000	47,979	(21)
Fund balance, beginning of year	<u>940,390</u>	<u>940,390</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 988,390</u>	<u>\$ 988,369</u>	<u>\$ (21)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 1,577.102	\$ 1,558.214
Receivables:		
Accounts, net of bad debt allowance	-	400
Accrued interest	6.505	13.191
Due from other funds:		
Grants Fund	-	4,204
Advances to other funds:		
Marina Fund	289,200	298,200
Real estate held for resale	<u>8,200</u>	<u>8,200</u>
TOTAL ASSETS	<u>\$ 1,881,007</u>	<u>\$ 1,882,409</u>
LIABILITIES:		
Accounts payable	\$ 1,214	\$ 21,115
Due to other funds:		
Grants Fund	<u>697</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,911</u>	<u>21,115</u>
FUND BALANCES:		
Reserved for:		
Land held for resale	8,200	8,200
Capital improvements	33,851	18,812
Unreserved:		
Undesignated	<u>1,837,045</u>	<u>1,834,282</u>
TOTAL FUND BALANCES	<u>1,879,096</u>	<u>1,861,294</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,881,007</u>	<u>\$ 1,882,409</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 68,000	\$ 44,681	\$ (23,319)
Rents	4,975	4,978	3
Sale of property	-	1,000	1,000
Sale of stumpage	66,000	75,194	9,194
Sale of sand/topsoil	-	924	924
	<u>138,975</u>	<u>126,777</u>	<u>(12,198)</u>
TOTAL REVENUES			
EXPENDITURES:			
Highways, streets and public works:			
Loan repayment	-	23,750	(23,750)
Professional services	18,000	14,163	3,837
Capital outlay	33,750	4,140	29,610
Property taxes	6,000	5,607	393
Property improvements	10,000	3,457	6,543
	<u>67,750</u>	<u>51,117</u>	<u>16,633</u>
TOTAL EXPENDITURES			
EXCESS REVENUES	<u>71,225</u>	<u>75,660</u>	<u>4,435</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	4,499	4,499
Operating transfers out:			
General Fund	(60,000)	(61,660)	(1,660)
Grants Fund	(1,400)	(697)	703
	<u>(61,400)</u>	<u>(57,858)</u>	<u>3,542</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS REVENUES AND OTHER FINANCING SOURCES	9,825	17,802	7,977
Fund balance, beginning of year	<u>1,861,294</u>	<u>1,861,294</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 1,871,119</u>	<u>\$ 1,879,096</u>	<u>\$ 7,977</u>

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
COMPARATIVE BALANCE SHEET

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Investments, at market	\$ 206	\$ (4)
Receivables:		
Accounts, net of bad debt allowance	26,631	25,674
Accrued interest	563	1,039
TOTAL ASSETS	\$ 27,400	\$ 26,709
LIABILITIES:		
Due to other funds:		
General Fund	\$ 8,568	\$ 11,582
FUND BALANCES:		
Unreserved:		
Undesignated	18,832	15,127
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,400	\$ 26,709

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Metered sales	\$ 182.000	\$ 186.346	\$ 4.346
Miscellaneous:			
Interest earnings	<u>2.300</u>	<u>1.391</u>	<u>(909)</u>
TOTAL REVENUES	<u>184.300</u>	<u>187.737</u>	<u>3.437</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	100	100	-
Uncollectible accounts	<u>100</u>	<u>42</u>	<u>58</u>
TOTAL EXPENDITURES	<u>200</u>	<u>142</u>	<u>58</u>
EXCESS REVENUES	<u>184.100</u>	<u>187.595</u>	<u>3.495</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	210	210
Operating transfers out:			
General Fund	<u>(184.100)</u>	<u>(184.100)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(184.100)</u>	<u>(183.890)</u>	<u>210</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	3,705	3,705
Fund balance, beginning of year	<u>15.127</u>	<u>15.127</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 15.127</u>	<u>\$ 18.832</u>	<u>\$ 3,705</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, 2010
with comparative totals for June 30, 2009

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2010	2009
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 16,375,966	\$ 1,683,125	\$ 1,222,420	\$ 216,339	\$ 19,497,850	\$ 16,941,559
Cash received from other funds for services	-	-	17,279	-	17,279	13,695
Cash payments to suppliers for goods and services	(17,197,880)	(539,599)	(548,037)	(114,390)	(18,399,906)	(17,381,240)
Cash payments to employees for services	(1,134,093)	(665,386)	(449,796)	(55,879)	(2,305,154)	(2,231,171)
Cash payments to other funds for services	(16,945)	(41,543)	(36,768)	(5,764)	(101,020)	(115,154)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,972,952)	436,597	205,098	40,306	(1,290,951)	(2,772,311)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	-	-	-	(9,000)	(9,000)	(8,000)
Operating transfers out	(463,624)	-	-	-	(463,624)	(463,624)
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(463,624)	-	-	(9,000)	(472,624)	(471,624)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from revenue bonds	-	-	-	-	-	220,031
Contribution of capital assets	-	-	-	-	-	633
Acquisition and construction of capital assets	(1,749,030)	(123,640)	(86,198)	(5,956)	(1,964,824)	(1,719,085)
Proceeds from sale of capital assets	2,495	-	-	-	2,495	-
Principal paid on revenue bond maturities	-	(240,000)	(125,000)	-	(365,000)	(365,000)
Interest paid	-	(111,862)	(19,063)	(14,910)	(145,835)	(152,959)
State Grant	-	-	-	3,731	3,731	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(1,746,535)	(475,502)	(230,261)	(17,135)	(2,469,433)	(2,016,380)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	34,261	1,042	6,145	175	41,623	(27,653)
Interest received	406,139	10,922	50,284	1,325	468,670	942,386
Rent received	-	17,233	-	-	17,233	24,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	440,400	29,197	56,429	1,500	527,526	938,733
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,742,711)	(9,708)	31,266	15,671	(3,705,482)	(4,321,582)
Cash and equivalents, beginning of year	13,282,460	444,511	2,305,450	106,888	16,139,309	20,460,891
CASH AND EQUIVALENTS, END OF YEAR	\$ 9,539,749	\$ 434,803	\$ 2,336,716	\$ 122,559	\$ 12,433,827	\$ 16,139,309
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (2,245,458)	\$ 102,185	\$ 79,434	\$ (22,337)	\$ (2,086,176)	\$ (1,777,542)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	977,542	327,973	208,977	63,120	1,577,612	1,551,585
Decline in market value of inventory	(203,308)	-	-	-	(203,308)	(790,763)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	29,852	(28,987)	(24,612)	(1,315)	(25,062)	(18,904)
(Increase) decrease in inventory	(939,521)	(6,936)	(1,128)	6,125	(941,460)	(3,537,156)
(Increase) decrease in prepaid expenses	67,785	-	-	-	67,785	191,524
Increase (decrease) in accounts payable	97,470	29,664	(53,640)	(5,287)	68,207	1,608,959
Increase (decrease) in accruals and deferrals	251,343	12,698	(3,933)	-	260,108	(10,001)
Increase (decrease) in customer deposits	(6,594)	-	-	-	(6,594)	7,924
Increase (decrease) in due to other funds	(2,063)	-	-	-	(2,063)	2,063
Total adjustments	272,506	334,412	125,664	62,643	795,225	(994,769)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,972,952)	\$ 436,597	\$ 205,098	\$ 40,306	\$ (1,290,951)	\$ (2,772,311)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Cash	\$ 51,563	\$ 51,391
Investments, at market	9,488,186	13,231,069
Receivables:		
Accounts	2,147,992	2,177,844
Accrued interest	42,108	141,740
Inventories, net of obsolescence allowance	6,570,773	5,631,252
Prepaid expenses	<u>114,813</u>	<u>182,598</u>
Total current assets	<u>18,415,435</u>	<u>21,415,894</u>
Property, plant and equipment	32,977,310	31,267,840
Less accumulated depreciation	<u>(23,725,481)</u>	<u>(22,787,499)</u>
Net property, plant and equipment	<u>9,251,829</u>	<u>8,480,341</u>
TOTAL ASSETS	<u>\$ 27,667,264</u>	<u>\$ 29,896,235</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,055,417	\$ 1,957,947
Customer deposits	204,280	210,874
Accrued salaries, wages and fringes	111,934	91,102
Due to other funds:		
Major Street Fund	-	2,063
Deferred revenue	<u>230,511</u>	<u>-</u>
Total current liabilities	<u>2,602,142</u>	<u>2,261,986</u>
NET ASSETS:		
Retained earnings:		
Invested in capital assets, net of related debt	9,251,829	8,480,341
Unrestricted	<u>15,813,293</u>	<u>19,153,908</u>
TOTAL NET ASSETS	<u>25,065,122</u>	<u>27,634,249</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,667,264</u>	<u>\$ 29,896,235</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 3,565,375	\$ 3,447,954
Hot water sales	32,847	33,529
Electric heat sales	27,155	31,121
Commercial sales	4,093,634	4,093,377
Industrial sales	4,739,076	4,683,411
Municipal rate sales	537,236	552,247
Street lighting	163,704	153,892
Interchange revenue	2,544,519	1,027,547
Connection charges	17,191	18,232
Energy optimization surcharge	93,232	-
Renewable energy surcharge	206,297	-
Dusk to dawn lighting	53,145	51,211
Miscellaneous revenues	48,786	44,179
	<u>16,122,197</u>	<u>14,136,700</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Production	14,921,397	12,804,973
Transmission and distribution	451,846	416,487
Customer service	25,047	28,288
Administrative and general	1,477,790	1,002,420
Provision for depreciation	977,542	948,603
Overhead to utilities	514,033	495,186
	<u>18,367,655</u>	<u>15,695,957</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>(2,245,458)</u>	<u>(1,559,257)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	34,261	(24,186)
Gain (loss) sale of property	2,495	-
Interest earnings	306,507	789,465
Operating transfers out:		
General Fund	(463,624)	(463,624)
Decline in market value of inventory	(203,308)	(790,763)
	<u>(323,669)</u>	<u>(489,108)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
CHANGE IN NET ASSETS	(2,569,127)	(2,048,365)
Net assets, beginning of year	27,634,249	29,681,981
Add: contributed capital	-	633
NET ASSETS, END OF YEAR	<u>\$ 25,065,122</u>	<u>\$ 27,634,249</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS

For the year ended June 30, 2010
with comparative totals for June 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$16,375,966	\$14,159,549
Cash payments to suppliers for goods and services	(17,197,880)	(16,236,011)
Cash payments to employees for services	(1,134,093)	(1,069,426)
Cash payments to other funds for services	<u>(16,945)</u>	<u>(18,778)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,972,952)</u>	<u>(3,164,666)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	<u>(463,624)</u>	<u>(463,624)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Contribution of capital assets	-	633
Acquisition and construction of capital assets	(1,749,030)	(1,580,586)
Proceeds from sale of capital assets	<u>2,495</u>	<u>-</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(1,746,535)</u>	<u>(1,579,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	34,261	(24,186)
Interest received	<u>406,139</u>	<u>831,915</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>440,400</u>	<u>807,729</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,742,711)	(4,400,514)
Cash and equivalents, beginning of year	<u>13,282,460</u>	<u>17,682,974</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 9,539,749</u>	<u>\$13,282,460</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$(2,245,458)</u>	<u>\$(1,559,256)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	977,542	948,603
Decline in market value of inventory	(203,308)	(790,763)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	29,852	14,924
(Increase) decrease in inventories	(939,521)	(3,546,964)
(Increase) decrease in prepaid expenses	67,785	191,524
Increase (decrease) in accounts payable	97,470	1,561,817
Increase (decrease) in accruals	20,832	5,462
Increase (decrease) in customer deposits	(6,594)	7,924
Increase (decrease) in due to other funds	(2,063)	2,063
Increase (decrease) in deferred revenue	<u>230,511</u>	<u>-</u>
Total adjustments	<u>272,506</u>	<u>(1,605,410)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$(1,972,952)</u>	<u>\$(3,164,666)</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, 2010 and 2009

	<u>June 30</u>		Increase
	<u>2010</u>	<u>2009</u>	(Decrease)
OPERATING EXPENSES:			
Production:			
Building maintenance	\$ 768	\$ 4,128	\$ (3,360)
Power purchased	14,336,672	11,735,631	2,601,041
Standby power	269,220	792,250	(523,030)
Production expense	200,124	191,723	8,401
Management fees	50,824	45,072	5,752
Dispatching fees	63,789	36,169	27,620
Total production	<u>\$ 14,921,397</u>	<u>\$ 12,804,973</u>	<u>\$ 2,116,424</u>
Transmission and distribution:			
Supplies	\$ 1,834	\$ -	\$ 1,834
Equipment rental	480	1,915	(1,435)
Building maintenance	205	89	116
Equipment maintenance	509	605	(96)
Pole painting	11,271	10,213	1,058
Operation of lines	108,366	107,059	1,307
Services on customer premises	6,797	3,796	3,001
Maintenance of equipment:			
Station equipment	11,110	8,648	2,462
Overhead system	170,351	123,098	47,253
Line transformers and devices	17,914	11,144	6,770
Services	30,694	35,843	(5,149)
Meters	39,911	56,332	(16,421)
Street lighting system	44,469	50,329	(5,860)
Underground system	4,107	3,119	988
Miscellaneous	3,828	4,297	(469)
Total transmission and distribution	<u>\$ 451,846</u>	<u>\$ 416,487</u>	<u>\$ 35,359</u>
Customer service:			
Salaries and wages	\$ 15,555	\$ 17,702	\$ (2,147)
Equipment rental	9,492	10,586	(1,094)
Total customer service	<u>\$ 25,047</u>	<u>\$ 28,288</u>	<u>\$ (3,241)</u>
Administrative and general:			
Salaries and wages	\$ 467,249	\$ 406,569	\$ 60,680
Fringe benefits	158,088	155,431	2,657
Bank service charges	6,119	2,971	3,148
Supplies	3,767	3,477	290
Clothing supplies	3,375	3,375	-
Building supplies	2,077	2,097	(20)
Inventory management	7,021	7,291	(270)
Professional services	341,049	164,694	176,355
Transportation	1,291	1,443	(152)
Printing & publishing	2,645	1,348	1,297
Insurance & bonds	36,578	99,834	(63,256)
Public utilities	32,442	32,354	88
Capital outlay	3,251	1,578	1,673
Building maintenance	25,148	25,543	(395)
Equipment maintenance	3,236	3,714	(478)
Equipment rental	6,973	8,340	(1,367)
Books, magazines & periodicals	550	1,126	(576)
Memberships & dues	23,501	22,684	817
Education and training	26,031	21,940	4,091
Provision for uncollectible accounts	3,196	3,664	(468)
Promotions	24,574	28,211	(3,637)
Energy conservation program	299,529	4,736	294,793
Miscellaneous	100	-	100
Total administrative and general	<u>\$ 1,477,790</u>	<u>\$ 1,002,420</u>	<u>\$ 475,370</u>

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, 2010

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Retirements,</u> <u>Dispositions</u> <u>and</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/10</u>
Operating plant:				
Structure and improvements	\$ 6,202,224	\$ 1,405,207	\$ -	\$ 7,607,431
Boiler plant equipment	1,467,166	-	-	1,467,166
Turbo generator units	1,315,044	-	-	1,315,044
Accessory work equipment	511,583	-	-	511,583
Miscellaneous power plant equipment	631,938	-	-	631,938
Office equipment power plant	275	-	-	275
Peaking generator	4,615,573	-	-	4,615,573
Pollution equipment	<u>3,338,019</u>	<u>-</u>	<u>-</u>	<u>3,338,019</u>
	<u>18,081,822</u>	<u>1,405,207</u>	<u>-</u>	<u>19,487,029</u>
Transmission system:				
Land clearing and right-of-way	65,432	-	-	65,432
Structures and improvements	488,869	-	-	488,869
Station equipment	698,195	-	-	698,195
Poles and fixtures	<u>12,630</u>	<u>-</u>	<u>-</u>	<u>12,630</u>
	<u>1,265,126</u>	<u>-</u>	<u>-</u>	<u>1,265,126</u>
Distribution system:				
Land and land rights	49,480	-	-	49,480
Structures and improvements	47,323	-	-	47,323
Station equipment	249,385	14,437	-	263,822
Poles, towers and fixtures	1,176,894	28,480	21,528	1,183,846
Overhead conductors and devices	1,133,249	108,576	-	1,241,825
Underground conduits	655,357	6,621	-	661,978
Underground conductors	818,604	5,306	-	823,910
Line transformers	2,051,950	27,438	6,117	2,073,271
New services	699,280	3,276	-	702,556
Meters	516,162	13,173	11,500	517,835
Installation on customer premises	77,720	-	-	77,720
Street lighting	743,611	-	-	743,611
Office equipment	96,610	-	415	96,195
Transportation equipment	632,418	-	-	632,418
Laboratory equipment	122,501	-	-	122,501
Electric building	1,459,053	-	-	1,459,053
Miscellaneous tools	87,185	-	-	87,185
Miscellaneous equipment	<u>51,562</u>	<u>-</u>	<u>-</u>	<u>51,562</u>
	<u>10,668,344</u>	<u>207,307</u>	<u>39,560</u>	<u>10,836,091</u>
Construction in progress	<u>1,252,548</u>	<u>1,389,064</u>	<u>1,252,548</u>	<u>1,389,064</u>
TOTALS	<u>\$31,267,840</u>	<u>\$ 3,001,578</u>	<u>\$ 1,292,108</u>	<u>\$32,977,310</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 300,647	\$ 313,194
Receivables:		
Accounts	244,144	215,157
Accrued interest	1,426	3,247
Chemical inventory	19,938	17,715
Inventories, net of obsolescence allowance	81,476	76,763
Total current assets	647,631	626,076
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	134,156	131,317
Property, plant and equipment	16,861,231	16,737,591
Less accumulated depreciation	(6,070,699)	(5,742,726)
Net property, plant and equipment	10,790,532	10,994,865
TOTAL ASSETS	\$ 11,572,319	\$ 11,752,258
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 49,170	\$ 19,506
Accrued salaries, wages and fringes	87,891	75,248
Accrued interest payable	27,271	28,659
Deferred revenue	1,055	1,000
Bonds payable:		
Current portion of revenue bonds	250,000	240,000
Total current liabilities	415,387	364,413
Long-term liabilities:		
Bonds payable	4,520,000	4,770,000
TOTAL LIABILITIES	4,935,387	5,134,413
NET ASSETS:		
Invested in capital assets, net of related debt	6,020,532	5,984,865
Unrestricted	482,244	501,663
Restricted:		
Revenue bond indentures	134,156	131,317
TOTAL NET ASSETS	6,636,932	6,617,845
TOTAL LIABILITIES AND NET ASSETS	\$ 11,572,319	\$ 11,752,258

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,540,390	\$ 1,405,283
Flat rate sales	24,600	21,679
Hydrant rental	79,378	73,943
Reconnection fees	6,749	6,202
Miscellaneous revenues	<u>60,940</u>	<u>30,951</u>
TOTAL OPERATING REVENUES	<u>1,712,057</u>	<u>1,538,058</u>
OPERATING EXPENSES:		
Production	375,986	361,474
Transmission and distribution	165,449	168,446
Customer service	35,015	39,675
Administrative and general	530,272	501,736
Provision for depreciation	327,973	330,373
Overhead to utilities	<u>175,177</u>	<u>169,204</u>
TOTAL OPERATING EXPENSES	<u>1,609,872</u>	<u>1,570,908</u>
OPERATING INCOME (LOSS)	<u>102,185</u>	<u>(32,850)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	1,042	(1,383)
Rent received	17,233	24,000
Interest earnings	9,101	15,333
Interest expense	<u>(110,474)</u>	<u>(115,299)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(83,098)</u>	<u>(77,349)</u>
CHANGE IN NET ASSETS	19,087	(110,199)
Net assets, beginning of year	<u>6,617,845</u>	<u>6,728,044</u>
NET ASSETS, END OF YEAR	<u>\$ 6,636,932</u>	<u>\$ 6,617,845</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS

For the year ended June 30, 2010
with comparative totals for June 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services	\$ 1,683,125	\$ 1,525,306
Cash payments to suppliers for goods and services	(539,599)	(570,920)
Cash payments to employees for services	(665,386)	(637,072)
Cash payments to other funds for services	<u>(41,543)</u>	<u>(48,899)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>436,597</u>	<u>268,415</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(123,640)	(79,744)
Principal paid on revenue bond maturities	(240,000)	(240,000)
Interest paid on bonds	(111,862)	(115,962)
Proceeds from revenue bonds	<u>-</u>	<u>220,031</u>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(475,502)</u>	<u>(215,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	1,042	(1,383)
Interest received	10,922	15,628
Rent received	<u>17,233</u>	<u>24,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>29,197</u>	<u>38,245</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(9,708)	90,985
Cash and equivalents, beginning of year	<u>444,511</u>	<u>353,526</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 434,803</u>	<u>\$ 444,511</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 102,185	\$ (32,850)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	327,973	330,373
Changes in assets and liabilities:		
(Increase) decrease in receivables	(28,987)	(12,752)
(Increase) decrease in inventories	(6,936)	1,830
Increase (decrease) in accounts payable	29,664	(12,113)
Increase (decrease) in accruals	12,643	(6,073)
Increase (decrease) in deferred revenue	<u>55</u>	<u>-</u>
Total adjustments	<u>334,412</u>	<u>301,265</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 436,597</u>	<u>\$ 268,415</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, 2010 and 2009

	<u>June 30</u>		
	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 198,673	\$ 183,001	\$ 15,672
Supplies - miscellaneous	-	25	(25)
Plant chemicals	129,226	126,286	2,940
Laboratory chemicals and supplies	31,938	26,740	5,198
Professional services	-	3,800	(3,800)
Diesel fuel	612	1,712	(1,100)
Repairs to structure - labor	778	975	(197)
Repairs to structures - supplies	2,567	1,459	1,108
Repairs to equipment - portable	11,853	13,327	(1,474)
Repairs to tanks	121	52	69
Equipment rental - structures and improvement	58	4,093	(4,035)
Equipment rental - maintenance of equipment	160	4	156
	<u>\$ 375,986</u>	<u>\$ 361,474</u>	<u>\$ 14,512</u>
Total production			
Transmission and distribution:			
Labor	\$ 121,427	\$ 109,962	\$ 11,465
Supplies	14,074	24,296	(10,222)
Equipment rental	29,948	34,188	(4,240)
	<u>\$ 165,449</u>	<u>\$ 168,446</u>	<u>\$ (2,997)</u>
Total transmission and distribution			
Customer service:			
Labor	\$ 22,728	\$ 22,819	\$ (91)
Supplies	2,731	1,359	1,372
Thawing water services	1,167	7,811	(6,644)
Equipment rental	8,389	7,686	703
	<u>\$ 35,015</u>	<u>\$ 39,675</u>	<u>\$ (4,660)</u>
Total customer service			
Administrative and general:			
Salaries and wages	\$ 122,560	\$ 111,509	\$ 11,051
Telephone	1,012	1,332	(320)
Overhead on salaries and wages	108,892	104,443	4,449
Life and hospital insurance	103,749	99,265	4,484
Supplies - miscellaneous	1,191	1,672	(481)
Office supplies	885	515	370
Building supplies	1,361	1,098	263
Professional services	3,189	710	2,479
Special services	6,935	6,392	543
Miss Dig	7,864	7,012	852
Travel expense, auto allowance	2,388	2,516	(128)
Printing and publishing	5,903	2,896	3,007
Insurance and bonds	19,961	16,509	3,452
Utilities - electric	83,979	81,165	2,814
Utilities - gas	33,772	39,344	(5,572)
Utilities - wastewater	17,279	13,695	3,584
Repairs to structures	219	48	171
Repairs to equipment	69	1,752	(1,683)
Rental of equipment	2,988	2,928	60
Uncollectible accounts	359	384	(25)
Memberships and dues	545	508	37
Education and training	5,172	5,224	(52)
Damage to private property	-	14	(14)
Capital outlay	-	805	(805)
	<u>\$ 530,272</u>	<u>\$ 501,736</u>	<u>\$ 28,536</u>
Total administrative and general			

YSee accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2010

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2010	\$ 125.000	\$ 28.794	\$ 153.794
April 1, 2011	-	27.466	27.466
October 1, 2011	125.000	27.466	152.466
April 1, 2012	-	26.137	26.137
October 1, 2012	130.000	26.137	156.137
April 1, 2013	-	24.756	24.756
October 1, 2013	135.000	24.756	159.756
April 1, 2014	-	23.322	23.322
October 1, 2014	135.000	23.322	158.322
April 1, 2015	-	21.887	21.887
October 1, 2015	140.000	21.887	161.887
April 1, 2016	-	20.400	20.400
October 1, 2016	140.000	20.400	160.400
April 1, 2017	-	18.912	18.912
October 1, 2017	145.000	18.912	163.912
April 1, 2018	-	17.372	17.372
October 1, 2018	150.000	17.372	167.372
April 1, 2019	-	15.778	15.778
October 1, 2019	150.000	15.778	165.778
April 1, 2020	-	14.184	14.184
October 1, 2020	155.000	14.184	169.184
April 1, 2021	-	12.537	12.537
October 1, 2021	160.000	12.538	172.538
April 1, 2022	-	10.838	10.838
October 1, 2022	160.000	10.838	170.838
April 1, 2023	-	9.138	9.138
October 1, 2023	165.000	9.138	174.138
April 1, 2024	-	7.384	7.384
October 1, 2024	170.000	7.384	177.384
April 1, 2025	-	5.578	5.578
October 1, 2025	170.000	5.578	175.578
April 1, 2026	-	3.772	3.772
October 1, 2026	175.000	3.772	178.772
April 1, 2027	-	1.913	1.913
October 1, 2027	<u>180.000</u>	<u>1.913</u>	<u>181.913</u>
	<u>\$2,710.000</u>	<u>\$ 551,543</u>	<u>\$3,261,543</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2010

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2010	\$ 125.000	\$ 25.750	\$ 150.750
April 1, 2011	-	24.187	24.187
October 1, 2011	130.000	24.187	154.187
April 1, 2012	-	22.563	22.563
October 1, 2012	130.000	22.563	152.563
April 1, 2013	-	20.937	20.937
October 1, 2013	135.000	20.937	155.937
April 1, 2014	-	19.250	19.250
October 1, 2014	135.000	19.250	154.250
April 1, 2015	-	17.563	17.563
October 1, 2015	140.000	17.563	157.563
April 1, 2016	-	15.812	15.812
October 1, 2016	145.000	15.812	160.812
April 1, 2017	-	14.000	14.000
October 1, 2017	150.000	14.000	164.000
April 1, 2018	-	12.125	12.125
October 1, 2018	150.000	12.125	162.125
April 1, 2019	-	10.250	10.250
October 1, 2019	155.000	10.250	165.250
April 1, 2020	-	8.313	8.313
October 1, 2020	160.000	8.313	168.313
April 1, 2021	-	6.312	6.312
October 1, 2021	165.000	6.312	171.312
April 1, 2022	-	4.250	4.250
October 1, 2022	170.000	4.250	174.250
April 1, 2023	-	2.125	2.125
October 1, 2023	170.000	2.125	172.125
	<u>\$2,060.000</u>	<u>\$ 381.124</u>	<u>\$2,441.124</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2010

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 06/30/10</u>
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	9,091,296	4,325	-	9,095,621
Water towers	764,049	-	-	764,049
Lake intake	9,947	-	-	9,947
Fountain	4,410	-	-	4,410
Wells	76,068	-	-	76,068
Electric pumping equipment	188,426	-	-	188,426
Purification system	77,805	-	-	77,805
Transmission mains	572,019	-	-	572,019
Distribution mains	5,202,983	6,237	-	5,209,220
Meters	394,094	15,502	-	409,596
Hydrants	83,562	-	-	83,562
Office furniture and equipment	79,841	-	-	79,841
Laboratory equipment	45,275	-	-	45,275
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	<u>125,417</u>	<u>11,571</u>	<u>-</u>	<u>136,988</u>
Subtotal	16,737,591	37,635	-	16,775,226
Construction in progress	<u>-</u>	<u>86,005</u>	<u>-</u>	<u>86,005</u>
TOTALS	<u>\$16,737,591</u>	<u>\$ 123,640</u>	<u>\$ -</u>	<u>\$16,861,231</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 2,102,126	\$ 2,068,075
Receivables:		
Accounts	178,832	154,220
Accrued interest	8,977	18,846
Chemical inventory	6,237	5,108
Total current assets	2,296,172	2,246,249
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	98,740	101,525
Replacement account:		
Equity in pooled cash and investments	50,000	50,000
Bond reserve account:		
Investments, at market	85,850	85,850
Total restricted assets	234,590	237,375
Property, plant and equipment	12,051,679	11,965,482
Less accumulated depreciation	(5,663,398)	(5,454,421)
Net property, plant and equipment	6,388,281	6,511,061
TOTAL ASSETS	\$ 8,919,043	\$ 8,994,685
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 4,579	\$ 58,219
Accrued salaries, wages and fringes	84,942	88,875
Accrued interest payable	4,438	5,094
Payable from restricted assets:		
Current portion of revenue bonds	130,000	125,000
Total current liabilities	223,959	277,188
Long-term liabilities:		
Revenue bonds payable	695,000	825,000
TOTAL LIABILITIES	918,959	1,102,188
NET ASSETS:		
Retained earnings:		
Invested in capital assets, net of related debt	5,563,282	5,561,061
Unrestricted	2,202,212	2,094,061
Restricted:		
Revenue bond indentures	234,590	237,375
TOTAL NET ASSETS	8,000,084	7,892,497
TOTAL LIABILITIES AND NET ASSETS	\$ 8,919,043	\$ 8,994,685

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,195,341	\$ 1,012,485
Interdepartmental sales	17,279	13,695
Reconnection fees	1,760	2,067
Miscellaneous revenues	<u>49,931</u>	<u>24,400</u>
TOTAL OPERATING REVENUES	<u>1,264,311</u>	<u>1,052,647</u>
OPERATING EXPENSES:		
Production	292,362	311,186
Transmission and distribution	89,625	105,011
Station	26,910	20,136
Customer service	24,529	23,759
Administrative and general	376,353	388,194
Provision for depreciation	208,977	209,593
Overhead to utilities	<u>166,121</u>	<u>160,419</u>
TOTAL OPERATING EXPENSES	<u>1,184,877</u>	<u>1,218,298</u>
OPERATING INCOME (LOSS)	<u>79,434</u>	<u>(165,651)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	6,145	(2,067)
Interest earnings	40,415	87,941
Interest expense	<u>(18,407)</u>	<u>(21,031)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>28,153</u>	<u>64,843</u>
CHANGE IN NET ASSETS	107,587	(100,808)
Net assets, beginning of year	<u>7,892,497</u>	<u>7,993,305</u>
NET ASSETS, END OF YEAR	<u>\$ 8,000,084</u>	<u>\$ 7,892,497</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS

For the year ended June 30, 2010
with comparative totals for June 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services	\$ 1,222,420	\$ 1,017,742
Cash received from other funds for services	17,279	13,695
Cash payments to suppliers for goods and services	(548,037)	(457,471)
Cash payments to employees for services	(449,796)	(468,039)
Cash payments to other funds for services	<u>(36,768)</u>	<u>(39,372)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>205,098</u>	<u>66,555</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(86,198)	(52,609)
Principal paid on revenue bond maturities	(125,000)	(125,000)
Interest paid on revenue bonds	<u>(19,063)</u>	<u>(21,687)</u>
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(230,261)</u>	<u>(199,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	6,145	(2,067)
Interest received	<u>50,284</u>	<u>92,899</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>56,429</u>	<u>90,832</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	31,266	(41,909)
Cash and equivalents, beginning of year	<u>2,305,450</u>	<u>2,347,359</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,336,716</u>	<u>\$ 2,305,450</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 79,434	\$ (165,651)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	208,977	209,593
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(24,612)	(21,210)
(Increase) decrease in chemical inventory	(1,128)	(851)
Increase (decrease) in accounts payable	(53,640)	54,064
Increase (decrease) in accruals	<u>(3,933)</u>	<u>(9,390)</u>
Total adjustments	<u>125,664</u>	<u>232,206</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 205,098</u>	<u>\$ 66,555</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, 2010 and 2009

	<u>June 30</u>		Increase
	<u>2010</u>	<u>2009</u>	(Decrease)
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 144,278	\$ 138,157	\$ 6,121
Supplies - miscellaneous	17	105	(88)
Plant chemicals	28,438	29,142	(704)
Laboratory chemicals and supplies	4,916	7,311	(2,395)
NPDES and permit testing	10,115	8,677	1,438
Sludge hauling	25,234	20,866	4,368
Sludge fee	2,699	1,546	1,153
Diesel fuel	490	681	(191)
Repairs to structure - labor	1,130	2,719	(1,589)
Repairs to structures - supplies	3,208	1,139	2,069
Repairs to equipment - outside vendors	1,490	1,701	(211)
Repairs to equipment - portable	58	-	58
Repairs to equipment - labor	57,890	54,261	3,629
Repairs to equipment - supplies	11,584	43,720	(32,136)
Rental of equipment	815	1,161	(346)
Total production	<u>\$ 292,362</u>	<u>\$ 311,186</u>	<u>\$ (18,824)</u>
Transmission and distribution:			
Salaries and wages	\$ 26,406	\$ 25,690	\$ 716
Supplies - miscellaneous	886	1,347	(461)
Repairs to structures - supplies	30,474	44,360	(13,886)
Repairs to equipment	15	96	(81)
Rental of equipment	27,799	29,358	(1,559)
Repairs to structure - inspection	4,045	4,160	(115)
Total transmission and distribution	<u>\$ 89,625</u>	<u>\$ 105,011</u>	<u>\$ (15,386)</u>
Station:			
Salaries and wages	\$ 10,715	\$ 10,503	\$ 212
Repairs to structures - supplies	-	1	(1)
Repairs to equipment - labor	5,533	4,713	820
Repairs to equipment - supplies	6,042	14	6,028
Rental of equipment	4,620	4,905	(285)
Total station	<u>\$ 26,910</u>	<u>\$ 20,136</u>	<u>\$ 6,774</u>
Customer service:			
Rental of equipment	\$ 2,310	\$ 2,422	\$ (112)
Labor - service to customers	22,219	21,337	882
Total customer service	<u>\$ 24,529</u>	<u>\$ 23,759</u>	<u>\$ 770</u>
Administrative and general:			
Salaries and wages	\$ 70,826	\$ 86,454	\$ (15,628)
Printing and publishing	225	177	48
Telephone	2,610	4,319	(1,709)
Overhead on salaries and wages	88,257	88,694	(437)
Life and hospital insurance	83,162	87,814	(4,652)
Supplies - miscellaneous	15	209	(194)
Office supplies	641	481	160
Building supplies	543	536	7
Professional services	425	430	(5)
Special services	758	428	330
Miss Dig	294	294	-
Travel expense, auto allowance	1,416	1,544	(128)
Insurance and bonds	21,095	17,311	3,784

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, 2010 and 2009

	June 30		Increase (Decrease)
	2010	2009	
Utilities - electric	\$ 85,480	\$ 79,432	\$ 6,048
Utilities - gas	11,724	12,461	(737)
Repairs to equipment	2,756	2,186	570
Rental of equipment	1,224	1,526	(302)
Uncollectible accounts	266	260	6
Memberships and dues	388	346	42
Education and training	4,248	3,292	956
Total administrative and general	<u>\$ 376,353</u>	<u>\$ 388,194</u>	<u>\$ (11,841)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2010

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, 2010	2.25%	\$ 50.000	\$ 5.625	\$ 55.625
April 1, 2011	2.25%	-	5.063	5.063
October 1, 2011	2.25%	50.000	5.062	55.062
April 1, 2012	2.25%	-	4,500	4,500
October 1, 2012	2.25%	55.000	4,500	59,500
April 1, 2013	2.25%	-	3,881	3,881
October 1, 2013	2.25%	55.000	3,881	58,881
April 1, 2014	2.25%	-	3,263	3,263
October 1, 2014	2.25%	55.000	3,262	58,262
April 1, 2015	2.25%	-	2,644	2,644
October 1, 2015	2.25%	55.000	2,644	57,644
April 1, 2016	2.25%	-	2,025	2,025
October 1, 2016	2.25%	60.000	2,025	62,025
April 1, 2017	2.25%	-	1,350	1,350
October 1, 2017	2.25%	60.000	1,350	61,350
April 1, 2018	2.25%	-	675	675
October 1, 2018	2.25%	<u>60,000</u>	<u>675</u>	<u>60,675</u>
		<u>\$ 500,000</u>	<u>\$ 52,425</u>	<u>\$ 552,425</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2010

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2010	2.00%	\$ 80,000	\$ 3,250	\$ 83,250
April 1, 2011	2.00%	-	2,450	2,450
October 1, 2011	2.00%	80,000	2,450	82,450
April 1, 2012	2.00%	-	1,650	1,650
October 1, 2012	2.00%	80,000	1,650	81,650
April 1, 2013	2.00%	-	850	850
October 1, 2013	2.00%	<u>85,000</u>	<u>850</u>	<u>85,850</u>
		<u>\$ 325,000</u>	<u>\$ 13,150</u>	<u>\$ 338,150</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the year ended June 30, 2010

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/10</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,546,872	135,121	-	6,681,993
Tools and equipment	51,232	-	-	51,232
Mains	5,287,155	-	-	5,287,155
Purification equipment	2,762	-	-	2,762
Office furniture and equipment	<u>26,664</u>	<u>-</u>	<u>-</u>	<u>26,664</u>
Subtotal	11,916,558	135,121	-	12,051,679
Construction in progress	<u>48,924</u>	<u>47,320</u>	<u>96,244</u>	<u>-</u>
TOTALS	<u>\$11,965,482</u>	<u>\$ 182,441</u>	<u>\$ 96,244</u>	<u>\$12,051,679</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MARINA FUND
 COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Cash	\$ 20,460	\$ 18,228
Investments, at market	102,099	88,660
Accrued interest receivable	441	600
Receivables	6,511	5,196
Due from other governments:		
State of Michigan	14,254	11,289
Inventories, net of obsolescence allowance	12,153	18,278
Total current assets	155,918	142,251
Property, plant and equipment	2,651,081	2,645,124
Less accumulated depreciation	(1,011,924)	(948,803)
Net property, plant and equipment	1,639,157	1,696,321
TOTAL ASSETS	\$ 1,795,075	\$ 1,838,572
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 10,875	\$ 16,249
Due to other funds:		
General Fund	87	-
Total current liabilities	10,962	16,249
Long-term liabilities:		
Advance from other funds:		
Land Development Fund	289,200	298,200
TOTAL LIABILITIES	300,162	314,449
NET ASSETS:		
Retained earnings:		
Invested in capital assets, net of related debt	1,349,957	1,398,121
Unrestricted	144,956	126,002
TOTAL NET ASSETS	1,494,913	1,524,123
TOTAL LIABILITIES AND NET ASSETS	\$ 1,795,075	\$ 1,838,572

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the Years Ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Charges for services:		
Dock fees	\$ 147,552	\$ 154,393
Fuel and concession revenues	69,172	83,600
Miscellaneous:		
Contributions from private sources	312	150
Other	618	685
TOTAL OPERATING REVENUES	<u>217,654</u>	<u>238,828</u>
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	50,042	51,194
Fringe benefits	5,837	5,440
Fuel	62,999	80,797
Clothing	-	375
Professional services	930	1,165
Office supplies	1,381	1,344
Building supplies	1,477	1,331
Communications	2,027	1,659
Transportation	-	11
Printing and publishing	407	393
Insurance and bonds	7,773	7,182
Public utilities	11,370	12,599
Building maintenance	8,016	5,638
Meetings	-	75
Equipment repair	970	2,856
Equipment rental	5,764	8,105
Weed harvesting	15,068	8,763
New equipment	2,461	1,950
Capital outlay	349	4,720
Provision for depreciation	63,120	63,016
TOTAL OPERATING EXPENSES	<u>239,991</u>	<u>258,613</u>
OPERATING INCOME (LOSS)	<u>(22,337)</u>	<u>(19,785)</u>
NON-OPERATING REVENUES (EXPENSES):		
State grants:		
Marina project	3,718	-
L dock	2,978	1,123
Gain (loss) on sale of investments	175	(17)
Interest earnings	1,166	1,714
Interest expense	(14,910)	(15,310)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,873)</u>	<u>(12,490)</u>
CHANGE IN NET ASSETS	<u>(29,210)</u>	<u>(32,275)</u>
Net assets, beginning of year	<u>1,524,123</u>	<u>1,556,398</u>
NET ASSETS, END OF YEAR	<u>\$ 1,494,913</u>	<u>\$ 1,524,123</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
STATEMENT OF CASH FLOWS

For the year ended June 30, 2010
with comparative totals for June 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 216,339	\$ 238,962
Cash payments to suppliers for goods and services	(114,390)	(116,838)
Cash payments to employees for services	(55,879)	(56,634)
Cash payments to other funds for services	<u>(5,764)</u>	<u>(8,105)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>40,306</u>	<u>57,385</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	<u>(9,000)</u>	<u>(8,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid	(14,910)	(15,310)
Acquisition of capital assets	(5,956)	(6,146)
State grant	<u>3,731</u>	<u>-</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(17,135)</u>	<u>(21,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	175	(17)
Interest earned	<u>1,325</u>	<u>1,944</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,500</u>	<u>1,927</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	15,671	29,856
Cash and equivalents, beginning of year	<u>106,888</u>	<u>77,032</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 122,559</u>	<u>\$ 106,888</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (22,337)	\$ (19,785)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	63,120	63,016
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,315)	134
(Increase) decrease in inventories	6,125	8,829
Increase (decrease) in accounts payable	<u>(5,287)</u>	<u>5,191</u>
Total adjustments	<u>62,643</u>	<u>77,170</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 40,306</u>	<u>\$ 57,385</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, 2010

	<u>Balance</u> <u>06/30/09</u>	<u>Transfers</u> <u>and</u> <u>Additions</u>	<u>Retirements,</u> <u>Dispositions</u> <u>and</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/10</u>
Boat Launch/Parking Lots:				
Boat launch/parking lot	\$ 63,955	\$ -	\$ -	\$ 63,955
Skid Pier	5,972	-	-	5,972
Solar lighting	12,757	-	-	12,757
Furniture, Fixtures and Equipment	9,584	-	-	9,584
Marina Docks, Piers and Walls:				
12 floating piers, revetment wall and fuel system	328,314	-	-	328,314
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	22,551	5,956	-	28,507
Harbor Master Building:				
Harbor master building	579,152	-	-	579,152
Parking lot and landscaping	408,958	-	-	408,958
Furnace	3,120	-	-	3,120
TOTALS	<u>\$ 2,645,125</u>	<u>\$ 5,956</u>	<u>\$ -</u>	<u>\$ 2,651,081</u>

See accompanying notes to financial statements.

INTERNAL SERVICE FUNDS

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>	<u>Worker's Compensation Fund</u>
ASSETS:						
Current assets:						
Investments, at market	\$ 393,283	\$ 897,274	\$ 66,628	\$ 139	\$ 167,060	\$ 668,893
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	-
Accrued interest	1,449	3,734	284	49	815	2,902
Prepaid expenses	44,184	11,406	-	126,704	42,452	-
Cash on deposit	-	-	-	-	157,225	-
	<u>438,916</u>	<u>912,414</u>	<u>66,912</u>	<u>126,892</u>	<u>367,552</u>	<u>671,795</u>
Total current assets						
Property, plant and equipment						
Property, plant and equipment	7,435,596	5,752,076	454,331	-	-	-
Less accumulated depreciation	<u>(2,490,866)</u>	<u>(4,003,609)</u>	<u>(300,485)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net property, plant and equipment	<u>4,944,730</u>	<u>1,748,467</u>	<u>153,846</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,383,646</u>	<u>\$ 2,660,881</u>	<u>\$ 220,758</u>	<u>\$ 126,892</u>	<u>\$ 367,552</u>	<u>\$ 671,795</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 1,017	\$ 7,266	\$ 20	\$ -	\$ -	\$ 12,406
Claims payable	-	-	-	27,000	80,184	220,000
Accrued salaries, wages and fringes	1,200	15,959	-	-	-	-
Accrued interest payable	40,773	-	-	-	-	-
Due to other funds:						
General Fund	-	-	-	12,043	-	-
Bonds payable	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>212,990</u>	<u>23,225</u>	<u>20</u>	<u>39,043</u>	<u>80,184</u>	<u>232,406</u>
Long-term liabilities:						
Advance from other funds:						
General Fund	-	358,257	-	-	-	-
Bonds payable	<u>2,770,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>2,770,000</u>	<u>358,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,982,990</u>	<u>381,482</u>	<u>20</u>	<u>39,043</u>	<u>80,184</u>	<u>232,406</u>
NET ASSETS:						
Invested in capital assets, net of related debt	2,004,730	1,390,210	153,846	-	-	-
Unrestricted	<u>395,926</u>	<u>889,189</u>	<u>66,892</u>	<u>87,849</u>	<u>287,368</u>	<u>439,389</u>
TOTAL NET ASSETS	<u>2,400,656</u>	<u>2,279,399</u>	<u>220,738</u>	<u>87,849</u>	<u>287,368</u>	<u>439,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,383,646</u>	<u>\$ 2,660,881</u>	<u>\$ 220,758</u>	<u>\$ 126,892</u>	<u>\$ 367,552</u>	<u>\$ 671,795</u>

See accompanying notes to financial statements.

Unemployment Compensation Fund	Totals	
	2010	2009
\$ 310,623	\$ 2,503,900	\$ 3,083,437
-	-	174
1,302	10,535	26,379
-	224,746	227,076
-	<u>157,225</u>	<u>126,314</u>
<u>311,925</u>	<u>2,896,406</u>	<u>3,463,380</u>
-	13,642,003	13,303,904
-	<u>(6,794,960)</u>	<u>(6,357,832)</u>
-	<u>6,847,043</u>	<u>6,946,072</u>
<u>\$ 311,925</u>	<u>\$ 9,743,449</u>	<u>\$ 10,409,452</u>
\$ -	\$ 20,709	\$ 53,486
10,723	337,907	469,544
-	17,159	27,561
-	40,773	42,573
-	12,043	11,455
-	<u>170,000</u>	<u>160,000</u>
<u>10,723</u>	<u>598,591</u>	<u>764,619</u>
-	358,257	396,140
-	<u>2,770,000</u>	<u>2,940,000</u>
-	<u>3,128,257</u>	<u>3,336,140</u>
<u>10,723</u>	<u>3,726,848</u>	<u>4,100,759</u>
-	3,548,786	3,449,932
<u>301,202</u>	<u>2,467,815</u>	<u>2,858,761</u>
<u>301,202</u>	<u>6,016,601</u>	<u>6,308,693</u>
<u>\$ 311,925</u>	<u>\$ 9,743,449</u>	<u>\$ 10,409,452</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>	<u>Worker's Compensation Fund</u>
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ 121,516	\$ -
City's contribution for employees	-	-	-	-	1,323,058	-
Equipment rental	-	839,042	57,948	-	-	-
Provision for self insurance	-	-	-	277,874	-	-
Miscellaneous	444,678	-	-	-	-	-
TOTAL OPERATING REVENUES	<u>444,678</u>	<u>839,042</u>	<u>57,948</u>	<u>277,874</u>	<u>1,444,594</u>	<u>-</u>
OPERATING EXPENSES:						
General government	139,546	683,876	13,396	282,139	1,471,643	158,748
Capital projects	3,989	-	-	-	-	-
Provision for depreciation	161,003	298,597	44,454	-	-	-
TOTAL OPERATING EXPENSES	<u>304,538</u>	<u>982,473</u>	<u>57,850</u>	<u>282,139</u>	<u>1,471,643</u>	<u>158,748</u>
OPERATING INCOME (LOSS)	<u>140,140</u>	<u>(143,431)</u>	<u>98</u>	<u>(4,265)</u>	<u>(27,049)</u>	<u>(158,748)</u>
NON-OPERATING REVENUES (EXPENSES):						
Gain (loss) on sale of investments	991	3,000	193	140	697	2,233
Gain (loss) on sale of equipment	-	6,328	-	-	-	-
Interest earnings	6,549	19,852	1,293	6,064	4,576	14,695
Interest expense	(129,073)	(23,041)	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(121,533)</u>	<u>6,139</u>	<u>1,486</u>	<u>6,204</u>	<u>5,273</u>	<u>16,928</u>
CHANGE IN NET ASSETS	18,607	(137,292)	1,584	1,939	(21,776)	(141,820)
Net assets, beginning of year	<u>2,382,049</u>	<u>2,416,691</u>	<u>219,154</u>	<u>85,910</u>	<u>309,144</u>	<u>581,209</u>
NET ASSETS, END OF YEAR	<u>\$ 2,400,656</u>	<u>\$ 2,279,399</u>	<u>\$ 220,738</u>	<u>\$ 87,849</u>	<u>\$ 287,368</u>	<u>\$ 439,389</u>

See accompanying notes to financial statements.

Unemployment Compensation Fund	Totals	
	2010	2009
\$ -	\$ 121,536	\$ 116,324
-	1,323,058	1,346,857
-	896,990	1,183,529
-	277,874	233,349
-	444,678	449,678
-	<u>3,064,136</u>	<u>3,329,737</u>
20,296	2,769,644	2,875,942
-	3,989	17,680
-	504,054	517,187
<u>20,296</u>	<u>3,277,687</u>	<u>3,410,809</u>
(20,296)	(213,551)	(81,072)
915	8,169	(5,686)
-	6,328	2,852
6,047	59,076	124,485
-	(152,114)	(159,112)
<u>6,962</u>	<u>(78,541)</u>	<u>(37,461)</u>
(13,334)	(292,092)	(118,533)
<u>314,536</u>	<u>6,308,693</u>	<u>6,427,226</u>
<u>\$ 301,202</u>	<u>\$ 6,016,601</u>	<u>\$ 6,308,693</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, 2010
with comparative totals for the year ended June 30, 2009

	<u>Escanaba Building Authority Fund</u>	<u>Motor Vehicle and Equipment Fund</u>	<u>Office Equipment Fund</u>	<u>Risk Retention Fund</u>	<u>Health Insurance Fund</u>	<u>Worker's Compensa- tion Fund</u>	<u>Unemploy- ment Com- pensation Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ 1,444,594	\$ -	\$ -
Cash received from other funds for services	444,678	839,216	57,948	277,874	-	-	-
Cash payments to suppliers for goods and services	(84,933)	(550,607)	(13,396)	-	(56,645)	(24,974)	(200)
Cash payments to employees for services	(56,476)	(151,291)	-	-	-	-	-
Cash payments of benefits	-	-	-	(283,938)	(1,524,180)	(213,901)	(15,901)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>303,269</u>	<u>137,318</u>	<u>44,552</u>	<u>(6,064)</u>	<u>(136,231)</u>	<u>(238,875)</u>	<u>(16,101)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Principal payments on bonds/advances	(160,000)	(37,883)	-	-	-	-	-
Interest expense	(130,873)	(23,041)	-	-	-	-	-
Acquisition and construction of capital assets/disposals	-	(368,766)	(36,259)	-	-	-	-
Proceeds from sale of equipment	-	6,328	-	-	-	-	-
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(290,873)</u>	<u>(423,362)</u>	<u>(36,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest and gains on investments	<u>9,386</u>	<u>28,225</u>	<u>1,567</u>	<u>6,204</u>	<u>7,328</u>	<u>21,975</u>	<u>8,404</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	21,782	(257,819)	9,860	140	(128,903)	(216,900)	(7,697)
Cash and equivalents, beginning of year	<u>371,501</u>	<u>1,155,093</u>	<u>56,768</u>	<u>(1)</u>	<u>295,963</u>	<u>885,793</u>	<u>318,320</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 393,283</u>	<u>\$ 897,274</u>	<u>\$ 66,628</u>	<u>\$ 139</u>	<u>\$ 167,060</u>	<u>\$ 668,893</u>	<u>\$ 310,623</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 140,140	\$ (143,431)	\$ 98	\$ (4,265)	\$ (27,049)	\$ (158,748)	\$ (20,296)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	161,003	298,597	44,454	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in receivables, prepaids, due from other funds and deposits	3,156	174	-	(2,387)	(29,350)	-	-
Increase (decrease) in accounts and claims payable and due to other funds	(1,268)	(7,382)	-	588	(79,832)	(80,127)	4,195
Increase (decrease) in accruals	238	(10,640)	-	-	-	-	-
Total adjustments	<u>163,129</u>	<u>280,749</u>	<u>44,454</u>	<u>(1,799)</u>	<u>(109,182)</u>	<u>(80,127)</u>	<u>4,195</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 303,269</u>	<u>\$ 137,318</u>	<u>\$ 44,552</u>	<u>\$ (6,064)</u>	<u>\$ (136,231)</u>	<u>\$ (238,875)</u>	<u>\$ (16,101)</u>

See accompanying notes to financial statements.

<u>Totals</u>	
<u>2010</u>	<u>2009</u>
\$1,444,594	\$1,466,446
1,619,716	1,866,382
(730,755)	(938,511)
(207,767)	(158,055)
<u>(2,037,920)</u>	<u>(1,786,644)</u>
<u>87,868</u>	<u>449,618</u>
(197,883)	(216,685)
(153,914)	(160,778)
(405,025)	(74,021)
<u>6,328</u>	<u>2,852</u>
<u>(750,494)</u>	<u>(448,632)</u>
<u>83,089</u>	<u>120,843</u>
(579,537)	121,829
<u>3,083,437</u>	<u>2,961,608</u>
<u>\$2,503,900</u>	<u>\$3,083,437</u>
<u>\$ (213,551)</u>	<u>\$ (81,072)</u>
504,054	517,187
(28,407)	(15,011)
(163,826)	25,552
<u>(10,402)</u>	<u>2,962</u>
<u>301,419</u>	<u>530,690</u>
<u>\$ 87,868</u>	<u>\$ 449,618</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ESCANABA BUILDING AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 393.283	\$ 371.501
Receivables:		
Accrued interest	1,449	3,295
Prepaid expenses	<u>44,184</u>	<u>47,340</u>
Total current assets	<u>438.916</u>	<u>422.136</u>
Property, plant and equipment:		
Property, plant and equipment	7,435.596	7,435.596
Less accumulated depreciation	<u>(2,490.866)</u>	<u>(2,329.863)</u>
Net property, plant and equipment	<u>4,944.730</u>	<u>5,105.733</u>
TOTAL ASSETS	<u>\$ 5,383.646</u>	<u>\$ 5,527.869</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,017	\$ 2,285
Accrued salaries, wages and fringes	1,200	962
Accrued interest payable	40,773	42,573
Bonds payable	<u>170,000</u>	<u>160,000</u>
Total current liabilities	<u>212.990</u>	<u>205.820</u>
Long-term liabilities:		
Bonds payable	<u>2,770.000</u>	<u>2,940.000</u>
TOTAL LIABILITIES	<u>2,982.990</u>	<u>3,145.820</u>
NET ASSETS:		
Invested in capital assets, net of related debt	2,004.730	2,005.733
Unrestricted	<u>395.926</u>	<u>376.316</u>
TOTAL NET ASSETS	<u>2,400.656</u>	<u>2,382.049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,383.646</u>	<u>\$ 5,527.869</u>

See accompanying notes to financial statements.

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

For the years ended June 30, 2010 and 2009

	June 30	
	2010	2009
OPERATING REVENUES:		
Miscellaneous	\$ 444,678	\$ 449,678
OPERATING EXPENSES:		
General government:		
Salaries and wages	40,728	39,255
Fringe benefits	6,442	6,867
Overhead on salaries and wages	9,544	9,688
Professional services	625	630
Public utilities	60,808	63,547
Insurance and bonds	8,748	7,170
Supplies	529	430
Building supplies	5,873	5,763
Equipment rental	452	345
Printing & publishing	-	21
Equipment maintenance	3,124	3,136
Telephone	2,432	2,665
Christmas Tree	241	259
Capital projects:		
Construction	3,989	17,680
Provision for depreciation	161,003	160,840
TOTAL OPERATING EXPENSES	304,538	318,296
OPERATING INCOME	140,140	131,382
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	991	(537)
Interest earnings	6,549	14,443
Interest expense	(129,073)	(134,207)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(121,533)	(120,301)
CHANGE IN NET ASSETS	18,607	11,081
Net assets, beginning of year	2,382,049	2,370,968
NET ASSETS, END OF YEAR	\$ 2,400,656	\$ 2,382,049

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2010

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 1, 2010	3.375%	\$ -	\$ 61.159	\$ 61.159
March 1, 2011	3.50%	170.000	61.159	231.159
September 1, 2011	3.50%	-	58.184	58.184
March 1, 2012	3.75%	175.000	58.184	233.184
September 1, 2012	3.75%	-	54.902	54.902
March 1, 2013	4.00%	180.000	54.902	234.902
September 1, 2013	4.00%	-	51.302	51.302
March 1, 2014	3.80%	190.000	51.302	241.302
September 1, 2014	3.80%	-	47.692	47.692
March 1, 2015	4.00%	195.000	47.692	242.692
September 1, 2015	4.00%	-	43.792	43.792
March 1, 2016	4.00%	205.000	43.792	248.792
September 1, 2016	4.00%	-	39.693	39.693
March 1, 2017	4.10%	215.000	39.693	254.693
September 1, 2017	4.10%	-	35.285	35.285
March 1, 2018	4.20%	220.000	35.285	255.285
September 1, 2018	4.20%	-	30.665	30.665
March 1, 2019	4.30%	225.000	30.665	255.665
September 1, 2019	4.30%	-	25.827	25.827
March 1, 2020	4.30%	235.000	25.827	260.827
September 1, 2020	4.30%	-	20.775	20.775
March 1, 2021	4.40%	250.000	20.775	270.775
September 1, 2021	4.40%	-	15.275	15.275
March 1, 2022	4.40%	260.000	15.275	275.275
September 1, 2022	4.40%	-	9.555	9.555
March 1, 2023	4.55%	270.000	9.555	279.555
September 1, 2023	4.55%	-	3.413	3.413
March 1, 2024	4.55%	<u>150.000</u>	<u>3.414</u>	<u>153.414</u>
		<u>\$2,940,000</u>	<u>\$ 995,039</u>	<u>\$3,935,039</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 897,274	\$ 1,155,093
Receivables:		
Accounts, net of bad debt allowance	-	174
Accrued interest	3,734	9,107
Prepaid expenses	11,406	11,406
Total current assets	912,414	1,175,780
Property, plant and equipment:		
Property, plant and equipment	5,752,076	5,450,236
Less accumulated depreciation	(4,003,609)	(3,771,938)
Net property, plant and equipment	1,748,467	1,678,298
TOTAL ASSETS	\$ 2,660,881	\$ 2,854,078
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 7,266	\$ 14,648
Accrued salaries, wages and fringes	15,959	26,599
Total current liabilities	23,225	41,247
Long-term liabilities:		
Advance from other funds:		
General Fund	358,257	396,140
TOTAL LIABILITIES	381,482	437,387
NET ASSETS:		
Invested in capital assets, net of related debt	1,390,210	1,282,158
Unrestricted	889,189	1,134,533
TOTAL NET ASSETS	2,279,399	2,416,691
TOTAL LIABILITIES AND NET ASSETS	\$ 2,660,881	\$ 2,854,078

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2010 and 2009

	June 30	
	2010	2009
OPERATING REVENUES:		
Equipment rental	\$ 839,042	\$ 1,111,616
OPERATING EXPENSES:		
General government:		
Salaries and wages	78,477	56,740
Fringe benefits	62,174	48,467
Supplies	17,750	15,831
Building supplies	3,240	3,821
Professional services	1,640	1,600
Communication	1,623	1,748
Transportation	-	362
Printing & publishing	-	603
Insurance & bonds	33,899	30,992
Public utilities	42,803	49,500
Capital outlay - equipment	3,673	1,483
Uniform maintenance	585	749
Building maintenance	14,878	6,639
Equipment maintenance	413,961	497,358
Equipment rental	8,383	18,665
Office expense	535	770
Education and training	255	-
Provision for depreciation	298,597	307,439
TOTAL OPERATING EXPENSES	982,473	1,042,767
OPERATING INCOME (LOSS)	(143,431)	68,849
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	3,000	(2,659)
Gain (loss) on sale of equipment	6,328	2,852
Interest earnings	19,852	39,558
Interest expense	(23,041)	(24,905)
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,139	14,846
CHANGE IN NET ASSETS	(137,292)	83,695
Net assets, beginning of year	2,416,691	2,332,996
NET ASSETS, END OF YEAR	\$ 2,279,399	\$ 2,416,691

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, 2010

Unit Number	Description	Balance 06/30/09	Additions	Retirements	Balance 06/30/10
3	1987 White Laser Level	\$ 5,695	\$ -	\$ -	\$ 5,695
4	Homelite Power Blower	940	-	-	940
5	Hydraulic Hammer	1,918	-	-	1,918
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
12	1987 Ski-Doo Alpine Snowmobile	5,250	-	-	5,250
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 Freightline Garbage Truck	169,558	-	-	169,558
44	1992 MB Traffic Striper	1,724	-	-	1,724
45	1993 John Deere 7100 Backhoe	73,628	-	-	73,628
46	2010 International Garbage Truck	-	180,150	-	180,150
47	1989 Ford F-350 Pickup	11,935	-	-	11,935
48	2006 Komatsu Front End Loader	101,612	-	-	101,612
49	1984 Clark Forklift	26,747	-	-	26,747
50	1986 Ford 755a Tractor/Backhoe	55,168	-	-	55,168
51	2008 Yamaha Golf Cart	5,000	-	-	5,000
52	2008 Yamaha Golf Cart	5,000	-	-	5,000
53	74" Flail Mower	10,650	-	-	10,650
54	2000 Chevrolet Impala	18,895	-	-	18,895
55	2006 Chevrolet 2500 HD Pickup	21,774	-	-	21,774
57	2000 Ford LT 7500 Garbage Truck	129,282	-	-	129,282
58	2003 168" Rotary Mower	8,150	-	-	8,150
59	1990 Ford C8000 Garbage Truck	53,401	-	-	53,401
64	1990 Wyco Vibrator	1,753	-	-	1,753
65	Concrete Saw	782	-	-	782
66	1984 18" Sod Cutter	1,889	-	-	1,889
67	1983 Econoline C185 Concrete Saw	3,800	-	-	3,800
68	1984 Wacker Rammer	1,862	-	-	1,862
69	2000 14" Stihl Cutoff Saw	810	-	-	810
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
83	1989 Fiat-Allis Front-end Loader	57,489	-	57,489	-
84	1996 International Dump Truck	53,842	-	-	53,842
85	1992 Ford 8000 Dump Truck	43,667	-	-	43,667
	Balance carried forward	\$ 1,809,743	\$ 180,150	\$ 57,489	\$ 1,932,404

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, 2010

Unit Number	Description	Balance 06/30/09	Additions	Retirements	Balance 06/30/10
	Balance brought forward.	\$ 1,809,743	\$ 180,150	\$ 57,489	\$ 1,932,404
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
90	1965 Galion Compactor	8,250	-	-	8,250
91	2007 Sterling Dump Truck	85,538	-	-	85,538
92	2001 Sterling Dump Truck	82,697	-	-	82,697
93	2002 Sterling Dump Truck	71,700	-	-	71,700
95	2000 Ford Dump Truck w/Plow	69,693	-	-	69,693
98	1985 Galion S-500E Grader	66,897	-	-	66,897
101	1987 John Deere Model 755 Tractor	12,045	-	-	12,045
104	2008 Vactor Sewer Cleaner	207,067	-	-	207,067
105	John Deere F925 Front Mount Mower	12,988	-	-	12,988
106	1978 Griffith Well Point Pump	24,068	-	-	24,068
107	1974 Kentucky Trailer	3,000	-	-	3,000
109	1997 Ford F-250 4x4 PU w/Boss Plow	22,530	-	-	22,530
110	2006 Ford F-250 Pickup	20,792	-	-	20,792
111	1995 Ford Sludge Hauling Tanker	72,220	-	-	72,220
112	1999 Chevrolet Suburban	27,575	-	-	27,575
113	2004 Freightliner MZ-60 Sludge Truck	103,134	-	-	103,134
114	Kifco Water Irrigation Reel	10,190	-	-	10,190
115	1978 Griffith Well Points	3,769	-	-	3,769
116	2006 Chevrolet 2500 HD Pickup	23,504	-	-	23,504
120	1996 Ford 1 Ton Pickup	19,649	-	-	19,649
121	1999 Ford F-350 Pickup	26,028	-	-	26,028
122	1998 Ford Cargo Van	20,437	-	20,437	-
123	2010 Chevrolet One Ton Van	-	26,500	-	26,500
124	1982 Ingersoll-Rand Air Compressor	11,290	1,000	-	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	10,062	1,000	-	11,062
128	1999 Ford F-150 Pickup	14,588	-	-	14,588
129	1999 Chevrolet 4x4 Pickup	26,678	-	-	26,678
129A	8' Monroe Salter Insert	4,746	-	-	4,746
130	1999 Ford F-250 3/4 Ton w/Service Body	20,454	-	-	20,454
131	1992 Jacobsen 720 Lawn Sweeper	4,895	-	-	4,895
132	1993 Ford E - 350 Pickup	24,388	-	-	24,388
133	1989 Griffin Dewatering Pump	10,500	-	-	10,500
134	1982 Double Diaphragm Pump	4,235	-	-	4,235
136	Detachable Two Stage Snowblower	88,299	-	-	88,299
137	Trailer	300	-	-	300
137A	1997 Sicard Model 2200M Snowblower	61,740	-	-	61,740
138	Gravely 48" Mower w/bagger	6,300	-	-	6,300
140	Wacker Hydrostatic Vibratory Roller	21,147	-	-	21,147
141	Cutquick Concrete Saw	680	-	-	680
142	Plate Type Vibratory Compactor	6,225	-	-	6,225
143	Wacker Model BPU3545A Compactor	6,648	-	-	6,648
144	2009 1/2 Yard Concrete Mixer	4,080	-	-	4,080
149	1990 Lely Material Spreader	3,167	-	-	3,167
150	Paving Forms	1,136	-	-	1,136
152	Scaffolding System	1,080	-	-	1,080
155	Hiniker Model 10 Spreader	4,420	-	-	4,420
158	Plate Type Vibratory Compactor	1,792	-	-	1,792
159	8 Cubic Foot Mortar Mixer	2,287	-	-	2,287
160	1984 Stone Mortar Mixer	1,340	-	-	1,340
161	Lamborghini 4" Trash Pump	7,280	-	-	7,280
162	1999 Lowboy Semi-Trailer	21,458	-	-	21,458
	Balance carried forward	\$ 3,392,847	\$ 332,701	\$ 77,926	\$ 3,647,622

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, 2010

Unit Number	Description	Balance 06/30/09	Additions	Retirements	Balance 06/30/10
	Balance brought forward	\$ 3,392,847	\$ 332,701	\$ 77,926	\$ 3,647,622
164	2000 John Deere 200LC Excavator	139,375	-	-	139,375
165	1992 Trackless 168" Rotary Mower	5,678	-	-	5,678
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
172	1999 Dodge Intrepid 4 Door	19,071	-	-	19,071
174	1998 Dodge Minivan	17,002	-	-	17,002
176	Weed Harvester	29,153	-	-	29,153
177	John Deere F925 Front Mount Mower	12,111	-	-	12,111
178	20 HP Cub Cadet Mower	4,177	-	-	4,177
179	2001 Ford F-250 Pickup	26,041	-	-	26,041
180	2003 Chevrolet 3/4 Ton Pickup with Plow	21,954	-	-	21,954
181	2005 Ford Taurus	15,378	-	-	15,378
185	Patching Trailer	966	-	-	966
191	2005 Chevrolet Tahoe	31,416	-	-	31,416
192	2005 Chevrolet Impala	25,761	-	-	25,761
193	2006 Chevrolet Impala	21,992	-	-	21,992
194	2007 Chevrolet Impala	22,984	-	-	22,984
195	2008 Chevrolet Impala	22,849	-	-	22,849
196	2008 Chevrolet Impala	22,849	-	-	22,849
203	1986 Chevrolet 5/4 Ton 4x4 Grass Truck	17,523	-	-	17,523
204	1992 Pierce Pumper Truck	179,674	-	-	179,674
205	1983 FMC Fire Truck	233,833	-	-	233,833
220	2000 Chevrolet Malibu	14,748	-	-	14,748
221	2000 Chevrolet Malibu	14,749	-	-	14,749
222	2001 Chevrolet Impala	20,164	-	-	20,164
225	2001 Chevrolet Tahoe	27,852	-	-	27,852
226	2002 Chevrolet Impala	20,765	-	-	20,765
227	2002 Chevrolet Impala	20,766	-	-	20,766
228	2004 Chevrolet Impala	21,594	-	-	21,594
229	2004 Chevrolet Impala	21,594	-	-	21,594
230	2004 Chevrolet Impala	21,594	-	-	21,594
231	2010 Chevrolet Impala	-	24,626	-	24,626
345	Snow Body Insert	7,190	-	-	7,190
346	Snow Body Insert	7,415	-	-	7,415
347	Snow Body Insert	7,415	-	-	7,415
348	Snow Body Insert	7,415	-	-	7,415
349	Snow Body Insert	7,415	-	-	7,415
528	Garbage Carts	310,494	-	-	310,494
529	Recycling Carts	256,858	-	-	256,858
530	Automated tippers	6,240	-	-	6,240
555	Underground Pipe TV inspection system Communications System	52,629 219,627	- 2,507	-	52,629 222,134
	Total Rental Units	\$ 5,356,437	\$ 359,834	\$ 77,926	\$ 5,638,345

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, 2010

Unit Number	Description	Balance 06/30/09	Additions	Retirements	Balance 06/30/10
	Balance brought forward	\$ 5,356,437	\$ 359,834	\$ 77,926	\$ 5,638,345
Non-rental Units					
	Miller Welder w/Auto Feed	\$ 2,720	\$ -	\$ -	\$ 2,720
	Sun Auto Analyzer	7,020	-	-	7,020
	Sioux Steamer/Washer	6,438	-	-	6,438
	Torch	100	-	-	100
	Air Wrench	125	-	-	125
	Two-Ton Floor Jack	170	-	-	170
	Chain Ratchet	264	-	-	264
	Racks	143	-	-	143
	Sander	94	-	-	94
	Lights	543	-	-	543
	Grainger Battery Tester	123	-	-	123
	Schonstedt G.A. 528 Locator	585	-	-	585
	Air Hammer, Ratchet	129	-	-	129
	Spray Gun	244	-	-	244
	Brake Bleeding Tool	125	-	-	125
	Stud Gun	112	-	-	112
	7" Sander	160	-	-	160
	Wood Surfacer	250	-	-	250
	Gas Tanks	37,829	-	-	37,829
	Stigers 16' Tandem Trailer	1,365	-	-	1,365
	Air Compressor	2,009	-	-	2,009
	Crow's Feet	175	-	-	175
	Weather Master	435	-	-	435
	Transmission Repair Kit	441	-	-	441
	Electronic Tachometer	255	-	-	255
	Milwaukee 9" Sander	149	-	-	149
	Fleet Maintenance Software	3,390	-	-	3,390
	3 Tap and Die sets	552	-	-	552
	Millermatic 250 welder	1,425	-	-	1,425
	Gasboy 1000 Interface	750	-	-	750
	Floor Jack	2,060	-	-	2,060
	Tool & Die Set	373	-	-	373
	Tire Changer	2,999	-	-	2,999
	One-Third of the Softek Network Server	1,831	-	-	1,831
	Bluestar 6000 Welder	2,057	-	-	2,057
	Purox Trademaster	525	-	-	525
	Transmission Jack	342	-	-	342
	Fleet Software	1,495	-	-	1,495
	12 Volt Fuel Pump	254	-	-	254
	MCR 500 Digital Battery Electric System	665	-	-	665
	10 Ton Hydraulic Porta-Power	250	-	-	250
	Fuel Injector Repair Kit	379	-	-	379
	Scanning Unit Plug-In	591	-	-	591
	Snap-on Automotive Lift	3,905	-	-	3,905
	Used Tire Balancer	600	-	-	600
	Konica/Minolta Digital Copier	4,355	-	-	4,355
	Heavy Duty Truck Analyzer	2,998	-	-	2,998
	Fuel Station Upgrades	-	18,301	-	18,301
	Plasma Cutter	-	1,631	-	1,631
	Total Non-rental Units	<u>93,799</u>	<u>19,932</u>	<u>-</u>	<u>113,731</u>
	TOTALS	<u>\$ 5,450,236</u>	<u>\$ 379,766</u>	<u>\$ 77,926</u>	<u>\$ 5,752,076</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 66,628	\$ 56,768
Receivables:		
Accrued interest	284	365
Total current assets	66,912	57,133
Property, plant and equipment:		
Property, plant and equipment	454,331	418,072
Less accumulated depreciation	(300,485)	(256,031)
Net property, plant and equipment	153,846	162,041
TOTAL ASSETS	\$ 220,758	\$ 219,174
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 20	\$ 20
NET ASSETS:		
Invested in capital assets, net of related debt	153,846	162,041
Unrestricted	66,892	57,113
TOTAL NET ASSETS	220,738	219,154
TOTAL LIABILITIES AND NET ASSETS	\$ 220,758	\$ 219,174

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Equipment rental	\$ 57,948	\$ 71,913
OPERATING EXPENSES:		
General government:		
Capital outlay - equipment	-	58
Equipment maintenance	13,396	14,616
Provision for depreciation	44,454	48,908
TOTAL OPERATING EXPENSES	<u>57,850</u>	<u>63,582</u>
OPERATING INCOME (LOSS)	<u>98</u>	<u>8,331</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	193	460
Interest earnings	1,293	1,211
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,486</u>	<u>1,671</u>
CHANGE IN NET ASSETS	1,584	10,002
Net assets, beginning of year	<u>219,154</u>	<u>209,152</u>
NET ASSETS, END OF YEAR	<u>\$ 220,738</u>	<u>\$ 219,154</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, 2010

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/10</u>
Network system	\$ 179,072	\$ 4,850	\$ -	\$ 183,922
Controller	12,893	-	-	12,893
Engineer	16,963	-	-	16,963
Clerk	27,937	-	-	27,937
Personnel	1,745	-	-	1,745
City Manager	4,177	-	-	4,177
Building and Housing Inspection	2,712	-	-	2,712
Treasurer/Utility	88,162	1,200	-	89,362
Bay Computer - Shared Equipment	26,879	7,922	-	34,801
Assessor	6,048	22,287	-	28,335
Recreation	9,029	-	-	9,029
Public Safety	38,858	-	-	38,858
Library	<u>3,597</u>	<u>-</u>	<u>-</u>	<u>3,597</u>
TOTALS	<u>\$ 418,072</u>	<u>\$ 36,259</u>	<u>\$ -</u>	<u>\$ 454,331</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
RISK RETENTION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 139	\$ (1)
Receivables:		
Accrued interest	49	49
Prepaid expenses	<u>126.704</u>	<u>124.317</u>
TOTAL ASSETS	<u>\$ 126.892</u>	<u>\$ 124.365</u>
LIABILITIES:		
Current liabilities:		
Claims payable	\$ 27.000	\$ 27.000
Due to other funds:		
General Fund	<u>12.043</u>	<u>11.455</u>
TOTAL LIABILITIES	<u>39.043</u>	<u>38.455</u>
NET ASSETS:		
Unrestricted	<u>87.849</u>	<u>85.910</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 126.892</u>	<u>\$ 124.365</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	June 30	
	2010	2009
OPERATING REVENUES:		
Provision for self insurance	\$ 277.874	\$ 233.349
OPERATING EXPENSES:		
General government:		
Insurance premiums	259.577	201.456
Administrative costs	400	1.507
Claims paid	22.162	26.317
Office supplies	-	48
TOTAL OPERATING EXPENSES	282.139	229.328
OPERATING INCOME (LOSS)	(4.265)	4.021
NON-OPERATING REVENUES:		
Gain (loss) on sale of investments	140	241
Interest earnings	6.064	6.221
TOTAL NON-OPERATING REVENUES	6.204	6.462
CHANGE IN NET ASSETS	1.939	10.483
Net assets, beginning of year	85.910	75.427
NET ASSETS, END OF YEAR	\$ 87.849	\$ 85.910

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 HEALTH INSURANCE FUND
 COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 167,060	\$ 295,963
Receivables:		
Accrued interest	815	2,870
Prepaid expenses	42,452	44,013
Cash on deposit	157,225	126,314
TOTAL ASSETS	\$ 367,552	\$ 469,160
LIABILITIES:		
Current liabilities:		
Claims payable	\$ 80,184	\$ 160,016
NET ASSETS:		
Unrestricted	287,368	309,144
TOTAL LIABILITIES AND NET ASSETS	\$ 367,552	\$ 469,160

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Retiree contributions	\$ 121,536	\$ 116,324
City's contribution for employees	<u>1,323,058</u>	<u>1,346,857</u>
TOTAL OPERATING REVENUES	<u>1,444,594</u>	<u>1,463,181</u>
OPERATING EXPENSES:		
General government:		
Insurance premiums	198,188	171,544
Administrative costs	55,495	53,905
Claims paid	1,216,810	1,359,817
Professional services	<u>1,150</u>	<u>1,150</u>
TOTAL OPERATING EXPENSES	<u>1,471,643</u>	<u>1,586,416</u>
OPERATING INCOME (LOSS)	<u>(27,049)</u>	<u>(123,235)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	697	(1,505)
Interest earnings	<u>4,576</u>	<u>12,635</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,273</u>	<u>11,130</u>
CHANGE IN NET ASSETS	(21,776)	(112,105)
Net assets, beginning of year	<u>309,144</u>	<u>421,249</u>
NET ASSETS, END OF YEAR	<u>\$ 287,368</u>	<u>\$ 309,144</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 668,893	\$ 885,793
Receivables:		
Accrued interest	2,902	7,949
TOTAL ASSETS	\$ 671,795	\$ 893,742
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 12,406	\$ 36,533
Claims payable	220,000	276,000
TOTAL LIABILITIES	232,406	312,533
NET ASSETS:		
Unrestricted	439,389	581,209
TOTAL LIABILITIES AND NET ASSETS	\$ 671,795	\$ 893,742

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES:		
General government:		
Benefits	133,774	135,628
Professional services	21,963	22,673
Insurance & bonds	1,217	707
Miscellaneous	<u>1,794</u>	<u>2,459</u>
TOTAL OPERATING EXPENSES	<u>158,748</u>	<u>161,467</u>
OPERATING INCOME (LOSS)	<u>(158,748)</u>	<u>(161,467)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	2,233	(1,158)
Interest earnings	<u>14,695</u>	<u>37,643</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>16,928</u>	<u>36,485</u>
CHANGE IN NET ASSETS	(141,820)	(124,982)
Net assets, beginning of year	<u>581,209</u>	<u>706,191</u>
NET ASSETS, END OF YEAR	<u>\$ 439,389</u>	<u>\$ 581,209</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 UNEMPLOYMENT COMPENSATION FUND
 COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Current assets:		
Investments, at market	\$ 310.623	\$ 318.320
Receivables:		
Accrued interest	1.302	2.744
TOTAL ASSETS	\$ 311.925	\$ 321.064
LIABILITIES:		
Current liabilities:		
Claims payable	\$ 10.723	\$ 6.528
NET ASSETS:		
Unrestricted	301.202	314.536
TOTAL LIABILITIES AND NET ASSETS	\$ 311.925	\$ 321.064

See accompanying notes to financial statements.

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

For the years ended June 30, 2010 and 2009

	June 30	
	2010	2009
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	20,096	8,753
TOTAL OPERATING EXPENSES	20,296	8,953
OPERATING INCOME (LOSS)	(20,296)	(8,953)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	915	(528)
Interest earnings	6,047	12,774
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,962	12,246
CHANGE IN NET ASSETS	(13,334)	3,293
Net assets, beginning of year	314,536	311,243
NET ASSETS, END OF YEAR	\$ 301,202	\$ 314,536

See accompanying notes to financial statements.

PERMANENT FUND

CITY OF ESCANABA, MICHIGAN
 GAS RETIREMENT FUND
 COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Investments, at market	\$ 1,093,276	\$ 1,085,319
Receivables:		
Accrued interest	4,485	9,735
TOTAL ASSETS	\$ 1,097,761	\$ 1,095,054
NET ASSETS:		
Reserved for:		
Principal	\$ 1,094,634	\$ 1,094,634
Capital improvements	3,127	420
TOTAL NET ASSETS	\$ 1,097,761	\$ 1,095,054

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
REVENUES:		
Interest and dividends	\$ 20,658	\$ 44,875
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	3,127	(1,961)
Operating transfers out:		
Local Street Fund	<u>(21,078)</u>	<u>(50,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,951)</u>	<u>(51,961)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (OTHER FINANCING USES)	2,707	(7,086)
Net assets, beginning of year	<u>1,095,054</u>	<u>1,102,140</u>
NET ASSETS, END OF YEAR	<u>\$ 1,097,761</u>	<u>\$ 1,095,054</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

CITY OF ESCANABA, MICHIGAN
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010 and 2009

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			2010	2009
ASSETS:				
Investments, at market	\$ 108,485	\$ 276,130	\$ 384,615	\$ 383,809
Receivables:				
Accrued interest	<u>453</u>	<u>1,155</u>	<u>1,608</u>	<u>3,467</u>
TOTAL ASSETS	<u>\$ 108,938</u>	<u>\$ 277,285</u>	<u>\$ 386,223</u>	<u>\$ 387,276</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 2,453	\$ 2,453	\$ 1,326
NET ASSETS:				
Reserved for:				
Bonifas Trust Fund	108,938	-	108,938	108,526
Bezold Trust Fund	<u>-</u>	<u>274,832</u>	<u>274,832</u>	<u>277,424</u>
TOTAL NET ASSETS	<u>108,938</u>	<u>274,832</u>	<u>383,770</u>	<u>385,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 108,938</u>	<u>\$ 277,285</u>	<u>\$ 386,223</u>	<u>\$ 387,276</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

For the years ended June 30, 2010 and 2009

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			2010	2009
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 2,061	\$ 5,275	\$ 7,336	\$ 16,082
MMRMA Rap Grant	1,962	-	1,962	-
	<u>4,023</u>	<u>5,275</u>	<u>9,298</u>	<u>16,082</u>
TOTAL REVENUES	\$ 4,023	5,275	9,298	16,082
EXPENDITURES:				
Cultural:				
Professional services	-	876	876	-
Books, magazines & periodicals	-	7,789	7,789	9,324
Capital outlay	3,924	-	3,924	25,937
	<u>3,924</u>	<u>8,665</u>	<u>12,589</u>	<u>35,261</u>
TOTAL EXPENDITURES	3,924	8,665	12,589	35,261
EXCESS REVENUES (EXPENDITURES)	99	(3,390)	(3,291)	(19,179)
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	313	798	1,111	(653)
	<u>313</u>	<u>798</u>	<u>1,111</u>	<u>(653)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	412	(2,592)	(2,180)	(19,832)
Net assets, beginning of year	<u>108,526</u>	<u>277,424</u>	<u>385,950</u>	<u>405,782</u>
NET ASSETS, END OF YEAR	\$ <u>108,938</u>	\$ <u>274,832</u>	\$ <u>383,770</u>	\$ <u>385,950</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 CATHERINE BONIFAS TRUST FUND
 COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Investments, at market	\$ 108.485	\$ 107.446
Receivables:		
Accrued interest	453	1.080
TOTAL ASSETS	\$ 108.938	\$ 108.526
NET ASSETS:		
Reserved for:		
Bonifas Trust Fund	\$ 108.938	\$ 108.526

See accompanying notes to financial statements.

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

June 30, 2010 and 2009

	June 30	
	2010	2009
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 2.061	\$ 5.018
MMRMA Rap Grant	1.962	-
TOTAL REVENUES	4.023	5.018
EXPENDITURES:		
Capital outlay	3.924	25.937
EXCESS REVENUES (EXPENDITURES)	99	(20.919)
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	313	(195)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	412	(21.114)
Net assets, beginning of year	108.526	129.640
NET ASSETS, END OF YEAR	\$ 108.938	\$ 108.526

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Investments, at market	\$ 276,130	\$ 276,363
Receivables:		
Accrued interest	<u>1,155</u>	<u>2,387</u>
TOTAL ASSETS	<u>\$ 277,285</u>	<u>\$ 278,750</u>
LIABILITIES:		
Accounts payable	<u>\$ 2,453</u>	<u>\$ 1,326</u>
NET ASSETS:		
Reserved for:		
Bezold Trust Fund	<u>274,832</u>	<u>277,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 277,285</u>	<u>\$ 278,750</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

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

June 30, 2010 and 2009

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ 5,275	\$ 11,064
EXPENDITURES:		
Cultural:		
Professional services	876	-
Books, magazines & periodicals	7,789	9,324
TOTAL EXPENDITURES	8,665	9,324
EXCESS REVENUES (EXPENDITURES)	(3,390)	1,740
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	798	(458)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(2,592)	1,282
Net assets, beginning of year	277,424	276,142
NET ASSETS, END OF YEAR	<u>\$ 274,832</u>	<u>\$ 277,424</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 PUBLIC SAFETY RETIREMENT FUND
 COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010 and 2009

	June 30	
	2010	2009
ASSETS:		
Cash and equivalents	\$ 866	\$ 3,295
Investments, at market	16,465,327	14,943,187
Receivables	284	-
TOTAL ASSETS	\$ 16,466,477	\$ 14,946,482
LIABILITIES:		
Accounts payable	\$ 210,423	\$ 382,645
NET ASSETS:		
Reserved for:		
Employees' retirement system	16,256,054	14,563,837
TOTAL LIABILITIES AND NET ASSETS	\$ 16,466,477	\$ 14,946,482

See accompanying notes to financial statements.

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

June 30, 2010 and 2009

	June 30	
	2010	2009
OPERATING REVENUES:		
Interest and dividends	\$ 449,988	\$ 668,556
Gain (loss) on sale of investments	1,957,200	(3,701,650)
Contributions:		
City of Escanaba	601,037	573,788
Employees	<u>118,679</u>	<u>115,872</u>
TOTAL OPERATING REVENUES	<u>3,126,904</u>	<u>(2,343,434)</u>
OPERATING EXPENSES:		
Administrative and general:		
Trustee fees	-	80
Miscellaneous	19,240	23,152
Benefits paid and refunds of member contributions	<u>1,415,447</u>	<u>1,328,860</u>
TOTAL OPERATING EXPENSES	<u>1,434,687</u>	<u>1,352,092</u>
NET INCOME (LOSS)	1,692,217	(3,695,526)
Net assets, beginning of year	<u>14,563,837</u>	<u>18,259,363</u>
NET ASSETS, END OF YEAR	<u>\$ 16,256,054</u>	<u>\$ 14,563,837</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, 2010

	<u>Balance</u> 06/30/09	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 06/30/10
ASSETS:				
Cash and equivalents	\$ 17.194	\$ 12,811,473	\$ 12,821,985	\$ 6,682
Receivables:				
Special assessments	-	48,346	48,346	-
Taxes	-	13,921,794	13,921,794	-
	<u>17.194</u>	<u>26,781,613</u>	<u>26,792,125</u>	<u>6,682</u>
TOTAL ASSETS	<u>\$ 17.194</u>	<u>\$ 26,781,613</u>	<u>\$ 26,792,125</u>	<u>\$ 6,682</u>
LIABILITIES:				
Due to other governments	<u>\$ 17.194</u>	<u>\$ 39,625,889</u>	<u>\$ 39,636,401</u>	<u>\$ 6,682</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, 2010

	<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, 2009	\$ 966	\$ 3,578	\$ 7,328	\$ 1,413	\$ 331	\$ 37
Collections:						
Interest earnings on investments	134	595	648	190	33	49
Taxes levied for 2009	657,436	2,975,706	3,135,319	931,044	154,433	276,071
Delinquent tax collections	9,292	11,846	58,743	13,675	3,925	115
Trailer tax collections	-	10,713	-	-	-	-
Industrial facilities tax collection	7,303	27,017	25,865	10,751	1,786	-
Total collections	<u>674,165</u>	<u>3,025,877</u>	<u>3,220,575</u>	<u>955,660</u>	<u>160,177</u>	<u>276,235</u>
Remittances:						
Delinquent taxes returned to County Treasurer	39,160	133,433	304,457	52,284	10,869	34,206
Delinquent personal property taxes	3,111	9,682	13,856	4,776	1,001	102
Remittances to governmental units	<u>632,585</u>	<u>2,883,651</u>	<u>2,908,587</u>	<u>899,608</u>	<u>147,991</u>	<u>241,962</u>
Total remittances	<u>674,856</u>	<u>3,026,766</u>	<u>3,226,900</u>	<u>956,668</u>	<u>159,861</u>	<u>276,270</u>
Balance, June 30, 2010	<u>\$ 275</u>	<u>\$ 2,689</u>	<u>\$ 1,003</u>	<u>\$ 405</u>	<u>\$ 647</u>	<u>\$ 2</u>

See accompanying notes to financial statements.

City of Escanaba	Delta County Sheriff Department	911	OPRA	DATA	Brownfield	State Tax Commission	Total
\$ 2,421	\$ 496	\$ 283	\$ -	\$ 339	\$ 2	\$ -	\$ 17,194
916	49	28	-	33	4	-	2,679
4,598,600	231,730	132,427	17,330	158,914	26,993	-	13,296,003
26,155	5,889	3,345	1,620	3,986	-	23,036	161,627
2,143	-	-	-	-	-	-	12,856
52,486	2,679	1,531	-	1,837	-	-	131,255
<u>4,680,300</u>	<u>240,347</u>	<u>137,331</u>	<u>18,950</u>	<u>164,770</u>	<u>26,997</u>	<u>23,036</u>	<u>13,604,420</u>
197,336	16,309	9,320	3,684	11,184	9,355	-	821,597
17,364	1,502	859	1,472	1,030	-	-	54,755
<u>4,467,162</u>	<u>222,364</u>	<u>127,374</u>	<u>13,794</u>	<u>152,822</u>	<u>17,644</u>	<u>23,036</u>	<u>12,738,580</u>
<u>4,681,862</u>	<u>240,175</u>	<u>137,553</u>	<u>18,950</u>	<u>165,036</u>	<u>26,999</u>	<u>23,036</u>	<u>13,614,932</u>
<u>\$ 859</u>	<u>\$ 668</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,682</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, 2010

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Retirements</u> <u>and other</u> <u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
LAND AND IMPROVEMENTS:				
Land	\$ 635,955	\$ -	\$ -	\$ 635,955
Farmer's Market	6,844	-	-	6,844
Advertising Signs	36,262	-	-	36,262
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	1,891,786	-	-	1,891,786
Marina/Harbor	997,909	-	-	997,909
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	328,898	22,700	-	351,598
Waterfront Development	1,400,854	-	-	1,400,854
BUILDINGS:				
Beach House	275,191	-	-	275,191
Historical Building	111,526	-	-	111,526
Band Shell	183,228	-	-	183,228
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	953,621	3,924	-	957,545
Public Safety Building	989,295	2,020	-	991,315
Webster Park Shelter House	94,594	-	-	94,594
Ludington Park Restroom	124,730	-	-	124,730
Royce Park Shelter	47,041	-	-	47,041
PARKING LOTS:				
1st Avenue North between 12th and 13th streets	17,446	-	-	17,446
West side of North 10th 100 block	1,702	-	-	1,702
Behind Daily Press	13,623	-	-	13,623
West of PSE Credit Union	33,408	-	-	33,408
East of PSE Credit Union	21,564	-	-	21,564
West End of Ludington	200,593	-	-	200,593
Lakestate Parking Lot	48,981	-	-	48,981
1st Avenue South at 8th Street	18,814	1,993	-	20,807
1000 Block 1st Avenue South	41,753	-	-	41,753
100 Block N 14th Street	39,832	-	-	39,832
EQUIPMENT:				
Library	104,421	2,513	-	106,934
Public Safety Department	1,513,826	6,069	-	1,519,895
Street and Sewer	81,410	1,229	-	82,639
Parks and Recreation	322,675	-	-	322,675
Band	15,558	-	-	15,558
Downtown Development	53,895	11,405	-	65,300
City Hall	363,555	-	-	363,555
OTHER:				
Infrastructure	16,633,235	583,356	217,998	16,998,593
Escanaba Building Authority	7,435,596	-	-	7,435,596
Motor Vehicle and Equipment Fund	5,450,236	379,766	77,926	5,752,076
Office Equipment Fund	418,072	36,259	-	454,331
TOTAL GOVERNMENTAL FUNDS FIXED ASSETS	<u>\$41,823,264</u>	<u>\$ 1,051,234</u>	<u>\$ 295,924</u>	<u>\$42,578,574</u>

See accompanying notes to financial statements.

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Kevin C. Pascoe, CPA

OFFICES IN MICHIGAN AND WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan as of and for the year ended June 30, 2010, which collectively comprise the City of Escanaba's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis.

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

Honorable Mayor and Members
of the City Council
City of Escanaba

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs as item 10-1.

We noted certain matters that we reported to management of the City of Escanaba in a separate letter dated December 10, 2010.

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

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

Anderson, Tackman & Company P.C.

Certified Public Accountants

December 10, 2010



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Kevin C. Pascoe, CPA

OFFICES IN MICHIGAN AND WISCONSIN

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

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

Compliance

We have audited the compliance of the City of Escanaba, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Escanaba's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Escanaba's management. Our responsibility is to express an opinion on the City of Escanaba's compliance based on our audit.

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

In our opinion, the City of Escanaba complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 10-2.

Honorable Mayor and Members
of the City Council
City of Escanaba

Internal Control Over Compliance

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

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

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

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

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

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

December 10, 2010

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Grantor's or Program Number</u>	<u>CFDA</u>	<u>Grant Awarded in Current Year</u>	<u>Federal Ex- penditures in Current Year</u>
MAJOR PROGRAM:				
<u>DEPARTMENT OF COMMERCE</u>				
Economic Development Administration: Economic Adjustment Assistance	-	11.307	<u>\$1,470,568</u>	<u>\$1,470,568</u>
NON-MAJOR PROGRAMS:				
<u>DEPARTMENT OF JUSTICE</u>				
Passed through Michigan State Police: U.P.S.E.T.	-	16.579	40,696	40,696
Passed through Grand Valley State University: PSN Grant	-	16.609	<u>20,847</u>	<u>20,847</u>
Total Department of Justice			<u>61,543</u>	<u>61,543</u>
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
Passed through the State: MSHDA Facade Grant	-	14.228	<u>82,502</u>	<u>82,502</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed through Michigan State Police: EMPG Program	-	83.552	<u>18,217</u>	<u>18,217</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,632,830</u>	<u>\$1,632,830</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE A - OVERSIGHT AGENCY

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

NOTE B - BASIS OF ACCOUNTING

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

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

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

NOTE D - FEDERAL REVENUE RECONCILIATION

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

A reconciliation is as follows:

Total revenue as reported on the Govern- mental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 162,262
Economic Adjustment Assistance	<u>1,470,568</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$1,632,830</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	\$ 1,206,140
Cash and investment balance at year-end	750,121
Administrative expenses paid during the fiscal year	800
Unpaid loan principal written off during the fiscal year	<u>-</u>
	1,957,061
Multiplied by the federal share of the RLF	* <u>.7514163315</u>
	<u>\$ 1,470,568</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Escanaba, Michigan.
2. Reportable instances of noncompliance disclosed during the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and are detailed in Section II of this schedule.
3. No instances of noncompliance material to the financial statements of the City of Escanaba, Michigan were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Escanaba, Michigan expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for the City of Escanaba, Michigan. These findings are listed in Section III of this schedule.
7. The program tested as the major programs was:

Department of Commerce:
Economic Development Administration
Economic Adjustment Assistance
CFDA 11.307
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Escanaba, Michigan was determined to be a low-risk auditee.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 09-1 - BUDGET NONCOMPLIANCE

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

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

City Elections	\$	17
Farmers Market		41
Band		362

Context - Isolated.

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

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

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

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

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

SECTION III - COMPLIANCE FINDINGS

FINDING 10-2 - BANK LETTER

QUESTIONED
COSTS

Criteria - EDA guidelines for loans indicate that a letter from a financial institution indicating denial of a private loan is required.

Condition - For the loan given to Donalway, Inc. a denial letter from a financial institution was not on file.

Context - One of one loans tested.

Effect - The City was not in compliance with EDA guidelines.

Cause - Unknown.

NONE

Recommendation - That the City comply with EDA loan guidelines.

Management's response - In the future letters will be procured per policy.

CITY OF ESCANABA, MICHIGAN

RESOLUTION OF PRIOR YEARS FINDINGS
AND QUESTIONED COSTS

For the year ended June 30, 2010

Finding 09-2 - Bank Letter

This finding is addressed in Section III of the Schedule of Findings and Questioned Costs.

Finding 09-3 - Sequestration

The City is presently oversequestered. No additional finding was noted in the current fiscal year.

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION

GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION¹

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Miscellaneous</u>	<u>Transfers to Other Funds</u>	<u>Total</u>
2001	\$1,188,045	\$3,112,803	\$3,090,262	\$ 737,605	\$ 9,148	\$1,210,795	\$ 1,123	\$ 55,564	9,405,345
2002	1,258,077	3,476,223	2,362,603	810,316	9,148	1,222,291	1,719	133,598	9,273,976
2003	1,271,488	3,352,685	1,690,300	779,437	9,148	1,205,011	158	20,408	8,328,635
2004	1,249,423	3,523,272	2,552,218	789,040	9,148	1,158,753	0	31,274	9,313,128
2005	1,259,757	3,916,237	1,769,940	825,609	9,148	1,104,489	0	28,505	8,913,685
2006	1,048,811	3,825,060	1,593,613	800,008	9,148	1,147,526	0	14,186	8,438,352
2007	1,012,236	3,557,000	2,133,734	731,388	9,148	1,209,893	0	15,206	8,668,605
2008	1,074,690	3,562,962	3,104,279	683,088	9,148	1,215,395	0	20,750	9,670,312
2009	1,086,701	3,655,292	1,950,433	600,108	9,148	1,185,074	0	26,720	8,513,476
2010	1,094,446	3,659,689	1,734,109	583,607	9,148	1,187,276	0	7,058	8,275,333

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

GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE¹

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Taxes	Licenses and Permits	Inter-gov- ernmental Revenue	Charges for Services	Fines and Forfeitures	Contributions from Other Funds	Miscellaneous	Total
2001	\$3,351,111	\$ 11,706	\$3,672,522	\$ 641,331	\$ 74,396	\$ 1,245,781	\$ 461,824	\$9,458,671
2002	3,522,775	1,523	3,507,227	629,821	49,844	905,962	349,053	8,966,205
2003	3,657,846	1,460	2,982,213	607,504	41,677	900,981	342,645	8,534,326
2004	3,725,194	1,217	3,500,054	627,839	56,288	1,194,019	373,582	9,478,193
2005	3,862,055	1,306	3,204,091	673,304	46,536	850,619	236,609	8,874,520
2006	3,945,204	1,612	3,021,994	503,420	50,959	830,983	207,075	8,561,247
2007	4,151,376	1,550	3,164,788	273,621	54,191	876,764	392,306	8,914,596
2008	4,329,778	1,725	3,697,812	334,261	56,900	758,103	414,037	9,592,616
2009	4,422,967	1,880	2,873,270	408,977	59,649	763,224	303,733	8,833,700
2010	4,621,372	1,575	2,558,168	408,251	58,217	730,462	228,516	8,606,561

¹Includes General, Major Street, Local Street, Library and Bebold Funds.

CITY OF ESCANABA, MICHIGAN

Table 3
(unaudited)

REAL AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>Total Tax Levy</u>	<u>Total 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>
2001*	\$3,238,742	\$ 3,214,745	99.26	\$ 34,127	\$ 3,248,871	100.31	\$ 19,493	.60
2002*	3,403,742	3,376,759	99.21	23,863	3,400,622	99.91	22,634	.66
2003*	3,545,866	3,516,148	99.16	17,683	3,533,831	99.66	35,003	.99
2004*	3,629,103	3,605,702	99.36	18,885	3,624,587	99.88	37,741	1.04
2005*	3,760,903	3,744,006	99.55	28,449	3,772,456	100.31	26,794	.71
2006*	3,883,469	3,869,400	99.64	12,099	3,881,499	99.95	33,434	.86
2007*	4,071,825	4,057,090	99.64	9,400	4,066,490	99.87	38,705	.95
2008*	4,247,875	4,231,386	99.61	15,775	4,247,161	99.98	39,754	.93
2009*	4,362,889	4,346,313	99.62	15,430	4,361,743	99.97	47,807	1.10
2010*	4,550,552	4,533,189	99.62	20,420	4,553,609	100.07	44,833	.98

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

CITY OF ESCANABA, MICHIGAN

Table 4
(unaudited)

TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY¹

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Real Property		Personal Property		Total		Percent of Total Taxable Value to Total Estimated Value
	Taxable ¹ Value	Estimated Actual Value	Taxable ¹ Value	Estimated Actual Value	Taxable ¹ Value	Estimated Actual Value	
2001	\$176,263,618	\$446,187,192	\$ 18,365,759	\$ 36,731,518	\$194,629,377	\$482,918,710	40.30
2002	185,685,617	518,521,084	19,126,149	38,252,298	204,811,766	556,773,382	36.79
2003	194,323,465	499,964,674	19,850,412	40,169,886	214,173,877	540,134,560	39.65
2004	202,613,242	509,651,888	16,607,906	33,215,812	219,221,148	542,867,700	40.38
2005	211,764,531	547,814,648	16,384,409	32,768,818	228,148,940	580,583,466	39.30
2006	218,520,278	553,499,468	16,712,115	33,424,230	235,232,393	586,923,698	40.08
2007	230,278,798	556,243,644	17,843,715	35,687,430	248,122,513	591,931,074	41.92
2008	238,549,149	566,335,400	17,777,660	35,555,320	256,326,809	601,890,720	42.59
2009	245,683,057	581,031,632	17,651,055	35,302,110	263,334,112	616,333,742	42.73
2010	258,045,957	588,298,682	18,101,135	36,202,270	276,147,092	624,500,952	44.22

Source: City of Escanaba Assessor's Department

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

CITY OF ESCANABA, MICHIGAN

Table 5
(unaudited)

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

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>City of Escanaba</u>	<u>Delta County</u>	<u>Escanaba Area Public School</u>	<u>Delta- Schoolcraft Intermediate School District</u>	<u>Bay de Noc Community College</u>	<u>State ED</u>	<u>Total¹</u>
2001	17.00	6.6319 ²	1.03	2.4807	3.3585	6.00	36.5011
2002	17.00	6.6112 ²	3.06	2.4695	3.3511	6.00	38.4918
2003	17.00	6.6097 ²	3.02	2.4596	3.3506	6.00	38.4399
2004	17.00	6.5719 ²	3.11	2.4375	3.5000	5.00	37.6194
2005	17.00	6.5458 ²	3.08	2.4191	3.5000	6.00	38.5449
2006	17.00	7.1104 ³	3.08	2.3994	3.5501	6.00	39.1399
2007	17.00	7.5897 ⁴	2.91	2.3851	3.5337	6.00	39.4185
2008	17.00	7.5897 ⁴	2.89	2.3851	3.5225	6.00	39.3873
2009	17.00	7.5897 ⁴	2.83	2.3851	3.5149	6.00	39.3197
2010	17.00	7.5897 ⁴	2.76	2.3851	3.5109	6.00	39.2457

Source: City of Escanaba Assessor's Department

¹The amounts for fiscal years ended 6/30/01 and later reflect the tax rate for owner occupied residential property. Other property types would see tax rates of up to 18 mills higher.

²Beginning in the fiscal year ended 6/30/92, Delta County's tax rate includes extra millage for Sheriff's Patrol and Community Action Agency. For the fiscal year ended 6/30/10, these amounts were .8749 and .5831, respectively.

³Beginning in the fiscal year ended 6/30/06, extra voted millage for the Delta County Central Dispatch authority was included in Delta County's tax rate. The amount for fiscal year ended 6/30/10 was .5000.

⁴Beginning in the fiscal year ended 6/30/07, extra voted millage for the Delta Area Transit Authority was included in Delta County's Tax rate. The amount of fiscal year ended 6/30/10 was .6000.

CITY OF ESCANABA, MICHIGAN

Table 6
(unaudited)

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2010

2010 Taxable Valuation (as of December 31, 2009)		\$311,601,869
Plus: Equivalent 2010 valuation of Act 198 Exemptions		<u>2,599,902</u>
Total Valuation		<u>\$314,201,771</u>
Debt limit - 10 percent of assessed value ¹		\$ 31,420,177
Amount of outstanding debt	\$ 8,830,002	
Less: Revenue bonds ^{2-d}	(5,595,000)	
Non-Bonded Debt	(95,002)	
Bonds issued to Abate Pollution ^{2-f}	<u>-</u>	
	<u>\$ 3,140,000</u>	<u>3,140,000</u>
LEGAL DEBT MARGIN		<u>\$ 28,280,177</u>

¹Act 279, Public Acts of Michigan, 1909, as amended, provides that the net indebtedness of the City shall not exceed 10 percent of all assessed real and personal property in the City.

²Bonds which are not included in the compilation of legal debt margin according to Act 279, Public Acts of Michigan, 1909, are:

- a. Special Assessments Bonds
- b. Mortgage Bonds
- c. Motor Vehicle Highway Funds Bonds
- d. Revenue Bonds
- e. Bonds issued, or contracts or assessments obligations, incurred to comply with an order of the Water Resources Commission or a Court of Competent Jurisdiction
- f. Other obligations incurred for water supply, sewage, drainage or refuse, disposal projects necessary to protect the public health by abating pollution

CITY OF ESCANABA, MICHIGAN

Table 7
(unaudited)

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2010

<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 ¹	\$ 3,140,000	100.00%	\$ 3,140,000
Escanaba Area Public Schools	36,985,000	45.46%	16,813,381
Bay de Noc Community College ²	3,635,000	24.56%	892,756
Delta County ³	<u>7,845,000</u>	24.56%	<u>1,926,732</u>
 TOTALS	 <u>\$ 51,605,000</u>		 <u>\$ 22,772,869</u>

Source: City of Escanaba Assessor's Department

¹Net bonded debt outstanding includes only bonded debt to be repaid with property tax proceeds. Not included for purposes of this schedule is any debt: (a) to be repaid out of Utility Fund proceeds or (b) non-bonded debt.

²Net bonded debt outstanding does not include outstanding revenue bonds, used for the construction of the College's dormitories, as this debt is to be repaid with rental payments.

³Net bonded debt does not include general obligation limited tax notes, to be repaid with delinquent property tax collections nor does it include any notes payable, secured by airport property.

WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Net Income	Depre- ciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2001	\$ (43,563)	\$ 202,305	\$ -	\$ 158,742	\$ -	\$ -	\$ -	n/a
2002	(58,514)	212,305	-	153,791	-	-	-	n/a
2003	(4,677)	192,696	22,275	210,924	-	22,275	22,275	9.47
2004	(20,042)	208,464	59,311	247,733	-	59,311	59,311	4.18
2005	(96,307)	246,059	69,419	219,171	110,000	69,419	179,419	1.22
2006	(25,033)	245,179	63,937	284,083	110,000	63,937	173,937	1.63
2007	45,849	244,339	61,095	351,283	115,000	61,095	176,095	1.99
2008	(13,463)	327,196	93,880	407,613	115,000	93,880	208,880	1.95
2009	(110,199)	330,373	115,299	335,473	240,000	115,299	355,299	.94
2010	19,087	327,973	110,474	457,534	240,000	110,474	350,474	1.31

WASTE WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Net Income	Depre- ciation	Interest on Revenue Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			Coverage
					Principal	Interest and Fees	Total	
2001	\$ 38,661	\$ 231,876	\$ 40,221	\$ 310,758	\$ 104,338	\$ 40,221	\$ 144,559	2.15
2002	(26,028)	205,555	38,025	217,552	105,000	38,025	143,025	1.52
2003	39,205	206,763	35,825	281,793	105,000	35,825	140,825	2.00
2004	(93,038)	201,739	33,466	142,167	115,000	33,466	148,466	.96
2005	(85,363)	200,214	31,053	145,904	115,000	31,053	146,053	1.00
2006	(5,676)	202,662	28,641	225,627	115,000	28,641	143,641	1.57
2007	98,382	202,562	26,228	327,172	115,000	26,228	141,228	2.32
2008	(43,025)	208,153	23,656	188,784	125,000	23,656	148,656	1.27
2009	(100,808)	209,593	21,031	129,816	125,000	21,031	146,031	.89
2010	107,587	208,977	18,407	334,971	125,000	18,407	143,407	2.34

ELECTRIC UTILITY
COMPARATIVE STATISTICAL INFORMATION

For the Years Ended June 30, 2010 and 2009

	Year Ended June 30,		Year Ended June 30,	
	2010	2009	2010	2009
	Number of kWh		Per kWh	
OPERATING REVENUES:				
Residential sales	33,609,766	34,003,237	0.106082	0.100210
Hot water sales	333,744	355,598	0.098419	0.092551
Electric heat	290,291	345,916	0.093546	0.089307
Commercial sales	41,414,237	43,529,695	0.098846	0.092837
Industrial sales	55,200,444	58,460,623	0.085852	0.080261
Municipal	5,768,417	6,073,492	0.093134	0.089298
Dusk to Dawn	530,273	534,831	0.100223	0.095777
Street lighting	1,941,781	1,931,352	0.084306	0.080126
Dispatching	39,332,085	2,192,520	0.064693	0.252259
TOTAL OPERATING REVENUES	178,421,038	147,427,264	0.088312	0.095467
OPERATING EXPENSES:				
Production	184,944,483	154,525,916	0.080680	0.081995
Transmission/Distribution/Services			0.002579	0.002691
Administration/General			0.007990	0.005062
Provision for depreciation			0.005286	0.006240
General Fund Administration and Collection			0.002779	0.002994
Unaccounted for	(6,523,445)	(7,098,652)	0.003633	0.003792
TOTAL OPERATING EXPENSES	178,421,038	147,427,264	0.102947	0.102774
Operating income			(0.014635)	(0.007010)
Miscellaneous income			0.002049	0.000449
Interest earnings			0.001924	0.006530
Decline in inventory value			(0.001139)	(0.000000)
TOTAL OPERATING AND OTHER INCOME			(0.011801)	(0.000031)
Contributions to Other Funds			(0.002598)	(0.002908)
NET INCOME			(0.014399)	(0.002939)
	Year Ended June 30,			
	2010	2009		
TOTAL NUMBER OF SERVICES:				
Residential	5,909	5,921		
Hot Water	165	171		
Heating	26	27		
Commercial	1,006	1,031		
Industrial	36	36		
Municipal	97	96		
AVERAGE KILOWATTS PER SERVICE:				
Residential	5.688	5.743		
Hot Water	2.023	2.080		
Heating	11.165	12.812		
Commercial	41.167	42.221		
Industrial	1,533,346	1,623,906		
Municipal	59,468	63,266		
AVERAGE REVENUE PER SERVICE:				
Residential	\$ 603	\$ 582		
Hot Water	\$ 199	\$ 196		
Heating	\$ 1,044	\$ 1,153		
Commercial	\$ 4,069	\$ 3,970		
Industrial	\$ 131,641	\$ 130,095		
Municipal	\$ 5,539	\$ 5,753		

CITY OF ESCANABA, MICHIGAN

Table 11
(unaudited)

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>Population¹</u>	<u>K-12 School Enrollment²</u>	<u>Unemployment Rate³</u>
2001	12,937 (estimate)	3,389	6.4
2002	12,788 (estimate)	3,328	7.4
2003	12,697 (estimate)	3,239	8.4
2004	12,632 (estimate)	3,099	7.9
2005	12,513 (estimate)	3,013	7.2
2006	12,426 (estimate)	2,963	7.1
2007	12,282 (estimate)	2,882	7.4
2008	12,240 (estimate)	2,778	8.4
2009	12,121 (estimate)	2,716	12.4
2010	Not available	2,602	13.2

Sources:

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

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

³Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except 2010, which is through October, 2010).

CITY OF ESCANABA, MICHIGAN

Table 12
(unaudited)

PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2011¹

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Rubloff Delta LLC	Shopping Center	\$4,144,274	1.51
UP Enterprises LLC	Commercial Real Estate	4,075,236	1.49
Wal-Mart	Retail Sales	4,024,465	1.47
Menards Inc.	Retail Sales	4,018,847	1.47
Dagenais Real Estate	Commercial Real Estate	3,695,480	1.35
UP State Bank	Banking	2,430,209	0.89
Elmer's County Market	Food Sales	2,167,925	0.79
EMP, Inc.	Manufacturing	2,060,717	0.75
Shopko Properties	Retail Sales	1,787,107	0.65
Bosk Properties	Commercial Real Estate	1,750,613	0.64

Source: City of Escanaba Assessor's Department

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

¹Valuation as of 12/31/09 becomes the "2010 Taxable Valuation." This value is used to compute City property taxes for July 2010, which finance City operations through the fiscal year ended June 30, 2011.

MISCELLANEOUS STATISTICS

June 30, 2010

Date of incorporation	1883
Form of government - since 1922	Council-Manager
Area	12.81 square miles
Miles of streets	83.01 miles
Miles of paved roads	79.04 miles
PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION	
Number of stations	1
Number of public safety officers	32
ELECTRIC DEPARTMENT	
Capacity	41.0 megawatts
Peak use during fiscal year	29.2 megawatts
WATER DEPARTMENT	
Number of accounts	5,700
Average daily consumption	1,300,000 gallons/day
Pumping capacity	6,500,000 gallons/day
Storage capacity	2,000,000 gallons
Design capacity	8,000,000 gallons/day
Miles of water mains	77.12 miles
WASTEWATER DEPARTMENT	
Average daily treatment	1,800,000 gallons/day
Design capacity	2,200,000 gallons/day
Treatment	Activated sludge process
Miles of sanitary sewer	77.80 miles
Miles of storm sewers	48.91 miles
CULTURE AND RECREATION	
Public Library:	
Volumes	79,712
2009-10 circulation	125,547
Number of registered users	10,137
Parks and recreation areas	504.5 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	2
Softball/baseball fields	9
Outdoor band shell	1
Basketball courts - indoor and outdoor	4
Tennis courts	9
Marina	165 berths
Public boat launches	2

RATIO OF NET DEBT TO ASSESSED VALUE AND NET DEBT PER CAPITA

Last Ten Fiscal Years

As of June 30.	Population ¹	Taxable Value ²	Gross Debt ³	Less Debt Payable from Enterprise Funds	Net Debt ⁴	Net Debt to Taxable Value	Net Debt per Capita
2001	12.937 (est)	\$194,629,377	\$ 7,091,500	\$ 1,942,000	\$ 5,149,500	2.65%	398.04
2002	12.788 (est)	204,811,766	6,816,540	1,825,000	4,991,540	2.44%	390.33
2003	12.697 (est)	214,173,877	8,813,732	3,954,354	4,859,378	2.27%	382.72
2004	12.632 (est)	219,221,148	8,888,503	4,331,000	4,557,503	2.08%	360.79
2005	12.513 (est)	228,148,940	8,417,753	4,094,000	4,323,753	1.90%	345.54
2006	12.426 (est)	235,232,393	7,967,003	3,845,000	4,122,003	1.75%	331.72
2007	12.282 (est)	248,122,513	8,209,277	4,313,025	3,896,252	1.57%	317.23
2008	12.240 (est)	256,326,809	9,787,471	6,104,969	3,682,502	1.44%	300.86
2009	12.121 (est)	263,334,112	9,418,752	5,960,000	3,458,752	1.31%	285.35
2010	Not available	276,147,092	8,830,002	5,595,000	3,235,002	1.17%	266.89

Sources:

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

²From Table 4

³Does not include non-bonded debt secured on equipment

⁴Includes DDA Revenue Bond.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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

Kevin C. Pascoe, CPA

REPORT TO MANAGEMENT

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escanaba (the City) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 26, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, the market value of investments and the market value of the Electric Fund coal inventory is based on past experience with similar fixed assets and market valuations for investments and coal. We evaluated the key factors and assumptions used to develop the estimates described above in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2010.

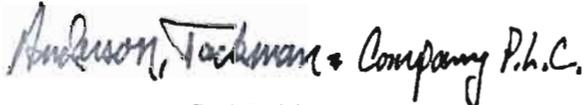
Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

December 10, 2010

CITY OF ESCANABA

COMMENTS AND RECOMMENDATIONS

June 30, 2010

BUDGET NONCOMPLIANCE

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

The following functions of the General Fund were overspent:

City elections	\$	17
Farmer's market		41
Band		362

We recommend that the City continue to monitor the budget to comply completely with the Michigan Uniform Budgeting and Accounting Act.

UPSET FUNDS

The City operates as the depository for UPSET forfeiture funds. There is little, if any, ability for the City to determine the accuracy of funds received. There is also very little City control over the expenditure of these funds. We recommend that the need of the City's involvement be researched, and that these funds be turned over to UPSET's control, if appropriate.

ACCOUNTS RECEIVABLE

During our audit we noted that several receivables that are quite delinquent. We also noted that during the fiscal year the City's management has continued to make a concerted effort to address these receivables. We recommend that the City continue these efforts and to determine if any of these receivables need to be written off.

SINGLE AUDIT – EDA FUND

The Economic Development Agency requires that a letter from a financial institution be present indicating that the financial institution will not grant a loan to the loan applicant prior to EDA money being lent. This, in effect, makes the City the lender of last resort. For one of the EDA loans granted during the fiscal year this letter was not present in the file.